gen-i ANNUAL REPORT 2022

ANNUAL REPORT OF THE GEN-I GROUP AND GEN-I, D.O.O.
FOR THE YEAR 2022

gen-i ANNUAL REPORT **2022**

ANNUAL REPORT OF THE GEN-I GROUP AND GEN-I, D.O.O.
FOR THE YEAR 2022

INDEX

ABBREVIATIONS

AIB	Association of Issuing Bodies
AML/CFL	Anti-Money Laundering/Combatting the Financing of Terrorism
ARRS	Slovenian Research Agency
B2B	Business to Business
B2C	Business to Customer
B2G	Business to Government
CSEE	Central and Southeastern Europe
DDV	Value Added Tax
DPIA	Data Protection Impact Assessment
EECS	European Energy Certificate System
EES	Slovenian Electricity System
EFET	European Federation of Energy Traders
ESG	Environment, Social, Governance
ETRM	Energy Trading Risk Management
EU	European Union
GDPR	General Data Protection Regulation
GRI	Global Reporting Initiative
GS	Global Standards
ISDA	International Swaps and Derivatives Association
ISO	International Organization for Standardization
KPK	Commission on the Prevention of Corruption
KYC	Know Your Customer

MtM	Mark-to-Market
NEPN	National Energy and Climate Plan
NPS	Net Promoter Score
NVO	Non-Governmental Organisations
OKR	Objectives and Key Results
OVE	Renewable Energy Sources
PDCA	Plan - Do - Check - Act
PEP	Politically Exposed Person
POI	Guarantee of Origin
PPA	Power Purchase Agreement
SALS	Sales Runner
SDG	Sustainable Development Goals
SDH	Slovenian Sovereign Holding
SEPA	Single Euro Payments Area
SONDSEE	System operating instructions for the electricity distribution system
SPTE	Combined Heat and Power
SVDEE	Section for questions from electricity suppliers
UPPD	Office for Money Laundering Prevention
VOP	Personal Data Protection
ZGD-1J	Companies Act
ZOEE	Electricity Supply Act
ZPPDFT-2	Prevention of Money Laundering and Terrorist Financing Act

29,773,273 EUR
NET PROFIT

192,381,891 EUR
EQUITY

16.38%
ROE

129.2 TWh
ENERGY SOLD

0.8
NET FINANCIAL DEBT/EBITDA

1 OPERATING HIGHLIGHTS OF THE GEN-I GROUP IN 2022

ITEM	UNIT	2022	2021	INDEX 2022/2021	INDEX 2021/2020
INCOME STATEMENT ITEMS					
Sales revenues	EUR	4,076,128,595	3,356,322,637	121.4	159.7
Change in value of inventories	EUR	7,009,807	1,316,095	532.6	–
Historical cost of goods sold	EUR	–4,071,494,367	–3,308,888,153	123.0	161.0
Other recurring operating revenues and expenses	EUR	130,581,139	110,361,336	118.3	388.7
Gross operating profit[1]	EUR	142,225,174	159,111,915	89.4	215.7
Earnings before interest. taxes. depreciation and amortisation (EBITDA)[2]	EUR	53,087,582	92,963,712	56.7	289.8
Earnings before interest and taxes (EBIT)	EUR	40,658,278	88,972,931	44.8	380.1
Net operating profit after tax (NOPAT)[3]	EUR	31,745,834	71,182,307	43.8	397.3
Net profit or loss	EUR	29,773,273	70,076,376	42.2	454.2
STATEMENT OF FINANCIAL POSITION ITEMS					
Total assets	EUR	603,085,620	477,787,849	126.2	170.7
Equity	EUR	192,381,891	171,228,128	112.4	162.7
Inventories	EUR	31,400,576	15,760,368	199.2	462.5
Current receivables	EUR	417,376,335	244,885,801	170.4	150.9
Current liabilities	EUR	294,502,313	216,887,162	135.8	201.6
Cash and cash equivalents	EUR	69,320,323	149,585,642	46.3	228.1
Working capital (inventories + current receivables + current liabilities)	EUR	154,274,598	43,759,007	352.6	75.3
Non-current financial liabilities	EUR	7,142,335	11,009,471	64.9	28.5
Current financial liabilities	EUR	106,720,100	76,544,217	139.4	289.2
Financial debt	EUR	113,862,435	87,553,689	130.0	134.5
Net financial debt	EUR	44,542,112	–62,031,953	–71.8	12,498.2
DEBT. LEVERAGE AND COVERAGE INDICATORS					
Equity/(financial debt + equity)	%	62.8	66.2	94.9	107.1
Equity/total assets	%	31.9	35.8	89.0	95.3
EBITDA/expenses for interests		22.9	57.9	39.5	290.1
Net financial debt/EBITDA[4]		0.8	–0.7	–125.7	4,312.6
PROFITABILITY INDICATORS					
Gross margin[5]	%	3.49	4.74	73.6	135.0
EBITDA margin	%	1.30	2.77	47.0	181.4
EBIT margin	%	1.00	2.65	37.6	238.0
ROA (net profit/average total assets)	%	5.51	18.50	29.8	324.5
ROE (net profit/average equity)	%	16.38	50.69	32.3	328.7

[1] Gross operating profit = the difference between sales revenues and expenses.
[2] EBITDA = earnings before interest, taxes, depreciation and amortisation.
[3] NOPAT = earnings before interests and taxes x (1 - effective tax rate).
[4] Net financial debt/EBITDA = non-current and current financial liabilities - (cash and cash equivalents)/EBITDA.
[5] Difference between sales revenues and expenses/sales revenues.

2 MESSAGE FROM THE PRESIDENT OF THE MANAGEMENT BOARD[1]

Dear business partners, owners and employees,

In this past year, the European energy sector and related shareholders have been confronted with circumstances that were not dictated by the market environment but rather by geopolitical tendencies and climate change. Even though Europe should be swiftly implementing the green transition, the lack of energy sources and extreme wholesale market prices have forced the countries and suppliers to focus on the reliable supply of energy sources and to protect our consumers from extreme prices on energy markets.

Through strategic direction, careful management and quick adjustment, the GEN-I Group has closed 2022 with excellent business results in spite of the unpredictable business environment. Financial stability also enables us to successfully manage our business operations according to plans in the variable period to come. Once again, we have proved that a motivated team can exceed the objectives pursued, even in exceptional conditions.

In 2022, our net revenues from sales have exceeded EUR 4 billion for the first time ever. Despite the record values of net revenues from sales, their growth has not been met with the growth of the costs of energy. As a consequence, we have detected a drop in the gross operating result in 2022 compared to the previous period. The GEN-I Group has ended the 2022 financial year with a net profit of EUR 29.8 million which, albeit lower than the result achieved in the previous period, still exceeds the net profit for 2022, as indicated in the business plan of the company, by 36.6%.

Those successful results were mainly achieved through a well-thought-out approach to trading in international energy markets where we have sold 129.2 TWh of energy sources, of which 97.7 TWh of electricity. In doing so, we remain the main electricity trader in SEE countries where we are also successfully expanding our natural gas trading activities with the purpose of diversifying our portfolio and guaranteeing a safe supply to our end consumers.

In the Slovenian market, we have been supplying CO_2-free electricity to our consumers for the third consecutive year, thereby honouring our own commitment to decarbonising our domestic electricity system. In addition, the prices we have managed to guarantee all the way through to the end of 2022 were lower than the permitted highest regulated price set out by the government of the Republic of Slovenia in order to protect consumers, despite extremely high wholesale energy prices to which countries have also reacted using regulatory measures. We were only able to enable such prices, as well as the savings they guaranteed to our household consumers, by implementing an efficient adaptation of the operations of our Group in foreign markets where most of our revenue was generated. Despite a dramatic change in the market conditions and the turbulent market conditions which have shaped the business operations of numerous actors in energy markets, we were not obliged to make use of any State aid or guarantee scheme funds for the support of the liquidity of energy companies, adopted by the legislator in order to guarantee a reliable supply of end consumers in the Republic of Slovenia due to the increased volatility in the electricity markets.

A changed business environment did not stop us on our way towards the green transformation. Our largest solar power plant with a nominal power of 17 MW has started running in Macedonia, while Slovenian roofs have received 1,842 new small solar power plants set up by our subsidiary GEN-I SONCE d.o.o. in 2022. We continue our successful management and optimisation of generation from renewable sources, on wind farms and in solar power plants alike. We are also becoming an increasingly important provider of advanced system solutions as well as the leading facilitator for consumers who are taking on the role of active energy operators. In doing so, we are promoting judicious energy consumption among our consumers with our efficient tips.

Even in these changed circumstances, the success of the GEN-I Group lies in our in-depth market knowledge and constant progress in the field of optimising analytical support. Over 220 of a total of 681 employees (at the end of 2022) are working in the field of strategic development, IT and analytics.

[1] Disclosure 2-22.

Personnel development remains one of our developmental strategic orientations. In 2022, we have been paying particular attention to the empowering of our leaders while reinforcing the agility, capability of innovative and creative thinking as well as ability of planning a complex solution in all our employees.

The successful development and enviable business results achieved by the GEN-I Group ever since its establishment prove that the entrepreneurial culture, continuity and professionalism of our leadership lead to success. The members of the newly appointed Management Board who have been entrusted with a 5-year mandate by the General Meeting of the company on 17 February 2023 will make further efforts in order to achieve these goals.

Through our strategic orientation towards the further expansion of our trading sector, we will continue to reinforce our position as the leading energy trader in the region, while maintaining our position of the most trustworthy energy supplier in Slovenia through the development of high-quality services. We will promote innovative approaches to developing new features and improving our own operations among our employees. We will continue to guide them based on their strengths, and to reinforce their environmental consciousness.

We will maintain our strategic investments in data analytics and the digitalisation of processes and services for our clients as well as promote entrepreneurial culture. Using a financially robust corporative operation structure, we will maintain stable business operations in the uncertain business environment of the future, while enabling continuous growth and development for our business partners, employees and owners.

Maks Helbl
President of GEN-I's Management Board

BUSINESS REPORT **2022**

BUSINESS REPORT OF THE GEN-I GROUP FOR THE YEAR 2022

3 BUSINESS REPORT

3.1 Presentation of the Group[2]

The GEN-I Group, which comprises the company GEN-I, d.o.o. and 17 of its subsidiaries, is one of the fastest growing and innovative players on the European energy market.

The Group is active on over 20 European markets from France in the West to Turkey in the East.

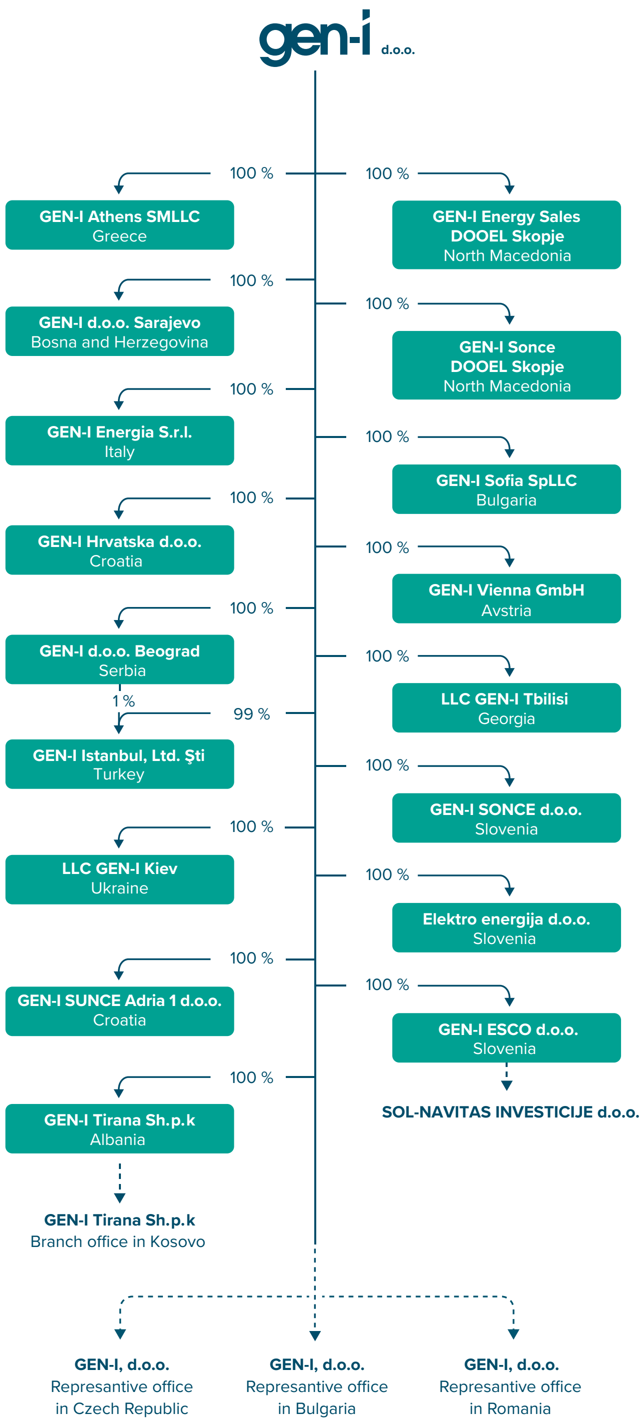
International activities are managed from Slovenia, whereby we provide our subsidiaries with all necessary infrastructure needed to participate on local and international energy markets.

This allows the GEN-I Group to maintain its leading role of a trader in the energy markets within the region as well as the role of the leading supplier and promoter of green transformation in Slovenia.

The core activities of the GEN-I Group are:

- supplying end consumers with electricity and natural gas;
- trading in electricity and natural gas;
- purchasing electricity from large, RES and CHP producers;
- performing the services of self-supply and energy efficiency for natural persons and legal entities;
- providing advanced services to business partners and consumers;
- providing innovative products and services on the energy markets in the South-Eastern Europe.

Wholesale and retail purchase and supply of electricity and natural gas in the market remain the two core activities of the GEN-I Group. The GEN-I Group is upgrading its core activity, i.e. supply of electricity, by selling, supplying and installing solar power plants and other products intended to increase energy efficiency.



[2] Disclosures 2-1, 2-6.

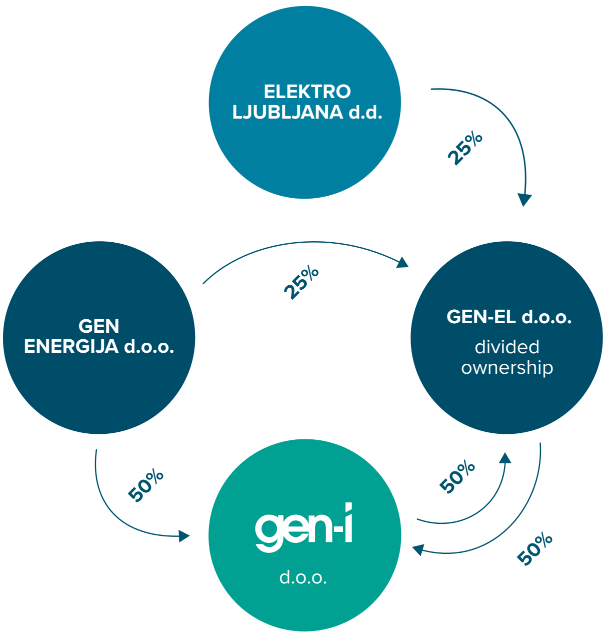
Throughout the years, growth has always remained the common thread at the core of the business operations of the GEN-I Group. Despite changing market conditions, we always knew how to recognise and make use of new business opportunities. Over 15 years ago, we recognised them by entering new energy markets. Back then, our mission was to become the first choice for buyers and partners when it came to providing them with benefits of the free electricity market and natural gas market. Nowadays, our mission extends far beyond the initial one as the global energy industry is faced with a historic challenge of transformation and decarbonisation.

As a socially responsible company, we have accepted our share of responsibility in finding solutions to fight global warming, while persistently and actively working towards the decarbonisation of the energy system using our knowledge of the specific characteristics of the energy industry, particularly in the Slovenian market. We would like to prove that the green transformation through maximum use of renewable energy sources, smart and flexible networks as well as conscious and active consumers is not only essential but also the best choice for a common energy future.

The foundation of our success and the implementation of our ambitious plans are our employees who help us research and develop innovative business models, digitalise all levels of our business operations, and achieve the most important recognitions for our reputation in the business community and among consumers. The GEN-I brand has won eight Trusted Brand awards in a row among electricity suppliers; our GEN-I SONCE brand has the highest market share among solar power plants for individual self-supply, and GEN-I Hrvatska is increasingly reinforcing its position among electricity and solar power plant providers for the self-supply of business customers. In the Slovenian market, our “Elektro energija” brand is also present, reinforcing the tradition of high-quality electricity supply.

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

Head office: Vrbina 17, SI-8270 Krško, Slovenia
Abbreviated company name: GEN-I, d.o.o.
Tel.: +386 7 488 18 40
E-mail: info@gen-i.si | elektrika@gen-i.si
plin@gen-i.si | sonce@gen-i.si
jeftinastruja@gen-i.hr | info@elektro-energija.si
Website: www.gen-i.si | www.gen-isonce.si
www.jeftinastruja.hr | www.elektro-energija.si
Size of the company: large company
Core business activity: trading in electricity, supplying end consumers with electricity and natural gas
Year of establishment: 2001
Registry entry: 1/04524/00; registered with the District Court of Krško; date of the last entry in the court register: 14 December 2016
ID for VAT: SI71345442
Company registration number: 1587714000
Share capital: EUR 19,877,610.00



3.1.1 OWNERSHIP OF THE PARENT COMPANY[3]

GEN-I, d.o.o. has 2 shareholders – GEN energija d.o.o. and GEN-EL naložbe d.o.o., whereby each of them holds a 50% business share. Shareholder GEN energija d.o.o. is 100% owned by the Republic of Slovenia, while the ownership of the shareholder GEN-EL naložbe d.o.o. is divided.

In 2021, Gorenjska banka d.d. has withdrawn from the ownership of the company GEN-EL naložbe d.o.o. Based on the concluded option contract, its share has been acquired by the company GEN-I, d.o.o., which once again became the owner of a 50% business share in the company GEN-EL naložbe d.o.o.

The remaining two shareholders of the company GEN-EL naložbe d.o.o. are GEN energija d.o.o. and Elektro Ljubljana d.d., with a 25% business share each.

External initiatives and memberships in associations/ organisations

Due to business requirements or the desire to connect with their stakeholders, the companies of the GEN-I Group are members of several associations and organisations.

The GEN-I Group is the initiator and founder of the Consortium for the acceleration of the green transformation of the Slovenian energy sector through smart networks.

Membership in organisations

- member of the European Federation of Energy Traders (EFET),
- member of the Electrotechnical Association of Slovenia (EZS),
- member of the Energy Industry Chamber of Slovenia and the Section for questions from electricity suppliers (SVDEE),
- member of the Chamber of Commerce and Industry of Slovenia (GZS),
- member of the Supervisory Board Association,
- member of the “Manager” Association,
- GEN-I SONCE d.o.o. is a member of the Photovoltaics Association of Slovenia.

Stock exchange

- BSP Regionalna Energetska Borza d.o.o.,
- CROPEX d.o.o.,
- EPEX Spot,
- Enerji Piyasalari Isletme A.S. (EPIAS),
- EXAA Abwicklungsstelle fur Energieprodukte,
- Gestore dei Mercati Energetici S.p.A.,
- HELLENIC ENERGY EXCHANGE S.A. (HENEX),
- HUPX Zrt.,
- IBEX EAD,
- OKTE, a.s.,
- OPCOM S.A.,
- OTE, a.s.,
- State Company Market Operator (UA),
- SEEPEX A.D.,
- BIST Borsa Istanbul A.S.,
- EEX European Energy Exchange AG,
- Power Exchange Central Europe, a.s.,
- Central European Gas Hub AG,
- Powernext SA,
- HUDEX Zrt.,
- Intercontinental Exchange ICE,
- MEPX (Crnogorska berza električne energije),
- BRM (Romanian Commodities Exchange),
- TGE (Polish Exchange),
- Balkan Gas Gub,
- CEEGEX (Central Eastern European Gas Exchange).

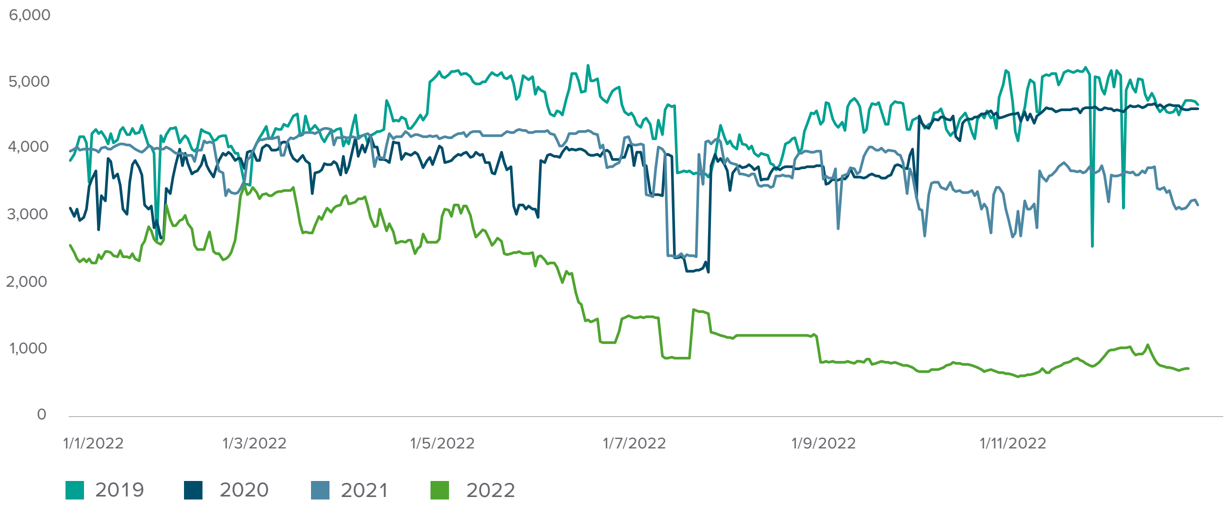
[3] Disclosure 2-1.
[4] Disclosure 2-28.

3.1.2 BUSINESS ENVIRONMENT[5]

In 2022, the energy market has found itself in an unplanned and unimaginably deep energy crisis of global dimensions. In the wholesale market, we were able to witness some extreme events such as high price volatility, low liquidity, requirements for high financial coverage in the stock market and, above all, an increase in wholesale prices of all energy sources in Europe. As an example, we can point out the prices of products for delivery in 2023. The price of API2 coal that was traded at EUR 93/tonne at the beginning of the year has reached the price of EUR 185/tonne at the end of the year; during the year, however, the product was traded at an even higher rate, reaching the highest level at the price of EUR 345/tonne. In 2022, the price of natural gas for delivery in 2023 has increased from the initial price of EUR 41/MWh to the maximum and record price of EUR 300/MWh at the end of August, dropping to EUR 88/MWh by the end of the year. At the beginning of the year, the price of baseload electricity for delivery in 2023 in Germany amounted to EUR 120/MWh, reached its peak trading value at an unimaginable amount of EUR 1,050/MWh, and dropped to EUR 233/MWh by the end of the year. Crude oil and emission allowances (EUA ETS) have not recorded an extreme price increase in 2022. During the year, oil was traded at the price between USD 75 and USD 127 per barrel, ending the year at the price of USD 84 per barrel. The prices of emission allowances varied between EUR 58 and EUR 98/tonne, ending the year at the price of EUR 82/tonne. Ever since the Second World War, no periods with such extreme developments in all the markets of energy sources have been recorded in Europe's modern history.

In the past ten years, the reliable supply of energy sources seemed rather self-evident in Europe; this year, however, has taught us that this can change. Parallels to the European energy crisis that we are currently witnessing may be drawn with events in the 1970s, when the Western world has found itself in the throes of an energy crisis in 1973 and 1979 and gas stations ran out of fuel. Back then, the prices of crude oil have increased by over 500% in a couple of years, followed by a slow decreasing of prices which lasted for nearly 20 years. If the oil crisis only affected the oil market, the current energy crisis is reflected in all energy sources. Adding to it the fact that, of all the continents, Europe is the most affected today, it is safe to conclude that we have never witnessed such high costs of electricity before.

[5] GRI 201: Disclosures 3-3, 201-2; Disclosure 2-6.



Import of gas from Russia to the EU (in GWh/day)
Source: ENTSO-G

At the end of August, the supply of energy for 2023 has reached the maximum level of EUR 1,050/MWh in Germany, which still represents a record value.

This is due to several reasons, by far the most important of which is the extreme tension in geopolitical relations between Europe and Russia. The energy sector is the most affected by the consequences of economic sanctions imposed on Russia by Europe and vice-versa since Europe strongly depends on the import of natural gas from Russia. When it comes to natural gas, Europe is not self-sufficient; historically, it has been importing 40% of all its natural gas needs from Russia.

Even before the beginning of the war, when tensions in the relations between the Western world and Russia started to appear, it was clear that the European natural gas market would be most affected by this news. The prices of products for supply in 2023 amounted to EUR 16.05/MWh at the beginning of 2021; at the end of August 2022, they have reached the highest levels yet at the price of EUR 312.55/MWh, i.e. a nearly 20-fold price increase in a little over a year and a half.

Several other events have occurred in addition to the constant daily increase of natural gas prices. The halting of the NordStream 2 project a mere couple of days before commercial flow would otherwise be made possible as well as the regulation of the rapid filling of the European gas storage chambers to no less than 80% just before winter followed by an agreement between Europe and the US about the increase in shipments of liquefied natural gas (LNG) in the EU are noteworthy. What followed was the total or partial interruption of the supply of Russian natural gas to numerous European countries (including Poland, Bulgaria, Finland, Denmark, the Netherlands, Germany, Italy, France, Austria, Slovakia and the Czech Republic) as well as the generally decreased physical flow of natural gas from Russia to Europe, which currently remains at a low level of less than 20% compared to the average level during the last 5 years.

From the beginning of 2021, the product of emission allowances EUA Dec-22 was experiencing an upward trend which ended in February 2022, immediately before the beginning of the war, reaching its maximum levels at a little over EUR 95/tonne. This period was followed by a steep decrease to a level of under EUR 60/tonne in a couple of days; however, the prices of emission allowances soon recovered, maintaining a stable level from between EUR 70 and EUR 98/tonne for a long time.

In 2022, Europe has classified nuclear and gas technology as environmentally sustainable technologies, thus facilitating the access to financing for these energy sources.

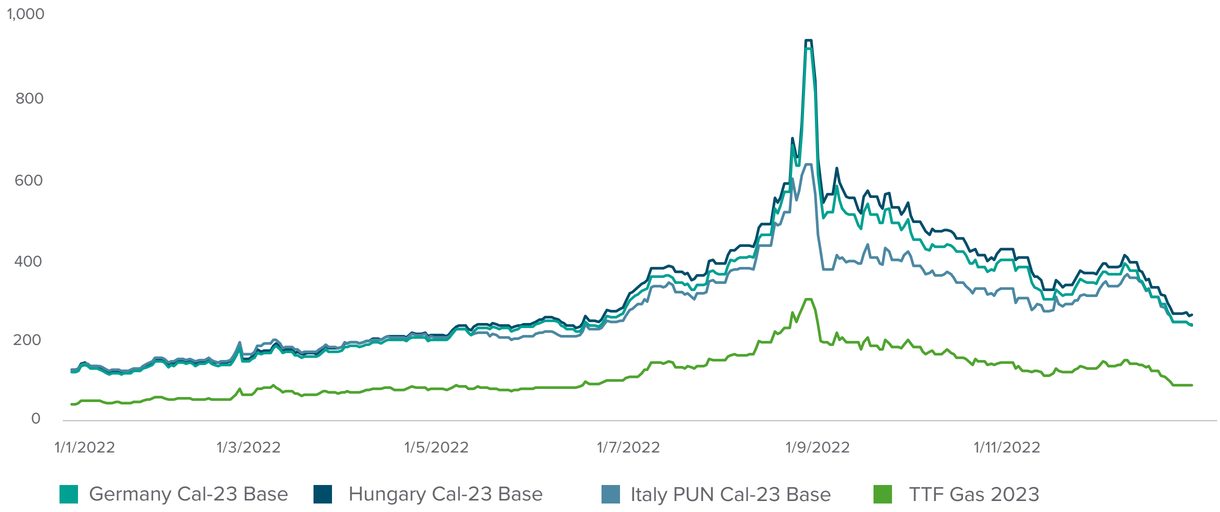
As a consequence of the increase in the prices of natural gas, the price of electricity all over Europe also increased significantly. While forward products for 2022 were traded at the prices of EUR 50.05/MWh in Germany, EUR 56.10/MWh in Hungary and EUR 54.98/MWh in Italy at the beginning of 2021, the prices of those same products as at 28 December 2022, including the performance to date, have increased to EUR 235.48/MWh in Germany, EUR 271.76/MWh in Hungary and EUR 303.72/MWh in Italy. At the end of August, the supply of energy for 2023 has reached the maximum level of EUR 1,050/MWh in Germany, which still represents a record value. Starting in September, the prices of electricity gradually started decreasing in all stock markets around Europe; by the end of 2022, the prices have decreased to around EUR 250/MWh. Just like absolute price levels, price differences between countries have also increased significantly. In addition to record prices in this past year, wholesale markets were also plagued by extremely high volatility and low liquidity. The total trading volume of financial and physical products in the electricity market has decreased by as much as three times, while liquidity of physical trading products has decreased even further since the degree of partners' credit risks has increased tremendously. In energy exchanges, the initial and maintenance margin calls have increased significantly due to the increase in prices, which caused a significant financial stress to all market participants.

Together, Europe and the European Commission have begun tackling the energy crisis in a decisive manner, despite a difference of opinions within different EU Member States. In May, a package of guidances and directives named REPowerEU was adopted, proposing even more ambitious objectives in the field of RES (an increase from 40% to 45% by 2030), the diversification of global energy partners as well as the decrease of the use of electricity and gas. On the subject of the latter, the vast majority of Member States have already confirmed their intention to decrease their natural gas consumption by at least 15% in the winter of 2022/2023.

In 2022, Europe has classified nuclear and gas technology as environmentally sustainable technologies, thus facilitating the access to financing for these energy sources. Quite some Member States have already introduced a price regulation in the retail electricity market using temporary measures, thus limiting the influence of high prices to end consumers. Through its interventions, the European Commission is also introducing further measures in the wholesale electricity market. Despite the measures introduced, we are already witnessing a 5% to 15% decrease in the cumulative demand of electricity in the majority of the countries compared to the previous years, which is due to the high electricity prices or to market behaviour, also known as demand destruction (long-term decrease) and demand reduction (short-term decrease). At the end of the year, Heads of State and their energy ministers have also agreed on the conditions for the activation of the natural gas price cap on the stock market.

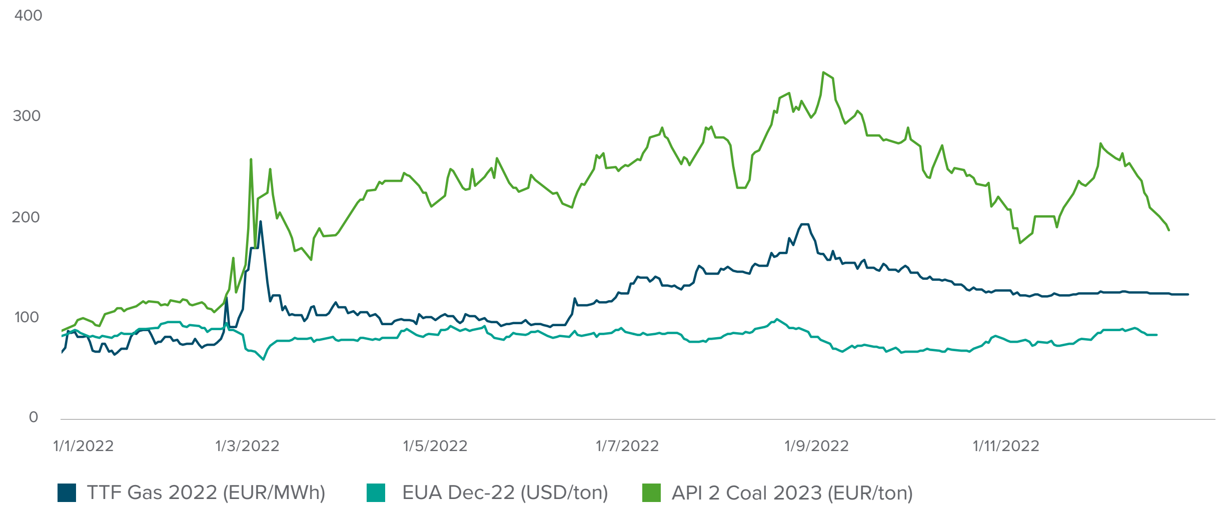
In 2021, financial stock markets have continued their long-term growing trend, reaching their highest levels right before the beginning of 2022. At the beginning of 2022, the optimism felt in the stock markets has petered out, mainly because of the increased geopolitical risk, high prices of energy sources and, above all, inflation; therefore, a sharp correction followed.

While FED and ECB continued with their loose financial policy in 2021, they quickly reacted in 2022 by starting to increase interest rates. In the US, the current interest rate amounts to 4.5%; in the EU, it rose from negative values to 2.5%. Both central banks are forecasting even higher interest rates in the coming months since they wish to limit the high inflation. All European countries as well as the US are currently facing a swift and high inflation increase. More and more analysts are forecasting a transition to recession in the coming year. In the EU, the average annual inflation in November 2022 amounted to 11.1% (Slovenia: 10.8%, Germany: 11.3%, Baltic countries and Hungary: over 21%).



Fluctuation in the price of annual electricity products for 2023 (in EUR/MWh)

Source: our own data



Fluctuation in the price of energy sources for the annual product of 2022 (in EUR/MWh, $/tonne, EUR/tonne)

Source: our own data

As expected, the extended mechanism of the single integrated European market entered into force in 2022.

Meteorological conditions in 2022 brought a mild winter and hot summer, with three heat waves by mid-August. Hydrologically speaking, 2022 was an extremely dry year all over Europe. Most European rivers, including the Danube, have reached their lowest levels in the past 20 years in 2022. Towards the end of the year, a somewhat above-average rainfall was recorded in Europe and the Balkans, which contributed to the easing of the situation in accumulation lakes; most countries have entered into the new year with average water levels in their accumulation tanks. Using other sources, Europe also had to bridge an important loss recorded by the French nuclear power plants in 2022; compared to the same period in the year before, they generated 82 TWh less of energy, which was mainly the consequence of low water levels in rivers used for cooling as well as the obsoleteness and technical issues encountered by the entire fleet.

Despite the fact that various strains of COVID-19 are still circulating around the world, with the Omicron variant, which is four-times as infectious as the Delta variant, prevailing globally by the end of 2021, healthcare measures in Europe during this past year were extremely mild and did not affect the consumption of electricity and natural gas.

As expected, the extended mechanism of the single integrated European market entered into force in 2022. Since 8 June 2022, the price calculation for the day ahead (the “DayAhead” amount) is calculated using the FBMC (Flow-Based Market Coupling) mechanism, the “Core” region of which includes 13 European countries: Western Europe, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Croatia and Romania. In order to calculate the price and cross-border flows of electricity for the day ahead, market participants now consider physical (infrastructural) limitations on borders and within individual countries for their calculations, and no longer rely on allocated cross-border capacities. At the same time, the implicit calculation of cross-border flows for the day ahead also entered into force on the Croatia-Hungary border (HU-HR).

With the exception of the aforementioned introduction of the FBMC mechanism, no important structural changes have occurred in the European market during this past year. The implementation of the new cross-border transfer capacity between Hungary and Slovenia which took place in July 2022 is, however, worth mentioning, as is the particularly poor energy situation in Serbia, where they are facing record low levels of water in accumulation lakes as well as a lack of coal. As a consequence, they are importing coal, meaning that they are also facing additional financial issues of electricity undertakings.

3.1.3 FOUNDATIONS OF OUR BUSINESS SUCCESS

The GEN-I Group is building its business success by carefully planning its investments in the field of HR and development. Expert knowledge in various fields and strategic guidance of the digitalisation of our business transactions also enable us to achieve our objectives in unpredictable circumstances that we have been witnessing during this last period, coupled with fast-paced changes in the markets of energy sources, the energy crisis, and price regulation.

Personnel investments

The main value of the GEN-I Group are its employees, which is why we pay a great deal of attention to setting up an encouraging working environment for our topmost experts and talents of all generations. Our rich expert knowledge is our key competitive advantage, and we are carefully nurturing it through various training sessions, different mentorship programmes and the reinforcement of our staff's management skills. The Culture of Strengths helps our employees to understand their own talents and the talents of their colleagues, which is what helps us achieve even the most ambitious business objectives. We are also reinforcing our employees' sense of belonging by following the core values of GEN-I (respect, responsibility, dedication, commitment, inclusion and flexibility) and promoting open communication of the management with our employees through the Workers' Council. Since we are well aware of the importance of the value of our employees for our successful business operations, we are also constantly developing the HR function itself.

Development investments

Our multiannual investments in the digitalisation of business processes, advanced analytics and a robust data infrastructure have also been reinforced in this last period. In the field of strategic development, IT and analytics, our company already employs over 220 domestic and foreign experts, which allows us to develop our own digital platforms and swiftly react to any changes in the external environment.

In the field of strategic development, IT and analytics, our company already employs over 220 domestic and foreign experts.

Our smart consumer services were joined last year by the "Moj GEN-I Charge" application, while the complete restructuring of the ETRM trading system is currently in its final phase of implementation. Increased research and development investments in the field of green energy solutions put us into the leading position of the promoter of green transformation in Slovenia and also enable us to achieve technological and methodological synergies with other pillars of activities.

International presence

Our international presence in a branched network of subsidiaries and agencies throughout Europe enables us to actively participate in national and international debates related to regulatory changes in the field of energy. Our multidisciplinary teams of traders, legal experts, analysts and other profiles regularly analyse international influences on the GEN-I Group, which enables us to timely adapt our business activities in the unpredictable business environment.

Data-driven decision making

The steep growth of the quantity of available data and the increased complexity of the international environment have resulted in our decision to make data-driven decision making our strategic orientation. Our modern analytical platform which uses an ever-increasing quantity of cloud technologies enables us to store and process unlimited quantities of various data as well as the use of state-of-the-art machine learning and artificial intelligence algorithms. With a good data infrastructure and the strategic orientation of the analytical performance, we can obtain an in-depth understanding of the market situation as well as understand the codependence and causation influencing the areas of our operation. Understanding and connecting various data are our foundations for making complex business decisions.

3.2 Governance statement and the Declaration of conformity with the Code

Declaration of conformity with the Code[6]

In addition to the applicable statutory provisions, the provisions of the articles of association, internal acts and the generally accepted good business practice, the recommendations of the Governance Code for Non-Public Companies, issued in May 2016 by the Slovenian Chamber of Commerce, the Ministry of Economic Development and Technology and the Slovenian Directors' Association and available on their websites, are also being used mutatis mutandis in the process of the management of GEN-I, d.o.o.

GEN-I, d.o.o. consistently respects the main principles of the Code and mainly complies with the advanced level of the recommendations set out in the Code, while in some areas, the basic level of recommendations is achieved. Deviations from the Code which are mainly the consequence of the legal form of the company, i.e. a limited liability company as well as the stable, yet undispersed ownership by only two stakeholders are set out below.

While the articles of association include all necessary content specifications and mechanisms for a successful management of the company, they do not follow the principle of avoiding the distribution of voting rights into two equal shares. Ownership is divided among only two shareholders who each hold 50% of the share capital of the company GEN-I, d.o.o.

The articles of association of GEN-I, d.o.o. are only published at www.ajpes.si, in the Collection of documents of the business registry, while its internal rules of the management authority are also not published publicly.

While the management authority has not adopted any special management policy, individual substantive parts of such policy are defined and communicated by the company in other corporate documents as well as implemented in the framework of the functioning of its General Assembly.

Since this is a limited liability company, where its shareholders are consequently more connected, each of the shareholders may only dispose of its share with the prior consent of the other company member.

When informing itself of the annual financial statements and adopting them, the General Assembly does not require the presence of the authorised company auditor.

Even though the articles of association clearly state the structure of the jurisdiction of both shareholders and of the management authority, no special supervisory authority has been established. The efficient control of the business operations of the Company has been conferred on the General Assembly of GEN-I, d.o.o. which operates in the framework of its powers and pursuant to the applicable legislation and the articles of association.

Through a dispersed system of controls and clearly defined responsibilities of individual departments, the company implements and guarantees control over the organisation and economic operation of the company in line with the regulations and internal acts, without the appointment of a separate internal audit authority.

[6] Disclosure 2-23.

Description of the main characteristics of internal control and risk management systems within the company related to the financial reporting process

In order to guarantee the accuracy, reliability and completeness of accounting records as well as the truth and fairness of the financial reporting process, compliance with the applicable laws and other regulations, and efficient business operations, the Group is performing internal controls on all levels. Accounting controls are based on a suitable controlling environment, such as the management system, organisational structure, powers and responsibilities and ethical values as well as on control activities such as approvals of business events, the division of tasks and responsibilities, clear work instructions, coordination of conditions and control. Reliable financial reporting is also guaranteed through a suitable information system which enables the accuracy and completeness of data recording and processing as well as through employee education and training. Any risks related to the financial reporting process within the GEN-I Group are also managed through central coordination and control of the accounting function of all subsidiaries as well as through the revision of the annual financial statements of important companies within the Group. Risk management and control mechanisms related to the evaluation of individual risks are detailed in Chapter 3.8. Risk management.

Composition and operation of the General Assembly[7]

Pursuant to the Companies Act (the ZGD-1), the General Assembly of the shareholders is the highest authority of a company, in the framework of which the shareholders GEN energija d.o.o. and GEN-EL naložbe d.o.o. are exercising their rights and deciding on matters put forth by the legislation or the articles of association, including the nomination and replacement of the members of the management authorities as well as any changes of the articles of association. The General Assembly of the shareholders is convened by the Management Board of the company, while the convocation of the General Assembly itself is set out in the articles of association in line with the provisions of the applicable legislation. In addition to the agenda, the convocation of the General Assembly must also include all proposals of decisions with appropriate explanations. The General Assembly must convene at least once a year or more often, if necessary. It is also responsible for the evaluation of the success of the management authority pursuant to the applicable legislation.

The General Assembly is considered to have reached a quorum if the entirety of the share capital of the company is present during the General Assembly, which must reach its decisions unanimously.

In 2022, 4 meetings of the General Assembly of the shareholders have been organised, allowing the shareholders to decide on matters that fall within the areas of their responsibility while considering the provisions of the articles of association.

Composition of the management and supervisory authorities[8]

On 16 February 2022, the District Court in Krško has adopted a decision on the judicial appointment of the Management Board, according to which GEN-I, d.o.o. was being managed, since its appointment, by a 4-member court-appointed management composed of Igor Koprivnikar, PhD, President of the Management Board, Dejan Paravan, PhD, Member of the Management Board, Andrej Šajn, MSc, Member of the Management Board, and Primož Stropnik, Member of the Management Board. Considering the received resignation letter, the mandate of Dejan Paravan, PhD, Member of the Management Board has been terminated on 31 October 2022, which is why the Management Board of the company has been operating as a 3-member committee from 1 November 2022 onwards.

On 16 February 2023, the Shareholders' Meeting has appointed the Management Board of GEN-I, d.o.o. pursuant to the provisions of the Articles of Association; said Management Board shall manage the company for the next five years. Maks Helbl, previously Head of Legal Affairs at GEN-I, d.o.o., was appointed as the President of the Management Board, while Andreja Zupan, previously Head of Trading, and Sandi Kavalič, previously Head of Risk Management, were appointed as Members of the Management Board. Primož Stropnik remains on the Management Board as one of its Members. The three newly appointed members of the Management Board have been employed at GEN-I, d.o.o. for over ten years and have already been actively engaged in co-creating the company, its processes, and its market appearance.

[7] Disclosure 2-18.
[8] Disclosure 2-9.

As the driving forces of development in their individual areas of activity, they make an important contribution to a successful functioning of the company, the achievement of extraordinary business results and the reputation of GEN-I, d.o.o. both at home and abroad. They distinguish themselves through the complementary knowledge necessary for managing the company pursuant to the needs and challenges of the upcoming period.

The Management Board has full powers within GEN-I, d.o.o. to manage the business operations of the company at its own discretions, whereby the members represent the company in pairs according to the principle of cross-representation, the details of which are explained hereinafter.

Though the company currently does not have a supervisory board or an audit committee, but their establishment is planned.

Even though the appointment of special boards and committees is not planned in the acts of the company, there are numerous committees and boards operating in the framework of the parent company GEN-I, d.o.o. in addition to the Management Board, which were appointed by the Management Board, such as the HR Committee, the Project Committee, the Analytics Committee, the Digitalisation Committee, the IT Security Committee, the committee responsible for reporting on any breaches of personal data protection, the Green Investments Committee, the Market Risk Management Committee and the Credit Committee in which members of the Management Board also participate. The aforementioned boards and committees are responsible for a professional and in-depth treatment of subjects from their areas of responsibility, design of suitable professional bases for any decisions of the Management Board which need to be adopted about said subjects, or adoption of direct decisions about certain topics if this has been designed as their area of responsibility, as well as the preparation of proposals for decisions and implementation of said decisions.

The company also has an established level of area directors who do not have executive powers or general powers for representing the company but work as experts in their own fields and are responsible to the Management Board for their management. When selecting and appointing these directors, the Management Board considers their professionalism, competencies and skills, while putting a special emphasis on age and gender diversity.

Process of appointing the members of management authorities

Individual members of the Management Board of GEN-I, d.o.o. are appointed by the General Assembly with the consent of both shareholders, whereby:

- the company member GEN energija d.o.o. proposes the President of the Management Board and one Member of the Management Board for appointment,
- the shareholders GEN-EL naložbe d.o.o. proposes two Members of the Management Board for appointment.

Considering the provisions of the Articles of Association, the members of the Management Board are appointed for a 5-year mandate with the possibility of reappointment, and they represent the company together according to the principle of cross-representation. In order to provide balance between interests of both shareholders, each pair of representatives is composed of two members of the management board who have been appointed by different shareholders.

The acts of the company do not provide for any special rules setting out the coordination process in terms of candidates and criteria for selecting and appointing the members of the management board; when selecting the candidates for the members of the management board, however, the shareholders strive to follow the established standards for personnel recruitment, particularly when it comes to the professionalism, competencies and suitability of the candidates, the diversity and complementarity of their experiences, the knowledge and competencies necessary for the prudent management and governance of the company, the pursuit of strategic goals and, as a consequence, the increase in the value for the owners.

[9] Disclosure 2-10.

Considering the balanced structure of the company, the consent of both shareholders is necessary for the appointment of the Management Board. Since the Articles of Association do not provide a particular mechanism for resolving disputes between shareholders, and since the shareholders have failed to reach an agreement in terms of nominating the new management board, GEN-I, d.o.o. has been managed by a Court-appointed Management Board from 18 March 2022 to 16 February 2023; as of 17 February 2023, the company is managed by the Management Board that has been appointed by the mutual consent of both shareholders for a 5-year period.

Management authority operation[10]

The Management Board is responsible for directing the businesses of the company and representing it pursuant to the provisions of the laws and by considering the powers and restrictions set out in the articles and association as well as in the internal rules for the work of the Management Board. The Management Board adopts its decisions during the sessions of the Management Board, which are convened by the President of the Management Board pursuant to the rules for the work of the Management Board, whereby every member of the Management Board has one vote and decisions are considered to be validly adopted if the majority of the members of the Management Board vote in their favour. The vote of the President of the Management Board is not prevailing.

The decision-making method of the Management Board, the representation of the company, and the powers and restrictions of the Management Board are detailed in the articles of association as well as in the internal rules for the work of the Management Board which was adopted by the General Assembly on 13 December 2016 and which also details the decisions for which the Management Board must obtain the consent of the General Assembly.

In 2022, the Management Board has held 39 regular and 3 extraordinary sessions which were intended to cover issues in the field of its competence.

In the framework of their powers for managing the businesses of the company, the Management Board proposes the foundations of the business policy and the actions intended for its implementation, prepares and proposes the business plan, and decides on all other questions related to business operations and internal relations. In doing so, the Management Board is guided by the independence of its decisions, the efforts related to the business culture of the company as well as continuous development and increase of the competitiveness of their business operations which, in turn, increases the value for the owners. In doing so, the Management Board is striving to achieve benefits for all key stakeholders: owners, customers, financial institutions and employees.

In 2021, in line with its commitment to sustainable development while remaining aware of the environmental influences of the energy industry, statutory requirements in terms of decarbonisation and related potential business opportunities, the Management Board has adopted the Strategic Development Plan of the GEN-I Group for 2022-2030. With the Plan, the Management Board set up the developmental strategy of the company by pursuing the goals of the green transformation and transition to a carbon-free society, which is being performed using the business plan relevant at the applicable times which is confirmed by the General Meeting of the company. In 2022, in cooperation with the directors of each individual area, the Management Board has managed to guarantee the realisation of the development plans and objectives of the adopted business plan for 2022, despite the tight conditions in the energy markets in 2022.

Special boards or committees in charge of deciding on topics encompassed in the Strategic Development Plan have not been appointed yet in their entirety. The Management Board of the company is responsible for realising the strategy to be pursued.

[10] Disclosures 2-11, 2-12, 2-13, 2-14, 2-16, 2-17, 2-25.

Each individual strategic and developmental orientation has a designated director and a steering committee in charge of monitoring and directing the implementation of work. During quarterly workshops, the Management Board examines the work performed, provides new guidance, familiarises itself with critical considerations of area directors and considers them. In doing so, the GEN-I Group is steering innovation processes towards its own strategic areas. The strategic developmental directions enable us to focus on strategic areas and close the gaps separating us from our strategic objectives. In the framework of our strategic orientations, we are also developing ground-breaking business opportunities, in the framework of which we are developing our new products and services for household and business customers.

The Management Board guarantees sustainable development, of which sustainable reporting is also a part, through adopting measures for the implementation of fundamental business policies.

In order to reduce the consequences of the energy crisis and its influence on the business transactions of the GEN-I Group, we have also introduced resilience and process reinforcement initiatives, which allow us to strategically address challenges and develop support environments which enable us excellent business operation despite the emergency situation. We have been extremely successful in implementing the Resilience and process reinforcement initiative, which is also demonstrated by the business results of the GEN-I Group.

In the framework of its powers, the Management Board also adopts measures in order to ensure the legality of work and the efficiency of business operations and addresses issues related to the principles of ethics and integrity, rules of conduct related to these principles, and the behaviour of the managers and employees. Mainly through its own example and by including good practices into the management of the company, the Management Board promotes a culture which is based on ethical and legal behaviour, while encouraging its employees to respect the core values of the company: respect, responsibility, dedication, inclusion and adaptability.

The Management Board notifies and empowers employees about the meaning of respecting values, providing business compliance and guaranteeing corporate integrity with programmes, such as work induction and mentorship, and internal rules for employees that are published on the intranet. In doing so, the Management Board is aspiring to increase the ethical culture and protect the goodwill of the GEN-I Group, while also reinforcing the trust of all important stakeholders in the business operations of the company.

Information on the composition of the management authority [11]

On 16 February 2022, the District Court in Krško has adopted a decision on the judicial appointment of the Management Board which was leading GEN-I, d.o.o. up to and including 16 February 2023, after which a new Management Board of GEN-I, d.o.o. took office on 17 February 2023 based on the unanimous decision of the shareholders; the new Management Board holds a 5-year mandate.

[11] Disclosure 2-11.

Maks Helbl
President of the Management Board

An expert with years of experience in the legal field has indicated his career path in the title of his graduate thesis: the thesis entitled "Liberalisations of natural monopolies in the European Union, with an emphasis on the liberalisation of electricity markets" with which he concluded his studies at the Faculty of Law at the University of Maribor, has received the award for the best thesis on European Union and the inclusion of Slovenia in the EU. His career path at the Faculty of Law in Maribor and at the Maribor High Court was further shaped by civil and commercial law; in 2007, he started working at GEN-I, d.o.o. as a lawyer specialised in the field of trading and sale of electricity. In the same year, he took over the direction of the legal department of GEN-I, d.o.o. In 2017, he became the director of the legal field, in the framework of which operate two separate offices – the Legal Department and the Regulation and Business Compliance Department.

As the manager and, later, the director of one of the key areas for the market performance of GEN-I, d.o.o., he took over the responsibility of the holder of the development of the legal area of the company as well as the responsibility for the corporative management of the GEN-I Group in his first years of employment within the company. Key strategic projects were implemented under his tutelage, related to the legal field and to the field of regulation and business compliance of the GEN-I Group in all operating segments and regulative fields at home and abroad. He is responsible for the implementation of the necessary legal infrastructure for the functioning of the GEN-I Group in no fewer than 22 foreign markets. His expertise and extraordinary experience in the legal field will visibly contribute to the management of the company. Maks Helbl boasts specific legal knowledge in the field of electricity market operations and corporative management, which is why, as the President of the Management Board of the company, he is responsible for the legal field of the GEN-I Group and corporative communications as well as for the field of finance, controlling and HR. His expertise and extraordinary experience in the legal field will visibly contribute to the management of the company. Due to his extraordinary competencies in the field of corporative management and governance, law and finance, the shareholders have unanimously appointed him as the President of the Management Board.

Andreja Zupan
Member of the Management Board

After obtaining her diploma in International Economics at the Faculty of Economics at the University of Ljubljana, the first woman in the Management Board of GEN-I, d.o.o. started her career path in the field of banking (international crediting). A year later, she was recruited as an electricity trader at GEN-I, d.o.o., where her managerial, organisational and coordination skills were soon recognised. She immediately started occupying prominent roles in several departments within the energy trading pillar. In 2019, she started working as the director of trading, taking over the management of all offices within the Trading department. For all these years, she has been actively participating in the development of international trading of the Group and related processes. As the manager, she coordinated development activities in the field of international training, as well as processes between the Sales and Sales Portfolio Management departments. She is responsible for the implementation of the strategy of the Trading pillar. Some of her main responsibilities also include making sure that the planned results are achieved. Since 2017, she has been presiding the members of BSP Southpool, Slovenian Energy Exchange. In the company, she is responsible for key business areas such as trading, sales, retail, strategic portfolio management and operations. Her role in the Management Board is directed by the strategic vision of the development as well as by her orientation towards the achievement of above-average results. In addition, she has also been appointed as the director of six subsidiaries (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, GEN-I Tbilisi LLC, Georgia, GEN-I Hrvatska d.o.o., Croatia).

Sandi Kavalič
Member of the Management Board

In addition to his expert knowledge, this Bachelor of Science in Electrical Engineering is also highly skilled in connecting seemingly the most contradictory ideas. He was recruited at GEN-I, d.o.o. immediately after his electrical engineering studies; after a year of working as an analyst, he pivoted towards the area of market risks, GEN-I, d.o.o. and started managing it in 2016. A high degree of susceptibility to change and a high motivation have contributed to his exceptional professional and technological knowledge which he complements, in his work, with a wide scope of managerial, mentoring and negotiation skills. As the manager of the Risk Management Service within GEN-I, d.o.o., he has assumed responsibility for managing the risks of the Group and related business strategies. In addition, he plays a key role in creating innovative business models related to green transformation. Within the company, he also performs the function of the president of the Credit Committee and the president of the Market Risks Management Committee, and he is also a member of the Green Investments Committee; in addition, he is the energy consultant of the European Commission and a member of the "Investors Dialogue on Energy Services" working group selected by PWC. As a Member of the Management Board, he is responsible for the Risk Management Department, Strategic Innovation and Strategic Initiatives Department, Advanced Analytics and Algorithmic Trading Department, and IT Technology Department. He is also the director of six subsidiaries (GEN-I ESCO d.o.o., Slovenia, and its subsidiary SOL NAVITAS INVESTICIJE d.o.o., GEN-I Vienna GmbH, Austria, and GEN-I Energia S.r.l., Italy, GEN-I Sonce DOOEL Skopje, Macedonia, GEN-I Hrvatska d.o.o., Croatia, and GEN-I SUNCE Adria 1, Croatia).

Primož Stropnik
Member of the Management Board

For over 15 years, the head of Product Portfolio Management of the GEN-I Group has been watching over the constant development of the function of sale of system services and electricity in the wholesale market and portfolio optimisation. His career path started in the thermal power plant Termoelektrarna Brestanica d.o.o. where he found employment after his university studies in economy. In 2002, his graduate thesis entitled “Business Effects of the Liberalisation of the Electricity Market” have indicated the direction of his career path which he is following to this day. In addition to his membership in various production company councils within the GEN-I Group, he has gained professional experience as a member of different working groups dealing with the Decomposition programme and the analysis of the long-term operation of the Krško Nuclear Power Plant. On the part of the investor, he participated in the preparation of investment documents for individual units of hydroelectric power plants in the Lower Sava Valley and the replacement of gas units 1–3 in the thermal power plant Termoelektrarna Brestanica d.o.o. As a member of the Management Board of GEN-I d.o.o., he joined the company at the beginning of 2022 and also continues with his functions in the judicially appointed Management Board, the 5-year mandate of which has started on 17 February 2023. Pursuant to the articles of association and in his function of a Member of the Management Board of GEN-I, d.o.o., he is responsible for controlling the implementation of the Umbrella Contract on the Purchase and Sale of Electricity, concluded between GEN-I, d.o.o. and GEN-I energija d.o.o.

Diversity Policy

Within the GEN-I Group, equal opportunities are provided to our employees irrespective of gender, race, colour of skin, age, health status or disability, religious, political or other belief, membership in a trade union, national or social identity, family status, financial standing, sexual orientation or other personal circumstances. Currently, an individual policy which also regulates the structure of the management authorities of companies in terms of gender, age, education and other personal circumstances has not been adopted yet.[12]

Management of the companies within the GEN-I Group[13]

Pursuant to the central strategic management principles of the GEN-I Group, the management function in most of the subsidiaries in 2022 was held by Igor Koprivnikar, PhD, the judicially appointed President of the Management Board of GEN-I, d.o.o., and Andrej Šajn, MSc, the judicially appointed Member of the Management Board of GEN-I, d.o.o. In 2022, the legal representatives of the companies within the GEN-I Group were:

- Igor Koprivnikar, PhD, CEO of GEN-I d.o.o. Belgrade, Serbia, GEN-I Energy Sales DOOEL Skopje and GEN-I Sonce DOOEL Skopje, the Republic of 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, GEN-I Tbilisi LLC, Georgia, GEN-I Hrvatska d.o.o., Croatia;
- Andrej Šajn, MSc, CEO of Elektro energija d.o.o., Slovenia, GEN-I ESCO d.o.o., Slovenia, and its subsidiary SOL NAVITAS INVESTICIJE d.o.o., GEN-I Vienna GmbH, Austria, and GEN-I Energia S.r.l., Italy as well as GEN-I SUNCE Adria 1, Croatia;
- Lidia Glavina, CEO of GEN-I Energia S.r.l., Italy;
- Gregor Hudohmet, CEO of GEN-I SONCE d.o.o.

Considering the new composition of the Management Board and in line with the compliance with the central strategic management principles of the GEN-I Group, the new legal representatives of companies within the GEN-I Group in 2023 are:[14]

- Andreja Zupan, CEO of 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, GEN-I Tbilisi LLC, Georgia, GEN-I Hrvatska d.o.o., Croatia;
- Sandi Kavalič, CEO of GEN-I ESCO d.o.o., Slovenia, and its subsidiary SOL NAVITAS INVESTICIJE d.o.o., GEN-I Vienna GmbH, Austria, and GEN-I Energia S.r.l., Italy, GEN-I Sonce DOOEL Skopje, Macedonia, GEN-I Hrvatska d.o.o., Croatia, and GEN-I SUNCE Adria 1, Croatia;
- Predrag Savić, CEO of companies GEN-I d.o.o. Belgrade, Serbia, GEN-I Energy Sales DOOEL Skopje, GEN-I Tirana Sh.p.k., Albania, GEN-I d.o.o. Sarajevo, Bosnia and Herzegovina;
- Samo Žolger, CEO of Elektro energija d.o.o., Slovenia;
- Lidia Glavina, CEO of GEN-I Energia S.r.l., Italy;
- Gregor Hudohmet, CEO of GEN-I SONCE d.o.o.

[12] This theme is further described in the chapter “Respect for Human Rights”.
[13] Disclosure 2-9.

[14] The processes of registration of new legal representatives are currently under way but have not yet been completed for some of the companies at the date of issue of this Annual Report.

3.3 Strategic orientations

Several years ago, the GEN-I Group has added the development of solutions which are susceptible to accelerate the decarbonisation of the Slovenian energy system to its mission to become the first choice for their customers and partners when it comes to benefiting from the advantages of the free electricity and natural gas market. In the future, a large portion of our developmental and sales activities will also be focused on our charted course for green transition.

In the current market conditions, the expansion of our trading activities with the purpose of providing a comprehensive coverage of global energy sources (cross commodity) as well as all global markets will be one of the main strategic development orientations of the GEN-I Group. As far as possible, we will also use our trading opportunities in order to mitigate the negative income balance on the side of supply to end customers, occurring as a consequence of discrepancies between the prices of energy sources in wholesale markets and the prices applying to end customers with legal restrictions. Regardless of the energy crisis, the supply of the GEN-I Group will still be based on electricity originating exclusively from renewable sources (solar and water energy) as well as nuclear energy.

Among the activities implemented for the decarbonisation of the Slovenian energy sector, the sale of technologies and the development of services intended to make use of the solar potential will continue to play a strategically important role. We intend to upgrade our offer of self-supply solar power plants and services for communal self-supply with the offer of energy storage technologies which are currently already being developed and tested. After the first large independent solar power plant that we have erected in 2022 in the Republic of North Macedonia, we are currently preparing to build more similar power plants. We are planning to use them to expand our flexibility portfolio which will help us on our way to a simpler integration of renewable energy sources into the energy system.

We will reinforce our position as the leading energy trader in the region as well as the most trusted energy supplier in Slovenia through strategic investments in data analytics and digitalisation of processes and services for our clients. Our organisational culture will continue to be based on the culture of strengths; we will continue to reinforce innovative approaches to the improvement of our employees' operations and the development of new features and also increase their environmental awareness.

We will reinforce our position as the leading energy trader in the region as well as the most trusted energy supplier in Slovenia through strategic investments in data analytics and digitalisation of processes and services for our clients.

Gradually, we will introduce more and more sustainable approaches into the broader operations of our organisation. They will help us achieve our goal of becoming the leading provider of innovative products and services for green transition in the European energy market in an even more efficient manner.

MISSION: Reliable partnership and development of solutions for green transition

Using our professional and innovative approach, we efficiently trade our energy products by enabling generation sources to be bought at a competitive purchase price, while providing end consumers with high-quality services, reliable supply and control over the costs of purchase of energy, while simultaneously leading them along the path towards green transformation by leading by example and making our own green decisions.

VISION: Leading provider of green solutions

Our prospects for the future are based on smart solutions which will enable our society to implement green transformation and set up sustainable bonds with the natural environment. As the leading provider of innovative products and services in the European energy market, we will promote green energy, sustainable development and business digitalisation. Our objective is to become the best choice in all segments of the energy chain – manufacturers, trading brokers and users of energy sources. We would also like to set the best example for green transformation and prove that it is possible to decarbonise our society while also maintaining stable business growth

Regardless of the energy crisis, the supply of the GEN-I Group will still be based on electricity originating exclusively from renewable sources (solar and water energy) as well as nuclear energy.

VALUES[15]

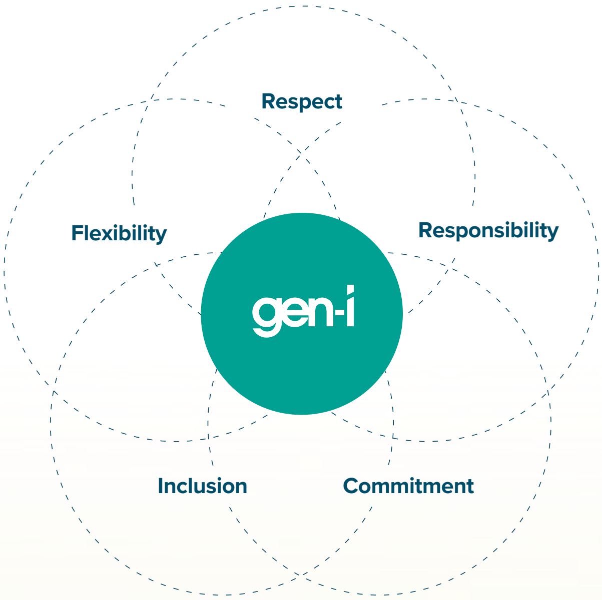
We demonstrate **respect** through connecting actions of each individual employee, our readiness to accept other people's opinions, remaining open to suggestions and ideas as well as actively seeking solutions that contribute to the pursuit of common objectives.

Our **responsibility** is demonstrated through our diligent attitude towards work, taking responsibility for our own results and constantly striving to achieve good common results. We are establishing honest, open and diligent relationships with our clients and business partners, providing them with optimal solutions even in the most challenging situations.

Commitment is a part of our corporate culture and is expressed in our employees' attitude when it comes to knowledge, work and their colleagues and business partners. We understand commitment as every individual's effort which is put into constantly improving and developing their competencies which contribute to the upgrade of our business processes.

We are seeking and expecting **inclusion** from every one of our colleagues, and to understand it as the process of actively aiming for the realisation of common objectives, engaged efforts to find new solutions, and taking initiative in terms of their realisation. The result of this value are constant improvements of our processes and the optimisation of our services, which is also appreciated by our partners.

In our book, **flexibility** equals positive attitude towards change. The environment in which we operate is subject to extreme dynamics, which is why changes and related challenges are a part of our business operations. We see them as opportunities to grow and increase our competitive advantages through rapid responses.



[15] Disclosure 2-23.

3.3.1 KEY EXPECTATIONS ACCORDING TO BUSINESS SEGMENTS

The strategic orientations of the GEN-I Group in the next period are defined in the Business Plan of the GEN-I Group for 2023, which is the core corporate document confirmed by the General Assembly of GEN-I, d.o.o., and the 2022-2030 Strategic Development Plan that GEN-I, d.o.o. has prepared in order to contribute to the decarbonisation of Slovenia before 2035. In addition to our decarbonisation proposal, the Plan also introduces the strategy which will help us achieve the owners' expectations in terms of increasing the value of the GEN-I Group in the next period.

Trading with energy sources

- Remain the leading trader on Southeast European electricity markets.
- Reinforce our natural gas trading in Southeast European markets, Romania, Greece and Bulgaria.
- Expand our trading with the objective of providing comprehensive coverage of global energy sources (cross commodity) and, gradually, the main global markets on some markets outside Europe.
- Continue fundamental and business analyses before entering new markets, where we can expect an added value in terms of the diversification of our global portfolio.
- Reinforce emission allowance activities in the European market.
- Continue investing in digital and analytical transformation in 2023, with a focus on creating value based on process digitalisation and large data quantity analysis, with the purpose of adopting optimal, systematically supported decisions when it comes to managing the portfolio.
- Automating trading through the use of quantitative and algorithm methods as well as implementing a systematic trading method.
- Targeted allocation of capital and risks through a diversified portfolio setup by separating functions: a market-neutral optimisation portfolio (Global Portfolio Optimisation), position trading (Position Trading and Management) as well as services and aggregation (Flexible Contracts, PPAs and Intraday Services).
- Development of the leading advanced trading platform in order to include the RES in the region in international energy markets (PPA – Power Purchase Agreement).

Supply to end customers

- Retain our market share in Slovenia, which remains our key market, while simultaneously reinforcing our position as the most recognisable and trustworthy electricity and gas supplier.
- Supply all consumers with carbon-free energy.
- Provide undisturbed electricity supply in all segments – B2C, B2B, B2G.
- Control the negative impact of the regulation of retail prices of the Slovenian electricity and natural gas market.
- Provide customers with a premium user experience by upgrading the “Moj GEN-I” platform (enabling an insight into energy consumption based on advanced analytics of consumption and an advanced safety function).
- High degree of customer satisfaction, an NPS (Net Promoter Score) higher than 9.
- Additional optimisation of electricity flows via all 22 countries at an hourly interval through a single global portfolio in the wholesale electricity and natural gas market.

Sale of services

- Providing flexibility in the regional market.
- Implementing system solutions as well as the storage of electricity for flexibility purposes.
- Active participation in the development of a flexible market in the distribution network.
- Development of an aggregator platform and control centre.
- Continue with our activities in the field of energy communities, energy market, TEK and e-mobility, whereby a more active implementation of these activities is planned for 2024 and 2025.

Sale of technologies

- Appropriate adjustment to the significant increase in demand for green products as a consequence of extremely high market prices of energy sources.
- Employing additional workforce in this segment as a consequence of an extraordinary growth in demand.
- Appropriate adjustment of the sales prices related to the escalation of the situation in financial markets.
- Retaining the highest market share in the Republic of Slovenia when it comes to installing small solar power plants for individual self-supply.
- Remaining the leading installer of medium-sized solar power plants for the self-supply of business customers, the public sector and energy communities.
- Active promotion of the maximum use of solar potential for generating electricity.
- Development of a combined product of a solar power plant and charging infrastructure for electric vehicles.

Generation and storage of electricity

- Installation and management of large solar power plants for the sale of electricity in the free market.
- Setup and management of electricity storage system at medium voltage for the implementation of system solutions and the reinforcement of the network through the installation of battery storage systems.
- Research and development activities in the field of setup and management of electricity storage systems at low voltage in order to reduce peak power as well as the implementation of system solutions through the installation of battery storage systems.
- Development of a combined product of a solar power plant and battery storage systems.

3.3.2 KEY FINANCIAL OBJECTIVES OF THE GEN-I GROUP IN 2023

ITEM	UNIT	REALISATION 2022	PLANNED FOR 2023
INCOME STATEMENT ITEMS			
Net revenues from sales	mio EUR	4,076.1	7,381.0
Gross operating profit[1]	mio EUR	142.2	110.1
EBITDA[2]	mio EUR	53.1	44.3
EBIT	mio EUR	40.7	35.9
Net operating profit after tax (NOPAT)[3]	mio EUR	31.7	29.1
Net profit or loss	mio EUR	29.8	18.8
STATEMENT OF FINANCIAL POSITION ITEMS			
Total assets	mio EUR	603.1	803.7
Equity	mio EUR	192.4	196.6
Financial debt	mio EUR	113.9	253.2
Net financial debt	mio EUR	44.5	63.3
DEBT, LEVERAGE AND COVERAGE INDICATORS			
Net financial debt/EBITDA[4]		0.8	1.4
EBITDA/expenses for interests		22.9	3.9
Financial debt/(financial debt + equity)	%	37.2	56.0
PROFITABILITY INDICATORS			
Gross margin[5]	%	3.49	1.49
EBITDA margin	%	1.30	0.60
EBIT margin	%	1.00	0.49
ROA (net profit/average total assets)	%	5.51	2.73
ROE (net profit/average equity)	%	16.38	9.89

[1] Gross operating profit = the difference between sales revenues and expenses.
[2] EBITDA = earnings before interest, taxes, depreciation and amortisation.
[3] NOPAT = earnings before interests and taxes x (1 - effective tax rate).
[4] Net financial debt/EBITDA = (non-current and current financial liabilities - cash and cash equivalents)/EBITDA.
[5] Difference between sales revenues and expenses/sales revenues.

