hse Group

IN THE COURSE OF GREEN CHANGES

Annual Report 2023

INDEX

04 Accounting Report of the HSE Group

05 Accounting Report of HSE Company

06 Appendix

INTRODUCTION

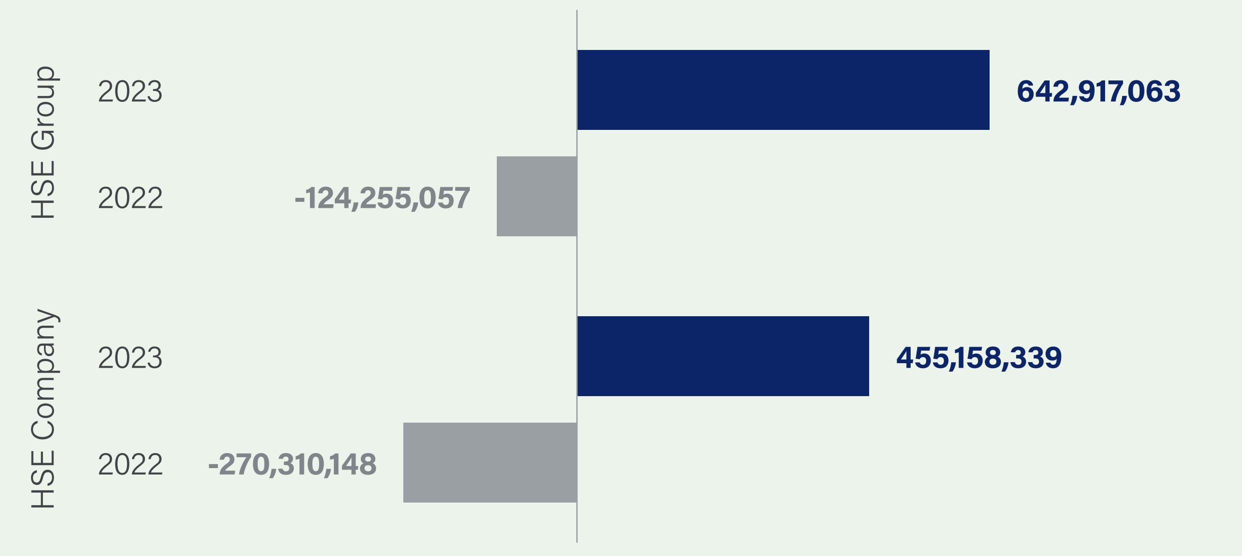
2023: A year of an excellent performance and good deeds

01

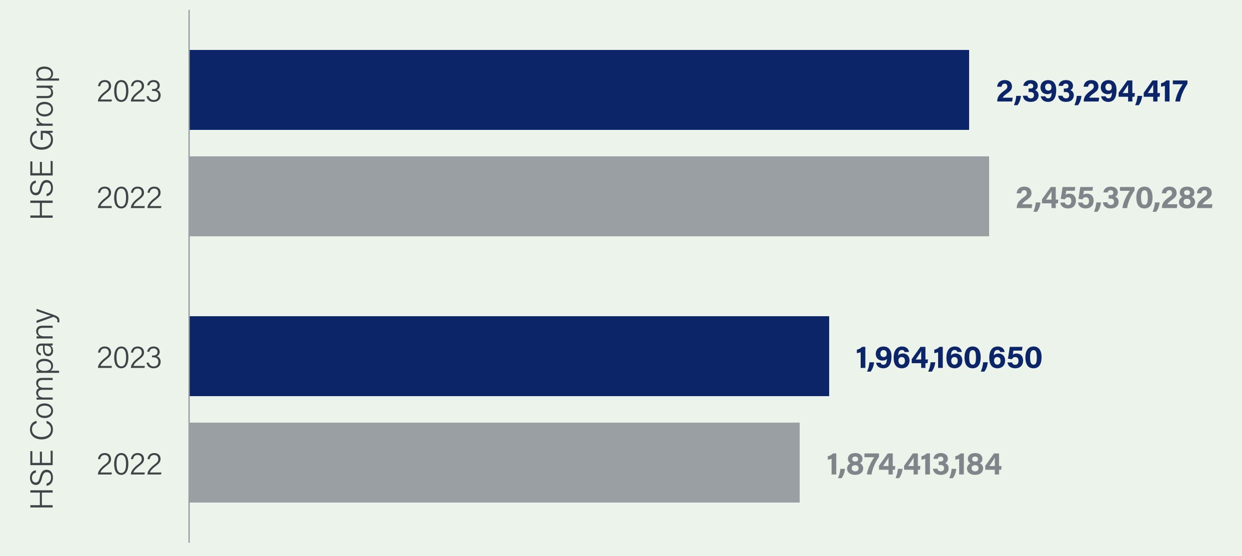
1.1 Operating highlights of the HSE Group and HSE Company[1]

Revenue in EUR

EBITDA in EUR

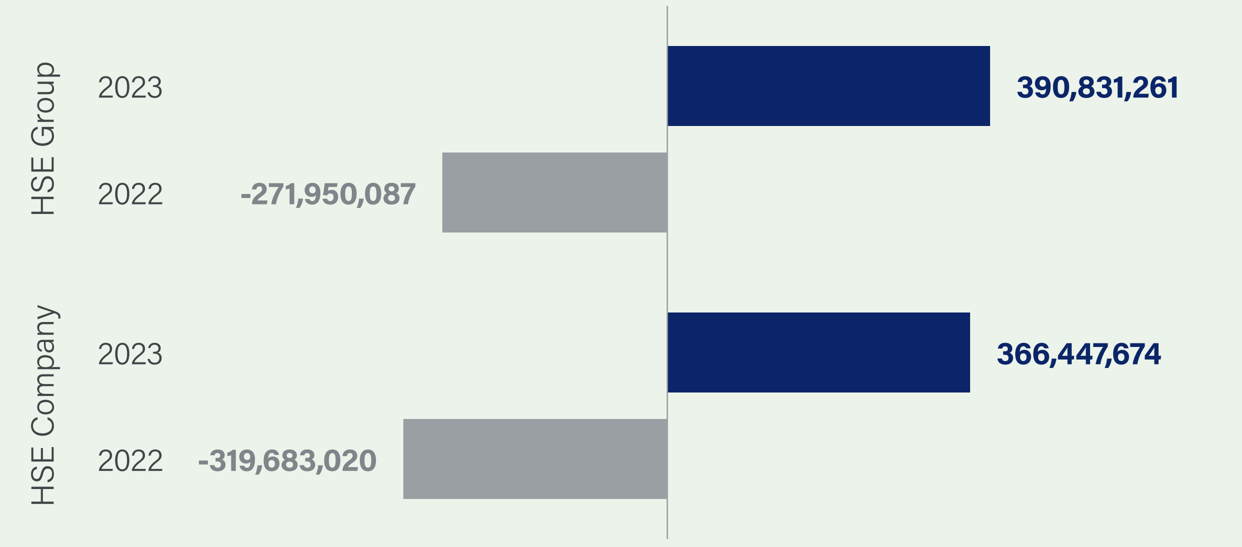


Assets in EUR

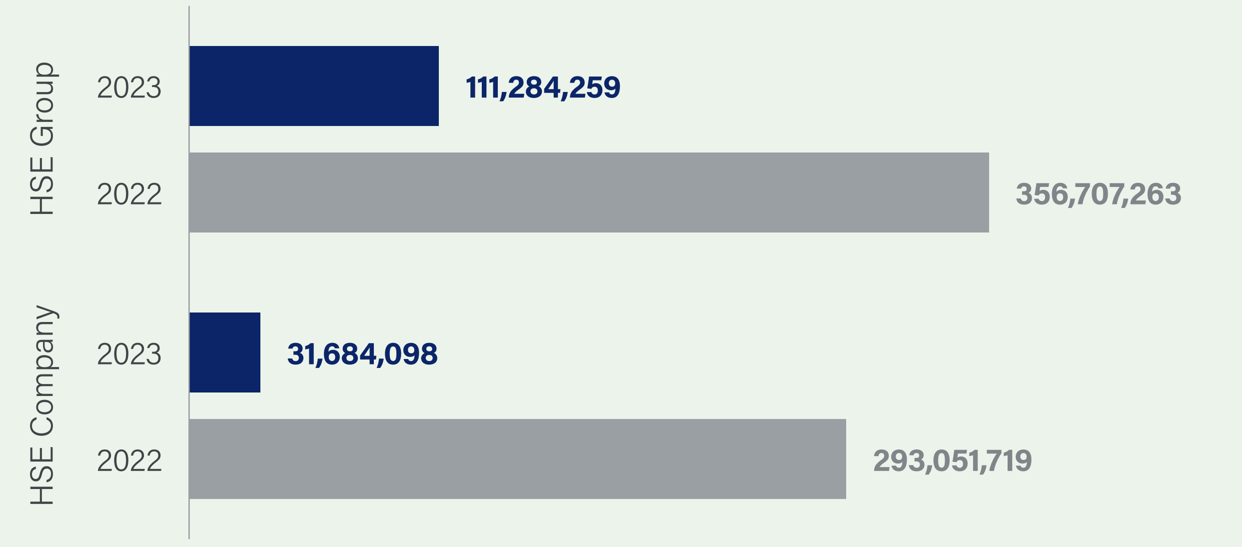


Generated electricity (excluding 49% HESS) in GWh

Net profit or loss in EUR

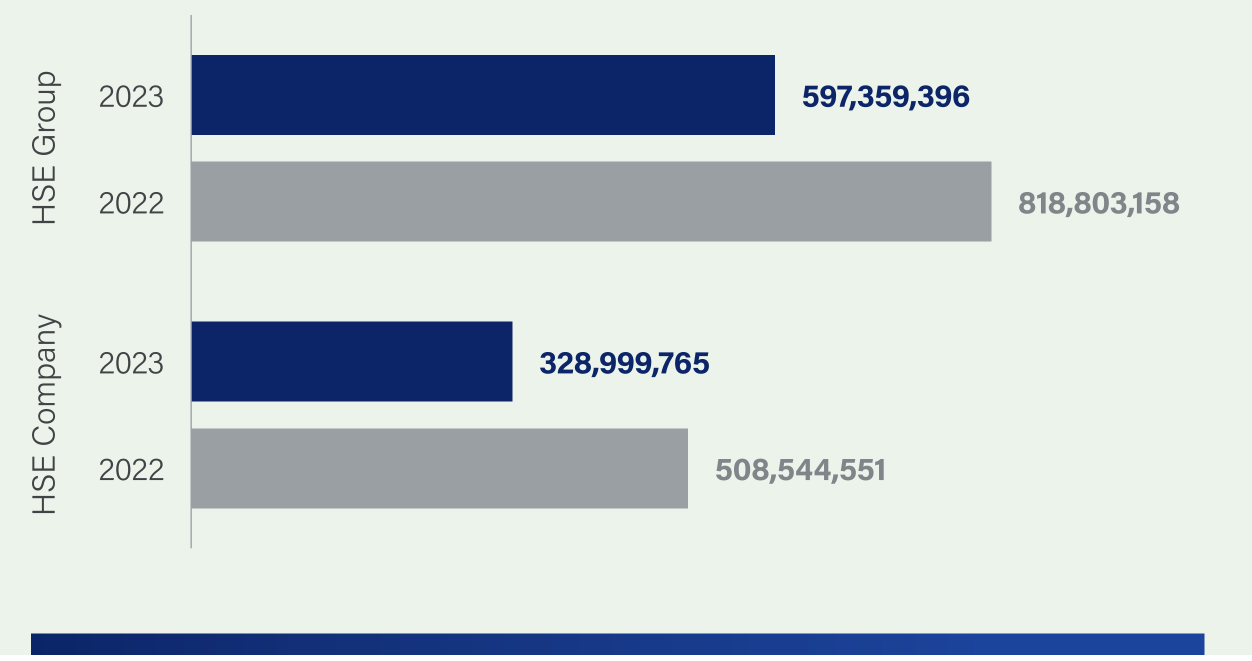


Cash in EUR

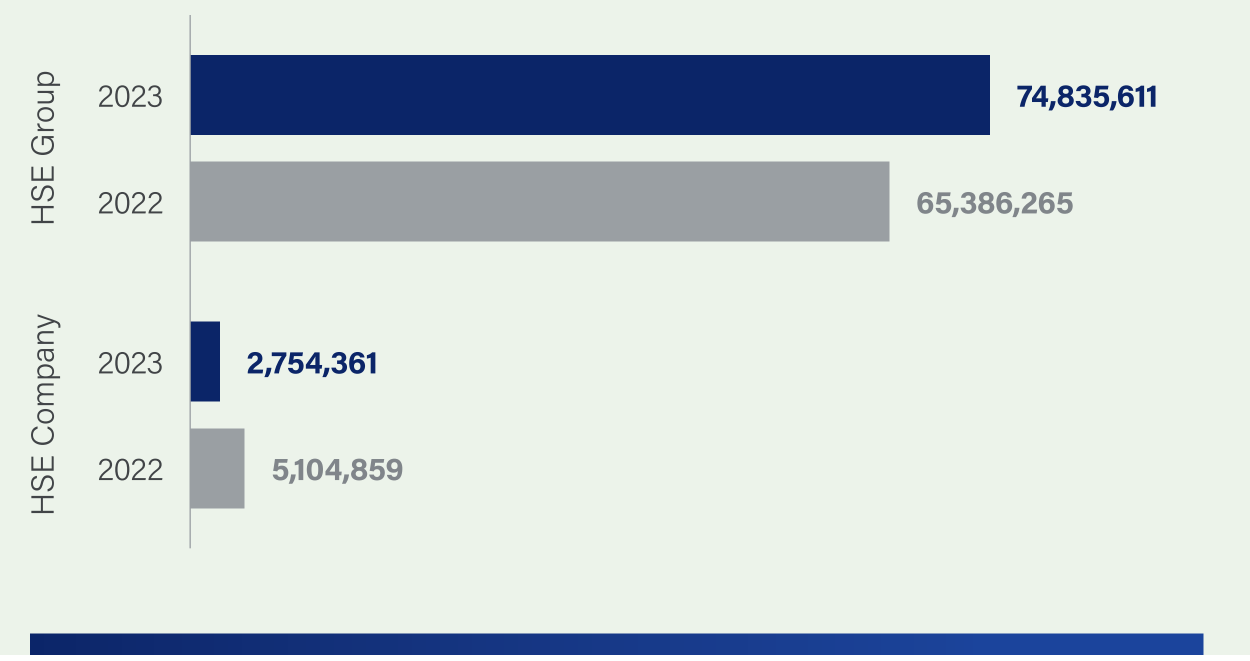


1 When using addition, an insignificant rounding error in individual sections of the Annual Report of the HSE Group and Company may occur.
GRI: 102-7; 201-1.