3.4 Overview of important events

January

A new acquisition in the GEN-I SONCE d.o.o. warehouse
Our subsidiary GEN-I SONCE d.o.o. has renovated its central warehouse in Celje with 1,700 m2, thus providing buyers of solar power plants with an uninterrupted supply chain.

February

Solar energy for high-technology stainless steel products
At the facility of the company Nieros Metal, we have installed a solar power plant with a nominal power of 206.19 kW, thus enabling the company to manufacture high-technology stainless steel products using energy obtained from a renewable source.

March

The Management Board of GEN-I is once again operating with full authority
Four months after the end of the third 5-year mandate of the Management Board of GEN-I, d.o.o., the Company has obtained a new Management Board with a full mandate through the final decision on the judicial appointment of said Management Board. The management of the Company has been taken over by Igor Koprivnikar, PhD, President of the Management Board, and Members of the Management Board Dejan Paravan, PhD, Andrej Šajn, MSc, and Primož Stropnik.

The selection committee of the Golden Thread award has recognised our focus on the development of our employees
The newspaper publisher Dnevnik has awarded the most prominent and successful Slovenian employers of 2021 in the framework of their "Golden Thread" project. The "Best Employer" title in the category of large companies was awarded to our company.

The beginning of the construction of our largest solar power plant
In the Republic of North Macedonia, we opened the construction site of our largest solar power plant where work has already begun. At a surface of 300,000 m2 (the size of 30 football fields), we have installed no fewer than 31,772 solar panels with a total power of 17 MW which will annually generate nearly 25,000 MWh of green electricity.

April

We have received the official operating permit for drone flights
GEN-I SONCE d.o.o. has become the first Slovenian company with an operating permit (PDRA-S01 and PDRA-S02) for special categories of drone flights. They allow us to perform exact measurements of facilities that our clients would like to see equipped with a solar power plant.

May

A new issue of commercial papers on the capital market
GEN-I, d.o.o. has successfully terminated the sale of money market instruments – 12-month commercial papers with a total nominal value of EUR 60 million. The new issue has received a warm welcome by the investors, since the company received binding offers by interested investors amounting to a record value of nearly EUR 70 million, which contributed to our decision to increase the initially pledged financial obligation of EUR 50 million by EUR 10 million.

The new gen-i.si website was launched

With our new website, we are monitoring the actions helping us to promote green transformation. The website with a refreshed visual image presents all our content that have so far been presented on separate websites pocenielektrika.si, poceniplin.si and gen-i.si.

June

Despite the change in prices, we remained the most favourable provider
Due to the high prices for the purchase of electricity for 2023, we had to make a decision to introduce new prices of tariffs with the Regular electricity price list for household consumers. Despite the increase, we still remained the most favourable electricity supplier in the Slovenian market.

Three of our innovations have received the Silver Award of the Chamber of Commerce
In 2022, we have submitted the following innovations for consideration in the framework of appeals launched by local chambers of commerce: The smart automation for sorting the e-mails of our clients in the customer support process has received the Silver Award of the Chamber of Commerce of the Severna Primorska region, the e-vehicles charging infrastructure sharing platform Div-ee-ap has received the Silver Award of the Chamber of Commerce of the Posavje region, while the GEN-I Solar Community has received the Silver Award of the Chamber of Commerce of the Central Slovenia region. The Div-ee-ap platform which has been shortlisted for the national innovation awards of the Chamber of Commerce and Industry of Slovenia has achieved tremendous success.

July

The first seven months of our business operations were concluded successfully
GEN-I Group has concluded its first seven months of business operations with a very successful result, despite the extremely challenging situation on international energy products markets, record prices of electricity and the provision of electricity at favourable prices for our end consumers.

August

We have joined the European Climate Pact
Even in this period characterised by changes in the energy situation, when renewable energy sources have become even more important in the light of the limited supply of natural gas from Russia, the GEN-I Group has continued its green transformation efforts. Our efforts were also recognised by the European Union which welcomed us into the fold of companies which have made a commitment to implement actions intended to reduce climate change. With our pledge in the framework of the European Climate Pact, we became part of the movement connecting people and companies with the common objective of building a more sustainable Europe for all.

September

We have received a national award
The e-vehicles charging infrastructure sharing platform Div-ee-ap was shortlisted for the national innovations awards of the Chamber of Commerce and Industry of Slovenia. We have received the Silver Award during the 2022 Innovation Days.

We became a “Distinguished Employer”

For the 4th year in a row, we have been awarded the title of a “Distinguished Employer” by the “Moje delo” portal.

October

The production started in our largest solar power plant
Igor Koprivnikar, PhD, President of the Management Board of GEN-I, d.o.o., publicly presented the entry into service of the currently largest solar power plant in North Macedonia yesterday in Skopje, accompanied by Dimitar Kovačevski, the Prime Minister of the Republic of North Macedonia, and Kreshnik Bekteşi, Minister of Economy. This entry into service is an important milestone for the expansion of the GEN-I Group in the field of the execution of projects related to large solar power plants and the generation of carbon-free electricity as well as a key contribution to the so-called “green scenario” of the Republic of North Macedonia pursuant to the Strategy for Energy Development of the Republic of North Macedonia.

We have successfully completed two large internal projects in the field of customer service
We have completed the largest digital project in the field of sales in the history of the GEN-I Group, which helped us significantly simplify the process of concluding and regulating electricity and natural gas supply contracts. With the "Measurement Point" project, we have enabled the possibility of several measurement locations on one measurement point, e.g. consumption, solar power plant and filling centre, which can be calculated separately or together.

Incentives for the rational use of energy
Even in the period of the energy crisis and regulated prices, the GEN-I Group makes sure that our consumers have a possibility of reducing their electricity and natural gas prices. Since October 2022, consumers receive a discount for their invoice once every three months if the consumers' total energy consumption is lower than the comparable period of the previous year.

November

Redevelopment of the E-mobility service
Since 1 November 2022, consumers can benefit from the redeveloped E-mobility service. The service enables charging of electric vehicles using an increased number of charging stations throughout Europe; furthermore, consumers can also benefit from the new "Moj GEN-I Charge" application that enables them to charge their electric vehicles and access all important information about charging stations.

December

A change in the sales strategy in Croatia
In December, we have concluded our supply of electricity to household and small business consumers in Croatia in order to focus on providing sustainable solutions.

3.5 Business performance analysis of the GEN-I Group in 2022

Through strategic direction and careful management, the GEN-I Group has closed 2022 with extraordinary business results in spite of the unpredictable situation in energy markets.

Operating revenues

In 2022, our net revenues from sales have exceeded EUR 4 billion for the first time. In 2022, they amounted to EUR 4.1 billion, i.e. a 21% increase compared to net revenues from sales in the previous period. Higher net revenues from sales are a result of the increase of electricity and natural gas prices in international markets as well as the increase of sold quantities of these energy sources.

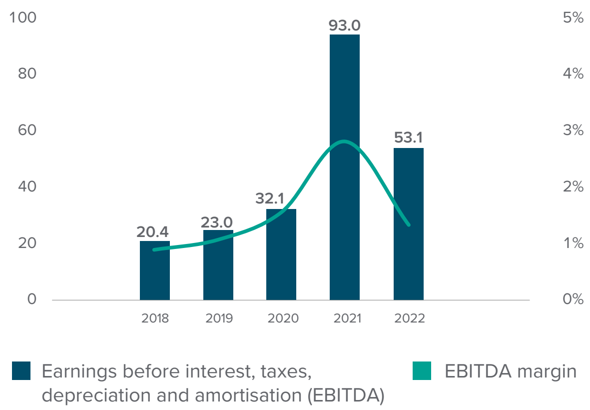
The main source of income of the GEN-I Group is still GEN-I, d.o.o. which, pursuant to its business model and a single global portfolio, has established subsidiaries in various countries in order to guarantee the presence of the Group in local markets.

Gross operating profit, EBITDA, EBIT and net profit or loss

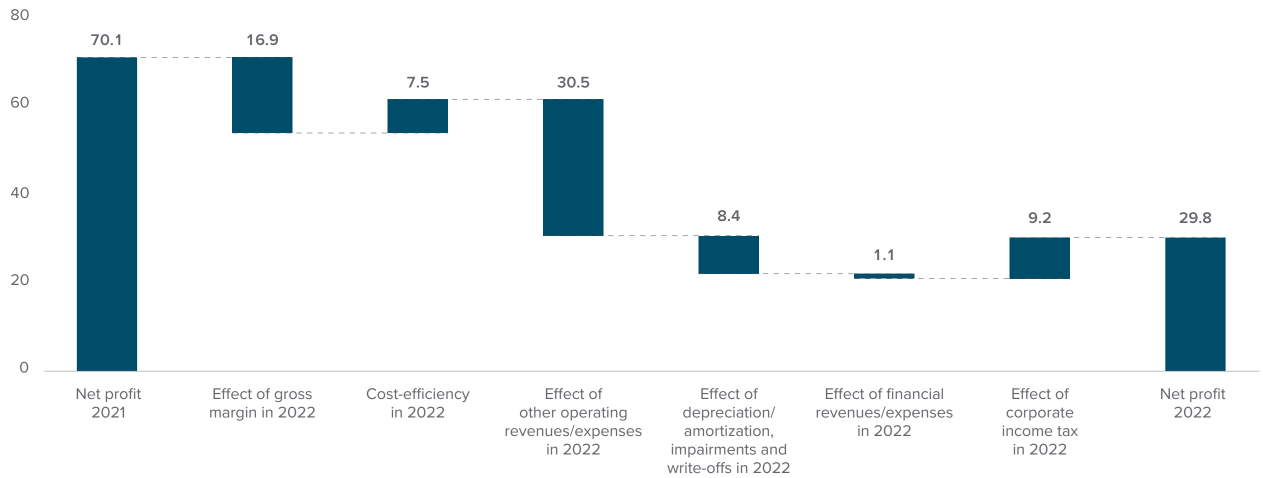
In 2022, our gross margin amounted to 3,49%, while our gross operating profit amounted to EUR 142.2 million. This represents a 10.6% decline compared to the result of the previous period. Our earnings before interests, taxes, depreciation and amortisation (EBITDA) in 2022 amounted to EUR 53.1 million, while our earnings before interests and taxes (EBIT) amounted to EUR 40.7 million. Net profit in 2022 amounted to EUR 29.8 million.

The EBIT for the GEN-I Group for 2022 amounts to EUR 40.7 million, i.e. a 54.3% decrease compared to 2021. Compared to the year before, the EBITDA has decreased by 42.9%, amounting to EUR 53.1 million. In 2022, the EBITDA margin amounted to 1.30, i.e. 1.47 percentage points less than the year before.

Gross operating profit (in EUR million), gross margin



Earnings before interest, taxes, depreciation and amortisation (in EUR million)



Elements of net profit or loss (in million EUR)

In 2022, the GEN-I Group continued its investments in intangible and tangible assets. In 2022, total investments in tangible assets have amounted to EUR 12.5 million and are related to investments in solar power plants in the Republic of North Macedonia, computer equipment, the purchase of office furniture and other equipment as well as investments in foreign tangible assets. Most investments are oriented towards development which will enable the GEN-I Group to implement an even more pervasive digitalisation as well as state-of-the-art analytics and continue to provide a work environment with a high added value. Tangible assets are not pledged.

Total investments in intangible assets in 2022 in the amount of EUR 2.1 million are related to software intended to provide IT support to joint companies and trading as well as the support of the sale of electricity to end consumers and server support.

The value of depreciation has increased to EUR 5.1 million.

In 2022, no decrease in the quality of operating receivables was detected due to the COVID-19 pandemic. However, we did establish additional impairments due to potential credit losses arising from the decreased credit ratings of business consumers that were affected by the energy crisis. The costs of impairments, write-offs and expected credit losses in 2022 have increased to EUR 7.3 million compared to the previous year.

Due to increased financial debt and interest rates, interest expenses in 2022 have increased slightly compared to the year before, amounting to EUR 2.3 million in 2022. The financial result which represents the difference between financial income and expenses has decreased compared to the situation in 2021, amounting to EUR –2.5 million.

Despite market tensions, the GEN-I Group has achieved a net profit or loss of EUR 29.8 million, which represents a 57.5% decline compared to the result achieved in the previous year. The net profit or loss achieved exceeds the planned net profit or loss value for 2022 by 36.6%.

Revenues growth

3.4 → **4.1** + 20%

BILLION EUR IN 2021 → BILLION EUR IN 2022

Equity growth

171.2 → **192.4** + 12,4%

BILLION EUR IN 2021 → BILLION EUR IN 2022

Capital structure and balance sheet sum

In 2022, the equity of the GEN-I Group has achieved a record level, amounting to EUR 192.4 million as at 31 December 2022. Compared to the value achieved at the end of the previous year, it has increased by EUR 21.2 million, which represents a 12.4% increase. The main reasons for this increase are the realised net profits and the conservative dividend policy. Despite such an increase in the equity of the GEN-I Group, the capital adequacy measured as the ratio between the equity and total assets has decreased slightly in 2022 compared to the situation at the end of the previous year, amounting to 31.9% at the end of 2022. This represents a decrease of 3.9 percentage points compared to the situation at the end of the previous year. The main reason for this decrease is the increase of the balance sheet sum to EUR 603.1 million, which represents a 26.2% increase compared to the situation at the end of the previous year.

In 2022, the gearing between equity and debt has improved slightly, due to the achieved net profit of the GEN-I Group in 2022. The fact that we achieved a good business result and that our net financial debt has remained at a suitable level are also reflected in the fact that we managed to maintain a low leverage which is measured as the ratio between net financial debt and EBITDA. Due to the increase of financial debt, the indicator is, once again, positive, amounting to 0.8 (–0.7 in 2021). Despite the growth of the indicator, it is still lower than the internally specified limit of 3.7.

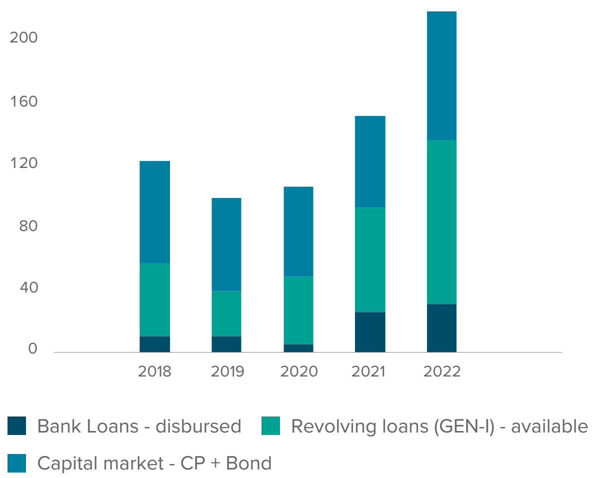
The financial stability of the GEN-I Group is still reflected in its high interest coverage, i.e. coverage of interest expenses. Despite the decrease in the earnings before interest, taxes, depreciation and amortisation (EBITDA), on the one hand, and the increase in interest expenses, on the other hand, the indicator still amounts to the healthy value of 22.9.

Debt and net debt

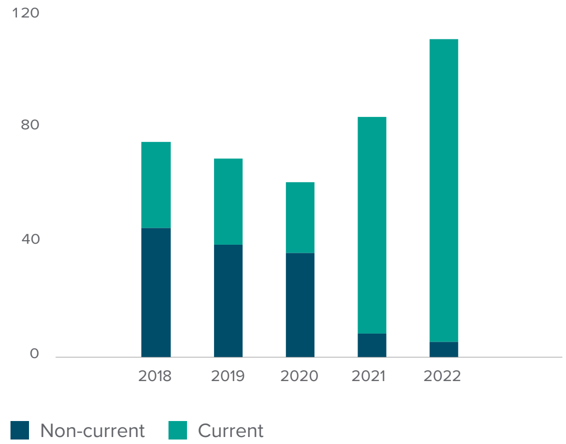
The financing of the GEN-I Group remains centralised, which means that GEN-I, d.o.o. is responsible for the acquisition of financing sources on both the banking and the capital market. The financing remains dispersed among various banks and investors, which allows us to maintain a low degree of refinancing risk.

Towards the end of the year, the balance between banking and capital markets has tipped in favour of financing on banking markets, especially due to the provision of a sufficient secondary liquidity reserve in the form of undrawn credit lines. In addition, banks also allow for an additional liquidity reserve in bank accounts amounting to EUR 69.3 million, and in the form of unused warranty lines amounting to EUR 104 million.

The trust of financial investors remains at a high level, since the parent company GEN-I, d.o.o. once again successfully issued a new money market instruments (commercial papers) on the capital market, this time amounting to EUR 75 million. In addition, it also paid off its non-current loan due in 2022 without any issues. The commercial papers have been placed on the regulated market of the Ljubljana Stock Exchange. Their issuance was, once again, very well received among the interested investors since the interest was significantly higher than the planned borrowing amount.



Financial debt according to the source of financing as at 31 December (in EUR million)



Financial debt according to maturity as at 31 December (in EUR million)

In 2022, the GEN-I Group continued to maintain a good relationship with financial institutions and also maintained its quite diversified portfolio of domestic and foreign banks. In the area of credit, we managed to increase common lines with banks by EUR 43 million. We successfully renewed all credit and warranty lines, thus ensuring additional financial stability of our business operations.

The share of long-term financing compared to short-term financing decreased in 2022, which was the result of various factors. We have paid off one of our non-current loans and have also partially paid off our green bonds. Regardless, the existing structure of our financing still allows for financial security and the coverage of permanent working capital.

3.6 Events after the end of the accounting period

Departure from the Croatian market

The market situation and an analysis of our business operations have contributed to our decision to cease the supply of electricity to household and small business consumers starting on 1 December 2022. Considering Croatia's potential for solar energy, our modified sales strategy will mostly concentrate on the service of self-supply with solar power plants for companies. The departure from the market of electricity supply to household and small business consumers in Croatia will not significantly influence the business operations of the GEN-I Group in 2023.

Regulation of electricity and natural gas prices

The Decree on the determination of electricity prices for business consumers setting out the mechanism of determining the highest permitted retail price of electricity for business consumers as set out in the Electricity Supply Act (Official Gazette of the Republic of Slovenia, No. 172/21) was published on 29 November 2022. The Decree is used for the contracts on the supply of electricity to business consumers in 2023, concluded from the day of entry into force of this Decree (i.e. 30 November 2022) up to and including 31 December 2023. Even though the consequences of the aforementioned Decree on the business operations of the GEN-I Group in 2023 are not negligible, they are covered in their entirety by the State with the so-called clawback mechanism, i.e. compensation for electricity suppliers.

In addition, the Decree on the determination of electricity prices for micro, small and medium-sized enterprises (MSMEs), applicable from 1 January 2023 to 30 June 2023, was also published in the Official Gazette of the Republic of Slovenia on 30 December 2022. Even though the calculated consequences of the aforementioned Decree on the result of the GEN-I Group for 2023 are not negligible, the State has adopted a so-called clawback mechanism, i.e. compensation for electricity suppliers intended to offset the negative impacts of the aforementioned Decree.

At the end of 2022, the Government also limited the price of electricity for public institutions and municipalities (legal entities governed by public law) with the Decree on the determination of the highest retail price of electricity and natural gas for public institutions, public commercial institutions, public agencies, public funds, and municipalities. According to this Decree, the highest permitted retail price of electricity amounts to EUR 207/MWh (for the higher daily tariff), EUR 148.5/MWh (for the lower daily tariff) and EUR 186 (for the single tariff) without VAT. Even though the calculated consequences of the aforementioned Decree on the result of the GEN-I Group for 2023 are negative, the State has also adopted a so-called clawback mechanism for them, setting out compensation intended to offset the negative impacts of the aforementioned Decree.

At the end of 2022, companies GEN-I, d.o.o. and GEN energija d.o.o. have signed an agreement on the purchase of the quantities of electricity that have not yet been purchased for the household consumer segment for 2023, amounting to a little less than 0.9 TWh. Subsequently, the State has adopted the so-called clawback mechanism by setting out the compensation for electricity suppliers, which enabled the companies to transfer the aforementioned quantity of electricity for 2023 at a price offsetting the negative impacts of the Decree on the determination of the highest price of electricity on GEN-I, d.o.o.

Appointment of a new Management Board of GEN-I, d.o.o.

After the end of the one-year period during which GEN-I, d.o.o. was being managed on the basis of the judicial appointment of the Management Board, the two shareholders have confirmed, during the General Assembly of GEN-I, d.o.o., the new Management Board which will remain at the helm of the company for the next five years. Maks Helbl, previously Head of Legal Affairs at GEN-I, d.o.o., was appointed as the President of the Management Board, while Andreja Zupan, previously Head of Trading, and Sandi Kavalič, previously Head of Risk Management, were appointed as Members of the Management Board. Primož Stropnik, representative of GEN energija d.o.o., remains on the Management Board as one of its Members.

3.7 Activities according to business segments[16]

3.7.1 TRADING AND SUPPLY

Trading

The GEN-I Group is currently active on over 20 European markets, from Germany and France in the West to Turkey in the East. Regardless of the tense situation in energy markets in 2022, the GEN-I Group has maintained its responsible and reliable business operations. In addition to our innovative approaches, this is why we have been considered as one of the most perceptive energy source traders for years.

Despite the acute energy crisis that reinforced uncertain market conditions and its volatility during this past year, we remain the leading electricity trader in the markets of Southeast Europe, where we are also successfully expanding our natural gas trading activities. In 2022, we have concluded the establishment of the infrastructure necessary for electricity trading in Kosovo, performed the first electricity transactions in Poland, and expanded our natural gas trading to Bulgaria and Greece.

Despite market changes, we have achieved exceptional business performance

Several reasons exist for the current market situation, where the prices of natural gas and electricity have soared several times, exceeding record values. The current geopolitical situation brought about a nearly complete interruption of supply of gas from Russia to Europe. An additional burden to the already fickle situation in energy markets was also contributed by the trend of closing down conventional power plants throughout Western Europe, while the French nuclear power plants have been operating at record-low levels. Renewable energies power plants were facing periods of extremely low generation. The record-low hydrology levels throughout Europe which caused extremely low water levels in rivers have, among other things, made it difficult to transport primary energy sources to power plants using rivers. In addition to the aforementioned geopolitical and natural reasons, the extremely high and volatile prices of natural gas, electricity and coal are also a consequence of "undernourished" segment of investments in the global energy system.

Despite the fact that energy markets are constantly facing certain challenges, the circumstances in this past year were really extreme, which is why trading with energy sources was an extremely complicated task. In the past, managing business risks was the most important issue; in 2022, what mattered most was the management of financial and credit risks.

Extremely high prices also caused high demands for financial coverage, both for the purpose of maintaining the positions of the GEN-I Group and for current trading. Managing credit and regulatory risks was the most important task.

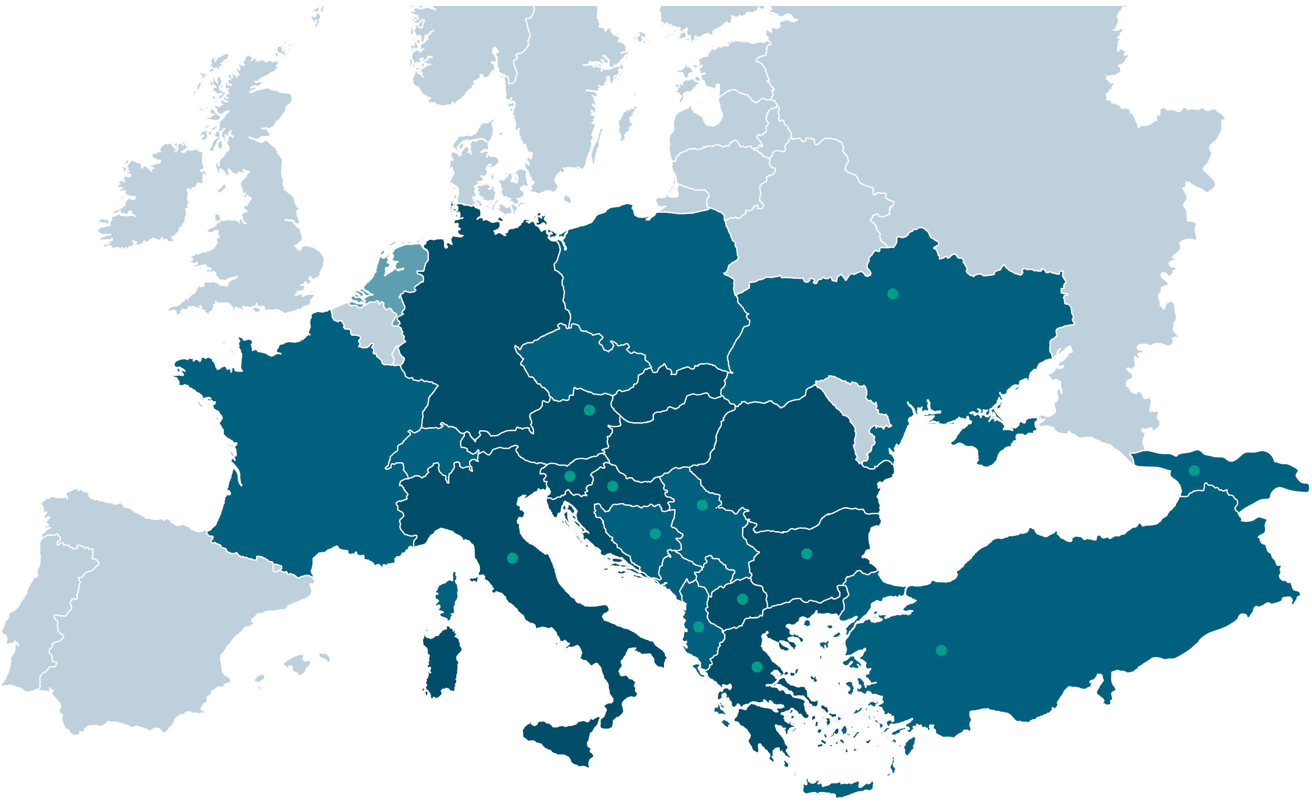
The GEN-I Group was able to respond effectively to this new situation in the energy markets thanks to our in-depth knowledge of markets and the constant progress in the field of optimising analytical support. The synergies of our globally diversified portfolio, product differences and the expansion of the range of energy sources in our portfolio also contributed to our viability. This is also extremely important from the point of view of dispersing and minimising business risks with the purpose of protecting our portfolio, particularly during a period market by a volatile market situation.

In the framework of trading support analytics, we have continued with the development of cloud-based and advanced analytical data platform which will provide us with a significantly faster access to data, scalable process power and a single source for all users within the company. We continue with our comprehensive upgrade of the core energy source trading information system with the purpose of improving and expanding our trading operations.

Algorithm trading

In the field of energy trading, 2022 was also a year of intensive investments in the development of algorithm trading, such as a systematically automated algorithm-based trading, and the use of algorithms in order to examine the existing strategies under these changed market conditions. Based on those analyses, we can quickly evaluate the hypotheses and the probability of return of the strategies developed in agile multidisciplinary groups composed of experienced traders and quantitative analysts. Such an approach complements other activities intended to guarantee a diversification of risks as well as increases the robustness and resistance of the business model of the GEN-I Group.

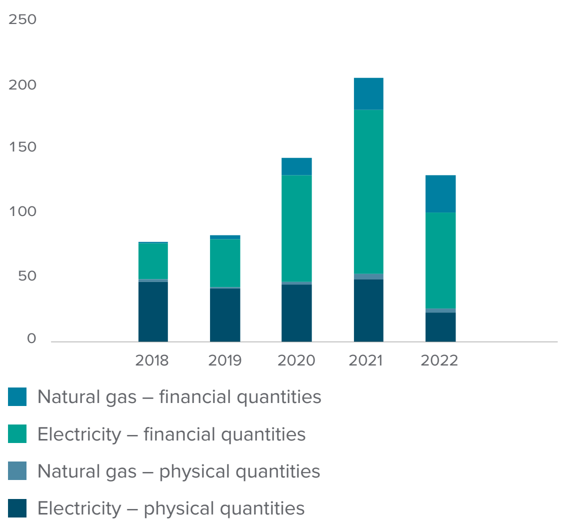
[16] Disclosure 2-6.



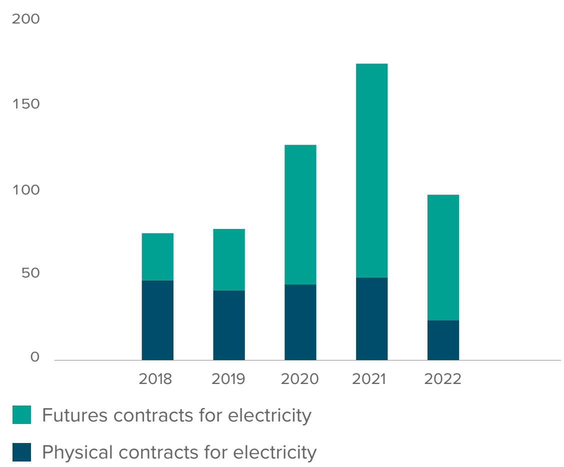
20+ **European energy exchanges**

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

South Pool CROPEX epexspot eex TGE EPİAŞ EXAA GME
HEnEx hupx hudex OKTE IBEX opcom BRM
OTE SEEPEX BORSA İSTANBUL CEGH ice MARKET OPERATOR MEPX
Balkan Gas Hub ceegex pxe



Sold quantities of electricity and natural gas – physical and financial contracts according to years (in TWh)

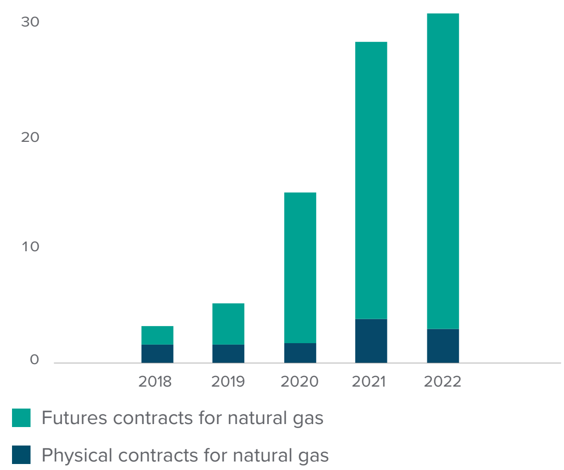


Sold quantities of electricity – physical and financial contracts according to years (in TWh)

Quantities sold

The GEN-I Group sold 129.2 TWh of energy sources in the wholesale market of energy sources, of which 97.7 TWh were sold in the electricity segment and 31.5 TWh were sold in the natural gas segment.

During those last few years, the structure of the energy market has changed, either due to the changing economic environment (tense geopolitical situations) or due to crises (the health crisis). This is also reflected in the lower degree of liquidity for physical energy sources in organised energy markets. This decrease of liquidity is also one of the main reasons for the lower traded quantities of physical energy compared to financial.



Sold quantities of natural gas – physical and financial contracts according to years (in TWh)

The volatility of energy sources and their prices have started to grow mid-2021, immediately after the economies have recovered from the COVID-19 pandemic. When the war started in Ukraine in February 2022, the prices of energy sources have soared through the roof, which was also due to the drought experienced in the summer of 2022. Even though countries introduced temporary regulatory limitations in order to guarantee the security of supply of energy sources, this did not increase liquidity. On the contrary, the opposite effect was observed.

Purchase of energy from renewable sources

2022 was a crucial year in the field of purchase of electricity from renewable sources (RES) in the framework of the Power Purchase Agreement. Despite the unpredictable and volatile market, we continued our successful management and optimisation of generation from renewable energy sources on wind farms and in solar power plants alike. Using the latter, we further reinforced the portfolio of purchase of electricity from renewable energy sources. The experiences that we have acquired throughout the year in the field of PPA contractual relationships and the management of RES generation are a good send-off and basis for the further development and expansion of this business activity segment in the years to come.

In the framework of the aforementioned contractual relationships, we will continue purchasing carbon-free electricity and upgrading trading solutions that we provide to such power plants, namely:

- the services of managing PPA contractual relationships;
- forecasting RES generation;
- coordinating and managing discrepancies.

We will achieve further growth through a targeted operation as set out in the strategy of the GEN-I Group as well as the upgrade of the knowledge and experiences of teams developing technical tools for the evaluation, automation and optimisation of the portfolio of structured products. This will help us become an even more competitive and reliable partner in the developing PPA segment of our wide portfolio.

Natural gas trading

In this past year, which has been marked by record prices in the energy markets, we knew how to respond as best we could to the extremely high prices of natural gas by making the best possible use of all opportunities for trading with natural gas as well as by investing in gas storage containers. Despite the natural gas price caps for end consumers that were also introduced in Slovenia, we managed to purchase sufficient quantities in due time, thus maintaining the positive value of our portfolio. In order to guarantee a secure supply for our users, we established a working group, the objective of which was to bring natural gas to end users in Slovenia even in the event of supply disruptions in Europe due to further tensions in its relationship with Russia, which would cause significant disturbances and the reduced inflow of Russian gas.

In addition to the existing gas infrastructure in Western Europe, we also started making use of the newly established infrastructure in the Southeast Europe in the second half of 2022, which added an additional dimension of optionality and diversification to our portfolio and also guarantees additional security of supply to our end consumers. Mainly in order to provide safer supplies, we leased gas storage facilities which significantly contribute to the protection of the most vulnerable consumers in the current energy and geopolitical crisis due to the uncertainty of supply within the European gas system.

Portfolio expansion

In order to protect our portfolio, the GEN-I Group uses the strategy of trading with an expanded scope of energy sources for trading (cross commodity strategy). In 2022, we also reinforced our trading with emission allowances which are one of the most important factors influencing the price of electricity and oil.

The excellent internal infrastructure that allows us to participate in emission allowance auctions in addition to emission allowance and oil trading through future contracts enabled us to end 2022, which was a rather challenging year, on a high note.

The GEN-I Group was able to respond effectively to this new situation in the energy markets thanks to our in-depth knowledge of markets and the constant progress in the field of optimising analytical support.

In addition to the energy crisis, additional challenges in 2022 were also related to the adoption of the EU legislation based on the Fit for 55 package and dealing with the reduction of greenhouse gas emissions. An in-depth understanding of changes and influences of the aforementioned legislation on emission allowance market was extremely important for the protection of our portfolio, since changes directly influenced the price of energy allowances, and indirectly also influenced the prices of electricity and natural gas. In order to provide an additional protection of our portfolio, we also used other energy sources in addition to the aforementioned emission allowances and oil.

Contracts with flexible consumption or generation

In 2022, in line with our previous efforts, we tried to provide our partners in wholesale energy markets with innovative products which were mostly intended to protect the values of portfolios from an increasingly volatile market. Some of those structured products are also contracts with flexible consumption or generation, options and other adapted products where the partner is identified through individual treatment. A product with the most significant contribution for both sides is then adapted.

Despite those efforts, we must point out that this past year was an extremely specific period in the segment of flexible and structured products. On the one hand, we were faced with record-low hydrology levels throughout the entire region of Southeast Europe and, on the other hand, we have found ourselves in the throes of an extremely volatile and unpredictable market, which was mainly brought about by the energy crisis.

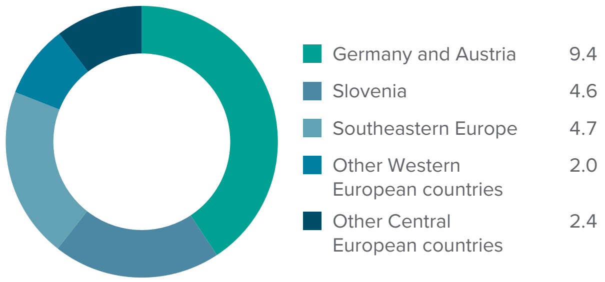
Due to the aforementioned reasons, we have recorded a significant decrease in the availability of production capacities, which led to an impaired ability of concluding and providing flexible products.

In 2023, we are expecting the energy balance situation in the region to normalise and settle, which will hopefully also be related to a resurgence of business operations in the field of flexible products.

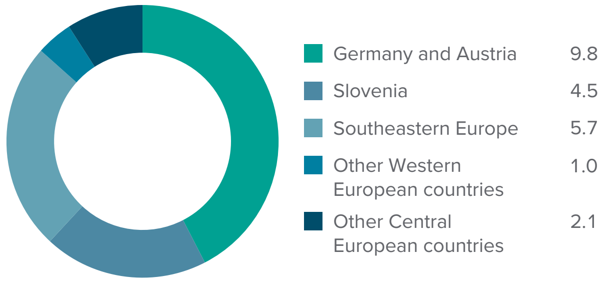
Flow-based trading mechanism

Due to our tendency to guarantee a more efficient use of cross-border transfer capacities, and in line with the EU market coupling within the GEN-I Group, we are paying special attention to the adjustment to the so-called flow-based trading mechanism. Said mechanism requires global operation and presence from the market participants in the entire electricity trading chain, extending from long-term management to supply. We have prepared ourselves for the accompanying challenges by upgrading tools and support algorithms which enable our optimal management of the global energy portfolio through considering and planning the FBMC parameters with a predetermined risk management policy.

A diversified portfolio based on cross-border transfer capacities which is periodically analysed through regular what-if scenario analyses will continue to provide an important competitive advantage in the future.



Overview of the quantities of electricity sold in 2022 according to markets (in TWh)



Overview of the quantities of electricity purchased in 2022 according to markets (in TWh)

Supply

The GEN-I Group supplies energy to all segments of end customers: households, small business consumers, industry and public customers. This allows us to cover the entire retail market, thus providing a suitable diversification of risks and better portfolio management. In this past decade, we have actively restructured our portfolio, from the majority of supplies provided to business consumers to a well-balanced supply to household consumers, small and medium-sized, and large business consumers.

Supply during the energy crisis

In 2022, the supply of energy was strongly marked by the energy crisis which had an impact on record purchase prices of energy in markets. The conditions of international trading have changed radically, and liquidity requirements of wholesalers have increased, which in turn also changed the structure of business transactions concluded.

High prices had a positive influence on the situations of manufacturing companies with a naturally long position, but negatively influenced industrial consumers and suppliers to portfolio consumers with a naturally short position. In individual markets (e.g. England and Italy), several suppliers have declared bankruptcy, while the German energy giant Uniper requested the State to help save it from bankruptcy, the influence of which on most wholesalers in Europe is impossible to predict.

In order to protect consumers, the Government of the Republic of Slovenia has adopted several decrees in order to limit the highest prices of electricity and natural gas. In July 2022, the Government adopted the Decree on the determination of electricity prices (Official Gazette of the Republic of Slovenia, No. 95/2022, 98/2022) in order to set the highest retail price of electricity for the period from 1 September 2022 to 31 August 2023 as well as the Decree on the determination of natural gas prices (Official Gazette of the Republic of Slovenia, No. 98/2022) in order to set the highest retail price of natural gas for the period from 1 September 2022 to 31 August 2023

With a well-thought-out international trading plan, GEN-I, d.o.o. has managed to maintain the prices for its existing household electricity consumers below the highest prices set out in the governmental decree until the end of the year, despite high retail market prices and regulations introduced in the domestic market.

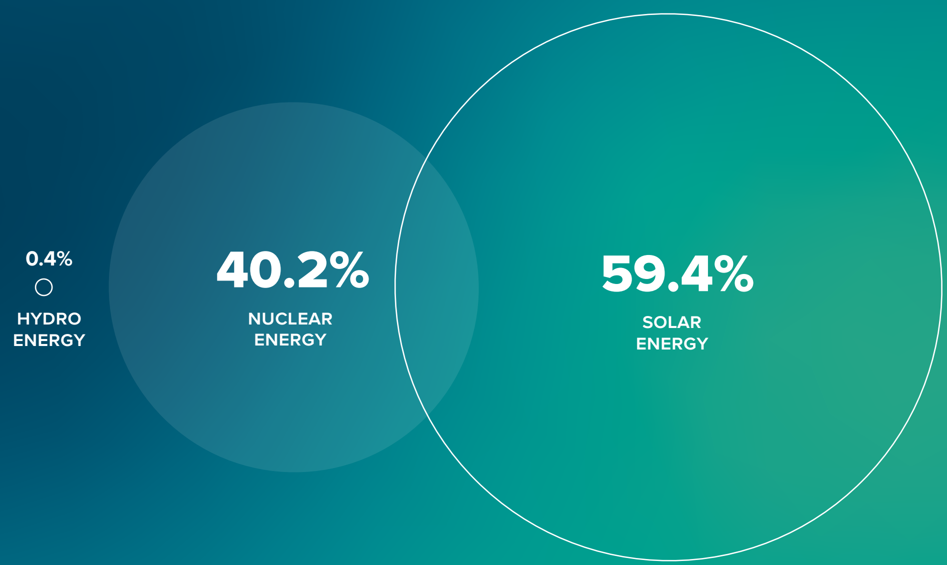
In November 2022, the Government adopted the Decree on the determination of the mechanism for electricity pricing for business consumers (Official Gazette of the Republic of Slovenia, No. 147/22); at the end of December 2022, it also adopted the Decree on the determination of electricity prices for micro, small and medium-sized companies (Official Gazette of the Republic of Slovenia, No. 167/22) as well as the decree on the determination of the highest retail price of electricity and natural gas for public institutions, public commercial institutions, public agencies, public funds and municipalities.

With a well-thought-out international trading plan, GEN-I, d.o.o. has managed to maintain the prices for its existing household electricity consumers below the highest prices set out in the governmental decree until the end of the year, despite high retail market prices and regulations introduced in the domestic market. In autumn 2021, we made a public commitment not to change our prices by summer 2022. Even though we then slightly increased our prices from 1 August 2022 onwards, we still remained the most advantageous supplier.

Under demanding market conditions, we also insisted upon our commitment of supplying CO_2-free electricity obtained through solar, hydro and nuclear energy. In 2022, we supplied our consumers with 3,493 GWh of carbon-free electricity, of which 1,647 GWh were supplied to large and medium-sized business consumers. By supplying CO_2-free electricity, we reduced our CO_2-equivalent emissions by nearly one million tonnes by 2022.

In 2022, we provided direct supply to end customers in three electricity and two natural gas markets. As at 1 December 2023, we stopped supplying electricity to household and small business consumers in Croatia due to the market situation and the optimisation of our business operations.

Sources of electricity supply for end users in Slovenia



Increase in the number of consumers and maintaining the largest share of purchase of production from sources of RES and CHP

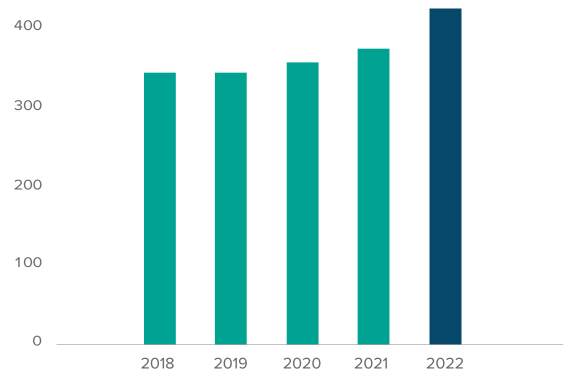
At the end of 2022, the GEN-I Group had 422,797 household consumers. In one year, nearly 50,000 new clients have opted to start using our services. Most of them came to GEN-I, d.o.o. since their previous suppliers cancelled their electricity supply contracts or increased their prices due to the energy crisis.

We purchased electricity from the solar, water and nuclear source from domestic and foreign producers through the Guarantee of origin mechanism which represents a uniform system intended to control the authenticity and regulatory compliance when demonstrating the origin of electricity. These guarantees that can be obtained by our partners as manufacturers of energy from renewable sources (RES) and nuclear energy allow us to guarantee to our end consumers that the quantity of electricity with which they have been supplied has indeed been obtained through the specified source.

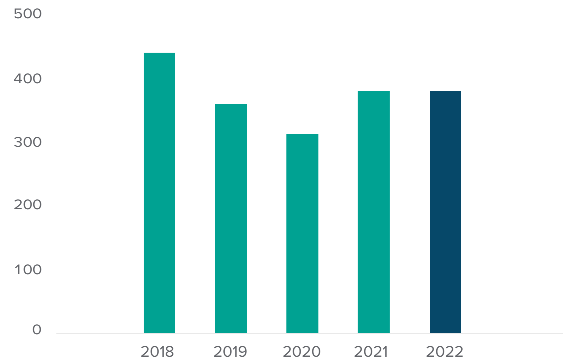
In 2022, 40.2% of the electricity supplied to our end consumers was generated from nuclear energy, 59.4% was generated from solar energy and 0.4% was generated from water sources.

When it comes to manufacturers, 2022 was also marked with an extremely volatile situation in energy markets along with poor market liquidity. At the same time, the hydrological conditions for generating electricity have reached record-low levels. As a consequence, our company had to make up for the deficit of domestic electricity with additional market purchases at record-high prices.

At the beginning of the last quarter, the issues with high prices and poor market liquidity have also been reflected in the initially calculated reference price for 2023 which amounted to EUR 512.01/MWh. Later, the intervention law limited the reference price for 2023 at EUR 180/MWh.



Fluctuation in the number of household consumers of electricity in the GEN-I Group in Slovenia (in thousands)



Purchase of production from RES and CHP sources (in GWh)

The timeline of the adoption of the intervention law which, in addition to a lower reference price, also regulated several aspects of energy generation, combined with a poor liquidity in electricity markets and uncertain conditions, also caused manufacturers to delay their decisions in terms of the sale of quantities to December 2022, due to the simultaneous passiveness of buyers.

In the last days of 2022, we also witnessed extreme pressure when it came to processing a huge number of demands, which increased the risks caused by quantitative deviations. This is why we offered our partners a new business model related to SPOT prices.

Natural gas

When it came to the supply of natural gas, the key role was played by the geopolitical tensions between the EU and Russia due to the war in Ukraine. During the year, the prices of natural gas soared to tenfold the usual wholesale market prices. The GEN-I Group also diversified its natural gas purchasing pathways and leased additional transfer capacities, which allowed us to guarantee a reliable supply for our consumers.

In 2022, we supplied our consumers with 999.1 GWh of natural gas. GEN-I, d.o.o. supplies natural gas to 30,853 household consumers and 2,149 small business consumers.

In 2022, we have recorded 8,022 new arrivals of household consumers and 823 new arrivals of small business consumers, i.e. a 32% increase in the number of consumers compared to the previous year.

When it comes to the development of the energy supply pillar, consumers and their needs remain at the centre of our attention. We are addressing them pursuant to our commitment to the green transformation of our company.

3.7.2 ENERGY SERVICES AND SALE OF TECHNOLOGIES[17]

Sale of technologies

In 2022, using the potential of the sun as an alternative source of pure energy has become extremely important. Consequently, our offer of self-supply solar power plants that we provide under the trademark GEN-I Sonce was in high demand. With the largest (14%) market share, the company GEN-I SONCE d.o.o. remains the leading company in Slovenia in this field. The aforementioned trademark offers a comprehensive, unique service of installation, construction, maintenance, insurance and financing of solar power plants.

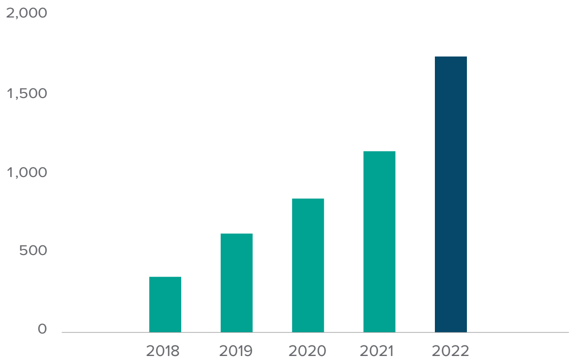
The intense increase in interest for technologies and services related to the construction of solar power plants in 2022 is strongly conditioned by regulative changes and financial incentives affecting all aspects of the sale of products.

Self-supply for households

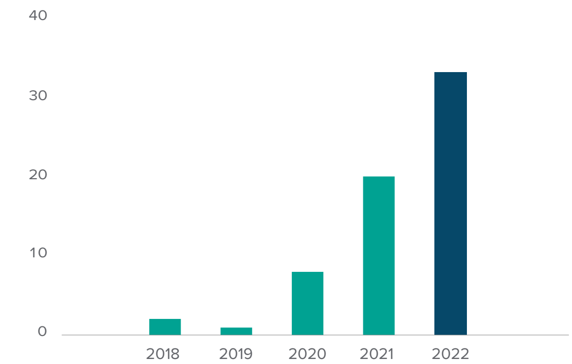
Until the end of 2022, we have enabled the green transformation through the power of the sun to nearly 5,000 Slovenian households. In 2022, we have installed no fewer than 1,842 new small solar power plants; compared to the year before, the number of small solar power plants installed in one year was exceeded by no less than 58%. In 2022, we arranged a successful coupling of 1,738 solar power plants, while the difference in couplings up to the number of all solar power plants installed in 2022 was already realised in the first quarter of the new year.

From its establishment to the end of 2022, GEN-I SONCE d.o.o. and its services in the framework of household self-supply have contributed to an increase in green energy production amounting to 104,082 MWh, and to a decrease in emissions amounting to 51,000 tonnes of CO_2 equivalent.

[17] GRI 203: Disclosures 3-3 and 203-1.



The number of small solar power plants handed over, according to years



Number of solar power plants handed over to business users, according to years

Self-supply for business users

This year, we continued to expand on the market of self-supply for business consumers, who are reducing their carbon footprint and following sustainable trends by installing their own solar power plants.

In 2022, we have connected 33 solar power plants with a total installed power of 13,058 kW on roofs of companies, hotels, shopping malls and other large electricity consumers. From their installation to the end of 2022, all devices for business users have generated a total of 13,773 MWh of green electricity, thus contributing to a decrease in greenhouse gas emissions amounting to 6,749 tonnes of CO_2 equivalent.

Self-supply of multi-apartment buildings

Since the adoption of the Self-supply regulation, it is also possible to set up self-supply solar power plants on multi-apartment buildings in Slovenia. GEN-I Sonce was the first company that made use of this possibility, by setting up the first self-supply solar power plant on the roof of a multi-apartment building in Jesenice at the beginning of 2019.

The current regulation does not yet enable an optimised functioning and integration of the product into our regular processes, which is why the projects are being considered individually and on a smaller scale. In 2022, GEN-I SONCE d.o.o. has installed a total of 3 solar power plants of this type which generated 148 MWh of green electricity and contributed to a greenhouse gas reduction amounting to 73 tonnes of CO_2 equivalent.

Large solar power plants

In 2019, the GEN-I Group has been awarded a tender in the Republic of North Macedonia which provided us the right to build a solar power plant with an overall capacity of 17 MW and rent the plot of land for 50 years. In 2022, we concluded the construction of our biggest solar power plant in the area of Amzabegovo, in the municipality of St Nikola, composed of 31,772 solar panels with a planned annual production of 25,000 MWh.

The commissioning of this power plant represents an important milestone for the expansion of the GEN-I Group when it comes to building large solar power plants and generating carbon-free electricity, and also makes a key contribution to the so-called “Green Scenario” of the Republic of North Macedonia pursuant to the Strategy for Energy Development of the Republic of North Macedonia.

+ 104,082 MWh

ENERGY PRODUCTION FOR
HOUSEHOLD SELF-SUPPLY

+ 13,773 MWh

ENERGY PRODUCTION FOR
BUSINESS SELF-SUPPLY

Sale of services

Self-supply communities

After the successful setup of the first Slovenian self-supply community in 2020, we continued providing those services. By the end of 2022, we have generated 295 MWh of green electricity and reduced the carbon footprint by 145 tonnes of CO_2 equivalent through self-supply communities.

Energy contracting

One of our energy services for the conversion to a green economy is also energy contracting which positively affects all stakeholders. Through this service, we enable companies to contain the challenges presented by the volatility of energy markets and achieve their long-term financial and environmental objectives, without their own investment. We offer the financing, construction and maintenance of the solar power plant in the agreed time period, during which the customer pays for the investment with their savings, meaning that the investment becomes their property after the end of the contractual period.

Solar community

With the purpose of enabling own generation of electricity from solar power plants to people who are, for any reason, unable to build a solar power plant on their own roof, the GEN-I Group has begun developing our own solar community. In this way, we would like to enable all households in Slovenia to benefit from their own solar power plant.

By becoming a part of the GEN-I Solar community, household consumers have reserved a spot for a long-term loan of panels of solar power plants which we are planning to build in the future for the purpose of community self-supply. For this purpose, we are planning to build numerous solar power plants throughout Slovenia in the years to come.

With our E-mobility service we have reached more than 100,000 e-vehicle charging sessions and 9 million driven kilometres.

E-mobility

Our E-mobility service simplifies the green transition of our customers in the field of mobility. We have developed the service as a response to the complex user experience of registering and paying for charging sessions of e-vehicles at public charging stations in Slovenia and Croatia.

In 2022, more than 2,256 users of this service have performed 100,853 e-vehicle charging sessions, which is nearly twice the number of sessions performed in 2021. According to our estimates, e-vehicles have, therefore, made approximately 9 million kilometres.

In November, we also launched a new application “Moj GEN-I Charge” which makes it possible for users to activate charging at a specific charging station and also make use of numerous other advantages such as an interactive map of all charging stations, charging station specifications, and an overview of prices and all charging session performed through the application or the RFID card.

We have increased the number of new members of our virtual power plant by 27%

Aggregator and active consumer

Our flexible consumption service within the GEN-I Group makes it possible for our business clients to take on the role of active energy operators, which positively affects local economy. Due to a branched network, knowledge and infrastructure, we are becoming the leading aggregator (unifier) of such active consumers. As the manager of a virtual power plant, we are connecting our clients' energy solutions with dynamic energy markets.

In 2022, we have achieved all our objectives pursued as well as increased our presence in the systemic solutions market as the reserve power aggregator in Slovenia and Austria. In Austria, we have been (commercially) providing negative and positive tertiary reserves for the eighth time this year. We have increased the size of our portfolio (i.e. the number of new clients) marketed in Slovenia and Austria by 27%.

Flexible consumption and diversified production for the purpose of guaranteeing secondary and tertiary power reserve have sparked the largest number of innovations within the GEN-I Group in the past couple of years in the fields promoted by the Directive (EU) 2019/944 of the European Parliament and of the Council on common rules for the internal market for electricity and the Electricity Supply Act (the ZOEE).

We are planning to continue our expansion on the secondary regulation market in Austria and Slovenia as well as increase our capacities with the aim of an even more active commercial participation on the tertiary reserve market in neighbouring countries, where the provision of ancillary services is possible through active demand response.

Innovations and activities in international R&D projects

The development of services pursuant to lean innovation principles and connection with the purpose of upgrading knowledge and sharing financial investments have become the driving forces of progress within the GEN-I Group. They make it possible for us to achieve the desired results faster, and they do it more successfully.

Therefore, when it comes to strategic projects, we connect with international and domestic research organisations and business partners. With them, we take part in tenders in the framework of the Horizon 2020 scheme as well as in national tenders which are often co-financed using European Union funds. Strategically, we choose projects which enable us to develop new products and solutions for customers and help us remain one step ahead of our competition. For this purpose, we have also registered a research organisation with a dedicated research group in the SICRIS base.

The Green Transformation Consortium

On 16 September 2019, we have signed a Consortium agreement for the acceleration of the green transformation of the Slovenian energy sector through smart networks with the company ELES d.o.o. The purpose of the establishment of the Green Transformation Consortium was to promote cooperation in research projects and attract more stakeholders from the Slovenian energy sector who can contribute the missing knowledge and ideas in order to pursue a common objective – green transformation and transition to a carbon-free society. By implementing research and development projects, preparing studies and calculations necessary to implement joint projects as well as implementing joint promotion activities, it will be easier for the partners to achieve our objectives, thus providing future generations with better living conditions.

In 2022, the Green Transformation Consortium continued to demonstrate the flexibility service in the distribution network in order to discharge transformation stations; furthermore, we have also implemented the DN-FLEX research project which was co-financed by the ARRS. In the framework of the consortium, we also presented GreenSwitch, a large project which was classified as a project of common interest (PCI) at the EU level. A part of the project has been selected for co-financing by the European Commission in the framework of the CEF tender.

Co-financed projects that are currently being implemented

In the GEN-I Group, we are convinced that participation in research and development projects help us follow state-of-the-art scientific trends and results; by setting up demonstration environments and developing products and solutions, we are assuming the role of one of the leading companies in the field of carbon-free technology development. Such projects are also an excellent steppingstone for the development of our employees and opening up new job positions for highly qualified staff. Since we are well aware of all of the benefits of research and development projects, we continued implementing them in 2022. Activities took part within the planned scope and deadlines.

In the framework of the Horizon 2020 scheme, we assumed the role of a partner in three international projects in 2022. The OneNet project focuses on identifying solutions for a coordinated cross-border operation of transmission and distribution electricity network system operators while setting up new flexibility markets, while the purpose of the Newcomers research and development project is to research the typology of energy communities and to identify conditions that accelerate their creation; this year, we successfully terminated this project by presenting, in Brussels, suggestions for EU policies that would promote the development of energy communities. In 2022, we started implementing a new project called EV4EU. In the framework of this project, we will develop the influence of V2X e-mobility technology in all areas.

In 2022, GEN-I, d.o.o. successfully completed two demo projects. As coordinators in the Demo Pilot E-mobility project and partners in the Demo Pilot Tourism 4.0 project, we developed and presented new solutions in demonstration environments which help support the prosperity of sustainable e-mobility and sustainable tourism by using state-of-the-art technologies and approaches tailored to specific users. Both projects were co-financed by the European Regional Development Fund and the Ministry of Economic Development and Technology.

In order to provide quality, develop new products and make our company grow, we also needed to develop a fruitful collaboration with scientists and research facilities in Slovenia and abroad, the purpose of which is to transfer knowledge, train staff members, develop new technologies and provide integrated modern solutions for the implementation of joint research and business projects. For this purpose, we have also established connections with domestic and foreign scientific facilities. One of the Slovenian projects in the framework of which we have assumed the role of a partner is also the ARRS applicative research project called DN-FLEX, with the purpose of developing platforms for the local flexibility market in the field of distribution networks.

3.8 Risk management

The centralised Risk Management Service is responsible for efficiently recognising, examining, managing and reporting on the exposure to various risks within the GEN-I Group. This service is completely independent and functions in accordance with the adopted Risk Management Policy.

In addition to being responsible for spreading the culture of risk awareness in the broadest sense of the term, key tasks of the Risk Management Service also include the coordination of managing and minimising risks related to other services, as well as the coordination of departments' operations in case of extraordinary events, the consequences of which could negatively impact the business operations of the GEN-I Group (the second risk-management level).

The Credit Risk Committee, the Market Risk Committee and the Management Board (the third risk-management level) are responsible for monitoring the effectiveness of the Risk Management Service and carefully reviewing the risks.

At the operative level, all employees participate in risk management with their conscientious behaviour in line with our policies (the first risk-management level).

The key risks controlled within the Group can be divided into the following categories:

- credit risk;
- market risk;
- liquidity risk;
- operational risk;
- information technologies risk;
- legal and regulatory risk;
- currency risk;
- interest rate risk;
- risk related to human resources.

During this past year, the most prominently expressed risks were, on average, market risks, liquidity risks and credit risks.

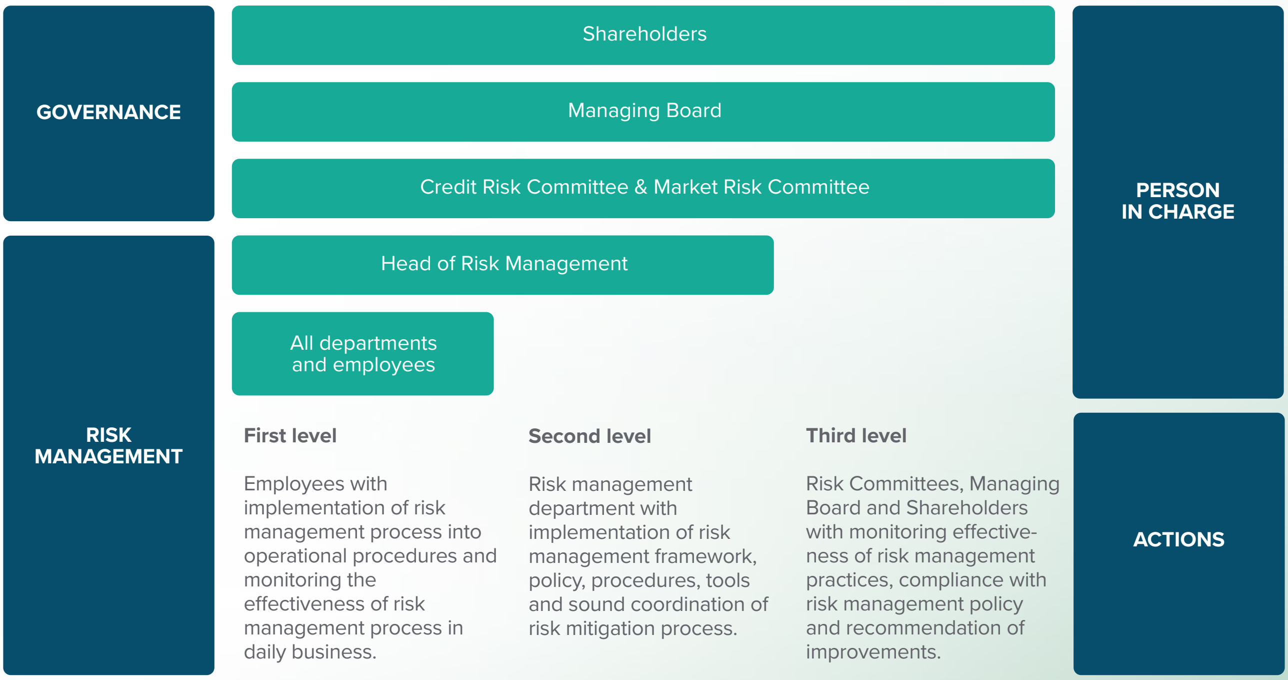


Chart layout of the risk management within the GEN-I Group

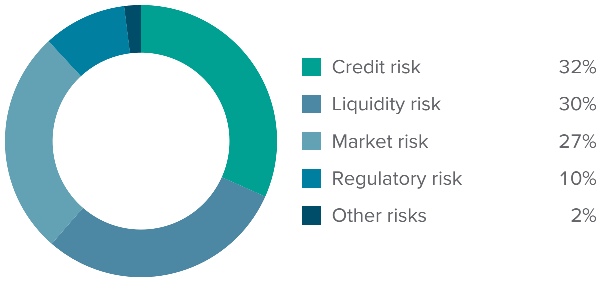


Chart layout of the risk structure within the GEN-I Group

Credit risk

In terms of credit risk management, 2022 was a rather complicated year. Due to the energy crisis, we have been facing high exposure in relation to partners, increased risks of non-payment/non-delivery and limitations in terms of concluding new transactions. We have successfully managed these risks by comprehensively monitoring the situation on the energy market and its potential consequence on the business operations of the GEN-I Group, addressing related risks during the meetings of the Management Board and the Credit Risk Committee as well as preparing risk management guidelines and measures regarding all key areas of our business operations. When setting up our strategies, we used a simulation tool to verify the efficiency of portfolios and their effects on the results achieved by the GEN-I Group based on carefully prepared scenarios of the consequences of the energy crisis.

During this past year, we have also reinforced our monitoring process in cooperation with an external provider in order to avoid concluding business transactions with companies and individuals that have been designated as sanctioned by transnational regulators.

Our Risk Management Department, controlled by the Management Board and the Credit Risk Committee, is responsible for the creation of a high-quality, diversified portfolio. Regional representatives whose local presence on individual markets enables us to remain well-informed about the events unfolding on each individual market and the business operations of our partners, and quickly adapt to market conditions and play an important role.

Before we begin a cooperation with partners, our Risk Management Department performs a due diligence process (also known as the Know Your Customer process) in terms of an increased risk of the non-payment of tax obligations, money laundering and prevention of terrorist financing according to the AML/CFL guidelines.

The framework of our cooperation with a partner is adapted according to the in-depth analysis and risk evaluation of said partner (i.e. payment terms, collateral instruments and delivery deadline).

In cooperation with external providers, we periodically adopt key changes in the business operations of our partners; in the event of a deterioration of the risk assessment, we take appropriate actions pursuant to contractual clauses/safeguards (i.e. a request for issuing additional insurance or a change in payment terms). In cooperation with a specialised insurance company, we are constantly reinforcing our portfolio of insured partners.

The credit risk management processes are detailed and formalised in the rules of the GEN-I Group.

Illustration of the Know Your Customer process

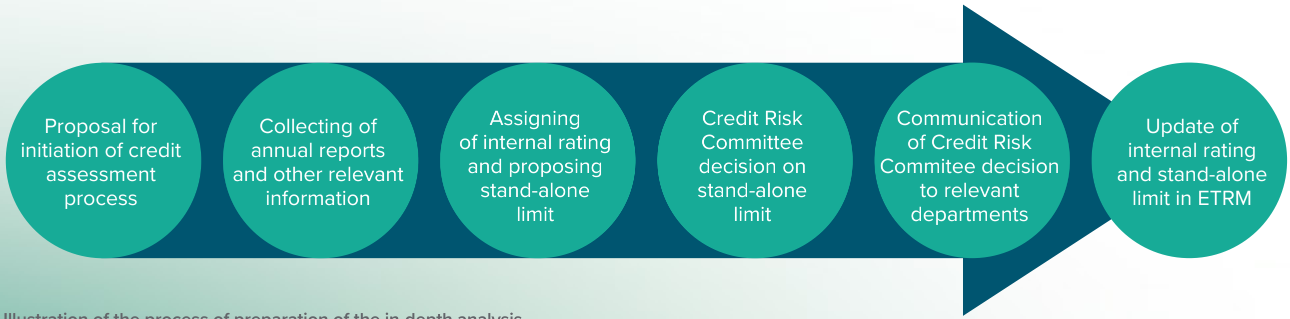


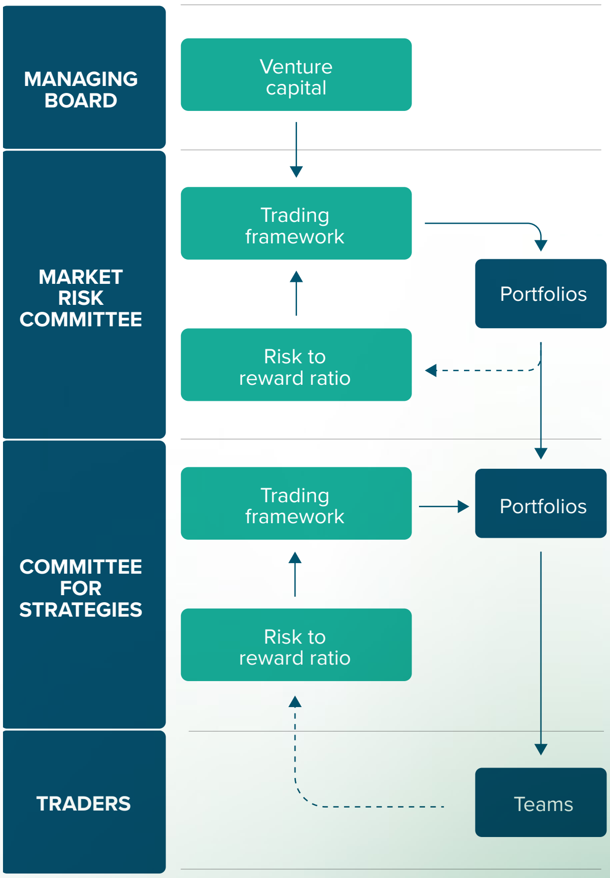
Illustration of the process of preparation of the in-depth analysis and risk evaluation

Market risk

Even though practically all extreme situations have already taken place in the market in 2021, 2022 still had some more surprises in stock. The year was marked by measures related to the events unfolding in Eastern Europe. These pressures on energy prices have contributed to a sustained upward trend throughout the year; combined with adverse weather conditions at the end of summer, they soared to reach record values. The increased price levels of energy products also provoked an increase in the MtM values of open positions, which put an enormous strain on credit lines with trading partners and, as a consequence, reduced the liquidity of products and market depths. The most obvious consequence of the extreme price levels and their volatility was a strongly increased need for financial assets required for coverage with clearing banks.

At the company level, we have strong operational frameworks which comprehensively protect the GEN-I Group as well as individual portfolios from market risks. The Market Risk Committee is responsible for managing market risks at the level of the entire GEN-I Group as well as creating guidelines, responsibilities and operational frameworks. The protection rules, quantitative exposure and management strategies are detailed in the rules of the GEN-I Group.

We have reinforced our trading method, developing revised rules for introducing a team dimension into position trading, which enables us to consider the capacity of traders when allocating trading frameworks. On the one hand, trading frameworks for portfolios are allocated for the Market Risk Committee and, on the other hand, the capacities of the team, i.e. the experience and skills of portfolio managers responsible for said portfolio are also considered. Portfolio managers, therefore, contribute to the creation, implementation and monitoring of market strategies. Internally developed tools to support trading are reinforcing the efficiency and transparency of the functioning of portfolios, teams and individuals.



Graphic representation of the frameworks for managing market risks

A dedicated group of operators who are regularly monitoring the effects of positions on inflows and outflows, and adapting the position to market trends, is responsible for the management of open positions of financial products, under the careful surveillance of the Treasury and the Risk Management Department. The operators of open financial positions can use advanced tools in order to evaluate the necessary liquid assets for financial coverage with clearing banks even before the conclusion of a business transaction. In doing so, we also directly control liquidity risks at the level of the GEN-I Group. By upgrading our tools for the management of financial positions, we have increased our visibility and greatly expanded our scope of management. In the second half of the year, our development investment has turned out to be a crucial element in the control of financial liquidity challenges.

A special form of market risk when it comes to supplying or purchasing electricity appears in terms of quantitative agreements, due to the potential differences between the contractually planned quantity of electricity or natural gas and the quantity of electricity or natural gas which was actually purchased or supplied. We manage these risks in two ways:

- through comprehensive IT support for long- and short-term forecasting of the consumption and transmission of electricity and natural gas;
- through periodic and regular monitoring of quantitative deviations of the majority of consumption and transmission locations included in the GEN-I Balance Group.

Our portfolio includes a high degree of purchase contracts concluded with manufacturers of renewable sources, particularly solar power plants and hydroelectric power plants. These sources exhibit a higher degree of volatility, which is why we have developed particular tools for this segment which enable us to forecast the production of small and large hydroelectric power plants and solar power plants, whereby said tools are based on meteorological models of the amount of precipitation, sunshine and clouds.

Liquidity risk

The Treasury is responsible for managing liquidity risks. While liquidity management takes place in a centralised manner, the optimisation and control are performed individually for each of the companies of the GEN-I Group as well as at the level of the entire GEN-I Group. We protect ourselves from unplanned events which directly influence liquidity risks using the following methods:

- liquidity reserve in the form of approved credit lines with commercial banks;
- diversification of financial liabilities;
- real-time coordination of maturity of claims and liabilities;
- limitation of exposure in relation to partners; and
- consistent recovery of receivables matured.

We simulate adverse events on a daily basis based on various scenarios, thus planning the sturdiness of the liquid position in extreme circumstances in advance.

The entire 2022 was marked by an important increase in the price levels of energy sources on the market as well as by the volatility of product prices. As a consequence, liquidity risks were also significantly higher than in the previous years. Due to the high capital adequacy of the GEN-I Group and larger cash reserves, we have managed to limit the liquidity risks by increasing certain existing credit lines and concluding some additional credit lines.

Operational risk

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 managing operational risks. They extend from corporate processes to business unit processes and individual departments. With the aim of mitigating key operational risks, we invest a lot of assets into the development of IT support and reinforce our processes by using analyses and implementing ameliorations based on business analytics and processes.

The fundamental internal principle for managing process risks is the “four-eyes” principle (minimum two people). The GEN-I Group manages risks with clearly defined processes, unambiguously defined roles, clearly defined responsibilities and authorisations of people as well as codes and rules.

Risks related to information technologies

Rapidly developing information and communication technologies are useful for modern society; at the same time, the development of technologies also means a development of more and more sophisticated threats related to information security. Cyber attacks are among the most important security threats of the modern world, which is why information security has become an important part of national security and the security of every single organisation, including ours.

Here at GEN-I Group, we are acutely aware of the risks related to information security, which is why we are addressing these risks from several angles. We are following the PDCA (Plan - Do - Check - Act) model with an emphasis on understanding the safety needs of a company, the implementation and functioning of risk management controls, the monitoring of the efficiency and effectiveness of information security as well as constant improvement. In our work, we use good practices and the recommendations of the ISO 27001 standard. We have adopted and implemented an information security policy which represents the cornerstone of the support in achieving the strategical objectives of the GEN-I Group.

We are aware that providing complete protection against cyber attacks, abuse, fraud, human and technological mistakes as well as other influences is impossible. When defining activities and addressing challenges related to information security, we use an approach based on the risk assessment that has been drafted.

The information security risk assessment is based on recognising and understanding information sources, their codependency as well as their threats, vulnerabilities and the probability of their occurrence. We perform periodic risk assessments according to known and determined methodology.

With numerous systems, detection mechanisms and constant control of the events taking place in the cyber space of the GEN-I Group, we detect anomalies that we analyse in due time, which allows us to take additional actions, if necessary. In doing so, we provide for the stability of the working environment and reinforce the users' trust, which are two conditions necessary to achieve the objectives pursued.

We are also constantly directing our attention to educating and empowering our employees in terms of information security, since this strongly contributes to the increase of the level of culture and general safety when working with information, which is why we will continue with the implementation and updating of the existing internal programme for empowering and educating our employees, which has been introduced in 2022.

Legal and regulatory risk

Legal risks arise from the unpredictability of the legal environment and the degree of legal security. They are connected to losses due to a breach of legal regulations as well as to the losses related to the insecurity of the protection of legal interests in the event of a breach of contract. We manage the latter by performing the due diligences of our contractual clients before concluding any contractual relationship as well as during the duration of said relationship.

When it comes to the wholesale trade of electricity, we conclude contractual relationships based on standard EFET umbrella contracts as recommended by the European Federation of Energy Traders, or standard ISDA umbrella contracts as recommended by the International Swaps and Derivatives Association.

We enforce a similar level of contractual provisions when it comes to retail sale of electricity. In addition, we also regularly monitor any changes in legal regulations in the field of operations of the GEN-I Group.

Regulatory risk means a risk of losses due to incomplete regulatory requirements and trading limitations or (sudden) legislative changes in individual countries in which we operate. We manage these risks through the detailed and proactive monitoring of the situation in our key markets through the local presence of regional representatives, and by cooperating with individual institutions in the field of energy. New regulatory and legislative developments in the field of energy in the GEN-I Group are closely monitored by the Department of Regulation and Compliance of Operations, which is responsible for all levels of adopting new (or modifying existing) acts, i.e. from public hearings to final implementation or entry into force of certain acts, both at the EU level and at the level of individual national markets. During public hearings, the GEN-I Group mostly champions the creation of a suitable regulatory framework in the markets in which it operates; after their adoption of said regulatory framework, our chief focus is to guarantee the timely and appropriate implementation of new features into the working processes or the work of the operative departments of the GEN-I Group. In addition, the GEN-I Group also warns about the potential illegality and harmfulness of the acts that have already been adopted, and also advocates for their withdrawal, which has proved to be particularly useful during the period when intervention laws and other acts were being adopted throughout Europe due to the energy crisis. The importance of the activities and efforts of the GEN-I Group for a proactive creation of a suitable regulatory framework in the broader European region was also recognised by international experts of the most important international energy companies in the field of energy trading in Europe; in November 2022, they appointed a representative of the GEN-I Group as a Member of the Management Board of EFET with a 2-year mandate.

Currency risk

We are exposed to currency risk when trading in electricity and cross-border transfer capacities in the framework of currencies which are not directly related to EUR and USD, i.e.:

- the Serbian dinar (RSD);
- the Hungarian forint (HUF);
- the Romanian leu (RON);
- the Turkish lira (TRY);
- the Czech koruna (CZK);
- the Polish zloty (PLN);
- the Macedonian denar (MKD);
- the Albanian lek (ALL);
- the Ukrainian hryvnia (UAH).

With the purpose of providing protection from currency risk, we use forward currency transactions with offsetting positions of trades on energy markets, where the currency risk is present in a foreign currency due to the settlement of contractual obligations.

When concluding contracts with a settlement in the foreign currency, and when trading with currency relations is limited or the liquidity is low, we use currency clauses or financial futures for the purpose of protecting from currency risk in our contracts.

Interest rate risk

Based on monitoring and analysing the events on financial markets, we have not decided to conclude a contract for the protection from an interest rate risk in 2022. For that year, however, we have renewed all previously concluded short-term credit contracts, concluded some new short-term credit contracts and issued new commercial papers with a fixed interest rate.

The share of drawn financial liabilities, which is related to the variable interest rate and where we are, as a consequence, exposed to an interest rate risk, is significantly lower compared to the drawn financial liabilities with a fixed interest rate, seeing as it represents less than 20% of all drawn financial liabilities.

We are aware of the risk of the potential increase of our key interest rate, and we are analysing the details of potential consequences.

Risk related to human resources

Managing risks related to human capital is especially important for us due to the quick growth and international expansion of business processes. Realising business plans requires constant upgrading of the existing knowledge of employees as well as acquiring new skills and developing competencies in order to function in a thinking-oriented business environment; in addition, it also requires efficient teamwork, extraordinary adaptability, dynamism, self-initiative and astonishing interpersonal relationships and communication. We have created a resilience initiative which is focused on acquiring and retaining key personnel. Using targeted channels for scouting candidates, we guarantee efficient employment opportunities as well as the inflow of the best staff into our midst. We support our key employees through development programmes. We have strategically transformed our personnel function which now provides particular support to managers for high-quality management and it shapes the organisational culture of strengths.
Internal knowledge is one of the more important competitive advantages of the GEN-I Group but also represents a major risk which is controlled through mentoring programmes, reinforcement of management skills as well as the recognition, reinforcement and additional development of key positive skills of our employees. We have introduced psychological well-being programmes which help us support our employees in handling their loads and guaranteeing personal development. We also guarantee the traceability of work processes supported through digital transformation, and we use a fully digitalised personnel information system.

4 NON-FINANCIAL STATEMENT

Pursuant to the EU Directive as regards disclosure of non-financial information and the Companies Act (the ZGD-1), the GEN-I Group as a public-interest entity, the average number of employees of which in the financial year as at the balance sheet date exceeds 500, also includes its Non-financial statement in its business report.

The requested information from the Non-financial statements pursuant to the ZGD-1 is integrated throughout the entire report, which is also apparent from references to standards and disclosures pursuant to the GRI (Global Reporting Initiative), namely:

- the description of the business model is set out in Chapter 3.1. Presentation of the Group;
- the description of policies, their results and key performance indicators as regards environmental, social and HR-related issues, respect for human rights, and issues related to combatting corruption and bribery are set out in Chapter 5. Sustainable development;
- the main risks related to the aforementioned areas are presented in the following chapters: 3.3. Strategic orientations, 3.1.2. Business environment and 3.8. Risk management.

Based on the Taxonomy Regulation , the Non-financial statement also includes information about how and to what extent the activities of the company are connected to economic activities considered as environmentally sustainable. This information is provided in Chapter 5.8. Disclosures according to the Taxonomy Regulation.[20]

Information about the report[21]

- This annual report concerns the reporting period from 1 January 2022 to 31 December 2022.
- The reporting cycle of the GEN-I Group is once per year.
- As a rule, sustainable reporting concerns all companies within the GEN-I Group. Failing that, each individual disclosure states the companies that it concerns.
- This year, the GEN-I Group prepared its first report referring to 2021 GRI standards (applicable from 1 January 2023 onwards) which comprehensively represent economic, social and environmental progress.
- The information set out in previous reports were not influenced by new findings or discrepancies which could significantly affect the situation.
- For any information related to the report or its content, you can contact us at: info@gen-i.si.

Primož Stropnik
Member of the
Management Board

Maks Helbl
President of the
Management Board

Andreja Zupan
Member of the
Management Board

Sandi Kavalič
Member of the
Management Board

Krško, 24.4.2023

[18] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (UL L 330, 15.11.2014, p. 1-9).
[19] Companies Act (Official Gazette of the Republic of Slovenia, No. 65/09 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – Constitutional Court Decision, 82/13, 55/15, 15/17, 22/19 – ZPosS, 158/20 – ZIntPK-C and 18/21).
[20] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments as well as amending Regulation (EU) 2019/2088 (UL L 198, 22.6.2020, p. 13-43).
[21] Disclosures 2- 2, 2-3, 2-4.

SUSTAINABILITY REPORT **2022**

SUSTAINABILITY REPORT OF THE GEN-I GROUP FOR THE YEAR 2022

5 SUSTAINABLE DEVELOPMENT

5.1 Vision of the GEN-I Group in the field of sustainable development

The GEN-I Group is well aware that the energy sector is one of the key sectors that needs to make a change towards a more responsible, efficient and environmentally friendly use of natural resources and environmental protection. This is why sustainable development is an important part of the strategic orientations of the GEN-I Group and also represents one of the key chapters of the Strategic Development Plan of the GEN-I Group. This plan is being implemented through our internal actions as well as products and services which are being developed in order to accelerate the green transformation of our clients and partners. In addition, we are also developing strategic areas in the field of sustainable development in the framework of developmental strategic directions that we have created and started implementing in 2021.

The GEN-I Group wishes to lead its partners and clients on the path towards decarbonisation by leading through example. For this purpose, we have installed a solar power plant on our office building in Kromberk some years ago; we are also electrifying our own fleet, introducing numerous green practices in our business processes, educating our employees and reinforcing our sustainable culture. We are aware that areas of responsible management, responsible relationship towards our employees and a broader social responsibility are the key areas of sustainable development, which is why they are also a part of key orientations of operation and business transactions of the GEN-I Group.

5.2 Importance of sustainable development for the organisation and the strategy of the company for its realisation

Global warming is one of humankind's biggest challenges. Within the GEN-I Group, we are well aware of our responsibility towards the planet and our society as a whole. Our long-term objective is to decarbonise society, to which we will contribute by developing technological, digital and analytical solutions to address future challenges. Within the GEN-I Group, we are following the path of sustainable development, in the framework of which we set up plans to support the (short-term and long-term) expansion of green transformation of the economy, development of human resources and environmental protection.

In doing so, we are following the Strategic Development Plan of the GEN-I Group. We are striving to participate in projects enabling the inclusion of diversified renewable sources, charging of electric vehicles, electrified heating and other green technologies into the network. With our participation in research and development projects, we also actively contribute to the digitalisation, upgrade and reliability of the network.

The GEN-I Group has already internalised its sustainable development objectives and included them in the framework of its own Strategic Development Plan. Up to a certain point, our Strategic Development Plan already includes the ESG (Environmental, Social, Governance) standards which will help us deepen and evaluate our relationship towards society as well as the environment, and management of our organisation. This will help the GEN-I Group expand its business operations and reinforce itself. The use of environmental standards makes it possible for us to gain an insight into how the organisation is protecting the environment. With a socially responsible organisation, we will show our relationship towards all stakeholders. Management is related to the management and leadership within the organisation, the use of good practices and control mechanisms, the ethic management of our business operations and the rights of stakeholders.

Within the GEN-I Group, we also monitor the adoption of the Corporate Sustainability Reporting Directive (the CSRD)[22] as well as analyse and implement changes brought by the Directive. The activities presented below in the field of sustainable development of the GEN-I Group are mirroring our values, the vision for our work and our efforts to guarantee a better future to next generations. We wish to set an example with our own values and operation in the light of sustainable development. As a company, we not only talk about changes; we are implementing them. We are including our employees in the sustainable mobility scheme through trainings, an electrified fleet, micromobility and smart algorithm-based applications. On an annual basis, we monitor and thoroughly analyse the carbon footprint of the GEN-I Group. Based on the results of this analysis, we promote activities intended to reduce our carbon footprint, and also provide additional education opportunities for the broader public in this area. Within the GEN-I Group, we are convinced that we do not have to wait for 2050 to develop a CO_2-free society: We can achieve it before then.

5.3 Key stakeholders and materiality assessment

Cooperation with stakeholders[23]

The GEN-I Group is striving to cooperate with all the relevant stakeholders, particularly in the field of energy. With the purpose of reinforcing mutual trust, exchanging knowledge and improving our operations, we are including various (internal and external) stakeholders into our activities.

The stakeholders recognised as key stakeholders through an analysis of our cooperation and areas of activity are:

- our employees;
- our trading partners;
- our project partners;
- financial institutions;
- investors;
- the media;
- our clients (household and business);
- suppliers;
- regulatory authorities;
- energy exchanges;
- local communities;
- associations;
- NGOs; and
- the broader public that we are addressing through our marketing activities.

The interests, needs and suggestions provided by our stakeholders are mainly identified through regular and transparent communication, which enables us to set up our business directions in order to pursue the needs of the society as a whole.

Methods of including our stakeholders[24]

We cooperate with each of the specific groups of stakeholders using different methods.

We include our employees through the Workers' Council, messages from the Management Board, Intranet, training sessions and workshops, the ZEON programme, the Earthlings programme, mentorship programmes, events and joint activities as well as through a monthly newsletter. Employee representatives are also members of supervisory boards

[22] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (UL L 322, 16.12.2022, page 15-80).
[23] Disclosure 2-29.

[24] Disclosure 2-29.

Our own Customer Service Department is responsible for direct communication, consultancy and customer assistance. We raise our clients' awareness and help them address their challenges, welcome their suggestions and provide extraordinary user experience whenever we communicate or cooperate with them. We also raise our clients' awareness through e-mail, our website and social media, while the "Moj GEN-I" portal is always available to them to monitor their own consumption and costs, receive their invoices and submit their meter readings or communicate with our consultants. Through user surveys and opinion polls, we acquire information on the needs, challenges and suggestions of our customers which we use in the development of products and services as well as in order to guide the sustainable business transactions of the GEN-I Group. For our business customers, we also organise an annual meeting in order to exchange our views of the current and future events in the field of energy and sustainability.

With professional lectures, conferences, scientific publications and cooperation with universities, we are expanding our pool of expert knowledge and exchanging examples of good practices with the broader expert community. In certain areas, we are also organising expert lectures for students and expert community in order to present the importance of this area. By implementing our own initiatives and consortia, we also promote research and development projects in the relevant areas.

We always try to set up long-term cooperation with suppliers and business partners in the GEN-I Group, since we are convinced that this provides us with the highest possible quality as well as excellent business relationships. We cooperate with our suppliers through work meetings, e-mails and electronic business operations, phone calls, supplier evaluations and tenders.

Banks and other financial investors are one of the key business partners of the GEN-I Group. Our business relationship with banks and other financial investors is based on regular and clear communication of the business operations of the GEN-I Group, interpretation of financial statements and the needs of the GEN-I Group in the field of borrowing and warranty business operations. This relationship is reflected through a high degree of trust in both the banking and the capital market. Pursuant to the expansion of the scope of its business operations, the GEN-I Group is successfully renewing and reinforcing credit and warranty lines with most of the larger Slovenian banks and with larger foreign banks or bank groups with high credit ratings. For 10 years, GEN-I Group is also a regular presence in the capital market, issuing commercial papers and bonds. All securities issued so far were well received by investors, seeing as the values of binding offers made by interested investors have always exceeded the desired borrowing amount.

The GEN-I Group is actively connecting and cooperating with local and broader communities, through partnerships with NGOs and educational facilities and joint projects with local communities alike. The GEN-I Group estimates that it is also important to give back to society through sponsorships and donations. For the purpose of building solar power plants and setting up public and private partnerships, we have cooperated with local decision-makers. Our communication with all stakeholders takes place live, via e-mail and through phone calls.

Therefore, we communicate with the broader public directly, by answering their questions and explaining the relevant subjects to journalists, and indirectly, by publishing communication messages in the media. With the purpose of informing the public, we are preparing messages and statements for the public, publishing news on our own website and in the media as well as presenting our services and products through advertising campaigns. Several times per year, we also organise meetings with media representatives as well as press conferences.

The inclusion of State and supervisory authorities takes place through regulatory reporting, regular inspections performed by inspection and supervisory authorities as well as audits performed by authorised auditors.

[25] Disclosures 3-1 and 3-2.

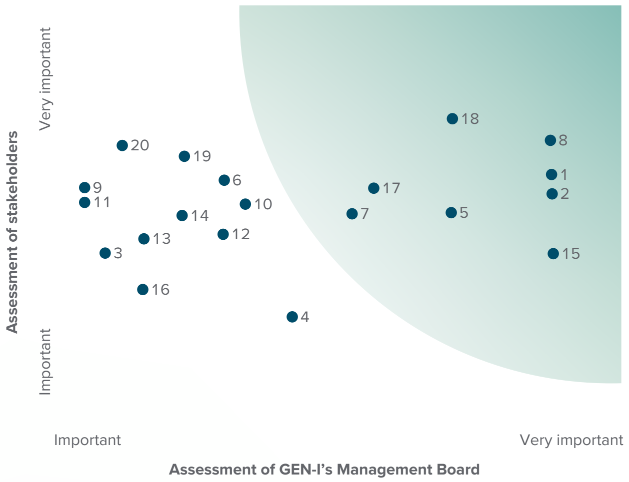


Illustration of the importance of content
for stakeholders and the GEN-I Group

1. Contribution to increase in RES
2. Reliable supply of carbon-free electricity
3. Reduction of the Company's carbon footprint
4. Commercial success
5. Development of innovative trading products and services for customers and partners
6. Resilience of the power grid
7. Democratization of the energy sector via energy policy
8. Responsible approach to customers
9. Diversity, inclusion and human rights
10. Development and retention of employees
11. Occupational safety and health
12. Communication with stakeholders
13. Contribution to society
14. Responsible supply chain management
15. Corporate governance
16. Commercial resilience through sustainable business models
17. Digitalization of operations
18. Business ethics, compliance and transparency
19. Risk management
20. Data protection

Materiality assessment

Based on the analyses and examinations of the operations of the GEN-I Group, external experts have helped us recognise 20 material issues of the Company. The preparation of the analysis of the materiality assessment that we have implemented in 2021 includes our Management Board and key stakeholders (employees, trading partners, financial institutions, investors, local communities, associations, NGOs, the media, clients, suppliers, regulatory authorities and energy exchanges) from Slovenia and abroad that were defined based on our cooperation and the areas in which we operate and where our activities are being implemented.

The Management Board and our key stakeholders took part in an online survey, in the framework of which they had to answer some questions related to the 20 material issues, evaluating them on a scale from 1 to 5: minimally important, less important, important, more important, extremely important. The questionnaire was prepared on the basis of an in-depth analysis in which we identified the key risks and areas. It was prepared by the Management Board, experts of the GEN-I Group and an external contractor. The management staff of the GEN-I Group also participated in a workshop intended to provide an in-depth understanding of the results and directions of the future operations of the GEN-I Group.

Based on the survey, material issues were finally classified according to their importance, which is displayed in the scheme of importance of areas for stakeholders and the GEN-I Group.

Our findings from the materiality assessment were taken into consideration for the first time in our annual report for 2021. The list of material issues remains unchanged. We detailed and elaborated the first eight material issues. We also tried to include material issues in our operations and the development of products and services to the greatest possible extent.

5.4 Implementation of strategic orientations in the framework of sustainable development in 2022

In 2022, the GEN-I Group also pursued the activities related to our awareness that the energy sector is one of the key sectors that needs to make a change towards a more responsible, efficient and environmentally friendly use of natural resources. In the framework of our activities, we devoted a significant part of our efforts to sustainable development, which was also one of our goals in the 2021 Strategic Development Plan of the GEN-I Group. In 2022, we implemented internal activities in the field of sustainable development as well as activities related to the development of new products and services intended to accelerate green transformation. Through our initiatives, we wish to lead our partners and clients on the path towards decarbonisation by leading through example.

The table below presents the key orientations of the GEN-I Group according to individual ESG areas; furthermore, activities that received wide attention in our company in 2022 are also detailed below.

Key environmental, social and governance aspects (ESG)

ESG ASPECT	SCOPE
Environmental aspect (E: *Environment*)	- Promoting renewable energy sources (RES); - reliable supply of carbon-free electricity; - reduction of the carbon footprint of the company; - environmental responsibility when it comes to the development of innovative products and services for customers and business partners; - participation in the process of reinforcing the resilience of the energy system; - professional cooperation when it comes to decarbonising the Slovenian energy system; - promotion of the reduction of the use of energy sources in Slovenian households; - guaranteeing business resilience through sustainable business models.
Social aspect (S: *Social*)	- Employee safety, health and satisfaction; - employee education and development; - responsible attitude towards customers; - preventive actions intended to decrease the risks in the social environment; - responsibility towards suppliers and business partners; - investments in local communities and support for sport, culture, education and health; - supporting diversity and equal opportunities; - promoting charity work; - promoting blood drives.
Governance aspect (G: *Governance*)	- Stable business operations and economic performance; - high standards of corporative governance; - efficient risk management; - honest business practices; - diversity, inclusion and respect for human rights; - responsible supply chain management; - high degree of business ethics, compliance and transparency; - anti-corruption action.

5.5 Environmental aspect

As one of the leading representatives of the energy sector and, in the past couple of years, promoter of green transformation, the GEN-I Group is well aware that a responsible attitude towards the environment requires a new way of thinking and acting. With this purpose, the GEN-I Group has set some long-term sustainable development objectives that we would like to achieve by changing our own behaviour, leading by example, investing in innovations, supporting our partners and customers and cooperating with them as well as developing and creating products that will allow us to enter a new energy era. Our responsible relationship towards the environment is further demonstrated by the certificates ISO 9001 and ISO 14001, obtained by GEN-I Sonce in the fields of quality and environmental protection.

The vision of the GEN-I Group is directed towards a carbon-free society. Seeing as we wish to become an example of the green transformation, we decided to first start with our own company. We adapt to new situations at all levels. In 2022, we have prepared calculations and an analysis of the carbon footprint of the GEN-I Group, which helped us identify the areas where we, as a group, can also contribute to the reduction of our own CO_2 emissions.

In 2022, we also continued with the project of electrification of our own vehicle fleet as well as with the expansion of our charging infrastructure. We provided additional incentives for the use of micro-vehicles that our employees can reserve in a dedicated application. We actively promoted e-mobility among our employees, helping them to better plan their own travels and optimise their carbon footprint. In addition, we also optimised the business trips of the customers of GEN-I Sonce with the purpose of reducing our own carbon footprint. In addition, we also promoted a broader development of e-mobility through demonstration projects, research and development projects, expert consultations and publications as well as the development of the offer of the combined product of a solar power plant and charging infrastructure.

We addressed the decarbonisation of the Slovenian energy system through two important segments: promotion and installation of solar power plants for household customers and business entities, and cooperation in the professional design of a system decarbonisation plan. From 2017 to the end of 2022, we installed over 5,000 solar power plants for individual self-supply and over 60 solar power plants for business entities in Slovenia, while also promoting and developing solar communities.

Extensive investments intended to speed up the decarbonisation process in Slovenia were planned in our Strategic Development Plan. Our own team of experts prepared an analysis of the situation and potential development of the Slovenian electricity system (EES). The results for Slovenia are more than encouraging, since they show that Slovenia could be decarbonised in the field of electricity before 2035, if we maintain the four key quality assurance objectives of the EES (the environmental objective, independence, reliability and competitiveness). Experts employed in the GEN-I Group were also actively involved in preparing the analyses, studies and national policies for the long-term decarbonisation of the Slovenian energy system. In 2022, we once again shared our expert findings and knowledge with the expert community through of scientific publications and lectures given in the framework of expert conferences in Slovenia and abroad.

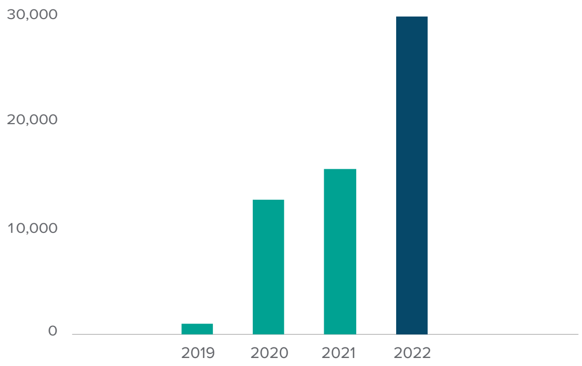
In the Republic of North Macedonia, we have installed and commissioned a solar power plant with an overall capacity of 17 MW, which represents an important step in the broader region while also proving our professionalism and the capacity of planning and implementing such large and complex projects. Within the GEN-I Group, we are increasing the awareness of the broader public in terms of renewable sources through our broader marketing activities and investment projects as well as with scientific contributions in the field of the decarbonisation of the energy system in Slovenia and beyond, whereby we cooperate with numerous research organisations. We also educate the expert public through presentations and lectures in the framework of conferences and symposiums in Slovenia and abroad.

In January 2021, we became the first company in Slovenia to offer our consumers the supply of electricity generated from environmentally friendly, renewable sources as well as nuclear energy. By supplying energy from non-fossil sources, we enable our customers to reduce their own carbon footprint and the negative impact on the environment. For over a decade, we have been considered the leading buyer of energy from dispersed renewable sources. In 2022, we continued providing CO_2-free electricity despite the particularly complex market situation. Our activities help us fulfil the commitments of the GEN-I Group and, indirectly, the governmental commitments when it comes to lowering the carbon footprint.

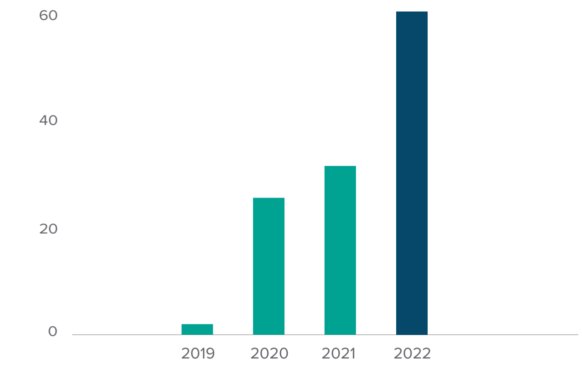
Slovenia could be decarbonised in the field of electricity before 2035, if we maintain the four key quality assurance objectives of the EES (the environmental objective, independence, reliability and competitiveness).

The innovative and sustainable business model of the companies within the GEN-I Group that is being implemented through responsible management and a positive attitude towards the environment, which is helping us intentionally pursue environmental protection principles, shows measurable and positive effects. With the construction of solar power plants, sustainably aware customers and our own production units, the GEN-I Group contributed to energy savings due to an increase in efficiency amounting to 112,112 MWh from June 2017 to the end of 2022; in the same period, it also contributed to an increase in the production of green electricity amounting to 124,526 MWh, and to a reduction of CO_2 equivalent emissions by 61,018 tonnes.

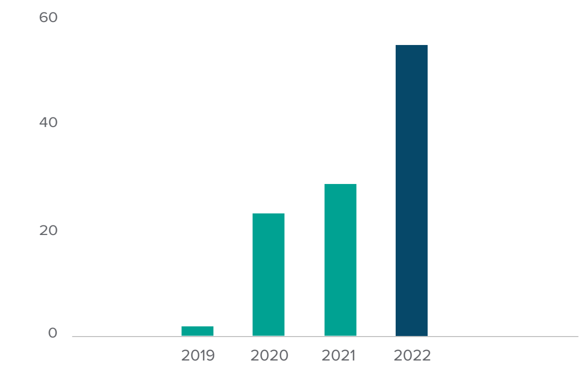
In 2022, we contributed to the preparation of the project application for a project of common interest in the field of upgrading and digitising the network in Slovenia, Austria and Hungary in the framework of the Green Consortium. This project will positively impact the reliability of the network and the increased capacities in order to include RES into the energy system. We started implementing the EV4EU research and development project, co-financed by Horizon Europe, which will enable us to analyse the influence of e-mobility through the use of V2X technology on buildings, smart cities and networks. The results of the project will have a positive impact on the acceleration of the introduction of e-mobility. In 2022, we successfully completed two demonstration projects which were co-financed by the European Regional Development Fund and the Ministry of Economic Development and Technology. In the framework of both projects, we developed new sustainable solutions in the field of e-mobility and carbon footprint. Research and development projects have helped us promote cooperation and the transfer of knowledge in the framework of partnerships.



Annual reduction of emissions (in tonnes of CO_2 equivalent)



Annual increase in green energy production according to years (in GWh)



Annual energy savings due to an increase in efficiency (in GWh)

New services and products that will enable the electrification of mobility, heating and other services, are a key contribution to the reduction of greenhouse gas emissions. For this purpose, we also actively developed new products and services within the GEN-I Group in 2022. When developing these solutions, we are pursuing sustainable aspects while promoting digitisation and the use of state-of-the-art technologies, including artificial intelligence. The products developed in this way enable self-supply to our customers while also increasing the capacity and stability of the network, which will have a broader impact on the facilitation of new solutions, the purpose of which is to reduce the carbon footprint and preserve the environment.

We raise the awareness of our employees, motivate and educate them in the field of environmental awareness. The culture of the GEN-I Group is based on sustainability, which is a feature that our employees also share. For this purpose, we organise Green onboarding for all new employees in order to educate them in the field of sustainability and sustainable solutions, and we also encourage them to internalise our values and our culture. We also organise numerous training and teambuilding sessions for all our employees in order to reinforce our connection and common culture.

The numerous activities organised by the GEN-I Sports Association, and the "Earthlings" club which brings our employees closer to nature by allowing them to cultivate their own garden in the company of their colleagues as well as promote the well-being and additional green activities within the Group.

5.5.1 CARBON FOOTPRINT[26]

The term "carbon footprint" is used to illustrate the amount of carbon footprint (CO_2) and other greenhouse gas emissions caused by the actions of an individual, a company or organisation. The calculation of the carbon footprint of a company is, therefore, one of the essential criteria allowing to estimate the impact of the company on the environment. In 2018, GEN-I, d.o.o. also started calculating and analysing our carbon footprint in order to control our emissions, guarantee a more sustainable energy management, and protect the environment. Every year, we deepen and broaden the calculation for it to represent our impact on the environment in a more comprehensive manner.

Based on data obtained in various areas, we have prepared a calculation which enabled us to recognise the areas causing the highest amounts of CO_2 emissions. These calculations served as a basis to determine the priority measures intended to achieve the highest impact in the reduction of our carbon footprint. The system of calculating and monitoring our carbon footprint is a testimony of our social and environmental responsibility, enabling us to transform our operations into more sustainable ones. Last but not least, our reporting on our own carbon footprint helps us to inform our employees and the broader public while also raising their awareness, present good practices and promote improvements and a change of our own habits. The calculation of the carbon footprint of the GEN-I Group for 2022 includes the parent company and all subsidiaries registered in Slovenia. For our calculations, we are using the latest available emission factors, conversion factors and global warming potentials (GWP), whereby we mainly use national data, or international data if national data are not available. The 2022 calculation was extended to include additional surfaces, such as warehouses, and pollution sources, such as cooling gases from cooling devices, emissions caused by the use of materials, whereby we concentrated on electrical and electronic equipment, emissions caused by overnight stays in hotels during business trips, emissions related to drinking water supply and its cleaning, and emissions due to (office and warehouse) waste.

[26] GRI 305: Disclosures 3-3, 305-1, 305-2, 305-3, 305-4, 305-5.

The following sources of greenhouse gas emissions were included in the calculation of the carbon footprint for 2022:

CARBON FOOTPRINT OF THE GEN-I GROUP FOR 2022

SCOPE 1 DIRECT EMISSIONS

emissions caused by activities and equipment owned or controlled by the company:

- fuel consumption for our own vehicle fleet
- fuel consumption for leased vehicles
- natural gas consumption used for heating at KK and MB locations
- consumption of cooling gases in cooling systems

SCOPE 2 INDIRECT EMISSIONS

emissions caused by the use of purchased energy sources used in the framework of the equipment and activities owned or controlled by the company:

- consumption of electricity for office buildings:
  - use of electrical equipment
  - use of electronic equipment
  - lighting
  - space cooling
  - space heating
- consumption of electricity for electric vehicles owned or leased by the company
- generated quantity of electricity from renewable energy sources is deducted from the purchased quantity
- consumption of heat from the district heating system

SCOPE 3 INDIRECT EMISSIONS

all other indirect emissions not included in category 2:

- transport of employees to and from work
- business trips (planes)
- business trips (taxis)
- business trips (public transport, e.g. buses, trains)
- business trips (private vehicles)
- use of materials – electric and electronic equipment
- overnight stays in hotels during business trips
- drinking water supply
- wastewater flushing and purification
- office waste
- warehouse waste

The carbon footprint was calculated pursuant to the generally accepted methodology proposed by the Greenhouse Gas Protocol, while the calculation itself was reviewed and confirmed by an independent external expert. The carbon footprint report was reviewed in order to independently examine – on the basis of a verification of supporting documents – whether CO_2 emissions set out in the report are equal to actual CO_2 emissions, and whether the data set out in the report are exact, complete and consistent and contain no errors or discrepancies. The independent expert issues a report based on the WRI/WBCSD GHG Protocol – A Corporate Accounting and Reporting Standard and the requirements set out in the ISO 14064-3 standard. Our carbon footprint is expressed in tonnes of CO_2 equivalent.

The carbon footprint of the GEN-I Group for 2022 (in tonnes of CO_2 equivalent)

GEN-I Group	
Surface (in m2)	12,524
Number of employees*	612
Tonnes of CO_2 equivalent	1,042
Tonnes of CO_2 equivalent per employee	1.70

* The number of employees at the locations in question represents the average annual number of employees, not including students and external colleagues.

Representation of the carbon footprint of the GEN-I Group according to years (in tonnes of CO_2 equivalent)*

	2019	2020	2021	2022
Surface (m2)	8,760	9,901	11,585	12,524
Number of employees	403	473	520	612
Scope 1	292	209	222	269
Scope 2	80	147	199	222
Scope 3	384	343	326	551
Total emissions of CO_2 equivalent	757	698	747	1,042

* The values for 2019, 2020 and 2021 are calculated using the expanded and more in-depth methodology from 2022. This allows us to increase the comparability of data.

Representation of the carbon footprint of the GEN-I Group according to years (in tonnes of CO_2 equivalent per employee)*

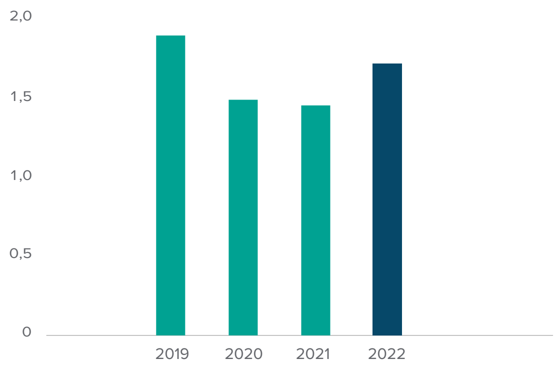
	2019	2020	2021	2022
Scope 1	0.73	0.44	0.43	0.44
Scope 2	0.20	0.31	0.38	0.36
Scope 3	0.95	0.73	0.63	0.90
Total emissions of CO_2 equivalent per employee**	1.88	1.48	1.44	1.70

* The values for 2019, 2020 and 2021 are calculated using the expanded and more in-depth methodology from 2022. This allows us to increase the comparability of data.
** The number of employees at the locations in question represents the average annual number of employees, not including students and external colleagues.

Representation of the carbon footprint of the GEN-I Group according to individual categories of scopes and according to years (in tonnes of CO_2 equivalent)*

	2019	2020	2021	2022
Scope 1	**292.4**	**208.5**	**221.8**	**269.2**
fuel consumption for our own vehicle fleet and for leased vehicles	286.5	198.4	204.8	251.6
natural gas consumption used for heating	2.1	5.7	12.1	11.8
consumption of cooling gases in cooling systems	3.8	4.4	4.9	5.7
Scope 2	**80.2**	**146.6**	**199.0**	**222.0**
consumption of electricity for office buildings**	0	0	0	0
consumption of electricity for electric vehicles owned or leased by the company***	0	0	0	0
consumption of heat from the district heating system	80.2	146.6	199.0	222.0
Scope 3	**384.4**	**343.2**	**326.5**	**551.2**
transport of employees to and from work	235.6	255.9	228.4	412.8
business trips (planes, taxis, public transport, e.g. buses and trains, private vehicles)	90.7	19.2	23.2	50.4
use of materials – electric and electronic equipment	51.8	60.8	66.8	78.6
overnight stays in hotels during business trips	1.7	2.0	2.3	2.6
drinking water supply	0.4	0.5	0.5	0.6
wastewater flushing and purification	1.5	1.7	1.9	2.2
waste (office and warehouse)	2.6	3.1	3.4	4.0
Total emissions of CO_2 equivalent	**756.9**	**698.3**	**747.2**	**1,042.4**

* The values for 2019, 2020 and 2021 are calculated using the expanded and more in-depth methodology from 2022. This allows us to increase the comparability of data.
** The GEN-I Group caused no carbon footprint through its consumption and generation of electricity, since 100% of said electricity was generated using RES (cancellation of the Guarantee of Origin); the quantity of electricity generated using RES is deducted from the purchased quantity, and electric vehicle emissions are included in transports.
*** Electric vehicle emissions are included in transports.



Graphic representation of the carbon footprint of the GEN-I Group according to years (in tonnes of CO_2 equivalent per employee)*

* The values for 2019, 2020 and 2021 are calculated using the expanded and more in-depth methodology from 2022. This allows us to increase the comparability of data.

The total carbon footprint per employee for 2022 has increased by 19% compared to 2021, which can mostly be attributed to the end of the COVID-19 pandemic which also reduced the occurrence of remote work. This is also confirmed by the fact that, in 2022, our carbon footprint was reduced by 9% compared to the 2019, the last year before the COVID-19 pandemic. In the short run, we are, therefore, experiencing an increase of emissions per employee, while our long-term trend is declining and is, therefore, positive. Furthermore, it must also be noted that, if we only consider Scope 1, i.e. the one on which our impact as a company is the most substantial, we managed to maintain the same values in 2022 than in 2020 and 2021 (during the COVID-19 pandemic), which is a positive sign. In the future, we are planning to further reinforce sustainable activities within the company and along the supply chain and continue on our path towards total decarbonisation.

5.5.2 MANAGEMENT OF ENERGY SOURCES, WATER AND WASTE[27]

On the business premises of the GEN-I Group, we constantly follow the relevant guidelines for the reduction of our consumption of electricity and energy intended for heating and cooling. Through special notifications, we educate our employees and motivate them to further think about those guidelines and take them into consideration. All new premises are equipped with LED lighting. The space in front of our business units at Dunajska cesta and Dimičeva ulica in Ljubljana and Kromberk is occupied by electric bicycle sheds, on the roofs of which our internally developed solar power plants are installed. Electricity generated by those solar power plants is used for the charging of micro e-vehicles in the bike shed as well as for the illumination of the GEN-I Sonce banner, while the battery installed in the bike shed at Dunajska cesta in Ljubljana even stores surpluses of the electricity produced.

By the end of 2022, we have electrified 86% of our vehicle fleet, meaning that we are now the proud owners of one of the largest electrified vehicle fleets in Slovenia. We also expanded our charging infrastructure: We now have 45 charging stations in Ljubljana, 19 in Krško and 16 in Nova Gorica. According to our estimates, our underground charging infrastructure in Ljubljana is the largest infrastructure of this type in Slovenia. Our infrastructure enables the charging of 71 vehicles which allowed us to make no less than 1,058,608 green kilometres in 2022. In addition, we also encourage our employees to reduce their fuel consumption. For this purpose, the eTurn application makes it possible for them to simply organise carpooling. We also further motivate our employees to use micro e-vehicles for any shorter business trips, or to organise remote meetings.

In September 2022, we have organised our traditional annual campaign in the framework of Mobility Week, the purpose of which was to motivate our employees to use alternative forms of mobility more often. 197 employees took part in the campaign, recording 7,874 green kilometres.

Using advanced algorithms intended to optimise our sales and installation paths within GEN-I SONCE d.o.o., we further reduced the scope of paths necessary to provide our services to customers throughout Slovenia.

[27] GRI 302: Disclosures 3-3, 302-1, 302-4.

By the end of 2022, we have electrified 86% of our vehicle fleet, meaning that we are now the proud owners of one of the largest electrified vehicle fleets in Slovenia.

With the exception of our business unit in Kromberk, our activities take place on rented premises, which is why we do not keep records on the generation source of electricity consumed. The solar power plant installed on the roof of our office building in Kromberk generated 41,684 kWh of green energy in 2022. Through Guarantees of Origin which allow electricity producers to guarantee that their electricity was generated using renewable or carbon-free sources, we are also keeping records of the electricity used for our own operations.[28] This means that the entire electricity consumed within the GEN-I Group has been generated using renewable or carbon-free sources, which we also offer our household and small business customers.

In 2022, the GEN-I Group consumed 13,050 GJ of energy, of which 7,064 GJ were generated using renewable energy sources (renewable energy sources for the generation of electricity and district heating), while 5,987 GJ were generated using non-renewable energy sources (petroleum products; coal, waste and natural gas for district heating; natural gas).

In 2022, our consumption of gas has decreased by 6.1% compared to 2021. This was achieved through the targeted motivation of employees to rationally use energy, and also helped us to contribute to EU objectives related to the reduction of gas consumption.

Structure of our vehicle fleet at the level of the GEN-I Group as at 31 December 2022

Consumption of energy sources within the GEN-I Group (in kWh)*

Type of energy source	2019	2020	2021	2022
district heating	216,098	439,799	596,947	652,274
consumption of electricity	814,775	907,552	1,200,018	1,662,048
consumption of electricity – BEV, PHEV	139,254	113,716	162,328	247,848
consumption of gas	49,171	27,007	62,351	58,551

* the values for 2019, 2020 and 2021 are calculated using the expanded and more in-depth methodology from 2022. This allows us to increase the comparability of data.

[28] Details of the European Guarantee of Origin mechanisms are set out in Chapter 5.6.4., Environmental and social evaluation of our suppliers.

In 2022, the GEN-I Group started monitoring its water consumption and motivating its employees to reduce their consumption. On an annual level, we consumed 4,320 m3 of drinking water supplied, while 8,111 m3 were discharged to wastewater treatment plants. Being aware of our own water footprint makes it easier for us to motivate our employees towards the more rational use of water.

Waste separation and disposal depends on the local waste management system or the waste management system of the country in which our Group companies are operating. In Slovenia, all waste is recycled. The employees in our office buildings in Slovenia are motivated to reduce their package consumption and better recycle their waste using various methods. The total amount of waste generated within the GEN-I Group, including office and warehouse waste, amounted to 74.4 tonnes in 2022. In 2022, the share of recycled waste, including composting biological waste, amounted to 52% within the GEN-I Group. In 2023, we will continue raising awareness among our employees in terms of the importance of suitable waste separation and disposal, and the reduction of the quantity of waste generated

5.5.3 RECYCLING THE KEY COMPONENTS OF SOLAR POWER PLANTS AND THE PACKAGING FEE

Due to the increased importance of recycling of photovoltaic modules, our subsidiary GEN-I SONCE d.o.o. became a member of the joint scheme of handling electrical and electronic equipment, which is managed by ZEOS d.o.o. In the framework of the scheme, the company guarantees the collection and treatment of waste electrical and electronic equipment, which also includes the processing of used parts of solar power plants. In order to recycle them, GEN-I SONCE d.o.o. allocates a part of the funds obtained through the sale of each solar power plants to the recycling of used equipment (modules, components) and the reuse of materials for the production of new components.

Recycling provides a double green value to photovoltaics: in addition to reducing environmental pollution, recycling photovoltaic modules also contributes to a reduced electricity consumption due to a decrease in the quantity of waste materials, seeing as electricity is a necessary component in the process of obtaining said raw materials. In doing so, we are contributing to the commitment of the photovoltaics industry to take care of the entire (“closed”) sustainable life cycle of photovoltaic modules. In 2022, an environmental tax for 165,936 directly imported pieces of photovoltaic modules was paid in the framework of the scheme.

GEN-I SONCE d.o.o. begun installing the first solar power plants in 2017, which means that the average age of their solar power plants is 5 years or less. Since the anticipated lifespan of solar power plants installed by GEN-I SONCE d.o.o. is 30 years or more, no concrete examples of recycling an entire solar power plant were recorded as of yet.

Examples of returns of certain components (e.g. optimisers and inverters) occur in the process of maintenance of solar power plants installed; in the framework of a complaints management process, they are returned to the manufacturer that then provides new components pursuant to the provisions as set out in the warranty.

Since new components for the construction of solar power plants are regularly arriving at the warehouse of GEN-I SONCE d.o.o., the company is committed to the protection of the environment pursuant to its ISO 14001:2015 certificate, which also means it must respect certain protocols when it comes to waste packaging treatment.

In Slovenia, the field of waste packaging treatment is regulated by the Decree on packaging and packaging waste. Pursuant to the legal basis, GEN-I SONCE d.o.o. is included into the packaging scheme and pays a packaging fee for all of its waste packaging.

In 2022, the costs for the removal of the following waste packaging were incurred within the company GEN-I SONCE d.o.o.:

- 16,400 kg of paper and cardboard packaging;
- 18,940 kg of bulky waste.

5.6 Social aspect

Our employees are the most valuable asset of the GEN-I Group and the key element for guaranteeing the development and growth of our business operations. This is why numerous sustainable HR practices are included in the strategic developmental initiatives of the GEN-I Group. In terms of employment, recruitment and selection of our personnel, all our candidates were provided with equal opportunities regardless of their gender, age, race and religious beliefs in 2022. We actively made sure that our newly employed colleagues were able to benefit from a positive experience during the employment process.

In the first months of their employment, our new colleagues followed the onboarding process and a special sustainable programme (ZEON), in the framework of which our new colleagues in interdisciplinary teams were able to familiarise themselves with sustainability practices and culture in our company as well as participate in the implementation of sustainable projects.

The growth and development of our employees were ensured through development and annual interviews related to personal performance between individual employees and their managers. We upgraded our targeted OKR management process introduced in 2021 and implemented the Management Academy programme for all our managers. Through education and training sessions, our employees were able to gain a deeper understanding of their expert knowledge.

We promoted healthcare activities and socially responsible practices among our employees. By organising various events, we made sure that our teams were also connected outside of their everyday working obligations.

The donations of the GEN-I Group were mainly oriented towards humanitarian purposes, while special attention in sponsorships was paid to local sports associations and clubs. During an extensive fire in the Karst region, the GEN-I Group helped the firefighters with portable batteries which made it possible for them to communicate with one another.

For the overall management of the energy crisis, experts from the GEN-I Group participated in numerous crisis groups, provided guidance and prepared strategic documents and bases, and participated in public discussions. Despite high prices of energy sources in wholesale markets, the GEN-I Group kept its commitment not to increase electricity prices before summer; later, we remained the most economically advantageous provider in the market. In addition, we initiated a high-profile “Less is More” campaign at the end of the third quarter of 2022 in order to raise the awareness of the broader public and promote a reduced consumption of energy sources.

5.6.1 RESPONSIBLE RELATIONSHIP TOWARDS THE PUBLIC[29]

Through our operations in one of the crucial economic sectors of our country and our regions, we are assuming an important part of the responsibility for the operation and development of a broader community composed of various stakeholder and the public. By strategically planning our relationships with them, we make sure that their interests are aligned with our objectives and operations. We nurture our relationships with our stakeholders through open, clear and impartial communication.

In 2022, we maintained regular and open relationships with the media in order to provide the relevant information; furthermore, we also regularly published all the important information about our company on our websites and on social media as well as during our own events and events organised by other stakeholders.

At the beginning of the year, we informed our business partners about an overview of the market situations and predictions for the future during our regular annual meeting. Our employees and managers gave lectures or participated in round tables in the framework of various events in the field of energy and green transformation. They also regularly participated in lectures held at universities, where they were able to transfer their practical know-how to students. Doing so has allowed us to inform the younger generations and reinforce our employer brand.

In the autumn, we have set ourselves the objective of reducing the energy consumption of our existing household consumers by 10%, thus following the guidelines provided by the European Commission to Member States during the energy crisis. With an eye on the future, we have been promoting energy-saving habits among our consumers since October, awarding their total reduction in consumption in order to be able to include renewable energy sources into electricity systems.

[29] GRI 413: Disclosures 3-3, 413-1, 413-2.

The GEN-I Group performs no activities which could actually or potentially have a negative impact on local communities.

Philanthropy

In the field of philanthropy, we contribute donations to various organisations according to the decision and the approval of the Management Board of the GEN-I Group. We also organise internal events with our employees in order to promote philanthropy. We have organised the first clothing exchange in order to promote sustainability in the field of textiles as well as a charity Christmas fair where we collected material and financial donations for the humanitarian aid association previously selected by our employees. The GEN-I Group doubled the donated financial assets.

Sponsorships and donations

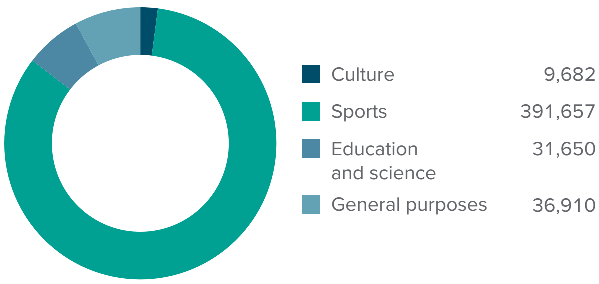
When it comes to our sponsorship policy, we use the reactive sponsorship model, meaning that we do not have a specific carrying programme; instead, more than one half of the funds are unallocated in advance. Their purpose is set up during the financial year and is related to the success of our business performance as well as to the recognised interest in cooperating with local communities. All decisions in terms of sponsorship contributions and donations are adopted at the level of the Management Board.

In 2022, we paid special attention to local sports associations and clubs. We have supported numerous sports teams, associations and clubs, including:

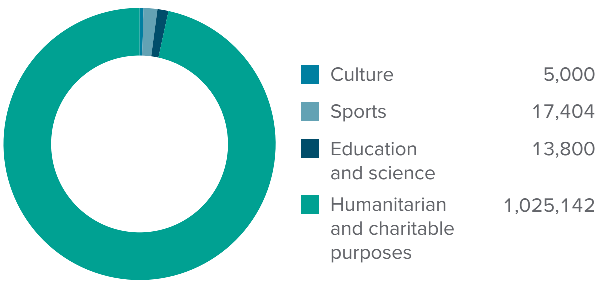
- the GEN-I Volley volleyball team from Nova Gorica;
- the Gorica Football Club;
- the female football club ŽNK Olimpija Ljubljana;
- the Pivovarna Laško Handball Club;
- the Krško Handball Club;
- the Brežice Handball Club;
- the Nova Gorica Basketball Club;
- the Krka Novo mesto Basketball Club;
- the Plama-Pur Ilirska Bistrica Basketball Club;
- the Ilirija Ski Jumping Club.

At the national level, we sponsored the Athletic Association of Slovenia. In our area of expertise, our sponsorship funds were intended to be used for activities aimed at education and finding good energy practices and solutions.

Donations were mainly intended for humanitarian purposes (97% of assets). The majority of our donations were donated to Caritas Slovenia and Slovenian Red Cross who assisted civilians in Ukraine as well as to the Dr Franc Derganc General Hospital in Nova Gorica, the Brežice General Hospital and various Associations of Friends of Youth (Krško, Ljubljana, Goriška).



Structure of sponsorships in 2022 (in EUR)



Structure of our donations in 2022 (in EUR)

5.6.2 RESPONSIBLE RELATIONSHIP TOWARDS OUR CUSTOMERS[30]

Our consumers come first

When it comes to our relationship with our customers, our main responsibilities are the provision of energy at favourable prices, and the provision of the best possible environmentally friendly services. In 2022, our first responsibility was accomplished through unchanged prices of electricity for existing consumers until summer 2022, even though prices in wholesale markets have risen sharply by then. The GEN-I Group managed to bridge the gap through an excellent adjustment of energy source trading in international markets. At the end of 2022, when the highest permitted prices were already in place for several months, most of our household consumers were paying lower energy prices.

Despite the intensified market situation, we provided energy from renewable sources and nuclear energy to all our consumers. Throughout the year, our consumers were provided with simple and accessible opportunities for green transformation, from CO_2-free electricity, solar power plants or any of our available green solutions for sustainable mobility.

New website and digital signing of contracts

The first quarter of 2022 was marked by the launch of our new website gen-i.si which enables consumers to quickly find key information needed to switch their supplier. Through digital solutions, we enabled potential new consumers to quickly and simply switch their suppliers. When it comes to our existing consumers, they can now benefit from a simplified path to our “Moj GEN-I” portal where they can manage their invoices, select the option of a PDF invoice, pay their invoices through standing orders, or directly contact our Customer Service Centre.

Now, clients receive automatically generated contracts to their e-mail address in less than 15 minutes after submitting their enquiry, and the system also allows them to digitally sign them.

An important milestone was the project of the digitalisation of our sales process which simplified the process of concluding and regulating contracts for the supply of electricity and natural gas for our consumers. Now, clients receive automatically generated contracts to their e-mail address in less than 15 minutes after submitting their enquiry, and the system also allows them to digitally sign them. With this solution, new clients can benefit from a simplified supplier switching process, and the solution also allowed us to optimise internal processes in the aforementioned area.

Pursuant to regulative requirements, we introduced a measuring point in cooperation with SODO. The required regulatory change thoroughly affected IT solutions intended for the exchange of measurement and billing details between partners as well as IT-supported business processes. The main reason for the success of the concluded project and the smooth transition for our consumers was the close cooperation and real-time coordination between all stakeholders involved in the project.

In the near future, the new concept of sharing information and data processing between measurement locations and measurement points will enable the development and offer of new business products which will motivate customers to take on the role of so-called “active consumers” in the electricity network. From now on, one measurement location will logically connect several measurement points, e.g. for consumption, solar power plant, or electric vehicle charging station, whereby said measurement points will be calculated separately or together, which opens up new possibilities of the optimisation of the electrical system by users.

[30] Disclosure 2-25.

"Moj GEN-I" portal

208,542
USER ACCOUNTS

33%
OF ALL WRITTEN COMMUNICATION WITH CLIENTS

"Moj GEN-I" portal

The number of customers using the "Moj GEN-I" portal is constantly increasing. 208,542 user accounts were registered and successfully confirmed by the end of 2022. In 2022, 33,799 users have registered and successfully confirmed their accounts. The portal was visited 3,453,191 times. Visitors were most interested in the areas of consumption, invoices, current notifications and submission of counter readings. 33% of all written communication with clients took part directly via the portal in 2022. In addition, numerous changes of the invoice issuing method were also made through the portal every month; 48% of our customers have now opted for an environmentally friendly invoice issuing method.

In autumn 2022, we updated the portal with various tips vetted by experts which help our consumers save electricity and natural gas. These tips are available in a new category of frequently asked questions titled "Tips for the rational use of energy". We automated our process of implementing or changing the payment of invoices through the SEPA direct debit method, by allowing our clients to sign their consent digitally, through e-mail. In 2022, 3,467 customers have signed said SEPA direct debit consents.

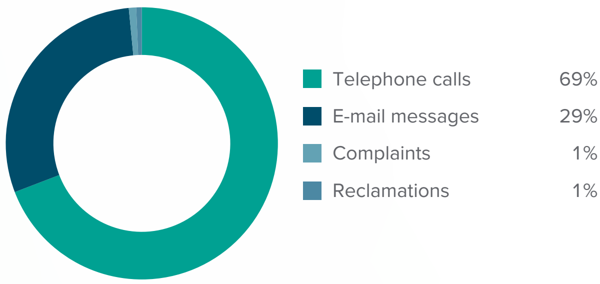
Furthermore, the change of the invoice issuing method was also automated. The change arranged by the client through the portal can now automatically be regulated in backend systems, which saves a lot of time.

At the end of 2022, we also upgraded our E-mobility tab where registered users of electric vehicles can now see detailed information about their charging sessions and the monthly consumption charged.

Communication through our Customer Service Centre

The demanding market situation and interruptions of energy supply from certain suppliers have demonstrated just how urgent it is to immediately enable personal communication to a client in crisis or in a difficult situation. Despite the incredible increase of prices in international markets, we managed to arrange the supplier switching process for all clients who have found themselves without a supplier overnight and wanted to switch over to GEN-I.

In 2022, our Customer Service Centre has fielded 317,916 phone calls, and also answered 134,619 e-mail messages and all messages received through the "Moj GEN-I" portal. We also responded to 4,018 complaints and 3,033 reclamations. reklamacij.



Structure of the communication managed through our Customer Service Centre

Educational activities intended to achieve customer satisfaction

When it comes to customer care, simplicity, transparency, trust, empathy and a quick, high-quality response are key. We prepare regular training sessions in the field of achieving customer satisfaction for all employees who regularly find themselves in contact with our customers. In 2022, our advisers in the Customer Service Centre benefited from 208 different training sessions, of which 22 hours were implemented in the form of digitalised content in the CRM Classroom which was introduced in 2021 and enables us more flexibility when it comes to acquiring new knowledge.

The success of those additional training sessions is measured through customer satisfaction; in 2022, our customers have submitted nearly 37,000 feedback reports related to their satisfaction with our communication, with the average grade of 4.82 (out of 5).

Personal data protection[31]

In our company, the area of customer privacy is treated in a highly professional, i.e. legal, fair, safe, careful and transparent manner. Since we are well aware of the responsibility we have to protect the personal data of our clients at our disposal, our clients can always know how and for what purpose their personal data is being processed. Privacy-related information is always available to our clients on the websites of the company as well as during direct business transactions. Any detected breaches are addressed by a 5-member Personal Data Protection Committee. In the event of any alleged breach, the Committee examines the incident, identifies any potential harmful consequences for the rights and liberties of individuals, adopts appropriate measures and, if necessary, informs the Management Board with the breach and the suggested measures intended to mitigate the consequences or, at the very least, reduce the risks. If necessary, the Committee also prepares a breach report for the supervisory authority within the prescribed deadline and pursuant to the provisions of the GDPR.

In 2022, the Data Protection Officer addressed 21 breaches communicated by individuals (customers or other persons). All of these breaches were related to an unauthorised access to another person’s data, but since said data was classified as non-sensitive personal data, it was unlikely that the breach could cause an important risk related to the rights and liberties of individuals. Regardless, all appropriate technical and organisational protection measures were implemented in order to protect personal data.

In 2022, we received no complaints from regulators leading to a detection of potential irregularities.

Several smaller breaches related to loss of customer data were addressed. No system errors caused by a “permeable” IT system were detected, seeing as we are trying to ensure a default level of privacy in our IT systems.

[31] GRI 418: Disclosures 3-3, 418-1.

5.6.3 RESPONSIBLE RELATIONSHIP TOWARDS OUR EMPLOYEES

Within the GEN-I Group, we are well aware that long-term positive impacts and ambitious objectives can only be achieved through a responsible relationship towards our employees. In 2022, cooperation, integration, multidisciplinary teams, promotion of innovations, recognition of potentials and creation of the profiles of the future by providing our employees with broad, flexible competences were, once again, the starting point for our HR strategy and all personnel development projects.

Personnel development is one of our developmental strategic orientations which helps us follow up on our vision to become the best choice in all segments of the energy chain as well as the main promoter of green transformation. Therefore, our choice of personnel and the treatment of our colleagues are adapted to the challenges in the international environment and the focus on the development of innovative solutions for green energy transformation. In doing so, we are well aware of the meaning of creating a solid, connected personnel structure, which is why we use different activities in order to reinforce the values, on which our organisation is based, in our employees. Particularly notable among those activities is the GEN-Ius laureate title awarded to 8 of our employees.

UGLEDNI DELODAJALEC 2022
MojeDelo.com universum

Zlata nit 2022
FINALIST IZBORA

In the past couple of years, our HR policy also made a breakthrough in the broader business environment. In the 2022 Golden Thread award, we became one of the finalists in the category of large companies; in 2021, we were awarded the title of the best employer among large companies. We are also one of the ten best employers in the country according to the 2021 list of eminent employers, and we also claimed the top spot on the list of the 10 best employers in the energy sector. In 2021, experts have awarded us with the title of the most eminent employer in the IT sector. The selection of the most eminent employer of 2022 is currently under way.

Through the internationally renowned Clifton Strengths® questionnaire, we are developing an organisational culture which supports different paths leading to the same objectives.

Response to changes in the business environment

In 2022, our biggest challenges in the field of employment were also related to an uncertain business environment. We have adapted the organisation of our work to the needs of developmental strategic orientations, and we strengthened our resistance in terms of the situation in the market of energy sources. In our employees, we were reinforcing agility, innovative and creative thinking, and the ability of planning complex solutions. We were developing their competencies for the future, by focusing on social skills and collaborative relationships (the so-called T-competencies).

We were focused on creating employee groups in which every member would be responsible for what they do best, and we also placed a special emphasis on the empowerment of our managers. Through the internationally renowned Clifton Strengths® questionnaire, we are developing an organisational culture which supports different paths leading to the same objectives. For a simplified and a more efficient introduction of the concept of strengths into the working process, we are implementing training sessions for managers; at the same time, we also motivate employees to boost their potential with various methods of participating in agile multidisciplinary teams.

At least two important effects are achieved through agile teams:

- participating in projects exceeding the content of their narrow field of work helps them obtain a broader representation of the functioning of the GEN-I Group, acquire new knowledge and develop their competencies;
- when employees work in a different environment with different requirements, this helps us to recognise any hidden talents and potentials of each individual employee.

The aforementioned approach is a practical part of our model of employee learning and development. In addition, we also support it through internal mentorships, the main purpose of which is to transfer experience and knowledge to younger generations.

In 2022, we adapted our personnel recruitment process to the changes in the environment, whereby the selection process also included the verification of how compatible individual values of each of our prospective employees were with the values of our business group. We employed people with technical, scientific, sociological and humanistic skills who are committed to constant learning and acquisition of new knowledge and skills.

We are proud of our GEN-I Trading Challenge competition; of the 250 candidates who applied to participate in the competition, 150 were given the chance to shine. The project included lectures on the basics of trading, the role of analytics in trading, setting up trading strategies, behavioural economy and market psychology. Using the information obtained, participants were able to take part in a trading simulation and apply the skills acquired in practice. As weeks went by, the participants' decisions were increasingly informed and their strategies were more and more elaborated.

The added value of the GEN-I Trading Challenge was also the development of educational content for future traders, which helped us realise our strategy of developing and teaching our colleagues as well as promoting multidisciplinarity.

Employment, educational and age-related structure of our employees[32]

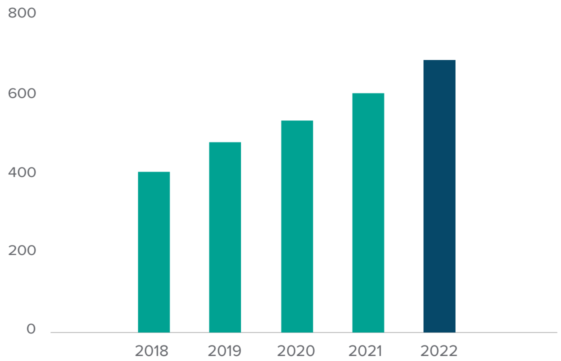
681 people were employed in the GEN-I Group at the end of 2022. Compared to the situation as at the end of the previous year, the number of employees increased by 13.7% (82 employees).

In terms of age groups, the GEN-I Group has 12 female and 29 male employees over 50 years of age. There are 223 female and 217 male employees aged 30 to 50 years, and 101 female and 99 male employees under 30 years of age.

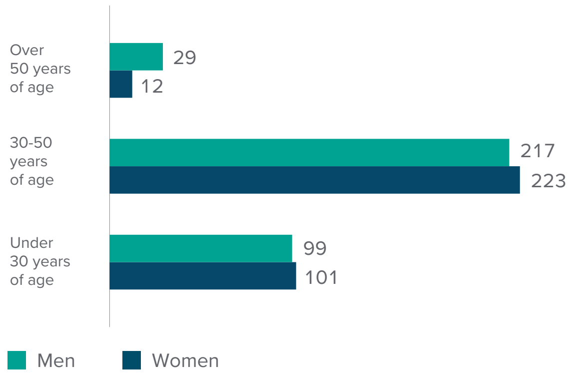
The gender ratio in our employment structure is perfectly balanced. The average age of employees in the Group was nearly 34 years of age (as at 31 December 2022). For numerous employees, their employment in one of the companies of the GEN-I Group is their first employment.

In 2022, none of our colleagues were collaborating with us based on a service contract or a copyright agreement. In addition, none of our colleagues came from agencies.

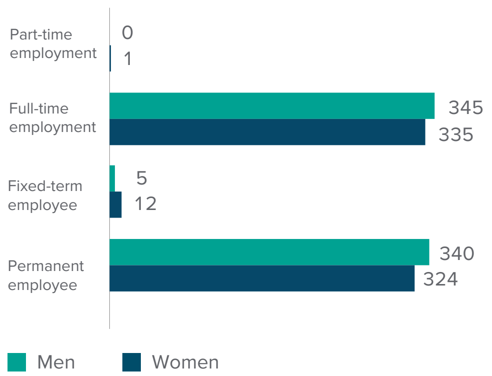
[32] Disclosures 2-7, 2-8; GRI 401: Disclosures 3-3, 401-1, 401-3.



Increase of the number of employees in the GEN-I Group according to years



Number of employees in the GEN-I Group according to age groups



Number of employees in the GEN-I Group as at 31 December 2022 according to the type of employment

Number of employees in the GEN-I Group as at 31 December 2022

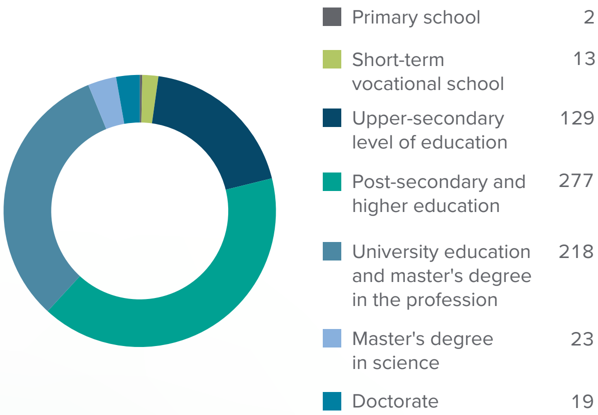
Company	Number of employees
GEN-I, d.o.o.	534
GEN-I SONCE d.o.o.	113
GEN-I Hrvatska d.o.o.	10
GEN-I Athens SMLLC	2
GEN-I d.o.o. Belgrade	7
GEN-I d.o.o. Sarajevo	1
GEN-I Energy Sales DOOEL Skopje	3
GEN-I Istanbul, Ltd.	3
GEN-I Sofia SpLLC	2
GEN-I Tirana Sh.p.k	3
GEN-I Vienna GmbH	1
LLC GEN-I Kiev	2

Number of employees in the companies of the GEN-I Group as at 31 December 2022 according to the type of employment

Company	part-time employ-ment	full-time employ-ment	fixed-term employee	permanent employee
GEN-I, d.o.o.	2	532	16	518
GEN-I SONCE d.o.o.	0	113	0	113
GEN-I Hrvatska d.o.o.	0	10	0	10
GEN-I Athens SMLLC	0	2	0	2
GEN-I d.o.o. Belgrade	0	7	0	7
GEN-I d.o.o. Sarajevo	0	1	0	1
GEN-I Energy Sales DOOEL Skopje	0	3	0	3
GEN-I Istanbul, Ltd.	1	2	0	3
GEN-I Sofia SpLLC	0	2	0	2
GEN-I Tirana Sh.p.k	0	3	1	2
GEN-I Vienna GmbH	0	1	0	1
LLC GEN-I Kiev	0	2	0	2

Employee education

The GEN-I Group employs a large number of highly educated colleagues. As at 31 December 2022, 79% of employees have obtained at least the VI level of education, while approximately 6% of our employees have the highest degree of education (MSc or PhD).



Number of employees according to the level of professional education as at 31 December 2022

Fluctuation in 2022

Our reported number of employees is the number of employment contracts signed as at 31/12/2023. In our reports on fluctuation, redeployments within the GEN-I Group are not considered as new employees or employees who have left the company, since our employees maintain their employment relationships within the Group.

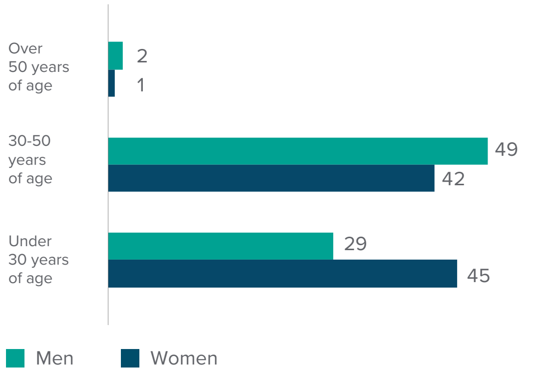
	2021	2022
Number of new employees	114	168
Number of employees who have left the company	46	81
Fluctuation	7%	12.6%

Number of new employees in 2022

In our subsidiaries, there were no new employees or employees who have left these subsidiaries, which is why relevant data (including fluctuations) is not reported in the summary table. In our reporting, we consider the number of employees, whereby redeployment or outplacement of employees within the Group was not taken into consideration for this category.