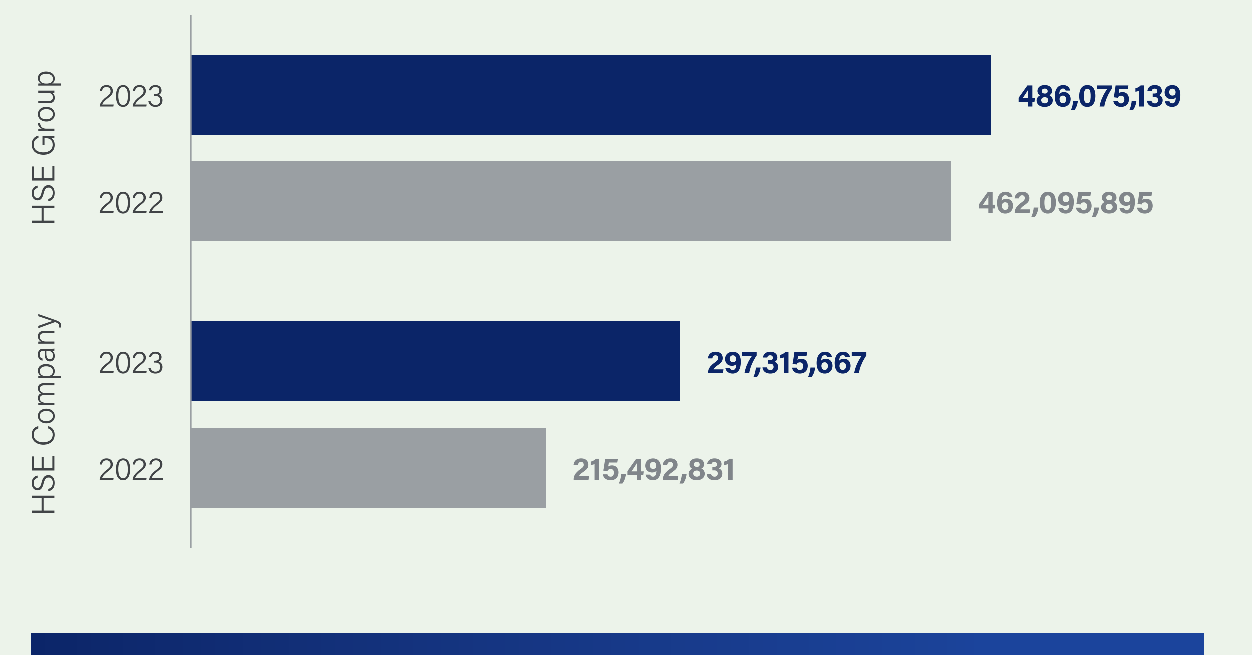
Total financial liabilities in EUR



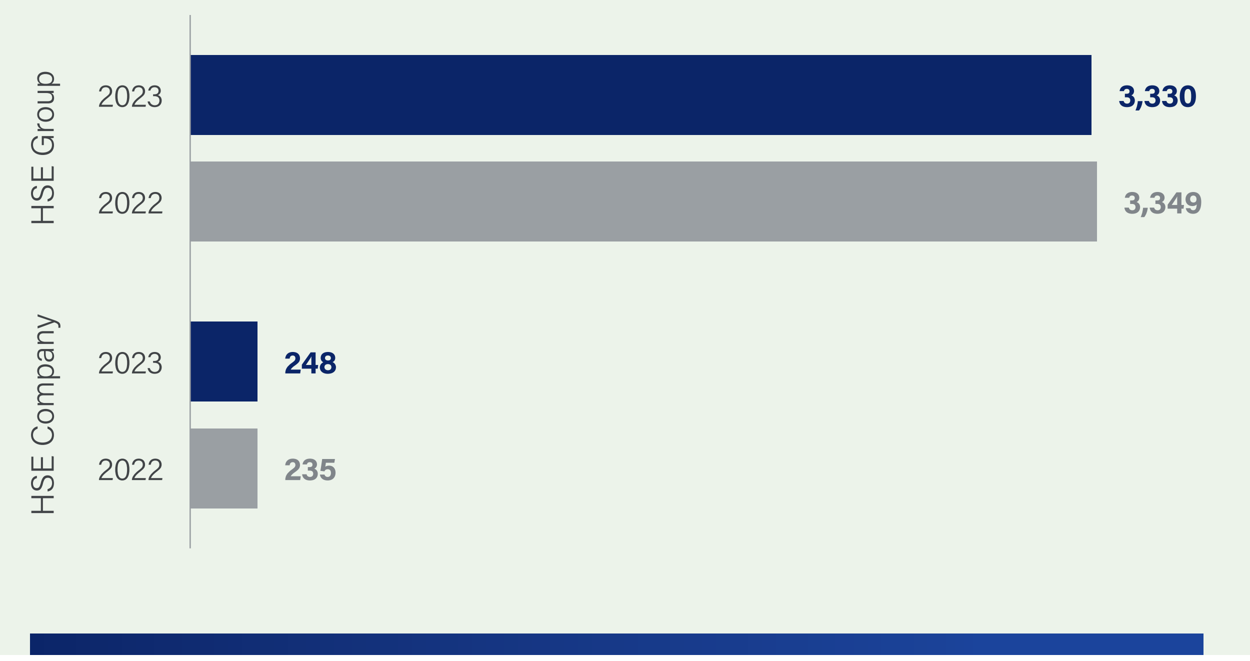
Investments in EUR



Net financial liabilities in EUR



Employees



Tomaž Štokelj, Ph.D.
CEO of HSE

Uroš Podobnik
CBO of HSE

1.2 Statement from the Management Board

2023: A YEAR OF AN EXCELLENT PERFORMANCE AND GOOD DEEDS

The HSE Group performed excellently in all key segments in 2023. Our power plants generated 6,581 GWh in electricity or 10 per cent more than planned. The Group made good use of the favourable conditions on the European energy markets for the sale of self-generation and trading, as well as favourable natural conditions, while at the same time successfully managing the generation at the Velenje Coal Mine. The group's EBITDA scored to a record high in 2023, amounting to EUR 643 million or EUR 143 million higher than planned. The HSE Group ends 2023 with EUR 391 million in net profit or EUR 123 million more than planned. We are especially proud of the fact that a large part of our funds in 2023 was allocated to charity. We namely believe that it is right to share an excellent performance with the environment we live with.

One of the most successful years in the history of the HSE Group is behind us. Its excellent performance is the result of optimization, continuous improvement of business processes and good risk management related to the generation and sale of electricity. Thus, already at the beginning of the year, we remedied the liquidity problems resulting from the generation loss in 2022 and price fluctuations on the European markets, and by the end of the year, we had already repaid EUR 342 million of the EUR 492 million of the subsequent capital increases to the owner that the latter had performed at the end of 2022, vindicating its trust in us.

2023 was dedicated to revising the vision of the HSE Group. We are **a responsible green transition driving force and a pillar of reliable energy supply**. The HSE Group consistently follows environmental protection and RES guidelines and has been launching a new cycle of investments in environmentally friendly electricity. The Group has been mainly focusing on the construction of solar power plants and wind farms, run-of-river hydropower plant and pumped-storage hydropower plants and hydrogen technologies. Potentials were also recognised in geothermal energy and biomass and the introduction of new technologies, related to the flexibility, digitalisation, and use of smart grids, accumulators, and virtual power plants. At the same time, we have been developing new products and solutions that will also encourage our customers in the country's green transition. These were supplied with electricity by our retail companies, Energija plus and ECE, throughout 2023 at regulated prices, which were significantly lower than market prices. Subject to legal provisions, the costs of regulation for 264,000 household customers and 16,000 small business customers amounting to almost EUR 85 million were borne by HSE.

One of the most high-profile green transition projects launched in 2023 is the North Adriatic Hydrogen Valley (NAHV) project, where HSE is the leading partner. It will last 72 months and includes seventeen pilot projects that will be developed at different locations. NAHV will significantly contribute to the introduction of new regional decarbonization technologies and accelerate the transition to RES in the industry and the energy and transport sectors. It is also important from the point of view of the development of the economy and transport infrastructure in the Danube region. In addition, the Group also completed the development and innovation project Farcross last year, in which the HSE team actively participated for the last 48 months and for whose work a financial incentive was received, in addition to gaining a rich experience and valuable knowledge.

An important turning point in 2023 was the successfully completed arbitration procedure against the Ugljevik Mine and Thermal Power Plant before the arbitration tribunal based in Belgrade. After almost ten years, it decided that the company Elektrogospodarstvo Slovenije (EGS-RI) was entitled to the payment of EUR 67 million in compensation for unsupplied electricity from the Ugljevik Thermal Power Plant in Republika Srpska in the period from June 2011 to December 2021 and more than EUR 58 million in interest. Holding Slovenske elektrarne (HSE) successfully represented EGS-RI in the demanding international legal proceedings. A third of the electricity generated by the Ugljevik thermal power plant is thus again supplied to a company from Slovenia after more than thirty year hiatus. HSE started collecting it on behalf of EGS on 1 February 2024.

In the HSE Group, we are aware that our activity affects the environment we co-habit with, and that it is right to return part of our funds thereto. Our excellent performance in 2023 was the one that enabled us to allocate a large part of our funds to charity, especially to the post-flood reconstruction of Slovenia. Financial resources were donated to the affected areas for the purchase of equipment necessary for damage remedy, construction materials and protective equipment. Employees of the HSE Group became engaged in large numbers as volunteers in flooded areas, and in September, HSE also organized a charity campaign as part of which as many as 160 of our associates helped rehabilitate affected buildings in the city of Kamnik area. HSE Invest signed a donation agreement with the Municipality of Medvode for the design of the bridge that had been washed away by the water in the August floods. The suppliers ECE and Energija plus provided lower electricity prices to 2,200 customers who had sustained damage during the floods. The HSE ended a successful and charitable year with a donation of EUR one million to the Fund for the Remedy of the Consequences of the Floods that Had Affected Slovenia. In total, the HSE Group contributed more than EUR two million to the post-flood reconstruction of Slovenia.

The performance of any company is always the sum of several factors: bold plans, an ambitious and committed team, the support of the owner, and an open ear and cooperation of all other stakeholders. We thank you all for creating 2023 with us, remembered for excellent results and good deeds. We believe that all this paved the way to an (even) better energy future for Slovenia.

In Ljubljana, on 21 June 2024

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

Nevenka Hrovatin, Ph.D.
President of the Supervisory Board of HSE

1.3 Report of the Supervisory Board of HSE[2]

Pursuant to the Companies Act, the Articles of Association of the limited liability company HSE d.o.o., the Rules of Procedure of the Supervisory Board of HSE d.o.o., and the Corporate Governance Code for Companies with State Capital Investments, the Supervisory Board of HSE d.o.o. hereby issues the 2023 Report of the Supervisory Board of HSE d.o.o. (hereinafter the HSE Supervisory Board).

1.3.1 MODE AND SCOPE OF REVIEWING THE MANAGEMENT AND OPERATIONS OF HSE IN THE 2023 FINANCIAL YEAR

In 2023, the Supervisory Board of HSE held nine sessions in total, out of which seven ordinary and two extraordinary sessions. The participation of Members of the Supervisory Board of HSE can be seen in the table included in the Statement on corporate governance. With two exceptions, all sessions were attended by all members. On a proposal of the Audit Committee of HSE (hereinafter also referred to as the AC of HSE), the Supervisory Board confirmed the 2023 Annual report of the HSE Group and HSE and consented to the 2024 Business Plan of the HSE Group and HSE with an additional indicative 2024 and 2025 plan in addition to the Development plan for the HSE Group for the 2025 and 2026.

The Supervisory Board of HSE received regular updates to the operating results of the HSE Group and HSE, deliberated on legal transactions and business matters of subsidiaries, for which prior consent from the Supervisory Board of HSE was required under the Articles of Association, the legal transactions between HSE and its subsidiaries that required the permission of the Supervisory Board of HSE in compliance with the Slovenian Sovereign Holding Act (ZSDH-1) and other business and strategically important areas with a material effect on the medium-term and long-term interests of the HSE Group and HSE. There was no case of anyone having to be excluded from voting due to a conflict of interest.

The Management Board of HSE kept the Supervisory Board of HSE regularly apprised of indebtedness, quarterly risk management reports in the HSE Group, quarterly HSE and HSE Group operating reports and dynamics of repayments of subsequent capital increases made by the owner to HSE d.o.o.'s capital, whereby HSE repaid EUR 342 million out of the total EUR 492 million in 2023. The Supervisory Board of the HSE was apprised of the early repayment of the loan to the EBRD. The HSE Supervisory Board intensively focused its activities aimed at controlling the liquidity and borrowing of the HSE Group and HSE, whereby special attention was paid to monitoring the conditions in the 'thermal energy division,' i.e. of PV Group companies and in TEŠ. It was apprised of (preliminary) simulations of coal generation and the thermal division's operating results until 2033, as well as of the efforts of the Management Board to draw up project bases for selecting the optimal variant of optimising the thermal division's operations from the point of view of the impact on the HSE Group and HSE.

The Management Board of the Company kept the Supervisory Board of HSE regularly apprised of the decisions of the founder, important projects, important court/arbitration proceedings and other key events in HSE and the HSE Group. The HSE Supervisory Board responded in time after the cyber attack and held an extraordinary meeting, where the Management Board was apprised of all the key information about the attack and the fact that HSE and other Group companies did not sustain any major damage therein. In 2023, the HSE Supervisory Board was regularly apprised of the vertical integration project of ECE d.o.o. and Energija plus d.o.o. in the HSE Group.

The HSE Supervisory Board gave the following major consents:

- to the initiation of non-current debt (prior consent for the taking out of a revolving loan amounting to EUR 80 million);
- to the "Reconstruction of the Formin hydro-electric power plant and the Markovci dam";
- for concluding transactions related to the "North Adriatic Cross-border Hydrogen Valley" development project;
- to the appointment of the CEO of TEŠ by the sole shareholder and to the appointment of the CEO of HSE MAK ENERGY DOOEL Skopje.

2 GRI: 102-28.

The Supervisory Board of the HSE also deliberated on the payment of the variable part of the remuneration of Management Board Members within the framework of HR duties and concluded that the variable part of the remuneration of Management Board Members will not be paid due to the extremely poor performance of the Company and the HSE Group in 2022.

The HSE Supervisory Board was also apprised of the report of the Compliance Department. It was also apprised of the Report on the work of the Internal Audit Department for 2022 and was, via reports, regularly appraised of internal audits and quarterly reports on the work of the Internal Audit Department. It also deliberated on the payment of a bonus to the Head of Internal Audit Department for 2022. On a proposal by the AC of the SB of HSE, the Supervisory Board of HSE confirmed the Annual Internal Audit Department 2024 Work Plan.

The Supervisory Board of the HSE was apprised of key information regarding the new proposed Self-Generation Sales Rules and adopted the revised Management Board Remuneration Policy of Holding Slovenske elektrarne d.o.o. It was apprised of the revision of three governance acts of the SDH: Recommendations and expectations of the SDH (May 2023), Governance policy (May 2023) and Rules on the assessment of potential candidates for members of the supervisory and management bodies of companies with state capital investments. The Supervisory Board of HSE was apprised of the discharging of Members of the Supervisory Board, representatives of employees of the HSE d.o.o.'s Works Council: Jernej Otič, Peter Cerkvenik and Dejan Kolarič as of 3/11/2023. On 3/11/2023, the Works Council appointed new Members of the Supervisory Board, representatives of employees, for a four-year term: Blanka Povh, M.Sc., Rok Rožman and Matej Kovač.

The Supervisory Board of HSE also attended (either in its entire composition or through the President of the SB) periodic meetings of the founder with the Management Board of HSE. The Supervisory Board of HSE estimates that it operated to the benefit of the HSE Group and HSE at all times, on the basis of the information and reports submitted to it by the Management Board, within the scope of its powers and responsibilities laid down by law and the Articles of Association and taking into consideration the Reference Corporate Governance Code for Companies with State Capital Investments (June 2022). In December 2023, the Supervisory Board reviewed its work to date and the adoption of improvements for its work in the future by means of a self-assessment for 2023 and adopted a work improvement action plan. The Supervisory Board of HSE approved the Statement on Corporate Governance by decision.

1.3.2 OPERATION OF THE AUDIT COMMITTEE (AC) OF THE SUPERVISORY BOARD OF HSE

The composition of the AC of the SB of HSE d.o.o. in 2023 can be seen from the table in the Statement of Corporate Governance on page 22.

In 2023, the AC held six ordinary, two extraordinary and two correspondence sessions, attended by all Members of the AC in person or they voted by presenting the President of the AC with their respective ballot. The Members of the Supervisory Board who are not Members of the AC were kept apprised of the work of the AC by being granted access to the minutes of its session. In addition, the President of the AC also regularly reported on the work and findings of the AC at the sessions of the Supervisory Board. The AC deliberated on issues in compliance with the Companies Act (ZGD-1), Work Recommendations for Audit Committees, Rules of Procedure of the Audit Committee, the 2023 Work Plan of the Audit Committee of the Supervisory Board, and decisions of the Supervisory Board of HSE. The AC was regularly apprised of the quarterly reports of the operations of the HSE Group and HSE Group companies, the assessments of the interim operations of the HSE Group and HSE, paying particular attention to financial and accounting data, liquidity, indebtedness, and the meeting of commitments made to banks. It carried out regular follow-up of periodical risk management reports of HSE and the HSE Group as well as of the upgrading of the system. It paid special attention to activities intended to harmonising the operations and reporting of HSE Group companies with new sustainable development legislation. In 2023, the AC was apprised of the Annual Report of the Internal Audit Department for 2022, its planned activities for 2023, in addition to being regularly apprised of the quarterly reports of the work of the Internal Audit Department, internal audit reports, and recommendation implementation reports throughout the year. In 2023, the AC carried out several meetings with the auditors of the Deloitte revizija d.o.o. audit company both prior to the audit and during the audit of financial statements, during which it actively participating in specifying areas to be included in the audit. It reviewed the quality of the work of the statutory auditor, was apprised of the course and key findings of the pre-audit/audit of the financial statements of the HSE Group and HSE. It reviewed the non-audited and audited 2022 Annual Report of the HSE Group and HSE including the opinion of the statutory auditor. It drew up a report on its work in 2022 including an assessment of the 2022 Annual Report of the HSE Group and HSE. It was apprised of the findings and recommendations of the auditor contained in the Letter to the Management Board and the response thereto of the latter. The AC periodically monitored and verified the independence of the auditor of the financial statements of the company Deloitte revizija d.o.o., namely through the reporting system, as set out in detail in the Rules of Procedure of the AC. In 2023, the Deloitte revizija d.o.o. audit firm performed allowed non-audit services to a very small extent in HSE Group companies subject to prior consent of the AC. No audit services which are not allowed were performed thereby. The AC believes that its objectivity and autonomy were not at risk in 2023. The AC was also apprised of the 2024 Business Plan for the HSE Group and HSE. It adopted a work plan of the Audit Committee for 2024 and carried out a self-assessment of its work for the previous year in addition to laying the foundations for its work in the following year.