Number of new employees and number of employees who have left any of the companies of the GEN-I Group in 2022

Company	Number of new employees	Number of employees who have left the company
GEN-I, d.o.o.	124	66
GEN-I SONCE d.o.o.	42	6
GEN-I Hrvatska d.o.o.	2	8
GEN-I d.o.o. Belgrade	4	0
GEN-I Tirana Sh.p.k	1	0
GEN-I Energy Sales DOOEL Skopje	0	1



Number of new employees in 2022 according to the age structure and gender

Number of employees who have left the company in 2022

Number of employees who have left the company and the degree of fluctuation according to the age group of employees in the GEN-I Group

	Number of employees who have left the company	Number of employees as at 1 January 2022	Number of employees as at 31 December 2022	Degree of fluctuation*
Under the age of 30	22	191	200	11.3
Between the ages of 30 and 50	51	373	440	12.5
Over the age of 50	8	39	41	20.0
Total:	81	603	681	12.6

* Fluctuation is calculated as the ratio between the number of employees who have left the company and the average number of employees in 2022.

Number of employees who have left the company and the degree of fluctuation according to the age group and gender of employees in the GEN-I Group

	Number of employees who have left the company	Number of employees as at 1 January 2022	Number of employees as at 31 December 2022	Degree of fluctuation*
Men	41	303	345	12.7
Under the age of 30	14	89	99	14.9
Between the ages of 30 and 50	23	188	217	11.4
Over the age of 50	4	26	29	14.5
Women	40	300	336	12.6
Under the age of 30	8	102	101	7.9
Between the ages of 30 and 50	28	185	223	13.7
Over the age of 50	4	13	12	32.0

Use of parental leave in 2022

GEN-I Group	Women	Men
Number of employees on maternity leave	56	1
Number of employees on child-care leave	100	40
Number of employees who made use of the accompanying possibility	46	14
Number of employees who made use of the childcare possibility	3	2
Paternity leave		31
20-day paternity leave	0	4
75-day paternity leave (until the child has reached the age of 3)	0	0
Part-time work	8	0
Number of employees who came back from parental leave in 2022	22	1
Total number of employees who came back from parental leave in 2021 and who are still employed 12 months after returning, according to gender	21	0

100% of female and male employees returned to work after parental leave in 2022. The degree of retention of employees on parental leave also amounts to 100% for both genders, which means that all employees who were on parental leave in 2021 were also employed in 2022.

Employee development[33]

We promote the constant development of our employees with an internally developed methodology and the GEN-I Dialogue process which is supported through an internally developed application. The methodology follows the principles of targeted management, with regular communication between the employee and their manager in the centre of the process. The GEN-I Dialogue consists of three key elements:

1. OKR PROCESS

Before the beginning of every quarter and in the framework of the OKR (Objectives and Key Results) process, employees and their managers define objectives and key results intended to help employees achieve their objectives with the support of their manager. Employees use the application on a weekly basis to record their degree of satisfaction with the results achieved, and they note how they felt while performing their work. Those weekly reports are a point of origin for regular weekly meetings where the manager and the employee examine whether the employee's OKR have been achieved.

2. PERSONAL PERFORMANCE EVALUATION

Once a year, every employee conducts a meeting with their manager in order to evaluate and assess the employee's achievements throughout the year as well as give meaning to behaviours that have led to a successful realisation of the objectives pursued. This personal performance evaluation is intended to reinforce the dedication and responsibility of our employees, and to motivate them to further contribute to the achievement of their work tasks. Employees also receive a financial award for this work.

In 2022, 89% of our employees have received their performance evaluation and feedback on their past work through the digitised personal performance process, whereby data on gender or other categories were not monitored. The performance evaluation process does not include employees who started working in our Group in the last month, employees within their notice period or area directors. All things considered, we can conclude that nearly all employees have received their performance evaluation and feedback on their past work in 2022.

[33] GRI 404: Disclosures 3-3, 404-1, 404-2, 404-3.

More than 83% of our employees reported that they made professional progress or even a lot of professional progress in the past year.

Rewards for contribution to success

Within the past couple of years, we have created a stimulative employee reimbursement system with a double impact: To motivate our employees to achieve or even exceed our ambitious objectives, which in turn contributes to the success of our business operations. In addition to their monthly salaries, our key personnel can also receive a variable portion which depends on the individual objectives determined by their superiors. Employees, excluding the majority of our management staff, can also receive an award for outstanding work performance on a quarterly basis. These awards are intended for achievements which required extraordinary or above-average engagement of our employees, and the impact of which is recognised in the success of the GEN-I Group.

At the level of or business results, the impact of these awards is clearly felt in the high added value per employee, which also grows within the GEN-I Group due to accelerated regular employment.

Added value per employee in the GEN-I Group according to years (in EUR)

	Added value per employee
Slovenia 2021	53.057
Objective in the 2030 strategy of the Ministry of the Economy. Tourism and Sport	66.000
GEN-I Group 2020	113.715
GEN-I Group 2021	271.723
GEN-I Group 2022	157.559

Employees

599 → **681** + 13,7%

EMPLOYEES IN 2021

EMPLOYEES IN 2022

3. DEVELOPMENT INTERVIEW

Once a year, the employees of the GEN-I Group perform a personal development interview with their managers. The purpose of the development interview is to examine the past development progress, help the employee understand their needs for development, and set new career goals. In 2022, 94% of our employees participated in the development interview process, whereby an equal share of both genders participated in the development interview, while other categories were not monitored. More than 83% of our employees reported that they made professional progress or even a lot of professional progress in the past year. Even more of our colleagues are satisfied or very satisfied with their development.

Culture of strengths and the “Career Well-being” digital module

In 2022, we continued with our project related to the culture of strengths which represents the strategic and developmental orientation focusing on potentials and strengths of each individual employee. We also continued our pursuits of the positive psychology philosophy, thus creating appropriate conditions for a feeling of well-being in our company which also allowed us to achieve the best working results possible. The path towards improvement and individual growth begins with basic investments in the greatest talents of each individual employee, which is why we systematically started recognising our employees’ strengths. This project takes place in several phases. In 2022, we focused on the use of strengths in the process of management. We developed and implemented the “Management Academy” programme, the purpose of which was to empower managers to use their strengths when it comes to guiding their teams. Managers at all levels, from the Management Board to managers of teams with at least 3 members, were included in the project. We performed a series of 6 workshops, while participants also benefited from individual coaching sessions.

5 spokespersons of the culture of strengths and operators of the Management Academy have been qualified to spread the culture of strengths among our employees. They helped us organise 1 online seminar and 35 workshops intended to reinforce managerial skills, use their strengths in leadership and promote the use of their skills for an efficient achievement of personal and joint objectives. Eighty-four pedagogical hours were planned for the implementation of this programme.

We promote the recognition and observance of strengths among colleagues with a digital tool enabling colleagues to send words of praise to one another. In this past year, approximately 700 such messages were sent. 32% of the messages sent also emphasised a specific strength.

We encouraged employees to use the “Career Well-being” digital module to monitor the well-being of our employees during work. With the module, we encourage employees to recognise any changes in the way they are feeling, and then to talk about them with their managers.

Education and training

In addition to practical learning with the purpose of developing the potential of our employees, we also promote various forms of acquiring new knowledge, skills and competencies. In 2022, our colleagues participated in various professional training sessions and conferences in Slovenia and abroad.

Internal transfer of knowledge is also an important part of a successful operation of a company. We transferred the professional knowledge of our employees to a wider circle of our employees through mentorship, teamwork, internal lectures and workshops.

GEN-I Academy

This is an online tool with several types of educational content. The most important content includes educational videos which are crucial for the understanding of our business operations.

Onboarding – Orientation

This is an education programme for new employees intended to introduce them to the working process and communicate numerous information about the company and the areas of its operation. These programmes are particularly useful for a successful inclusion into the working environment of the GEN-I Group, and knowledge of their content is the basic foundation and a prerequisite for the successful completion of the internal Orientation educational programme. In the framework of this training, new employees become acquainted with the values of GEN-I, the importance of respecting them, and the necessity of including them into our regular working processes.

Green onboarding

Green onboarding is a programme which includes all new employees performing their work in Ljubljana. The purpose of this programme is to promote the green mindset and sustainable development of the GEN-I Group, while also promoting the multidisciplinary character of our teams and the work performed on innovative, creative development projects oriented towards a greener future.

Library

Our employees may use our online library or the physical library located at our premises in Ljubljana. In our library, employees can borrow professional literature as well as interesting literature in the field of professional development and the development of soft skills, free of charge.

Average education time of our employees in 2022

Training	Number of hours	Share (in %)	Average hours	Number of employees
NUMBER OF HOURS OF TRAINING	**6,696**		**9.8**	**681**
ACCORDING TO GENDER				
men	4,106	61	11.9	345
women	2,590	39	7.7	336
ACCORDING TO FUNCTION				
vertical functions	3,951	59	9.8	402
horizontal functions	2,745	41	9.8	279
ACCORDING TO POSITION				
managers	870	13	9.8	89
colleagues	5,826	87	9.8	592
ACCORDING TO THE SOURCE OF TRAINING				
internal	2,824	42		
external	3,872	58		
ACCORDING TO TYPE				
online	4,586	68		
live	2,111	32		
ACCORDING TO AGE OF EMPLOYEES				
under the age of 30	2,764	41	13.8	200
between the ages of 30 and 50	3,564	53	8.1	440
over the age of 50	369	6	9.0	41

Internal communication[34]

In the framework of internal communication, we regularly motivate our employees to share their opinions and reservations as well as to ask questions. Employees may use several channels for communicating these questions, even anonymous ones. In addition, the Management Board communicates the vision and plans of the company to its employees during quarterly workshops, newsletters and through our SharePoint application, whereby employees can react to these communications with their own questions and suggestions. The GEN-I Workers' Council operating in the framework of the GEN-I Group also introduced the concept of a "Digital box", enabling employees to anonymously express their objections, ask questions and provide recommendations and ideas. While those processes have not been formalised with our internal policies, they are being implemented regularly.

Remuneration system[35]

The remuneration policy of the GEN-I Group was adopted by the Management Board based on an internal analysis of salaries in 2022. This analysis included the analysis of internal practices, information about salaries in the labour market of comparable profiles and the best practices and recommendations provided by experts. The analysis was prepared with the purpose of creating a long-term, durable remuneration policy as well as retaining and motivating our key personnel. Through the Personnel Committee, the Management Board of the company monitors and guarantees an efficient implementation of any changes in the status and some parameters related to new and existing work relationships. The Personnel Committee, which has several members, makes sure that personnel policies are being implemented uniformly, and also determines the remuneration in line with the suggestions provided by responsible managers. The Management Board of the company is responsible for addressing and adopting any decisions related to new employment as well as for any changes in the employment of department managers, directors and management consultants.

The competent supervisory authority of the company has not yet adopted a remuneration policy for the members of the management. Considering that GEN-I, d.o.o. is bound to respect the limitations set up in the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (the ZPPOGD) and the Regulation on setting the highest correlation of basic payments and the rate of variable remuneration of directors, the existing regulative framework provides a sufficient basis for the regulation of management remuneration. By taking into consideration the provisions of the binding legislation, the amount of management remuneration (i.e. basic remuneration, variable remuneration and redundancy payment) is regulated directly in management contracts; when it comes to determining the amount of remuneration and other managerial benefits (use of company cars, additional insurances, health check-ups, payment of membership fees for associations, etc.), the recommendations and expectations of the Slovenian Sovereign Holding are also being considered mutatis mutandis. In addition, the General Assembly has adopted the Criteria for determining the variable remuneration of the members of management based on the ZPPOGD and the aforementioned Regulation, which set out the criteria for the variable remuneration and also include qualitative criteria for the development of the social responsibility of the company.

The process for determining remunerations by the members of the Management Board is set out in management contracts which are fully aligned with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (the ZPPOGD) and the Regulation on setting the highest correlation of basic payments and the rate of variable remuneration of directors. Considering the currently applicable articles of association, the General Assembly of the company is currently responsible for the confirmation of the content of management contracts, including the provisions related to the amount of allowances and remuneration, while the contracts concluded with the members of the Management Board are signed by the President of the General Assembly according to the authorisation provided by the General Assembly. The content of management contracts concluded in 2022 by the judicially appointed Members of the Management Board was unanimously confirmed by both shareholders, and those contracts were also submitted to the Ministry responsible for the field of economy, pursuant to the legislative requirements.

[34] Disclosure 2-26.
[35] Disclosures 2-18, 2-19, 2-20.

Occupational health and safety[36]

We have set up an occupational health and safety management system for all employees of the GEN-I Group, which helps us implement the following activities pursuant to the legislation and in line with said system:

- recognise the risks and harmful effects of our work;
- manage and address work accidents;
- perform occupational safety training sessions;
- promote occupational health;
- provide psychological support to our employees.

In terms of occupational safety, safe working conditions are provided pursuant to the Collective Agreement for the Electricity Sector of Slovenia, while our subsidiaries provide those conditions in line with the local legislation.

Our Statement of safety with risk assessment evaluates the dangers and harmful effects which could influence the health of our employees as well as appropriate measures. We regularly perform risk assessment audits which include employees and professionals in the field of occupational health and occupational medicine. A revised Statement of safety with the risk assessment for GEN-I, d.o.o. was adopted in 2022. The Statement was adopted after a consultation with the Workers' Council of GEN-I, d.o.o.

All employees must participate in occupational safety training sessions, the purpose of which is for them to acquire knowledge related to actions and reporting in various situations related to occupational risks. We also organise periodic medical examinations for our regular employees, which are adapted to their job positions and prepared in line with the risk assessment. In 2022, we also invited our employees to take part in first aid training sessions.

We pay a supplementary health insurance premium for all employees of GEN-I, d.o.o. and GEN-I SONCE d.o.o., including part-time, full-time, fixed-term and permanent employees.

The companies of the GEN-I Group have a zero tolerance policy when it comes to alcohol, drugs and illegal substances. There is a zero tolerance policy of violence, bullying and other forms of harassment in the workplace.

We also take care for the health of our employees by regularly providing fresh fruit in our offices.

Programmes and projects for the promotion of workplace health and satisfaction

The GEN-I Group treats health as a comprehensive whole, meaning that various programmes intended for the promotion of health at the workplace help us address physical, psychological and social aspects of our employees' health.

The GEN-I Sports Association

We are also reinforcing our employees' team spirit and connection through the GEN-I Sports Association. Over 50% of our employees are members of our Sports Association which allows them to choose among over 20 sections of various activities. We also offer education and training sessions. In 2022, we organised golf lessons, a lesson on how to safely navigate via ferratas and other lessons.

Another part of the GEN-I Sports Association is also a special section called the "Earthlings", which promotes the connection between our employees in a relaxing natural environment during sustainable food cultivation. The cultivated land owned by the company allows them to grow their own fruit and vegetables as well as familiarise themselves with the basics of beekeeping. The activities related to flower bed arrangement, planting and cultivating are managed by a team of 15 colleagues.

Blood drives

At the initiative of our employees, we organise blood drives and also motivate them to be active in this field outside of our organised efforts.

Teambuilding

We motivate employees in individual departments to participate in annual teambuilding sessions. In 2022, we empowered our employees to organise social events within their departments on two separate occasions. Our employees' response is extremely encouraging, and most of them make use of these opportunities to reinforce their teamwork. During the summer and in December, the teams were particularly motivated to connect and spend time with one another. In June, we organised sports games and a picnic for all our employees. In December, we held a New Year party for all GEN-I Group employees.

[36] GRI 403: Disclosures 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10.

Psychological well-being

With a special project, we made it possible for our managers and experienced colleagues to reinforce their own psychological well-being using three individual professional approaches (brainspotting, the Sita method and bio/neurofeedback). Due to the large interest in the Group, we also added group relaxation and meditation workshops. Our employees' response and the success of this project have empowered us to include psychological well-being measures into regular employee programmes.

Collective health insurance

During this past year, GEN-I, d.o.o. has decided to conclude a collective healthcare insurance "Zdravstvena polica", thus enabling our employees and their family members a quick access to healthcare services.

Work accidents/occupational injuries

We find that our employees are extremely well-educated and informed when it comes to avoiding any work-related injuries. Any work-related injury which causes the employee (all regular employees in our Slovenian companies) to miss over three working days of work as well as any hazardous phenomenon and diagnosed occupational disease are reported to the Inspectorate of the Republic of Slovenia. In 2022, no occupational injuries were reported within the GEN-I Group. The same standards (in line with the local legislation) are also applied for our subsidiaries abroad, which also reported no occupational injuries in 2022.

- Number and rate of deaths due to occupational injuries: 0.
- Number and rate of (non-deadly) occupational injuries with serious consequences: 0.
- Number and rate of registered occupational injuries: 0.
- Rate of working hours lost due to occupational injuries: 0.

Collective agreements[37]

All employees of our companies established in Slovenia benefit from the rights set out in the Collective Agreement for the Electricity Sector of Slovenia. Benefits arising from their employment relationships are the same for regular, full-time employees, temporary employees, and part-time employees.

Workers' Council[38]

The ten-member Workers' Council of the GEN-I Group was established in 2021 and is actively striving to protect and promote employee interests, inform employees of the events that are taking place in the company, help them participate in the management of the company, and include them in the process of making important economic, personnel-related and social decisions.

The Workers' Council participates in the management of the company in the following way:

- by asserting their right of initiative and their right to respond to said initiative;
- by asserting their right to information;
- by asserting their right to provide opinions and suggestions as well as their right to respond to them;
- by allowing for the possibility or the obligation of joint consultations with the employer;
- by asserting their right of participating in the decision-making process;
- by asserting their right to withhold the employer's decisions.

[37] Disclosure 2-30; GRI 401: Disclosure 401-2.
[38] GRI 407: Disclosures 3-3, 407-1.

5.6.4 ENVIRONMENTAL AND SOCIAL EVALUATION OF OUR SUPPLIERS[39]

Trading partner evaluation

The core activity of the GEN-I Group is the purchase and sale of energy sources, whereby the majority of the portfolio is represented by electricity and natural gas. As a consequence, the largest share of our partners are suppliers to which we sell energy sources or from which we buy energy sources, be it for further resale for the purpose of our primary business activities – bilateral trading and trading on energy exchanges – or for further resale to the B2B (business to business) segment or the supply to consumers in the B2C (business to customer) segment.

On energy exchanges and on a bilateral level, we trade a total of five energy sources, whereby we concentrate on the evaluation of the social and regulatory acceptability of our partners in order to ensure their business stability. We have an internal KYC (Know Your Client) process, in the framework of which we evaluate every potential partner according to several criteria before making any decisions related to our cooperation with them. The objectives of this evaluation are:

- determining whether the partner is involved in any VAT fraud, money laundering or terrorism financing etc. activities;
- determining whether the partner is connected to other jurisdictions and individuals which could influence their operations (e.g. PEP – politically exposed persons);
- determining whether the partner is listed as a sanctioned company or individual on the list which is regularly being updated by the Council of the EU.

It is also worth mentioning that each of the previously approved partners is later periodically re-evaluated when it comes to their presence on the list of sanctioned companies and individuals.

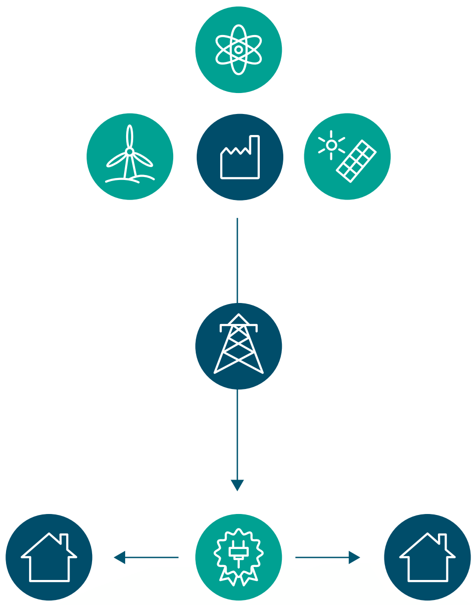
Promotion of more environmentally acceptable purchases and internal practices

The GEN-I Group continues its vehicle fleet electrification process, whereby our suppliers are either pioneers in the field of electric mobility or traditional car companies that are increasingly aware of the environmentally compatible development of electric mobility. In addition, GEN-I Group also introduced several initiatives for the reduction of the use of cars as main means of transport used for work; instead, we are trying to motivate employees to use environmentally friendlier means of transport such as public transport, bikes, e-scooters, etc. During the European Mobility Week held every year since 2002 in the Member States of the European Union at the incentive of the European Commission in order to promote sustainable mobility in cities, we further reinforce the motivation and organisation necessary to rack up additional "green kilometres" in the framework of the GEN-I Sports Association which organises additional activities and raises awareness of the importance of the contribution of each individual employee.

When it comes to other purchasing processes in the company, the employees responsible for ordering products check their price, material, composition, the proximity of the supplier and the place of manufacture pursuant to the directions provided by management, and also consider these criteria before adopting a decision about the purchase. The environmental compliance of our suppliers is also included in the public procurement criteria by which we became bound in the second half of 2022.

The purchasing process within GEN-I Sonce d.o.o. respects the quality and environmental protection standards ISO 9001:2015 and ISO 14001:2015.

[39] GRI 414: Disclosures 3-3 in 414-1.



How does a Certificate of origin work?

5.6.5 SUPPLY OF CARBON-FREE ELECTRICITY

Pursuant to our commitment that we have concluded at the end of 2020, we have been providing our Slovenian consumers with CO_2-free electricity for the third year in a row. The most important of our partners in the fulfilment of our promise given to our consumers is the GEN-I Group, with the Krško Nuclear Power Plant and the Hydroelectric Power Plants on the Lower Sava River.

In addition, we also purchase carbon-free electricity from other dispersed renewable sources, including solar power plants and small hydroelectric power plants, even beyond national borders. In the field of purchasing energy from smaller production units, we hold the largest market share of renewable energy sources in Slovenia.

The GEN-I Group is proving the origin of green electricity pursuant to the EECS (European energy certificate system) and the CEN EN16325 standard.

We are verifying the supply of carbon-free electricity with the established European Guarantee of Origin mechanism which are transferred among the members of the AIB Hub (Association of Issuing Bodies) in electronic form through the AIB portal. Members of this association are competent authorities authorised by the government of a particular country or region for the management of the Guarantees of Origin system. A single system guarantees control of the authenticity and regulatory compliance of the source of electricity, for which the Energy Agency of the Republic of Slovenia is responsible in our country. These certificates, awarded by the Agency to our partner producers of energy from renewable sources (RES), allow us to guarantee to our end consumers that their electricity was generated using a specific renewable or carbon-free source, e.g. 100% solar energy. Guarantees of Origin also allow us to monitor the electricity we use for our own operations.

5.6.6 RESPECT FOR HUMAN RIGHTS

Human rights within the GEN-I Group

The vision of the GEN-I Group and the corporate culture based on said vision are derived from the concept of contributing to the creation of a sustainable, more inclusive society intent on protecting our environment and the creation of the possibility for the development of the company and an added value for owners and other stakeholders. Commitment to respect for human rights is a common thread uniting our operations. We respect the rights provided in the Constitution, laws and international documents in the field of human rights, while introducing said respect into all processes of operation and activities within the Group, both internally – by respecting and paying attention to the rights of our employees and through an implemented interactive corporate HR management system – and externally – in relation to our clients/partners, where we are bound by the highest ethical operation standards.

Our respect for human rights is meaningfully complemented by the 5 values of GEN-I, d.o.o. which are taken into consideration by our employees and management as the ethical code of the GEN-I Group.

Respect and care for the rights of our employees

Satisfied and motivated employees are a key feature of the success of the GEN-I Group, which is why their rights, health and development are always at the centre of our operations. The promotion of health at the workplace, workers' rights to constant development and education and the Workers' Council are reported in Chapter Responsible relationship towards our employees.

Respect for the rights of our partners and consumers[40]

When it comes to our relationship with our partners and consumers, we promote fair and ethical behaviour and business operations pursuant to the applicable legislation. We connect with partners who respect human rights and share our values and our mission, particularly when it comes to our commitment to sustainable development and decarbonisation of our society.[41] We treat our partners and our consumers respectfully, which is reflected in the loyalty of our customers. We treat our customers and business partners with the required degree of responsibility[42] and maintain an honest, open and committed relationship with them through a high level of communication. We are standing by their side and providing them with the best possible solutions even in the most challenging situations. We protect the privacy of all individuals, including our employees, partners and consumers.

Personal data protection

The GEN-I Group carefully protects the personal data of its employees and all external stakeholders. In order to guarantee compliance in this regard, we have adopted all the necessary legal bases and introduced numerous internal processes that are regularly examined and upgraded.

The umbrella information security policy of GEN-I, d.o.o. which was adopted by the management of the company GEN-I, d.o.o. and other companies within the GEN-I Group, which was prepared pursuant to good practices and the ISO IEC 27001:2013 standard, supports the achievement of strategic objectives of GEN-I, d.o.o. Trade secrets are protected pursuant to the trade secret policy.

Legal processing of personal data is based on the consideration of the basic principles applicable in this regard as well as on the previously established data protection impact assessments (DPIA) and legitimate interest assessments (LIA) which we also use when preparing new products, services or programmes. We educate all new employees about personal data protection within the GEN-I Group.

[40] Disclosure 2-24.
[41] This theme is further described in the chapter "Environmental and social evaluation of our suppliers".
[42] This theme is further described in the chapter "Responsible relationship towards our customers".

Personal data protection officer

The GEN-I Group has an appointed personal data protection officer who constantly monitors the compliance of processing with the applicable regulations and international standards, educates employees and provides advice when it comes to assessing the impacts of personal data processing, in order to prevent, in due time, illegal personal data handling which can occur during personal data processing; furthermore, the personal data protection officer is also responsible for cooperating with supervisory authorities. Any detected breaches are addressed by the Personal Data Protection Committee; if necessary, the Committee provides a breach report for the supervisory authority within the prescribed period. In 2022, no personal data protection breaches that would require the notification of the supervisory authority were detected.

We have adopted internal acts enabling an efficient personal data protection and regulating the use of ICT assets as well as the management and protection of user accounts, passwords and confidential information arising from employment relationships.

In 2022, the personal data protection officer brought no proceedings against GEN-I, d.o.o. in the field of personal data protection.

Diversity, equal opportunities and non-discrimination[43]

In the framework of our internal processes and relationships with external stakeholders, we strive to achieve respectful treatment, equality and the provision of opportunities for all individuals.

Our employment, promotion and remuneration policy is based on the principle of non-discrimination. In the GEN-I Group, equal opportunities are ensured to our employees irrespective of gender, race, colour of skin, nationality, health age, health situation, religious, political or other belief, membership in a trade union, social, identity, family status, financial standing, sexual orientation or other personal circumstances.

In 2022, the gender ratio in our employment structure was perfectly balanced (50.7% male employees and 49.3% female employees). Even though there were no women in the Management Board during the previous mandate, the gender ratio at the level of directors, middle and lower management is currently more balanced. As at 31 December 2022, 50% of women were employed at the director level, 26% at the level of service managers and 43% at the level of department managers.

When it comes to the basic salary and remuneration of our female and male employees, we are striving to reduce the pay gap in all employee categories. Small salary differences observed between our female and male employees are not related to gender but are due to other criteria and workplace requirements, which is also reflected in the fact that, in some categories, our female employees have higher salaries, while the opposite is true in other categories.

In the framework of the internal acts that we have adopted, we are advocating zero tolerance when it comes to workplace discrimination and protecting dignity in the workplace.

We encourage freedom of thought and association

In order to ensure diversity, we are consciously trying to achieve a diversified employee portfolio in terms of gender, age and education when it comes to recruitment and grouping employees into teams and work processes. The results of our business operations show that a diversified employee portfolio is the key to successful business performance and sustainable development of a company. We are trying to create teams with members that mutually complement each other in terms of expertise and personality traits, which helps them quickly find comprehensive solutions. The Clifton Strengths HR tool also helps us achieve this task.

Evaluation[44]

In 2022, the area of human rights within the GEN-I Group was not subject to any reports, complaints or extraordinary internal or external inspections, with the exception of regular inspections of competent authorities of the Labour Inspectorate of the Republic of Slovenia. No irregularities were detected in the framework of the aforementioned inspections, and no penalties or corrective measures were imposed on the company in this regard. This is an additional confirmation of our adherence to our core principles as well as the compliance of our business operations in the field of human rights and other rights. In addition, competent departments also dealt with no processes related to discrimination or a breach of the principle of diversity and equal opportunities in 2022.

[43] GRI 405: Disclosures 3-3, 405-1, 405-2; GRI 406: Disclosure 3-3.

[44] GRI 406: Disclosures 3-3, 406-1.

5.7 Governance aspect

In 2022, the highest standards and requirements for the management and governance of the GEN-I Group continued to be respected. An anti-corruption clause was included in all our contractual processes. The entire GEN-I Group respects extremely high standards when it comes to concluding business transactions with new and existing business partners. In 2022, we vetted all new business partners in the standardised manner and pursuant to the internal management policy for the KYC (Know Your Customer) process.

Regular inspections of competent authorities of the Labour Inspectorate of the Republic of Slovenia detected no irregularities in 2022; in addition, competent departments also dealt with no processes related to discrimination or a breach of the principle of diversity and equal opportunities in 2022. This is a confirmation of our adherence to our core principles as well as the compliance of our business operations in the field of human rights and other rights.

5.7.1 ANTI-CORRUPTION BEHAVIOUR

Compliance of operations

Pursuant to the responsibility value of the GEN-I Group, we enable our clients, business partners and the public to gain a transparent, honest and understandable insight into our business operations.

Prevention of corruption, conflict of interests, money laundering and terrorist financing[45]

The entire GEN-I Group respects extremely high standards when it comes to concluding business transactions with new and existing business partners. The partner vetting process which includes several departments and committees within the company takes place in a standardised manner pursuant to the internal management policy for the KYC (Know Your Customer) process.

For every partner, various factors related to the type and activity of the customer, their structure and the transparency of their operations and regulatory compliance, any participation of politically exposed individuals, actual owners, the geographical area where the customer is established, the purpose and the planned nature of the business relationship are examined within the KYC process and the follow-up process.

The processes managed pursuant to the Public Procurement Act are examined pursuant to the requirements of the legislation applicable in the relevant field. The Risk Management Department and other departments taking part in the process examine our partners based on their statements as well as on the basis of data available in their annual reports and through external providers. After the beginning of the war in Ukraine and the introduction of sanctions against subjects established in Russia, we appropriately upgraded the aforementioned vetting method for our business partners by implementing a regular partner monitoring process, in cooperation with an external provider, related to sanctioned subjects.

Based on our careful examinations of our business partners, the final decision on the implementation or the continuation of a business relationship with each individual partner is adopted by the Credit Board, which includes representatives from the Risk Management Department, the Treasury, Trading, Sale and the Legal Department. The operations of the Credit Board are pursued in line with the guidelines of the Management Board; in adopting decisions and its functioning, it also considers the internal rules for its operations adopted by the Management Board of GEN-I, d.o.o.

The corruption or money laundering and terrorist financing risk in the countries in which the GEN-I Group operates or in which its partners are established is also recognised through the monitoring of legislation and notifications provided by the Office for Money Laundering Prevention (the UPPD) or the Commission for the Prevention of Corruption (the KPK). In 2022, no examples related to corruption or money laundering and terrorist financing were detected in the framework of our due diligence and during the implementation of our business transactions with partners; in addition, no corruptive behaviours were detected when it came to our employees. In 2022, the companies within the GEN-I Group were not subject to investigation by the public authorities in connection with corruption, money laundering or terrorist financing activities.

Of all companies within the GEN-I Group, GEN-I SONCE d.o.o. is the only entity for which the requirements of the Prevention of Money Laundering and Terrorist Financing Act (the ZPPDFT-2) apply, since it belongs to the group of legal entities who are performing a financial activity (i.e. a consumer credit activity) in a limited scope. This is why our customer due diligence processes take place pursuant to binding legal regulations applicable in the relevant field as well as the internal acts adopted on the basis of said regulations.

[45] GRI 205: Disclosures 3-3, 205-1, 205-2, 205-3.

GEN-I, d.o.o. has issued financial instruments traded on regulated markets (commercial papers). For this purpose, the company has adopted the Rules on internal information and trading with the financial instruments of the company in order to prevent insider trading. These Rules regulate the obligations of appropriately publishing internal information related to the company, the prohibition of trading with the financial instruments of the company for persons listed as persons with access to said information, and reporting on all concluded transactions for entities who are legally bound to do so. The person responsible for the compliance of operations who was appointed to this position based on the aforementioned Rules is responsible to update this list whenever necessary. In 2022, no insider trading in terms of the financial instruments of GEN-I, d.o.o. was detected.

The GEN-I Group clearly supports a zero tolerance standard when it comes to corruption and bribery, and prohibits any unethical, unprofessional or illegal behaviour of our employees and business partners. We pay particular attention to immediate detection and appropriate action when any such risks appear within the business processes of companies within the Group, both in Slovenia and abroad.

From the moment our employees become a part of the GEN-I Group, we are promoting and reinforcing high ethical standards and the creation of the organisational culture of legal and transparent business operations pursuant to the values of the GEN-I Group, moral and legal principles as well as internal acts. When it comes to our relationship with our consumers, business partners and other relevant stakeholders in relation to our work, the principles of our operations are concretised through suitable contractual provisions related to the applicable requirements and potential sanctions in the event of any breaches.

The processes of adopting relevant regulations related to various fields of operation within the company, including prevention of corruption, money laundering and terrorist financing, are regularly monitored, while legal requirements and good practices are periodically implemented into the business processes of all companies within the GEN-I Group.

Public policies[46]

Due to our participation in the processes of adopting regulations in the relevant fields by the European regulation bodies, we are a part of the Transparency Register, in the framework of which we regularly report on any lobbyist contacts and financial assets received on the basis of our participation in European projects for receiving non-refundable grants.

When concluding donor or sponsorship contracts, suitable control mechanisms allow us to guarantee the right of dedicated use of funds and the suitable sanctioning of any breaches. In 2022, donor and sponsorship contracts have allowed us to finance sports association and activities in the field of education, science and culture; furthermore, we also allocated funds for humanitarian and charitable purposes, but we did not finance political parties. Information about sponsorships and donations are set out in the chapter “Social aspect”, under the heading “Responsible relationship towards the public”.

Ensuring competitiveness[47]

A highly competitive environment requires all participants to exhibit extraordinary adaptability and constant improvements of their business operations, which can only be achieved through the introduction of new products, services and business models as well as through the implementation of perspective technologies and digitalisation. In doing so, we must also consider the numerous changes in the energy markets that have occurred in 2022. At the same time, such an environment also offers numerous business opportunities which we are using in order to provide competitive prices in all consumer segments, regardless of the market situation. We feel a particular sense of responsibility towards our consumers in the electricity supply segment, in which our market shares are high; therefore, we are striving to transform the positive impacts of our competitive advantage into their benefits.

We regularly cooperate with competition authorities, both in Slovenia and abroad, and respond to requirements for the submission of business performance data necessary for the competition authorities to implement processes within their jurisdiction. In 2022, no proceedings were initiated against the companies within the GEN-I Group by competition authorities.

[46] GRI 415: Disclosures 3-3, 415-1.
[47] GRI 206: Disclosures 3-3, 206-1

Conflict of interests[48]

One of the cornerstones for the provision of the ethical business operations principle is, without a doubt, the recognition, prevention and suppression of any conflicts of interests. In this regard, the company is bound by the requirements of the legislation applicable in the relevant field, such as the Companies Act (the ZGD-1) and the Public Procurement Act (the ZJN-3) as well as by internal rules that detail the conclusion of business transactions with related parties. In 2022, no permanent or relevant conflicts of interest existed within the GEN-I Group.

5.7.2 DIGITALISATION

In addition to investing in our employees, strategic investment in the digitalisation of our business transactions turned out to be one of the key features of the successful business operations of the GEN-I Group in 2022, which was, to a great extent, a year marked by the energy crisis. By responding to the situation in international energy markets in due time and by upgrading our analytical tools, we were able to implement efficient business operations in times of crisis.

Remote work or work from home

Pursuant to the expectations of the development of HR practices, our work processes have been digitalised for years, up to a point where practically all employees can perform their work processes remotely or off the business premises of our company. Such an organisation allows employees at different locations to efficiently connect to one another, harmonise their operations and, whenever necessary, quickly react to any developments. In order to optimise the work of our employees, 2022 was a year of investments in technology and education of our employees, which allowed them to efficiently use new technologies and tools.

Fewer operative tasks in personnel-related processes

The value of our employees lies in their knowledge and their motivation to contribute to the development and the growth of the GEN-I Group with what they know. This is why the process of the digitalisation of our HR processes, which already started years ago, also continued in 2022. The highlights of our concluded projects are the digital signing of contracts, which helped us unburden the HR Department in terms of their operative tasks, and also enabled us to take care of the environment by using less paper and printing.

[48] Disclosure 2-15.

Our work processes have been digitalised for years, up to a point where practically all employees can perform their work processes remotely or off the business premises of our company.

Paperless business operations with customers of GEN-I SONCE d.o.o.

We are aware that the digitalisation of the sales process and the implementation of self-supply technologies is necessary for us to maintain the leading market position in the quickly growing market of green energy solutions. Therefore, GEN-I SONCE d.o.o. introduced the paperless conclusion of contracts in 2022, thus taking a step forward in the realisation of the excellent user experience of modern consumers, while also reinforcing the company's commitment to sustainable business operations.

Digitally supported relationships with consumers

In 2022, we concluded the most extensive digital project in the field of sales in the entire history of the GEN-I Group. Today, all our sales and after-sales processes are digitalised and automated, which makes it possible to speed up our communication with our consumers while also making it even more efficient.

Our new clients can simply and quickly conclude their electricity or gas supply contracts. For this purpose, we have redesigned our gen-i.si website, making it more user-friendly, modern and safe, while also allowing our internal departments to independently add and modernise content using modern tools.

Since 2022, the customers of our e-mobility service can charge their electric vehicles using the "Moj GEN-I Charge" mobile application, which allowed for the use of charging infrastructure in the framework of our service to be expanded to the entire Europe. Paying the electricity consumed is still a part of the single GEN-I monthly invoice.

Particularly in the second half of 2022, a good technological basis allowed us to adapt to numerous regulatory changes, such as the introduction of measurement points, the currency change in Croatia and several regulations limiting the increase in prices of energy sources which affected the calculations of costs of our consumers.

Today, all our sales and after-sales processes are digitalised and automated, which makes it possible to speed up our communication with our consumers while also making it even more efficient.

Digitally supported trading

In the field of trading, 2022 was the year when we continued to upgrade our core information system, which will enable faster operations with fewer errors as well as a rapid expansion to new markets. Our advanced analytical data platform allowed us to make use of the advantages of cloud technologies, while the aforementioned upgrade of analytical tools made it possible to efficiently implement our business operations during the crucial periods of the energy crisis.

The digitalisation and automation of our work processes based on data-supported decisions as well as the digitalisation of our relationships with our clients remain the priorities of the GEN-I Group. In our opinion, leaving operative tasks to be performed by digital and automated processes is the key advantage and opportunity of digitalisation. With this approach, employee can efficiently concentrate on the recognition of opportunities, development and challenges in the field of trading, sales, customer relations and corporative governance, which make the GEN-I Group one of the most pervasive energy companies in the region.

5.7.3 LEGISLATION

Participation in the creation of legislation

In 2022, the war in Ukraine and its impact on the prices of energy sources also affected the way that legislative documents were being created and adopted. At the EU level, numerous communications and guidelines were adopted, including a set of measures which can be used by the Member States in order to tackle the growing prices and the lack of energy supplies, such as the REPowerEU plan,[49] the Communication on the short-term emergency measures and options for long-term improvements of the electricity market,[50] the Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia, last amended on 28 October 2022,[51] the “Saving Gas for a Safe Winter”[52] communication etc.

Several legislative acts were adopted, such as the Commission Regulation (EU) 2022/1032 on gas storage,[53] the Council Regulation (EU) 2022/1369 on coordinated demand-reduction measures for gas,[54] the Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices,[55] the Council Regulation (EU) 2022/2567 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders,[56] and the Council Regulation (EU) 2022/2577 of 22 December 2022 laying down a framework to accelerate the deployment of renewable energy,[57] which also imposes certain obligations to Member States.

[49] SWD(2022) 230 final.
[50] COM/2022/236 final.
[51] OJ C 426, 9. 11. 2022, str. 1–34.
[52] COM/2022/360 final.
[53] OJ L 173, 30. 6. 2022, str. 17–33.
[54] OJ L 206, 8. 8. 2022, str. 1–10.
[55] OJ L 261I, 7. 10. 2022, str. 1–21.
[56] OJ L 335, 29. 12. 2022, str. 1–35.
[57] OJ L 335, 29. 12. 2022, str. 36–44.

Member States adopted various acts pursuant to the aforementioned actions. The GEN-I Group, which focused on the creation of the Slovenian legislation, responded to numerous public hearings organised by the line ministry and the Energy Agency. By providing notes and suggestion, the Group participated in the creation of emergency laws intended to control the crisis in the field of energy supply as well as other acts related to the state of emergency due to lack of gas. At the same time, various letters sent by the Group (independently or in the framework of different associations, such as the EFET (European Federation of Energy Traders)) have served as warnings of illegal and harmful implementations of emergency acts in other EU Member States (Romania, Bulgaria) and countries of the Energy Community (the Republic of North Macedonia).

The GEN-I Group regularly takes part in public hearings related to the regulations in the field of energy (both in Slovenia and in other countries where the GEN-I Group is established). In doing so, it mainly advocates for:

- the development of transparent, liberalised markets within the CSEE (Central and Southeast Europe) region and the countries of the Energy Community;
- the efficient functioning of the energy market, interconnection of energy networks and the general reliability of the energy supply;
- a regulation promoting the introduction of renewable energy sources (mostly solar energy) and the achievement of objectives related to decarbonisation,
- the legislation removing administrative hurdles when it comes to issuing permits for projects in the field of renewable energy sources,
- a regulatory framework promoting the adaptation of supply through aggregation, active consumption, energy communities, flexibility services, e-mobility, energy efficiency and energy storage.

In 2022, EU Member States have started implementing the process of updating comprehensive national energy and climate plans which must be updated by the end of June 2024. In the framework of the aforementioned process, the GEN-I Group has reacted to the preliminary hearing for the update of the national energy and climate plan of the Republic of Slovenia, whereby the Group is advocating for the government to set up more ambitious goals in order to significantly support green and digital transition.

The importance of the activities of the GEN-I Group with the purpose of creating a suitable regulatory framework was also recognised by international experts who confirmed the membership of a representative of the GEN-I Group in the management board of EFET in November 2022. EFET is an important international association, the mission of which is based on promoting competitiveness, transparency and openness of the energy market, providing sustainable, efficient and reliable energy supply, and implementing a simple and fair transition to carbon neutrality.

Compliance with legislation[58]

New regulative and legislative developments in the field of energy in the GEN-I Group are closely monitored by the Department of Regulation and Compliance of Operations. The department is responsible for the timely and suitable implementation of new features into the working processes and the work of operative departments of the GEN-I Group, which was extremely important as numerous new laws and acts were being adopted or amended due to the energy crisis. The GEN-I Group had to react quickly, guaranteeing the suitable compliance with all liabilities related to end consumer benefits (regulation of electricity and natural gas prices, a lower calculation of the RES and CHP contribution, VAT, CO_2 taxes), gas storage and other institutes in order to be able to ensure suitable supply of end consumers with gas as well as tax measures related to the market income of electricity market participants, etc.

The compliance of other areas (environmental, social and economic compliance) is the responsibility of professional departments responsible for specific areas (e.g. the HR department for the labour law area), which also guarantee timely and uniform compliance of work processes with the legislation applicable in the relevant field.

No (energy, environmental, or social and economic) legislatorial discrepancy was discovered, meaning that all activities have been evaluated as compliant with the regulations applicable in the relevant field.

[58] Disclosure 2-27.

5.8 Disclosures according to the Taxonomy Regulation

Pursuant to Article 8 of the Taxonomy Regulation,[59] the GEN-I Group must include information on how and to what extent the actions of the GEN-I Group are related to economic activities considered as environmentally sustainable pursuant to Articles 3 and 9 of the aforementioned regulation into its Non-financial statement. In doing so, the information must be displayed according to the provisions of the Commission Delegated Regulation (EU) 2021/2178[60] which defines the content, methodology and method of disclosing information, and the Commission Delegated Regulation (EU) 2021/2139[61] which provides technical criteria for the examination whether an economic activity has a significant impact on the mitigation of climate change or on the adaptation to climate change (i.e. two of the six environmental objectives defined in the Taxonomy Regulation), and whether it does no serious harm in terms of other environmental objectives. Since the Taxonomy Regulation is currently still being developed, seeing as delegated acts intended to define the technical criteria for the examination of other four environmental objectives (e.g. sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems) are currently still being adopted. In addition to the latter, it is also reasonable to expect an additional expansion of the taxonomy framework, within the meaning of an upgrade to the classification of economic activities.

[59] Regulation (EU) 2017/1129 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments as well as amending Regulation (EU) 2019/2088 (UL L 198, 22.6.2020, p. 13-43).
[60] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities and specifying the methodology to comply with that disclosure obligation (UL L 443, 10.12.2021, page 9-67).
[61] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (UL L 442, 9.12.2021, page 1-349).

Considering Article 10 of the Commission Delegated Regulation (EU) 2021/2178, the GEN-I Group discloses the share of its revenues, its investments in fixed assets and its operating expenses arising from taxonomy-non-eligible economic activities and taxonomy-eligible yet taxonomy-non-aligned activities, as well as other relevant qualitative information, in its Annual Report for the business year ending on 31 December 2022.

Furthermore, the GEN-I Group also discloses information pursuant to the Commission Delegated Regulation (EU) 2022/1214,[62] through which the Commission has concluded, by taking into consideration scientific opinions, expert consultations and current technological progress, that the selected gas and nuclear activities are in line with the climate and environmental objectives of the EU and will enable the acceleration of the transition from more polluting activities (such as coal mining) to a climate-neutral future, based primarily on renewable energy sources. Pursuant to the provisions of Article 10(2) of the Taxonomy Regulation, new activities were added to previously selected activities which are already included in the Commission Delegated Regulation (EU) 2021/2139. Technical criteria have also been prepared for them (see amendments of Annex I and Annex II to the Commission Delegated Regulation (EU) 2021/2139). Information is disclosed in the table introduced through the amendment of the Commission Delegated Regulation (EU) 2021/2178.

5.8.1 QUALITATIVE INFORMATION

Within the GEN-I Group, taxonomy(-non)-eligible or taxonomy(-non)-aligned activities, the total turnover, capital and operating expenditure of which are included in the numerator calculation, are implemented within the framework of the companies GEN-I SONCE d.o.o., GEN-I ESCO d.o.o., SOL NAVITAS INVESTICIJE d.o.o., GEN-I SUNCE Adria1 d.o.o. and Sonce DOOEL Skopje:

[62] Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (UL L 188, 15.7.2022, page 1-45).

- GEN-I SONCE d.o.o. generates turnover arising from the implementation of one taxonomy-eligible economic activity. While capturing the data of this company, there is, therefore, no need to use the allocation key when it comes to turnover, CAPEX and OPEX.
- GEN-I ESCO d.o.o. is engaged in only one taxonomy-eligible activity. While capturing data of this company, there is therefore no need to use the allocation key when it comes to turnover, CAPEX and OPEX.
- Sonce DOOEL d.o.o. is engaged in only one taxonomy-eligible activity. While capturing data of this company, there is therefore no need to use the allocation key when it comes to turnover, CAPEX and OPEX.
- SOL NAVITAS INVESTICIJE d.o.o. is engaged in only one taxonomy-eligible activity. While capturing data of this company, there is therefore no need to use the allocation key when it comes to turnover, CAPEX and OPEX.
- GEN-I SUNCE Adria 1 d.o.o. is engaged in only one taxonomy-eligible activity. While capturing data of this company, there is therefore no need to use the allocation key when it comes to turnover, CAPEX and OPEX.

The numerator calculation only includes turnover, CAPEX and OPEX. within the meaning of the provisions of the Commission Delegated Regulation (EU) 2021/2178. The other companies within the GEN-I Group are engaged in taxonomy-non-eligible activities. As a consequence, the turnover, CAPEX and OPEX of the other companies are not included in the numerator calculation. Even though several taxonomy-non-eligible activities are implemented in these companies at the level of each individual company, the allocation of turnover, CAPEX and OPEX is not relevant for the purpose of calculating the disclosures in question. As regards the implementation of plans for CAPEX, no important events have occurred during the reporting period or they are already included in the calculation of relevant indicators.

The process of the GEN-I Group used to determine taxonomy(-non)-eligible or taxonomy(-non)-aligned economic activities consists of the following steps:

- Identification of economic activities acceptable for taxonomy: the first step consists of identifying the economic activities of the GEN-I Group which are a part of the Commission Delegated Regulation (EU) 2021/2139 due to their significant contribution to the mitigation of climate change and are, therefore, considered as taxonomy-eligible. It should be emphasised that the identification of taxonomy-eligible economic activities of the GEN-I Group was only prepared based on the consideration of the climate change mitigation objective (and not also based on the consideration of the climate change adaptation objective, in order to avoid double-counting), since this is the primary objective pursued by the economic activities of the GEN-I Group. If an economic activity is not described in the Commission Delegated Regulation (EU) 2021/2139, it has been classified as a taxonomy-non-eligible economic activity.
- Analysis of the essential contribution to climate change mitigation: for taxonomy-eligible activities, the verification of whether they essentially contribute to the mitigation of climate change, i.e. whether they are compliant with the technical criteria according to the Commission Delegated Regulation (EU) 2021/2139 related to significant contribution to environmental objectives, was then implemented. If the response were negative, the economic activity would be considered as taxonomy-eligible but taxonomy-non-aligned.
- Estimation of whether the economic activity in question does not significantly harm other environmental objectives and is being implemented pursuant to minimal protection measures: for economic activities complying with the condition from step 2, an evaluation of whether they do not significantly harm other environmental objectives (climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems) and whether they are being implemented pursuant to the minimum protection measures pursuant to Article 18 of the Taxonomy Regulation, was then performed. If both conditions were complied with, the economic activity in question was considered as taxonomy-aligned. If one of the conditions were not complied with, the economic activity in question would be, similarly as in the previous step, considered as taxonomy-eligible but taxonomy-non-aligned.
- Calculation of the share of turnover, capital and operating expenditure related to economic activities:

Economic activity of the GEN-I Group	Economic activity pursuant to the Commission Delegated Regulation (EU) 2021/2139	Description of the economic activity pursuant to the Commission Delegated Regulation (EU) 2021/2139	Eligible but taxonomy-non-aligned
Construction of solar power plants	4.1: Construction of solar power plants (NACE code F42.22)	Construction or management of facilities for the generation of electricity using photovoltaic technology	This economic activity is eligible but taxonomy-non-aligned since: • it is used to generate electricity through the use of photovoltaic energy, meaning that it significantly contributes to climate change mitigation, • it was not possible to verify whether the economic activity in question does not significantly harm all other relevant environmental objectives, • detailed compliance assessment processes/rules using minimum protection measures are currently being prepared.
Generation of solar energy	4.1: Energy generation using photovoltaic technology(NACE code D35.11)	Construction or management of facilities for the generation of electricity using photovoltaic technology	This economic activity is eligible but taxonomy-non-aligned since: • it is used to generate electricity through the use of photovoltaic energy, meaning that it significantly contributes to climate change mitigation, • it was not possible to verify whether the economic activity in question does not significantly harm all other relevant environmental objectives, • detailed compliance assessment processes/rules using minimum protection measures are currently being prepared.
Energy contracting	4.1: Energy generation using photovoltaic technology(NACE code F42.22)		This economic activity is eligible but taxonomy-non-aligned since: • it is used to generate electricity through the use of photovoltaic energy, meaning that it significantly contributes to climate change mitigation, • it was not possible to verify whether the economic activity in question does not significantly harm all other relevant environmental objectives, • detailed compliance assessment processes/rules using minimum protection measures are currently being prepared.

Pursuant to the aforementioned description, the GEN-I Group classified its economic activities into two categories, i.e.:

- taxonomy-eligible but taxonomy-non-aligned economic activities: this category included the economic activities of the GEN-I Group which:
  - were explicitly included in the Commission Delegated Regulation (EU) 2021/2139 due to their significant contribution to the mitigation of climate change or to the adaptation to climate change;
  - do not comply with all technical examination criteria according to the Commission Delegated Regulation (EU) 2021/2139.
- taxonomy-non-eligible economic activities: This category includes economic activities of the GEN-I Group that are not a part of the Commission Delegated Regulation (EU) 2021/2139.

The taxonomy-non-eligible economic activities of the GEN-I Group were not a part of the Commission Delegated Regulation (EU) 2021/2139 at the time of preparation of this report, whereby it must be noted that the GEN-I Group only offers electricity generated from environmentally friendly, carbon-free resources (solar, nuclear and water energy) to its consumers since 1 January 2021. This means that, also in the framework of taxonomy-non-eligible activities, the GEN-I Group is accelerating its phasing-out of harmful sources, promoting the transition to a greener mixture of energy sources with low CO_2 emissions.

Economic activity of the GEN-I Group	Condition of taxonomy-non-eligibility
Supply of electricity and natural gas to end consumers (NACE codes D35.14 and D35.23)	This activity is not classified under the Commission Delegated Regulation (EU) 2021/2139
Trading in electricity and natural gas (NACE codes D35.14 and D35.23)	This activity is not classified under the Commission Delegated Regulation (EU) 2021/2139
Energy services	This activity is not classified under the Commission Delegated Regulation (EU) 2021/2139

5.8.2 PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING 2022

Taxonomy-eligible					
				Substantial contribution criteria	
Economic activities (1)	NACE code (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change mitigation (11)
		Currency	%	%	YES/NO
A. TAXONOMY-ELIGIBLE ACTIVITIES					
A.1 ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)					
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0			
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)					
Construction of solar power plants	F42.22	28,759,880	0.71%	100%	n. r.
Energy contracting	F42.22	30,648	0.00%	100%	n. r.
Energy generation using photovoltaic technology	D35.11	1,052,922	0.03%	100%	n. r.
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		29,843,450	0.73%		
Total A (A.1 + A.2)		29,843,450	0.73%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES					
Turnover of Taxonomy-non-eligible activities (B)		4,046,285,144	99.30%		
Total (A + B)		4,076,128,594	100%		

The turnover of taxonomy-eligible activities has increased to 0.73% in 2022 (2021: 0.55%). The increase is mainly a consequence of higher turnover arising from the construction of solar power plants. A higher degree of turnover of the GEN-I Group arises from taxonomy-non-eligible activities.

Technical criteria					Minimum safeguards (17)
Criteria for non-significant harm					
Climate change adaptation (12)	Water and marine resources(13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	
YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO
NO	n. r.	YES	n. r.	YES	NO
NO	n. r.	YES	n. r.	YES	NO
NO	n. r.	NO	n. r.	YES	NO

5.8.3 PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING 2022

Taxonomy-eligible					
				Substantial contribution criteria	
Economic activities (1)	NACE code (2)	Absolute CAPEX (3)	Proportion of CAPEX (4)	Climate change mitigation (5)	Climate change mitigation (11)
		Currency	%	%	YES/NO
A. TAXONOMY-ELIGIBLE ACTIVITIES					
A.1 ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)					
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0			
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)					
Construction of solar power plants	F42.22	639,286	4.06%	100%	n. r.
Energy contracting	F42.22	308,809	1.96%	100%	n. r.
Energy generation using photovoltaic technology	D35.11	10,412,738	66.18%	100%	n. r.
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		11,360,834	72.21%		
Total A (A.1 + A.2)		11,360,834	72.21%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES					
CAPEX of Taxonomy-non-eligible activities (B)		4,372,879	27.79%		
Total (A + B)		15,733,713	100%		

The proportion of CAPEX for taxonomy-eligible activities amounted to 72.21% in 2022 (2021: 83.49%). Despite a lower proportion of CAPEX for taxonomy-eligible activities, CAPEX has increased in 2022, value-wise, compared to the previous financial year. The increase is mostly due to investments intended for the construction and commissioning of solar power plants in the Republic of North Macedonia.

Technical criteria					Minimum safeguards (17)
Criteria for non-significant harm					
Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	
YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO
NO	n. r.	YES	n. r.	YES	NO
NO	n. r.	YES	n. r.	YES	NO
NO	n. r.	NO	n. r.	YES	NO

5.8.4 PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING 2022

Taxonomy-eligible					
				Substantial contribution criteria	
Economic activities (1)	NACE code (2)	Absolute OPEX (3)	Proportion of OPEX (4)	Climate change mitigation (5)	Climate change mitigation (11)
		Currency	%	%	YES/NO
A. TAXONOMY-ELIGIBLE ACTIVITIES					
A.1 ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (TAXONOMY-ALIGNED)					
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0			
A.2 TAXONOMY-ELIGIBLE BUT NOT ENVIRONMENTALLY SUSTAINABLE ACTIVITIES (NOT TAXONOMY-ALIGNED ACTIVITIES)					
Construction of solar power plants	F42.22	335,541	8.74%	100%	n. r.
Energy contracting	F42.22	47,580	1.24%	100%	n. r.
Energy generation using photovoltaic technology	D35.11	88,638	2.31%	100%	n. r.
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		471,759	12.28%		
Total A (A.1 + A.2)		471,759	12.28%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES					
OPEX of taxonomy-non-eligible activities (B)		3,368,791	87.72%		
Total (A + B)		3,840,550	100%		

Proportion of OPEX related to taxonomy-eligible economic activities amounted to 12.28% in 2022, which represents an increase of nearly 3 percentage points compared to the previous financial year. Value-wise, operating expenses related to taxonomy-eligible economic activities have increased. The increase is mainly a consequence of the expenses related to the construction of solar power plants in the Republic of North Macedonia.

Technical criteria					Minimum safeguards (17)
Criteria for non-significant harm					
Climate change adaptation (12)	Water and marine resources(13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	
YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO
NO	n. r.	YES	n. r.	YES	NO
NO	n. r.	YES	n. r.	YES	NO
NO	n. r.	NO	n. r.	YES	NO

5.8.5 ACTIVITIES IN THE FIELD OF NUCLEAR ENERGY AND NATURAL GAS

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

Row	Natural gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Pursuant to our answers in the table shown above, we estimate that other templates as set out in the Commission Delegated Regulation (EU) 2022/1214 are not relevant for the reporting of the GEN-I Group.

5.9 Key sustainable development orientations of the business operations of the GEN-I Group for 2023

Connection to Sustainable Development Goals (SDG)

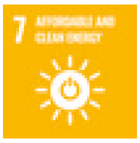
Within the GEN-I Group, we actively contribute to and help shape the path towards a more sustainable society, thereby forging a path towards a green future. We are maximising sustainable operation and business transactions pursuant to the Sustainable Development Goals adopted by the United Nations on 25 September 2015. The so-called 2030 Programme was signed by all Member States, including Slovenia.

Environmental aspect (E: *Environment*)

The GEN-I Group is aware of the consequences of climate change for our lives and the lives of the future generations, which is why environmental protection is one of our key priorities. For this purpose, we will continue introducing positive practices into our business transactions and into the society as a whole, in order to promote environmental protection and reduce carbon footprint. In 2023, we plan to reduce our environmental impact through the following activities:

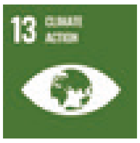
- supply of carbon-free electricity to our customers and business partners;
- increased penetration of RES using solar power plants, continuation of the GEN-I Solar Community and Sustainable Energy Cycle projects;
- reduction of the carbon footprint of the GEN-I Group;
- further electrification of the vehicle fleet of the GEN-I Group;
- waste reduction and promotion of recycling of used photovoltaics modules;
- active approach to waste management;
- increased efficient use of energy and other resources;
- reinforcement of paperless business transactions;
- purchase of environmentally friendly products;
- energy-efficient management of the office buildings where our own activities are being performed;
- increasing the awareness of climate change risks and reinforcing the awareness of the importance of the preservation of natural environment;
- promoting the reduced consumption of energy sources at the level of the company and within the broader public;
- educating our employees about the importance of environmental protection;
- promoting the decarbonisation of the Slovenian energy system through scientific contributions, studies and presentations;
- promoting the use of new technologies, products and services in order to reduce the environmental impact of households.

Sustainable Development Goals to which we contribute with our actions in the field of environmental protection:



SDG 7 – AFFORDABLE AND CLEAN ENERGY

One of the main goals of the GEN-I Group is to decarbonise the energy sector, and help our partners, households and industrial consumers to tackle their own green energy transformation and to reduce their carbon footprint. We are allowing and will continue to allow our customers to implement their green transformation with our offer of solar power plants and new products, such as the combination of solar power plants and energy storage facilities. In addition, we will also continue to provide our customers with reliable and affordable energy supply.



SDG 13 – CLIMATE ACTION

Sustainable strategies and green transformation measures of the GEN-I Group influence the reduction of CO_2 in the environment, since we ceased supplying electricity generated from fossil fuels and only started supplying CO_2-free electricity. We will also continue to pursue this vision in the future, since this will help us to actively contribute to the decarbonisation of the energy system, which will have a broader impact; in 2022, the energy sector (electricity, heat and transport) contributed around 81% of all emissions in the EU and 73% of all emissions globally.

SDG 9 – INDUSTRY, INNOVATION AND INFRASTRUCTURE

We are promoting carbon footprint reduction by developing innovative solutions for our customers. Using scientific research and analyses as well as promoting and installing solar power plants, will help us actively contribute to the decarbonisation of the Slovenian energy system in the future, which also impacts the decarbonisation of the industry. We will also promote and develop new services and products in order to increase flexibility and system services and digitise our business transactions as well as in the field of sustainable mobility.

SDG 15 – LIFE ON LAND

With its innovative solutions, the GEN-I Group is following advanced technological development when it comes to a comprehensive transition to renewable energy sources. During the installation of our solar power plants, we will continue to follow environmental guidelines in the future, thus promoting environmental preservation. By introducing the “Earthlings” community, we are also allowing modern urbane agronomists among our employees to come together and promote sustainable development and environmental protection.

Social aspect (S: *Social*)

Responsible employment and work practices in 2023:

- maintaining a high degree of employee involvement and satisfaction;
- reinforcing the meaning of the development of a collaborative, multidisciplinary organisational culture;
- promoting the culture of strengths;
- reinforcing managerial skills;
- promoting and developing the sustainable culture of the company;
- promoting the well-being of our employees at their workplace and in a broader context;
- developing the knowledge and competencies of our employees;
- upgrading selection processes;
- upgrading employee onboarding;
- actively controlling psycho-social risks among our employees;
- providing training sessions for our employees;
- daily providing fresh fruit and vegetables at all GEN-I locations, whereby the guidelines related to local and season procurement are followed;
- providing tea, coffee and multivitamin beverages for employees at all GEN-I locations;
- providing common rooms at all GEN-I locations, intended to reinforce the well-being of and connection between colleagues;
- organising at least one teambuilding session per team.

Responsible relationship towards our customers, business partners and suppliers in 2023:

- reinforcing the degree of customer satisfaction;
- improving customer experience;
- providing personal safety, IT safety and data safety;
- educating our clients when it comes to the possibility of reducing their energy consumption;
- expanding and upgrading our cooperation with our business partners;
- maintaining the local focus of our procurement activities;
- connecting with our partners with the purpose of implementing joint research and development activities;
- reinforcing and transferring good practices in the field of development and demonstration projects;
- active business cooperation with partners who share the same values and principles of business transactions in terms of sustainable development.

Inclusion into the social community and its development in 2023:

- reinforcement of our key partnership projects in the field of sports, culture, health and education;
- participation in expert groups with the purpose of developing the energy sector and broader sectors;
- participating in public discussions related to the legislation;
- participating in the preparation of national policies;
- promoting blood drives;
- actively assisting the society through donations and scientific contributions;
- balanced activities in the field of donor programmes;

Sustainable Development Goals to which we contribute with our actions in the social sector:

SDG 8 – DECENT WORK AND ECONOMIC GROWTH

Within the GEN-I Group, we are aware of the value of our employees for the successful operation and growth of our company, which is why we provide all our employees with good working conditions in order to promote their growth and development. We will continue actively implementing and upgrading these practices in 2023. The GEN-I Dialogue will provide us with an additional tool to boost communication between managers and employees, provide feedback, and plan our work activities. Numerous activities will help us promote the well-being of our employees and their growth.

Extraordinary expert knowledge of our employees as well as digital platforms which are mainly the product of our own development have proved to be fundamental for the long-term development and growth of the company, which is why we will also continue reinforcing them in 2023. Our Strategic Development Plan includes our long-term strategy and objectives that we will also continue to pursue through our activities in 2023. For the purpose of guaranteeing long-term development, we will implement numerous research and development projects, be it individually or in the framework of partnerships.

SDG 1 – NO POVERTY

Our activities within the GEN-I Group strive to make our services available to all electricity suppliers, thus preventing the increase of energy poverty at the regional and global level. For this purpose, we have already proved ourselves to be the cheapest provider in numerous occasions in the past. In the future, we will continue to try and provide economically accessible solutions for all stakeholders.

SDG 3 – GOOD HEALTH AND WELL-BEING

We are promoting the health and well-being for all our employees, be it in the framework of their job positions or outside of the premises of the GEN-I Group. In 2023, we plan to actively implement the following activities:

- the GEN-I Sports Association which enables our employees to try out various sports activities in order to promote a healthy and vital lifestyle,
- the "Earthlings" community which makes it possible for our employees to relax while growing fruit and vegetables in a communal garden;
- educational activities and programmes intended to promote a healthy life and well-being;
- daily fresh fruit and vegetables at all locations of the company GEN-I, d.o.o., whereby we follow the guidelines related to local and season procurement;
- providing tea, coffee and multivitamin beverages for employees at all locations of GEN-I, d.o.o.;
- providing common rooms at all locations of GEN-I, d.o.o., intended to reinforce the well-being of and connection between colleagues;
- organising at least one teambuilding session per team;
- organising managerial and other health check-ups.

Governance aspect (G: *Governance*)

Transparent management of the organisation in 2023:

- compliance with legislation, internal rules and adopted commitments, which also includes the provision of honest, legal operations and business transactions;
- provision of a high level of corporative governance and compliance with codes, recommendations and good practices;
- high-quality notification of the public about our business operations and the plans of the GEN-I Group;
- proactive cooperation with institutional investors;
- maintaining the professional and independent character of external audits of our business operations;
- implementing a diversity policy.

Fair business practices in 2023:

- zero tolerance for illegal actions, prevention of money laundering and terrorist financing, prevention of corruption, control of conflicts of interests;
- proactive communication and education of our employees in the field of compliance and corporative ethics;
- functioning in external groups in the field of compliance and honest business practices, and transferring good business practices;
- respect for human rights;
- protecting the dignity of our employees with zero tolerance for workplace discrimination, bullying or harassment;
- reinforcement of the meaning of the respect and maintenance of human rights and fundamental liberties when it comes to our employees and partners.

Sustainable Development Goals to which we contribute with our actions in the field of management:

SDG 16 – PEACE, JUSTICE AND STRONG INSTITUTIONS

With strategic decisions and actions, we are promoting diversity, equal opportunities and non-discrimination within our internal processes and relationships with external stakeholders. We are promoting the introduction of high standards when it comes to concluding business transactions and preventing corruption. In the framework of the internal acts that we have adopted, we are advocating zero tolerance when it comes to workplace discrimination. We will actively continue implementing all of these practices in 2023 and will also continuously upgrade them.