1.3.3 OPERATION OF THE HR COMMITTEE OF THE SUPERVISORY BOARD OF HSE

The permanent HR Committee of the Supervisory Board of HSE operated in 2023. It held two ordinary sessions. It deliberated on issues in compliance with its Rules of Procedure, its adopted work plan and the decisions of the Supervisory Board. It submitted to the Supervisory Board of the HSE the proposal of criteria for the allocation of the variable part of the remuneration of the HSE Management Board for 2023 and verified its eligibility for payment of the variable part of the Management Board remuneration for 2022. It was apprised of the 2022 Corporate culture status and measures report, the 2022 key talent development report, the 2022 organisational climate report and the 2022 succession policy implementation report. It made proposals for improvement in the discussed areas. It deliberated on the proposal for a revised Remuneration Policy for management bodies in HSE and formulated a proposal to be adopted by the SB. It was also appraised of the recommendations and expectations of the SDH (May 2023) as pertaining to HR.

1.3.4 OPERATION OF THE MARKETING AND INVESTMENT COMMITTEE OF THE SUPERVISORY BOARD OF HSE

In 2023, the permanent Marketing and Investment Committee of the Supervisory Board of HSE operated. It held four ordinary and one extraordinary session. The Committee served as marketing and investment expert support to the Supervisory Board of HSE. Issues were deliberated on in compliance with its Rules of Procedure and the decisions of the Supervisory Board. It was also apprised of the 2022 sales and trading balance, risk management measures in a time of growth and of the increased volatility of prices of electricity in addition to the proposed upgrading of the risk management and reporting system. As pertaining to management and investments, it reviewed the audited 2022 HSE Group and HSE Annual Report. It was apprised of the "North Adriatic Cross-border Hydrogen Valley" development project, of the sales and trading balance, as well as of exposure indicators and trading value and quantity restrictions. It was apprised of key information regarding the new self-generation sales strategy and the contents of the investments included in the Business Plan of the HSE Group and HSE d.o.o. for the 2024-2026 period. It deliberated on the "Reconstruction of the Formin hydro-electric power plant and the Markovci dam" investment programme and of the Business Plan of the HSE Group and HSE d.o.o. for the 2024-2026 period.

1.3.5 OPERATION OF THE RESTRUCTURING COMMITTEE OF THE SUPERVISORY BOARD OF HSE

In 2023, a permanent Restructuring Committee of the Supervisory Board of HSE operated within the framework of the adopted Rules of Procedure of the Restructuring Committee, which held one extraordinary session and reviewed the audited 2022 Annual Report of the HSE Group and HSE from the point of view of restructuring the operations of HSE Group companies. On 12/5/2023, the Restructuring Committee was abolished by the SB on a proposal of the Chairman of the Committee. At the time of its abolition, there were no unimplemented decisions, and no duties thereof were foreseen at that time.

1.3.6 OPINION ON THE WORK OF THE MANAGEMENT BOARD IN 2023

In accordance with the law and good practice, the Supervisory Board of HSE comprehensively supervised the management and operations of the HSE Group and HSE in 2023. Members of the Management Board participated in the meetings of the Supervisory Board of HSE, extensively reported on each item in cooperation with the heads of professional departments of HSE and answered additional questions of Members of the Supervisory Board. The Management Board and the President of the Supervisory Board also regularly communicated outside the sessions of the Supervisory Board of HSE. Professional departments of HSE organised meetings, introduced real-time technical improvements and provided administrative and organisational support to the Supervisory Board of HSE. It regularly monitored and assessed the work of the Management Board when deliberating on periodic business results and project implementation, compared the operations of the HSE Group and HSE d.o.o. with past operations and planned objectives. The Supervisory Board assesses that the Management Board acted towards achieving the set optimal goals and optimal management in the HSE Group company and delivered the best operating results since the establishment of the company.

1.3.7 OPINION ON THE OPERATIONS OF THE HSE GROUP AND HSE COMPANY

In 2023, the HSE Group delivered very good results in all areas, as in addition to favourable hydrological conditions, the conditions on the European energy markets were also favourable for the self-generation sales and trading. As a result, it generated EUR 391 million in net profit and EUR 643 million in EBITDA, which is the highest in the history of the HSE Group.

Due to favourable hydrology and the high availability of generation units, the HSE Group generated as much as 30% or 1,502 GWh more electricity in 2023 than in 2022 (without taking into account the 49% shareholding in HESS). Hydroelectric power stations generated 1,285 GWh more, thermal power plants 141 GWh more, pumped-storage hydropower plants 74 GWh more and photovoltaic power plants 2 GWh more electricity. Coal generation in tons was higher by 3%, 900 m more of road drifting was created.

In 2023, the HSE Group continued to ensure a reliable supply of electricity to its customers. The net sales revenue of the HSE Group, generated in the amount of EUR 4.9 billion, was lower by 7% compared to the previous year, mainly due to the lower achieved average sales prices of electricity. Quantitative sales of electricity fell by 4% mainly due to lower volumes sold at foreign exchanges. Compared to previous years, the generated net revenue from sales remained at a high level in 2023. Despite the lower quantitative and value sales of electricity, an extremely high EBITDA of the HSE Group was generated, namely in the amount of EUR 643 million, since, in addition to the effective implementation of sales activities, the hydro generation planned for 2023 was above plan and partially already sold in previous years, when sales prices of electricity had been at high levels. Net revenue from sales of electricity still accounts for the majority of net revenue from sales (98% share of all net sales revenue), which is at the level of the previous year.

Costs of materials of the HSE Group were lower by 16% compared to those realized in 2022, mainly due to lower gas costs due to lower consumption as a result of lower electricity generation from gas units and due to the lower purchase price of gas. Costs of services of the HSE Group were lower by 3% mainly due to the lower volume of generation services, as fewer projects were carried out using subcontractors and more using our employees. Labour costs were higher than in 2022, namely by 19%, mainly due to the considered harmonization of salaries with the collective and enterprise agreements and due to the calculation of the costs pertaining to the variable part of performance, which is tied to exceeding the planned EBITDA of the HSE Group. Other operating expenses were higher by 13% mainly due to the higher quantity and price of emission allowances and higher costs of concession fees due to higher HPP electricity generation levels. Write-offs of assets were 54% higher than those generated in 2022, mainly due to the impairment of property, plant and equipment and foreign coal inventories. The financial outcome was negative in the amount of EUR 29 million and worse compared to 2022 due to higher financial expenses.

The HSE Group ends 2023 with EUR 391 million in net profit or EUR 123 million, whereas, in the previous year, it had generated EUR 272 million in loss.

In compliance with the generation sales strategy of the HSE Group, the majority of the electricity generated by the HSE Group is sold by HSE, which at the same time assumes all market and quantitative risks of the HSE Group. In 2023, HSE generated EUR 455 million in EBITDA, which is the same as the EBITDA of the HSE Group. HSE's EBITDA was as much as 26% higher than planned due to a higher gross margin in the sales of electricity and lower than planned costs of materials and services.

On 31/12/2023, compared to the situation at the end of 2022, assets of the HSE Group were 3% lower, mainly due to the lower balance of cash, whereas the assets of HSE were 5% higher. The share of non-current assets experienced the highest increase in the structure of assets, namely in the Group by 3 percentage points and in the Company by 8 percentage points. The highest increase among non-current assets is attributed to emission coupons in order to satisfy the self-generated electricity needs of its subsidiaries. HSE purchases the necessary number of allowances several years in advance, depending on the quantities of electricity sold for this period. The inventories of emission allowances of the HSE Group as at 31/12/2023 amounted to EUR 157 million, which is 5.9 times more than on 31/12/2022. Investments of the HSE Group are increasing, but still do not follow depreciation costs. The value of property, plant and equipment of the HSE Group was lower by 6% due to impairments. On the contrary, HSE's investments exceeded depreciation costs, which is reflected in a 7% increase in property, plant and equipment.

As at 31/12/2023, the assets of the HSE Group were 10% and of HSE 13 % lower compared to the balance at the end of 2022. Cash and cash equivalents of HSE experienced the sharpest decline by EUR 261 million. Despite achieving a high cash flow from operating activities, cash and cash equivalents were reduced by expenses related to high loan repayment and subsequent capital payments to the owner expenses.

As at 31/12/2023, the equity of the HSE Group was 14% higher than at the end of 2022, and that of HSE by 15%, mainly due to the net profit of the current year. In 2023, HSE repaid to the owner EUR 342 million of the latter's subsequent capital increases, i.e. EUR 100 million more than planned. The repayments of subsequent capital increases reduced the equity of the HSE Group and HSE.

As at 31/12/2022, outstanding amounts owed to banks by the HSE Group fell by 27% compared to 2022 and by HSE by 41%. In October 2022, HSE received a current EUR 185 million revolving loan subject to the Intervention Act. The loan was repaid in full in February 2023. At the end of September 2023, TEŠ repaid the loan for the construction of the replacement Block 6 received from the EBRD in the amount of EUR 14 million early. As at 31/12/2023, the balance of cash in both the HSE Group and HSE was lower than at the end of 2022, therefore the net financial liabilities of the HSE Group were higher by 5%, and of HSE by 38%.

1.3.8 ESTABLISHING DISTRIBUTABLE PROFIT AND A REPORT ON REVIEWING THE PROPOSAL OF THE MANAGEMENT BOARD ON THE APPROPRIATION THEREOF

In 2023, equity items were reallocated, namely from reserves from profit to the profit/loss brought forward in the amount of EUR 455,000,000.00. After this redistribution, reserves from profit amount to EUR 107,744,823.62, and the profit/loss brought forward to EUR 104,137,942.28. Balance sheet profit amounts to EUR 104,137,942.28. The SB of HSE agrees with the proposal of the Management Board to have the balance sheet profit, which, as at 31/12/2023 amounts to EUR 104,137,942.28, remain undistributed in full.

1.3.9 REVIEW AND CONFIRMATION OF THE 2023 ANNUAL REPORT OF HSE AND THE HSE GROUP INCLUDING THE OPINION ON THE AUDITOR'S REPORT AND THE AUDITOR'S LETTER TO THE MANAGEMENT BOARD

Pursuant to paragraph 3 of Article 272 of the Companies Act (ZGD-1), the Management Board of HSE submitted to the Supervisory Board of HSE the 2023 Annual Report of the HSE Group and HSE, including the auditor's 2023 reports, deliberated on by the Supervisory Board of HSE at the 23rd regular session of the Supervisory Board of HSE held on 4/7/2024.

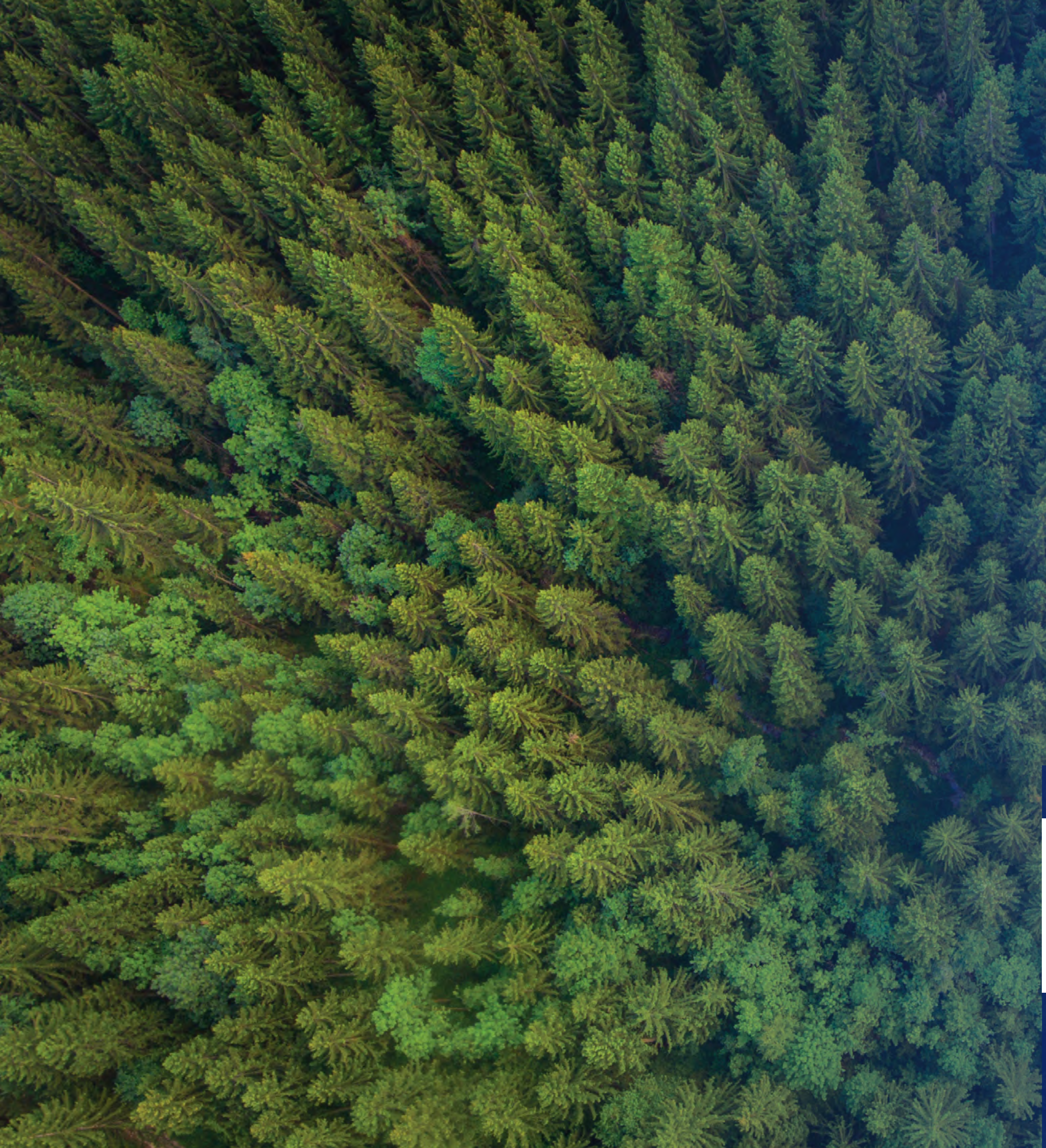
The 2023 financial statements of the HSE Group and Company were audited by the Deloitte revizija d.o.o. audit firm, which, on 21/6/2024 issued an unmodified opinion that the financial statements of the HSE Group and HSE give, in all material aspects, a true and fair view of the financial position of the HSE Group and the Company as at 31/12/2023 and their financial performance and cash flows for 2023 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). At its 21st regular meeting, held on 4/7/2024, the Audit Committee of the Supervisory Board of HSE deliberated on the audited 2023 Annual Report of the HSE Group and HSE, and established that the annual report was prepared in a timely manner, was compiled clearly, transparently and in accordance with the provisions of the Companies Act (ZGD-1), the applicable IFRS as adopted by the EU, the provisions of the Electricity Supply Act (ZOEE), Gas Supply Act (ZOOP)and other relevant legislation (ZFPPIPP, ZRev-2, etc.).

The Audit Committee of the Supervisory Board of HSE was also apprised of the findings and recommendations stated in the Letter to the Management of HSE, issued and compiled by the Deloitte revizija d.o.o. audit firm following the completion of the 2023 audit process. The Audit Committee had no objections to the 2023 Annual Report of the HSE Group and HSE. For this reason, it proposed that the Supervisory Board of HSE adopt the decision to confirm the 2023 Annual Report of the HSE Group and HSE in accordance with Article 282 of the Companies Act (ZGD-1). Pursuant to the independent auditor's report and opinion, the positions of the Audit Committee of the Supervisory Board of HSE, the data and disclosures in the 2023 Annual Report of the HSE Group and HSE, the HSE Supervisory Board believes the auditor to have carried out their work independently and professionally as well as in compliance with the applicable legislation and business practice and that the Annual Report was, in all material aspects, prepared in line with the requirements of the Companies Act (ZGD-1) and that the financial statements give, in all material aspects, a true and fair view of the financial position of the HSE Group and the Company as at 31/12/2023, and their income statement and the cash flow statements for the year then ended are in accordance with the International Financial Reporting Standards as adopted by the European Union.

The Supervisory Board of HSE has no objections to the auditor's report. The Supervisory Board of HSE also has no other objections to the 2023 Annual Report of the HSE Group and HSE that would in any way prevent it from making the decision to confirm it. For this reason, the HSE Supervisory Board adopted the 2023 Annual Report of the HSE Group and HSE in accordance with Paragraph 3 of Article 282 of the Companies Act (ZGD-1). The said report was adopted within the open deadline, i.e. prior to the expiry of one month from the day when the Management Board of the Company submitted the 2023 Annual Report to the Supervisory Board of HSE.