6 TABLE OF CONTENTS OF THE GRI STANDARDS

Declaration of use		The GEN-I Group has reported the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 with reference to the GRI Standards.	
GRI 1 in practice			**GRI 1: Basis 2021**
The GRI standard and disclosures	**Description**	**Chapter/page**	**Note**
GENERAL DISCLOSURES			
GRI 2: General disclosures 2021			
THE ORGANISATION AND ITS REPORTING PRACTICES			
2-1	Organisational details	Presentation of the Group/ page 16 Ownership of the parent company/page 18	
2-2	Entities included in the organisation's sustainability reporting	Non-financial statement/page 72	
2-3	Reporting period, frequency and contact point	Non-financial statement/page 72	
2-4	Restatements of information	Non-financial statement/page 72	
2-5	External assurance	-	We have not yet opted for an external audit.
ACTIVITIES AND EMPLOYEES			
2-6	Activities, value chain and other business relationships	Presentation of the Group/ page 16, Business environment/ page 19, Activities according to business segments/page 50	
2-7	Employees	Employment, educational and age-related structure of our employees/page 96	
2-8	Workers who are not employees	Employment, educational and age-related structure of our employees/page 96	
MANAGEMENT			
2-9	Governance structure and composition	Composition of the management and supervisory authorities/page 26, Management of the companies within the GEN-I Group/page 34	
2-10	Nomination and selection of the highest governance body	Process of appointing the members of management authorities/page 27	
2-11	Chair of the highest governance body	Management authority operation/page 28, Information on the composition of the management authority/page 29	
2-12	Role of the highest governance body in overseeing the management of impacts	Management authority operation/page 28	
2-13	Delegation of responsibility for managing impacts	Management authority operation/page 28	
2-14	Role of the highest governance body in sustainability reporting	Management authority operation/page 28	
2-15	Conflicts of interest	Conflicts of interest/page 113	
2-16	Communication of critical concerns	Management authority operation/page 28	
2-17	Collective knowledge of the highest governance body	Management authority operation/page 28	
2-18	Evaluation of the performance of the highest governance body	Composition and operation of the General Assembly/page 26, Remuneration system/page 104	
2-19	Remuneration policies	Remuneration system/page 104	
2-20	Process to determine remuneration	Remuneration system/page 104	
STRATEGY, POLICIES AND PRACTICES			

GRI 1 in practice			GRI 1: Basis 2021
The GRI standard and disclosures	**DESCRIPTION**	**CHAPTER/PAGE**	**NOTE**
2-22	Statement on sustainable development strategy	Message from the President of the Management Board/page 12	
2-23	Policy commitments	Declaration of conformity with the Code/page 25, Strategic orientations/page 37	
2-24	Embedding policy commitments	Respect for the rights of our partners and consumers/page 109	
2-25	Processes to remediate negative impacts	Management authority operation/ page 28 Responsible relationship towards our customers/page 91	
2-26	Mechanisms for seeking advice and raising concerns	Internal communication/page 104	
2-27	Compliance with laws and regulations	Compliance with the legislation/page 115	
2-28	Membership associations	External initiatives and memberships in associations/ organisations, page 18	
APPROACH TO STAKEHOLDER ENGAGEMENT			
2-29	Approach to our cooperation with stakeholders	Cooperation with stakeholders/ page 77, Methods of including our stakeholders/page 77	
2-30	Collective bargaining agreements	Collective agreements/page 106	
GRI 3: Material issues 2021			
3-1	Process to determine material topics	Materiality assessment/page 78	
3-2	List of material topics	Materiality assessment/page 78	
SPECIFIC STANDARD DISCLOSURES			
ECONOMIC IMPACTS			
GRI 201: Economic performance 2016			
3-3	Management of material topics	Business environment/page 19	
201-2	Financial impacts and other risks and opportunities due to climate change	Business environment/page 19	
GRI 203: Indirect economic impacts 2016			
3-3	Management of material topics	Energy services and sale of technologies/page 58	
203-1	Development and influence of important infrastructural investments and services supported by the organisation	Energy services and sale of technologies/page 58	
GRI 205: Anti-corruption behaviour 2016			
3-3	Management of material topics	Prevention of corruption, conflict of interests, money laundering and terrorist financing/page 111	
205-1	Number and share of activities where risks related to corruption were examined	Prevention of corruption, conflict of interests, money laundering and terrorist financing/page 111	
205-2	Communication and training about anti-corruption policies and procedures	Prevention of corruption, conflict of interests, money laundering and terrorist financing/page 111	
205-3	Number of confirmed cases of corruption and measures adopted	Prevention of corruption, conflict of interests, money laundering and terrorist financing/page 111	
GRI 206: Protection of competition 2016			
3-3	Management of material topics	Ensuring competitiveness/page 112	
206-1	Number of legal proceedings for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	Ensuring competitiveness/page 112	

GRI standard and Disclosure	Description	Chapter/page	Note
ENVIRONMENTAL IMPACTS			
GRI 302: Energy 2016			
3-3	Management of material topics	Management of energy sources, water and waste/page 86	
302-1	Energy consumption within the organisation	Management of energy sources, water and waste/page 86	
302-4	Reduction of energy consumption	Management of energy sources, water and waste/page 86	
GRI 305: Air emissions 2016			
3-3	Management of material topics	Carbon footprint/page 83	
305-1	Direct (Scope 1) GHG emissions	Carbon footprint/page 83	
305-2	Energy indirect (Scope 2) GHG emissions	Carbon footprint/page 83	
305-3	Other indirect (Scope 3) GHG emissions	Carbon footprint/page 83	
305-4	GHG emissions intensity	Carbon footprint/page 83	
305-5	Reduction of GHG emissions	Carbon footprint/page 83	
SOCIAL IMPACTS			
GRI 401: Employment 2016			
3-3	Management of material topics	Employment, educational and age-related structure of our employees/page 96	
401-1	New employee hires and employee turnover	Employment, educational and age-related structure of our employees/page 96	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Collective agreements/page 106	
401-3	Parental leave (according to gender)	Employment, educational and age-related structure of our employees/page 96	
GRI 403: Occupational health and safety 2018			
3-3	Management of material topics	Occupational health and safety/page 105	
403-1	Occupational health and safety management system	Occupational health and safety/page 105	
403-2	Hazard identification, risk assessment and incident investigation	Occupational health and safety/page 105	
403-3	Occupational health services	Occupational health and safety/page 105	
403-4	Worker participation, consultation and communication on occupational health and safety	Occupational health and safety/page 105	
403-5	Worker training on occupational health and safety	Occupational health and safety/page 105	
403-6	Promotion of worker health	Occupational health and safety/page 105	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety/page 105	
403-8	Workers covered by an occupational health and safety management system	Occupational health and safety/page 105	
403-9	Work-related injuries	Occupational health and safety/page 105	
403-10	Work-related ill health	Occupational health and safety/page 105	
GRI 404: Education 2016			

GRI standard and Disclosure	Description	Chapter/page	Note
3-3	Management of material topics	Employee development 100	
404-1	Average hours of training per year per employee	Employee development 100	
404-2	Programmes for upgrading employee skills and transition assistance programs	Employee development 100	
404-3	Percentage of employees receiving regular performance and career development reviews	Employee development 100	
GRI 405: Diversity and equal opportunities 2016			
3-3	Management of material topics	Diversity, equal opportunities and non-discrimination/page 110	
405-1	Diversity of governance bodies and employees	Diversity, equal opportunities and non-discrimination/page 110	
405-2	Ratio of basic salary and remuneration of women to men, according to important locations and activities	Diversity, equal opportunities and non-discrimination/page 110	
GRI 406: Non-discrimination 2016			
3-3	Management of material topics	Diversity, equal opportunities and non-discrimination/page 110, Evaluation/page 110	
406-1	Incidents of discrimination and corrective actions taken	Evaluation/page 110	
GRI 407: Freedom of Association and Collective Bargaining 2016			
3-3	Management of material topics	Workers' Council/page 106	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Workers' Council/page 106	
GRI 413: Local communities 2016			
3-3	Management of material topics	Responsible relationship towards the public/page 89	
413-1	Operations with local community engagement, impact assessments and development programs	Responsible relationship towards the public/page 89	We do not report on the share
413-2	Operations with significant actual and potential negative impacts on local communities	Responsible relationship towards the public/page 89	
GRI 414: Supplier social assessment 2016			
3-3	Management of material topics	Environmental and social evaluation of our suppliers/page 107	
414-1	New suppliers that were screened using social criteria	Environmental and social evaluation of our suppliers/page 107	
GRI 415: Public policies 2016			
3-3	Management of material topics	Public policies/page 112	
415-1	Political contributions	Public policies/page 112	
GRI 418: Customer privacy			
3-3	Management of material topics	Personal data protection/page 94	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Personal data protection/page 94	

FINANCIAL REPORT **2022**

FINANCIAL REPORT OF THE GEN-I GROUP FOR THE YEAR 2022

gen-i GROUP

FINANCIAL REPORT OF THE GEN-I GROUP
FOR THE YEAR 2022

7 FINANCIAL REPORT OF THE GEN-I GROUP

7.1 Introduction[63]

The GEN-I Group (hereinafter referred to as the "Group") for which these consolidated financial statements have been prepared is composed of the parent company GEN-I, d.o.o. and the following subsidiaries in which GEN-I, d.o.o. has a 100% ownership share:

- GEN-I d.o.o. Belgrade, Vladimira Popovića 6, Belgrade;
- GEN-I Hrvatska d.o.o., Radnička cesta 54, Zagreb;
- GEN-I d.o.o. Sarajevo, Ul. Fra Anđela Zvizdovića 1, Sarajevo;
- GEN-I Tirana Sh.p.k., Ish-Noli Business Center, Rruga Ismail Qemali Nr. 27, Tirana;
- GEN-I Athens SMLLC, 6 Anapafseos Street, Marousi;
- GEN-I Sofia EOOD, Bulgaria Blvd., residential quarter Bokar, Office Building 19C/D, Sofia;
- GEN-I Energia S.r.l., Corso di Porta Romana 6, Milano;
- GEN-I Vienna GmbH, Heinrichsgasse 4, Vienna;
- GEN-I Prodažba na energija DOOEL, Skopje, Bulevar Partizanski odredi 15A/1, Skopje;
- GEN-I Sonce d.o.o., Dunajska cesta 119, Ljubljana;
- GEN-I Kiev LLC, 45-B Olesia Honchara Str., Kiev;
- GEN-I Tbilisi LLC, Old Tbilisi District, Guadiashvili Square, N 4, Tbilisi;
- Elektro energija d.o.o., Dunajska cesta 119, Ljubljana;
- GEN-I Sonce dooel Skopje, Bulevar Partizanski odredi 15A/1, Skopje;
- GEN-I ESCO d.o.o., Ulica Vinka Vodopivca 45A, 5000 Nova Gorica;
- GEN-I Sunce Adria 1 d.o.o., Radnička cesta 54, Zagreb.

GEN-I Istanbul Ltd., Grand Pera, Hüseyinağa Mahallesi, İstiklal Cd. No.: 56/58, Kat No.: 3, Daire No.: 5, 34435 Beyoğlu, İstanbul is 99% owned by the parent company and 1% owned by GEN-I d.o.o. Belgrade.

[63] Disclosure 102-45.

8 CONSOLIDATED FINANCIAL STATEMENTS

Notes to financial statements are part of the financial statements and should be read in conjunction with the latter.

8.1 Consolidated statement of financial position of the GEN-I Group as at 31/12

ITEM	NOTE	31/12/2022	31/12/2021
Tangible assets	1	23,039,743	10,476,665
Right-of-use assets	2	3,405,840	3,852,176
Intangible assets and goodwill	3	10,029,623	11,623,515
Investment properties	4	1,709,072	1,775,176
Investment in associated companies	5	22,450,565	22,480,000
Financial investments	6	346,902	304,531
Trade receivables	7	23,141,213	15,980,394
Deferred tax assets	22	825,635	1,023,680
Non-current assets		**84,948,593**	**67,516,137**
Inventories	8	31,400,576	15,760,368
Trade receivables and other receivables	9	126,818,556	152,914,497
Contract assets	11	97,041,629	67,217,795
Advances and other assets	10	22,465,168	21,140,007
Financial investments	12	39,794	39,901
Derivatives	13	161,601,682	3,105,613
Current income tax receivables	14	9,449,300	507,889
Cash and cash equivalents	15	69,320,323	149,585,642
Current assets		**518,137,026**	**410,271,712**
Assets		**603,085,620**	**477,787,849**
Share capital	16	19,877,610	19,877,610
Legal reserves	16	1,987,761	1,987,761
Fair value reserve	16	134,877	–331,741
Translation reserve	16	–1,192,025	–1,203,724
Net profit or loss for the accounting period	16	29,773,273	70,076,376
Retained net profit or loss	16	141,800,395	80,821,846
Capital of minority owners		**0**	**0**
Equity		**192,381,891**	**171,228,128**
Financial liabilities	17	5,600,000	8,400,000
Lease liabilities	18	1,542,335	2,609,471
Operating and other liabilities	19	671,516	82,754
Provisions	20	1,448,556	1,807,088
Deferred income	21	218,911	229,028
Non-current liabilities		**9,481,318**	**13,128,341**
Financial liabilities	17	105,376,762	75,247,518
Lease liabilities	18	1,343,338	1,296,699
Operating liabilities	23	217,959,088	176,573,692
Contract liabilities	24	19,392,767	13,302,482
Other liabilities	25	56,572,166	13,421,119
Income tax liabilities	26	578,292	13,589,870
Current liabilities		**401,222,412**	**293,431,380**
Contingent liabilities and assets	27	269,960,574	174,789,424
Liabilities		**410,703,731**	**306,559,721**
Total equity and liabilities		**603,085,620**	**477,787,849**

8.2 Consolidated income statement of the GEN-I Group

ITEM	NOTE	2022	2021
Revenues	28	4,076,128,595	3,356,322,637
Change in value of inventories	29	7,009,807	1,316,095
Cost of goods sold	30	–4,071,494,367	–3,308,888,153
Other recurring operating income and expenses	28	130,581,139	110,361,336
Gross profit or loss		**142,225,174**	**159,111,915**
Costs of materials	30	–1,196,354	–782,509
Costs of services	30	–19,209,902	–16,277,278
Labour costs	31	–37,339,214	–48,199,032
Other operating income and expenses	32	–31,392,122	–889,385
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**53,087,582**	**92,963,712**
Depreciation and amortization	33	–5,143,171	–3,779,839
Impairment losses on trade receivables and contract assets	33	–7,286,132	–210,940
Earnings before interest and taxes (EBIT)		**40,658,278**	**88,972,931**
Financial income	34	523,370	377,779
Financial expenses	34	–3,020,277	–2,183,448
Financial result		**–2,496,908**	**–1,805,669**
Recognised results of associates		**–29,435**	**423,331**
Profit before tax		**38,131,935**	**87,590,594**
Taxes	35	8,358,660	17,514,218
Net profit or loss for regular business operations		**29,773,273**	**70,076,376**

8.3 Consolidated statement of other comprehensive income of the GEN-I Group

COMPREHENSIVE INCOME	2022	2021
Net profit or loss for the accounting period	**29,773,273**	**70,076,376**
Items that are classified or will later be reclassified in profit or loss	**–179,678**	**–206,802**
Translation differences	–179,678	–206,802
Deferred tax on comprehensive income	0	0
Actuarial gains (losses) that will later not be reclassified in profit or loss	560,168	88,070
Other comprehensive income of the accounting period, net without tax	**380,490**	**–118,732**
Total comprehensive income for the accounting period	**30,153,763**	**69,957,644**

8.4 Consolidated statement of cash flows of the GEN-I Group

ITEM	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit or loss for the accounting period	29,773,273	70,076,376
ADJUSTMENTS FOR		
Depreciation	5,143,172	3,779,839
Write-offs of the value of business receivables and tangible fixed assets	36,747	2,534
Impairments, value adjustments and write-offs of business receivables and contractual assets	7,286,132	210,940
Income from the sale of tangible fixed assets, intangible assets and investment properties	0	0
Elimination of write-down and write-down of debt	–38,398	–16,116
Non-monetary expenses	380,491	–118,732
Financial income	–523,121	–377,779
Financial expenses	2,320,038	1,672,660
Recognised results of associates according to equity method	29,435	–423,331
Income tax	8,358,660	17,514,218
Profit from operating activities prior to changes in net current assets and taxes	**52,766,427**	**92,320,609**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	11,624,649	–56,867,959
Change in inventories	–15,640,207	–12,352,596
Change in advances given and other assets	–31,148,994	–31,760,405
Non-monetary income/expenses – non-due	–239,208,002	–76,475,491
Cash income/expenses – non-due	96,407,366	46,483,600
Income from the settlement of derivatives – due	390,439,817	151,417,933
Expenses from the settlement of derivatives – due	–406,135,250	–128,899,528
Change in operating liabilities	21,787,986	92,176,306
Change in advances received and other liabilities	49,241,331	10,292,870
Change in provisions	–358,531	206,203
Change in accrued income	–10,117	31,975
Tax paid on the profits	–18,950,980	–5,704,972
Net cash flow from business activities	**–89,184,504**	**–80,598,545**
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	546,297	405,692
Dividends received	0	455,033
Income from the sale of tangible fixed assets and intangible assets	139,034	73,348
Expenses for the purchase of tangible fixed assets and intangible assets	–14,461,483	–5,026,362
Expenses on leased assets	–2,195,680	0
Expenses for the purchase of subsidiaries	0	0
Expenses for the purchase of associated companies	0	–11,275,000
Expenses for the purchase of other financial investments	–42,264	–51,349
Net cash flow from investments	**–16,014,096**	**–15,418,638**
CASH FLOW FROM FINANCING ACTIVITIES		
Interests paid	–2,612,018	–1,732,399
Expenses for the rights to use leased assets	–75,925	–60,518
Expense for the repayment of non-current loans	–2,800,000	–212,169
Expense for the repayment of current loans	–1,009,762,916	–512,897,687
Income from current loans received	1,040,184,140	537,453,887
Dividends paid	0	–4,000,000
Net cash flow from financing activities	**24,933,281**	**18,551,114**
Opening balance of cash and cash equivalents	**149,585,642**	**65,584,621**
Net increase in cash and cash equivalents	**–80,265,321**	**84,001,022**
Closing balance in cash and cash equivalents	**69,320,323**	**149,585,642**

8.5 Consolidated statement of changes in equity of the GEN-I Group

Changes in 2022

CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
Balance as at 31/12/2021	**19,877,610**	**1,987,761**
TOTAL COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD		
Net profit or loss for the accounting period	0	0
OTHER COMPREHENSIVE INCOME		
Exchange rate differences	0	0
Actuarial gains (losses)	0	0
Total other comprehensive income	**0**	**0**
Total comprehensive profit or loss for the accounting period	**0**	**0**
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY		
Distribution of the remaining portion of net profit to other equity components	0	0
Transfer to the dividend payment obligation	0	0
Balance as at 31/12/2022	**19,877,610**	**1,987,761**

Changes in 2021

CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES
Balance as at 31/12/2020	**19,877,610**	**1,987,761**
TOTAL COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD		
Net profit or loss for the accounting period	0	0
OTHER COMPREHENSIVE INCOME		
Exchange rate differences	0	0
Actuarial gains (losses)	0	0
Total other comprehensive income	**0**	**0**
Total comprehensive profit or loss for the accounting period	**0**	**0**
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY		
Distribution of the remaining portion of net profit to other equity components	0	0
Dividends paid	0	0
Other eliminations of equity components	0	0
Balance as at 31/12/2021	**19,877,610**	**1,987,761**

FAIR VALUE RESERVES	TRANSLATION RESERVE	NET PROFIT OR LOSS	RETAINED NET PROFIT OR LOSS	TOTAL EQUITY
–331,741	**–1,203,724**	**70,076,376**	**80,821,847**	**171,228,129**
0	0	29,773,273	0	29,773,273
0	11,699	0	–191,378	–179,679
466,618	0	0	93,550	560,168
466,618	**11,699**	**0**	**–97,828**	**380,489**
466,618	**11,699**	**29,773,273**	**–97,828**	**30,153,763**
0	0	–70,076,376	70,076,376	0
0	0	0	–9,000,000	–9,000,000
134,877	**–1,192,025**	**29,773,273**	**141,800,395**	**192,381,891**

FAIR VALUE RESERVES	TRANSLATION RESERVE	NET PROFIT OR LOSS	RETAINED NET PROFIT OR LOSS	TOTAL EQUITY
–419,811	**–996,924**	**15,428,322**	**69,393,524**	**105,270,484**
0	0	70,076,376	0	70,076,376
0	–206,800	0	0	–206,800
88,070	0	0	0	88,070
88,070	**–206,800**	**0**	**0**	**–118,730**
88,070	**–206,800**	**70,076,376**	**0**	**69,957,646**
0	0	-15,428,322	15,428,322	0
0	0	0	-4,000,000	-4,000,000
0	0	0	0	0
–331,741	**–1,203,724**	**70,076,376**	**80,821,847**	**171,228,129**

9 NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

9.1 Reporting company

GEN-I, trgovanje in prodaja električne energije, d.o.o. (hereinafter referred to as the "Company") is established in Slovenia, Vrbina 17, SI-8270 Krško. The consolidated financial statements of the GEN-I Group for the year ending on 31 December 2022 include the company GEN-I, d.o.o. and her subsidiaries (hereinafter jointly referred to as the "GEN-I Group" or the "Group"). The consolidated annual report for the broadest array within the Group is prepared by the controlling company GEN energija d.o.o., Vrbina 17, Krško, which published said report at http://www.gen-energija.si/.

The core activities of the GEN-I Group include the sale of electricity and natural gas to end consumers, the purchase of electricity from major producers and producers using renewable energy sources and high-efficiency cogeneration plants, the provision of services for the energy self-sufficiency, efficiency and independence of households, the provision of advanced services to business partners, and trading with electricity and natural gas.

9.2 Basis of preparation

(A) DECLARATION OF CONFORMITY

The Management Board of the parent company has confirmed the financial statements on 24 April 2023.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, the explanations adopted by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union, and pursuant to the provisions of the Companies Act (ZGD-1).

The financial statements have been prepared on the basis of the going concern assumption.

(B) GROUNDS FOR MEASUREMENT

The consolidated financial statements have been prepared by considering the original value, with the exception of derivative financial instruments and financial instruments at fair value through profit or loss, in which the fair value is considered.

(C) FUNCTIONAL AND REPORTING CURRENCY

The consolidated financial statements have been prepared in EUR, i.e. the functional currency of the parent company. All accounting information presented in EUR are rounded to one unit. Due to the rounding of value data, insignificant discrepancies may occur in the totals set out in tables. The consolidated financial statements represent comparable information according to the previous period.

(D) USE OF ESTIMATES AND EVALUATIONS

In the preparation of consolidated financial statements pursuant to the IFRS, the management must provide estimates and assessments which influence the use of accounting policies as well as the demonstrated values of assets, liabilities, income and expenses. The actual results may deviate from these estimates.

The estimates and stated assumptions are constantly verified. Any corrections in the accounting estimates are recognised for the period in which the estimate is corrected, and for all future years which will be affected by the correction.

Estimates and assumptions are mainly connected to:

- the estimation of the useful life of depreciable assets (point 9.3.e.);
- the impairment of assets (point 9.3.i.);
- the identification of lease agreements, as well as the determination of the duration and the discount rate of lease (point 9.3.f.);
- the measurement of the allowance for receivables from customers and contractual assets for expected credit losses (point 9.3.i.);
- the employee benefits (point 9.3.j.);
- the provisions (point 9.3.k.);
- the deferred tax receivables (point 9.3.o.);
- the contingent liabilities;
- the derivatives (point 9.3.c.) (v)).

The actual realisation of adverse events within the Group due to the COVID-19 pandemic is negligible. In 2022, however, the energy market has found itself in an unplanned and unimaginably deep energy crisis of global dimensions.

Despite the fact that energy markets are constantly facing certain challenges, the circumstances in this past year were extreme, which is why trading with energy sources was an extremely complicated task. In the wholesale market, we were able to witness some extreme events such as high price volatility, low liquidity, requirements for high financial coverage in the stock market and, above all, an increase in wholesale prices of all energy sources in Europe. In the past, managing business risks was the most important issue; in 2022, what mattered most was the management of financial, credit and regulatory risks.

The GEN-I Group was able to respond effectively to this new situation in the energy markets, thanks to our in-depth knowledge of markets and the constant progress in the field of optimising analytical support. The synergies of our globally diversified portfolio, product differences and the expansion of the range of energy sources in our portfolio also contributed to our viability. This is also extremely important from the point of view of dispersing and minimising business risks with the purpose of protecting our portfolio, particularly during a period market by a volatile market situation.

In order to reduce the consequences of the energy crisis and its influence on the business transactions of the GEN-I Group, we have also introduced resilience and process reinforcement initiatives, which allow us to strategically address challenges and develop support environments which enable us excellent business operation despite the emergency situation. We have been extremely successful in implementing the Resilience and process reinforcement initiative, which is also demonstrated by the business results of the GEN-I Group.

In 2022, the Group achieved good business success.

(E) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

There were no changes of accounting policies in 2022.

9.3 Significant accounting policies

The companies of the GEN-I Group constantly used the accounting policies set out below for all periods presented in the attached consolidated financial statements.

(A) BASIS FOR CONSOLIDATION

(i) Subsidiaries

The subsidiaries are companies controlled by the parent company. Control of a company occurs when it is exposed to variable returns or has the right to variable returns from its participation in the company and, through its influence over the controlled company, has the ability to influence these returns. Financial statements of subsidiaries are included in the consolidated financial statements, starting from the date on which control begins and ending on the date on which control ends.

Accounting policies of subsidiaries are adapted to the policies of the Group.

(ii) Investment in associated companies

Associated companies are companies over which the Group has a significant influence, but the Group does not control their financial and business directions. An important influence exists if the Group owns at least 20% but no more than 50% of voting rights, unless this can be proved to be false.

Upon initial recognition, investments in associated companies are measured according to purchase value; later, they are calculated pursuant to the equity method.

Consolidated financial statements cover the share of the Group in profit and loss of associated companies, calculated according to equity method, after the harmonisation of accounting policies from the date the important impact begins to the day it ends.

If the share of the Group in the loss of the associated company is higher than the value of its share in said company, the carrying amount of the share of the Group is reduced to zero, while further losses are not recognised.

(iii) Transactions exempted from consolidation

Consolidated financial statements exclude balances, transactions and all unrealised revenues and expenses arising from business transactions within the Group. Unrealised revenues arising from business transactions with associated companies, calculated pursuant to the equity method, are excluded to the benefit of an investment in the scope of the share of the Group within the company. Unrealised losses are excluded in the same way as unrealised profits, if no evidence of impairment exists.

(B) FOREIGN CURRENCIES

(i) Business transactions implemented in foreign currencies

Business transactions expressed in foreign currencies are calculated to appropriate functional currencies of the companies within the Group at the exchange rates at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are calculated to appropriate functional currencies of individual companies within the Group at the exchange rates at the date of reporting. Non-monetary assets and liabilities expressed in foreign currencies and measured according to their fair value are calculated to the functional currency at the exchange rate at the date of determination of said fair value. Non-monetary items measured at original value in a foreign currency are calculated at the exchange rate at the date of the transaction. Exchange rate differences are recognised in the income statement and disclosed among financial expenses.

(ii) Companies abroad

The assets and liabilities of companies abroad, including goodwill and fair value adjustments incurred at the time of acquisition are calculated to EUR at the exchange rate at the date of reporting. Income and expenses of companies abroad, with the exception of companies in hyperinflationary economies, are calculated to EUR at average exchange rates applicable for a specified period.

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

(C) FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

At the beginning, receivables from customers, loans and deposits are recognised on the date of creation. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (with the exception of receivables from customers which do not have an important component of financing) and financial liabilities are initially measured according to their fair value; for items which are not measured at fair value through profit or loss, said fair value is added to the costs of the business transaction occurring immediately upon acquisition or issuance. Receivables from customers which do not have an important component of financing are initially measured at the price of trade.

(ii) Classification and subsequent measurement of financial investments – guidance

Upon initial recognition, financial instruments are classified into one of the following groups: financial assets measured at amortised costs, financial assets measured at fair value through other comprehensive income (hereinafter referred to as “PVIVD”) – investment in debt securities, PVIVD – investments in capital instruments, or at fair value through the statement of profit or loss (hereinafter referred to as “PVIPI”). After initial recognition, the financial investments are not reclassified, unless the group changes the business model for the management of financial investments. In this case, all financial investments affected by the change are reclassified on the first day of the reporting period after the change.

A financial asset is measured at amortised cost if it is not defined as a financial asset at PVIPI and if both of the following conditions are complied with:

- the financial asset is owned in the framework of the business model, the objective of which is to own financial assets with the purpose of receiving contractual cash flows;
- pursuant to the contractual conditions of the financial assets, cash flows which are only limited to the repayment of principal and interest for the outstanding principal amount occur.

Upon initial recognition of an investment in equity instrument which is not held for trading, the Group can irrevocably decide to disclose any subsequent changes in the fair value of the investment in other comprehensive income. This decision is adopted for each individual investment.

All financial assets that are not determined as measured at amortised cost or PVIVD, as set out above, are measured at PVIPI. This includes all derivative financial assets (see explanation 9.7). For a financial asset which otherwise complies with the conditions for the measurement at amortised cost or PVIVD, the Group can decide, upon initial recognition, to irrevocably classify it as measured at PVIPI, if this eliminates or significantly reduces the accounting mismatch which would otherwise occur.

Financial assets – evaluation of the business model: guidelines

The Group evaluates an objective of the business model according to which a financial asset is managed at the level of the portfolio, since this best reflects the manner in which business is conducted and in which information is provided to the management. The following information was taken into consideration:

- the defined policies and objectives of the portfolio and the practical implementation of these policies, including whether the strategy of the management focuses on creating income from contractual interest, the maintenance of a certain profile of interest rates, the consolidation of the duration of financial assets with the duration of the liabilities related to them or expected cash outflows, or the creation of cash flows through sale of assets;
- the method of evaluating the success of the portfolio and the method of reporting about it to the management of the Group;
- the risks influencing the success of the business model (and financial assets managed pursuant to said business model) as well as the method for managing those risks;
- the method of determining the compensation of management personnel responsible for those transactions (e.g. whether compensation is based on the fair value of the managed assets or the scope of the contractual cash flows received);
- the frequency, value and time of sales of the financial assets in previous periods, the reasons for those sales as well as any expectations related to future sales activities.

Transfers of financial assets to third parties in transactions that do not comply with the conditions for the derecognition are not considered as sales for this purpose, and they are, therefore, still recognised by the Group.

The financial assets held for trading or managed, the profitability of which is evaluated based on fair value, are measured at PVIPI.

Financial assets – evaluation of whether the contractual cash flows are only the repayments of principal and interest: guidelines

For the purpose of this evaluation, the principal is defined as the fair value of a financial asset upon initial recognition. Interests consist of a consideration for the time value of money, the credit risk related to the outstanding principal amount in a specified period, and other basic risks and costs related to lending (e.g. liquidity risk and risk related to administrative costs) as well as the profit margin.

When evaluating whether the contractual cash flows are only the repayments of principal and interest, the Group considers the contractual provisions of the instrument. This also includes the evaluation of whether a financial asset contains a contractual provision which could change the time and amount of contractual cash flows in order for it to no longer comply with this condition. When preparing this evaluation, the Group considers the following elements:

- conditional events which would change the amount and time of cash flows;
- the provisions which could cause the contractual coupon rate to change, including the elements of variable interest rates;
- the pre-payment and the renewal conditions;
- the provisions limiting the receivables of the Group for financial flows from certain assets (e.g. provisions stating that, in the event of non-payment, a financial asset may only be repaid with the collateral with which it is secured).

The element of early repayment is compliant with the condition that contractual cash flows must only be repayments of principal and interest, if the amount of early repayment mainly represents unpaid principal amounts and interest for the outstanding principal amount, which may also include reasonable additional compensation for an early termination of the contract. In addition, for financial assets obtained with a discount or premium in terms of the nominal contractual amount, it is considered that the element allowing or requesting early payment in the amount which mainly represents the nominal contractual amount and accrued (yet unpaid) contractual interest (which may also include reasonable additional compensation for an early termination of the contract) complies with this condition if the fair value of the element of early repayment upon initial recognition is negligible.

Financial assets – Subsequent measurement and gains and losses: guidelines

Financial assets measured at fair value through the statement of profit or loss

Those assets are later measured at fair value. Net gains and losses, including any income from interest or dividends, are recognised in the statement of profit or loss. However, point (v) of the explanation c) must be considered for the derivatives which are set out as hedging instruments.

Financial assets measured at amortised cost

Those assets are measured later on at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses. Interest income, positive and negative exchange rates differences and losses and impairments are recognised in the statement of profit or loss. Any gains and losses upon derecognition are recognised in the statement of profit or loss.

Investments in debt securities, measured at fair value through other comprehensive income

Those assets are later measured at fair value. Income from interest calculated according to the effective interest method, positive and negative exchange rates differences and losses due impairments are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. Gains and losses recognised in other comprehensive income are transferred to the statement of profit or loss upon derecognition.

Investments in capital instruments, measured at fair value through other comprehensive income

Those assets are later measured at fair value. Dividends are recognised as income in the statement of profit or loss unless a dividend obviously represents a repayment of a part of the purchase value of an investment. Other net gains and losses are recognised in other comprehensive income and are never transferred to the statement of profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or at PVIPI. 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 determined as such upon initial recognition. Financial liabilities measured at PVIPI are measured at fair value, while net gains and losses, including any interest expenses, are recognised in the statement of profit or loss. Other financial liabilities are later measured at amortised cost using the effective interest method. Interest expenses and positive and negative foreign exchange rate differences are recognised in the statement of profit or loss. Any gains and losses upon derecognition are also recognised in the statement of profit or loss.

See point (v) of the explanation c) for financial liabilities set out as hedging instruments.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when contractual rights to cash flows from this asset expire or when the Group transfers the rights to contractual cash flows from a financial asset based on a transaction in which nearly all risks and benefits from the ownership of a financial asset are transferred, or in which the Group neither transfers nor retains nearly all risks and benefits arising from ownership and also does not retain control of the financial asset.

The Group concludes business transactions in which it transfers assets recognised in the statement of financial position, but retains all or nearly all the risks and benefits from the financial asset. In this case, transferred assets are not derecognised.

Financial liabilities

The Group derecognises financial liabilities when liabilities set out in contracts are discharged or cancelled or expire. In addition, the Group also derecognises a financial liability when its conditions change and when the cash flows of the changed liability have changed significantly, whereby it recognises the new financial liability at fair value based on those changed conditions.

Upon derecognition of a financial liability, the difference between the carrying amount of the ceased financial liability and the paid compensation (including all transferred non-monetary assets or assumed liabilities) is recognised in the statement of profit or loss.

(iv) Offset

Financial assets and liabilities are offset, and the amount is recognised in the statement of financial position, if and only if the Group has a legally enforceable right to offset the recognised amounts and plans to either settle the net amount or cash the asset while also settling its liability.

(v) Derivatives and calculation of hedging

The Group uses derivatives for hedging when it comes to market and currency risks.

For hedging in terms of market risks due to the change in prices of electricity, the Group uses forward agreements and various trading financial instruments. For hedging in terms of currency risks, the Group mainly uses forward currency transactions.

The Group uses non-standard forward agreements, i.e. the agreements on the purchase or sale of the selected underlying instrument with the time limit in the future according to the price set out upon the conclusion of a contract, both for hedging in terms of market risks due to the prices of electricity and gas, and for hedging in terms of currency risks. The prices of forward transactions are set out based on the underlying financial instrument. Upon conclusion, the value of the contract equals zero, since the strike price (the agreed-upon clearing price) is the same as the forward price. Without considering the costs of delivery, the value of a non-standard forward agreement upon its maturity is the same as the difference between the current price of the underlying instrument upon maturity and the contractual forward price or the agreed-upon clearing price. During the duration of the contract, the forward price changes depending on the fluctuation of current market prices and the residual maturity of the forward agreement.

Standard forward agreements are binding agreements on the purchase or sale of a standard quantity of a specific, precisely described instrument of a standard quality on a standardised day in the future (standard specifications) according to the price agreed-upon in the present.

Standardisation is the sine qua non for stock market trading. The main advantage of standardisation is the minimised transaction costs of trading. Therefore, buyers and sellers do not have to discuss each individual element of every contract every time they conclude a business transaction, since they must only discuss the price of each individual forward agreement. Transactions are concluded with no physical presence of goods. A standard forward agreement only enters into force when it is registered with a clearing (settlement) house. Due to stock market trading, such an agreement is freely transferable, while its liquidity is conditioned upon the scope of stock market trading, while non-standard forward agreements are illiquid since it is practically impossible to achieve an exchange. When it comes to trading with forward agreements, be it for purchase or sale, a security coverage must be deposited with the clearing house. Said security coverage consists of initial coverage and a variation margin.

Derivatives also include option agreements which are classified by the Group into the group of financial assets or financial liabilities at fair value through profit or loss. The fair value is defined as the price received for the sale of the asset or paid for the transfer of the liability in a regular transaction between market participants on the date of measurement. If the transaction price is not the same as fair value on the date of measurement, the difference in market assets is recognised in the statement of profit or loss.

Agreements on the purchase or sale of a non-financial asset (such as goods) which can be settled net (in cash or by exchanging financial instruments) fall within the scope of application of IFRS 9 and are calculated at fair value, unless they were concluded and are still owned for the purpose of receipt or delivery of a non-financial asset in accordance with the Group's expected purchase, sale or usage requirements – the so-called exemption based on own use (IFRS 9.2.4). Purchase agreements which fall within the scope of application of IFRS 9 are considered as derivatives and are valued at their market value through the statement of profit or loss unless the management is able to opt for the calculation of hedging and does so.

Agreements based on which physical delivery of goods is performed and for which the Group has no net settlement practice and which are not concluded for trading, speculative purposes or hedging, are calculated as ordinary purchase or sale agreements, i.e. unrecognised unfulfilled agreements. Contracts based on which physical delivery of goods is performed and for which the Group has a net settlement practice and which also have other purposes in addition to the supply or purchase of electricity or natural gas itself are considered as derivatives and measured at fair value through the statement of profit or loss.

At the beginning, derivatives are measured at fair value. Upon initial recognition, derivatives are measured at fair value, while any changes in said fair value are, as a rule, recognised in the statement of profit or loss.

Financial investments or financial liabilities measured at fair value through the statement of profit or loss are measured again at fair value at least once a year, during the preparation of annual financial statements. Gains or losses arising from any change in fair value are recognised in the statement of profit or loss.

The Group performs fair value adjustments for all non-due derivatives with physical delivery of electricity and gas, concluded bilaterally (OTC – over-the-counter) with partners, for the credit risk of default (CVA – Credit Valuation Adjustment). More specifically, we are measuring the net exposure from derivatives at the level of each individual partner, and then consider those positions in the simulation of credit risks at the level of the entire portfolio. All input data for the calculation considered are obtained in the market and are independent.

CVA depends on:

- Expected future exposure (EAD – Exposure At Default), which mainly represents the net fair value of all derivatives in relation to each individual partner, calculated on the basis of market prices (Level 1).
- Term structure of the probability of default (PD – Probability of Default), annually obtained by the Group from an external international provider due to the lack of CDS (Credit Default Swaps) quotations.
- Loss Given Default (LGD), which is based on the evaluation of credit rating agencies for a specific energy sector.

The CVA amount represents the appropriately evaluated market value of the insurance measure necessary for hedging in terms of credit risk of the other party in OCT portfolios of derivatives of the Group.

Calculation of hedging

The Group complies with the requirements related to the calculation of hedging in hedging in terms of market risks related to changes in prices of electricity and natural gas, pursuant to IFRS 9.

At the beginning of certain hedging relationships, the Group documents the risk management objective and the hedging implementation strategy. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and the hedging instrument are expected to be mutually offset.

At the beginning of the hedging relationships and periodically after that, the Group evaluates whether the hedging relationship complies with the requirements related to the calculation of hedging. This evaluation is related to expectations and is therefore only focused on the future. The hedging relationship only complies with the conditions for the calculation of hedging if all of the following criteria are complied with:

- there is an economic relationship established between the hedged item and the hedging instrument;
- the impact of credit risk does not prevail in the event of a change of value which is the consequence of the aforementioned economic relationship;
- the hedge ratio in the hedging relationship is the same as the ratio arising from the scope of the hedged item which is actually hedged by the company and the scope of the hedging instrument which is actually used by the company for hedging the aforementioned scope of the hedged item.

At each reporting date, the Group measures the inefficiency of hedging, i.e. the scope in which any changes in fair value or cash flows of the hedging instrument are more or less important than the changes in the hedged item.

Said inefficiency is measured as the difference between the change in the publicly announced price (stock exchange) between the hedging instrument and the hedged item. Pursuant to the hedging policy of the GEN-I Group, the inefficient part represents the discrepancy between the change in the price of the hedged item and the hedging instrument.

Fair value hedging

The Group calculates fair value hedging in terms of a price change for standard and non-standard forward agreements by immediately recognising any changes in fair value of the derivative in the statement of profit or loss. Any gains or losses for hedged items that can be attributed to hedging are corrected to the carrying value of the hedged item and recognised in the statement of profit or loss. If an unrecognised firm commitment is defined as a hedged item, any subsequent cumulative changes in fair value of said firm commitment which can be attributed to a hedged risk is recognised as an asset or liability with appropriate gains or losses which is recognised in the profit or loss statement. The initial carrying amount of an asset or liability arising from the fulfilment of a firm commitment by the Group is corrected by including the cumulative change in fair value of the firm commitment which can be attributed to the hedging previously recognised in the statement of financial position.

(D) SHARE CAPITAL

The share capital is the called-up capital of the shareholders. The entire capital of the Group consists of the called-up capital, legal reserves, fair value reserves, the translation reserve and retained net profit or loss.

(E) TANGIBLE ASSETS

(i) Recognition and measurement

Tangible assets are disclosed according to their purchase value less any accumulated amortisation and any accumulated impairment losses.

The purchase value includes costs which can be directly attributed to the acquisition of each individual asset. Costs in terms of self-constructed item contain the costs of materials, direct labour costs, other costs which can be directly attributed to bringing the asset to its working condition, decommissioning and disposal costs, the costs of renovating the space in which tangible assets are located, and capitalised borrowing costs. The purchased computer software which importantly contributes to the functionality of assets must be capitalised as part of said software.

Parts of tangible assets with various useful lives are calculated as individual tangible assets.

(ii) Later costs

The costs of the replacement of a certain part of the tangible asset are recognised according to the carrying amount of this asset, if it is likely that future economic benefits related to this part of the asset will increase, and if its purchase value can be measured in a reliable manner. All other costs (e.g. the costs of daily maintenance) are recognised as expenses in profit or loss as soon as they arise.

(iii) Spare parts

Spare parts and servicing equipment of lesser value with a useful life of up to one year are carried as inventory and recognised as expenses in profit or loss. Spare parts and servicing equipment of noteworthy value with the expected useful life of more than one year are recognised as tangible assets.

(iv) Depreciation

The depreciation is calculated according to the straight-line method by taking into consideration the useful life of each individual part of a tangible asset; this method most accurately reflects the expected pattern of use of the asset. Leased assets are depreciated by taking into consideration the duration of the lease and its useful life. Plots of land are not depreciated.

The evaluated 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 foreign tangible assets are depreciated during the duration of the lease (1 to 10 years).

At the end of every reporting period, depreciation methods, useful lives and residual values are examined and adjusted, if necessary. The evaluations of the useful life of plant and equipment were not adjusted during the financial year.

(F) RIGHT-OF-USE ASSETS

The right-of-use assets is addressed in the IFRS 16 – Leases standard published by the IASC on 13 January 2016. Pursuant to IFRS 16, the lessee recognises the right-of-use the asset and liability from lease. The right-of-use assets is treated in a similar vein as other non-financial assets and is also depreciated pursuant to this. Initially, the liability from the lease is calculated according to the current value of leases paid during the lease period, discounted according to the implicit interest rate if it can be determined immediately. If said interest rate cannot be determined immediately, the lessee must use the presumed interest rate for borrowing. The lessor defines the lease as a business or financial lease according to its nature. The lease is classified as a financial lease if nearly all risks and benefits which are connected with the ownership of the asset are transferred with the lease. Failing that, the lease is classified as a business lease. In the event of a financial lease, the lessor recognises the financial revenues in the lease period based on a pattern which reflects the constant periodic rate of return on net investment. Payments from business lease are recognised by the lessor as income based on the straight-line method or, if the pattern reflects the previously reduced benefits from the use of said asset, another systematic method.

The Group examines and analyses concluded lease contracts with a duration of more than one year. Based on the costs of a lease and the duration of the lease agreements, it evaluates the value of the right-of-use assets and liabilities from lease, and it recognises them in the statement of financial position. The right-of-use assets and liabilities from lease are evaluated based on the discounting of future cash flows for the duration of the lease. Cash flows are discounted using interest rates realised by the Group in the financing of non-current loans and fluctuate between 1.7% and 2.8%. The costs of depreciation are calculated using depreciation rates evaluated on the basis of the remaining term of the leases.

The Group uses a single approach for the recognition and measurement of all leases, with the exception of current leases and low-value leases amounting to less than USD 5,000. Leases for low-value leases and current leases are disclosed by the company as the cost of the period to which said lease is related.

(G) INTANGIBLE ASSETS AND GOODWILL

(i) Capitalised development costs

The costs of development are the consequence of transferring the findings of research or knowledge into a plan or project for manufacturing new or significantly improved products or services before they begin being manufactured or performed for sale.

The Group capitalises development costs if the following conditions are complied with:

- the feasibility of a professional completion of a project in order to make it available for use or sale;
- the purpose of finishing a project and use or sale it;
- the ability to use or dispose of the project;
- the probability of economic benefits of the project, including the existence of the market for the effects of the project or for the project itself or, if the project is used in the company, its usefulness;
- the availability of technical, financial and other factors in order to complete the development or for the use or sale of the project;
- the capacity of reliably measuring the costs which are attributed to the intangible asset while it is being developed.

Capitalised development costs include direct labour costs and other costs which can be directly attributed to the bringing of asset to its working condition.

The Group must evaluate the useful life of the new product; pursuant to this evaluation, the costs of development must be thoughtfully allocated within this useful life in order to have it comply with the emergence of economic benefits.

(ii) Other intangible assets and goodwill

Other intangible assets with limited useful lives acquired within the Group are carried at cost less any accumulated amortisation and any accumulated impairment losses.

An asset is impaired if its carrying amount exceeds its recoverable amount. For intangible assets, losses due to impairment are recognised as revaluation operating expenses. At each reporting date, the company first examines whether any signs exist indicating that an asset could be impaired. If such signs exist, the company performs an impairment test and calculates the recoverable amount of the asset. If no signs of loss exist, the company formally does not perform an impairment test and does not calculate the recoverable amount of the asset. The impairment process ends at this point. This means that the Group does not have to calculate the recoverable amount on each date of reporting. First, it only examines signs indicating that the asset is impaired. Only once it discovers that such signs exist, it performs the impairment test. When evaluating signs of impairment, the company uses external and internal sources of information.

Goodwill arising from acquisition of subsidiaries is disclosed according to purchase value less any accumulated impairment losses.

After initial recognition, the Group examines, once a year, the existence of factors which could have a negative impact on the future cash flows of the cash-generating unit, obtained through the acquisition of the subsidiary. In the financial statements, the decrease in the value of the cash-generating unit is recognised as the impairment of goodwill or assets of the cash-generating unit at the expense of the operating result.

(iii) Later costs

Subsequent expenditures related to intangible assets are capitalised only when they increase future economic benefits arising from the asset to which the expenditures relate. All other costs are recognised as expenses in profit or loss as soon as they arise.

(iv) Depreciation

Depreciation is calculated from the purchase value of the asset or another amount standing in for the purchase value.

Depreciation is recognised in the operating result according to the straight-line method while taking into consideration the useful life of intangible assets (with the exception of goodwill) and starts when assets are available to be used; this method most accurately reflects the expected sample of use of future economic benefits related to the asset. The evaluated useful life for the current and comparative year is as follows:

- software: 5 years.

Other intangible assets, such as licences for trading and sale, are depreciated according to the value of the licence issued.

At the end of every financial year, depreciation methods, useful lives and other values are examined and adjusted, if necessary.

(H) INVESTMENT PROPERTIES

Investment properties are properties owned by the Group in order to earn rentals or increase the value of a non-current investment or both. Investment properties are disclosed at a purchase value less the accumulated depreciation and the accumulated impairment losses. Investment properties are measured according to the cost model. Depreciation is recognised in the operating result according to the straight-line method, while the estimated useful life is 25 years.

(I) IMPAIRMENT OF ASSETS

(i) Non-derivative financial assets

Financial instruments and contractual assets

The Group recognises value adjustments due to expected credit losses for:

- financial assets measured at amortised cost;
- contractual assets.

The Group measures value adjustments for loss according to the amount equal to expected credit losses for the entire duration, i.e. expected credit losses arising from all possible default events in the expected period of the duration of the financial instrument. The longest period considered in the assessment of expected credit losses is the longest contractual period during which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are probability-weighed expected credit losses. Credit losses are measured as the current value of all cash shortfalls (i.e. the difference between cash flows of the Group pursuant to the agreement and the cash flows that the Group expects to receive).

Expected credit losses are discounted based on the effective interest rate of a financial asset.

The Group measures expected credit losses arising from receivables from customers and contractual asses based on the value adjustment matrix.

Degrees of losses are calculated using the method of transition rate between credit classes based on the probability that a receivable will advance through successive default phases until write-off. The degrees of transition between credit classes are calculated separately for exposures in different segments based on common characteristics of the credit risk – type of customer (retail B2B, retail B2C and trading).

The exposure to credit risk is evaluated by the Group based on the insurance of receivables and based on data and information forecasting the risk of loss (financial information about buyers and their financial statements, available information published in the media, previous business relationships with them and future-oriented information).

Expected credit losses arising from receivables from customers and contractual assets are calculated for all open receivables and contractual assets which are past due by up to 90 days, based on suitable degrees of loss for various time slots.

Impairment of the value of receivables from customers and contractual assets are recognised in the amount of 90% of the value of receivables from customers and contractual assets which are past due by 90 days or more.

Credit-impaired financial assets

At each reporting date, the Group evaluates whether financial assets disclosed at amortised cost are credit-impaired. A financial asset is credit-impaired if one or several events with a negative impact on the evaluated future cash flows of said financial asset have occurred.

Evidence that a financial asset is credit-impaired include data on the following circumstances:

- important financial issues of the borrower or issuer;
- breach of the contract, such as nonpayment or a default in payment of over 90 days;
- reprogrammed loan or early repayment by the Group pursuant to conditions that would otherwise not have been accepted by the Group;
- probability that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of a functioning securities market due to financial issues.

Recognising a value adjustment for expected credit losses in the statement of profit or loss

Adjustments of the value of financial assets measured at amortised cost are subtracted from the gross carrying amount of financial assets.

Value write-offs

The gross carrying amount of a financial asset is written off when the Group justifiably expects that a financial asset will not be reimbursed to the Group, either in whole or in part, i.e. in the event of a final court decision about concluded bankruptcy proceedings, concluded arrangement procedure or concluded enforcement procedure as well as in the event of financial assets for which the Group expects no repayment. However, the financial assets that have been written off can still be subject to recovery activities pursuant to the processes applicable within the Group for the recovery of receivables.

(ii) Cash assets, cash equivalents and other financial investments

Expected credit losses for other financial assets are measured based on the credit rating of the country in which said financial assets are placed.

(iii) Non-financial assets

At each reporting date, the Group examines the remaining carrying amount of non-financial assets (except deferred tax receivables) in order to find out whether any impairment indicators exist. If such indicators exist, the recoverable amount of the asset is determined. The impairment of goodwill and intangible assets with an unlimited useful life which are not available for use yet is examined on each reporting date.

The recoverable amount of the asset or the cash-generating unit is either its value in use or its fair value less the costs of sale, whichever is higher. In determining the value of the asset in use, the estimated future cash flows are discounted to their current value using the discount rate before tax, which reflects the current market evaluations of the time value of money and the risks which are characteristic of the asset. In order to test impairment, assets are combined in the smallest groups of assets which create cash flows.

The impairment of an asset or a cash-generating unit is disclosed if its carrying amount exceeds its recoverable amount. The impairment is recognised in the statement of profit or loss.

When it comes to other assets, the Group evaluates losses due to impairments in the previous periods at the date of the balance sheet in order to find out whether losses were reduced or no longer exist. Losses due to impairment are eliminated if the evaluations based on which the Group determines the recoverable amount of an asset have changed. Losses due to impairment are only eliminated up to the point where the carrying amount of an asset does not exceed the residual value which would be discovered after the deduction of depreciation if the loss due to the impairment of the asset was not recognised in the previous years.

(J) EMPLOYEE BENEFITS

Current employee benefits are recognised as expenses when the work in question has been performed. A liability is disclosed in the amount for which payment is expected if the Group has a current legal or indirect obligation for such payment due to the fact that an employee previously performed work and if it is possible to reliably evaluate the liability.

(K) PROVISIONS

Provisions are recognised if the Group has legal or indirect obligations, which can be measured in a reliable manner, due to a previous event, and if it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows pre-tax, which reflects the current market evaluations of the time value of money and, if necessary, the risks that are specific to the obligation in question.

Provisions for severance pays upon retirement and jubilee awards

Pursuant to legal regulations, the Collective Agreement and the internal rules, the Group must pay jubilee awards and severance pay upon retirement to its employees, for which non-current provisions have been formed. The Group has no other pension liabilities. The provisions formed amount to the estimated future payments of severance pays upon retirement and jubilee awards, discounted at the end of the reporting period.

In 2022, the Group formed non-current provisions for jubilee awards and severance pay upon retirement as the current value of future payments necessary for the settlement of obligations arising from employees' employment in the current and previous periods, by taking into consideration the costs of severance pay upon retirement and the costs of all expected jubilee awards until the date of retirement. Based on the published yield of high-quality corporate bonds nominated in EUR as at 31 December 2022 the discount rate for the calculation as at 31 December 2022 amounts to 3.7%.

Labour costs and interest costs are recognised in the statement of profit or loss, while the recalculation of post-employment benefits and unrealised actuarial gains or losses arising from severance pay upon retirement is recognised as a capital item in other comprehensive income.

(L) INCOME

(i) Income from contracts concluded with customers

The Group recognises income from core business activities gradually. In an agreement on the purchase of electricity or natural gas, the seller gradually transfers control, while the buyer simultaneously obtains and uses the benefits of the implementation of the obligation of the seller as it is being implemented; in doing so, the seller fulfils its performance obligation and recognises income gradually, through the measurement of progress towards a complete fulfilment of the performance obligation of the supply of electricity or natural gas according to the output method, i.e. according to the method of calculated amounts based on the supplied quantities of electricity or natural gas. The same method is used for the sale of small power plants and services.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in the statement of profit or loss in terms of the degree of completion of the transaction at the end of the reporting period. The degree of completion is evaluated with a survey of work performed.

(iii) Commissions

If the Group acts as an intermediary and not as the main party in a transaction, revenue is recognised in the amount of the net amount of the commission of the Group.

(iv) Income from rent

Income from rent is recognised as income on a straight-line basis over the lease term.

(M) GOVERNMENT GRANTS

Government grants related to assets are initially recognised as deferred income if there is reasonable assurance that the Group will receive grants and comply with the related conditions. Later, during the useful life of each individual asset, they are systematically recognised among other profit in the statement of profit or loss.

Government grants received by the Group to cover costs are systematically recognised in the statement of profit or loss for the periods in which said costs are incurred.

(N) FINANCIAL INCOME AND EXPENSES

Financial income encompasses income from interest, net profit from financial assets measured at fair value through the statement of profit or loss, and exchange rate gains. Income from interest is recognised as it is incurred at the contractual interest rate.

Income from dividends is recognised in the statement of profit or loss on the date when the Group obtains the right to payment.

Financial expenses encompass expenses for interest, net loss from financial assets measured at fair value through the statement of profit or loss, and exchange rate losses. Expenses from interest are recognised in the income statement at the contractual interest rate.

(O) INCOME TAX

Income tax consists of current tax and deferred tax. Income tax is recognised in the income statement, except for the part related to business combinations or items which are disclosed directly in the capital, which is why it is disclosed in capital or other comprehensive income.

Current tax is the tax expected to be paid from the taxable profit of the business year, with the use of tax rates established at the end of the reporting period, and potential adjustment to the tax liabilities in correlation with the previous financial years.

Deferred tax is disclosed by taking into consideration the temporary differences between the carrying amount of assets and liabilities for the needs of accounting reporting, and suitable sums for the needs of tax reporting. Deferred tax is disclosed in the amount expected to be paid at the elimination of temporary differences based on laws applicable at the end of the reporting period.

The Group offsets deferred tax receivables and liabilities if it has a legally enforceable right to do so and if deferred tax receivables and liabilities are related to income tax belonging to the same tax authority in relation to the same taxable entity or different taxable entities that intend to pay or receive the net amount or settle their liabilities and eliminate receivables.

The deferred tax receivable is recognised in the scope in which it is possible that further taxable profits against which the deferred receivable can be utilised in the future are available. Deferred tax receivables are reduced for the amount for which it is no longer possible that a tax deduction related to it could be utilised.

(P) SEGMENT REPORTING

Since the financial report encompasses financial statements and accompanying notes of both the Group and the company, only the business segments of the Group are disclosed.

A business segment is a component of the Group performing business activities from which it receives income and which generate costs related to transactions between other companies of the Group. The management regularly examines the business results of business segments, using them to decide on the allocation of sources to each individual segment and evaluate the success of the business transactions of the Group.

While management monitors detailed information about each individual business section, only the following two reportable segments were defined due to the sensitive nature of information used for the preparation of those financial statements:

- trading and sale of electricity and natural gas;
- self-supply with electricity obtained from the sun, and advanced services.

Business segments of the Group in 2022

	TRADING AND SALE	SELF-SUPPLY AND ADVANCED SERVICES	INCOME STATEMENT/ STATEMENT OF FINANCIAL POSITION
External revenue	4,046,407,273	29,721,321	4,076,128,595
Income between segments	0	0	0
Profit (loss) of the segment before tax	36,867,103	1,264,832	38,131,935
Financial income	515,211	7,910	523,121
Interest expenditure	–1,964,237	–355,801	–2,320,038
Depreciation and amortization	–4,777,255	–365,917	–5,143,172
Share in the profit or loss of associated companies and the total of subsidiaries calculated according to equity method	–29,435	0	–29,435
Total assets	540,286,949	62,711,239	602,998,188
Current and non-current operating and financial liabilities	354,020,056	56,683,675	410,703,731

INCOME GENERATED AT HOME OR ABROAD	AT HOME	ABROAD	TOTAL
Trading and sale	959,255,822	3,086,126,977	4,045,382,799
Sales revenues from sales of goods and materials	29,721,321	1,024,475	30,745,796
Total income generated at home or abroad	**988,977,143**	**3,087,151,452**	**4,076,128,595**

The GEN-I Group is managing a single portfolio in which energy sources move between countries; as a consequence, the realisation of profit according to each individual country is not relevant for the decisions of the management, which is why incomes in individual business segments are only separated according to those incurred abroad and those incurred in the domestic market

Business segments of the Group in 2021

	TRADING AND SALE	SELF-SUPPLY AND ADVANCED SERVICES	INCOME STATEMENT/ STATEMENT OF FINANCIAL POSITION
External revenue	3,337,628,655	18,693,982	3,356,322,637
Income between segments	0	0	0
Profit (loss) of the segment before tax	85,348,663	2,241,931	87,590,594
Financial income	290,640	10,088	300,728
Interest expenditure	–1,419,477	–185,361	–1,604,838
Depreciation	–3,554,974	–224,865	–3,779,839
Share in the profit or loss of associated companies and the total of subsidiaries calculated according to equity method	423,331	0	423,331
Total assets	456,762,573	28,430,505	485,193,078
Current and non-current operating and financial liabilities	290,528,131	23,436,818	313,964,949

INCOME GENERATED AT HOME OR ABROAD	AT HOME	ABROAD	TOTAL
Trading and sale	539,148,286	2,798,480,369	3,337,628,655
Sales revenues from sales of goods and materials	18,693,982	0	18,693,982
Total income generated at home or abroad	**557,842,268**	**2,798,480,369**	**3,356,322,637**

(Q) ENTRY INTO SERVICE OF NEW AMENDMENTS TO EXISTING STANDARDS APPLICABLE FOR THE CURRENT REPORTING PERIOD

The following amendments of existing standards and new notes issued by the International Accounting Standards Board (IASB) and adopted by the EU apply for the current reporting period:

- **Amendments to IAS 16 – Property, Plant and Equipment** – Profit Before Intended Use, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022).

- **Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets** – Onerous contracts – Costs of fulfilling a contract, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022).

- **Amendments to IFRS 3 – Business Combinations** – References to the Conceptual Framework in IFRS 3, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022).

- **Amendments to various standards due to improvements to IFRSs (2018-2020 cycle)** arising from the annual project for IFRS improvement (IFRS 1, IFRS 9, IFRS 16 and IFRS 41), primarily with a view of eliminating non-compliance and interpreting the text, adopted by the EU on 28 June 2021 (the amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods starting on or after 1 January 2022. The Amendment to the IFRS 16 only refers to an illustrative example, which is why the date of the entry into force is not stated).

The adoption of amendments to existing standards did not provoke any material changes in the financial statements of the Group.

(R) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS THAT HAVE BEEN ISSUED BY THE IASB AND ADOPTED BY THE EU BUT THAT HAVE NOT YET ENTERED INTO FORCE

On the date of confirmation of these financial statements, the following new standards issued by the IASB and adopted by the EU have not yet entered into force:

- I**FRS 17 – Insurance Contracts,** including the amendments to the IFRS 17 issued by the IASB on 25 June 2020 and adopted by the EU on 19 November 2021 (applicable for annual periods starting on or after 1 January 2023).

- **Amendments to IFRS 17 – Insurance Contracts – Initial Application of IFRS 17 and IFRS 9** – Comparative information, adopted by the EU on 8 September 2022 (applicable for annual periods starting on or after 1 January 2023).

- **Amendments to IAS 1 – Presentation of Financial Statements** – Disclosure of Accounting Policies, adopted by the EU on 2 March 2022 (applicable for annual periods starting on or after 1 January 2023).

- **Amendments to IAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates, adopted by the EU on 2 March 2022 (applicable for annual periods starting on or after 1 January 2023).

- **Amendments to IAS 12 – Income Taxes** – Deferred Taxes Related to Assets and Liabilities Arising From a Single Transaction, adopted by the EU on 11 August 2022 (applicable for annual periods starting on or after 1 January 2023).

(S) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS THAT HAVE BEEN ISSUED BY THE IASB BUT HAVE NOT YET BEEN ADOPTED BY THE EU

The IFRS as adopted by the EU currently do not present substantial differences from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards that have not yet been adopted for use by the EU as at 24 April 2023 (the dates of entry into force set out below apply to all IFRS):

- **IFRS 14 – Regulatory Deferral Accounts** (applicable for annual periods starting on or after 1 January 2016) – the European Commission has decided not to begin with the process of confirming this intermediate standard and will instead wait for its final version to be issued.

- **Amendments to IAS 1 – Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current (applicable for annual periods starting on or after 1 January 2023).

- **Amendments to IAS 1 – Presentation of Financial Statements** – Disclosure of Accounting Policies (applicable for annual periods starting on or after 1 January 2023).

- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates (applicable for annual periods starting on or after 1 January 2023).

- **Amendments to IAS 12 – Income Taxes** – Deferred Taxes Related to Assets and Liabilities Arising From a Single Transaction (applicable for annual periods starting on or after 1 January 2023).

- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures** – Selling or Contributing Funds between the Applicant and its Associate or Joint Venture and Further Amendments (the date of entry into force is delayed indefinitely until the end of the research project related to equity method).

- **Amendments to IFRS 17 – Insurance Contracts** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (applicable for annual periods starting on or after 1 January 2023).

The Group presupposes that the introduction of these new standards and amendments to existing standards will not have an important influence on its financial statements at initial application.

Hedge accounting related to the portfolio of financial assets and liabilities, the principles of which have not been adopted by the EU, shall remain unregulated.

The Group estimates that the use of the hedging calculations in relation to financial assets and liabilities pursuant to IAS 39 – Financial Instruments: Recognition and Measurement would not have an important influence on the financial statements of the company, had it been used on the balance sheet date, since the Company uses IFRS 9 for the calculation of hedging.

9.4 Cash flow statement

The Group is preparing its cash flow statements using the indirect method.

9.5 Overview of all subsidiaries of the GEN-I Group

GROUP COMPANIES	% OF OWNERSHIP		CARRYING AMOUNT OF THE INVESTMENT		CAPITAL OF THE SUBSIDIARY		SHARE CAPITAL OF THE MAJORITY OWNER	
	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021
GEN-I Athens SMLLC.	100,00%	100,00%	600,000	600,000	936,470	1,077,452	600,000	600,000
GEN-I d.o.o. Belgrade	100,00%	100,00%	150,000	150,000	1,350,556	1,045,902	656,619	655,166
GEN-I Sonce, d.o.o.	100,00%	100,00%	1,000,000	1,000,000	5,998,951	4,963,681	1,000,000	1,000,000
GEN-I Istanbul LtD.	99,00%	99,00%	844,566	844,566	371,123	541,382	100,176	131,290
GEN-I Energia S.r.l.	100,00%	100,00%	380,000	380,000	346,169	527,031	100,000	100,000
GEN-I PRODAŽBA NA ENERGIJA dooel Skopje	100,00%	100,00%	39,951	39,951	468,217	471,855	9,966	9,947
GEN-I d.o.o. Sarajevo	100,00%	100,00%	512,847	512,847	813,581	653,304	511,292	511,292
GEN-I Sofia SpLLC	100,00%	100,00%	100,830	100,830	-2,749,335	-2,883,166	100,005	100,005
GEN-I Tirana Sh.p.k.	100,00%	100,00%	46,452	46,452	414,665	524,219	52,977	50,153
GEN-I Vienna GmbH	100,00%	100,00%	50,000	50,000	1,524,156	812,929	50,000	50,000
GEN-I Hrvatska d.o.o.	100,00%	100,00%	991,692	991,692	1,633,254	1,197,567	995,157	997,924
GEN-I Kiev LLC	100,00%	100,00%	248,224	248,224	319,887	843,445	187,477	236,302
GEN-I Tbilisi LLC	100,00%	100,00%	50,000	50,000	19,988	23,881	43,715	35,923
Elektro energija, d.o.o.	100,00%	100,00%	10,149,750	10,149,750	4,138,221	10,014,641	3,000,000	3,000,000
GEN-I Sonce dooel Skopje	100,00%	100,00%	100,000	100,000	411,665	9,654	100,147	99,960
GEN-I ESCO Pametna energija d.o.o.	100,00%	100,00%	50,000	50,000	-17,710	-3,608	50,000	50,000
GEN-I Sunce Adria 1 d.o.o.	100,00%	0,00%	99,727	0	99,474	0	99,516	0
Total			**15,414,039**	**15,314,311**	**16,079,336**	**19,820,169**	**7,657,048**	**7,627,962**

ASSETS OF THE SUBSIDIARY		LIABILITIES OF THE SUBSIDIARY		INCOME OF THE SUBSIDIARY		NET PROFIT OR LOSS OF THE SUBSIDIARY		NUMBER OF EMPLOYEES IN THE SUBSIDIARY	
31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021
13,763,150	12,382,681	12,826,680	11,305,229	270,717,126	129,546,551	202,660	361,717	2	2
34,077,235	37,994,769	32,726,679	36,948,867	707,283,633	402,931,699	692,798	390,166	7	4
61,556,548	27,542,596	55,557,597	22,578,915	29,580,483	18,594,291	1,055,599	1,846,380	100	79
7,759,764	3,843,539	7,388,641	3,302,158	27,887,797	19,958,872	137,178	336,592	3	3
808,852	971,784	462,683	444,754	0	0	–180,861	229,554	0	0
23,910,058	36,780,428	23,441,840	36,308,573	330,404,159	194,499,335	358,767	362,875	4	5
41,554,072	35,069,953	40,740,491	34,416,649	389,522,565	220,585,936	302,290	142,012	1	1
1,357,931	3,982,365	4,107,266	6,865,531	18,749,333	9,136,752	133,759	475,518	2	2
13,692,253	19,634,108	13,277,587	19,109,889	69,000,301	57,488,443	170,908	323,923	3	2
11,999,098	10,088,901	10,474,942	9,275,972	71,316,008	29,263,789	711,246	53,968	1	1
31,434,603	35,490,593	29,801,349	34,293,025	489,856,208	225,028,298	638,968	199,303	14	16
2,292,355	3,384,518	1,972,468	2,541,073	822,857	11,956,268	–394,508	302,039	2	2
20,336	24,209	348	328	0	0	–8,504	–7,031	0	0
15,761,842	20,631,208	11,623,621	10,616,566	67,892,957	48,073,536	–981,122	467,603	0	0
13,695,247	2,813,326	13,283,581	2,803,672	1,024,475	0	401,120	–60,085	0	0
1,107,134	828,706	1,124,843	832,314	93,834	56,022	–14,026	–24,718	0	0
137,477	0	38,003	0	0	0	–42	0	0	0
274,927,955	**251,463,684**	**258,848,619**	**231,643,515**	**2,474,151,735**	**1,367,119,792**	**3,226,230**	**5,399,816**	**139**	**117**

9.6 Notes on the Financial Statements

9.6.1 Note 1: **Tangible assets**

TANGIBLE ASSETS	31/12/2022	31/12/2021
Land	2,470,248	2,470,248
Buildings	3,133,578	3,290,334
Other plant and equipment	16,665,212	4,118,395
Property, plant and equipment under construction	522,979	597,688
Advances for obtaining plant, property and equipment	247,726	0
Total tangible assets	**23,039,743**	**10,476,665**

The majority of the structure of tangible assets is composed of the building and the corresponding plot of land in Kromberk and Brdo. The majority of other plant and equipment are vehicles, computer equipment, furniture and other equipment.

In 2022, total investments in tangible assets have amounted to EUR 12,479,674 and are related to the investments of the solar power plant in the Republic of North Macedonia, computer equipment, the purchase of office furniture and other equipment, and investments in foreign tangible assets. Otherwise, the already depreciated investments in foreign tangible assets and computer equipment were written off in 2022. Tangible assets are not pledged.

Changes in 2022

TANGIBLE ASSETS	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
PURCHASE VALUE					
Balance as at 01/01/2022	**2,470,248**	**7,327,591**	**11,600,495**	**597,688**	**21,996,022**
Acquisitions and other procurements	0	0	0	12,479,674	12,479,674
Assets internally developed	0	0	0	31,015	31,015
Write-downs	0	−614,328	−425,552	0	−1,039,880
Disposals	0	0	−653,994	0	−653,994
Transfer from/to intangible assets	0	0	0	2,668,065	2,668,065
Other transfers	0	112,484	14,893,379	−15,005,863	0
Effect of movements in exchange rates	0	0	−333	126	−207
Balance as at 31/12/2022	**2,470,248**	**6,825,747**	**25,413,995**	**770,705**	**35,480,695**
VALUE ADJUSTMENT					
Balance as at 01/01/2022	**0**	**4,037,257**	**7,482,100**	**0**	**11,519,357**
Acquisitions through business combinations	0	0	0	0	0
Write-downs	0	−614,328	−425,552	0	−1,039,880
Disposals	0	0	−476,604	0	−476,604
Transfers from/to intangible assets	0	0	1,198	0	1,198
Exchange rate differences	0	0	247	0	247
Depreciation expense	0	269,240	2,167,394	0	2,436,634
Balance as at 31/12/2022	**0**	**3,692,169**	**8,748,783**	**0**	**12,440,952**
Carrying amount as at 01/01/2022	**2,470,248**	**3,290,334**	**4,118,395**	**597,688**	**10,476,665**
Carrying amount as at 31/12/2022	**2,470,248**	**3,133,578**	**16,665,212**	**770,705**	**23,039,743**

Changes in 2021

TANGIBLE ASSETS	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
PURCHASE VALUE					
Balance as at 01/01/2021	**2,470,248**	**7,223,474**	**10,296,419**	**439,620**	**20,429,761**
Acquisitions and other procurements	0	0	0	1,949,061	1,949,061
Write-downs	0	0	–34,422	0	–34,422
Disposals	0	0	–344,641	0	–344,641
Transfers from/to intangible assets	0	0	0	0	0
Transfers within tangible assets	0	104,117	1,686,875	–1,790,992	0
Other transfers	0	0	0	0	0
Effect of movements in exchange rates	0	0	–3,736	0	–3,736
Balance as at 31/12/2021	**2,470,248**	**7,327,591**	**11,600,495**	**597,688**	**21,996,022**
VALUE ADJUSTMENT					
Balance as at 01/01/2021	**0**	**3,771,547**	**6,297,580**	**0**	**10,069,126**
Acquisitions through business combinations	0	0	0	0	0
Write-downs	0	0	–34,423	0	–34,423
Disposals	0	0	–304,046	0	–304,046
Exchange rate differences	0	0	0	0	0
Depreciation expense	0	265,710	1,522,990	0	1,788,700
Balance as at 31/12/2021	**0**	**4,037,257**	**7,482,100**	**0**	**11,519,357**
Carrying amount as at 01/01/2021	**2,470,248**	**3,451,927**	**3,998,839**	**439,620**	**10,360,634**
Carrying amount as at 31/12/2021	**2,470,248**	**3,290,335**	**4,118,395**	**597,688**	**10,476,665**

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

RIGHT-OF-USE ASSETS	31/12/2022	31/12/2021
Buildings	3,286,772	3,668,161
Other	119,068	184,015
Vehicles	0	0
Total right-of-use assets	**3,405,840**	**3,852,176**

The Group is leasing office premises in Ljubljana, Krško, Celje and Maribor as well as warehousing premises in Celje which have been capitalised pursuant to IFRS 16 and is also leasing licences. The duration of the lease varies (from 2 to 10 years).