In Ljubljana, on 4 July 2024

Nevenka Hrovatin, Ph.D.
President of the Supervisory Board of HSE



BUSINESS REPORT

Paving the way to the energy future for Slovenia

02

2.1 Chronology of important events of the HSE Group in 2023

01 JANUARY

- On 12 January, PV provided the Ministry of Infrastructure with the application to extend the validity of the mining right for another period of 20 years. On May 17, the National Assembly's Committee for Infrastructure, Environment and Spatial Planning approved the amended proposal of the intervention law according to which mining rights and concessions were extended until January 21, 2026.
- On 31 January, the rights to use the 20% of the electricity generated in the Austrian Golica pumped-storage hydropower plant (previously held by ELES) and the obligations arising from it were fully transferred to DEM for consideration.

02 FEBRUARY

- On 1 February, the public-private partnership, supporting the research in and development of hydrogen technologies in Europe (The Clean Hydrogen Partnership Joint Undertaking) published the results of the Horizon Europe call for tenders. The North Adriatic Hydrogen Valley project, resulting from the collaboration of Slovenia, Croatia, and Friuli -Venezia Giulia, and whose lead partner is HSE, was awarded as much as EUR 25 million in grants.
- On 16 February, the Government of the RS adopted the Decree on the use of European Cohesion Policy funds in the Republic of Slovenia in the 2021–2027 Programming Period, establishing the conditions for the uptake of around EUR 3.2 billion in cohesion funds from the budget of the EU. For the HSE Group, the adopted Decree constitutes the legal basis for the implementation of projects and drawing of funds from the Just Transition Fund for the Savinja-Šalek Region.
- In February, HSE company successfully took out new non-current revolving loans from commercial banks in the total amount of EUR 80 million, which were not drawn upon.

04 APRIL

- The Prapretno solar power plant project was chosen by the magazine Finance readers as the winner in the Energy-Efficient Projects category. The first major "solar" project of the HSE Group thus proved convincing not only for the professional but also the general public.
- In April, PLP obtained the SURE (SUstainable REsources) certificate, which introduces sustainable treatment of wood biomass to the company.

06 JUNE

- On June 7, HSE repaid to the owner the first EUR 100 million of the total EUR 492 million of subsequent capital increases received as a result of the resolution of the SDH in December 2022. The management of HSE successfully remedied the liquidity problems that had plagued the company in 2022 due to a self-generation loss and a sharp rise in prices as a result of the Russian invasion of Ukraine.
- On June 15, the Municipality of Nova Gorica, the Soške Elektrarne Kayaking Club and SENG signed an Agreement on cooperation in the implementation of drowning protection measures at the location of the "old dam" on the Soča River near Solkan.

07 JULY

- On July 3, the Belgrade-based arbitration tribunal rendered a partial arbitration award in the Ugljevik case, ruling in favour of Elektrogospodarstvo Slovenije (EGS-RI), rendering it entitled to the payment of EUR 67 million in compensation for the unsupplied electricity from the Ugljevik thermal power plant in Republika Srpska in the period from June 2011 to December 2021 and default interest accrued from January 1, 2022 until the date of payment. HSE considers the partial arbitration award of the arbitration tribunal, which is the result of almost ten years of extremely demanding international legal proceedings, a great success.

- On July 19, HSE, the leading partner in the North Adriatic Hydrogen Valley (NAHV) project, signed an agreement on the co-financing of the NAHV project with EUR 25 million in grants. This officially gave the green light for the implementation of a transnational European project within the framework of the Horizon Europe program, aimed at establishing a dedicated hydrogen valley. The project started on 1 September 2023 and will last for 72 months and will include seventeen pilot projects at different locations in all three partner countries.

08 AUGUST

- From August 3 to 6, electricity was generated in a safe and reliable manner in the face of significant and abundant rainfall and greatly increased water inflows. Given the bad weather forecasts, the reservoirs at hydro-electric power plants managed by the HSE Group companies began to be pre-emptied as early as August 2. In the HSE Group, all technical, intervention and on-duty teams were engaged every day since the beginning of the emergency weather conditions, ensuring the safe drainage of water and thus anti-flood safety, as well as normal conditions for the uninterrupted generation of electricity.

09 SEPTEMBER

- On September 7, HSE repaid to the owner a new EUR 142 million from the EUR 492 million subsequent capital increases received in December 2022. A total of EUR 242 million had thus been repaid in less than nine months.

10 OCTOBER

- On October 19, the Belgrade-based arbitration tribunal issued a final award in the Ugljevik case. The award decided on the applicable interest and the costs of litigation, namely by ordering the defendant to pay another EUR 58.2 million in interest accrued in the period until December 31, 2021. The total amount, i.e. taking into account all accrued interest (over EUR 130 million), was awarded in favour of EGS-RI, which is 100% owned by the Republic of Slovenia, whereby HSE is entitled to the reimbursement of costs and payment for being successful in the arbitration procedure.

11 NOVEMBER

- At the end of November, a cyber security incident was suffered. All necessary services were engaged, including external experts. All competent institutions and business partners were informed thereof, and all necessary measures taken. Despite the hacking into our information system, the generation of electricity in the HSE Group was reliable. The re-establishment of the smooth operation of the entire communication and information infrastructure took place without any major negative consequences.

12 DECEMBER

- On December 21, HSE repaid an additional EUR 100 million to the owner from the subsequent capital increases, received as a result of the resolution of the SDH in December 2022. In total, we had repaid EUR 342 million out of EUR 492 million in subsequent capital increases to the state. HSE is expected to repay the remaining EUR 150 million in 2024.
- On December 27, HSE donated EUR 1 million to the Fund for the Reconstruction of Slovenia, i.e. fund for eliminating the consequences of the floods that affected Slovenia.

2.2 Important events after the end of the period considered

JANUARY 2024

- On January 17, 2024, the Project Council of the Kozjak pumped-storage hydropower plant project was established. The Kozjak pumped-storage hydropower plant, with a capacity of 2 x 220 MW and a 2 x 400 kV power line connection to the existing Maribor-Kainachtal international power line, is spatially embedded through the National Spatial Plan.
- On January 30, 2024, HSE began collecting electricity from the Ugljevik thermal power plant. The agreement foresees the supply of 500 GWh annually. A third of the electricity generated by the Ugljevik thermal power will thus be again supplied to a company from Slovenia after a thirty-year hiatus. EGS-RI, which participated in the construction of the Ugljevik mine and thermal power plant, is entitled to it, and will be collected subject to its authorisation by the largest Slovenian electricity producer, HSE.

MARCH 2024

- On March 27, 2024, HSE repaid to the owner an additional EUR 75 million from the subsequent capital increases, received as a result of the decision of the SDH in December 2022. In total, we have already repaid EUR 417 million out of EUR 492 million to the state.
- On March 29, the Ministry of the Environment, Climate and Energy (MOPE) announced the results of the review of tender applications submitted to the Public Call for the selection of project proposals for inclusion on the indicative list of investments for co-financing using the funds of the Modernization Fund in the 2024-2030 period. Seven projects of the HSE Group were placed on the priority A list of projects and four projects on the B list. According to MOPE, the first investment proposals will be submitted to the European Investment Bank for decision in autumn 2024, and the first funds could be disbursed in May 2025.

MAY 2024

- On May 30, 2024, HSE repaid to the owner the last EUR 75 million from the subsequent capital increases, granted to it by the SDH at the end of 2022 with the aim of bridging the emergency situation.

2.3 Overview of financial relations[3]

As a leading partner in the North Adriatic Hydrogen Valley (NAHV) project, HSE received funds in the amount of EUR 8,748,889.35 in 2023, of which EUR 6,372,084.18 was transferred to other project partners. The project will last 72 months.

The companies in the HSE Group disclose the funds received based on the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (ZPFLORED-1) in their annual reports.

3 GRI: 201-4.

2.4 About the HSE Company[4]

Company profile of HSE

Full company name	Holding Slovenske elektrarne d.o.o.
Abbreviated name	HSE d.o.o.
Address	Koprska ulica 92, 1000 Ljubljana, Slovenia
Telephone number	+ 386 1 47 04 100
E-mail address	info@hse.si
URL	www.hse.si
Year of establishment	2001
Entry into the Companies Register:	District Court of Ljubljana, reg. entry no. 1/35036/00
Size	Large corporate entity
Share capital	EUR 29,558,789.00
Tax number	99666189
VAT ID No.	SI99666189
Registration number	1662970000
Ownership structure	100% owned by the Republic of Slovenia
CEO of the company	Tomaž Štokelj, Ph.D.
CBO of the company	Uroš Podobnik
President of the Supervisory Board	Nevenka Hrovatin, Ph.D.

Governance of the parent company as at 31 December 2023

GENERAL ASSEMBLY		
Republic of Slovenia (100.00%), which is legally represented by Slovenski državni holding d.d.		
SUPERVISORY BOARD		
Representatives of capital	**Representatives of employees**	
Nevenka Hrovatin, Ph.D., President	Blanka Povh, M.Sc.	
David Valentinčič, Deputy President	Rok Rožman	
Barbara Gorjup, M.Sc.	Matej Kovač	
Denis Bele		
Miha Šebenik		
Boštjan Grešak		
Audit Committee	**Marketing and Investment Committee**	**HR Committee**
Barbara Gorjup, M.Sc., President	Miha Šebenik, President	Nevenka Hrovatin, Ph.D., President
Miha Šebenik	Barbara Gorjup, M.Sc.	Boštjan Grešak
Marko Hočevar, Ph.D.	David Valentinčič	Denis Bele
Matej Kovač	Rok Rožman	Blanka Povh, M.Sc.
MANAGEMENT BOARD		
CBO	**CEO**	
Uroš Podobnik	Tomaž Štokelj, Ph.D.	

4 GRI: 102-1; 102-3; 102-5; 102-18; 102-22; 102-23.

2.5 Statement on corporate governance of HSE[5]

Pursuant to paragraph 5 of Article 70 of the Companies Act, Holding Slovenske elektrarne d.o.o., Koprska ulica 92, 1000 Ljubljana (HSE) declares the following with regard to the period from 1 January 2023 to 31 December 2023.

The Management and Supervisory Boards of HSE hereby declare that the company was governed in 2023 in accordance with laws and other regulations, the Articles of Association of the HSE Limited Liability Company, and the recommendations arising from the Corporate Governance Code for Companies with State Capital Investments. In compliance with Article 60.a of the Companies Act, the Management and Supervisory Boards of HSE hereby declare that the annual report and its constituent elements, including the Corporate Governance Declaration and the Non-Financial Statement, have been compiled and published in compliance with the Companies Act and the International Financial Reporting Standards as adopted by the EU. The Statement on corporate governance is a constituent element of the annual report and can be accessed via the company's website (http://www.hse.si).

1. STATEMENT OF CONFORMITY WITH THE CORPORATE GOVERNANCE CODE FOR COMPANIES WITH STATE CAPITAL INVESTMENTS (SSH CODE) AND RECOMMENDATIONS AND EXPECTATIONS OF THE SLOVENIAN SOVEREIGN HOLDING (SSH RECOMMENDATIONS)

Report on the implementation of the Corporate Governance Code for Companies with State Capital Investments (SSH Code)

HSE applied the Corporate Governance Code for Companies with State Capital Investments of the Slovenian Sovereign Holding, joint-stock company, as its benchmark code in 2023 (SSH Code, June 2022, hereinafter referred to as "the Code"). The most recent revision of the Code is publicly available on the website of the Slovenian Sovereign Holding. The Code was taken into account by the Company to a greater extent mutatis mutandis in its operation, by taking into consideration the activity and other special features thereof. In 2023, in accordance with the comply-or-explain principle, the company fully observed the majority of the recommendations contained in the Code that refer to companies which are 100 per cent owned by the state. The deviations are clarified in the sections below:

Recommendation 6.2.6: in 2023, the Supervisory Board did not appoint any new Management Board members. The selection process for new candidates for a potential new term has yet to commence as the current Management Board is serving a four-year term, by the end of which the potential selection and interest of potential candidates may have changed considerably. As a result, the recommendation was not relevant.

Recommendation 6.5.1: According to the Supervisory Board, its current composition complies with the requirements of Article 21 of the SDH Act, and the Supervisory Board of companies with capital assets of the state as a whole consists of members "who complement each other in terms of expert knowledge and competences". It consists of experts in economics, management, technical, legal, accounting and financial matters, electricity trading and corporate governance experts. It also takes into account gender diversity, as 3 out of its 9 members are female. The recommendation is applied mutatis mutandis -in 2024 we will create a competence profile for HSE Supervisory Board members.

Recommendation 6.9: the selection procedure for Supervisory Board members and the formulation of a General Meeting decision on the appointment of Supervisory Board members prior to the expiry of the term in office thereof shall be transparent (the decision shall be made at a meeting of the Supervisory Board of HSE) but shall not be defined in advance. This recommendation is applied only in part.

Recommendation 6.9.1: as the Supervisory Board is appointed by the owner, the recommendation is not relevant.

Recommendation 6.10.6: the Members of the Supervisory Board of HSE shall be entitled to be included in the collective D&O insurance of the HSE Group. Pursuant to tax rules, they shall be eligible for a tax bonus, which is a normal practice of companies with capital assets of the state. HSE does not apply the recommendation in the part referring to D&O insurance.

Recommendation 6.17: for the reasons set out in the disclosure under Recommendation 8.5, the company did not have a financial calendar in 2023, therefore the recommendation is not taken into account in this part.

Recommendation 8.5: the publication of a financial calendar in a single-member LLC is considered to be pointless as financial calendars are intended primarily for the public disclosure or publication of financial statements and operating disclosures of companies owned by several company members/shareholders. The Slovenian Directors' Association is also of the opinion that single-member companies regularly receiving report also beyond public disclosures should not have to draw up and publish a financial calendar. Consequently, the recommendation is not relevant.

5 GRI: 102-20; 102-24; 102-46; 103-1; 103-2; 103-3; 405-1.

Report on the implementation of recommendations and expectations of the Slovenian Sovereign Holding (SSH Recommendations)

During its operations in 2023, to a large extent, the Company took the recommendations of the Slovenian Sovereign Holding (August 2023) mutatis mutandis into account in its operations, taking into consideration its activities and other specific features. Following the 'comply or explain' principle, the Company fully complied with a significant part of the recommendations. The deviations are clarified in the sections below:

Recommendation 3.6: the part of the recommendation referring to the energy and related product trading is not followed. The trading agreements of a transaction-management contract nature, such as trading agency agreements, are not reported publicly, as they constitute a trade secret. The publication of the conducted legal transactions listed in the recommendation shall be carried out in line with the Public Information Access Act. As a result, this recommendation is applied only in part.

Recommendation 4.4: The Company does not publish its trade collective agreements and agreements made with trade unions as the representatives of its employees have not consented thereto. Links to trade collective agreements are published. The recommendation is not applied in part.

Recommendation 5.4: the Company does not formally measure corporate culture. However, conclusions can be drawn about its nature and level on the basis of other measurements, surveys, focus groups, exit interviews, etc. Although the fulfilment of objectives is measured using various measurements and reports, at the initiative of the HR Committee of the Supervisory Board, the establishment of a more comprehensive monitoring system us foreseen in 2024. This recommendation is not fully applied.

Recommendation 5.5: only some parts of the corporate culture that are related to HR metrics are included among the Management Board rewarding objectives. Revisions are foreseen in 2024. This recommendation is not fully applied.

2. INFORMATION ON THE OPERATIONS OF THE GENERAL ASSEMBLY, COMPOSITION AND WORK OF MANAGEMENT AND SUPERVISORY BODIES

In 2023, HSE was governed by the Slovenian Sovereign Holding as the sole company member in accordance with the Articles of Association. The HSE management and supervisory bodies are the Management and Supervisory Boards. Holding Slovenske elektrarne d.o.o. revised its diversity policy in management and supervisory bodies (hereinafter: "the Diversity Policy") on 27 February 2020 and published it on its website. The objective of the Diversity Policy is to achieve a greater efficiency of the Supervisory Board or the Management Board as a whole. The Diversity Policy is mainly carried out by applying a suitable recruitment and selection procedure for candidates for membership of the Supervisory and Management Board. It is important to use methods that allow us to attract a wide enough range of different candidates. The Supervisory Board and the sole company member endeavour to achieve the objectives of the Diversity Policy. The Diversity Policy has established the frameworks allowing for a proper composition of the management and supervisory body given the specific features of HSE, that the members thereof have the required know-how and experience required for an in-depth understanding of the activity of both the Company and the HSE Group and the related key risks in addition to pursuing the main objectives. The policy strives to achieve an optimal equal representation of both genders and continuity in the sense that it pursues the objective of not replacing all Members of the Management or Supervisory Boards at the same time. It is also important that the Members of the Supervisory Board complement each other and that efforts are made to ensure that the Supervisory Board is made up of at least one representative from the business, legal and technical fields which has been taken into account in its current composition. In 2023, the Diversity Policy was fully pursued in relation to new appointments of Supervisory Board members as pertaining to selecting candidates and objectives by the HSE Works' Council - Supervisory Board members complementing each other in terms of their expertise were appointed. The representation of the under-represented gender was also improved. The experience of the members, as demonstrated by their reputation and performance, was taken into account. All members of the Supervisory Board have also demonstrated their independence. The gender diversity in the Supervisory Board is as follows: 66.67 % : 33.33 %, and in the Management Board: 100% : 0% in favour of male members. We strive to maximise the gender balance to the extent possible.