Payment of the lessee's obligations arising from the lease of assets are not secured. The GEN-I Group uses an exception enabled by the standard to recognise liabilities from current leases and leases of low-value assets under USD 5,000. Lease amounts are contractually defined and fixed. Leased low-value assets are leases of infrastructural services for the needs of the use of the platform, cloud services, licences, vehicles and conference halls for occasional business events.

Changes in 2022

RIGHT-OF-USE ASSETS	BUILDINGS	VEHICLES	OTHER	TOTAL
PURCHASE VALUE				
Balance as at 01/01/2022	**6,190,972**	**630,154**	**194,839**	**7,015,965**
New acquisitions	1,175,182	0	0	1,175,182
Termination of lease	0	0	0	0
Other transfers	0	0	0	0
Balance as at 31/12/2022	**7,366,153**	**630,154**	**194,839**	**8,191,146**
VALUE ADJUSTMENT				
Balance as at 01/01/2022	**2,522,811**	**630,154**	**10,824**	**3,163,788**
Disposals	0	0	0	0
Depreciation expense	1,556,572		64,946	1,621,518
Balance as at 31/12/2022	**4,079,383**	**630,154**	**75,770**	**4,785,306**
Carrying amount as at 01/01/2022	**3,668,160**	**0**	**184,015**	**3,852,176**
Carrying amount as at 31/12/2022	**3,286,770**	**0**	**119,069**	**3,405,840**

Changes in 2021

RIGHT-OF-USE ASSETS	BUILDINGS	VEHICLES	OTHER	TOTAL
PURCHASE VALUE				
Balance as at 01/01/2021	**5,034,368**	**881,252**	**0**	**5,915,620**
New acquisitions	1,680,668	0	194,839	1,875,507
Termination of lease	–524,064	0	0	–524,064
Other transfers	0	–251,098	0	–251,098
Balance as at 31/12/2021	**6,190,972**	**630,154**	**194,839**	**7,015,965**
VALUE ADJUSTMENT				
Balance as at 01/01/2021	**1,697,807**	**840,092**	**0**	**2,537,900**
Disposals	–242,172	–251,098	0	–493,270
Depreciation expense	1,067,176	41,160	10,824	1,119,159
Balance as at 31/12/2021	**2,522,811**	**630,154**	**10,824**	**3,163,788**
Carrying amount as at 01/01/2021	**3,336,561**	**41,160**	**0**	**3,377,721**
Carrying amount as at 31/12/2021	**3,668,161**	**0**	**184,015**	**3,852,176**

9.6.3 Note 3: **Intangible assets and goodwill**

INTANGIBLE ASSETS	31/12/2022	31/12/2021
Non-current deferred operating costs	18,554	16,808
Goodwill	339,894	339,894
Other intangible assets	2,774,517	2,327,753
Intangible assets under construction and development, and advances	6,098,165	8,140,567
Capitalised development costs	798,493	798,493
Total intangible assets	**10,029,623**	**11,623,515**

Other intangible non-current assets of the Group include property rights, i.e. software and non-current licences for trading in foreign markets.

Total investments in intangible assets in 2022 in the amount of EUR 2,078,857 are related to software intended to provide IT support to joint companies and trading as well as the support of the sale of electricity to end consumers and server support.

The development of the trading system will also enable our trading segment to significantly increase its scope; indeed, the increased planned realisation of trading is related to ETRM. By contrast, support in the field of retail (Mecoms) allows for a high-quality calculation of services we perform for our customers and, obviously, all necessary background data analytics. Today, and in the future, those are two key systems covering the core activities of the

GEN-I Group when it comes to digitisation.

Goodwill remained unchanged in 2022. There were no signs of impairment of goodwill in 2022.

Changes in 2022

INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS UNDER CONSTRUCTION AND DEVELOPMENT, AND ADVANCES	TOTAL
PURCHASE VALUE					
Balance as at 01/01/2022	**16,808**	**339,894**	**10,901,028**	**8,939,060**	**20,196,790**
Other procurements	0	0	0	2,078,857	2,078,857
Write-downs	0	0	–893,718	0	–893,718
Transfers to/from property, plant and equipment	0	0	0	–2,668,065	–2,668,065
Transfers within intangible assets	1,746	0	1,464,481	–1,466,227	0
Other transfers	0	0	–434,369	0	–434,369
Effect of movements in exchange rates	0	0	1,334	13,033	14,367
Balance as at 31/12/2022	**18,554**	**339,894**	**11,038,756**	**6,896,658**	**18,293,862**
VALUE ADJUSTMENT					
Balance as at 01/01/2022	**0**	**0**	**8,573,275**	**0**	**8,573,275**
Write-downs	0	0	–889,826	0	–889,826
Transfers to/from property, plant and equipment	0	0	–1,198	0	–1,198
Other transfers	0	0	–434,369	0	–434,369
Exchange rate differences	0	0	–2,559	0	–2,559
Depreciation expense	0	0	1,018,916	0	1,018,916
Balance as at 31/12/2022	**0**	**0**	**8,264,239**	**0**	**8,264,239**
Carrying amount as at 01/01/2022	**16,808**	**339,894**	**2,327,753**	**8,939,060**	**11,623,515**
Carrying amount as at 31/12/2022	**18,554**	**339,894**	**2,774,517**	**6,896,658**	**10,029,623**

Changes in 2021

INTANGIBLE ASSETS	NON-CURRENT DEFERRED OPERATING COSTS	GOODWILL	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS UNDER CONSTRUCTION AND DEVELOPMENT, AND ADVANCES	TOTAL
PURCHASE VALUE					
Balance as at 01/01/2021	**17,741**	**339,894**	**9,859,389**	**6,928,256**	**17,145,280**
Other procurements	0	0	7,441	3,077,303	3,084,744
Disposals	0	0	–29,936	0	–29,936
Transfers to/from assets held for sale	–933	0	0	0	–933
Transfers within intangible assets	0	0	1,066,499	–1,066,499	0
Other transfers	0	0	0	0	0
Effect of movements in exchange rates	0	0	–2,365	0	–2,365
Balance as at 31/12/2021	**16,808**	**339,894**	**10,901,028**	**8,939,060**	**20,196,790**
VALUE ADJUSTMENT					
Balance as at 01/01/2021	**0**	**0**	**7,767,398**	**0**	**7,767,398**
Depreciation expense	0	0	805,877	0	805,877
Balance as at 31/12/2021	**0**	**0**	**8,573,275**	**0**	**8,573,275**
Carrying amount as at 01/01/2021	**17,741**	**339,894**	**2,091,991**	**6,928,256**	**9,377,882**
Carrying amount as at 31/12/2021	**16,808**	**339,894**	**2,327,753**	**8,939,060**	**11,623,515**

9.6.4 Note 4: **Investment properties**

INVESTMENT PROPERTIES	31/12/2022	31/12/2021
Investment properties	1,709,072	1,775,176
Total investment properties	**1,709,072**	**1,775,176**

In 2018, the company GEN-I Sofia acquired an additional investment property in Bulgaria during the bankruptcy proceedings of the Bulgarian electricity supplier; the company now leases said property. Since the carrying amount of investment properties does not exceed their fair value, no needs for impairment were identified.

9.6.5 Note 5: **Investment in associated companies**

INVESTMENT IN ASSOCIATED COMPANIES	31/12/2022	31/12/2021
Participating interests in associates	22,450,565	22,480,000
Total investment in associated companies	**22,450,565**	**22,480,000**

The Group has an investment in the associated company GEN EL naložbe d.o.o., established at Vrbina 17, Krško.

9.6.6 Note 6: **Financial investments**

FINANCIAL INVESTMENTS	31/12/2022	31/12/2021
Financial investments	346,902	304,531
Total investment in associated companies	**346,902**	**304,531**

The financial investments of the Group amounting to EUR 346,902 are related to the concluded insurance contracts for life insurances with savings.

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

NON-CURRENT OPERATING RECEIVABLES	31/12/2022	31/12/2021
Non-current operating receivables	23,141,213	15,980,394
Total non-current operating receivables	**23,141,213**	**15,980,394**

Non-current operating receivables are mainly receivables related to the sale of small solar power plants in the subsidiary GEN-I Sonce.

9.6.8 Note 8: **Inventories**

INVENTORIES	31/12/2022	31/12/2021
Material	15,624,180	3,256,172
Unfinished production	8,649,328	1,642,609
Goods and merchandise	7,127,067	10,861,587
Total inventories	**31,400,575**	**15,760,368**

Material inventory and unfinished production are related to the production of small self-supply solar power plants. The subsidiary GEN-I Sonce provides Slovenian household consumers and small businesses with the construction of turnkey micro solar power plants, thus enabling them to secure their energy independence.

In addition to the inventory necessary for the construction of solar power plants, a large share of the inventory also consists of physical gas storage provided by the parent company. Gas is intended for resale. On the date of entry into inventory, the gas is valued at market price less the costs of sale.

In 2022, the Group disclosed no write-offs as expenses, or reversal of a write-off as a reduction in expenses arising from inventory.

The inventories of the Group contain no inventory pledged as security for liabilities.

9.6.9 Note 9: **Trade and other receivables**

TRADE AND OTHER RECEIVABLES	31/12/2022	31/12/2021
Trade receivables	101,484,083	121,609,000
Default interest receivables	184,354	207,530
Other receivables	25,150,119	31,097,967
Total trade and other receivables	**126,818,556**	**152,914,497**

Receivables from customers amount to EUR 101,484,083 (2021: EUR 121,609,000).

Other receivables amounting to EUR 25,150,119 (2021: EUR 31,097,967) are mainly derived from VAT receivables amounting to EUR 21,198,613 and other receivables from State institutions and receivables for business operations for foreign accounts.

Certain receivables from customers in the wholesale electricity market in Southeast Europe are insured by special credit insurance companies. Information on the exposure of the Group to credit and market risks and loss due to the impairment of receivables from customers are presented in Chapter 9.6.

9.6.10 Note 10: **Advances and other assets**

ADVANCES AND OTHER ASSETS	31/12/2022	31/12/2021
Current advances and securities granted – others	8,428,686	11,117,983
Current deferred costs or expenses	8,853,355	10,022,024
Advances for inventories	5,183,127	0
Total advances and other assets	**22,465,168**	**21,140,007**

Advances and securities granted by the Group amounting to EUR 8,428,686 (2021: EUR 11,117,983) mainly refer to advances for the purchase of electricity and natural gas and cross-border transfer capacities as well as advances for goods and materials inventories for the construction of solar power plants.

The majority of current deferred costs are expenses are deferred expenses for the purchase of cross-border transfer capacities, as well as expenses for the purchase of electricity and natural gas amounting to EUR 8,853,355 (2021: EUR 10,022,024) which refer to the first quarter of 2023.

9.6.11 Note 11: **Contract assets**

CONTRACT ASSETS	31/12/2022	31/12/2021
Current accrued revenues	97,041,629	67,217,795
Total contract assets	**97,041,629**	**67,217,795**

Current accrued revenues amounting to EUR 97,041,629 is mainly calculated income from buyers of electricity and natural gas, to which their purchases of electricity and natural gas for 2022 will be billed in 2023 pursuant to contractual provisions.

9.6.12 Note 12: **Current investments**

FINANCIAL INVESTMENTS	31/12/2022	31/12/2021
Current deposits	39,794	39,901
Total financial investments	**39,794**	**39,901**

9.6.13 Note 13: **Current derivatives**

CURRENT DERIVATIVES	31/12/2022	31/12/2021
Derivatives used as hedges against currency risks	1,535	–637,610
Firm commitments recognised for fair value hedging	–96,407,366	–46,483,600
Fair value of commodity contracts	258,007,513	50,226,823
Total current derivatives	**161,601,682**	**3,105,613**

The fair value of commodity-based contracts pursuant to IFRS 9 amounting to EUR 258,007,513 (2021: EUR 50,226,823) refers to the future periods and is also adjusted for the evaluated business partner credit risk:

- financial year 2023: EUR 203,368,083
- financial year 2024: EUR 54,616,414
- financial year 2025: EUR 61,431
- financial year 2026: EUR -38,415

Firm commitments recognised for fair value hedging mainly consist of fair value adjustments of physical contracts for the purchase and sale of electricity which are hedged using derivatives (standard forward agreements) and which refer to the financial year 2023 amounting to EUR -96,407,366.

9.6.14 Note 14: **Current deferred tax assets**

CURRENT DEFERRED TAX ASSETS	31/12/2022	31/12/2021
Tax assets for corporate income tax	9,449,300	507,889
Current deferred tax assets	**9,449,300**	**507,889**

9.6.15 Note 15: **Cash and cash equivalents**

CASH AND CASH EQUIVALENTS	31/12/2022	31/12/2021
Assets in the accounts	66,740,265	142,121,254
Deposits redeemable	30,277	3,940,426
Deposits with a maturity of up to 3 months	2,548,994	3,523,221
Cash in hand	787	741
Cash and cash equivalents	**69,320,323**	**149,585,642**

9.6.16 Note 16: **Capital and reserves**

The share capital amounting to EUR 19,877,610 represents monetary contributions of the owners.

Reserves

RESERVES	31/12/2022	31/12/2021
Legal reserves	1,987,761	1,987,761
Fair value reserve	134,877	–331,741
Translation reserve	–1,192,027	–1,203,724
Total reserves	**930,611**	**452,296**

The share capital of the Group remained unchanged in 2022. Legal reserves amount to EUR 1,987,761 and represent 10% of the share capital.

Fair value reserves arising from actuary calculations amounted to EUR 134,877 at the end of 2022.

Exchange rate differences arising during the conversion of financial statements of subsidiaries abroad are recognised as translation reserve in other comprehensive income.

Retained net profit or loss

RETAINED NET PROFIT OR LOSS	31/12/2022	31/12/2021
Net profit or loss for the accounting period	29,773,273	70,076,376
Retained net profit or loss	141,800,395	80,821,846
Total retained net profit or loss	**171,573,668**	**150,898,222**

The retained net profit or loss which amounted to EUR 80,821,846 at the end of last year, was increased by the net profit of EUR 70,076,376, EUR 93,550 was related to the actuary calculation and reduced by the obligation of the payment of dividends to the owners of the parent company amounting to EUR 9,000,000, while the exchange rate differences for retained profits amounted to EUR 191,377.

9.6.17 Note 17: **Financial liabilities**

NON-CURRENT FINANCIAL LIABILITIES	31/12/2022	31/12/2021
Non-current liabilities based on bonds	5,600,000	8,400,000
Total non-current financial liabilities	**5,600,000**	**8,400,000**

CURRENT FINANCIAL LIABILITIES	31/12/2022	31/12/2021
Bank loans	29,976,175	25,000,000
Current liabilities based on bonds	0	20,000,000
Current liabilities for interest	75,469	367,448
Other current financial liabilities	75,325,118	29,880,070
Total current financial liabilities	**105,376,762**	**75,247,518**

The Group discloses non-current and current financial liabilities arising from bonds. Non-current bonds amounting to EUR 5,600,000 are bonds which were issued in 2017 for GEN-I Sonce d.o.o.

Other current financial liabilities amounting to EUR 75,325,118 are related to commercial papers with the maturity in April 2023.

Initially, loans are recognised at fair value less the costs of acquisition. At the date of reporting, they were measured at amortised cost less the repayment of principals, by taking into consideration all costs, discounts and premiums upon acquisition.

Costs and maturity of financial liabilities

At the date of reporting, the Group only had current liabilities arising from bank loans amounting to EUR 29,976,175. Borrowings from Slovenian business banks are secured by bills of exchange. In 2017 and 2018, the Group issued bonds which partially matured in 2022; the not past-due bonds will mature in 2024. In 2018, the bonds were listed on the regulated market of Ljubljanska borza.

Loans are bearing interest with a fixed interest rate between 1.3% and 3.378%. Expenses from interest in the financial year 2022 arising from current and revolving loans from commercial banks, commercial papers, bonds, option contracts for equity securities, financial loans and interest on late payments amount to EUR 2,320,038 (2021: EUR 1,604,838). On the last day of the financial year, the Group had EUR 75,469 (2021: EUR 367,448) current liabilities for interest.

In the financial year, a current revolving loan was reimbursed to Slovenian business banks amounting to EUR 5,000,000. At the same time, the principal of the issued bonds in the amount of EUR 22,800,000 was also paid. In addition, the issued commercial papers were increased by EUR 45,700,000.

9.6.18 Note 18: **Lease liabilities**

LEASE LIABILITIES	31/12/2022	31/12/2021
Non-current lease liabilities	1,542,335	2,609,471
Current lease liabilities	1,343,338	1,296,699
Total non-current lease liabilities	**2,885,673**	**3,906,170**

Among liabilities from loans, the Group discloses liabilities based on concluded contracts for leased assets, the value of which was calculated pursuant to IFRS 16. Information about liquidity risk is presented in note 39.

Changes of lease liabilities in 2022

Changes of non-current lease liabilities

CHANGES OF NON-CURRENT LEASE LIABILITIES	BUILDINGS	OTHER	TOTAL
Balance as at 01/01/2022	**2,489,135**	**120,337**	**2,609,472**
Increases	478,020	0	478,020
Transfer to current portion	–1,479,942	–65,215	–1,545,157
Balance as at 31/12/2022	**1,487,213**	**55,122**	**1,542,335**

Changes of current lease liabilities

CHANGES OF CURRENT LEASE LIABILITIES	BUILDINGS	OTHER	VEHICLES	TOTAL
Balance as at 01/01/2022	**1,232,762**	**63,937**	**0**	**1,296,699**
Transfer from the non-current portion	1,479,942	65,215	0	1,545,157
Interest	72,911	2,635	0	75,546
Lease payments	–1,507,401	–66,663	0	–1,574,064
Balance as at 31/12/2022	**1,278,214**	**65,124**	**0**	**1,343,338**

Changes of lease liabilities in 2021

Changes of non-current lease liabilities

CHANGES OF NON-CURRENT LEASE LIABILITIES	BUILDINGS	OTHER	TOTAL
Balance as at 01/01/2021	**2,422,458**	**0**	**2,422,458**
Increases	1,574,550	194,840	1,769,390
Interruption	–214,860	0	–214,860
Transfer to current portion	–1,293,013	–74,503	–1,367,516
Balance as at 31/12/2021	**2,489,134**	**120,337**	**2,609,471**

Changes of current lease liabilities

CHANGES OF CURRENT LEASE LIABILITIES	BUILDINGS	OTHER	VEHICLES	TOTAL
Balance as at 01/01/2021	**966,238**	**0**	**27,736**	**993,974**
Transfer from the non-current portion	1,293,013	74,503	0	1,367,516
Interest	59,873	544	101	60,518
Termination of lease	–70,012	0	0	–70,012
Lease payments	–1,016,350	–11,110	–27,837	–1,055,297
Balance as at 31/12/2021	**1,232,762**	**63,937**	**0**	**1,296,699**

9.6.19 Note 19: **Non-current operating and other liabilities**

NON-CURRENT OPERATING AND OTHER LIABILITIES	31/12/2022	31/12/2021
Non-current operating and other liabilities	593,656	0
Assets of the consortium fund	77,860	82,754
Total non-current operating and other liabilities	**671,516**	**82,754**

9.6.20 Note 20: **Provisions**

PROVISIONS	PROVISIONS FOR SEVERANCE PAYS UPON RETIREMENT AND JUBILEE AWARDS 2022	PROVISIONS FOR SEVERANCE PAYS UPON RETIREMENT AND JUBILEE AWARDS 2021
Balance as at 01/01	**1,807,088**	**1,600,885**
Creation of provisions	420,076	403,595
Use of provisions	–23,831	–37,970
Reversal of provisions	–754,777	–159,422
Balance as at 31/12	**1,448,556**	**1,807,088**

The Group has formed provisions for jubilee awards, severance pay upon retirement and end-of-service payments as the current value of the liability of the employer vis-a-vis the employee. In 2022, the parent company formed additional provisions amounting to EUR 370,697, GEN-I Sonce formed additional provisions amounting to EUR 45,483, and GEN-I Atene formed additional provisions amounting to EUR 3,896.

The provisions formed amount to the estimated future payments of severance pays upon retirement and jubilee awards, discounted at the end of the reporting period. The calculation is prepared for each individual employee, by taking into consideration the costs of redundancy payments and the costs of all expected jubilee awards until retirement.

The calculation of provisions for post-employment and other non-current benefits of employees is based on the actuary calculation prepared by a certified actuary which used the following financial assumptions set out nominally.

Rate of increase in average wages and amounts from the Regulation in the Republic of Slovenia:

- For 2023 to 2024, the rates of increase in average wages in the Republic of Slovenia (monthly and annual) were taken from the December forecast of the Bank of Slovenia, December 2022. From 2025 onwards, the average annual wages in the Republic of Slovenia are forecast to increase for the amount of inflation (MDS, October 2022) and for the actual increase in the amount of 1%.

Rates of increase in wages in the GEN-I Group:

- The presumed rate of increase in basic gross salaries and the variable portion of salary in the company is the amount of annual inflation, but no more than the anticipated increase in wages in the Republic of Slovenia.
- The presumed rate of increase in the EEA is higher than the rate of increase in the company due to the inflation.
- The rate of salary increase for promotion is 0.5% of the annual salary.
- The length-of-service increment amounts to 0.5% of the basic salary for every completed year of service, except in the case of two individual contracts.
- The discount rate for the calculation as at 31 December 2022 amounts to 3.7%, which reflects the profitability of high-quality (AA rating) corporate bonds as at 31 December 2022, nominated in EUR, upon taking into consideration the average weighted duration of company obligations (considering the calculated amount of obligations before discounting) from the balance sheet date until the payment of each individual type of earnings (22.3 years).

9.6.21 Note 21: **Deferred revenues**

The majority of the recognised deferred revenues of the Group arises from received subsidies for electric vehicles which are transferred among revenues on a monthly basis.

DEFERRED REVENUES	31/12/2022	31/12/2021
Deferred revenues arising from government grants	218,911	229,028
Total deferred revenues	**218,911**	**229,028**

9.6.22 Note 22: **Deferred tax assets**

DEFERRED TAXES DEFERRED TAXES RELATED TO RECEIVABLES	2022	2021
Intangible assets	177,507	176,500
Tangible assets	6,604	11,953
Trade receivables	530,348	656,454
Provisions for severance pays upon retirement and jubilee awards	111,176	178,773
Deferred tax receivables (liabilities)	**825,635**	**1,023,680**

The Group has formed deferred tax assets for business receivables, formed provisions for jubilee awards and severance pays upon retirement, and the difference between the depreciation of intangible assets for business and tax purposes.

Deferred tax assets which have an influence on the profit or loss are recognised in the statement of profit or loss.

Changes of temporary differences

CHANGES OF TEMPORARY DIFFERENCES IN THE PERIOD	**1. 1. 2021**	DISCLOSED IN THE STATEMENT OF PROFIT OR LOSS	DISCLOSED IN OTHER COMPREHENSIVE REVENUES	**31.12. 2021**	DISCLOSED IN THE STATEMENT OF PROFIT OR LOSS	DISCLOSED IN OTHER COMPREHENSIVE REVENUES	**31.12. 2022**
Intangible assets	**178,388**	–1,888	–1,888	**176,500**	1,006	1,006	**177,506**
Tangible assets	**11,663**	290	290	**11,953**	–5,348	–5,348	**6,604**
Trade receivables	**706,938**	–50,484	–50,484	**656,454**	–126,108	–126,108	**530,348**
Provisions for severance pays upon retirement and jubilee awards	**152,276**	26,497	26,497	**178,773**	–67,596	–67,596	**111,177**
Total	**1,049,265**	**–25,585**	**–25,585**	**1,023,680**	**–198,045**	**–198,045**	**825,635**

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

9.6.23 Note 23: **Current operating and other liabilities**

CURRENT OPERATING AND OTHER LIABILITIES	31/12/2022	31/12/2021
Operating liabilities	178,590,336	148,530,867
Current liabilities for business operations for foreign accounts	229,870	229,870
Current liabilities towards employees	18,904,488	21,361,950
Current liabilities towards the State and other institutions	11,186,170	0
Current liabilities towards others	9,048,223	6,451,005
Total current operating and other liabilities	**217,959,088**	**176,573,692**

Operating liabilities amount to EUR 178,590,336 (2021: EUR 148,530,867). Their increase is a consequence of the increase in electricity prices.

Current liabilities towards employees amounting to EUR 18,904,488 (2021: EUR 21,361,950) represent the liabilities for December salaries, awards and other benefits from the employment relationship.

Current liabilities towards others mainly represent liabilities for the payment of dividends amounting to EUR 9,000,000. Other tax liabilities towards the State and other institutions are mainly liabilities for VAT, excise tax and CO_2, as well as taxes and contributions for December salaries and other employee benefits which must be paid by the employer.

9.6.24 Note 24: **Contract liabilities**

CONTRACT LIABILITIES	31/12/2022	31/12/2021
Current liabilities based on advance payments	18,747,479	12,237,023
Current deferred revenues – other	645,288	1,065,459
Total contract liabilities	**19,392,767**	**13,302,482**

Current operating liabilities based on advance payments are related to advances arising from the sale of electricity and natural gas to domestic and foreign companies.

9.6.25 Note 25: **Other liabilities**

OTHER LIABILITIES	31/12/2022	31/12/2021
Accrued costs or expenses	56,572,166	13,421,119
Total other liabilities	**56,572,166**	**13,421,119**

Accrued costs or expenses amounting to EUR 56,572,166 (2021: EUR 13,421,119) are mainly related to purchases of electricity and natural gas which were considered during the preparation of financial statements based on contracts concluded with business partners in 2022, for which the Company has not yet received invoices by the time of preparation of the annual report.

9.6.26 Note 26: **Current income tax liabilities**

CORPORATE INCOME TAX LIABILITIES	31/12/2022	31/12/2021
Corporate income tax liabilities	578,292	13,589,870
Total current corporate income tax liabilities	**578,292**	**13,589,870**

9.6.27 Note 27: **Contingent liabilities and assets**

CONTINGENT LIABILITIES	31/12/2022	31/12/2021
Guarantees and securities given	148,154,452	136,414,606
Guarantees and securities given – domestic subsidiaries	3,312,603	4,689,962
Guarantees and securities given – foreign subsidiaries	58,305,592	46,743,067
Other contingent liabilities	116,729,369	79,260,199
Total contingent liabilities and assets	**326,502,016**	**267,107,834**

Contingent liabilities are liabilities arising from bank guarantees that have been issued to the benefit of various beneficiaries by banks at the request of GEN-I, d.o.o. They are performance bonds, tendering guarantees and guarantees for the timely payment of goods and services.

Other contingent liabilities are related to guarantees for the timely payment and framework current loans available from banks.

CONTINGENT ASSETS	31/12/2022	31/12/2021
Bank guarantees received	22,388,255	27,994,923
Bills of exchange received	18,673,413	13,533,408
Securities received	14,050,000	49,941,355
Other contingent assets	1,429,774	848,723
Total contingent assets	**56,541,442**	**92,318,410**

In addition to its contingent liabilities, the Group also has receivables arising from guarantees, securities and other contingent receivables amounting to EUR 56,541,442 (2021: EUR 92,318,410). They are related to insurance of timely and reliable payment and to insurance for the good performance of a business transaction.

9.6.28 Note 28: **Revenues**

SALES REVENUES	2022	2021
Revenues from sales of goods and materials	3,900,203,930	3,263,670,711
Revenues from the sale of services	175,901,442	92,629,370
Income from rent	23,223	22,556
Total revenues from sales	**4,076,128,595**	**3,356,322,637**

Revenues of the Group from the sale of electricity and natural gas amounted to EUR 3,900,203,930 in 2022.

Revenues from the sale of services mainly include the sale of cross-border transfer capacities and the revenues obtained from services related to the construction of small solar power plants.

REVENUES GENERATED AT HOME OR ABROAD	SLOVENIA	ABROAD	TOTAL
		2022	
Revenues from sales of goods and materials	947,495,705	2,952,708,225	3,900,203,930
Revenues from the sale of services	42,505,913	133,395,529	175,901,442
Income from rent	0	23,223	23,223
Total revenues generated at home or abroad	**990,001,617**	**3,086,126,977**	**4,076,128,595**

In 2022, the Group generated 76% of its income in foreign markets and 24% in the domestic market.

REVENUES GENERATED AT HOME OR ABROAD	SLOVENIA	ABROAD	TOTAL
		2021	
Revenues from sales of goods and materials	529,724,752	2,733,945,959	3,263,670,711
Revenues from the sale of services	28,094,960	64,534,410	92,629,370
Income from rent	22,556	0	22,556
Total income generated at home or abroad	**557,842,268**	**2,798,480,369**	**3,356,322,637**

In 2021, the Group generated 79% of its income in foreign markets and 21% in the domestic market

OTHER RECURRING OPERATING REVENUES AND EXPENSES	2022	2021
Fair value from commodity-based contracts	195,959,801	173,630,690
Fair value from financial contracts	–65,665,136	–62,907,711
Inefficient part of fair value hedging	–2,567,260	146,168
Fair value of currency contracts	2,853,734	–507,811
Total other recurring operating revenues and expenses	**130,581,139**	**110,361,336**

9.6.29 Note 29: **Change in value of inventories**

CHANGE IN VALUE OF INVENTORIES	2022	2021
Change in value of inventories	7,009,807	1,316,095
Total change in value of inventories	**7,009,807**	**1,316,095**

9.6.30 Note 30: **Costs of goods, materials and services**

COSTS OF GOODS, MATERIALS AND SERVICES	2022	2021
Cost of goods and materials sold	4,071,494,367	3,308,888,153
Total costs of goods, materials and services	**4,071,494,367**	**3,308,888,153**

The costs of goods, materials and services encompasses the purchase price of electricity and natural gas and related costs as well as the purchase price of the goods sold for the construction of small solar power plants.

COST OF MATERIALS	2022	2021
Costs of energy	638,898	329,535
Material and spare parts	174,627	163,045
Office supplies	334,599	241,177
Other costs of material	48,230	48,752
Total cost of material	**1,196,354**	**782,509**

COSTS OF SERVICES	2022	2021
Costs of transportation and business trips of employees	320,523	166,100
Maintenance	1,664,080	1,387,767
Rents	1,859,031	1,239,036
Bank charges and other fees	3,533,147	2,538,944
Intellectual services	2,238,110	2,760,421
Sponsorships, advertising, promotion and public relations	762,493	1,391,640
Costs of IT services	163,078	136,959
Other services	8,669,438	6,656,411
Total costs of services	**19,209,902**	**16,277,278**

Other services are mainly related to costs of telecommunications, trading infrastructure and the sale of electricity and natural gas.

The Group discloses costs of current leases and costs of low-value leases among costs of lease.

AUDITING SERVICES	2022	2021
Auditing of the annual report	152,060	191,035
Other auditing services	0	8,587
Total auditing services	**152,060**	**199,622**

9.6.31 Note 31: **Labour costs**

LABOUR COSTS	2022	2021
Wage costs	28,705,043	38,464,893
Social security contributions	4,877,431	6,405,568
Other labour costs	3,756,740	3,328,571
Total labour costs	**37,339,214**	**48,199,032**

In 2022, the Group calculated labour costs pursuant to the collective agreements in the electricity sector in the countries where the parent company GEN-I, d.o.o. and its subsidiaries are performing their business transactions, systematisations of job positions of individual companies of the GEN-I Group and individual employment contracts.

The labour costs consist of the costs of salaries and benefits, including the variable portion of the salary which is related to the success of the business transactions of the Group, the costs of social insurances and additional pension insurances and other labour costs.

Other labour costs include the costs of the allowances for meals and transport, holiday pay, remunerations for additional pension insurance, redundancy payments, and jubilee awards and benefits.

9.6.32 Note 32: **Other operating revenues and expenses**

OTHER OPERATING REVENUES AND EXPENSES	2022	2021
Revenues from consumption and write-downs of non-current provisions	3,840	0
Income from the sale of tangible fixed assets and intangible assets	139,034	73,348
Write-downs of liabilities	34,558	16,116
Other operating revenues	4,488,935	580,082
Revenues from subventions, grants and compensations	134,445	555,867
Total other operating revenues	**4,800,813**	**1,225,413**
Various duties	–788,708	–459,534
Losses for sale of tangible assets and intangible assets and write-downs and depreciations of tangible assets	–36,747	–2,534
Donations	–1,061,346	–65,536
Other operating expenses	–34,158,194	–1,573,702
Impairment loss of goodwill	–147,941	–13,492
Total other operating expenses	**–36,192,936**	**–2,114,798**
Total other operating revenues or expenses	**–31,392,124**	**–889,385**

Other operating revenues mainly encompasses revenues for invoiced penalties for withdrawing from the contract, write-downs of calculated expenses for the previous year, income from the sale of phone service overdrafts to employees and revenues arising from reminders.

Other business expenses amounting to EUR 34,158,194 are mainly related to the provision of an amount for a potential additional contribution due to the introduced regulative measures in Southeast Europe for electricity and natural gas traders, related to measures intended to provide reliable supply for end consumers in the electricity and natural gas market. The calculation of the potential exposure has been prepared pursuant to the explanations adopted by the International Financial Reporting Interpretations Committee 23 (IFRIC 23).

Other smaller expenses are mainly connected to membership fees, indemnities, fiscally unrecognised costs and taxes.

DONATIONS	2022	2021
Humanitarian purposes	985,323	42,878
Charitable purposes	41,408	3,210
Education and scientific purposes	11,800	9,060
Sports purposes	16,615	2,500
Cultural purposes	3,700	2,000
Religious and health-related purposes	0	3,000
General donations	2,500	2,888
Total donations	**1,061,346**	**65,536**

9.6.33 Note 33: **Amortization and depreciation**

AMORTIZATION AND DEPRECIATION	2022	2021
Amortization of intangible assets	1,018,916	805,877
Depreciation of investment properties	66,104	66,103
Depreciation of tangible fixed assets	2,436,634	1,788,700
Depreciation of leased assets	1,621,518	1,119,159
Total amortization and depreciation	**5,143,171**	**3,779,839**

Impairment on trade receivables and contract assets

IMPAIRMENT ON TRADE RECEIVABLES AND CONTRACT ASSETS	2022	2021
Impairment, value adjustment and write-downs of trade receivables and contract assets	7,286,132	210,940
Total impairment on trade receivables and contract assets	**7,286,132**	**210,940**

In 2022, the Group formed additional impairments and expected credit losses in the total amount of EUR 7,301,480 (2021: EUR 123,440), and also eliminated a write-downs charged to expenses in the amount of EUR 15,349 (2021: EUR 87,500). At the end of 2022, the Group namely used higher expected default rates when preparing its calculations.

Information about the age structure of receivables and the fluctuation of the value adjustment of receivables from customers are presented in note 38.

9.6.34 Note 34: **Financial result**

FINANCIAL RESULT	2022	2021
Financial income	523,121	300,728
Other financial income	249	77,051
Financial income	**523,370**	**377,779**
Interest expenses for liabilities - others	–2,320,038	–1,604,838
Net negative exchange rates differences	–624,316	–510,787
Other financial expenses	–75,924	–67,823
Financial expenses	**–3,020,278**	**–2,183,448**
Financial result	**–2,496,908**	**–1,805,669**

Financial revenues mainly encompass interest on late payments, interest on deposits and interest on positive account balances.

Interest expenditure encompasses interest on commercial papers, bonds, loans received from banks and other institutions, options for equity securities and financial loans, interest on late payments and interest on negative account balances. A major share of financial expenses also consists of negative exchange rates differences which are a consequence of the exchange-rate developments of the Turkish lira and the Ukrainian hryvnia.

9.6.35 Note 35: **Taxes**

TAXES	2022	2021
Current tax	8,190,104	17,496,526
Deferred tax	168,556	17,692
Total taxes	**8,358,660**	**17,514,218**

Effective tax rate

	2022	2021
Gross profit before tax	**38,131,934**	**87,590,594**
Applicable tax rate	19%	19%
Tax according to the applicable tax rate before any changes in the tax base	7,245,067	16,642,213
Untaxed income	0	–5,354
Non-deductable expenses	1,813,091	971,074
Tax relief	–610,307	–261,874
Unrecognised receivables for tax losses	–3,595	–807
Various tax rates	1,837	168,966
Effective tax rate	**21,92%**	**20,00%**
Current and deferred income tax	8,358,660	17,514,218

9.6.36 Note 36: **Information about connected persons**

Gross receipts

INFORMATION ON GROUPS OF PERSONS – MANAGEMENT	2022	2021
Gross wages and salaries	566,959	707,817
Benefits and other receipts	106,609	641,252
Total gross receipts	**673,568**	**1,349,069**

Data presented below represent disclosures according to IAS 24 (related party disclosures) as a consequence of the financial consolidation of the GEN-I Group with the company member GEN energija d.o.o. according to criteria set out in IFRS 10.

Transactions between related persons

All transactions that belong in the framework of transactions between related persons based on the financial consolidation by GEN energija d.o.o. as a company which is 100% owned by the State, by taking into consideration the criteria set out in IAS 24, represent business relationships concluded under market conditions and in the framework of regular everyday business transactions. Pursuant to this classification, we evaluate that, despite the intrinsic value of individual transactions, no more detailed disclosures are necessary since, qualitatively speaking, those transactions are not relevant for disclosures arising from the requirements set out in IAS 24.

	2022	2021
Sales revenues		
Associated companies	0	0
Parent companies	160,408,021	34,495,605
Other associated companies	41,641	56,259
Historical cost of goods sold		
Associated companies	0	0
Parent companies	286,716,912	197,289,269
Other associated companies	696,599	385,895
Costs of services		
Associated companies	0	0
Parent companies	31,833	167,238
Other associated companies	0	0
Financial revenues from shares in companies		
Associated companies	0	0
Parent companies	0	0
Other associated companies	0	0
Financial expenses for interests		
Associated companies	0	0
Parent companies	49,277	0
Other associated companies	0	0

	2022	2021
Investments in companies		
Associated companies	22,450,565	22,480,000
Parent companies	0	0
Other associated companies	0	0
Current operating receivables		
Associated companies	0	0
Parent companies	24,644,158	1,468,523
Other associated companies	18,607	8,729
Current financial receivables		
Associated companies	0	0
Parent companies	0	0
Other associated companies	0	0
Current operating liabilities		
Associated companies	0	
Parent companies	46,377,074	28,116,453
Other associated companies	104,832	34,895
Current financial liabilities		
Associated companies	0	0
Parent companies	812,653	0
Other associated companies	0	0
Accrued expenses		
Associated companies	0	0
Parent companies	0	0
Other associated companies	0	0

GEN-I, d.o.o. has established a network of local subsidiaries in order to guarantee the optimal implementation of the sale and purchase of energy sources in international markets. Income and expenses related to subsidiaries occur because a single global portfolio is centrally managed.

Most expenses related to the parent company arise from the implementation of business transactions pursuant to the Umbrella Contract, while a small portion is also related to participation in calls for tender for the sale of electricity by GEN energija.

GEN-I, d.o.o. has concluded the Umbrella Contract on the sale and purchase of electricity with GEN energija d.o.o. pursuant to the articles of association of GEN-I. The purpose of concluding said contract is the provision of efficient sale and trading of electricity as well as allowing for a more efficient medium- and long-term price hedging of the production portfolio of the GEN-I Group. Based on the Umbrella Contract, GEN-I, d.o.o. is implementing the so-called market access service with the use of its branched trading infrastructure pursuant to market conditions, which enables the company GEN energija d.o.o. to trade in electricity (sale and purchase) pursuant to the prices related to international reference energy markets, which allows GEN energija d.o.o. to efficiently manage and protect the production portfolio of the GEN-I Group.

The Umbrella Contract has the nature of a service, for which GEN energija d.o.o. only pays the transaction costs to GEN-I, d.o.o. They only cover external costs, invoiced by trading platforms for the implementation of transactions as well as a portion of costs occurred in the availability of trading and financial infrastructure in Slovenia and abroad.

9.7 Financial instruments – fair value and risk management

(A) DETERMINING FAIR VALUE

Pursuant to the accounting policies of the Group, numerous cases require the measurement of fair value of both financial and non-financial assets and liabilities. The Group has set out the fair value of individual groups of assets for the requirements of measuring and reporting according to the methods set out below. Whenever additional explanations are required in relation to items used to determine fair value, they are set out in the explanations attached to individual items of assets and liabilities of the Group.

(i) Tangible assets

The fair value of tangible assets from business combinations is their market value. The market value of real estate is the same as the evaluated value pursuant to which real estate could be exchanged in a business transaction at the valuation date and pursuant to the relevant marketing between two knowledgeable, willing parties. The market value of devices, equipment and small inventory is based on the offered market price of similar objects.

(ii) Intangible assets

The fair value of patents and trademarks acquired through business combinations is based on the evaluated discounted future value of licence fees, the payment of which will not be necessary due to the ownership of the patent or trademark in question. The fair value of relationships with clients obtained through a business combination is set out based on a special excess earnings method, while the asset is evaluated after the deduction of the fair return of all assets contributing to cash flows.

(iii) Business and other receivables

The fair value of business and other receivables is calculated as the current value of future cash flows, discounted at the market interest rate at the end of the reporting period.

(iv) Derivatives

The fair value of non-standard forward agreements is the same as their offered market price at the end of the reporting period, if available. Failing that, the fair value is determined as the difference between the contractual value of a forward agreement and its current offer value, while taking into consideration the residual maturity of a transaction with a risk-free interest rate (based on government bonds).

(v) Non-derivative financial liabilities

For reporting purposes, the fair value is calculated on the basis of the current value of future payments of principal and interest, discounted at the market interest rate at the end of the reporting period. When it comes to financial leases, the market interest rate is set out by comparing similar lease agreements.

9.7.1 Note 37: **Classification and fair value of financial instruments**

FAIR VALUE	31/12/2022		31/12/2021	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS MEASURED AT FAIR VALUE				
Derivatives	161,601,682	161,601,682	3,105,613	3,105,613
Financial assets measured at fair value through profit or loss	0	0	0	0
Total assets measured at fair value	**161,601,682**	**161,601,682**	**3,105,613**	**3,105,613**
FINANCIAL ASSETS MEASURED AT AMORTISED COSTS				
Non-current financial investments	346,902	346,902	304,531	304,531
Non-current operating receivables	23,141,213	23,141,213	15,980,394	15,980,394
Current deposits	39,792	39,792	39,899	39,899
Current loans	2	2	2	2
Receivables from customers and other receivables	105,619,943	105,619,943	131,739,428	131,739,428
Contract assets	97,041,628	97,041,628	67,217,795	67,217,795
Cash and cash equivalents	69,320,323	69,320,323	149,585,642	149,585,642
Total	**295,509,805**	**295,509,805**	**364,867,691**	**364,867,691**
LIABILITIES MEASURED AT FAIR VALUE				
Derivatives	0	0	0	0
Total	**0**	**0**	**0**	**0**
LIABILITIES MEASURED AT AMORTISED COST				
Bank loans	–29,976,175	–29,976,175	–25,000,000	–25,000,000
Other financial liabilities	–75,400,587	–75,400,587	–30,247,519	–30,247,519
Bonds	–5,600,000	–5,600,000	–28,400,000	–28,400,000
Loans received from others	0	0	0	0
Liabilities towards suppliers	–188,462,085	–188,462,085	–155,211,742	–155,211,742
Liabilities based on contracts concluded with customers	–19,470,627	–19,470,627	–13,385,235	–13,385,235
Total	**–29,976,175**	**–29,976,175**	**–25,000,000**	**–25,000,000**

The value of derivatives is related to forward transactions with financial and physical settlement, currency transactions and other trading-related derivatives.

Stock market transactions with financial settlement and stock market transactions with physical settlement that do not comply with the conditions for the exemption based on own use are evaluated according to appropriate stock exchange quoted prices. Settlement prices from suitable stock exchanges for suitable products are used for the evaluation. Currency transactions are evaluated according to appropriate exchange rate (official mean rate or forward rate). Official mean rates or forward rates are used for the evaluation. The information on official mean rates is obtained from appropriate central banks, while forward rates are set out based on market data. Those assets and liabilities are classified as Level 1 of the fair value hierarchy.

Other forward transactions with physical settlement that do not comply with the conditions for the exemption based on own use are evaluated according to appropriate forward curves. Cross-border transfer capacities are evaluated based on the suitable difference between forward curves. Those assets and liabilities are classified as Level 2 of the fair value hierarchy.

Financial assets at PVIPI are unlisted equity instruments which the Group plans to hold in the long run. The Group uses purchase value as the appropriate fair value estimate for unlisted equity instruments.

The fair value of the remaining current assets and liabilities is practically the same as their carrying amount. The fair value of non-current assets and liabilities is approximately the same as their amortised cost. Those liabilities are classified as Level 3 of the fair value hierarchy.

Fair value of assets

FAIR VALUE LEVELS	31/12/2022			
	1ST LEVEL	2ND LEVEL	3RD LEVEL	TOTAL
ASSETS AT FAIR VALUE				
Derivatives	3,912,370	157,689,312	0	**161,601,682**
Total assets measured at fair value	**3,912,370**	**157,689,312**	**0**	**161,601,682**
ASSETS FOR WHICH THE FAIR VALUE HAS BEEN REVEALED				
Non-current financial investments	0	0	346,902	**346,902**
Non-current business receivables	0	0	23,141,214	**23,141,214**
Current deposits	0	0	39,792	**39,792**
Current loans	0	0	2	**2**
Current business receivables (without receivables from the State)	0	0	105,619,943	**105,619,943**
Contract assets	0	0	97,041,629	**97,041,629**
Cash and cash equivalents	0	0	69,320,323	**69,320,323**
Total assets for which the fair value has been revealed	**0**	**0**	**295,509,805**	**295,509,805**
Total	**3,912,370**	**157,689,312**	**295,509,805**	**457,111,486**

FAIR VALUE LEVELS	31/12/2021			
	1ST LEVEL	2ND LEVEL	3RD LEVEL	TOTAL
ASSETS AT FAIR VALUE				
Derivatives	–26,483,041	29,588,654	0	**3,105,613**
Total assets measured at fair value	**–26,483,041**	**29,588,654**	**0**	**3,105,613**
ASSETS FOR WHICH THE FAIR VALUE HAS BEEN REVEALED				
Non-current financial investments	0	0	304,531	**304,531**
Non-current business receivables	0	0	15,980,394	**15,980,394**
Current deposits	0	0	39,899	**39,899**
Current loans	0	0	2	**2**
Current business receivables (without receivables from the State)	0	0	131,739,428	**131,739,428**
Contract assets	0	0	67,217,795	**67,217,795**
Cash and cash equivalents	0	0	149,585,642	**149,585,642**
Total assets for which the fair value has been revealed	**0**	**0**	**364,867,691**	**364,867,691**
Total	**–26,483,041**	**29,588,654**	**364,867,691**	**367,973,304**

Fair value of liabilities

FAIR VALUE LEVELS	31/12/2022			
	1ST LEVEL	2ND LEVEL	3RD LEVEL	**TOTAL**
LIABILITIES MEASURED AT FAIR VALUE				
Derivatives	0	0	0	**0**
Total liabilities measured at fair value	**0**	**0**	**0**	**0**
LIABILITIES FOR WHICH THE FAIR VALUE HAS BEEN REVEALED				
Bank loans	0	0	–29,976,175	**–29,976,175**
Other financial liabilities	0	0	–75,400,587	**–75,400,587**
Bonds	0	0	–5,600,000	**–5,600,000**
Liabilities towards suppliers (without liabilities towards the State and employees and arising from advance payments)	0	0	–188,462,085	**–188,462,085**
Liabilities based on contracts concluded with customers	0	0	–19,470,627	**–19,470,627**
Total liabilities for which the fair value has been revealed	**0**	**0**	**–318,909,474**	**–318,909,474**
Total	**0**	**0**	**–318,909,474**	**–318,909,474**

FAIR VALUE LEVELS	31/12/2021			
	1ST LEVEL	2ND LEVEL	3RD LEVEL	**TOTAL**
LIABILITIES MEASURED AT FAIR VALUE				
Derivatives	0	0	0	**0**
Total liabilities measured at fair value	**0**	**0**	**0**	**0**
LIABILITIES FOR WHICH THE FAIR VALUE HAS BEEN REVEALED				
Bank loans	0	0	–25,000,000	**–25,000,000**
Other financial liabilities	0	0	–30,247,519	**–30,247,519**
Bonds	0	0	–28,400,000	**–28,400,000**
Liabilities towards suppliers (without liabilities towards the State and employees and arising from advance payments)	0	0	–155,211,742	**–155,211,742**
Liabilities based on contracts concluded with customers	0	0	–13,385,235	**–13,385,235**
Total liabilities for which the fair value has been revealed	**0**	**0**	**–252,244,496**	**–252,244,496**
Total	**0**	**0**	**–252,244,496**	**–252,244,496**

(B) RISK MANAGEMENT FRAMEWORK

The Management Board of the Group is entirely responsible for the implementation and control of the risk management framework. The Management Board has established a Risk Management Committee which is responsible for preparing and monitoring the implementation of risk management policies of the Group. The Committee regularly reports to the Management Board about its activities.

The risk management policies of the Group guarantee the recognition and analysis of risks to which the Group is exposed, while also allowing to determine the appropriate risk limitations and controls, monitor risks, and take consideration of any limitations. The risk management policies and systems are regularly adapted pursuant to any changes in market conditions and the activities of the Group. Based on education and management standards and processes, the Group is trying to guarantee a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

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

- credit risk;
- liquidity risk;
- market risks (currency risk, interest rate risk and commodities risks).

9.7.2 Note 38: **Credit risk**

A credit risk is the risk that the Group would suffer financial losses if a buyer included in a financial instrument agreement fails to comply with its contractual obligations. Credit risk is mainly derived from receivables from customers for electricity and natural gas and small power plants.

(i) Trade receivables and contract assets

TRADE RECEIVABLES	CARRYING AMOUNT	
	2022	2021
Domestic customers	50,791,323	26,129,918
Countries of the Eurozone	27,668,002	15,887,373
Other European countries	14,259,277	23,150,814
Countries of the former Yugoslavia	5,814,052	34,336,770
Other regions	2,951,430	22,104,125
Total receivables from customers	**101,484,084**	**121,609,000**

RECEIVABLES	CARRYING AMOUNT	
	2022	2021
Wholesale customers	66,940,349	96,640,586
Retail customers	34,543,735	24,968,414
Total receivables	**101,484,084**	**121,609,000**

The GEN-I Group has an active method of managing credit risks and financial exposure of the Group in relation to its business partners, whereby said method is based on consistent implementation of adopted internal policies and the precisely defined processes of recognising credit risks and evaluating the exposure to said risks, which are set out in said internal policies, defining the limit value of exposure and constantly monitoring the exposure of the company when it comes to conducting business transactions with individual business partners of the Group. Pursuant to parent company policies in terms of the management of credit risks, the Risk Management Service prepares a suitable credit rating assessment and risk assessment for each new business partner in the field of trading, as well as for major consumers in the field of sales of electricity and natural gas. Based on said assessment, the frameworks of a potential future business cooperation are defined, as well as suitable hedging credit lines and the conditions of payment and supply for each individual contractual relationship. When it comes to monitoring credit risk and daily exposure to credit lines, the Group divides individual partners into groups according to their credit characteristics (be it individual companies, groups of companies, trading partners, end consumers or retail customers), geographical location, branch, age structure of receivables, maturity of receivables, any potential past financial issues and the estimated level of risk of a breach of the contractual obligations. In order to reduce risks related to non-payment when it comes to its business partners, the Group particularly focuses on the use of suitable financial and legal instruments in its daily conclusion of business transactions in order to guarantee the payment of contractual obligations. Those instruments are included in contractual relationships concluded with business partners based on the analysis of their credit rating and suitable risk assessments.

Business receivables from partners in the wholesale electricity and natural gas market are insured with the credit insurance company, in combination with received payment bank guarantees. When it comes to receivables from business consumers, the Group insures them with the credit insurance company.

Any losses due to impairment of financial and contractual assets recognised in the statement of profit or loss are set out below.

Age structure and changes of the value adjustment of trade receivables and other receivables

MATURITY OF RECEIVABLES	GROSS SUM	VALUE ADJUSTMENT	GROSS SUM	VALUE ADJUSTMENT
	31/12/2022		31/12/2021	
Not past-due	110,910,292	6,739,051	150,110,338	5,171,557
Overdue for up to 90 days	16,411,298	1,398,857	7,448,009	455,914
Overdue from 91 to 180 days	390,181	935,952	58,843	14,454
Overdue from 181 to 365 days	11,520,703	4,035,008	–13,654	9,368
Overdue for more than one year	10,120,703	9,425,754	11,283,013	10,320,759
Total maturity of receivables	**149,353,178**	**22,534,622**	**168,886,549**	**15,972,052**

CHANGES OF THE VALUE ADJUSTMENT	VALUE ADJUSTMENT	
	2022	2021
Opening balance as at 1/1	**15,972,052**	**16,210,384**
Created value adjustment	7,976,274	1,301,233
Write-off of value adjustment	–674,793	–1,177,792
Write-off of receivables debited to value adjustment	–739,030	–372,289
Exchange rate differences	120	10,516
End balance as at 31/12	**22,534,622**	**15,972,052**

The end balance of the value adjustment encompasses expected credit losses and impairments of the value of receivables and contractual assets amounting to EUR 18,530,607 (2021: EUR 12,401,923) as well as expected credit losses and impairments of the values of other receivables and financial assets amounting to EUR 4,004,015 (2020: EUR 3,808,461), which is related to the value adjustment formed in the subsidiary GEN-I Sofia.

9.7.3 Note 39: **Liquidity risk**

A liquidity risk is the risk that the Group will face any issues when it comes to complying with its financial obligations settled in cash or another financial asset. The Group manages its liquidity risk by guaranteeing, to the highest possible extent, sufficient liquidity for the settlement of its obligations when they fall due, both in normal situations and in uncertain times, without incurring any unacceptable losses or causing any damage to the reputation of the Group.

Year 2022

FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	OVER 5 YEARS
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	29,976,175	30,655,529	10,315,852	20,339,677	0	0	0
Bonds issued	5,600,000	5,732,129	2,888,005	0	2,844,124	0	0
Other liabilities	75,325,118	75,700,000	75,700,000	0	0	0	0
Financial lease liabilities	2,885,672	2,996,644	782,160	646,334	527,645	1,040,505	0
Liabilities towards suppliers and other liabilities	187,868,429	187,868,429	187,868,429	0	0	0	0
Derivatives							
OTHER FORWARD CURRENCY AGREEMENTS							
Outflow	0	0	0	0	0	0	0
Inflow	–161,601,682	–161,601,682	–161,601,682	0	0	0	0
Total financial liabilities	**140,053,713**	**141,351,049**	**115,952,764**	**20,986,011**	**3,371,769**	**1,040,505**	**0**

Year 2021

FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	OVER 5 YEARS
NON-DERIVATIVE FINANCIAL LIABILITIES							
Unsecured bank loans	25,000,000	25,086,403	25,086,403	0	0	0	0
Bonds issued	28,400,000	29,024,466	23,292,337	0	2,888,005	2,844,124	0
Other liabilities	29,880,070	30,450,203	30,450,203	0	0	0	0
Financial lease liabilities	3,906,170	4,082,008	696,001	682,671	1,183,703	1,324,523	195,110
Liabilities towards suppliers and other liabilities	155,211,742	155,211,742	155,211,742	0	0	0	0
Derivatives							
OTHER FORWARD CURRENCY AGREEMENTS							
Outflow	0	0	0	0	0	0	0
Inflow	–3,105,613	–3,105,613	–3,105,613	0	0	0	0
Total financial liabilities	**239,292,369**	**240,749,209**	**231,631,073**	**682,671**	**4,071,708**	**4,168,647**	**195,110**

The liquidity of the entire Group is managed by the parent company which carefully monitors and plans the short-term financial solvency, guaranteeing it through timely coordination and planning of all cash flows within the Group. In doing so, the Group considers, to the highest possible extent, all risks related to any belated payments or poor payment discipline of its customers, since they hinder the planning of inflows and investment operations of the Group.

In addition, the Group is also constantly monitoring and optimising short-term surpluses and deficits of cash assets, both at the level of each individual company and at the level of the entire Group. Liquidity reserve in the form of approved credit lines with business banks, dispersed financial liabilities, real-time coordination of the maturity of receivables and liabilities, and consistent debt collection enable an efficient management of cash flows, which makes it possible for the Group to guarantee its own solvency and, as a consequence, provides for a low rate of short-term financial solvency risk. Since the Group maintains an active approach to financial markets and also boasts successful business activities and a stable cash flow from operations, liquidity risks are within acceptable limits and fully manageable.

The non-current liquidity of the Group is provided through maintaining and increasing share capital and maintaining a suitable financial balance. The Group achieves this by constantly providing a suitable balance sheet structure in terms of the maturity of its financial liabilities. In the field of management of liquidity risks, the Management Board plans to continue reinforcing the long- and short-term liquidity of the Group in the year to come as well as introduce new subsidiaries into the liquidity monitoring system.

9.7.4 Note 40: **Foreign exchange risk**

Year 2022

RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK	MKD	BAM
	31/12/2022					
Receivables from customers	87,720,276	0	0	2,717,186	70,247	2,695,091
Unsecured bank loans	29,976,175	0	0	0	0	0
Liabilities towards suppliers	–152,516,577	–44,952	–32,077	–210,172	–3,032,744	–9,709,380
Gross balance sheet exposure	**–34,820,125**	**–44,952**	**–32,077**	**2,507,014**	**–2,962,497**	**–7,014,288**
Estimated forecast sale	0	0	0	0	0	0
Estimated forecast procurement	0	0	0	0	0	0
Gross exposure	**0**	**0**	**0**	**0**	**0**	**0**
Net exposure	**–34,820,125**	**–44,952**	**–32,077**	**2,507,014**	**–2,962,497**	**–7,014,288**

Year 2021

TERJATVE IN OBVEZNOSTI	EUR	USD	GBP	HRK	MKD	BAM
	31/12/2021					
Receivables from customers	73,400,971	0	0	3,311,306	18,311,745	1,711,682
Unsecured bank loans	–25,000,000	0	0	0	0	0
Liabilities towards suppliers	–117,296,488	16,231	–31,488	–2,513,441	–839,083	–14,971,954
Gross balance sheet exposure	**–68,895,517**	**16,231**	**–31,488**	**797,865**	**17,472,662**	**–13,260,272**
Estimated forecast sale	2,616,569,646	0	0	0	0	0
Estimated forecast procurement	2,526,449,210	0	0	0	0	0
Gross exposure	**5,143,018,856**	**0**	**0**	**0**	**0**	**0**
Net exposure	**5,074,123,339**	**16,231**	**–31,488**	**797,865**	**17,472,662**	**–13,260,272**

Particularly when it comes to foreign markets which are not a part of the Eurozone, the GEN-I Group is actively involved in the implementation of suitable infrastructure for the conclusion of currency transactions and the implementation of other mechanisms of hedging in terms of currency risks, which include forward transactions and currency clauses.

The Group is mainly exposed to currency risk when it comes to performing its core activities, i.e. trading and sale of electricity and natural gas and cross-border transfer capacities as well as when it comes to loans and shares in the capital of its subsidiaries abroad. Considering the scope of its business operations, the GEN-I Group is most exposed to currency risks when it comes to the following currencies: HRK (the Croatian kuna), MKD (the Macedonian denar), RON (the new Romanian leu) and TRY (the Turkish lira).

The Group is reducing its currency risks by linking the sales prices of goods to the currency of the sources of financing for the purchase of said goods. In individual subsidiaries, currency risk is also “naturally” protected since a portion of planned inflows is covered by planned outflows in the same currency. In order to protect itself from those risks, the Group also uses derivatives and numerous forward currency agreements, if necessary.

The Group consistently implements hedging of all major positions in foreign currencies. When it comes to the markets where hedging is not performed through forward agreements, hedging is performed within the Group by including a foreign exchange clause in its contracts concluded with its partners and customers. As a consequence, no change in exchange rates can materially influence the results of the Group.

	GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
					31/12/2022					
	0	32,434	16,238	0	252,058	107	222,520	7,753,458	4,468	0
	0	0	0	0	0	0	0	0	0	0
	–348	–846,039	–5,784	–39,508	–254,666	–611,751	–4,510	–11,281,802	–27	0
	–348	**–813,605**	**10,453**	**–39,508**	**–2,608**	**–611,645**	**218,010**	**–3,528,344**	**4,441**	**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**
	–348	**–813,605**	**10,453**	**–39,508**	**–2,608**	**–611,645**	**218,010**	**–3,528,344**	**4,441**	**0**

	GEL	RSD	UAH	HUF	ALL	TRY	BGN	RON	CZK	PLN
					31/12/2021					
	0	11,373,840	1,059,424	0	0	26,193	38,880	12,374,959	0	0
	0	0	0	0	0		0	0	0	0
	–328	–500,715	0	–208,250	–1,360	–546,287	–12,184	–11,612,467	0	–13,052
	–328	**10,873,125**	**1,059,424**	**–208,250**	**–1,360**	**–520,094**	**26,696**	**762,492**	**0**	**–13,052**
	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**
	–328	**10,873,125**	**1,059,424**	**–208,250**	**–1,360**	**–520,094**	**26,696**	**762,492**	**0**	**–13,052**

9.7.5. Note 41: **Interest rate risk**

FINANCIAL INSTRUMENTS	CARRYING AMOUNT	
	31/12/2022	31/12/2021
Instruments with a fixed interest rate		
Financial assets	0	0
Financial liabilities	–90,881,294	–78,280,070
Instruments with a variable interest rate		
Financial liabilities	–20,020,000	–5,000,000

The Group manages its interest rate risk by constantly assessing the exposure and impact of a potential change in the reference interest rate (variable portion) on financing-related expenses. In addition, the portfolio of loans which can be affected by a change in the interest rates is also monitored. In the framework of its risk management activities, the Group is monitoring the fluctuation of interest rates in the domestic market, in foreign markets and in the market of derivatives. The purpose of the constant monitoring and analysing is to provide protection measures in due time by regulating the asset and liability side of the balance sheet.

The exposure to the interest rate risk is small, since only two of our loans in the total amount of EUR 20,020,000 have a variable interest rate. A change in the interest rate by +/– 100 basis points would increase/decrease net profit or loss by +/– EUR 200,200.

9.7.6 Note 42: **Commodities risk and calculation of hedging**

The core activities of the GEN-I Group are international trading with electricity and natural gas, the sale of both energy sources to end consumers, and the purchase of energy sources from producers which is related to the first two core activities.

Due to the nature of its business operations, the Group must constantly perform hedging in order to reduce market risks. Hedging is performed in the parent company GEN-I, d.o.o. which is in charge of the centralised management of the portfolio of the Group and also has the necessary infrastructure to implement hedging activities on commodity markets.

Hedging activities in terms of market risks are performed pursuant to the policy and procedures defined by the Risk Management Service.

The commodities risks are related to the changes in prices due to the market structure, demand/supply, import and export duties and the changes in prices of cross-border capacities. This is a risk of a financial loss due to the fluctuation of prices in energy markets. Those market risks are managed through predetermined strategies based on portfolio sensitivity analyses, analyses of price elasticity in terms of sales portfolios, analyses of CVaR indicators as well as the quantitative exposure and market depth and liquidity reviews of all portfolios within the GEN-I Group.

The hedged item is a firm commitment. A firm commitment is a binding agreement on the replacement of a precisely defined quantity of indicators according to a precisely defined price at the precisely defined future day or days. Hedged items of the Group (goods) are physical business transactions involving electricity and natural gas.

The hedging instrument is a standard forward agreement. The Group is actively involved in several commodity markets and uses standard forward agreements for electricity, natural gas and other goods as hedging instruments.

The hedge ratio is defined as the ratio between the quantity of the hedging instrument and the quantity of the hedged item, by taking into consideration their relative weighting. Generally speaking, the hedged item and the hedging instrument can be related to the same or different goods and be fulfilled at the same or different times in the same or in different markets. However, hedging must be efficient, which means that there must be a strong connection between the hedged item and the hedging instrument; therefore, the hedged item and the hedging instrument are usually related to the same goods and have the same or similar time limit for completion.

Sources of inefficiency which are expected to influence the hedging relationships during their term are the following:

- differences in profiles;
- differences in locations;
- differences in time frames;
- differences in quantities or nominal amounts;
- proxy hedging;
- early terminations;
- credit risk.

In order to prove the existence of an economic relationship, an expectation must exist that the value of the hedging instrument and the value of the hedged item will move in the opposite directions as a consequence of the common basic or hedged risk. A qualitative test, i.e. an assessment of the matching of essential conditions, is usually used for this assessment. When a hedging relationship is not obvious, we can also use a quantitative test, i.e. a simple method based on a scenario analysis, can also be used for the evaluation of the economic relationship.

Hedging instruments

Year 2022

PROFILE OF THE TIME FRAME OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1-5 YEARS	> 5 YEARS
Commodities risk	0	227.762.015	0

HEDGING INSTRUMENT	NOMINAL AMOUNT OF A HEDGING INSTRUMENT	CARRYING AMOUNT OF A HEDGING INSTRUMENTS		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHICH INCLUDES A HEDGING ELEMENT	CHANGES IN FAIR VALUE USED FOR THE CALCULATION OF THE INEFFICIENCY OF HEDGING FOR 2022
		ASSETS	LIABILITIES		
Commodities risk	227,762,015	N/A*	N/A*	N/A*	83,765,573

*A financial instrument is a standard forward agreement which is to be settled in cash on a daily basis.

Year 2021

PROFILE OF THE TIME FRAME OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1-5 YEARS	> 5 YEARS
Tveganje spremembe cen blaga	0	95.545.408	0

HEDGING INSTRUMENT	NOMINAL AMOUNT OF A HEDGING INSTRUMENT	CARRYING AMOUNT OF A HEDGING INSTRUMENTS		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHICH INCLUDES A HEDGING ELEMENT	CHANGES IN FAIR VALUE USED FOR THE CALCULATION OF THE INEFFICIENCY OF HEDGING FOR 2021
		ASSETS	LIABILITIES		
Commodities risk	95,545,408	N/A*	N/A*	N/A*	46,820,536

*A financial instrument is a standard forward agreement which is to be settled in cash on a daily basis.

Hedged item

HEDGED ITEM	CARRYING AMOUNT OF A HEDGED ITEM		TOTAL CHANGE IN FAIR VALUE OF FIRM COMMITMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHICH INCLUDES FIRM COMMITMENT	CHANGES IN FAIR VALUE USED FOR THE CALCULATION OF THE INEFFICIENCY OF HEDGING FOR 2022
	ASSETS	LIABILITIES	ASSETS	LIABILITIES		
Commodities risk	N/A*	N/A*		–96,407,369	Izvedeni finančni instrumenti*	83,765,573

*The hedged item is an unrecognised firm commitment.

Hedge ineffectiveness

FAIR VALUE HEDGING	HEDGE INEFFECTIVENESS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS	LINE ITEM IN THE STATEMENT OF COMPREHENSIVE INCOME WHICH INCLUDES HEDGE INEFFECTIVENESS
Commodities risk	–2,246,124	Other recurring operating income and expensesi

10 EVENTS AFTER THE REPORTING PERIOD

Departure from the Croatian market

The market situation and an analysis of our business operations have contributed to our decision to cease the supply of electricity to household and small business consumers starting on 1 December 2022. Considering Croatia's potential for solar energy, our modified sales strategy will mostly concentrate on the service of self-supply with solar power plants for companies. The departure from the market of electricity supply to household and small business consumers in Croatia will not significantly influence the business operations of the GEN-I Group in 2023.

Regulation of electricity and natural gas prices

The Decree on the determination of electricity prices for business consumers setting out the mechanism of determining the highest permitted retail price of electricity for business consumers as set out in the Electricity Supply Act (Official Gazette of the Republic of Slovenia, No. 172/21) was published on 29 November 2022. The Decree is used for the contracts on the supply of electricity to business consumers in 2023, concluded from the day of entry into force of this Decree (i.e. 30 November 2022) up to and including 31 December 2023. Even though the consequences of the aforementioned Decree on the business operations of the GEN-I Group in 2023 are not negligible, they are covered in their entirety by the State with the so-called clawback mechanism, i.e. compensation for electricity suppliers.

In addition, the Decree on the determination of electricity prices for micro, small and medium-sized enterprises (MSMEs), applicable from 1 January 2023 to 30 June 2023, was also published in the Official Gazette of the Republic of Slovenia on 30 December 2022. Even though the calculated consequences of the aforementioned Decree on the result of the GEN-I Group for 2023 are not negligible, the State has adopted a so-called clawback mechanism, i.e. compensation for electricity suppliers intended to offset the negative impacts of the aforementioned Decree.

At the end of 2022, the Government also limited the price of electricity for public institutions and municipalities (legal entities governed by public law) with the Decree on the determination of the highest retail price of electricity and natural gas for public institutions, public commercial institutions, public agencies, public funds, and municipalities. According to this Decree, the highest permitted retail price of electricity amounts to EUR 207/MWh (for the higher daily tariff), EUR 148.5/MWh (for the lower daily tariff) and EUR 186 (for the single tariff) without VAT. Even though the calculated consequences of the aforementioned Decree on the result of the GEN-I Group for 2023 are negative, the State has also adopted a so-called clawback mechanism for them, setting out compensation for electricity suppliers intended to offset the negative impacts of the aforementioned Decree.

At the end of 2022, companies GEN-I, d.o.o. and GEN energija d.o.o. have signed an agreement on the purchase of the quantities of electricity that have not yet been purchased for the household consumer segment for 2023, amounting to a little less than 0.9 TWh. Subsequently, the State has adopted the so-called clawback mechanism by setting out the compensation for electricity suppliers, which enabled the companies to transfer the aforementioned quantity of electricity for 2023 at a price offsetting the negative impacts of the Decree on the determination of the highest price of electricity on GEN-I, d.o.o.

Appointment of a new Management Board of GEN-I, d.o.o.

After the end of the one-year period during which GEN-I, d.o.o. was being managed on the basis of the judicial appointment of the Management Board, the two shareholders have confirmed, during the General Assembly of GEN-I, d.o.o., the new Management Board which will remain at the helm of the company for the next five years. Maks Helbl, previously Head of Legal Affairs at GEN-I, d.o.o., was appointed as the President of the Management Board, while Andreja Zupan, previously Head of Trading, and Sandi Kavalič, previously Head of Risk Management, were appointed as Members of the Management Board. Primož Stropnik, representative of GEN energija d.o.o., remains on the Management Board as one of its Members.

11 STATEMENT OF THE MANAGEMENT

The Management Board is confirming the consolidated financial statements of the GEN-I Group for the financial year that ended on 31 December 2022, including notes on the consolidated financial statements.

The Management Board confirms that suitable accounting policies have been used consistently during the preparation of the consolidated financial statements of the GEN-I Group. The accounting estimates have been created pursuant to the principle of precaution and sound governance. The management is responsible for the preparation of the Annual Report so that it presents a true and fair view of the position of the assets and liabilities of the GEN-I Group and its economic outturn for 2022.

The consolidated financial statements and their notes were prepared on the going concern basis of the GEN-I Group as well as in accordance with the applicable legislation and the International Financial Reporting Standards as adopted by the EU.

Primož Stropnik
Member of the Management Board

Maks Helbl
President of the Management Board

Andreja Zupan
Member of the Management Board

Sandi Kavalič
Member of the Management Board

Krško, 24.4.2023

12 INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT

To the owners of GEN-I d.o.o.

Report on the audit of the consolidated financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion

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

Deloitte.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Derivatives and hedging

As of December 31, 2022, the company's assets include the fair value of EUR 161,602 thousand of derivative financial instruments, which are mainly used to manage and hedge market and currency risks.

Key audit matter	*How our audit addressed the key audit matter*
As disclosed in Note 9.3 (C) (v) derivatives are measured at fair value, and changes in fair value are generally recognized in profit or loss. When measuring fair value, management must determine the appropriate methods and models for determining fair value and for hedge accounting. The disclosures are presented in Section 9.7. Financial instruments - fair value and risk management. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use observable inputs. Derivative financial instruments are treated as a key audit matter due to the importance for the financial statements, the importance of assumptions in the calculation of fair value and the complexity of hedge accounting.	As part of our audit procedures, we assessed the adequacy of the 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.

Deloitte.

	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.

Revenues from sales

As can be seen from the separate financial statements – Note 28, in the year ended December 31, 2022, revenues from contracts with customers amounted to EUR 3,900,204 thousand.

Revenues from the sale of services, which mainly include revenues from cross-border transmission capacities and other services related to the trading of electricity and natural gas, amounted to EUR 175,901 thousand in the year ended December 31, 2022.

Key audit matter	How our audit addressed the key audit matter
As disclosed in Note 9.3 (L) (i) of the accounting policies, revenues from contracts with customers are recognized gradually. In a contract for the supply of electricity or natural gas, the seller transfers control gradually, and the buyer simultaneously obtains and consumes the benefits of the seller's obligation when it is performed; the seller thus fulfils its performance obligation and recognizes revenue gradually by measuring according to the output method, namely the method of calculated amounts based on the supplied quantities of electricity or natural gas. Revenues from services rendered are recognized in the income statement based on the stage of completion of the transaction at the end of the reporting period, as explained in Note 9.3 (L) (ii) of the accounting policies. The degree of completion is assessed by reviewing the work performed. Revenues are one of the important indicators of the company's performance. Due to the importance of the item in the financial statements, and the risk related to the	As part of the implementation of audit procedures, we assessed the adequacy of the company's accounting policies regarding the recognition of revenues from services rendered and contracts with customers and their compliance with IFRS, and performed the following audit procedures: - we checked the design and implementation of internal controls related to the recognition of revenues and purchases from the point of view of the adequacy of their recording separately for trading and separately for retail; including the software tools used: - we checked the effectiveness of the identified internal controls, that we assessed to be important from the audit point of view; - on the basis of the selected sample, we checked the adequacy of controls in detail on the electricity and natural gas supply side; - on the basis of purchased and sold quantities and prices of electricity and natural gas for the last three years and on the basis of a high degree of correlation between purchase and sale, we analytically estimated revenues; deviations were explained; - recognized revenues with related parties were reconciled with independent confirmations. We also reviewed the information in the financial statements to assess whether the disclosures

Deloitte.

adequacy of revenue recording, we identified this area as a key audit matter.	regarding revenue from the sale of services are appropriate.

Other matter

We draw your attention to Explanation 32 *Other operating income or expenses* to the separate financial statements, which describes the calculation of potential exposure in the amount of EUR 33,844 thousand, which is prepared in accordance with the explanations of the Committee for the Explanation of International Financial Reporting Standards 23 (OMSRP23). Our opinion is not adjusted for this matter.

Other information

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

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

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

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

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

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

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

Deloitte.

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

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

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

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

Deloitte.

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

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

Report on other legal and regulatory requirements

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

Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Group on General Shareholders' Meeting held on 4 November 2022. Our total uninterrupted engagement has lasted 9 years.

Confirmation to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued on 25. april 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

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

DELOITTE REVIZIJA d.o.o.

Yuri Sidorovich
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 25. april 2023

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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

13 LIST OF DISCLOSURES

gen-i COMPANY

FINANCIAL REPORT OF GEN-I, d.o.o.,
FOR THE YEAR 2022

14 SEPARATE FINANCIAL STATEMENTS

Notes to financial statements are part of the financial statements and should be read in conjunction with the latter.

14.1 Separate financial statement of GEN-I, d.o.o.

ITEM	NOTE	31/12/2022	31/12/2021
Tangible assets	1	7,859,152	8,615,303
Right-of-use assets	2	2,773,287	3,839,942
Intangible assets	3	9,533,501	8,587,127
Participating interests in subsidiaries	4	15,414,039	15,314,311
Participating interests in associates	5	22,551,310	22,551,310
Financial investments	6	346,902	304,531
Trade receivables	7	71,968	81,863
Deferred tax assets	21	266,626	338,354
Non-current assets		**58,816,786**	**59,632,741**
Inventories	8	7,118,957	10,861,587
Trade receivables and other receivables	9	157,970,708	173,678,784
Contract assets	11	71,827,471	48,771,292
Advances and other assets	10	12,459,134	16,312,049
Financial investments	12	55,698,834	22,760,633
Derivatives	13	162,398,866	7,576,892
Income tax receivables	25	8,003,521	0
Cash and cash equivalents	14	54,561,104	129,762,456
Current assets		**530,038,595**	**409,723,693**
Assets		**588,855,381**	**469,356,434**
Share capital	15	19,877,610	19,877,610
Legal reserves	15	1,987,761	1,987,761
Fair value reserve	15	134,877	–331,741
Net profit or loss for the accounting period	15	30,755,420	73,508,964
Retained net profit or loss	15	142,552,859	77,950,345
Equity		**195,308,526**	**172,992,938**
Lease liabilities	17	1,505,632	2,596,788
Operating and other liabilities	18	77,860	82,754
Provisions	19	1,299,709	1,703,724
Accrued income	20	94,966	144,887
Non-current liabilities		**2,978,166**	**4,528,153**
Financial liabilities	16	105,303,425	75,137,512
Lease liabilities	17	1,340,994	1,296,699
Operating liabilities	22	228,970,445	189,739,436
Contract liabilities	23	10,625,749	6,022,292
Other liabilities	24	44,328,075	6,114,453
Income tax liabilities	25	0	13,524,951
Current liabilities		**390,568,688**	**291,835,343**
Contingent liabilities and assets	26	155,294,894	196,061,510
Liabilities		**393,546,855**	**296,363,496**
Total equity and liabilities		**588,855,381**	**469,356,434**

14.2 Separate statement of profit or loss of the company GEN-I, d.o.o.

ITEM	NOTE	2022	2021
Revenues	27	4,297,022,164	3,432,865,483
Cost	28	–4,302,443,532	–3,400,144,147
Other recurring operating income and expenses	27	125,572,576	114,896,410
Gross profit or loss		**120,151,208**	**147,617,746**
Costs of materials	28	–998,956	–629,724
Costs of services	28	–14,653,743	–12,135,399
Labour costs	29	–31,021,711	–43,476,323
Other operating income and expenses	30	–30,319,690	–415,274
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**43,157,107**	**90,961,026**
Amortization and depreciation	31	–4,244,647	–3,322,091
Impairment losses on trade receivables and contract assets	32	–6,381,464	–1,312,867
Earnings before interest and taxes (EBIT)		**32,530,996**	**86,326,068**
Financial income	33	7,942,823	5,656,075
Financial expenses	33	–2,728,184	–2,193,703
Financial result		**5,214,639**	**3,462,372**
Profit before tax		**37,745,635**	**89,788,440**
Taxes	34	6,990,216	16,279,476
Net profit or loss for regular business operations		**30,755,420**	**73,508,964**

14.3 Separate statement of other comprehensive income of the company GEN-I, d.o.o.

COMPREHENSIVE INCOME	2022	2021
Net profit or loss for the accounting period	**30,755,420**	**73,508,964**
Items that are classified or will later be reclassified in profit or loss	**0**	**0**
Changes in fair value of cash flow hedging transferred to the statement of profit or loss	0	0
Deferred tax on comprehensive income	0	0
Actuarial gains (losses) that will later not be reclassified in profit or loss	560,168	101,747
Other comprehensive income of the accounting period, net without tax	**560,168**	**101,747**
Total comprehensive profit or loss for the accounting period	**31,315,588**	**73,610,711**

14.4 Separate cash flow statement for GEN-I, d.o.o.

ITEM	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit or loss for the accounting period	30,755,420	73,510,506
ADJUSTMENTS FOR		
Amortization and depreciation	4,244,647	3,322,091
Value write-downs of tangible assets	24,800	2,534
Impairments, value adjustments and write-downs of trade receivables and contract assets	6,381,464	1,312,867
Losses for sale of property, plant and equipment, intangible assets and investment properties	3,840	0
Non-monetary expenses	560,168	0
Financial income	–7,422,478	–5,656,075
Financial expenses	2,197,762	1,532,871
Income tax	6,990,217	16,277,934
Profit from operating activities prior to changes in net current assets and taxes	**12,980,420**	**16,792,222**
CHANGES IN NET CURRENT ASSETS AND PROVISIONS		
Change in receivables	9,168,169	–89,920,496
Change in inventories	3,742,630	–11,855,559
Change in advances given and other assets	–19,203,264	–27,762,813
Non-monetary income/expenses – non-due	–235,491,057	35,188,049
Cash income/expenses – non-due	96,407,366	–46,483,600
Income from the settlement of derivatives – due	390,439,817	151,417,933
Expenses from the settlement of derivatives – due	–406,178,099	–128,899,528
Change in operating liabilities	30,355,024	118,438,327
Change in advances received and other liabilities	42,817,078	3,204,859
Change in provisions	–404,016	171,597
Change in accrued income	–49,921	18,012
Tax paid on the profits	–28,590,416	–3,586,165
Net cash flow from business activities	**–104,006,270**	**16,722,838**
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	300,480	258,047
Dividends received	6,694,097	5,394,982
Income from the sale of tangible fixed assets and intangible assets	122,497	72,807
Receipts from the reduction in loans granted	29,633,901	23,628,282
Expenses for the purchase of tangible fixed assets and intangible assets	–3,039,022	–3,771,189
Expenses on leased assets	–1,498,427	–921,766
Expenses for the purchase of subsidiaries	–99,728	0
Expenses for the purchase of associated companies	0	–11,275,000
Expenses for the purchase of other financial investments	–42,371	0
Expenses for the increase in loans granted	–61,977,000	–33,285,782
Net cash flow from investments	**–29,905,574**	**–19,899,619**
CASH FLOW FROM FINANCING ACTIVITIES		
Interests paid	–2,390,607	–1,561,640
Expenses for the rights to use leased assets	–75,546	–54,965
Expense for the repayment of non-current loans	0	–2,692
Expense for the repayment of current loans	–1,009,762,916	–519,538,849
Income from current loans received	1,040,184,140	541,373,887
Dividends paid	0	–4,000,000
Net cash flow from financing activities	**27,955,071**	**16,215,741**
Opening balance of cash and cash equivalents	**129,762,456**	**43,212,990**
Net increase in cash and cash equivalents	**–75,201,352**	**86,549,466**
Closing balance in cash and cash equivalents	**54,561,104**	**129,762,456**

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

Changes in 2022

CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES	FAIR VALUE RESERVES	NET PROFIT OR LOSS	RETAINED NET PROFIT OR LOSS	TOTAL EQUITY
Balance as at 31/12 2021	**19,877,610**	**1,987,761**	**-331,742**	**73,508,964**	**77,950,345**	**172,992,938**
TOTAL COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD						
Net profit or loss for the accounting period	0	0	0	30,755,420	0	30,755,420
OTHER COMPREHENSIVE INCOME						
Actuarial gains (losses)	0	0	466,618	0	93,550	560,168
Total other comprehensive income	**0**	**0**	**466,618**	**0**	**93,550**	**560,168**
Entire comprehensive profit or loss for the accounting period	**0**	**0**	**466,618**	**30,755,420**	**93,550**	**31,315,588**
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY						
Distribution of the remaining portion of net profit to other equity components	0	0	0	–73,508,964	73,508,964	0
Transfer to the dividend payment obligation	0	0	0	0	–9,000,000	–9,000,000
Balance as at 31/12 2022	**19,877,610**	**1,987,761**	**134,876**	**30,755,420**	**142,552,859**	**195,308,527**

Changes in 2021

CHANGES IN EQUITY	SHARE CAPITAL	LEGAL RESERVES	FAIR VALUE RESERVES	NET PROFIT OR LOSS	RETAINED NET PROFIT OR LOSS	TOTAL EQUITY
Balance as at 31/12 2020	**19,877,610**	**1,987,761**	**–419,811**	**14,660,230**	**67,276,437**	**103,382,227**
TOTAL COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD						
Net profit or loss for the accounting period	0	0	0	73,508,964	0	73,508,964
OTHER COMPREHENSIVE INCOME						
Actuarial gains (losses)	0	0	88,069	0	13,678	101,747
Total other comprehensive income	**0**	**0**	**88,069**	**0**	**13,678**	**101,747**
Entire comprehensive profit or loss for the accounting period	**0**	**0**	**88,069**	**73,508,964**	**13,678**	**73,610,711**
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY						
Distribution of the remaining portion of net profit to other equity components	**0**	**0**	**0**	**–14,660,230**	**14,660,230**	**0**
Dividends paid	0	0	0	0	–4,000,000	–4,000,000
Balance as at 31/12 2021	**19,877,610**	**1,987,761**	**–331,742**	**73,508,964**	**77,950,345**	**172,992,938**

15 NOTES ON THE SEPARATE FINANCIAL STATEMENTS OF GEN-I, D.O.O.

15.1 Reporting company

The reporting company GEN-I, trgovanje in prodaja električne energije, d.o.o. (hereinafter referred to as the "company") is established in Slovenia, Vrbina 17, SI-8270 Krško.

The core activities of the company include the sale of electricity and natural gas to end consumers, the purchase of electricity from major producers and producers using renewable energy sources and high-efficiency cogeneration plants, the provision of advanced services to business partners and trading with electricity and natural gas.

The financial statements of GEN-I, d.o.o. are prepared for the financial year that ended on 31 December 2022. GEN-I, d.o.o. is the parent company of the GEN-I Group for which consolidated financial statements are prepared. The consolidated annual report for the broadest array within the Group is prepared by the controlling company GEN energija d.o.o., Vrbina 17, which publishes said report at http://www.gen-energija.si/.

15.2 Basis of preparation

(A) DECLARATION OF CONFORMITY

The Management Board of the company has confirmed the financial statements on 24 April 2023.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, the explanations adopted by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union, and pursuant to the provisions of the Companies Act (ZGD-1).

The financial statements have been prepared on the basis of the going concern assumption.

(B) GROUNDS FOR MEASUREMENT

The financial statements have been prepared by considering the original value, with the exception of derivative financial instruments and financial instruments at fair value through profit or loss, in which the fair value is considered.

(C) FUNCTIONAL AND REPORTING CURRENCY

The financial statements have been prepared in EUR, i.e. the functional currency of the company. All accounting information presented in EUR are rounded to one unit. Due to the rounding of value data, insignificant discrepancies may occur in the totals set out in tables. The financial statements represent comparable information according to the previous period.

(D) USE OF ESTIMATES AND EVALUATIONS

In the preparation of financial statements pursuant to the IFRS, the management of the company must provide estimates and assessments which influence the use of accounting policies as well as the demonstrated values of assets, liabilities, income and expenses. Actual results may deviate from these estimates.

The estimates and stated assumptions are constantly verified. Any corrections in the accounting estimates are recognised for the period in which the estimate is corrected, and for all future years which will be affected by the correction.

Estimates and assumptions are mainly connected to:

- the estimation of the useful life of depreciable assets (point 15.3. F.);
- the impairment of assets (point 15.3. I.);
- the identification of lease agreements, as well as the determination of the duration and the discount rate of lease (point 15.3. G.);
- measurement of the allowance for receivables from customers and contractual assets for expected credit losses (point 15.3. I.);
- employee benefits (point 15.3. K.);
- provisions (point 15.3. L.);
- deferred tax receivables (point 15.3. P.);
- contingent liabilities;
- derivatives (point 15.3. D. (v).).

The actual realisation of adverse events within the company due to COVID-19 is negligible. In 2022, however, the energy market has found itself in an unplanned and unimaginably deep energy crisis of global dimensions.

Despite the fact that energy markets are constantly facing certain challenges, the circumstances in this past year were really extreme, which is why trading with energy sources was an extremely complicated task. In the wholesale market, we were able to witness some extreme events such as high price volatility, low liquidity, requirements for high financial coverage in the stock market and, above all, an increase in wholesale prices of all energy sources in Europe. In the past, managing business risks was the most important issue; in 2022, what mattered most was the management of financial, credit and regulatory risks.

GEN-I was able to respond effectively to this new situation in the energy markets, thanks to our in-depth knowledge of markets and the constant progress in the field of optimising analytical support. The synergies of our globally diversified portfolio, product differences, and the expansion of the range of energy sources in our portfolio also contributed to our viability. This is also extremely important from the point of view of dispersing and minimising business risks with the purpose of protecting our portfolio, particularly during a period market by a volatile market situation.

In order to reduce the consequences of the energy crisis and its influence on the business transactions of GEN-I, d.o.o., we have also introduced resilience and process reinforcement initiatives, which allow us to strategically address challenges and develop support environments which enable us excellent business operation despite the emergency situation. We have been extremely successful in implementing the Resilience and process reinforcement initiative, which is also demonstrated by the business results of GEN-I.

In 2022, the company achieved good business success.

Examination of the going concern assumption

This is the basic presumption based on which the company is preparing its financial statements. Since the operations of the company were uninterrupted, there is no intention or need for the company to reduce or stop its business operations in the future. Since there is no operating organisation risk, the company uses the provisions of all accounting standards in order to measure assets and liabilities. The amounts of tangible and intangible assets in its financial statements are presented at their carrying amount, since the company plans to use them during their useful life and has no intention of selling them.

Liquidity risk

The COVID-19 pandemic had no effect on the liquidity risk of the company. However, the entire 2022 was marked by an important increase in the price levels of energy sources on the market as well as by the volatility of product prices. As a consequence, liquidity risks were also significantly higher than in the previous years. Due to a high capital adequacy of GEN-I and larger cash reserves, the liquidity risks were successfully limited by increasing certain existing credit lines and concluding some additional credit lines.

Otherwise, the company is managing its resources and investments in a manner which allows it to comply with its due liabilities at any time. The company plans cash flows on a daily basis and also implements a regular liquidity management policy which has been confirmed by the management. At the same time, the company has also prepared measures for the potential prevention or elimination of causes for insolvency.

Impairment of non-financial and financial assets

At the end of 2022, the company has examined its needs for additional impairment of assets. An additional impairment of receivables and contractual assets has been recognised compared to the previous year. Otherwise, no major impacts of a smaller recovery of receivables were detected; some consumers, however, requested a payment deferral. No significant risk changes were detected. The reason may be the good diversification of the portfolio of our customers who also have solid credit ratings and, of course, COVID-19 laws which significantly helped companies to overcome their financial challenges in light of the consequences of the pandemic. Due to the aforementioned reasons, we believe that 2022 is not a representative year when it comes to nonpayment, and that the real impact of the crisis to the payment dynamic will only reveal itself after State aid is discontinued.

Net realisable value of inventories

The company evaluates inventories at fair value which is equal to market value at the cut-off date, less the cost of sales. Therefore, the company has no reason for the impairment of the value of inventories.

Maturity of liabilities due to non-fulfilment of financial obligations in loan contracts

The company regularly monitors financial obligations set out in loan contracts. Failure to comply with indicators at the balance cut-off date could provoke a change in the provisions of the contract, such as a change of repayment or a change of the interest rate. The COVID-19 pandemic and the energy crisis did not cause the company to fail to comply with its financial liabilities in 2022, which is why no agreements about any changes in financial liabilities or exemptions from said liabilities were adopted. There is no impact on the financial situation of the company, its efficiency or its cash flow.

Repayment of State aid and recognition of income related to State aid

The company did not use State aid. Therefore, no risk related to the repayment of State aid exists.

15.3 Significant accounting policies

GEN-I, d.o.o. constantly used the accounting policies set out below for all periods presented in the attached financial statements.

(A) FOREIGN CURRENCY TRANSLATION

Business transactions expressed in foreign currencies are calculated to the functional currency of the company at the exchange rates at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are calculated to the functional currency at the exchange rates at the date of reporting. Non-monetary assets and liabilities expressed in foreign currencies and measured according to their fair value are calculated to the functional currency at the exchange rate at the date of determination of said fair value. Non-monetary items measured at original value in a foreign currency are calculated at the exchange rate at the date of the transaction. Exchange rate differences are recognised in the income statement and disclosed among financial expenses.

(B) INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are calculated at purchase value in the financial statements of the company. The company recognises financial income from financial investments in the amount acquired during distribution of accumulated profits of the company occurred after the date on which the financial investment in question was acquired.

If an investment must be impaired due to internal or external signs, the amount of impairment losses is measured as the difference between the carrying value of the investment and its recoverable value. Pursuant to IAS 36, recoverable value is the value in use or the fair value less the costs of sale, whichever is higher. Techniques set out in IAS 36 in connection with IFRS 13 are used when evaluating the value.

(C) INVESTMENT IN ASSOCIATED COMPANIES

Investments in subsidiaries are recognised at purchase value. If an investment must be impaired due to internal or external signs, the amount of impairment losses is measured as the difference between the carrying value of the investment and its recoverable value. Pursuant to IAS 36, recoverable value is the value in use or the fair value less the costs of sale, whichever is higher. The techniques set out in IAS 36 in connection with IFRS 13 are used when evaluating the value.

(D) FINANCIAL INSTRUMENTS

(i) Recognition and initial measurement

At the beginning, receivables from customers, loans and deposits are recognised on the date of creation. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets (with the exception of receivables from customers which do not have an important component of financing) and financial liabilities are initially measured according to their fair value; for items which are not measured at fair value through profit or loss, said fair value is added to the costs of the business transaction occurring immediately upon acquisition or issuance. Receivables from customers which do not have an important component of financing are initially measured at the price of trade.

(ii) Classification and subsequent measurement of financial investments – guidance

Upon initial recognition, financial instruments are classified into one of the following groups: financial assets measured at amortised costs, financial assets measured at fair value through other comprehensive income (hereinafter referred to as "PVIVD") – investment in debt securities, PVIVD – investments in capital instruments, or at fair value through the statement of profit or loss (hereinafter referred to as "PVIPI").

After initial recognition, the financial investments are not reclassified, unless the company changes the business model for the management of financial investments. In this case, all financial investments affected by the change are reclassified on the first day of the reporting period after the change.

A financial asset is measured at amortised cost if it is not defined as a financial asset at PVIPI and if both of the following conditions are complied with:

- the financial asset is owned in the framework of the business model, the objective of which is to own financial assets with the purpose of receiving contractual cash flows;
- pursuant to the contractual conditions of the financial assets, cash flows which are only limited to the repayment of principal and interest for the outstanding principal amount occur.

Upon the initial recognition of an investment in equity instrument which is not held for trading, the company can irrevocably decide to disclose any subsequent changes in the fair value of the investment in other comprehensive income. This decision is adopted for each individual investment.

All financial assets that are not determined as measured at amortised cost or PVIVD, as set out hereinabove, are measured at PVIPI. This includes all derivative financial assets (see explanation 2.6). For a financial asset which otherwise complies with the conditions for the measurement at amortised cost or PVIVD, the company can decide, upon initial recognition, to irrevocably classify it as measured at PVIPI, if this eliminates or significantly reduces the accounting mismatch which would otherwise occur.

Financial assets – evaluation of the business model: guidelines

The company evaluates an objective of the business model according to which a financial asset is managed at the level of the portfolio, since this best reflects the manner in which business is conducted and in which information is provided to the management. The following information was taken into consideration:

- the defined policies and objectives of the portfolio and the practical implementation of these policies, including whether the strategy of the management focuses on creating income from contractual interest, the maintenance of a certain profile of interest rates, the consolidation of the duration of financial assets with the duration of the liabilities related to them or expected cash outflows or the creation of cash flows through sale of assets;
- the method of evaluating the success of the portfolio and the method of reporting about it to the management of the company;
- the risks influencing the success of the business model (and financial assets managed pursuant to said business model) as well as the method for managing those risks;
- the method of determining the compensation of management personnel responsible for those transactions (e.g. whether compensation is based on the fair value of the managed assets or the scope of the contractual cash flows received);
- the frequency, value and time of sales of the financial assets in previous periods, the reasons for those sales as well as any expectations related to future sales activities.

Transfers of financial assets to third parties in transactions that do not comply with the conditions for the derecognition are not considered as sales for this purpose and are, therefore, still recognised by the company.

The financial assets held for trading or managed, the profitability of which is evaluated based on fair value, are measured at PVIPI.

Financial assets – evaluation of whether the contractual cash flows are only the repayments of principal and interest: guidelines

For the purpose of this evaluation, the principal is defined as the fair value of a financial asset upon initial recognition. Interests consist of a consideration for the time value of money, the credit risk related to the outstanding principal amount in a specified period, and other basic risks and costs related to lending (e.g. liquidity risk and risk related to administrative costs) as well as the profit margin.

When evaluating whether the contractual cash flows are only the repayments of principal and interest, the company considers the contractual provisions of the instrument. This also includes the evaluation of whether a financial asset contains a contractual provision which could change the time and amount of contractual cash flows in order for it to no longer comply with this condition. When preparing this evaluation, the company considers the following elements:

- conditional events which would change the amount and time of cash flows;
- the provisions which could cause the contractual coupon rate to change, including the elements of variable interest rates;
- the pre-payment and the renewal conditions;
- the provisions limiting the receivables of the company for financial flows from certain assets (e.g. provisions stating that, in the event of non-payment, a financial asset may only be repaid with the collateral with which it is secured).

The element of early repayment is compliant with the condition that contractual cash flows must only be repayments of principal and interest, if the amount of early repayment mainly represents unpaid principal amounts and interest for the outstanding principal amount, which may also include reasonable additional compensation for an early termination of the contract. In addition, for financial assets obtained with a discount or premium in terms of the nominal contractual amount, it is considered that the element allowing or requesting early payment in the amount which mainly represents the nominal contractual amount and accrued (yet unpaid) contractual interest (which may also include reasonable additional compensation for an early termination of the contract) complies with this condition if the fair value of the element of early repayment upon initial recognition is negligible.

Financial assets – Subsequent measurement and gains and losses: guidelines

Financial assets measured at fair value through the statement of profit or loss

Those assets are later measured at fair value. Net gains and losses, including any income from interest or dividends, are recognised in the statement of profit or loss. However, see point (v) of the explanation b) for the derivatives which are set out as hedging instruments.

Financial assets measured at amortised cost

Those assets are later measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses. Interest income, positive and negative exchange rates differences and losses and impairments are recognised in the statement of profit or loss. Any gains and losses upon derecognition are recognised in the statement of profit or loss.

Investments in debt securities, measured at fair value through other comprehensive income

Those assets are later measured at fair value. Income from interest calculated according to the effective interest method, positive and negative exchange rates differences and losses due to impairments are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. Gains and losses recognised in other comprehensive income are transferred to the statement of profit or loss upon derecognition.

Investments in capital instruments, measured at fair value through other comprehensive income

Those assets are later measured at fair value. Dividends are recognised as income in the statement of profit or loss unless a dividend obviously represents a repayment of a part of the purchase value of an investment. Other net gains and losses are recognised in other comprehensive income and are never transferred to the statement of profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or at PVIPI. 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 determined as such upon initial recognition. Financial liabilities measured at PVIPI are measured at fair value, while net gains and losses, including any interest expenses, are recognised in the statement of profit or loss. Other financial liabilities are later measured at amortised cost using the effective interest method. Interest expenses and positive and negative foreign exchange rate differences are recognised in the statement of profit or loss. Any gains and losses upon derecognition are also recognised in the statement of profit or loss.

See point (v) of the explanation b) for financial liabilities set out as hedging instruments.

(iii) Derecognition

Financial assets

The company derecognises a financial asset when contractual rights to cash flows from this asset expire or when the company transfers the rights to contractual cash flows from a financial asset based on a transaction in which nearly all risks and benefits from the ownership of a financial asset are transferred, or in which the company neither transfers nor retains nearly all risks and benefits arising from ownership and also does not retain control of the financial asset.

The company concludes business transactions in which it transfers assets recognised in the statement of financial position, but it retains all or nearly all risks and benefits from the financial asset. In this case, transferred assets are not derecognised.

Financial liabilities

The company derecognises financial liabilities when liabilities set out in contracts are discharged or cancelled or expire. In addition, the company also derecognises a financial liability when its conditions change and when the cash flows of the changed liability have changed significantly, whereby it recognises the new financial liability at fair value based on those changed conditions.

Upon derecognition of a financial liability, the difference between the carrying amount of the ceased financial liability and the paid compensation (including all transferred non-monetary assets or assumed liabilities) is recognised in the statement of profit or loss.

(iv) Offset

Financial assets and liabilities are offset, and the amount is recognised in the statement of financial position, if and only if the company has a legally enforceable right to offset the recognised amounts and plans to either settle the net amount or cash the asset while also settling its liability.

(v) Derivatives and calculation of hedging

For hedging in terms of market risks due to the change in prices of electricity and natural gas, the company uses forward agreements and various trading financial instruments. For hedging in terms of currency risks, the Group mainly uses forward currency transactions.

The company uses non-standard forward agreements, i.e. the agreements on the purchase or sale of the selected underlying instrument with the time limit in the future according to the price set out upon the conclusion of a contract, both for hedging in terms of market risks due to the prices of electricity and gas, and for hedging in terms of currency risks. The prices of forward transactions are set out based on the underlying financial instrument. Upon conclusion, the value of the contract equals zero since the strike price (the agreed-upon clearing price) is the same as the forward price. Without considering the costs of delivery, the value of a non-standard forward agreement upon its maturity is the same as the difference between the current price of the underlying instrument upon maturity and the contractual forward price or the agreed-upon clearing price. During the duration of the contract, the forward price changes depending on the fluctuation of current market prices and the residual maturity of the forward agreement.

Standard forward agreements are binding agreements on the purchase or sale of a standard quantity of a specific, precisely described instrument of a standard quality on a standardised day in the future (standard specifications) according to the price agreed-upon in the present. Standardisation is the sine qua non for stock market trading. The main advantage of standardisation is the minimised transaction costs of trading. Therefore, buyers and sellers do not have to discuss each individual element of every contract every time they conclude a business transaction, since they must only discuss the price of each individual forward agreement. Transactions are concluded with no physical presence of goods. A standard forward agreement only enters into force when it is registered with a clearing (settlement) house. Due to stock market trading, such an agreement is freely transferable, while its liquidity is conditioned upon the scope of stock market trading, while non-standard forward agreements are illiquid since it is practically impossible to achieve an exchange. When it comes to trading with forward agreements, be it for purchase or sale, a security coverage must be deposited with the clearing house. Said security coverage consists of initial coverage and a variation margin.

Derivatives also include option agreements which are classified by the company upon initial recognition into the group of financial assets or financial liabilities at fair value through profit or loss. The fair value is defined as the price received for the sale of the asset or paid for the transfer of the liability in a regular transaction between market participants on the date of measurement. If the transaction price is not the same as fair value on the date of measurement, the difference in market assets is recognised in the statement of profit or loss.

Agreements on the purchase or sale of a non-financial asset (such as goods) which can be settled net (in cash or by exchanging financial instruments) fall within the scope of application of IFRS 9 and are calculated at fair value, unless they were concluded and are still owned for the purpose of receipt or delivery of a non-financial asset in accordance with the company's expected purchase, sale or usage requirements – the so-called exemption based on own use (IFRS 9.2.4). Purchase agreements which fall within the scope of application of IFRS 9 are considered as derivatives and are valued at their market value through the statement of profit or loss unless the management is able to opt for the calculation of hedging and does so.

Agreements based on which physical delivery of goods is performed and for which the company has no net settlement practice and which are not concluded for trading, speculative purposes or hedging, are calculated as ordinary purchase or sale agreements, i.e. unrecognised unfulfilled agreements. Contracts based on which physical delivery of goods is performed and for which the company has a net settlement practice and which also have other purposes in addition to the supply or purchase of electricity or natural gas itself are considered as derivatives and measured at fair value through the statement of profit or loss.

At the beginning, derivatives are measured at fair value. Upon initial recognition, derivatives are measured at fair value, while any changes in said fair value are, as a rule, recognised in the statement of profit or loss.

Financial investments or financial liabilities measured at fair value through the statement of profit or loss are measured again at fair value at least once a year, during the preparation of annual financial statements. Gains or losses arising from any change in fair value are recognised in the statement of profit or loss.

The company performs fair value adjustments for all non-due derivatives with physical delivery of electricity and gas, concluded bilaterally (OTC – over-the-counter) with partners, for the credit risk of default (CVA – Credit Valuation Adjustment). More specifically, the net exposure from derivatives is measured at the level of each individual partner, and then those positions are considered in the simulation of credit risks at the level of the entire portfolio. All input data for the calculation considered are obtained in the market and are independent.

CVA depends on:

- Expected future exposure (EAD – Exposure At Default), which mainly represents the net fair value of all derivatives in relation to each individual partner, calculated on the basis of market prices (Level 1).
- Term structure of the probability of default (PD – Probability of Default), annually obtained by the company from an external international provider due to the lack of CDS (Credit Default Swaps) quotations.
- Loss Given Default (LGD), which is based on the evaluation of credit rating agencies for a specific energy sector.

The CVA amount represents the appropriately evaluated market value of the insurance measure necessary for hedging in terms of credit risk of the other party in OCT portfolios of derivatives of the company.

Calculation of hedging

The company complies with the requirements related to the calculation of hedging in hedging in terms of market risks related to changes in prices of electricity and natural gas, pursuant to IFRS 9.

At the beginning of certain hedging relationships, the company documents the risk management objective and the hedging implementation strategy. The company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and the hedging instrument are expected to be mutually offset.

At the beginning of the hedging relationships and periodically after that, the company evaluates whether the hedging relationship complies with the requirements related to the calculation of hedging. This evaluation is related to expectations and is therefore only focused on the future. The hedging relationship only complies with the conditions for the calculation of hedging if all of the following criteria are complied with:

- there is an economic relationship established between the hedged item and the hedging instrument;
- the impact of credit risk does not prevail in the event of a change of value which is the consequence of the aforementioned economic relationship;
- the hedge ratio in the hedging relationship is the same as the ratio arising from the scope of the hedged item which is actually hedged by the company and the scope of the hedging instrument which is actually used by the company for hedging the aforementioned scope of the hedged item.

At each reporting date, the company measures the inefficiency of hedging, i.e. the scope in which any changes in fair value or cash flows of the hedging instrument are more or less important than the changes in the hedged item. Said inefficiency is measured as the difference between the change in the publicly announced price (stock exchange) between the hedging instrument and the hedged item. Pursuant to the hedging policy of GEN-I, d.o.o., the inefficient part represents the discrepancy between the change in the price of the hedged item and the hedging instrument.

Fair value hedging

The company calculates fair value hedging in terms of a price change for standard and non-standard forward agreements by immediately recognising any changes in fair value of the derivative in the statement of profit or loss. Any gains or losses for hedged items that can be attributed to hedging are corrected to the carrying value of the hedged item and recognised in the statement of profit or loss. If an unrecognised firm commitment is defined as a hedged item, any subsequent cumulative changes in fair value of said firm commitment which can be attributed to a hedged risk is recognised as an asset or liability with appropriate gains or losses which is recognised in the profit or loss statement. The initial carrying amount of an asset or liability arising from the fulfilment of a firm commitment by the company is corrected by including the cumulative change in fair value of the firm commitment which can be attributed to the hedging previously recognised in the statement of financial position.

(E) SHARE CAPITAL

The share capital is the called-up capital of the shareholders. The entire capital of the company consists of the called-up capital, legal reserves, fair value reserves, the translation reserve and retained net profit or loss.

(F) TANGIBLE ASSETS

(i) Recognition and measurement

Tangible assets are disclosed according to their purchase value less any accumulated amortisation and any accumulated impairment losses.

The purchase value includes costs which can be directly attributed to the acquisition of each individual asset. Costs in terms of self-constructed item contain the costs of materials, direct labour costs, other costs which can be directly attributed to bringing the asset to its working condition, decommissioning and disposal costs, the costs of renovating the space in which tangible assets are located, and capitalised borrowing costs. The purchased computer software which importantly contributes to the functionality of assets must be capitalised as part of said software.

Parts of tangible assets with various useful lives are calculated as individual tangible assets.

(ii) Later costs

The costs of the replacement of a certain part of the tangible asset are recognised according to the carrying amount of this asset, if it is likely that future economic benefits related to this part of the asset will increase, and if its purchase value can be measured in a reliable manner. All other costs (e.g. the costs of daily maintenance) are recognised as expenses in profit or loss as soon as they arise.

(iii) Spare parts

Spare parts and servicing equipment of lesser value with a useful life of up to one year are carried as inventory and recognised as expenses in profit or loss. Spare parts and servicing equipment of noteworthy value with the expected useful life of more than one year are recognised as tangible assets.

(iv) Depreciation

The depreciation is calculated according to the straight-line method by taking into consideration the useful life of each individual part of a tangible asset; this method most accurately reflects the expected pattern of use of the asset. Leased assets are depreciated by taking into consideration the duration of the lease and its useful life. Plots of land are not depreciated.

The evaluated 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 foreign tangible assets are depreciated during the duration of the lease (1 to 10 years).

At the end of every reporting period, depreciation methods, useful lives and residual values are examined and adjusted, if necessary. The evaluations of the useful life of plant and equipment were not adjusted during the financial year.

(G) RIGHT-OF-USE ASSETS

Pursuant to IFRS 16, the lessee recognises the right-of-use assets and liability from lease. The right-of-use assets is treated in a similar vein as other non-financial assets and is also depreciated pursuant to this. Initially, the liability from the lease is calculated according to the current value of leases paid during the lease period, discounted according to the implicit interest rate if it can be determined immediately. If said interest rate cannot be determined immediately, the lessee must use the presumed interest rate for borrowing. The lessor defines the lease as a business or financial lease according to its nature. The lease is classified as a financial lease if nearly all risks and benefits which are connected with the ownership of the asset are transferred with the lease. Failing that, the lease is classified as a business lease. In the event of a financial lease, the lessor recognises the financial revenues in the lease period based on a pattern which reflects the constant periodic rate of return on net investment. Payments from business lease are recognised by the lessor as income based on the straight-line method or, if the pattern reflects the previously reduced benefits from the use of said asset, another systematic method.

The company examines and analyses concluded lease contract with the duration of more than one year. Based on the costs of lease and the duration of the lease agreements, it evaluates the value of the right-of-use assets and liabilities from lease and recognises them in the statement of financial position. The right-of-use assets and liabilities from lease are evaluated based on the discounting of future cash flows for the duration of the lease. Cash flows are discounted using interest rates realised by the company in the financing of non-current loans and fluctuate between 1.7% and 2.8%. The costs of depreciation are calculated using depreciation rates evaluated on the basis of the remaining term of the leases.

The company uses a single approach for the recognition and measurement of all leases, with the exception of current leases and low-value leases amounting to less than USD 5,000. Leases for low-value leases and current leases are disclosed by the company as the cost of the period to which said lease is related.

(H) INTANGIBLE ASSETS

(i) Capitalised development costs

The costs of development are the consequence of transferring the findings of research or knowledge into a plan or project for manufacturing new or significantly improved products or services before they begin being manufactured or performed for sale.

The company capitalises development costs if the following conditions are complied with:

- the feasibility of a professional completion of a project in order to make it available for use or sale;
- the purpose of finishing a project and use or sale it;
- the ability to use or dispose of the project;
- the probability of economic benefits of the project, including the existence of the market for the effects of the project or for the project itself or, if the project is used in the company, its usefulness;
- the availability of technical, financial and other factors in order to complete the development and the use or sale of the project;
- the capacity of reliably measuring the costs which are attributed to the intangible asset while it is being developed.

Capitalised development costs include direct labour costs and other costs which can be directly attributed to the bringing of asset to its working condition.

The company must evaluate the useful life of the new product; pursuant to this evaluation, the costs of development must be thoughtfully allocated within this useful life in order to have it comply with the emergence of economic benefits.

Other intangible assets

Other intangible assets with limited useful lives acquired within the company are carried at cost less any accumulated amortisation and any accumulated impairment losses.

(ii) Later costs

Subsequent expenditures related to intangible assets are capitalised only when they increase future economic benefits arising from the asset to which the expenditures relate. All other costs are recognised as expenses in profit or loss as soon as they arise.

(iii) Depreciation

Depreciation is calculated from the purchase value of the asset or another amount standing in for the purchase value.

Depreciation is recognised in the operating result according to the straight-line method while taking into consideration the useful life of intangible assets (with the exception of goodwill), and it starts when assets are available to be used; this method most accurately reflects the expected sample of use of future economic benefits related to the asset. The evaluated useful life for the current and comparative year is as follows:

- software: 5-10 years.

Other intangible assets, such as licences for trading and sale, are depreciated according to the value of the licence issued.

At the end of every financial year, depreciation methods, useful lives and other values are examined and adjusted if necessary.

(I) IMPAIRMENT OF ASSETS

(i) Non-derivative financial assets

Financial instruments and contractual assets

The company recognises value adjustments due to expected credit losses for:

- inancial assets measured at amortised cost;
- contractual assets.

The company measures value adjustments for loss according to the amount equal to expected credit losses for the entire duration, i.e. expected credit losses arising from all possible default events in the expected period of the duration of the financial instrument. The longest period considered in the assessment of expected credit losses is the longest contractual period during which the company is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are probability-weighed expected credit losses. Credit losses are measured as the current value of all cash shortfalls (i.e. the difference between cash flows of the company pursuant to the agreement and the cash flows that the company expects to receive).

Expected credit losses are discounted based on the effective interest rate of a financial asset.

The company measures expected credit losses arising from receivables from customers and contractual asses based on the value adjustment matrix.

Degrees of losses are calculated using the method of transition rate between credit classes based on the probability that a receivable will advance through successive default phases until write-off. The degrees of transition between credit classes are calculated separately for exposures in different segments based on common characteristics of the credit risk – type of customer (retail B2B, retail B2C and trading).

The exposure to credit risk is evaluated by the company based on the insurance of receivables and based on data and information forecasting the risk of loss (financial information about buyers and their financial statements, available information published in the media, previous business relationships with them and future-oriented information).

Expected credit losses arising from receivables from customers and contractual assets are calculated for all open receivables and contractual assets which are past due by up to 90 days, based on suitable degrees of loss for various time slots.

Impairment of the value of receivables from customers and contractual assets are recognised in the amount of 90% of the value of receivables from customers and contractual assets which are past due by 90 days or more.

Credit-impaired financial assets

At each reporting date, the company evaluates whether financial assets disclosed at amortised cost are credit-impaired. A financial asset is credit-impaired if one or several events with a negative impact on the evaluated future cash flows of said financial asset have occurred.

Evidence that a financial asset is credit-impaired include data on the following circumstances:

- important financial issues of the borrower or issuer;
- breach of the contract, such as nonpayment or a default in payment of over 90 days;
- reprogrammed loan or early repayment by the company pursuant to conditions that would otherwise not have been accepted by the company;
- probability that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of a functioning securities market due to financial issues.

Recognising a value adjustment for expected credit losses in the statement of profit or loss

Adjustments of the value of financial assets measured at amortised cost are subtracted from the gross carrying amount of financial assets.

Value write-downs

The gross carrying amount of a financial asset is written off when the company justifiably expects that a financial asset will not be reimbursed to the company, either in whole or in part, i.e. in the event of a final court decision about concluded bankruptcy proceedings, concluded arrangement procedure or concluded enforcement procedure as well as in the event of financial assets for which the company expects no repayment. However, the financial assets that have been written off can still be subject to recovery activities pursuant to the processes applicable within the company for the recovery of receivables.

(ii) Cash assets, cash equivalents and other financial investments

Expected credit losses for other financial assets are measured based on the credit rating of the country in which said financial assets are placed.

(iii) Non-financial assets

At each reporting date, the company examines the remaining carrying amount of non-financial assets (except deferred tax receivables) in order to find out whether any impairment indicators exist. If such indicators exist, the recoverable amount of the asset is determined. The impairment of goodwill and intangible assets with an unlimited useful life which are not available for use yet is examined on each reporting date.

The recoverable amount of the asset or the cash-generating unit is either its value in use or its fair value less the costs of sale, whichever is higher. In determining the value of the asset in use, the estimated future cash flows are discounted to their current value using the discount rate before tax, which reflects the current market evaluations of the time value of money and the risks which are characteristic of the asset. In order to test impairment, assets are combined in the smallest groups of assets which create cash flows.

The impairment of an asset or a cash-generating unit is disclosed if its carrying amount exceeds its recoverable amount. The impairment is recognised in the statement of profit or loss.

When it comes to other assets, the company evaluates losses due to impairments in the previous periods at the date of the balance sheet in order to find out whether losses were reduced or no longer exist. Losses due to impairment are eliminated if the evaluations based on which the company determines the recoverable amount of an asset have changed. Losses due to impairment are only eliminated up to the point where the carrying amount of an asset does not exceed the residual value which would be discovered after the deduction of depreciation if the loss due to the impairment of the asset were not recognised in the previous years.

(J) INVENTORIES

Inventories of merchandise and materials are evaluated according to their purchasing value or net realisable value, whichever is lower. However, an exception applies for the evaluation of value for broker traders, where it is more appropriate to evaluate it at fair value less the costs of sale. The management evaluates that criteria for the aforementioned exception are complied with.

The fair value is the market price on the date of entry into inventories. On the date of preparation of the statement of financial position of the company, the inventories are revalued according to the then-applicable market value less the costs of sale. All deviations (positive and negative) between the so-calculated fair value at the balance cut-off date and the carrying amount are included in the statement of profit or loss.

(K) EMPLOYEE BENEFITS

Short-term employee benefits are recognised as expenses when the work in question has been performed. A liability is disclosed in the amount for which payment is expected, if the company has a current legal or indirect obligation for such payment due to the fact that an employee previously performed work, and if it is possible to reliably evaluate the liability.

(L) PROVISIONS

Provisions are recognised if the company has legal or indirect obligations, which can be measured in a reliable manner, due to a previous event, and if it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows pre-tax, which reflects the current market evaluations of the time value of money and, if necessary, the risks that are specific to the obligation in question.

Provisions for severance pays upon retirement and jubilee awards

Pursuant to legal regulations, the Collective Agreement and the internal rules, the company must pay jubilee awards and severance pay upon retirement to its employees, for which non-current provisions have been formed. The company has no other pension liabilities. The provisions formed amount to the estimated future payments of severance pays upon retirement and jubilee awards, discounted at the end of the reporting period.

In 2022, the company formed non-current provisions for jubilee awards and severance pay upon retirement as the current value of future payments necessary for the settlement of obligations arising from employees' employment in the current and previous periods, by taking into consideration the costs of severance pay upon retirement and the costs of all expected jubilee awards until the date of retirement. Based on the published yield of high-quality corporate bonds nominated in EUR as at 31 December 2022, the discount rate for the calculation as at 31 December 2022 amounts to 3.7%.

Labour costs and interest costs are recognised in the statement of profit or loss, while the recalculation of post-employment benefits and unrealised actuarial gains or losses arising from severance pay upon retirement is recognised as a capital item in other comprehensive income.

(M) INCOME

(i) Income from contracts concluded with customers

The company recognises income from core business activities gradually. In an agreement on the purchase of electricity or natural gas, the seller gradually transfers control, while the buyer simultaneously obtains and uses the benefits of the implementation of the obligation of the seller as it is being implemented; in doing so, the seller fulfils its performance obligation and recognises income gradually, through the measurement of progress towards a complete fulfilment of the performance obligation of the supply of electricity or natural gas according to the output method, i.e. according to the method of calculated amounts based on the supplied quantities of electricity or natural gas. The same method is used for the sale of small power plants and services.

The company generates by far the most revenue with trading, while a smaller (yet important) part is the sale of electricity or natural gas to end customers. In addition, the company also generates income through some other sources which are negligible in the revenue structure.

The company recognises revenue when the company complies with its performance obligation with the transfer of the promised goods or services, i.e. the supply of electricity and gas, or when the buyer obtains control over said asset. When determining the transaction price, the company complies with the conditions set out in the contract. The transaction price is the amount of compensation to which the company expects to be entitled in exchange for the transfer of electricity and natural gas to the buyer, with the exception of amounts that are being collected on behalf of third parties. The compensation set out in the contract concluded with the buyer includes fixed amounts of the supplied quantities of electricity and gas in the field of trading and supply to end customers.

For the energy supplied to buyers in the current period which will be invoiced to buyers at the beginning of the next period, the company recognises contractual assets amounting to the evaluated value of the energy (electricity or natural gas) supplied. The amount is evaluated based on the concluded contracts and information about the energy supplied to each individual buyer.

The amounts invoiced to end buyers, which substantially represent the amounts collected in the name and on behalf of third parties, are not recognised as income.

Revenue from services rendered

Revenue from services rendered is recognised in the statement of profit or loss in terms of the degree of completion of the transaction at the end of the reporting period. The degree of completion is evaluated with a survey of work performed.

(ii) Commissions

If the company acts as an intermediary and not as the main party in a transaction, revenue is recognised in the amount of the net amount of the commission of the company.

(iii) Income from rent

Income from rent is recognised as income on a straight-line basis over the lease term.

(N) GOVERNMENT GRANTS

Government grants related to assets are initially recognised as deferred income if there is reasonable assurance that the company will receive grants and comply with the related conditions. Later, during the useful life of each individual asset, they are systematically recognised among other profit in the statement of profit or loss.

Government grants received by the company to cover costs are systematically recognised in the statement of profit or loss for the periods in which said costs are incurred.

The guidance of the company for the recognition and measurement of State aid related to the additional measures intended to mitigate the consequences of the COVID-19 pandemic dictates the recording of impacts based on the net principle, which means the reduction of labour costs.

(O) FINANCIAL INCOME AND EXPENSES

Financial income encompasses income from dividends from shares in subsidiaries and associated companies, income from interest, net profit from financial assets measured at fair value through the statement of profit or loss, and exchange rate gains. Income from interest is recognised as it is incurred at the contractual interest rate.

Income from dividends is recognised in the statement of profit or loss on the date when the company obtains the right to payment.

Financial expenses encompass expenses for interest, net loss from financial assets measured at fair value through the statement of profit or loss, and exchange rate losses. Expenses from interest are recognised in the income statement at the contractual interest rate.

(P) INCOME TAX

Income tax consists of current tax and deferred tax. Income tax is recognised in the income statement, except for the scope related to business combinations or items which are disclosed directly in the capital, which is why it is disclosed in capital or other comprehensive income.

Current tax is the tax expected to be paid from the taxable profit of the business year, with the use of tax rates established at the end of the reporting period, and potential adjustment to the tax liabilities in correlation with the previous financial years.

Deferred tax is disclosed by taking into consideration the temporary differences between the carrying amount of assets and liabilities for the needs of accounting reporting, and suitable sums for the needs of tax reporting. Deferred tax is disclosed in the amount expected to be paid at the elimination of temporary differences based on laws applicable at the end of the reporting period.

The company offsets deferred tax receivables and liabilities if it has a legally enforceable right to do so and if deferred tax receivables and liabilities are related to income tax belonging to the same tax authority in relation to the same taxable entity or different taxable entities that intend to pay or receive the net amount or settle their liabilities and eliminate receivables.

The deferred tax receivable is recognised in the scope in which it is possible that further taxable profits against which the deferred receivable can be utilised in the future are available. Deferred tax receivables are reduced for the amount for which it is no longer possible that a tax deduction related to it could be utilised.

.SEGMENT REPORTING

A business segment is a component of the company performing business activities from which it receives income and which generate costs related to transactions with other companies of the Group.

Since the financial report encompasses financial statements and accompanying notes of both the Group and the company, only the business segments of the Group are disclosed.

(Q) ENTRY INTO SERVICE OF NEW AMENDMENTS TO EXISTING STANDARDS APPLICABLE FOR THE CURRENT REPORTING PERIOD

The following amendments of existing standards and new notes issued by the International Accounting Standards Board (IASB) and adopted by the EU apply for the current reporting period:

- **Amendments to IAS 16 – Property, Plant and Equipment** – Profit Before Intended Use, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022).
- **Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets** – Onerous contracts – Costs of fulfilling a contract, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022).
- **Amendments to IFRS 3 – Business Combinations** – References to the Conceptual Framework in IFRS 3, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022).
- **Amendments to various standards due to improvements to IFRSs (2018-2020 cycle)** arising from the annual project for IFRS improvement (IFRS 1, IFRS 9, IFRS 16 and IFRS 41), primarily with a view of eliminating non-compliance and interpreting the text, adopted by the EU on 28 June 2021 (the amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods starting on or after 1 January 2022. The Amendment to the IFRS 16 only refers to an illustrative example, which is why the date of the entry into force is not stated).

The adoption of amendments to existing standards did not provoke any material changes in the financial statements of the company.

(R) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS THAT HAVE BEEN ISSUED BY THE IASB AND ADOPTED BY THE EU BUT THAT HAVE NOT YET ENTERED INTO FORCE

On the date of confirmation of these financial statements, the following new standards issued by the IASB and adopted by the EU have not yet entered into force:

- **IFRS 17 – Insurance Contracts**, including the amendments to the IFRS 17 issued by the IASB on 25 June 2020 and adopted by the EU on 19 November 2021 (applicable for annual periods starting on or after 1 January 2023).
- **Amendments to IFRS 17 – Insurance Contracts – Initial Application of IFRS 17 and IFRS 9** – Comparative information, adopted by the EU on 8 September 2022 (applicable for annual periods starting on or after 1 January 2023).
- **Amendments to IAS 1 – Presentation of Financial Statements** – Disclosure of Accounting Policies, adopted by the EU on 2 March 2022 (applicable for annual periods starting on or after 1 January 2023).
- **Amendments to IAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates, adopted by the EU on 2 March 2022 (applicable for annual periods starting on or after 1 January 2023).
- **Amendments to IAS 12 – Income Taxes** – Deferred Taxes Related to Assets and Liabilities Arising From a Single Transaction, adopted by the EU on 11 August 2022 (applicable for annual periods starting on or after 1 January 2023).

(S) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS THAT HAVE BEEN ISSUED BY THE IASB BUT HAVE NOT YET BEEN ADOPTED BY THE EU

The IFRS as adopted by the EU currently do not present substantial differences from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards that have not yet been adopted for use by the EU as at 24 April 2023 (the dates of entry into force set out below apply to IFRS):

- **Amendments to IAS 1 – Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current (applicable for annual periods starting on or after 1 January 2023).
- **Amendments to IAS 1 – Presentation of Financial Statements** – Non-Current Liabilities with Covenants (applicable for annual periods starting on or after 1 January 2024).

- **Amendments to IFRS 16 – Leases** – Lease Liability in a Sale and Leaseback (applicable for annual periods starting on or after 1 January 2024).
- **IFRS 14 – Regulatory Deferral Accounts** (applicable for annual periods starting on or after 1 January 2016) – the European Commission has decided not to begin with the process of confirming this intermediate standard and will instead wait for its final version to be issued.
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures** – Selling or Contributing Funds between the Applicant and its Associate or Joint Venture, and Further Amendments (the date of entry into force is delayed indefinitely until the end of the research project related to equity method).

The company presupposes that the introduction of these new standards and amendments to existing standards will not have an important influence on its financial statements at initial application.

The accounting for the exposure of the portfolio of financial assets and liabilities to risks, the principles of which have not been adopted by the EU, remains unregulated.

The company estimates that the use of the hedging calculations in relation to financial assets and liabilities pursuant to IAS 39 – Financial Instruments: Recognition and Measurement would not have an important influence on the financial statements of the company, had it been used on the balance sheet date, since the Company uses IFRS 9 for the calculation of hedging.

15.4 Cash flow statement

The Company is preparing its cash flow statement using the indirect method.

15.5 Notes on the Financial Statements

15.5.1 Note 1: **Tangible assets**

TANGIBLE ASSETS	31/12/2022	31/12/2021
Land	2,445,049	2,445,049
Buildings	2,622,962	2,726,471
Other plant and equipment	2,316,075	2,880,713
Property, plant and equipment under construction	475,066	563,070
Total tangible assets	**7,859,152**	**8,615,303**

The majority of the structure of tangible assets is composed of the building and the corresponding plot of land in Kromberk and Brdo. The majority of other plant and equipment are vehicles, computer equipment, furniture and other equipment.

Total investments in tangible assets in 2022 have amounted to EUR 1,077,543 and are related to computer equipment, the purchase of office furniture and other equipment, and investments in foreign tangible assets. Otherwise, the already depreciated investments in foreign tangible assets and computer equipment were written off in 2022. Tangible assets are not pledged.

Changes in 2022

TANGIBLE ASSETS	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
PURCHASE VALUE					
Balance as at 01/01/2022	**2,445,049**	**5,245,374**	**8,694,445**	**563,070**	**16,947,938**
Other procurements	0	0	0	1,077,543	1,077,543
Write-downs	0	–611,983	–423,249	0	–1,035,233
Disposals	0	0	–448,532	0	–448,532
Transfers within tangible assets	0	112,484	1,053,062	–1,165,547	0
Balance as at 31/12/2022	**2,445,049**	**4,745,875**	**8,875,726**	**475,066**	**16,541,716**
VALUE ADJUSTMENT					
Balance as at 01/01/2022	**0**	**2,518,904**	**5,813,731**	**0**	**8,332,635**
Write-downs	0	–611,983	–423,249	0	–1,035,232
Disposals	0	0	–345,150	0	–345,150
Depreciation expense	0	215,992	1,514,319	0	1,730,312
Balance as at 31/12/2022	**0**	**2,122,913**	**6,559,651**	**0**	**8,682,565**
Carrying amount as at 01/01/2022	**2,445,049**	**2,726,471**	**2,880,713**	**563,070**	**8,615,303**
Carrying amount as at 31/12/2022	**2,445,049**	**2,622,962**	**2,316,075**	**475,066**	**7,859,152**

Changes in 2021

TANGIBLE ASSETS	LAND	BUILDINGS	OTHER PLANT AND EQUIPMENT	PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION	TOTAL
PURCHASE VALUE					
Balance as at 01/01/2021	**2,445,049**	**5,145,565**	**7,890,671**	**430,193**	**15,911,478**
Other procurements	0	0	0	1,376,038	1,376,038
Write-downs	0	0	–31,606	0	–31,606
Disposals	0	0	–307,971	0	–307,972
Transfers within tangible assets	0	99,809	1,143,352	–1,243,161	0
Balance as at 31/12/2021	**2,445,049**	**5,245,374**	**8,694,445**	**563,070**	**16,947,938**
VALUE ADJUSTMENT					
Balance as at 01/01/2021	**0**	**2,306,385**	**4,871,107**	**0**	**7,177,492**
Write-downs	0	0	–31,606	0	–31,606
Disposals	0	0	–294,879	0	–294,879
Depreciation expense	0	212,519	1,269,109	0	1,481,628
Balance as at 31/12/2021	**0**	**2,518,904**	**5,813,731**	**0**	**8,332,635**
Carrying amount as at 01/01/2021	**2,445,049**	**2,839,180**	**3,019,564**	**430,193**	**8,733,986**
Carrying amount as at 31/12/2021	**2,445,049**	**2,726,471**	**2,880,713**	**563,070**	**8,615,303**

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

RIGHT TO USE LEASED ASSETS	31/12/2022	31/12/2021
Buildings	2,654,219	3,655,927
Other	119,068	184,015
Total right-of-use assets	**2,773,287**	**3,839,942**

Changes in 2022

RIGHT-OF-USE ASSETS	BUILDINGS	OTHER	VEHICLES	TOTAL
PURCHASE VALUE				
Balance as at 01/01/2022	**6,166,504**	**194,839**	**509,623**	**6,870,966**
New acquisitions	451,567	0	0	451,567
Disposals	0	0	0	0
Interruption	0	0	0	0
Balance as at 31/12/2022	**6,618,071**	**194,839**	**509,623**	**7,322,533**
VALUE ADJUSTMENT				
Balance as at 01/01/2022	**2,510,577**	**10,824**	**509,623**	**3,031,024**
Depreciation expense	1,453,275	64,946	0	1,518,222
Disposals	0	0	0	0
Interruptions	0	0	0	0
Balance as at 31/12/2022	**3,963,852**	**75,770**	**509,623**	**4,549,246**
Carrying amount as at 01/01 2022	**3,655,927**	**184,015**	**0**	**3,839,942**
Carrying amount as at 31/12 2022	**2,654,218**	**119,069**	**0**	**2,773,287**

Changes in 2021

RIGHT-OF-USE ASSETS	BUILDINGS	OTHER	VEHICLES	TOTAL
PURCHASE VALUE				
Balance as at 1/1 2021	**4,510,304**	**0**	**760,720**	**5,271,024**
New acquisitions	1,656,200	194,839	0	1,851,039
Disposals	0	0	–251,097	–251,097
Interruption	0	0	0	0
Balance as at 31/12 2021	**6,166,504**	**194,839**	**509,623**	**6,870,966**
VALUE ADJUSTMENT				
Balance as at 1/1 2021	**1,490,872**	**0**	**729,899**	**2,220,772**
Depreciation expense	1,019,705	10,824	30,821	1,061,349
Disposals	0	0	–251,097	–251,097
Interruptions	0	0	0	0
Balance as at 31/12 2021	**2,510,577**	**10,824**	**509,623**	**3,031,024**
Carrying amount as at 1/1 2021	**3,019,432**	**0**	**30,821**	**3,050,253**
Carrying amount as at 31/12 2021	**3,655,927**	**184,015**	**0**	**3,839,942**

The company is leasing office premises in Ljubljana, Krško and Maribor, which are capitalised pursuant to IFRS 16. The duration of the lease varies (from 2 to 10 years).

Payment of the lessee's obligations arising from the lease of assets are not secured. The company uses an exception enabled by the standard to recognise liabilities from current leases and leases of low-value assets under USD 5,000. Lease amounts are contractually defined and fixed. Leased low-value assets are leases of infrastructural services for the needs of the use of the platform, cloud services, licences, vehicles and conference halls for occasional business events.

15.5.3 Note 3: **Intangible assets**

INTANGIBLE ASSETS	31/12/2022	31/12/2021
Other intangible assets	2,636,843	2,303,098
Intangible assets under construction and development, and advances	6,098,165	5,485,536
Capitalised development costs	798,493	798,493
Total intangible assets	**9,533,501**	**8,587,127**

Other intangible non-current assets of the company mainly consist of property rights, e.g. software amounting to EUR 2,619,649.

Total investments in intangible assets in 2022 in the amount of EUR 1,946,381 are related to software intended to provide IT support to joint companies and trading as well as the support of the sale of electricity to end consumers and server support.

The development of the trading system will also enable our trading segment to significantly increase its scope; indeed, the increased planned realisation of trading is related to ETRM. By contrast, support in the field of retail (Mecoms) allows for a high-quality billing service we perform for our customers and, obviously, all the necessary background data analysis. Today and in the future, those are two key systems which cover the core activities of GEN-I, d.o.o. in terms of digitalisation.

Changes in 2022

INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS UNDER CONSTRUCTION AND DEVELOPMENT, AND ADVANCES	TOTAL
PURCHASE VALUE			
Balance as at 01/01/2022	**9,727,465**	**6,284,029**	**16,011,494**
Other acquisitions	0	1,946,381	1,946,381
Write-downs	–893,718	0	–893,718
Transfers within intangible assets	1,333,751	–1,333,751	0
Other transfers	0	0	0
Balance as at 31/12/2022	**10,167,498**	**6,896,658**	**17,064,156**
VALUE ADJUSTMENT			
Balance as at 01/01/2022	**7,424,367**	**0**	**7,424,367**
Write-downs	–889,826	0	–889,826
Depreciation expense	996,114	0	996,114
Balance as at 31/12/2022	**7,530,655**	**0**	**7,530,655**
Carrying amount as at 01/01/2022	**2,303,098**	**6,284,029**	**8,587,127**
Carrying amount as at 31/12/2022	**2,636,843**	**6,896,658**	**9,533,501**

Changes in 2021

INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN ACQUISITION AND DEVELOPMENT AND ADVANCE PAYMENTS	TOTAL
PURCHASE VALUE			
Balance as at 01/01/2021	**8,690,901**	**4,955,378**	**13,646,279**
Other acquisitions	0	2,395,150	2,395,150
Capitalised development costs	0	0	0
Write-downs	–29,935	0	–29,935
Transfers within intangible assets	1,066,499	–1,066,499	0
Other transfers	0	0	0
Balance as at 31/12/2021	**9,727,465**	**6,284,029**	**16,011,494**
VALUE ADJUSTMENT			
Balance as at 01/01/2021	**6,645,253**	**0**	**6,645,253**
Write-downs	0	0	0
Depreciation expense	779,114	0	779,114
Balance as at 31/12/2021	**7,424,367**	**0**	**7,424,367**
Carrying amount as at 01/01/2021	**2,045,648**	**4,955,378**	**7,001,026**
Carrying amount as at 31/12/2021	**2,303,098**	**6,284,029**	**8,587,127**

15.5.4 Note 4: **Investments in subsidiaries**

INVESTMENT IN SUBSIDIARIES	31/12/2022	31/12/2021
Participating interests in subsidiaries	15,414,039	15,314,311
Total investments in subsidiaries	**15,414,039**	**15,314,311**

As at 31 December 2022, investments in subsidiaries amounted to EUR 15,414,039. The share of investments increased compared to the previous year due to the newly incorporated company GEN-I SUNCE Adria 1 d.o.o.

For the majority of its subsidiaries, the company performed an investment overvaluation test according to the zero dividend growth rate model, finding that no reasons for impairments exist. A decision has also been made that the investment in the Ukrainian subsidiary shall not be impaired due to the current social and political situation. As far as the subsidiary in Bulgaria is concerned, a decision has been made that no reasons for impairment exist due to the evaluation of investment properties.

GROUP COMPANIES	% OF OWNERSHIP		CARRYING AMOUNT OF THE INVESTMENT		CAPITAL OF THE SUBSIDIARY		SHARE CAPITAL OF THE MAJORITY OWNER	
	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021
GEN-I Athens SMLLC.	100,00%	100,00%	600,000	600,000	936,470	1,077,452	600,000	600,000
GEN-I, d.o.o. Belgrade	100,00%	100,00%	150,000	150,000	1,350,556	1,045,902	656,619	655,166
GEN-I Sonce, d.o.o.	100,00%	100,00%	1,000,000	1,000,000	5,998,951	4,963,681	1,000,000	1,000,000
GEN-I Istanbul LtD.	99,00%	99,00%	844,566	844,566	371,123	541,382	100,176	131,290
GEN-I Energia S.r.l.	100,00%	100,00%	380,000	380,000	346,169	527,031	100,000	100,000
GEN-I PRODAŽBA NA ENERGIJA dooel Skopje	100,00%	100,00%	39,951	39,951	468,217	471,855	9,966	9,947
GEN-I, d.o.o. Sarajevo	100,00%	100,00%	512,847	512,847	813,581	653,304	511,292	511,292
GEN-I Sofia SpLLC	100,00%	100,00%	100,830	100,830	–2,749,335	–2,883,166	100,005	100,005
GEN-I Tirana Sh.p.k.	100,00%	100,00%	46,452	46,452	414,665	524,219	52,977	50,153
GEN-I Vienna GmbH	100,00%	100,00%	50,000	50,000	1,524,156	812,929	50,000	50,000
GEN-I Hrvatska d.o.o.	100,00%	100,00%	991,692	991,692	1,633,254	1,197,567	995,157	997,924
GEN-I Kiev LLC	100,00%	100,00%	248,224	248,224	319,887	843,445	187,477	236,302
GEN-I Tbilisi LLC	100,00%	100,00%	50,000	50,000	19,988	23,881	43,715	35,923
Elektro energija, d.o.o.	100,00%	100,00%	10,149,750	10,149,750	4,138,221	10,014,641	3,000,000	3,000,000
GEN-I Sonce dooel Skopje	100,00%	100,00%	100,000	100,000	411,665	9,654	100,147	99,960
GEN-I ESCO Pametna energija d.o.o.	100,00%	100,00%	50,000	50,000	–17,710	–3,608	50,000	50,000
GEN-I Sunce Adria 1 d.o.o.	100,00%	0,00%	99,727	0	99,474	0	99,516	0
Total			**15,414,039**	**15,314,311**	**16,079,336**	**19,820,169**	**7,657,048**	**7,627,962**

ASSETS OF THE SUBSIDIARY		LIABILITIES OF THE SUBSIDIARY		INCOME OF THE SUBSIDIARY		NET PROFIT OR LOSS OF THE SUBSIDIARY		NUMBER OF EMPLOYEES IN THE SUBSIDIARY	
31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021	31.12. 2022	31.12. 2021
13,763,150	12,382,681	12,826,680	11,305,229	270,717,126	129,546,551	202,660	361,717	2	2
34,077,235	37,994,769	32,726,679	36,948,867	707,283,633	402,931,699	692,798	390,166	7	4
61,556,548	27,542,596	55,557,597	22,578,915	29,580,483	18,594,291	1,055,599	1,846,380	100	79
7,759,764	3,843,539	7,388,641	3,302,158	27,887,797	19,958,872	137,178	336,592	3	3
808,852	971,784	462,683	444,754	0	0	–180,861	229,554	0	0
23,910,058	36,780,428	23,441,840	36,308,573	330,404,159	194,499,335	358,767	362,875	4	5
41,554,072	35,069,953	40,740,491	34,416,649	389,522,565	220,585,936	302,290	142,012	1	1
1,357,931	3,982,365	4,107,266	6,865,531	18,749,333	9,136,752	133,759	475,518	2	2
13,692,253	19,634,108	13,277,587	19,109,889	69,000,301	57,488,443	170,908	323,923	3	2
11,999,098	10,088,901	10,474,942	9,275,972	71,316,008	29,263,789	711,246	53,968	1	1
31,434,603	35,490,593	29,801,349	34,293,025	489,856,208	225,028,298	638,968	199,303	14	16
2,292,355	3,384,518	1,972,468	2,541,073	822,857	11,956,268	–394,508	302,039	2	2
20,336	24,209	348	328	0	0	–8,504	–7,031	0	0
15,761,842	20,631,208	11,623,621	10,616,566	67,892,957	48,073,536	–981,122	467,603	0	0
13,695,247	2,813,326	13,283,581	2,803,672	1,024,475	0	401,120	–60,085	0	0
1,107,134	828,706	1,124,843	832,314	93,834	56,022	–14,026	–24,718	0	0
137,477	0	38,003	0	0	0	–42	0	0	0
274,927,955	**251,463,684**	**258,848,619**	**231,643,515**	**2,474,151,735**	**1,367,119,792**	**3,226,230**	**5,399,816**	**139**	**117**

15.5.5 Note 5: **Investment in associated companies**

INVESTMENT IN ASSOCIATED COMPANIES	31/12/2022	31/12/2021
Participating interests in associates	22,551,310	22,551,310
Total investment in associated	**22,551,310**	**22,551,310**

In 2022, the investment in the company GEN EL naložbe d.o.o. established at Vrbina 17, Krško, remained unchanged compared to the situation at the end of 2021.