Founder in the role of the General Assembly

The founder is in the possession of the role and capacities of a General Assembly in accordance with the Articles of Association of HSE, the Companies Act and the legislation in force. In compliance with Article 526 of the Companies Act, the founder shall record its decisions in the decision book. In 2023, the Founder acted in compliance with the powers conferred thereto in the Articles of Association, which have been made publicly available (Agency of the Republic of Slovenia for Public Legal Records and Related Services – AJPES). A few key powers are listed below:

- adopting business policy foundations and the Development Plan of HSE and the HSE Group for a five-year period, including the financial, business, HR and organisational restructuring, at the proposal of the Management Board and having received the consent of the Supervisory Board,
- deciding on the use of distributable profit,
- deciding on repaying subsequent capital increases,
- deciding on the distribution and cessation of participating interest,
- appointing and discharging Supervisory Board members, except for those elected by the Works' Council,
- deciding on the establishment of companies and the acquisition of majority participating interest in other companies at the proposal of the Management Board and having received the consent of the Supervisory Board,
- deciding on how to dispose of participating interest and shares in companies deemed in respective decrees on the strategy of managing capital investment as strategic or important investments,
- deciding on how to dispose of and encumber participating interest/shares in subsidiaries and associates at the proposal of the Management Board and having received the consent of the Supervisory Board,
- granting discharge to the Management and Supervisory Boards,
- deciding on entering into agreements and other transactions, with which the company undertakes to transfer to another person, in return for payment or free of charge with one or more related transactions amounting to at least 3% of the Company's property, whereby it is not a transfer according to the provisions of the Companies Act on status changes,
- deciding on changes in the share capital of the Company,
- deciding on status changes and the dissolution of the Company as well as other powers laid down in further detail in the Articles of Association and applicable legislation.

Work of the Supervisory Board

In 2023, the Supervisory Board worked in compliance with its powers conferred thereto by the Companies Act, ZSDH-1, The Articles of Association of HSE, The Rules of Procedure of the Supervisory Board of HSE and the Corporate Governance Code of Companies with State Capital Investments as the code of reference (subject to the 'comply-or-explain' principle). The Articles of Association of HSE specify the composition, a four-year term of office which shall be renewable and powers of the Supervisory Board. The Supervisory Board had nine members in 2023. Six members represented the interests of the founder and three members the interests of employees (the latter are appointed and discharged pursuant to the Worker Participation in Management Act). The composition and work of the Supervisory Board are presented in the report on the Supervisory Board as well as the work of all Supervisory Board committees providing professional assistance to the work of the Supervisory Board (Audit Committee of the Supervisory Board of HSE, Restructuring Committee of the Supervisory Board of HSE until 12 May 2023, the Marketing and Investment Committee of the Supervisory Board of HSE and the HR Committee of the Supervisory Board of HSE).

Composition of the Supervisory Board and its committees in 2023

Name and surname	Nevenka Hrovatin, Ph.D.	David Valentinčič	Barbara Gorjup, M.Sc.	Miha Šebenik	Boštjan Grešak	Denis Bele
Function (president, deputy, SB member)	SB President	Deputy President of SB	SB Member	SB Member	SB Member	SB Member
First appointment	22/9/2022	22/9/2022	22/9/2022	22/9/2022	22/9/2022	2/9/2021
End of function/term of office	22/9/2026	22/9/2026	22/9/2026	22/9/2026	22/9/2026	2/9/2025
Capital/employee representative	Capital representative	Capital representative	Capital representative	Capital representative	Capital representative	Capital representative
Participation at SB meetings with regard to total number of SB meetings	100%	100%	100%	100%	100%	8 of 9
Gender	female	male	female	male	male	male
Nationality	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
Birth year	1960	1949	1973	1986	1981	1978
Education	Ph.D. in Economics	B.Sc. in Chemical Technology Engineering	M.A. in International Economics	Master's Degree (Second Cycle Bologna Programme)	Bachelor of Law	Specialist of Management
Professional profile	business economics, energy economics, public sector and environment economics, infrastructural activity management and economics	management, leadership, energy	business finance, controlling, book-keeping, valuation, corporate governance	management, finance, analyticity	attorney-at-law - corporate law	management, organizacija, vodenje, nadzor, okolje
Independence as per article 23 of the code (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes
Conflict of interest in business year (Yes/No)	No	No	No	No	No	No
Membership in Supervisory Boards of other companies	Member of the Supervisory Board of DARS, d.d.	/	Member of the Supervisory Board of TRIGLAV SKLADI, d.o.o.	/	/	/
Membership in committees	PC	MIC, RC	AC, MIC	MIC, AC	RC, PC	RC, PC
Committee president/member	PC - president	RC - member, MIC - member until 12/5/2023	AC - president, MIC - member	MIC - president, AC - member	RC - president until 12/5/2023, PC - member	PC - member, RC - member until 12/5/2023
Participation at committee meetings with regard to total number of meetings	PC - 100%	RC in MIC - 100%	AC in MIC - 100%	AC - 9/10, MIC - 100%	PC - 100%, RC - 100%	PC - 100%

SB - Supervisory Board, **AC** - Audit Committee, **PC** - Personnel Committee, **MIC** - Marketing and Investment Committee, **RC** - Restructuring Committee

the text continues on the next page

Name and surname	Blanka Povh, M.Sc.	Matej Kovač	Rok Rožman	Peter Cerkvenik	Dejan Kolarič	Jernej Otič
Function (president, deputy, SB member)	SB Member	SB Member	SB Member	SB Member	SB Member	SB Member
First appointment	3/11/2023	3/11/2023	3/11/2023	4/7/2022	4/7/2022	30/6/2014
End of function/term of office	3/11/2027	3/11/2027	3/11/2027	3/11/2023	3/11/2023	3/11/2023
Capital/employee representative	Employee representative	Employee representative	Employee representative	Employee representative	Employee representative	Employee representative
Participation at SB meetings with regard to total number of SB meetings	100%	100%	100%	100%	8 of 9	100%
Gender	female	male	male	male	male	male
Nationality	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
Birth year	1975	1992	1987	1982	1985	1976
Education	Master of Science in Economics and Business Sciences - International Economics	Bachelor of Economisc	Bachelor of Physics	electrical engineering, trading in and sales of electricity and related products, portfolio management and analyticity	Electricity trading	Electrical engineering, electricity production
Professional profile	international economy, trading and sale of certificates of origin of electricity, energy savings and portfolio management	finance, controlling, analytics	electricity and gas portfolio manager	electrical engineering, trading in and sales of electricity and related products, portfolio management and analyticity	Electricity trading	Electrical engineering, electricity production
Independence as per article 23 of the code (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes
Conflict of interest in business year (Yes/No)	No	No	No	No	No	No
Membership in Supervisory Boards of other companies	/	/	/	/	/	/
Membership in committees	PC	AC	MIC	MIC, RC	PC	AC, RC
Committee president/member	PC - member since 3/11/2023	AC - member since 3/11/2023	MIC - member since 3/11/2023	RC - member until 12/5/2023, MIC - member until 3/11/2023	PC - member until 3/11/2023	AC - member until 3/11/2023, RC - member until 12/5/2023
Participation at committee meetings with regard to total number of meetings	PC - 100%	AC -100%	MIC -100%	MIC - 100%, RC - 100%	PC - 100%	AC -100%

SB - Supervisory Board, **AC** - Audit Committee, **PC** - Personnel Committee, **MIC** - Marketing and Investment Committee, **RC** - Restructuring Committee

External committee members

Name and surname	Marko Hočevar, Ph.D.
Committee	Audit committee since 26/11/2020
Participation at committee meetings with regard to total number of meetings	100%
Gender	male
Nationality	Slovenian
Education	Pd.D.
Birth year	1962
Professional profile	Business and financial accounting, audit
Membership in supervisory bodies in companies not connected to the company	/

Work of the Management Board

In accordance with the Articles of Association of HSE and a decision of the Supervisory Board, the company is managed and represented by the Management Board at its own risk. Between 1 January 2023 and 31 December 2023, the Management Board consisted of two members, namely: Tomaž Štokelj, Ph.D., CEO, and Uroš Podobnik, CBO.

Management Board composition in the 2023 financial year

Name and surname	Tomaž Štokelj, Ph.D.	Uroš Podobnik
Function (president, memeber)	CEO since 8/11/2022	Business director since 3/11/2020
Area of work in managament	CEO	Business director
First appointment	CEO	Business director
End of function/term of office	8/11/2026	3/11/2024
Gender	male	male
Nationality	Slovenian	Slovenian
Birt year	1968	1980
Education	Ph.D. and Bachelor of Elect. Tech. Science	Graduate in law, bar exam
Professional profile	electricity systems, generation of, trading in and salec of electricity and related products, portfolio managementr, leadership, management	law, corporate management, management
Membership in supervisory bodies in companies not connected to the company	/	/

3. DESCRIPTION OF THE MAIN FEATURES OF ITS INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN THE COMPANY AS RELATED TO THE FINANCIAL REPORTING PROCESS.

With the aim of ensuring increased transparency, efficiency and responsible operations, the Company has an established and functioning internal controls system and a risk management system that are implemented through the organisational structure of the Company, the ISO 9001 quality management standard, the ISO 45001 occupational health and safety standard, the ISO/IEC 27001 information security management standard, the ISO 55001 asset management standard, and the ISO 14001 environmental management standard, and internal acts of the Company with a precisely elaborated reporting system by organisational unit. The internal control system is supported by the information security system that, inter alia, provides for proper information system access restrictions and supervision of the network and the comprehensiveness, confidentiality, and accessibility of data.

The system of internal controls in the Company allows for a planned and systematic use of procedures and methods, whose functioning assures accuracy, reliability and completeness of data and information and the drawing up of accurate and fair financial statements, prevents and detects deficiencies in the system and ensures compliance with laws and regulations, the governing bodies' acts and systemic rules of the Company.

The Management Board of the Company is responsible for keeping adequate accounts, for establishing and ensuring the functioning of internal controls and internal accounting controls, and the selection and application of accounting policies. An internal controls system is set up by considering the three lines of defence principle:

- assessing the environment and risks (carried out by 'risk owners'),
- establishing the control method – setting up a control system (carried out by various professional services),
- controlling the operation of the system and introducing improvements (carried out by the Internal Audit Department and internal quality system auditors).

The internal control system is set up by pursuing the following three main objectives:

- accuracy, reliability and completeness of accounting records and truth and fairness in financial reporting,
- compliance with legislation and other regulations,
- the efficiency and effectiveness of operations.

An independent risk management organisational unit and a risk management committee were established in the Company with the aim of comprehensive risk management and providing high-quality information to the Management Board on the management and the Supervisory Board on the supervision of the Company. The risk management department is responsible for establishing and continually operating the risk management system. Furthermore, it provides operational and coordination support to the Risk Management Committee and its sub-committees that supervise the comprehensive risk management system and propose corresponding amendments.

The Internal Audit Department established in the Company operates in accordance with the adopted Rules of Procedure of the HSE Group Internal Audit which were revised in 2023. Its mission and purpose, i.e. to provide assistance to both the Company and the HSE Group in implementing their strategic and business objectives set, are pursued through systematic and methodical assessments and improvements to the effectiveness and efficiency of risk management, control procedures and governance of the Company and the HSE Group. The Internal Audit Department is a separate organisational unit organisationally reporting to the Management Board of HSE and functionally reporting to the Audit Committee or the Supervisory Board of HSE, which allows for its organisational independence. Internal auditing is conducted in the entire HSE Group in accordance with the hierarchy of internal auditing rules.

In 2023, the Internal Audit Department carried out internal audit procedures and other activities pursuant to the confirmed annual work plan. Within the scope of the performed procedures, it reviewed the existence, operation and efficiency of the internal control system in implementing the objectives set in the audited units. It submitted recommendations for their improvement. Special attention was paid to monitoring the implementation of audit recommendations, training and education and ensuring the high-quality and professional operation of the internal audit function in the HSE Group. The Internal Audit Department reported on its work to the Management Board of HSE, and the Supervisory Board and Audit Committee of HSE. Internal audits are developed and implemented through a quality assurance and improvement programme intended to provide for effectiveness and efficiency and compliance of operations with professional practices in force.

4. DESCRIPTION OF THE BUSINESS COMPLIANCE AND INTEGRITY SYSTEM

The business compliance and integrity system falls under the auspices of the Business Compliance Department. Its operations within the internal controls system are specified by the Rules adopted in January 2021. Its main task is to manage the risks arising from non-compliance with legislation and internal acts. The main substantive areas in which the compliance department operates include managing the internal control system, preventing corruption and fraud, implementing the Code of Ethics of the HSE Group, managing conflicts of interest, communicating with or reporting to external institutions and supervisory bodies in accordance with the internal delineation of tasks with other key and business functions within the HSE Group, performing tasks pertaining to the REMIT, EMIR and MiFID II Regulations, and performing collective integrity-enhancing activities.

In Ljubljana, on 21 June 2024

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

Nevenka Hrovatin, Ph.D.
President of the Supervisory Board of HSE

2.6 Presentation of the HSE Group[6]

The HSE Group is the **biggest generator and seller of self-generated domestic electricity** on the wholesale market in Slovenia and the **biggest generator of renewable electricity**. It is also **one of the largest suppliers of electricity to end customers**.

Our remaining activities include lignite mining, the provision of system services required for the functioning of the electricity system in Slovenia and managing and implementing energy and environmental projects.

We strive for **safe, reliable, competitive and profitable generation of electricity**, performed via our experienced and committed employees in an efficient and responsible way towards the natural and social environment we operate in.

Associates of the HSE Group as at 31 December 2023

HOLDING SLOVENSKE ELEKTRARNE D.O.O.

PRODUCTION

HYDRO PRODUCTION

- **Dravske elektrarne Maribor d.o.o.** (HSE 100.0%)
  - **MHE Lobnica d.o.o.** (DEM 65.0%)
- **Soške elektrarne Nova Gorica d.o.o.** (HSE 100.0%)
- **Hidroelektrarne na Spodnji Savi d.o.o.** (HSE 15.4%, DEM 30.8%, SENG 2.8%)
- **Srednjesavske elektrarne d.o.o.** (HSE 60.0%)

THERMO PRODUCTION

- **Termoelektrarna Šoštanj d.o.o.** (HSE 100.0%)
- **HSE - Energetska družba Trbovlje d.o.o.** (HSE 100.0%)

PRIMARY SOURCES

- **Premogovnik Velenje d.o.o.** (HSE 100.0%)
- **HTZ I.P. d.o.o.** (PV 100.0%)
- **Sipoteh d.o.o.** (PV 100.0%)
- **PLP d.o.o.** (PV 100.0%)

INTERNATIONAL NETWORK

- **HSE BE d.o.o.** (HSE 100.0%)
- **HSE BH d.o.o.** (HSE 100.0%)
- **HSE MAK ENERGY DOOEL** (HSE 100.0%)
- **HSE subsidiary in Prague**

INVESTMENTS

- **SOENERGETIKA d.o.o.** (HSE 25.0%)
- **HSE Invest d.o.o.** (HSE 42.1%, DEM 21.05%, SENG 21.05%, HESS 13.2%, PV 1.3%, TEŠ 1.3%)
- **RGP d.o.o.** (PV 4.0%, DEM 86.9%, SENG 4.0%, TEŠ 5.1%)

SALES TO END CUSTOMERS

- **ECE d.o.o.** (HSE 63.58%)
- **Energija plus d.o.o.** (HSE 51.0%)

[6] GRI: 102-2; 102-4; 102-6.

450+
partners

20+
markets

24/7
trading

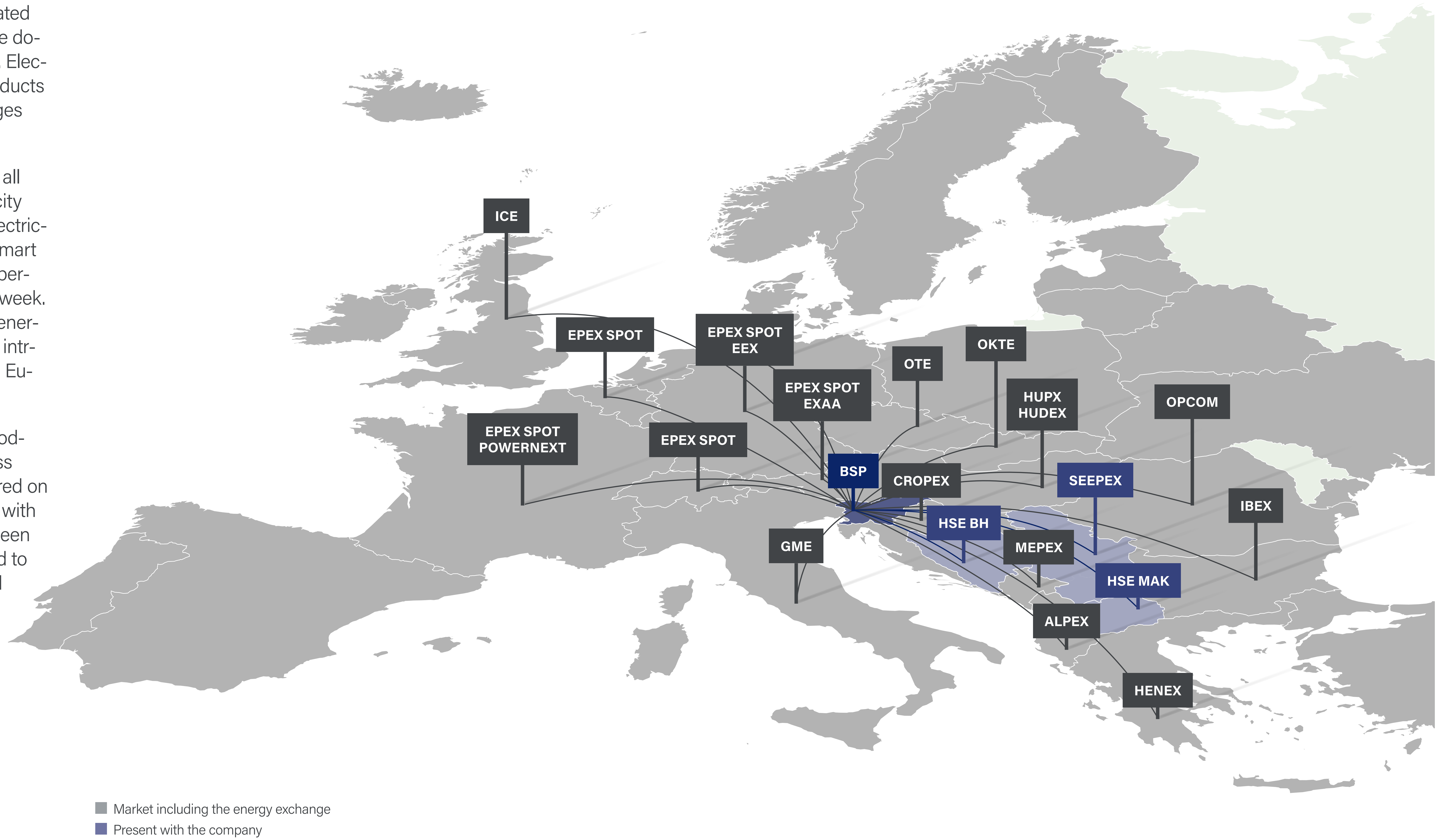
TRADING AND SALES

We are active as electricity traders in more than twenty European countries. Generated electricity is sold to our customers on the domestic and European wholesale market. Electricity and its derivatives and related products are traded in at different energy exchanges across Europe.

We are members of and thus present at all main European futures and daily electricity exchanges. An increase in renewable electricity generation and the development of smart networks favour intraday trading that is performed 24 hours per day, all days of the week. Our portfolio of controllable electricity generation sources makes us one of the main intraday electricity traders in South-Eastern Europe.

Various types of structured electricity products, tailored to the needs of the business needs of the respective partner, are offered on a bilateral basis. A business relationship with more than 450 partners in Europe has been established. In Slovenia, electricity is sold to major electricity providers and large end consumers who place substantial importance on high-quality services and competitive prices of electricity.

The HSE Group in Western, Central and South-Eastern European Markets



GENERATION CAPACITIES OF THE HSE GROUP

Our balanced generation portfolio makes us a key pillar for reliable electricity supply in Slovenia by ensuring stable operations of the electricity system and serving as a key energy group for attaining Slovenia's national renewable energy objectives.

Almost 60% of our generation is generated from renewable energy sources - from system hydroelectric power stations, small-scale hydro and photovoltaic power plants. The Avče pumped-storage hydropower plant efficiently stores electricity and supplies it to the market whenever required.

The remaining electricity in the HSE Group is generated from conventional sources, namely using two coal-powered generators at the Šoštanj Thermal Power Plant (TEŠ) and four gas turbines at TEŠ and HSE EDT. The coal-powered generators at TEŠ use a local source. Since the end of 2022, also foreign coal and biomass.

Our power plants are controlled remotely and managed via a joint, high-performance, and world-class integrated management system that allows for concerted operations of the HSE Group in the electricity market, also under the virtual power plant concept.

We also have our very own primary energy source: lignite. PV (the Velenje Coal Mine) is a modern coal mine that exploits coal underground. Annually, approximately 2.6 million tonnes of coal, used in the generation of electricity and thermal energy, are extracted.

We are the only electricity generator who offers a frequency maintenance reserve and an automatic frequency restoration reserve in Slovenia to a greater extent.

NUMBER OF GENERATING UNITS AND CAPACITIES AT THE THRESHOLD OF GENERATING UNITS

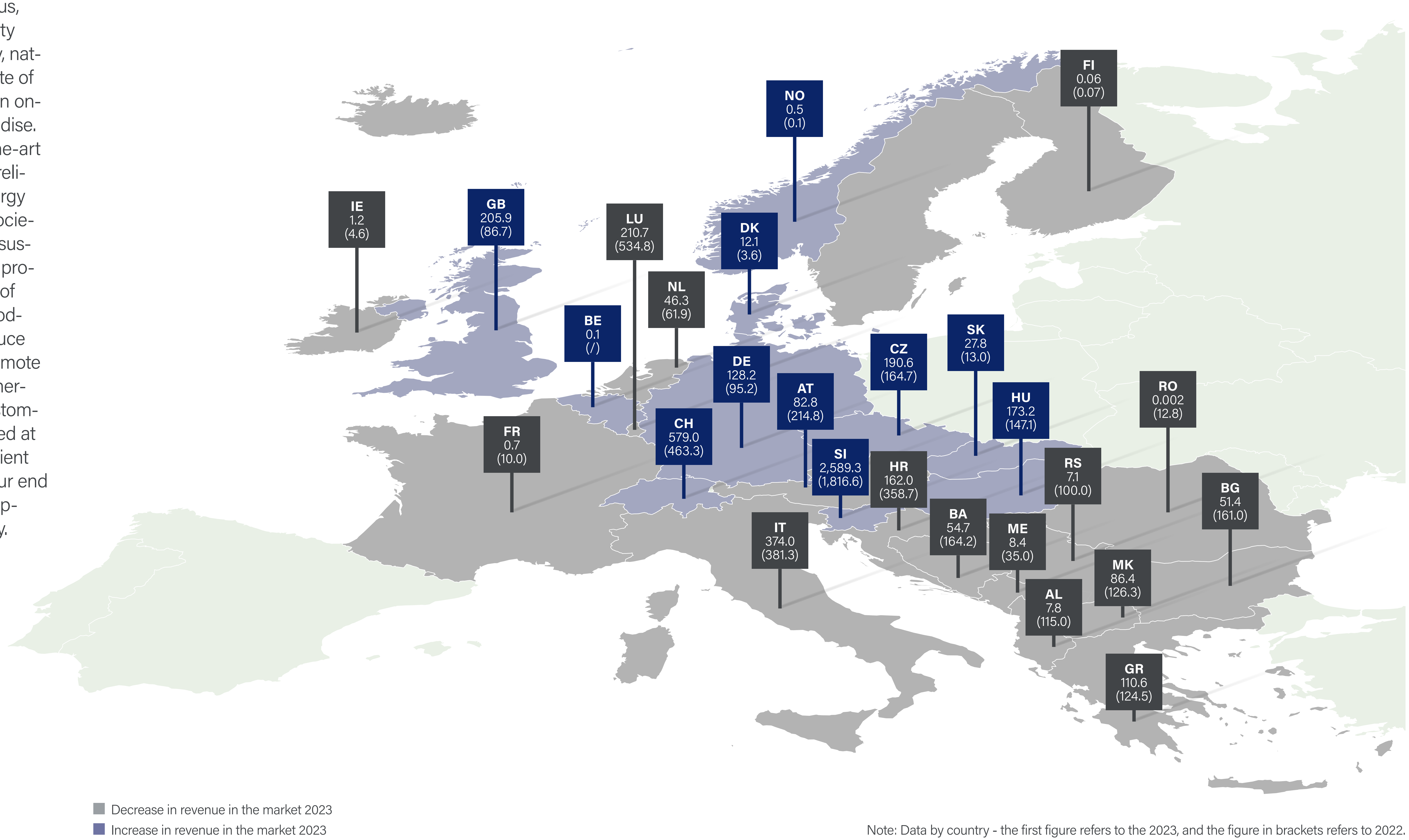
hse Group

13	27	2	7	2	4
HPP	sHPP	PHPP	SPP	TPP	GT
Threshold capacity 732 MW (without 49% HESS)	Threshold capacity 24 MW	Threshold capacity 191 MW	Threshold capacity 5 MW	Threshold capacity 844 MW	Threshold capacity 142 MW

RETAIL

The HSE Group includes ECE and Energija plus, which are involved in the retail sale of electricity and natural gas. ECE is a supplier of electricity, natural gas, and wood biomass with a wide palette of customer-tailored energy solutions and its own online store for affordable purchases of merchandise. With its comprehensive portfolio of state-of-the-art energy solutions, Energija plus provides for a reliable, economic, and environment-friendly energy supply and transition towards a low-carbon society. We seek to further increase our focus on a sustainability-oriented sales of electricity and the promotion of sustainable consumption of energy of end customers by means of our innovative products and services in the future. In order to reduce our dependence on the power grid and to promote sustainable consumption of energy, a set of energy solutions have been developed for end customers, such as self-sufficiency, batteries to be used at home, and heat pumps. This way, a more efficient consumption of energy will be facilitated for our end customers, encouraging them to proactively approach the sustainable consumption of energy.

Revenue from sales of the parent company of the HSE Group in EUR million in 2023 and 2022



Note: Data by country - the first figure refers to the 2023, and the figure in brackets refers to 2022.

Business model of the HSE Group excluding investments

SALE OF ELECTRICITY

SALE OF ELECTRICITY ON´THE DOMESTIC MARKET

	2023	2022
Sales of electricity - retail in GWh	3,714	2,775
Sales of electricity - wholesale in GWh	9,194	9,056
Share of sale on the domestic market	48%	42%

SALE OF ELECTRICITY ON THE FOREIGN MARKET

	2023	2022
Sale of electricity in GWh	14,056	16,303
Share of sale on foreign markets	52%	58%

HSE	2023	2022
Number of employees	248	235

E+	2023	2022
Number of employees	74	74

ECE	2023	2022
Number of employees	73	75

INTERNATIONAL NETWORK	2023	2022
Number of employees	2	3

hse Group

PRODUCTION AND PURCHASE OF ELECTRICITY

OTHER SOURCES OF ELECTRICITY

	2023	2022
Other purchase of electricity in GWh	20,383	23,054
Share of other sources	76%	82%

HESS	2023	2022
Production of electricity in GWh (49% share)	335	196

OWN PRODUCTION RESOURCES

	2023	2022
Production of electricity in GWh*	6,581	5,079
Share of self-generated sources	24%	18%
Number of employees	1,887	1,893
Power in MW	1,939	1,928

* Excluding the 49% participating share in the generation in HESS.

HYDRO PRODUCTION AND OTHER RES 58%

	2023	2022
Number of employees	393	378
Production of electricity in GWh	3,847	2,485
Power in MW	953	942
Units	73 turbines 7 solar power plants	73 turbines 7 solar power plants

DEM	2023	2022
Number of employees	262	253
Production of electricity in GWh	3,008	1,870
Power in MW	614	602
Units	32 turbines 5 solar power plants	31 turbines 5 solar power plants

SENG	2023	2022
Number of employees	131	125
Production of electricity in GWh	835	612
Power in MW	336	336
Units	39 turbines 1 solar power plant	39 turbines 1 solar power plant

sHPP Lobnica	2023	2022
Number of employees	0	0
Production of electricity in GWh	0.4	0.2
Power in MW	0.1	0.1
Units	2 turbines	2 turbines

HSE (SPP Prapretno)	2023	2022
Number of employees	0	0
Production of electricity in GWh	3	3
Power in MW	3	3
Units	1 solar power plant	1 solar power plant

THERMO PRODUCTION 42%

	2023	2022
Number of employees	307	319
Production of electricity in GWh	2,735	2,594
Power in MW	986	986
Units	2 blocks 4 gas turbines	2 blocks 4 gas turbines

HSE EDT	2023	2022
Number of employees	0	0
Production of electricity in GWh	0	2
Power in MW	58	58
Units	2 gas turbines	2 gas turbines

TEŠ	2023	2022
Number of employees	307	319
Production of electricity in GWh	2,735	2,592
Power in MW	928	928
Units	2 blocks 2 gas turbines	2 blocks 2 gas turbines

PV and HTZ*	2023	2022
Number of employees	1,941	1,974
Coal production at TJ	27,834	27,381

* PV Group without PLP and Sipoteh.

2.7 Market environment of the electricity industry[7]

2023 was marked by high interest rates, high living costs and wars around the world. At the beginning of the year, above-average temperatures led to low energy consumption, and EU Member States were asked to reduce gas and electricity consumption. This, in connection with the actual lower consumption due to the mild winter and high warehouses inventories (gas and coal), caused pressure on the prices of energy products, which were driven downwards. Germany closed all nuclear power plants on April 15, 2023, while in France, in contrast to previous years, such operations were extremely stable. In the second quarter of the year, the impact of good hydrology began to be significantly seen throughout Europe, and that despite lower snow reserves at the end of a warm winter, but with a lot of precipitation. As a result, the operation of coal-fired power plants was lower, which, among other things, made Germany an importer of electricity. Gas prices fell due to lower demand, good supply and high warehouse inventories.

In the second quarter of the year, the Montenegrin and Macedonian electricity exchanges also started operating, where prices are on average similar to those on other regional exchanges, with a few exceptions when liquidity is low.

2023 **0.6 %**
2022 **3.3 %**

ECONOMIC GROWTH IN EUROPE

The cost of living was higher than expected and international trade provided little support due to all the political and war tensions. Current forecasts show that the European economy should ultimately be able to avoid recession.

Source: European Commission website

2023 **3.513 %**
2022 **3.291 %**

EURIBOR 12 M INTEREST RATE

Movement range: [3.303; 4.228]

Due to a large increase in the inflation rate, the European Central Bank (ECB) continued with high interest rates, which, following the example of Federal Reserve (FED), should begin to be lowered in 2024.

Source: Euribor-rates.eu

2023 **1.1056**
2022 **1.0699**

THE EUR/USD EXCHANGE RATE

Movement range: [1.0467; 1.1244]

In 2023, the energy crisis still played a big role in Europe, as well as tensions or the war in Ukraine and the Israeli-Palestinian conflict.

Source: Exchange-rates.org

2023 **33 EUR/MWh**
2022 **81 EUR/MWh**

GAS PRICES

Movement range: [33; 78]

Gas storages rose to unprecedented levels at the end of the 2022/2023 winter and at the beginning of the 2023/2024 winter. Due to measures at the beginning of 2023 and the price of gas in Europe, gas consumption was significantly lower.

A number of FSRU terminals were commissioned in 2023.

Source: ICE

2023 **77 $/Bbl**
2022 **86 $/Bbl**

OIL PRICES

Movement range: [70; 96]

The price of oil was affected by a reduced consumption of petroleum products in the US and a lower-than-expected rise in oil consumption in China. In addition, the higher generation of countries that are not part of the OPEC agreement also had a bearish impact on the price. All negative impacts were not changed even by the voluntary reduction of Saudi Arabia's generation by 1 million barrels/day from July 2023 onwards.

Source: MarketWatch

7 GRI: 102-15; 103-1; 103-2; 103-3;201-2.

2023 **97.6 $/t**
2022 **185 $/t**

COAL PRICES

Movement range: [92, 178]

Coal prices followed a downward trend in 2023 due to lower electricity consumption, good hydrology and high inventories in warehouses. Lower gas prices caused coal-fired power plants to become less competitive than gas-fired ones.

A lower share of coal imports from Russia to Europe remained, as a result, coal import levels from Colombia, South Africa, and Australia were slightly higher.

Source: ICE

2023 **54.1 TWh**
2022 **39.8 TWh**

ENERGY FROM WATER IN SOUTH-EASTERN EUROPE

In SE Europe, generation from hydroelectric power stations in 2023 was as much as 36% higher than the year before, when it had been extremely low due to a drought all over Europe. Generation in 2023 was quite similar to that in 2021.