15.5.6 Note 6: **Financial investments**

FINANCIAL INVESTMENTS	31/12/2022	31/12/2021
Financial investments	346,902	304,531
Total financial investments	**346,902**	**304,531**

The financial investments of the company amounting to EUR 346,902 are related to the concluded insurance contracts for life insurances with savings.

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

NON-CURRENT OPERATING RECEIVABLES	31/12/2022	31/12/2021
Non-current operating receivables	71,968	81,863
Total non-current operating receivables	**71,968**	**81,863**

15.5.8 Note 8: **Inventories**

INVENTORIES	31/12/2022	31/12/2021
Inventories	7,118,957	10,861,587
Total inventories	**7,118,957**	**10,861,587**

The company is warehousing physical gas which is intended for resale. On the date of entry into inventory, the gas is evaluated at market price. At the end of the year, inventories are evaluated at market prices. The inventories of the company contain no inventory pledged as security for liabilities.

15.5.9 Note 9: **Trade and other receivables**

TRADE AND OTHER RECEIVABLES	31/12/2022	31/12/2021
Trade receivables – subsidiaries	69,945,302	89,879,488
Trade receivables – others	76,813,419	60,797,435
Trade receivables	**146,758,722**	**150,676,923**
Default interest receivables	17,810	24,163
Other receivables	11,194,177	22,977,697
Total trade and other receivables	**157,970,708**	**173,678,784**

Other receivables amounting to EUR 11,194,177 (2021: EUR 22,977,697) are mainly derived from receivables from the State arising from VAT amounting to EUR 8,694,646, and EUR 1,213,717 from calculated receivables for allowances for electricity and natural gas.

Certain receivables from customers in the wholesale electricity market in Southeast Europe are insured by special credit insurance companies. Information on the exposure of the company to credit and market risks and loss due to impairment of receivables from customers are presented in Chapter 15.6.

15.5.10 Note 10: **Advances and other assets**

ADVANCES AND OTHER ASSETS	31/12/2022	31/12/2021
Current advances and securities granted – others	5,212,006	6,460,672
Current advances and securities granted – dependant	1,277,561	3,603,779
Current deferred costs or expenses	5,969,567	6,247,598
Total advances and other assets	**12,459,134**	**16,312,049**

Advances and securities granted by the company amounting to EUR 6,489,567 (2021: EUR 10,064,451) are related to advanced payments for the purchase of electricity and natural gas.

The majority of current deferred costs or expenses amounting to EUR 5,969,568 are deferred expenses for capacities amounting to EUR 3,971,735 (2021: EUR 3,546,020) as well as deferred expenses for the purchase of electricity and natural gas amounting to EUR 216,940 (2021: EUR 996,841) which refer to the first quarter of 2022.

15.5.11 Note 11: **Contract assets**

CONTRACT ASSETS	31/12/2022	31/12/2021
Current accrued revenues	71,827,471	48,771,292
Total contract assets	**71,827,471**	**48,771,292**

Contract assets amounting to EUR 71,827,471 (2021: EUR 48,771,292) are mainly current accrued revenues from buyers of electricity and natural gas, to which their purchases of electricity and natural gas for 2022 will be billed in 2023 pursuant to contractual provisions.

15.5.12 Note 12: **Current investments**

CURRENT FINANCIAL INVESTMENTS	31/12/2022	31/12/2021
Loans granted to subsidiaries	55,520,000	22,749,000
Current liabilities for interest	178,832	11,633
Total current financial investments	**55,698,834**	**22,760,633**

Loans to subsidiaries which all fall due in 2023 bear interest according to interest rates recognised for tax purposes pursuant to the Recognised Interest Rates Policy. They are classified as financial assets measured at amortised cost.

15.5.13 Note 13: **Current derivatives**

CURRENT DERIVATIVES	31/12/2022	31/12/2021
Derivatives used as hedges against currency risks	1,535	–637,610
Firm commitments recognised for fair value hedging	–96,407,366	–46,483,600
Fair value of commodity contracts pursuant to IFRS 9	258,804,696	54,698,102
Total current derivatives	**162,398,866**	**7,576,892**

The fair value of commodity contracts pursuant to IFRS 9 amounting to EUR 258,804,696 (2021: EUR 54,698,102) refers to the future periods and is also adjusted for the evaluated business partner credit risk:

- financial year 2023: EUR 212,201,098
- financial year 2024: EUR 46.580.582 EUR
- financial year 2025: EUR 61.431 EUR
- financial year 2026: EUR –38.415 EUR.

Firm commitments recognised for fair value hedging mainly consist of fair value adjustments of physical contracts for the purchase and sale of electricity which are hedged using derivatives (standard forward agreements) and which refer to the financial year 2023 in the amount of EUR -96,407,366.

15.5.14 Note 14: **Cash and cash equivalents**

CASH AND CASH EQUIVALENTS	31/12/2022	31/12/2021
Assets in the accounts	53,406,039	122,861,219
Deposits redeemable	2,385	3,940,427
Deposits with a maturity of up to 3 months	1,152,680	2,960,810
Total cash and cash equivalents	**54,561,104**	**129,762,456**

15.5.15 Note 15: **Capital and reserves**

The share capital in 2022 represents monetary contributions of the owners amounting to EUR 19,877,610.

Reserves

RESERVES	31/12/2022	31/12/2021
Legal reserves	1,987,761	1,987,761
Fair value reserve	134,877	–331,742
Total reserves	**2,122,638**	**1,656,019**

Legal reserves amount to EUR 1,987,761 and represent 10% of the share capital.

Fair value reserves arising from actuary calculations amounted to EUR 134,877 in December 2022.

Retained net profit or loss

RETAINED NET PROFIT OR LOSS	31/12/2022	31/12/2021
Net profit or loss for the accounting period	30,755,420	73,508,964
Retained net profit or loss	142,552,859	77,950,345
Total retained net profit or loss	**173,308,278**	**151,459,309**

Allocation of retained income from the previous years

From its retained income from the previous years amounting to EUR 151,459,309, the company has recognised the liability for the payment of dividends to shareholders in the amount of EUR 9,000,000 in the financial year, based on the decision of the General Assembly which took place in December 2022. The remaining income has remained unallocated. The retained net profit or loss in 2022 has increased for EUR 93,550 due to the transfer of provisions and the correction of tax for the retained net profit or loss.

Balance sheet profit

The balance sheet profit of GEN-I, d.o.o. as at 31 December 2022 therefore amounts to EUR 172,509,785, and consists of net profit of the financial year 2022 amounting to EUR 30,755,420, retained income from the previous years amounting to EUR 142,552,859, and the amount of non-current deferred development costs, which reduces the balance sheet profit by EUR 798,493.

BALANCE SHEET PROFIT	31/12/2022	31/12/2021
Net profit or loss for the accounting period	30,755,420	73,508,964
Retained net profit or loss	142,552,859	77,950,345
Non-current deferred costs of development	–798,493	–798,493
Total balance sheet profit	**172,509,785**	**150,660,816**

Pursuant to the adopted plan of the GEN-I Group and based on Article 20 of the articles of association as well as the provisions of Article 494 of the Companies Act (the ZGD-1), the Management Board proposes the General Assembly of the company to divide and pay the part of the balance sheet profit of GEN-I, d.o.o. amounting to a total of EUR 9,000,000 for 2022 in the following manner:

- company member GEN energija d.o.o.: 50%, i.e. EUR 4,500,000;
- company member GEN-EL d.o.o. 25%, i.e. EUR 2,250,000*.

*In 2021, GEN-I became a 50% company member of GEN-EL; in connection with Article 554 of the ZGD-1 in terms of the regulation or limitation of rights of mutually capitally-related persons, two mutually related companies are only entitled to a share of the other company up to the dividend corresponding to no more than a 25% business share. The surplus share which cannot be paid due to said limitation remains with the company.

The remaining portion of the balance sheet profit amounting to EUR 165,759,785 shall remain unallocated.

15.5.16 Note 16: **Financial liabilities**

The company has no non-current financial liabilities.

CURRENT FINANCIAL LIABILITIES	31/12/2022	31/12/2021
Bank loans	29,976,175	25,000,000
Current liabilities based on bonds	0	20,000,000
Current liabilities for interest	2,131	257,442
Other current financial liabilities	75,325,118	29,880,070
Total current financial liabilities	**105,303,425**	**75,137,512**

As at 31 December 2022, the company has two bank loans amounting to a total of EUR 29,976,175.

Other current financial liabilities are related to commercial papers with the maturity in April 2023.

Loans are recognised at fair value less the costs of acquisition. At the date of reporting, they were measured at amortised cost less the repayment of principals, by taking into consideration all costs, discounts and premiums upon acquisition.

Costs and maturity of financial liabilities

All financial liabilities are current.

Loans are bearing interest with a fixed interest rate between 1.3% and 3.378%. Expenses from interest in the financial year 2022 arising from current and revolving loans from commercial banks and other commercial papers, bonds, option contracts for equity securities, financial loans and interest on late payments amount to EUR 2,135,296. As at 31 December 2022, the current liabilities for interest of the company amounted to EUR 2,131.

In the financial year, a short-term revolving loan was reimbursed to Slovenian business banks amounting to EUR 5,000,000. At the same time, the principal of the issued bonds in the amount of EUR 20,000,000 was also paid. In addition, the issued commercial papers were increased by EUR 45,700,000.

15.5.17 Note 17: **Lease liabilities**

LEASE LIABILITIES	31/12/2022	31/12/2021
Non-current lease liabilities	1,505,632	2,596,788
Current lease liabilities	1,340,994	1,296,699
Total lease liabilities	**2,846,626**	**3,893,487**

Among liabilities from loans, the company discloses liabilities based on concluded contracts for leased assets, the value of which was calculated pursuant to IFRS 16. Information about liquidity risk is presented in note 38.

Changes of lease liabilities in 2022

Changes of non-current lease liabilities

CHANGES OF NON-CURRENT LEASE LIABILITIES	BUILDINGS	OTHER	TOTAL
Balance as at 31/12/2021	**2,476,452**	**120,336**	**2,596,788**
Increases	451,656	0	451,656
Transfer to current portion	–1,477,598	–65,214	–1,542,813
Balance as at 31/12/2022	**1,450,510**	**55,122**	**1,505,632**

Fluctuation of current lease liabilities

CHANGES OF CURRENT LEASE LIABILITIES	BUILDINGS	OTHER	TOTAL
Balance as at 31/12/2021	**1,232,762**	**63,937**	**1,296,699**
Transfer from the non-current portion	1,477,598	65,214	1,542,812
Interest	72,911	2,635	75,546
Lease payments	–1,507,401	–66,663	–1,574,064
Balance as at 31/12/2022	**1,275,870**	**65,123**	**1,340,993**

Changes of lease liabilities in 2021

Changes of non-current lease liabilities

CHANGES OF NON-CURRENT LEASE LIABILITIES	BUILDINGS	OTHER	TOTAL
Balance as at 31/12/2020	**2,207,597**	**0**	**2,207,597**
Increases	1,561,868	194,839	1,756,707
Transfer to current portion	–1,293,013	–74,503	–1,367,516
Balance as at 31/12/2021	**2,476,452**	**120,336**	**2,596,788**

Changes of current lease liabilities

CHANGES OF CURRENT LEASE LIABILITIES	BUILDINGS	OTHER	VEHICLES	TOTAL
Balance as at 31/12/2020	**861,515**	**0**	**18,621**	**880,136**
Transfer from the non-current portion	1,293,013	74,503	0	1,367,516
Interest	58,136	545	101	58,782
Lease payments	–979,902	–11,111	–18,722	–1,009,735
Balance as at 31/12/2021	**1,232,762**	**63,937**	**0**	**1,296,699**

15.5.18 Note 18: **Non-current operating and other liabilities**

NON-CURRENT OPERATING AND OTHER LIABILITIES	31/12/2022	31/12/2021
Assets of the consortium fund	77,860	82,754
Total non-current operating and other liabilities	**77,860**	**82,754**

The company has formed other liabilities from received assets of the members of the consortium fund amounting to EUR 77,860.

15.5.19 Note 19: **Provisions**

The company has formed provisions for jubilee awards, severance pay upon retirement and end-of-service payments as the current value of the liability of the employer vis-a-vis the employee. In 2022, the company formed additional provisions amounting to EUR 370,697.

The provisions formed amount to the estimated future payments of severance pays upon retirement and jubilee awards, discounted at the end of the reporting period. The calculation is prepared for each individual employee, by taking into consideration the costs of redundancy payments and the costs of all expected jubilee awards until retirement.

The calculation of provisions for post-employment and other long-term benefits of employees is based on the actuary calculation prepared by a certified actuary which used the following financial assumptions set out nominally:

Rate of increase in average wages in the Republic of Slovenia:

- For 2023 to 2024, the rates of increase in average wages in the Republic of Slovenia (monthly and annual) were taken from the December forecast of the Bank of Slovenia, December 2022. From 2025 onwards, the average annual wages in the Republic of Slovenia are forecast to increase for the amount of inflation (MDS, October 2022) and for the actual increase in the amount of 1%.

- **Rate of wage increases in the company**
- The presumed rate of increase in basic gross salaries and the variable portion of salary in the company is the amount of annual inflation, but no more than the anticipated increase in wages in the Republic of Slovenia.
- The presumed rate of increase in the EEA is higher than the rate of increase in the company due to the inflation.
- The rate of salary increase for promotion is 0.5% of the annual salary.
- The length-of-service increment amounts to 0.5% of the basic salary for every completed year of service, except in the case of two individual contracts.
- The discount rate for the calculation as at 31 December 2022 amounts to 3.7%, which reflects the profitability of high-quality (AA rating) corporate bonds as at 31 December 2022, nominated in EUR, upon taking into consideration the average weighted duration of company obligations (considering the calculated amount of obligations before discounting) from the balance sheet date until the payment of each individual type of earnings (22.3 years).

PROVISIONS	PROVISIONS FOR SEVERANCE PAYS UPON RETIREMENT AND JUBILEE AWARDS 2022	PROVISIONS FOR SEVERANCE PAYS UPON RETIREMENT AND JUBILEE AWARDS 2021
Opening balance as at 1/1	**1.703.724**	**1.532.127**
Formed provisions	370.697	358.606
Use of provisions	–20.466	–35.287
Provisions written-off	–754.246	–151.720
End balance as at 31/12	**1.299.709**	**1.703.724**

15.5.20 Note 20: **Deferred revenues**

The company recognises deferred revenues which are related to received subsidies for electric vehicles which are transferred among income on a monthly basis.

DEFERRED REVENUES	31/12/2022	31/12/2021
Deferred revenues	94,966	144,887
Total deferred revenues	**94,966**	**144,887**

15.5.21 Note 21: **Deferred tax assets**

DEFERRED TAXES RELATED TO RECEIVABLES	31/12/2022	31/12/2021
Intangible assets	177,484	176,500
Provisions for severance pays upon retirement and jubilee awards	89,142	161,854
Deferred tax receivables (liabilities)	**266,626**	**338,354**

The company has formed deferred tax assets for provisions for jubilee awards and severance pays upon retirement, and the difference between the depreciation of intangible assets for business and tax purposes.

Deferred tax assets which have an influence on the profit or loss are recognised in the statement of profit or loss.

Changes of temporary differences

CHANGES OF TEMPORARY DIFFERENCES IN THE PERIOD	**1.1. 2021**	DISCLOSED IN THE STATEMENT OF PROFIT OR LOSS	DISCLOSED IN OTHER COMPREHENSIVE INCOME	**31.12. 2021**	DISCLOSED IN THE STATEMENT OF PROFIT OR LOSS	DISCLOSED IN OTHER COMPREHENSIVE INCOME	**31.12. 2022**
Intangible assets	**178,388**	–1,888	0	**176,500**	984	0	**177,484**
Provisions for severance pays upon retirement and jubilee awards	**145,552**	16,302	0	**161,854**	–72,712	0	**89,142**
Total	**323,940**	**14,414**	**0**	**338,354**	**–71,728**	**0**	**266,626**

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

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

CURRENT TRADE AND OTHER PAYABLES	31/12/2022	31/12/2021
Trade payables	141,897,159	114,654,763
Trade payables to subsidiaries	55,733,489	49,728,196
Trade payables	**197,630,648**	**164,382,958**
Current liabilities from third-party transactions	229,870	229,870
Current payables to employees	17,966,433	20,552,884
Current payables to state and other institutions	4,127,565	4,573,724
Current payables to others	9,015,928	0
Other payables	**31,339,796**	**25,356,478**
Total current trade and other payables	**228,970,444**	**189,739,436**

Liabilities towards suppliers amount to EUR 141,897,159 (2021: EUR 114,654,763). Their increase is a consequence of the increase in electricity prices.

Current liabilities towards employees amounting to EUR 17,966,433 (2021: EUR 20,552,884) represent the liabilities for December salaries, awards and other benefits from the employment relationship.

Current liabilities towards others mainly represent liabilities for the payment of dividends amounting to EUR 9,000,000. Pursuant to the adopted decision, the amount will be paid in January 2023. Other tax liabilities towards the State and other institutions are mainly liabilities for excise tax and CO_2 as well as taxes and contributions for December salaries and other employee benefits which must be paid by the employer.

15.5.23 Note 23: **Contract liabilities**

CONTRACT LIABILITIES	31/12/2022	31/12/2021
Current liabilities based on advance payments	8,990,594	5,531,506
Current liabilities based on advance payments – subsidiary	1,300,000	0
Deferred revenues	335,155	490,786
Total contract liabilities	**10,625,749**	**6,022,292**

Current liabilities based on advance payments amounting to EUR 10,290,594 (2021: EUR 5,531,506) are particularly related to the purchase of electricity and natural gas.

15.5.24 Note 24: **Other liabilities**

OTHER LIABILITIES	31/12/2022	31/12/2021
Accrued costs or expenses	44,328,075	6,114,453
Total other liabilities	**44,328,075**	**6,114,453**

Accrued costs or expenses amounting to EUR 44,328,075 are mainly related to purchases of electricity and natural gas which were considered during the preparation of financial statements based on contracts concluded with business partners in 2022, for which the company has not yet received invoices by the time of preparation of the annual report.

15.5.25 Note 25: **Current income tax receivables and liabilities**

CORPORATE INCOME TAX LIABILITIES	31/12/2022	31/12/2021
Corporate income tax liabilities	0	13,524,951
Total current corporate income tax liabilities	**0**	**13,524,951**

CORPORATE INCOME TAX RECEIVABLES	31/12/2022	31/12/2021
Tax assets for corporate income tax	8,003,522	0
Total current corporate income tax receivables	**8,003,522**	**0**

15.5.26 Note 26: **Contingent liabilities and assets**

CONTINGENT LIABILITIES	31/12/2022	31/12/2021
Guarantees and securities given – others	148,154,452	136,414,606
Guarantees and securities given – foreign subsidiaries	47,263,349	39,144,041
Other contingent liabilities	10,256,965	73,082,182
Total contingent liabilities	**205,674,766**	**248,640,829**

Bank guarantees and securities include performance bonds, tendering guarantees and guarantees for the timely payment. Guarantees of subsidiaries and other contingent liabilities are related to guarantees for the timely payment and framework current loans available from banks.

CONTINGENT ASSETS	31/12/2022	31/12/2021
Bank guarantees received	19,101,355	26,563,200
Bills of exchange received	18,673,413	1,992,349
Securities received	11,500,000	23,500,000
Other contingent assets	1,105,104	523,770
Total contingent assets	**50,379,872**	**52,579,319**

15.5.27 Note 27: **Revenues**

REVENUES	2022	2021
Sales revenues from sales of goods and materials	4,144,486,385	3,353,363,741
Revenues from the sale of services	152,509,609	79,492,893
Income from rent	26,169	8,849
Total revenues	**4,297,022,163**	**3,432,865,483**

Revenues from the sale of goods, materials, and services amounting to EUR 4,296,995,994 are revenues from the sale of electricity and related services amounting to EUR 3,953,604,259 and revenues from the sale of natural gas and related services amounting to EUR 343,083,262.

Revenues from the sale of services mainly include revenues from cross-border transfer capacities and other services related to trading with electricity and natural gas.

The company recognises income from core business activities gradually. In an agreement on the purchase of electricity or natural gas, the seller gradually transfers control, while the buyer simultaneously obtains and uses the benefits of the implementation of the obligation of the seller as it is being implemented; in doing so, the seller fulfils its performance obligation and recognises income gradually, through the measurement of progress towards a complete fulfilment of the performance obligation of the supply of electricity or natural gas according to the output method, i.e. according to the method of calculated amounts based on the supplied quantities of electricity or natural gas. The same method is used for the sale of small power plants and services. Income from is recognised as income on a straight-line basis over the lease term.

Breakdown of revenues according to market in 2022

INCOME GENERATED AT HOME OR ABROAD	SLOVENIA	ABROAD	TOTAL
		2022	
Revenues from sales of goods and materials	948,752,903	3,195,733,482	4,144,486,385
Revenues from the sale of services	12,316,812	140,192,797	152,509,609
Rental income	26,169	0	26,169
Total revenues	**961,095,884**	**3,335,926,279**	**4,297,022,163**

Revenues from the sale of goods and services in Slovenia in 2022 amounted to 22.37%, while income from the sale of goods and services in foreign markets amounted to 77.63% of total income.

Breakdown of revenues according to market in 2021

INCOME GENERATED AT HOME OR ABROAD	SLOVENIA	ABROAD	TOTAL
		2021	
Revenues from sales of goods and materials	524,988,233	2,828,375,508	3,353,363,741
Revenues from the sale of services	11,216,191	68,276,702	79,492,893
Rental income	8,849	0	8,849
Total income	**536,213,273**	**2,896,652,210**	**3,432,865,483**

Breakdown of other recurring operating revenues or expenses

OTHER RECURRING OPERATING REVENUES OR EXPENSES	2022	2021
Fair value from commodity-based contracts	192,285,708	178,165,764
Fair value from financial contracts	–65,665,136	–62,907,711
Inefficient part of fair value hedging	–2,567,260	146,168
Fair value of currency contracts	1,519,265	–507,811
Total other recurring operating revenues or expenses	**125,572,576**	**114,896,410**

15.5.28 Note 28: **Costs of goods, materials and services**

COSTS OF GOODS AND MATERIALS SOLD	2022	2021
Historical cost of goods sold	4,302,443,532	3,400,144,147
Total costs of goods and materials sold	**4,302,443,532**	**3,400,144,147**

The costs of goods and materials sold in 2022 amounting to EUR 4,302,443,532 encompasses the purchase price of electricity and natural gas and related costs.

COSTS OF MATERIALS	2022	2021
Costs of energy	517,231	234,312
Material and spare parts	153,341	156,186
Office supplies	297,980	202,521
Other material costs	30,404	36,705
Total costs of materials	**998,956**	**629,724**

COSTS OF SERVICES	2022	2021
Maintenance	1,528,377	1,298,291
Rents	1,519,215	933,171
Bank costs and other commissions	2,980,871	2,118,993
Intellectual services	1,347,676	1,962,700
Contractual work, attendance fees and student work	760,046	598,777
Advertising, promotion and public relations	250,738	701,465
Sponsorships	454,824	442,390
Insurances	647,173	314,549
Representation	36,022	42,885
Costs of business trips of employees	86,293	31,768
Telecommunications	1,792,592	1,115,953
Transport	124,373	84,182
Utility service charges	22,347	15,997
Protection	42,989	28,405
Cleaning	542,873	364,743
Education	300,035	228,246
Other services	2,060,906	1,721,424
Costs of IT services	156,394	131,460
Total costs of services	**14,653,743**	**12,135,399**

The costs of services have increased in 2022, compared to the previous year.

The costs of other services are mainly related to the costs of access to databases for the needs of trading in electricity and natural gas.

The company has signed a contract on the auditing of the financial statements for 2022 with the auditing company Deloitte revizija d.o.o. amounting to EUR 37,000.

Among costs of lease, the company discloses costs of current leases and costs of low-value leases, which comply with the exceptions of IFRS 16.

15.5.29 Note 29: **Labour costs**

LABOUR COSTS	2022	2021
Wage costs	24,004,949	34,915,494
Social security contributions	3,904,396	5,666,366
Other labour costs	3,112,366	2,894,463
Total labour costs	**31,021,711**	**43,476,323**

In 2022, the company has calculated the labour costs pursuant to the Collective Agreement for the Electricity Sector of Slovenia, the adopted systematisation of job positions of GEN-I, d.o.o. and individual employment contracts.

The labour costs consist of the costs of salaries and benefits, the costs of social insurances and additional pension insurances, and other labour costs.

Other labour costs include the costs of the allowances for meals and transport, holiday pay, remunerations for additional pension insurance and jubilee awards and benefits.

15.5.30 Note 30: **Other operating revenues and expenses**

OTHER OPERATING REVENUES AND EXPENSES	2022	2021
Income from use and reversal of non-current provisions	3,840	0
Gain on sale of property, plant and equipment and intangible assets	122,497	72,807
Other operating revenues	4,675,676	193,514
Revenues from subventions, grants and compensations	110,538	533,451
Other operating revenues	**4,912,551**	**799,772**
Various duties	–332,209	–281,157
Donations	–1,031,027	–62,193
Write-downs and impairments of tangible assets	–24,800	–2,534
Other operating expenses	–33,844,204	–869,162
Other operating expenses	**–35,232,240**	**–1,215,046**
Total other operating revenues or expenses	**–30,319,689**	**–415,274**

The majority of other operating expenses are paid reminders, paid penalties for withdrawing from the contract, paid calculated surplus expenses of the previous year, subsidies for electric vehicles, etc.

Other operating expenses amounting to EUR 33,844,204 are mainly related to the provision of an amount for a potential additional contribution due to the introduced regulative measures in Southeast Europe for electricity and natural gas traders, related to measures intended to provide reliable supply for end consumers in the electricity and natural gas market. The calculation of the potential exposure has been prepared pursuant to the explanations adopted by the International Financial Reporting Interpretations Committee 23 (IFRIC 23).

In addition, other business expenses also include membership fees and fiscally unrecognised costs.

ONATIONS	2022	2021
Humanitarian purposes	985,323	39,545
Charitable purposes	11,600	3,200
Health purposes	2,000	1,000
Educational purposes	11,800	9,060
Sports purposes	16,104	2,500
Cultural purposes	3,700	2,000
Religious purposes	0	2,000
General donations	500	2,888
Total donations	**1,031,027**	**62,193**

15.5.31 Note 31: **Amortization and depreciation**

AMORTIZATION AND DEPRECIATION	2022	2021
Amortization of intangible assets	996,114	779,114
Depreciation of tangible fixed assets	1,730,312	1,481,629
Depreciation of right of use assets	1,518,222	1,061,349
Total amortization and depreciation	**4,244,647**	**3,322,091**

15.5.32 Note 32: **Impairment losses in trade receivables and contract assets**

IMPAIRMENT LOSSES IN TRADE RECEIVABLES AND CONTRACT ASSETS	2022	2021
Impairment loss and revaluation on trade receivables and contracts assets	6,381,464	1,312,867
Total impairment loss and revaluation on trade receivables and contracts assets	**6,381,464**	**1,312,867**

In 2022, the company formed additional impairments and expected credit losses for receivables in the total amount of EUR 6,415,471 (2021: EUR 1,300,999) and eliminated a write-off of EUR 483,063 of receivables from customers, of which EUR 434,757 were charged to impairment losses of receivables, EUR 82,313 were charged to liabilities for VAT and EUR 34,007 were charged to expenses (2021: EUR 11,686). At the end of 2022, the company namely also used higher expected default rates when preparing its calculations.

Information about the age structure of receivables and the fluctuation of the value adjustment of receivables from customers are presented in note 37.

15.5.33 Note 33: **: Financial result**

FINANCIAL RESULT	2022	2021
Dividend income from interests in subsidiaries	6,694,097	4,939,949
Dividend income from interests in associates	484,396	455,033
Financial income	728,381	184,041
Net gain foreign exchange	35,704	0
Other financial income	245	77,052
Financial income	**7,942,823**	**5,656,075**
Interest expenses for liabilities	–2,135,296	–1,466,790
Net foreign exchange loss	–517,334	–660,831
Other financial expenses	–75,554	–66,082
Financial costs	**–2,728,184**	**–2,193,703**
Financial result	**5,214,639**	**3,462,372**

In 2022, dividends were paid by subsidiaries Elektro energija d.o.o. (EUR 4,819,542), GEN-I Tirana Sh.p.k. (EUR 299,235), GEN-I Athens SMLLC (EUR 343,429), GEN-I Prodažba na energija dooel Skopje (EUR 361,744), GEN-I Hrvatska (EUR 203,187), GEN-I, d.o.o. Sarajevo (EUR 100,161), GEN-I Istanbul (EUR 176,830) and GEN-I, d.o.o. Beograd (EUR 389,969).

In 2022, the company received a dividend from the associated company GEN EL d.o.o. amounting to EUR 484,396, which will be paid in January 2023 pursuant to the adopted decision.

Income arising from interest is related to interest on late payments, interest on loans granted and interest on deposits and positive account balances.

Net impact arising from exchange differences are expenses amounting to EUR 481,630.

Interest expenditure encompasses interest on commercial papers, bonds, loans received from banks and other institutions, options for equity securities, financial loans, interest on late payments and interest on negative account balances.

15.5.34 Note 34: **Taxes**

TAXES	2022	2021
Current tax	6,951,116	16,302,600
Deferred tax	39,101	–23,125
Total taxes	**6,990,216**	**16,279,476**

Effective tax rate

	2022	2021
Gross profit before tax	**37,745,636**	**89,788,440**
Applicable tax rate	19%	19%
Tax according to the applicable tax rate before any changes in the tax base	7,171,671	17,059,804
Untaxed income	–1,286,390	–1,465,143
Fiscally unrecognised costs	1,675,526	928,983
Deductions	–522,258	–244,168
Deferred Taxes	39,101	0
Effective tax rate	**18,52%**	**18,13%**
Current and deferred income tax	**6,990,216**	**16,279,476**

In 2022, the effective tax rate has increased compared to 2021, mainly at the expense of fiscally unrecognised costs. Fiscally unrecognised costs in 2022 have increased compared to 2021, mainly at the expense of expenses arising from revaluation of receivables which, pursuant to the Corporate Income Tax Act, are not fiscally recognised.

15.5.35 Note 35: **Information about connected persons**

Gross receipts in 2022

INFORMATION ON GROUPS OF PERSONS	MANAGEMENT
Gross receipts from salaries	318,836
Benefits and other receipts	49,105
Total	**367,941**

Gross receipts in 2021

INFORMATION ON GROUPS OF PERSONS	MANAGEMENT
Gross receipts from salaries	447,587
Benefits and other receipts	599,494
Total	**1,047,081**

Remuneration of the Management Board members in 2022

18/3–31/12/2022 REMUNERATION OF THE MANAGEMENT BOARD MEMBERS	NET					
	FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	PERFORMANCE AWARDS	OTHER REMUNERATION*	TOTAL
Igor Koprivnikar, PhD	56,824	0	978	0	5,035	62,837
Andrej Šajn, MSc	54,336	0	1,050	0	4,466	59,853
Dejan Paravan, PhD**	53,452	0	833	0	2,770	57,055
Primož Stropnik	0	0	704	0	22,583	23,287
Total	**164,612**	**0**	**3,565**	**0**	**34,854**	**203,031**

* Other remuneration cover subsidies, jubilee awards, car benefits and health insurance benefits, allowance for working from home and premiums for the additional voluntary pension scheme (when it comes to Mr Primož Stropnik, they cover the payment pursuant to the business management contract).

** applies from 18 March 2022 to 31 October 2022. On 31 October 2022, the mandate of Dejan Paravan, PhD in the function of a Member of the Management Board of GEN-I, d.o.o. was terminated; as at 1 November 2022, Dejan Paravan, PhD started a four-year mandate as the CEO of GEN energija d.o.o.

Remuneration of the Management Board members in 2021

1/1–17/11/2021 REMUNERATION OF THE MANAGEMENT BOARD MEMBERS	NET					
	FIXED PORTION OF REMUNERATION	VARIABLE PORTION OF REMUNERATION	REFUND OF EXPENSES	PERFORMANCE AWARDS	OTHER REMUNERATION*	TOTAL
Robert Golob, PhD	72,927	11,016	1,377	105,679	9,692	200,692
Igor Koprivnikar, PhD	65,884	9,950	893	80,289	5,199	162,215
Andrej Šajn, MSc	58,190	8,779	1,200	55,094	7,679	130,941
Danijel Levičar	0	0	249	0	24,062	24,311
Total	**197,001**	**29,745**	**3,719**	**241,062**	**46,632**	**518,159**

* Other remuneration cover subsidies, jubilee awards, car benefits and health insurance benefits, allowance for working from home and premiums for the additional voluntary pension scheme (when it comes to Mr Danijel Levičar, he covers the payment pursuant to the business management contract).

Transactions between related persons

Data presented below represent disclosures according to IAS 24 (related party disclosures) as a consequence of the financial consolidation of the GEN-I Group with the company member GEN energija d.o.o. according to criteria set out in IFRS 10.

All transactions that belong into the framework of transactions between related persons based on the financial consolidation by GEN energija d.o.o. as a company which is 100% owned by the State, by taking into consideration the criteria set out in IAS 24, represent business relationships concluded under market conditions and in the framework of regular everyday business transactions. Pursuant to this classification, we evaluate that, despite the intrinsic value of individual transactions, no more detailed disclosures are necessary since, qualitatively speaking, those transactions are not relevant for disclosures arising from the requirements set out in IAS 24.

	2022	2021
SALES REVENUES		
Subsidiaries	1,196,262,635	631,534,459
Associated companies	0	0
Parent companies	160,408,021	34,495,605
Other associated companies	41,641	56,259
PURCHASE VALUE OF GOODS SOLD		
Subsidiaries	900,970,644	437,374,194
Associated companies	0	0
Parent companies	286,716,912	197,289,269
Other associated companies	696,599	385,895
COSTS OF SERVICES		
Subsidiaries	4,062,541	12,195
Associated companies	0	0
Parent companies	31,833	167,238
Other associated companies	0	0
FINANCIAL INCOME FROM SHARES IN COMPANIES		
Subsidiaries	6,694,097	4,939,949
Associated companies	484,396	455,033
Parent companies	0	0
Other associated companies	0	0
FINANCIAL INCOME FOR INTEREST		
Subsidiaries	18,444	83,823
Associated companies	0	0
Parent companies	0	0
Other associated companies	0	0
FINANCIAL EXPENSES FOR INTEREST		
Subsidiaries	238	2,952
Associated companies	0	0
Parent companies	49,277	0
Other associated companies	0	0

	2022	2021
INVESTMENTS IN COMPANIES		
Subsidiaries	15,414,039	15,314,311
Associated companies	22,551,310	22,551,310
Parent companies	0	0
Other associated companies	0	0
CURRENT OPERATING RECEIVABLES		
Subsidiaries	39,945,303	45,984,003
Associated companies	0	0
Parent companies	24,644,158	1,468,523
Other associated companies	18,607	8,729
CURRENT FINANCIAL RECEIVABLES		
Subsidiaries	55,698,832	22,760,631
Associated companies	0	0
Parent companies	0	0
Other associated companies	0	0
CURRENT ADVANCE PAYMENTS MADE		
Subsidiaries	1,277,561	3,603,779
Associated companies	0	0
Parent companies	0	0
CURRENT OPERATING LIABILITIES		
Subsidiaries	55,733,489	49,728,196
Associated companies	0	0
Parent companies	46,377,074	28,116,453
Other associated companies	104,832	33,108
CURRENT FINANCIAL LIABILITIES		
Subsidiaries	0	0
Associated companies	0	0
Parent companies	812,653	0
Other associated companies	0	0
CURRENT ADVANCE PAYMENTS RECEIVED		
Subsidiaries	1,300,000	0
Associated companies	0	0
Parent companies	0	0
Other associated companies	0	0

GEN-I, d.o.o. has established a network of local subsidiaries in order to guarantee the optimal implementation of the sale and purchase of energy sources in international markets. Income and expenses related to subsidiaries occur because a single global portfolio is centrally managed.

Most expenses related to the parent company arise from the implementation of business transactions pursuant to the Umbrella Contract, while a small portion is also related to participation in calls for tender for the sale of electricity by GEN energija d.o.o.

GEN-I, d.o.o. has concluded the Umbrella Contract on the sale and purchase of electricity with GEN energija d.o.o. pursuant to the articles of association of GEN-I. The purpose of concluding said contract is the provision of efficient sale and trading of electricity as well as allowing for a more efficient medium- and long-term price hedging of the production portfolio of the GEN-I Group. Based on the Umbrella Contract, GEN-I is implementing the so-called market access service with the use of its branched trading infrastructure pursuant to market conditions, which enables the company GEN energija d.o.o. to trade in electricity (sale and purchase) pursuant to the prices related to international reference energy markets, which allows GEN energija d.o.o. to efficiently manage and protect the production portfolio of the GEN-I Group.

The Umbrella Contract has the nature of a service, for which GEN energija d.o.o. only pays the transaction costs to GEN-I, d.o.o. They only cover external costs, invoiced by trading platforms for the implementation of transactions as well as a portion of costs occurred in the availability of trading and financial infrastructure in Slovenia and abroad.

15.6 Financial instruments – fair value and risk management

(A) DETERMINING FAIR VALUE

Pursuant to the accounting policies of the company, numerous cases require the measurement of fair value of both financial and non-financial assets and liabilities. The company has set out the fair value of individual groups of assets for the requirements of measuring and reporting according to the methods set out below. Whenever additional explanations are required in relation to items used to determine fair value, they are set out in the explanations attached to individual items of assets and liabilities of the company.

(i) Tangible assets

The fair value of tangible assets from business combinations is their market value. The market value of real estate is the same as the evaluated value pursuant to which real estate could be exchanged in a business transaction at the valuation date and pursuant to relevant marketing between two knowledgeable, willing parties. The market value of devices, equipment and small inventory is based on the offered market price of similar objects.

(ii) Intangible assets

The fair value of patents and trademarks acquired through business combinations is based on the evaluated discounted future value of licence fees, the payment of which will not be necessary due to the ownership of the patent or trademark in question. The fair value of relationships with clients obtained through a business combination is set out based on a special excess earnings method, while the asset is evaluated after the deduction of the fair return of all assets contributing to cash flows.

(iii) Trade and Other Receivables

The fair value of business and other receivables is calculated as the current value of future cash flows, discounted at the market interest rate at the end of the reporting period.

(iv) Derivatives

The fair value of non-standard forward agreements is the same as their offered market price at the end of the reporting period, if available. Failing that, the fair value is determined as the difference between the contractual value of a forward agreement and its current offer value, while taking into consideration the residual maturity of a transaction with a risk-free interest rate (based on government bonds).

(v) Non-derivative financial liabilities

For reporting purposes, the fair value is calculated on the basis of the current value of future payments of principal and interest, discounted at the market interest rate at the end of the reporting period. When it comes to financial leases, the market interest rate is set out by comparing similar lease agreements.

15.6.1 Note 36: **Classification and fair value of financial instruments**

FAIR VALUE	NOTE	31/12/2022		31/12/2021	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS MEASURED AT FAIR VALUE					
Derivatives	13	162,398,866	162,398,866	7,576,892	7,576,892
Financial assets at fair value through the statement of profit or loss	6	0	0	0	0
Total assets measured at fair value		**162,398,866**	**162,398,866**	**7,576,892**	**7,576,892**
FINANCIAL ASSETS MEASURED AT AMORTISED COSTS					
Non-current financial receivables	6	346,902	346,902	304,531	304,531
Non-current operating receivables	7	71,968	71,968	81,863	81,863
Current loans	12	55,698,834	55,698,834	22,760,633	22,760,633
Trade receivables and other receivables	9	149,276,061	149,276,061	152,503,715	152,503,715
Contract assets	11	71,827,471	71,827,471	48,771,292	48,771,292
Cash and cash equivalents	14	54,561,104	54,561,104	129,762,456	129,762,456
Total financial assets measured at amortised cost		**331,782,340**	**331,782,340**	**354,184,489**	**354,184,489**
LIABILITIES MEASURED AT FAIR VALUE					
Derivatives	13	0	0	0	0
Total liabilities measured at fair value		**0**	**0**	**0**	**0**
LIABILITIES MEASURED AT AMORTISED COST					
Bank loans	16	–29,976,175	–29,976,175	–25,000,000	–25,000,000
Other financial liabilities	16	–75,327,250	–75,327,250	–30,137,512	–30,137,512
Bonds	16	0	0	–20,000,000	–20,000,000
Loans received from subsidiaries	16	0	0	0	0
Loans received from others	16	0	0	0	0
Liabilities towards suppliers	22	–206,876,446	–206,876,446	–164,612,828	–164,612,828
Liabilities based on contracts concluded with customers	23	–10,703,609	–10,703,609	–6,105,046	–6,105,046
Total liabilities measured at amortised cost		**–322,883,480**	**–322,883,480**	**–245,855,386**	**–245,855,386**

The value of derivatives is related to forward transactions with financial and physical settlement, currency transactions and other trading-related derivatives.

Stock market transactions with financial settlement and stock market transactions with physical settlement that do not comply with the conditions for the exemption based on own use are evaluated according to appropriate stock exchange quoted prices. Settlement prices from suitable stock exchanges for suitable products are used for the evaluation. Currency transactions are evaluated according to appropriate exchange rate (official mean rate or forward rate). Official mean rates or forward rates are used for the evaluation. The information on official mean rates is obtained from appropriate central banks, while forward rates are set out based on market data. Those assets and liabilities are classified as Level 1 of the fair value hierarchy.

Other forward transactions with physical settlement that do not comply with the conditions for the exemption based on own use are evaluated according to appropriate forward curves. Cross-border transfer capacities are evaluated based on the suitable difference between forward curves. Those assets and liabilities are classified as Level 2 of the fair value hierarchy.

Financial assets at PVIPI represent an unlisted investment in the equity instruments which the company plans to hold in the long run.

The fair value of the remaining current assets and liabilities is practically the same as their carrying amount. The fair value of long-term assets and liabilities is approximately the same as their amortised cost. Those liabilities are classified as Level 3 of the fair value hierarchy.

Fair value of assets

	31/12/2022				31/12/2021			
FAIR VALUE LEVELS	1ST LEVEL	2ND LEVEL	3RD LEVEL	TOTAL	1ST LEVEL	2ND LEVEL	3RD LEVEL	TOTAL
ASSETS AT FAIR VALUE								
Derivatives	3,912,371	158,486,496	0	162,398,866	–22,011,761	29,588,654	0	7,576,892
Total assets measured at fair value	**3,912,370**	**158,486,496**	**0**	**162,398,866**	**–22,011,761**	**29,588,654**	**0**	**7,576,892**
ASSETS FOR WHICH THE FAIR VALUE HAS BEEN REVEALED								
Financial assets available for sale	0	0	0	0	0	0	0	0
Non-current financial investments	0	0	0	0	0	0		
Non-current financial receivables	0	0	346,902	346,902	0	0	304,531	304,531
Non-current business receivables	0	0	71,968	71,968	0	0	81,863	81,863
Non-current deposits	0	0	0	0	0	0	0	0
Current deposits	0	0	0	0	0	0	0	0
Current loans	0	0	55,698,834	55,698,834	0	0	22,760,633	22,760,633
Short-term business receivables (without receivables from the State)	0	0	149,276,061	149,276,061	0	0	152,503,715	152,503,715
Contract assets	0	0	71,827,471	71,827,471	0	0	48,771,292	48,771,292
Cash and cash equivalents	0	0	54,561,104	54,561,104	0	0	129,762,456	129,762,456
Total assets for which the fair value has been revealed	**0**	**0**	**331,782,340**	**331,782,340**	**0**	**0**	**354,184,489**	**354,184,489**
Total	**3,912,370**	**158,486,496**	**331,782,340**	**494,181,205**	**–22,011,761**	**29,588,654**	**354,184,489**	**361,761,381**

Fair value of liabilities

	31/12/2022				31/12/2021			
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	0	0	0	0
Total liabilities measured at fair value	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LIABILITIES MEASURED AT AMORTISED COST								
Liabilities for which the fair value has been revealed	0	0	0	0	0	0	0	0
Bank loans	0	0	–29,976,175	–29,976,175	0	0	–25,000,000	–25,000,000
Other financial liabilities	0	0	–75,327,250	–75,327,250	0	0	–30,137,512	–30,137,512
Bonds	0	0	0	0	0	0	–20,000,000	–20,000,000
Liabilities towards suppliers (without liabilities towards the State and employees and arising from advance payments)	0	0	–206,876,446	–206,876,446	0	0	–164,612,828	–164,612,828
Liabilities based on contracts concluded with customers	0	0	–10,703,609	–10,703,609	0	0	–6,105,046	–6,105,046
Total liabilities for which the fair value has been revealed	**0**	**0**	**–322,883,480**	**–322,883,480**	**0**	**0**	**–245,855,386**	**–245,855,386**
Total	**0**	**0**	**–322,883,480**	**–322,883,480**	**0**	**0**	**–245,855,386**	**–245,855,386**

(B) RISK MANAGEMENT FRAMEWORK

The Management Board of the company is entirely responsible for the implementation and control of the risk management framework. The Management Board has established a Risk Management Committee which is responsible for preparing and monitoring the implementation of risk management policies of the company. The ommittee regularly reports to the Management Board about its activities.

The risk management policies of the company guarantee the recognition and analysis of risks to which the company is exposed, while also allowing to determine the appropriate risk limitations and controls, monitor risks and take consideration of any limitations. The risk management policies and systems are regularly adapted pursuant to any changes in market conditions and the activities of the company. Based on education and management standards and processes, the company is trying to guarantee a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

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

- credit risk;
- liquidity risk;
- market risks (currency risk, interest rate risk and commodities risks).

15.6.2 Note 37: **Credit risk**

A credit risk is the risk that a company will suffer financial losses if a buyer or a customer included in a financial instrument agreement fails to comply with its contractual obligations. Credit risk is mainly derived from receivables from customers for electricity and natural gas and small power plants.

Receivables from customers and contractual assets

RECEIVABLES FROM CUSTOMERS	CARRYING AMOUNT	
	31/12/2022	31/12/2021
Domestic customers	49,473,123	24,969,081
Countries of the Eurozone	38,677,398	23,749,122
Other European countries	14,539,525	23,130,582
Countries of the former Yugoslavia	33,512,382	51,930,203
Other regions	10,556,294	26,897,935
Total receivables from customers	**146,758,722**	**150,676,923**

RECEIVABLES FROM CUSTOMERS	CARRYING AMOUNT	
	31/12/2022	31/12/2021
Wholesale customers	121,794,856	133,782,717
Retail customers	24,963,866	16,894,206
Total receivables from customers	**146,758,722**	**150,676,923**

As detailed in the business report, GEN-I, d.o.o. has an active method of managing credit risks and financial exposure of the company in relation to its business partners, whereby said method is based on consistent implementation of adopted internal policies and the precisely defined processes of recognising credit risks and evaluating the exposure to said risks, which are set out in said internal policies, defining the limit value of exposure and constantly monitoring the exposure of the company when it comes to conducting business transactions with individual business partners. Pursuant to company policies in terms of the management of credit risks, the Risk Management Service prepares a suitable credit rating assessment and risk assessment for each new business partner in the field of trading as well as for major consumers in the field of sales of electricity and natural gas. Based on said assessment, the frameworks of a potential future business cooperation are defined as well as suitable hedging credit lines and the conditions of payment and supply for each individual contractual relationship. When it comes to monitoring credit risk and daily exposure to credit lines, the company divides individual partners into groups according to their credit characteristics (be it individual companies, groups of companies, trading partners, end consumers or retail customers), geographical location, branch, age structure of receivables, maturity of receivables, any potential past financial issues and the estimated level of risk of a breach of the contractual obligations. In order to reduce risks related to non-payment when it comes to its business partners, the company particularly focuses on the use of suitable financial and legal instruments in its daily conclusion of business transactions, in order to guarantee the payment of contractual obligations. Those instruments are included in contractual relationships concluded with business partners based on the analysis of their credit rating and suitable risk assessments.

Business receivables from partners in the wholesale electricity and natural gas market are insured with the credit insurance company, in combination with received payment bank guarantees. When it comes to receivables from business consumers, GEN-I, d.o.o. insures them with the credit insurance company.

Any losses due to impairment of financial and contractual assets recognised in the statement of profit or loss are set out below.

Age structure and changes of the value adjustment of trade receivables and other receivables

MATURITY OF RECEIVABLES	GROSS VALUE	VALUE ADJUSTMENT	GROSS VALUE	VALUE ADJUSTMENT
	31/12/2022		31/12/2021	
Not past-due	137,949,750	4,969,173	147,761,194	3,224,684
Overdue for up to 90 days	23,941,156	1,174,413	27,633,223	455,914
Overdue from 91 to 180 days	908,708	43,112	549,384	0
Overdue from 181 to 365 days	4,499,261	3,892,010	542,665	0
Overdue for more than one year	1,639,029	888,489	2,178,802	1,305,886
Total maturity of receivables	**168,937,904**	**10,967,197**	**178,665,268**	**4,986,484**

CHANGES OF THE ADJUSTMENT OF THE VALUE OF RECEIVABLES	VALUE ADJUSTMENT	
	2022	2021
Opening balance as at 1/1	**4,986,484**	**3,827,256**
Created value adjustment	6,415,469	1,300,999
Write-downs of value adjustment	0	0
Write-downs of receivables debited to value adjustment	–434,756	–141,771
End balance as at 31/12	**10,967,197**	**4,986,484**

15.6.3 Note 38: **Liquidity risk**

A liquidity risk is the risk that the company will face any issues when it comes to complying with its financial obligations settled in cash or other financial assets. The company manages its liquidity risk by guaranteeing, to the highest possible extent, sufficient liquidity for the settlement of its obligations when they fall due, both in normal situations and in times of stress, without incurring any unacceptable losses or causing any damage to the reputation of the company.

Year 2022

FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	OVER 5 YEARS
				2022			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bank loans	29,976,175	30,655,529	10,315,852	20,339,677	0	0	0
Bonds issued	0	0	0	0	0	0	0
Other liabilities	75,327,250	75,702,131	75,702,131	0	0	0	0
Lease liabilities	2,846,626	2,957,598	743,114	646,334	527,645	1,040,505	0
Liabilities towards suppliers and other liabilities	206,954,306	206,954,306	206,954,306	0	0	0	0
DERIVATIVES							
Interest rate swaps used for hedging	0	0	0	0	0	0	0
Forward currency agreements used for hedging	0	0	0	0	0	0	0
Outflow	0	0	0	0	0	0	0
Inflow	–162,398,866	–162,398,866	–162,398,866	0	0	0	0
Total financial liabilities	**152,705,491**	**153,870,698**	**131,316,537**	**20,986,011**	**527,645**	**1,040,505**	**0**

Year 2021

FINANCIAL LIABILITIES	CARRYING AMOUNT	CONTRAC-TUAL CASH FLOWS	UP TO 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	OVER 5 YEARS
				2021			
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bank loans	29,976,175	30,655,529	25,086,403	0	0	0	0
Bonds issued	0	0	20,360,328	0	0	0	0
Other liabilities	75,327,250	75,702,131	30,340,196	0	0	0	0
Lease liabilities	2,846,626	2,957,598	683,317	682,671	1,183,703	1,324,523	195,110
Liabilities towards suppliers and other liabilities	206,954,306	206,954,306	164,695,582	0	0	0	0
DERIVATIVES							
Interest rate swaps used for hedging	0	0	0	0	0	0	0
Forward currency agreements used for hedging	0	0	0	0	0	0	0
Outflow	0	0	0	0	0	0	0
Inflow	–162,398,866	–162,398,866	–7,576,892	0	0	0	0
Total financial liabilities	**236,149,688**	**236,974,941**	**233,588,934**	**682,671**	**1,183,703**	**1,324,523**	**195,110**

The liquidity of the entire Group is managed by the parent company which carefully and conscientiously monitors and plans, on a daily basis, its short-term financial solvency, guaranteeing it through timely coordination and planning of all cash flows within the Group. In doing so, the company considers, to the highest possible extent, all risks related to any belated payments or poor payment discipline of its customers, since they hinder the planning of inflows and investment operations of the Group.

In addition, the company also constantly monitors and optimises short-term surpluses and deficits of cash assets. Liquidity reserve in the form of approved credit lines with business banks, dispersed financial liabilities, real-time coordination of the maturity of receivables and liabilities, and consistent debt collection enable an efficient management of cash flows, which makes it possible for GEN-I, d.o.o. to guarantee its own solvency and, as a consequence, provides for a low rate of short-term financial solvency risk. Since the company maintains an active approach to financial markets and also boasts successful business activities and a stable cash flow from operations, liquidity risks are within acceptable limits and fully manageable.

The long-term liquidity of the company is provided through maintaining and increasing share capital and maintaining a suitable financial balance. The company achieves this by constantly providing a suitable balance sheet structure in terms of the maturity of its financial liabilities. In the field of management of liquidity risks, the Management Board plans to continue reinforcing the long- and short-term liquidity of the Group in the year to come as well as introduce new subsidiaries into the liquidity monitoring system.

15.6.4 Note 39: **Foreign exchange risk**

Year 2022

RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK
		31/12/2022		
Receivables from customers	133,483,979	0	0	0
Bank loans	29,976,175	0	0	0
Liabilities towards suppliers	–185,466,356	–44,952	–32,077	–6,323
Gross balance sheet exposure	**–81,958,552**	**–44,952**	**–32,077**	**–6,323**
Estimated forecast sale	–229,478,760	–134,855	–96,231	–18,968
Estimated forecast procurement	0	0	0	0
Gross exposure	**–81,958,552**	**–44,952**	**–32,077**	**–6,323**
Net exposure	**–81,958,552**	**–44,952**	**–32,077**	**–6,323**

Year 2021

RECEIVABLES AND LIABILITIES	EUR	USD	GBP	HRK
		31/12/2021		
Receivables from customers	137,143,184	0	0	0
Bank loans	–25,000,000	0	0	0
Liabilities towards suppliers	–151,589,173	16,231	–31,488	0
Gross balance sheet exposure	**–39,445,989**	**16,231**	**–31,488**	**0**
Estimated forecast sale	0	0	0	0
Estimated forecast procurement	0	0	0	0
Gross exposure	**0**	**0**	**0**	**0**
Net exposure	**–39,445,989**	**16,231**	**–31,488**	**0**

Particularly when it comes to foreign markets which are not a part of the Eurozone, GEN-I, d.o.o. is actively involved in the implementation of suitable infrastructure for the conclusion of currency transactions and the implementation of other mechanisms of hedging in terms of currency risks, which include forward transactions and currency clauses.

The Company is mainly exposed to currency risk when it comes to performing its core activities, of trading and sale of electricity and natural gas and cross-border transfer capacities. Considering the scope of its business operations, the company is most exposed to currency risks when it comes to the following currencies: RON (the new Romanian leu) and TRY (the Turkish lira).

The company is reducing its currency risks by linking the sales prices of goods to the currency of the sources of financing for the purchase of said goods. In individual subsidiaries, currency risk is also "naturally" protected since a portion of planned inflows is covered by planned outflows in the same currency. In order to protect itself from those risks, the company also uses derivatives and numerous forward currency agreements, if necessary.

The company is regularly monitoring the open currency position for all currencies to which it is exposed. The company is most exposed when it comes to TRY (the Turkish lira), where exposure consists of receivables from the parent company, which decreases the sensitivity of the change in the exchange rate to the result.

HUF	TRY	BGN	RON	CZK
		31/12/2022		
0	5,294,179	222,520	7,753,576	4,468
0	0	0	0	0
–39,508	–757,710	–1,894	–11,281,802	–27
–39,508	**4,536,470**	**220,625**	**–3,528,226**	**4,441**
–118,523	8,315,229	439,356	–18,338,254	8,855
0	0	0	0	0
–39,508	**4,536,470**	**220,625**	**–3,528,226**	**4,441**
–39,508	**4,536,470**	**220,625**	**–3,528,226**	**4,441**

HUF	TRY	BGN	RON	CZK	PLN
		31/12/2021			
0	1,126,895	31,886	12,374,958	0	0
0	0	0	0	0	0
–208,250	–941,825	–2,932	–11,612,467	0	–13,052
–208,250	**185,071**	**28,954**	**762,491**	**0**	**–13,052**
0	0	0	0	0	0
0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**
–208,250	**185,071**	**28,954**	**762,491**	**0**	**–13,052**

The company consistently implements hedging of all positions in foreign currencies. When it comes to the markets where hedging is not performed through forward agreements, hedging is implemented within the company by including a foreign exchange clause in its contracts concluded with its partners and customers. As a consequence, no change in exchange rates can materially influence the results of the company.

15.6.5 Note 40: **Interest rate risk**

FINANCIAL INSTRUMENTS	CARRYING AMOUNT	
	31/12/2022	31/12/2021
INSTRUMENTS WITH A FIXED INTEREST RATE		
Financial assets	55,520,000	22,749,000
Financial liabilities	–85,281,294	–69,880,070
INSTRUMENTS WITH A VARIABLE INTEREST RATE		
Financial liabilities	–20,020,000	–5,000,000

The company manages its interest rate risk by constantly assessing the exposure and impact of a potential change in the reference interest rate (variable portion) on financing-related expenses. In addition, the portfolio of loans which can be affected by a change in the interest rates is also monitored. In the framework of its risk management activities, the company is monitoring the fluctuation of interest rates in the domestic market, in foreign markets and in the market of derivatives. The purpose of the constant monitoring and analysing is to provide protection measures in due time by regulating the asset and liability side of the balance sheet.

The exposure to the interest rate risk is small, since only two of our loans in the total amount of EUR 20,020,000 have a variable interest rate. A change in the interest rate by +/– 100 basis points would increase/decrease net profit or loss by +/– EUR 200,200.

15.6.6 Note 41: **Commodities risk and calculation of hedging**

The core activities of the GEN-I Group are international trading with electricity and natural gas, the sale of both energy sources to end consumers, and the purchase of energy sources from producers which is related to the first two core activities.

Due to the nature of its business operations, the Group must constantly perform hedging in order to reduce market risks. Hedging is performed in the parent company GEN-I, d.o.o. which is in charge of the centralised management of the portfolio of the Group and also has the necessary infrastructure to implement hedging activities on commodity markets.

Hedging activities in terms of market risks are performed pursuant to the policy and procedures defined by the Risk Management Service.

The commodities risks are related to the changes in prices due to the market structure, demand/supply, import and export duties and the changes in prices of cross-border capacities. This is a risk of a financial loss due to the fluctuation of prices in energy markets. Those market risks are managed through predetermined strategies based on portfolio sensitivity analyses, analyses of price elasticity in terms of sales portfolios, analyses of CVaR indicators as well as the quantitative exposure and market depth and liquidity reviews of all portfolios within the GEN-I Group.

The hedged item is a firm commitment. A firm commitment is a binding agreement on the replacement of a precisely defined quantity of indicators according to a precisely defined price at the precisely defined future day or days. Hedged items of the company (goods) are physical business transactions involving electricity and natural gas.

The hedging instrument is a standard forward agreement. The Group is actively involved in several commodity markets and uses standard forward agreements for electricity, natural gas and other goods as hedging instruments.

The hedge ratio is defined as the ratio between the quantity of the hedging instrument and the quantity of the hedged item, by taking into consideration their relative weighting. Generally speaking, the hedged item and the hedging instrument can be related to the same or different goods and be fulfilled at the same or different times in the same or in different markets. However, hedging must be efficient, which means that there must be a strong connection between the hedged item and the hedging instrument; therefore, the hedged item and the hedging instrument are usually related to the same goods and have the same or similar time limit for completion.

Sources of inefficiency which are expected to influence the hedging relationships during their term are the following:

- differences in profiles;
- differences in locations;
- differences in time frames;
- differences in quantities or nominal amounts;
- proxy hedging;
- early terminations;
- credit risk.

In order to prove the existence of an economic relationship, an expectation must exist that the value of the hedging instrument and the value of the hedged item will move in the opposite directions as a consequence of the common basic or hedged risk. A qualitative test, i.e. an assessment of the matching of essential conditions, is usually used for this assessment. When a hedging relationship is not obvious, we can also use a quantitative test, i.e. a simple method based on a scenario analysis, can also be used for the evaluation of the economic relationship.

Hedging instruments

Year 2022

PROFILE OF THE TIME FRAME OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1-5 YEARS	> 5 YEARS
Commodities risk	0	227,762,015	0

HEDGING INSTRUMENT	NOMINAL AMOUNT OF A HEDGING INSTRUMENT	CARRYING AMOUNT OF A HEDGING INSTRUMENTS		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHICH INCLUDES A HEDGING ELEMENT	CHANGES IN FAIR VALUE USED FOR THE CALCULATION OF THE INEFFICIENCY OF HEDGING FOR 2022
		ASSETS	LIABILITIES		
Commodities risk	227.762.015	n. p.*	n. p.*	n. p.*	83.765.573

*A financial instrument is a standard forward agreement which is to be settled in cash on a daily basis.

Year 2021

PROFILE OF THE TIME FRAME OF THE NOMINAL AMOUNT OF HEDGING INSTRUMENTS	NOMINAL AMOUNT		
	< 1 YEAR	1-5 YEARS	> 5 YEARS
Commodities risk	0	95,545,408	0

HEDGING INSTRUMENT	NOMINAL AMOUNT OF A HEDGING INSTRUMENT	CARRYING AMOUNT OF A HEDGING INSTRUMENTS		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHICH INCLUDES A HEDGING ELEMENT	CHANGES IN FAIR VALUE USED FOR THE CALCULATION OF THE INEFFICIENCY OF HEDGING FOR 2021
		ASSETS	LIABILITIES		
Commodities risk	95,545,408	n. p.*	n. p.*	n. p.*	46,820,536

*A financial instrument is a standard forward agreement which is to be settled in cash on a daily basis.

Hedged item

HEDGED ITEM	CARRYING AMOUNT OF A HEDGED ITEM		TOTAL CHANGE IN FAIR VALUE OF FIRM COMMITMENT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHICH INCLUDES FIRM COMMITMENT	CHANGES IN FAIR VALUE USED FOR THE CALCULATION OF THE INEFFICIENCY OF HEDGING FOR 2022
	ASSETS	LIABILITIES	ASSETS	LIABILITIES		
Commodities risk – non-due	n. p.*	n. p.*		–96,407,369	Izvedeni finančni instrumenti*	83,765,573

* The hedged item is an unrecognised firm commitment.

Hedge ineffectiveness

FAIR VALUE HEDGING	HEDGE INEFFECTIVENESS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS	LINE ITEM IN THE STATEMENT OF COMPREHENSIVE INCOME WHICH INCLUDES HEDGE INEFFECTIVENESS
Commodities risk	–2,246,124	Other recurring operating income and expenses

16 EVENTS AFTER THE REPORTING PERIOD

After the date of the balance sheet and before the adoption of this Report, no important events which could influence the disclosed assets and sources of assets as at the balance sheet date occurred in the Company.

Regulation of electricity and natural gas prices

The Decree on the determination of electricity prices for business consumers setting out the mechanism of determining the highest permitted retail price of electricity for business consumers as set out in the Electricity Supply Act (Official Gazette of the Republic of Slovenia, No. 172/21) was published on 29 November 2022. The Decree is used for the contracts on the supply of electricity to business consumers in 2023, concluded from the day of entry into force of this Decree (i.e. 30 November 2022) up to and including 31 December 2023. Even though the consequences of the aforementioned Decree on the business operations of GEN-I, d.o.o. 2023 are not negligible, they are covered in their entirety by the State with the so-called clawback mechanism, i.e. compensation for electricity suppliers.

In addition, the Decree on the determination of electricity prices for micro, small and medium-sized enterprises (MSMEs), applicable from 1 January 2023 to 30 June 2023, was also published in the Official Gazette of the Republic of Slovenia on 30 December 2022. Even though the calculated consequences of the aforementioned Decree on the result of the GEN-I Group for 2023 are not negligible, the State has adopted a so-called clawback mechanism, i.e. compensation for electricity suppliers intended to offset the negative impacts of the aforementioned Decree.

At the end of 2022, the Government also limited the price of electricity for public institutions and municipalities (legal entities governed by public law) with the Decree on the determination of the highest retail price of electricity and natural gas for public institutions, public commercial institutions, public agencies, public funds, and municipalities. According to this Decree, the highest permitted retail price of electricity amounts to EUR 207/MWh (for the higher daily tariff), EUR 148.5/MWh (for the lower daily tariff) and EUR 186 (for the single tariff) without VAT. Even though the calculated consequences of the aforementioned Decree on the result of the GEN-I Group for 2023 are negative, the State has also adopted a so-called clawback mechanism for them, setting out compensation for electricity suppliers intended to offset the negative impacts of the aforementioned Decree.

At the end of 2022, companies GEN-I, d.o.o. and GEN energija d.o.o. have signed an agreement on the purchase of the quantities of electricity that have not yet been purchased for the household consumer segment for 2023, amounting to a little less than 0.9 TWh. Subsequently, the State has adopted the so-called clawback mechanism by setting out the compensation for electricity suppliers, which enabled the companies to transfer the aforementioned quantity of electricity for 2023 at a price offsetting the negative impacts of the Decree on the determination of the highest price of electricity on GEN-I, d.o.o.

Appointment of a new Management Board of GEN-I, d.o.o.

After the end of the one-year period during which GEN-I, d.o.o. was being managed on the basis of the judicial appointment of the Management Board, the two shareholders have confirmed, during the General Assembly of GEN-I, d.o.o., the new Management Board which will remain at the helm of the company for the next five years. Maks Helbl, previously Head of Legal Affairs at GEN-I, d.o.o., was appointed as the President of the Management Board, while Andreja Zupan, previously Head of Trading, and Sandi Kavalič, previously Head of Risk Management, were appointed as Members of the Management Board. Primož Stropnik, representative of GEN energija d.o.o., remains on the Management Board as one of its Members.

17 STATEMENT OF THE MANAGEMENT

The Management Board is confirming the financial statements of GEN-I, d.o.o. for the financial year that ended on 31 December 2022, including notes on the financial statements.

The Management Board confirms that suitable accounting policies have been used consistently during the preparation of the financial statements. The accounting estimates have been created pursuant to the principle of precaution and sound governance. The Management Board confirms that this annual report reflects a true and fair view of the position of the assets and liabilities of GEN-I, d.o.o. and its economic outturn for 2022.

The financial statements and their notes were prepared on the going concern basis as well as in accordance with the applicable legislation and the International Financial Reporting Standards.

Primož Stropnik
član uprave

Maks Helbl
predsednik uprave

Andreja Zupan
članica uprave

Sandi Kavalič
član uprave

Krško, 24. 4. 2023

18 INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT

To the owners of GEN-I d.o.o.

Report on the audit of the separate financial statements

Opinion

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

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion

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

Deloitte.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Derivatives and hedging

As of December 31, 2022, the company's assets include the fair value of EUR 162,399 thousand of derivative financial instruments, which are mainly used to manage and hedge market and currency risks.

Key audit matter	*How our audit addressed the key audit matter*
As disclosed in Note 15.3 (D) (v) derivatives are measured at fair value, and changes in fair value are generally recognized in profit or loss. When measuring fair value, management must determine the appropriate methods and models for determining fair value and for hedge accounting. The disclosures are presented in Section 15.6. Financial instruments - fair value and risk management. The fair value of derivatives is based on quoted prices in active markets or on valuation models that use observable inputs. Derivative financial instruments are treated as a key audit matter due to the importance for the financial statements, the importance of assumptions in the calculation of fair value and the complexity of hedge accounting.	As part of our audit procedures, we assessed the adequacy of the 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

Deloitte.

	the evaluations prepared by the company are accurate.

Revenues from sales

As can be seen from the separate financial statements – Note 27, in the year ended December 31, 2022, revenues from contracts with customers amounted to EUR 4,144,486 thousand.

Revenues from the sale of services, which mainly include revenues from cross-border transmission capacities and other services related to the trading of electricity and natural gas, amounted to EUR 152,509 thousand in the year ended December 31, 2022.

Key audit matter	How our audit addressed the key audit matter
As disclosed in Note 15.3 (M) (i) of the accounting policies, revenues from contracts with customers are recognized gradually. In a contract for the supply of electricity or natural gas, the seller transfers control gradually, and the buyer simultaneously obtains and consumes the benefits of the seller's obligation when it is performed; the seller thus fulfils its performance obligation and recognizes revenue gradually by measuring according to the output method, namely the method of calculated amounts based on the supplied quantities of electricity or natural gas. Revenues from services rendered are recognized in the income statement based on the stage of completion of the transaction at the end of the reporting period, as explained in Note 15.3 (M) (ii) of the accounting policies. The degree of completion is assessed by reviewing the work performed. Revenues are one of the important indicators of the company's performance. Due to the importance of the item in the financial statements, and the risk related to the adequacy of revenue recording, we identified this area as a key audit matter.	As part of the implementation of audit procedures, we assessed the adequacy of the company's accounting policies regarding the recognition of revenues from services rendered and contracts with customers and their compliance with IFRS, and performed the following audit procedures: - we checked the design and implementation of internal controls related to the recognition of revenues and purchases from the point of view of the adequacy of their recording separately for trading and separately for retail; including the software tools used: - we checked the effectiveness of the identified internal controls, that we assessed to be important from the audit point of view; - on the basis of the selected sample, we checked the adequacy of controls in detail on the electricity and natural gas supply side; - on the basis of purchased and sold quantities and prices of electricity and natural gas for the last three years and on the basis of a high degree of correlation between purchase and sale, we analytically estimated revenues; deviations were explained; - recognized revenues with related parties were reconciled with independent confirmations. We also reviewed the information in the financial statements to assess whether the disclosures regarding revenue from the sale of services are appropriate.

Deloitte.

Other matter

We draw your attention to Explanation 30 Other operating income or expenses to the separate financial statements, which describes the calculation of potential exposure in the amount of EUR 33,844 thousand, which is prepared in accordance with the explanations of the Committee for the Explanation of International Financial Reporting Standards 23 (OMSRP23). Our opinion is not adjusted for this matter.

Other information

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

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

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

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

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

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

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

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

Deloitte.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 4 November 2022. Our total uninterrupted engagement has lasted 9 years.

Confirmation to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 25. april 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company and 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 Yuri Sidorovich.

DELOITTE REVIZIJA d.o.o.

Yuri Sidorovich

Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 25. april 2023

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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

19 LIST OF DISCLOSURES