Source: ENTSO-E

2023 **197 TWh**
2022 **181 TWh**

RENEWABLE ENERGY IN GERMANY (WIND AND SUN)

In 2023, the installed capacity of onshore wind farms was increased in Germany by 3.6 GW.

German photovoltaic power plants generated 55.2 TWh in electricity and are at the same level as in 2022.

In 2023, generation of electricity from wind power in Germany amounted to 142 TWh or 13% more than the year before.

Source: ENTSO-E

2023 **69.1 EUR/t**
2022 **84.0 EUR/t TWh**

CO_2 PRICES

Movement range: [66; 100]

At the beginning of the year, expectations that the supply of emission allowances would be reduced pushed the price up, even over EUR 100/t. Then, a lot of generation from renewable energy sources resulted in lower generation from coal-fired power plants. In addition, the price of gas fell sharply, causing a so-called fuel switching. As a result, the need for emission allowances was lower and the price followed the lower demand.

Source: EEX

AVERAGE ELECTRICITY PRICES

DE 2023 **95 EUR/MWh**
2022 **235 EUR/MWh**

HU 2023 **107 EUR/MWh**
2022 **272 EUR/MWh**

SI 2023 **105 EUR/MWh**
2022 **274 EUR/MWh**

IT 2023 **127 EUR/MWh**
2022 **304 EUR/MWh**

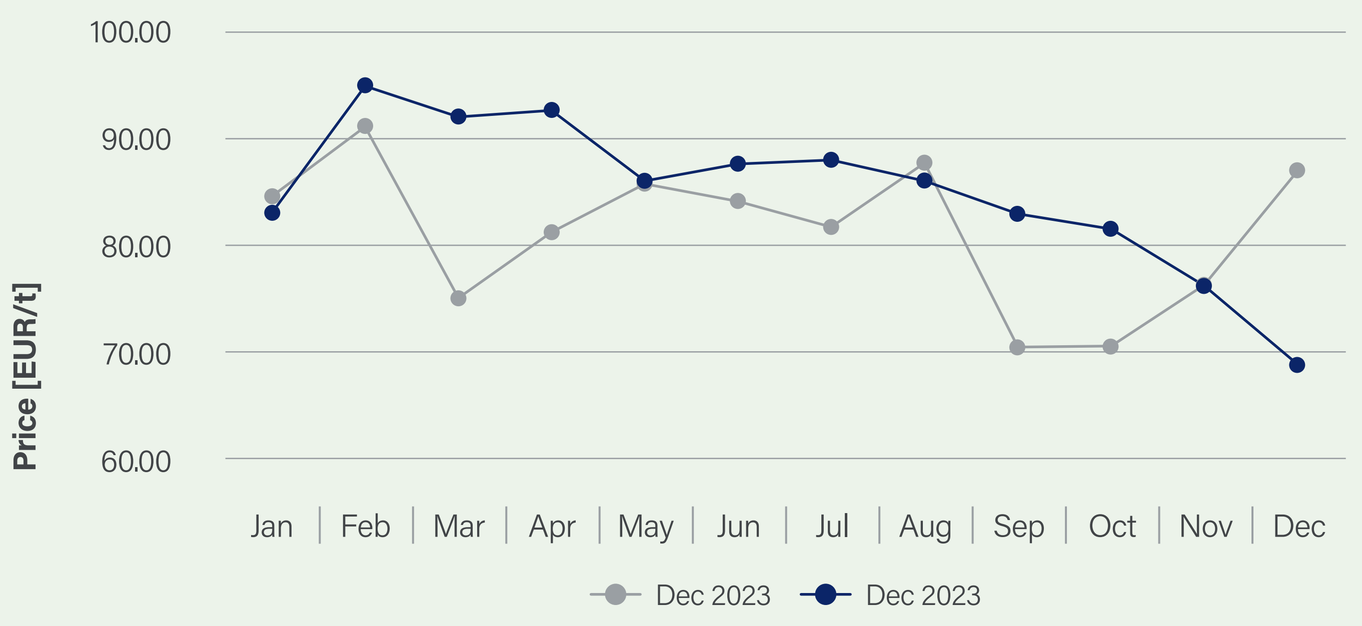
GR 2023 **119 EUR/MWh**
2022 **280 EUR/MWh**

RO 2023 **104 EUR/MWh**
2022 **265 EUR/MWh**

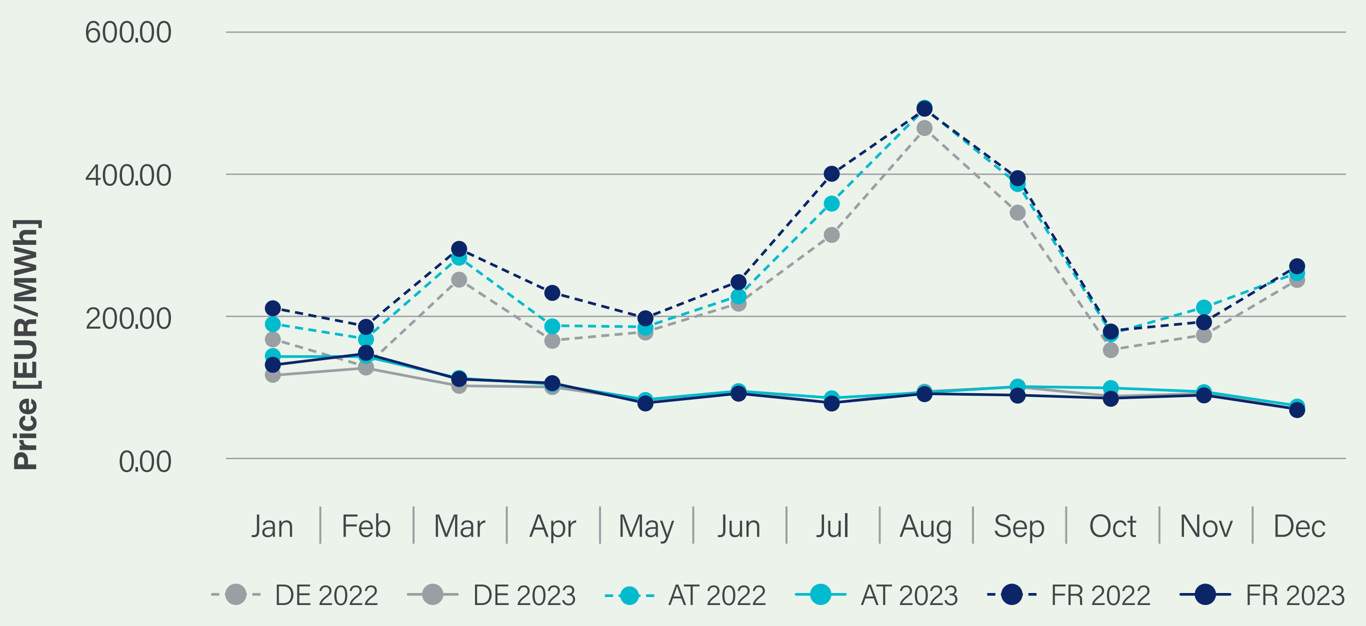
Source: Exchanges

Throughout 2023, prices on the electricity market with delivery for the day ahead were falling in all European markets. The reasons are a high generation from hydroelectric power stations, an ever-increasing installed capacity of wind farms and photovoltaic power plants, and lower prices of other energy products. In addition, the generation of French nuclear power plants was also stable and high. Prices fell by more than 50% in all markets, which also affects all products with supply in the future. This means some relief for the economy and the general population, as countries had to help keep electricity prices at acceptable levels through price regulation.

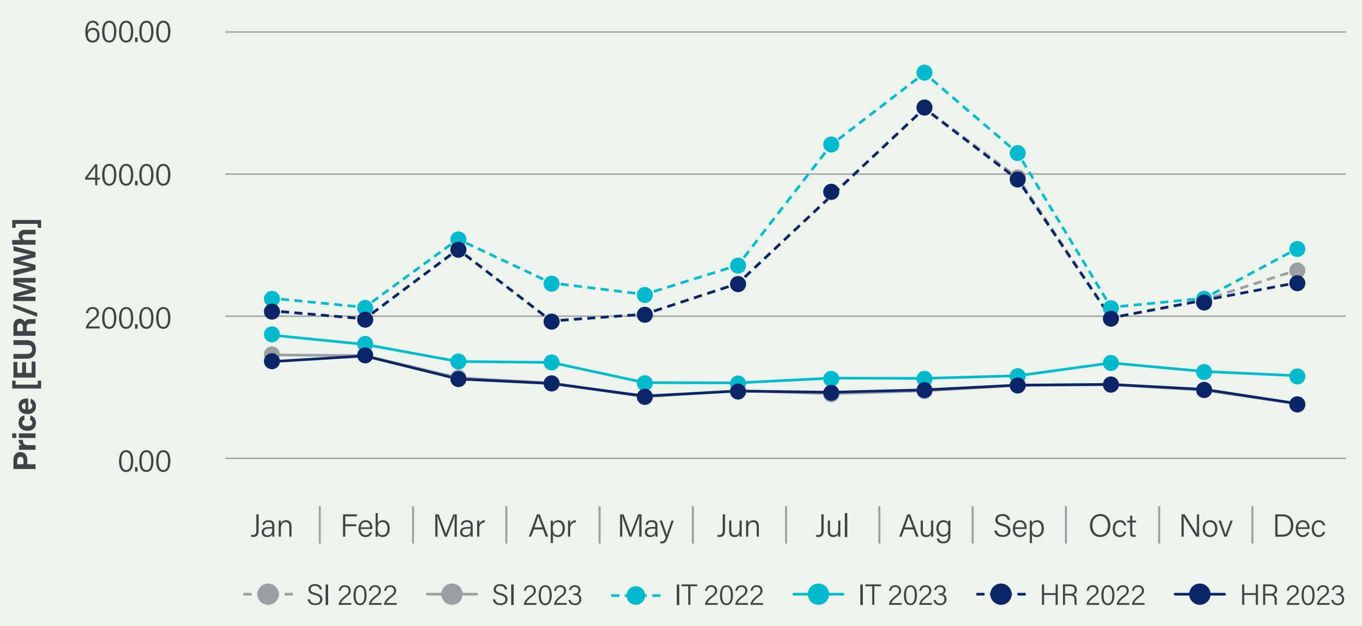
Average monthly prices of CO_2 emission allowances delivered in December within the year of delivery



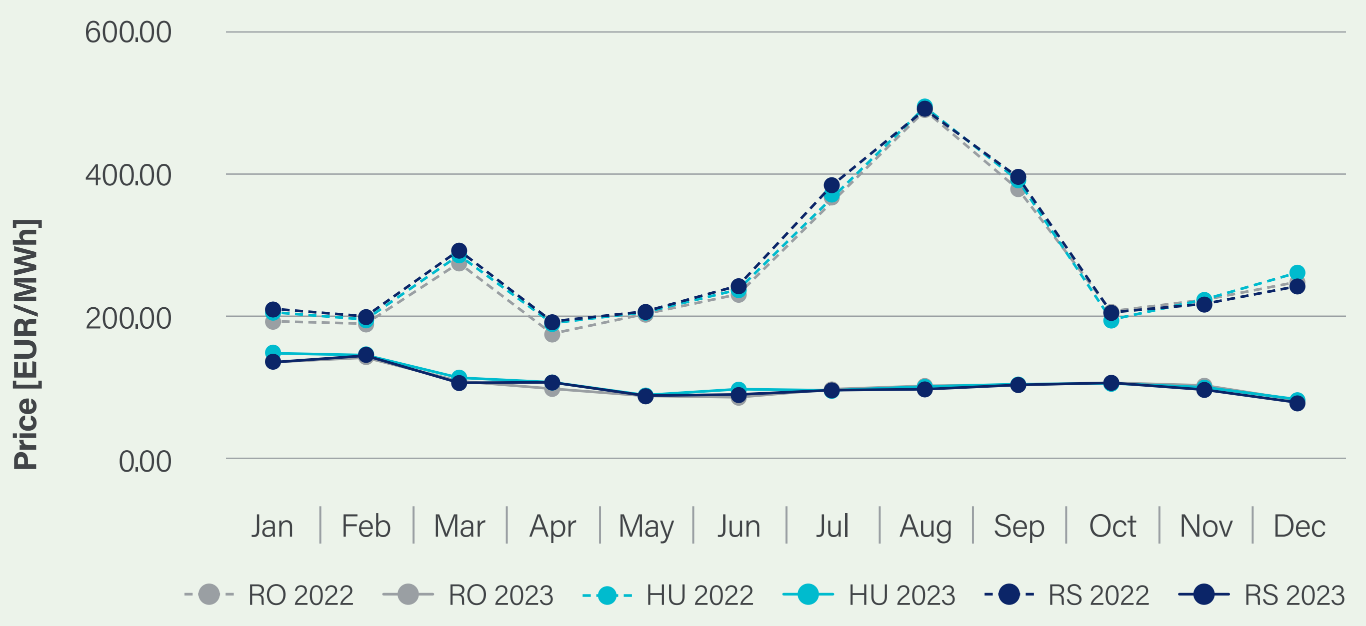
Average monthly electricity prices in Germany (DE), Austria (AT) and France (FR)



Average monthly prices of electricity in Slovenia (SI), Croatia (HR) and Italy (IT)



Average monthly electricity prices in Romania (RO), Hungary (HU) and the Republic of Serbia (RS)



Source: Exchanges

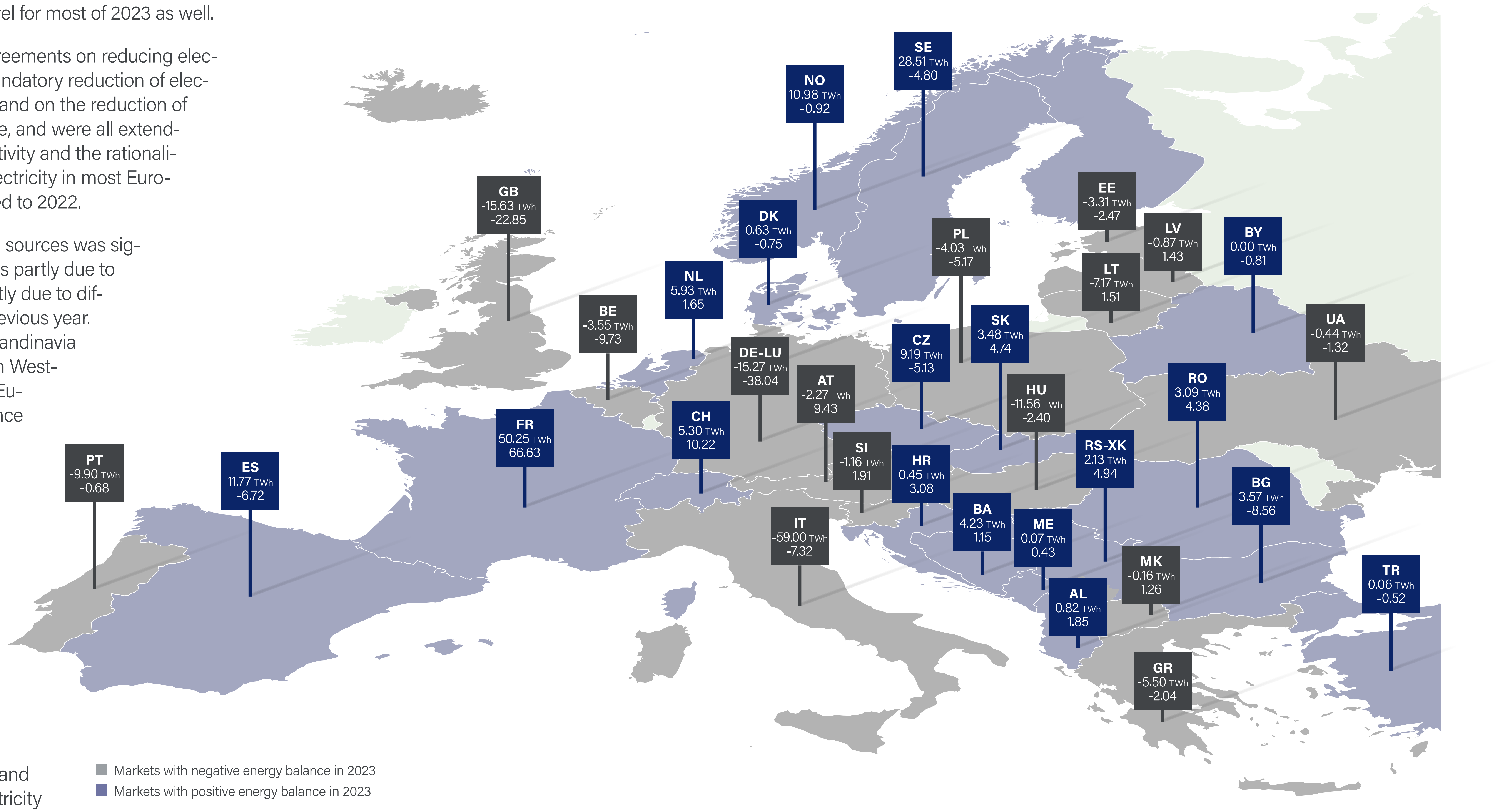
Balance of European electricity markets in 2023 and a change in the balance compared to 2022 in TWh

The consumption of energy products and electricity, which already decreased in the middle of 2022, remained at a reduced level for most of 2023 as well.

During the winter period, the EU Council's agreements on reducing electricity consumption by at least 10%, on the mandatory reduction of electricity consumption by 5% during peak hours and on the reduction of gas consumption by at least 15%, were in force, and were all extended until April 2024. Due to lower economic activity and the rationalization of consumption, the consumption of electricity in most European countries was reduced in 2023 compared to 2022.

In most of Europe, generation from renewable sources was significantly higher in 2023 than in 2022. This was partly due to newly installed production capacities and partly due to different weather conditions compared to the previous year. Hydro generation was noticeably higher in Scandinavia and South-Eastern Europe, wind generation in Western Europe and solar generation in Southern Europe. This contributed to a better energy balance of some countries.

France had an additional improved balance due to the higher operation of nuclear power plants compared to the previous year. The lower annual balance was mainly experienced by countries that reduced the generation of electricity from coal-fired power plants in 2023 (Spain, Italy, Poland and Belgium). Lower prices of electricity namely caused the generation of coal-fired power plants to be uncompetitive compared to the generation of gas-fired power plants. Due to the closure of nuclear power plants in Germany, its annual balance was significantly lower, and Germany even became a net importer of electricity in 2023.



Markets with negative energy balance in 2023
Markets with positive energy balance in 2023

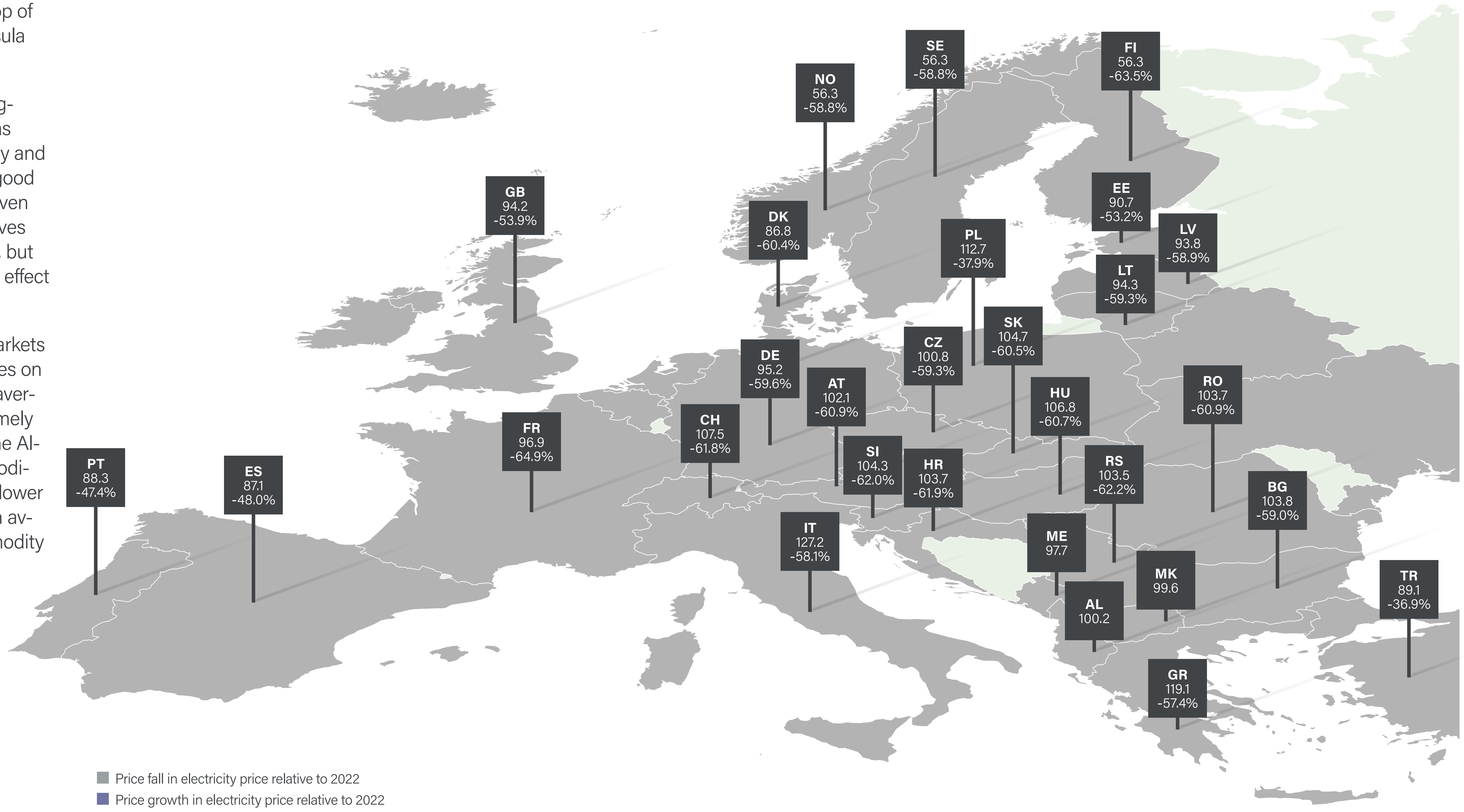
Source: ENTSO-E

Achieved average annual daily price of electricity in European markets in 2023 (in EUR/MWh) and change compared to 2022 in %

Electricity prices were lower everywhere in 2023 than in 2022. Most markets experienced a drop of around 60%, slightly less in the Iberian Peninsula (48%), Poland and Turkey (37%).

The main reason for the drop in prices is recognised as the calming of the situation on the gas market and a lower demand for both electricity and gas. The drop in prices was also helped by a good hydrology, which was at least average, if not even above average, in most countries. Snow reserves were poor due to relatively high temperatures, but there was a lot of rain, which had a favourable effect on hydro generation.

In 2023, the lowest prices were in northern markets and the highest were in Italy and Greece. Prices on the regional commodity exchanges were, on average, 5-10% higher than those in Germany, namely Hungary, followed by Slovenia and Croatia. The Albanian, Montenegrin and Macedonian commodity exchanges also started to operate. Despite lower trading volumes, their respective prices are on average similar to those on other regional commodity exchanges.



Source: Stock Exchange

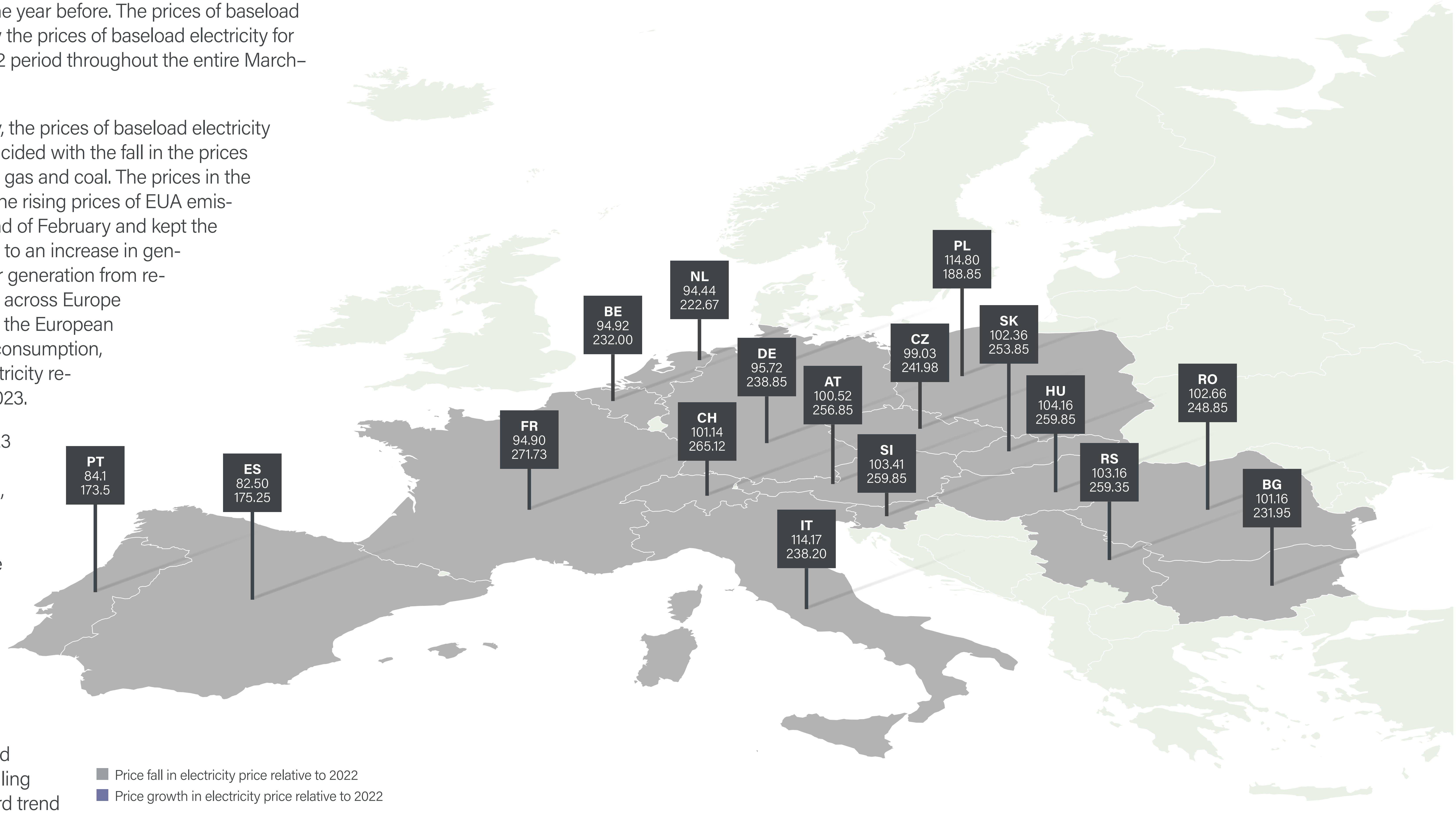
Forward prices of baseload electricity for delivery in 2024, at the end of 2023 and for delivery in 2023 at the end of 2022 (in EUR/MWh) on key markets

Forward prices of baseload electricity for delivery in the following year were lower in all European countries at the end of 2023 than the year before. The prices of baseload electricity for delivery in 2024 remained below the prices of baseload electricity for delivery in 2023 in the March–December 2022 period throughout the entire March–December 2023 period.

From the beginning of 2023 to the end of May, the prices of baseload electricity for delivery in 2024 fell, which completely coincided with the fall in the prices of the corresponding annual energy products, gas and coal. The prices in the first two months were not regulated even by the rising prices of EUA emission allowances, which started to fall at the end of February and kept the downward trend until the end of the year. Due to an increase in generation of French nuclear power plants, higher generation from renewable sources and lower economic activity across Europe compared to 2022, as well as the extension of the European Commission's requirements for reduced gas consumption, the consumption of energy products and electricity remained at a reduced level even throughout 2023.

Energy prices further fell in the first half of 2023 due to highly filled gas and coal warehouses across Europe at the end of the winter season, which was the result of an exceptionally mild winter and intensive filling in the fall of 2022. Energy prices became stabilised in the middle of the year. A lower gas supply from Norway was offset by a modest demand for LNG in Asia due to extremely extensive overhauls at gas generation units. Gas prices therefore remained relatively stable from May to September, after which they began to fall again.

Predictions of a relatively warm winter, coupled with exceptionally high gas inventories and falling coupon prices, once again caused a downward trend in electricity prices in the final months of 2023.

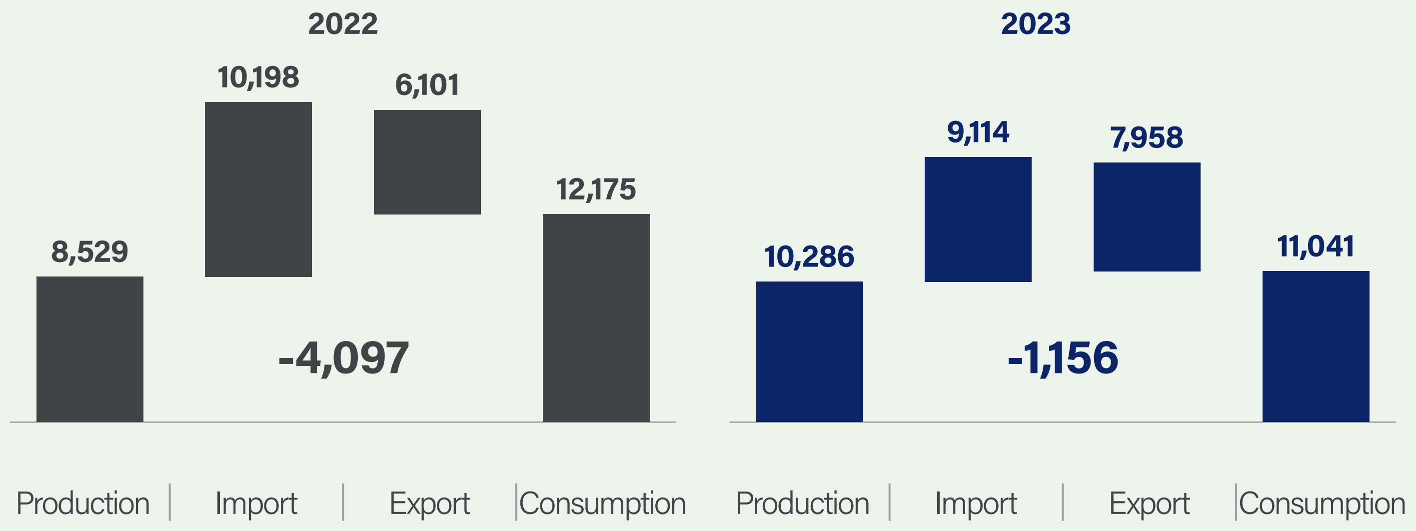


Source: Stock Exchange

THE SLOVENIAN ELECTRICITY MARKET

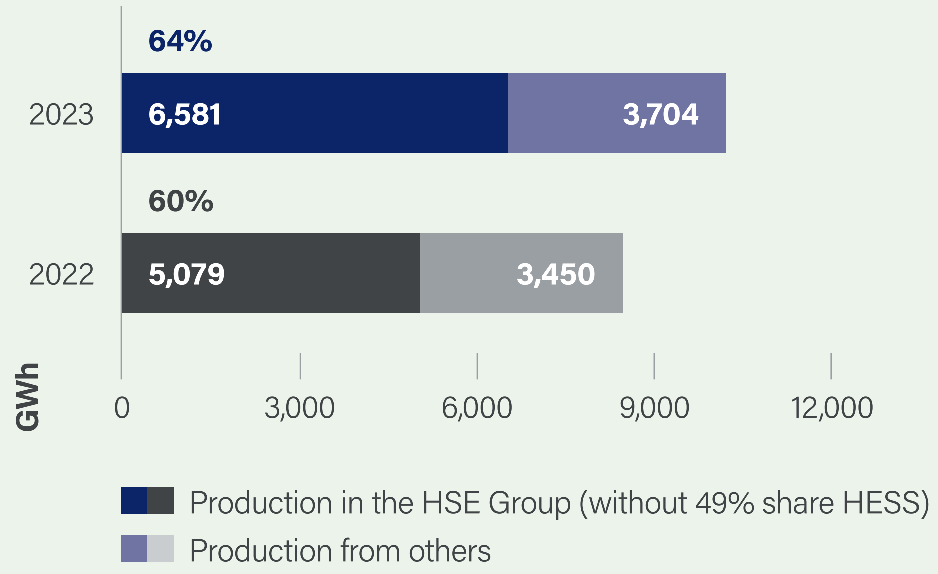
In 2023, electricity generation in the Slovenian market was 21% higher than the year before. The major contributor to this is the substantial increase in generation from hydroelectric power stations, which was as much as 57% above the generation in 2022. Generation from thermal power plants was about 6% above that of 2022. The share of hydro-electric generation in total generation in Slovenia reached 37%, while the year before it had been only 27%, and, on account of the increase in hydro-electric generation, the share of thermal power plant generation fell slightly - from 25% to 22%. The improvement of the balance is also influenced by a 9% lower consumption on account of lower consumption, as well as increased generation due to more installed production capacities from renewable sources by the distribution system.

The Slovenian electricity market in GWh

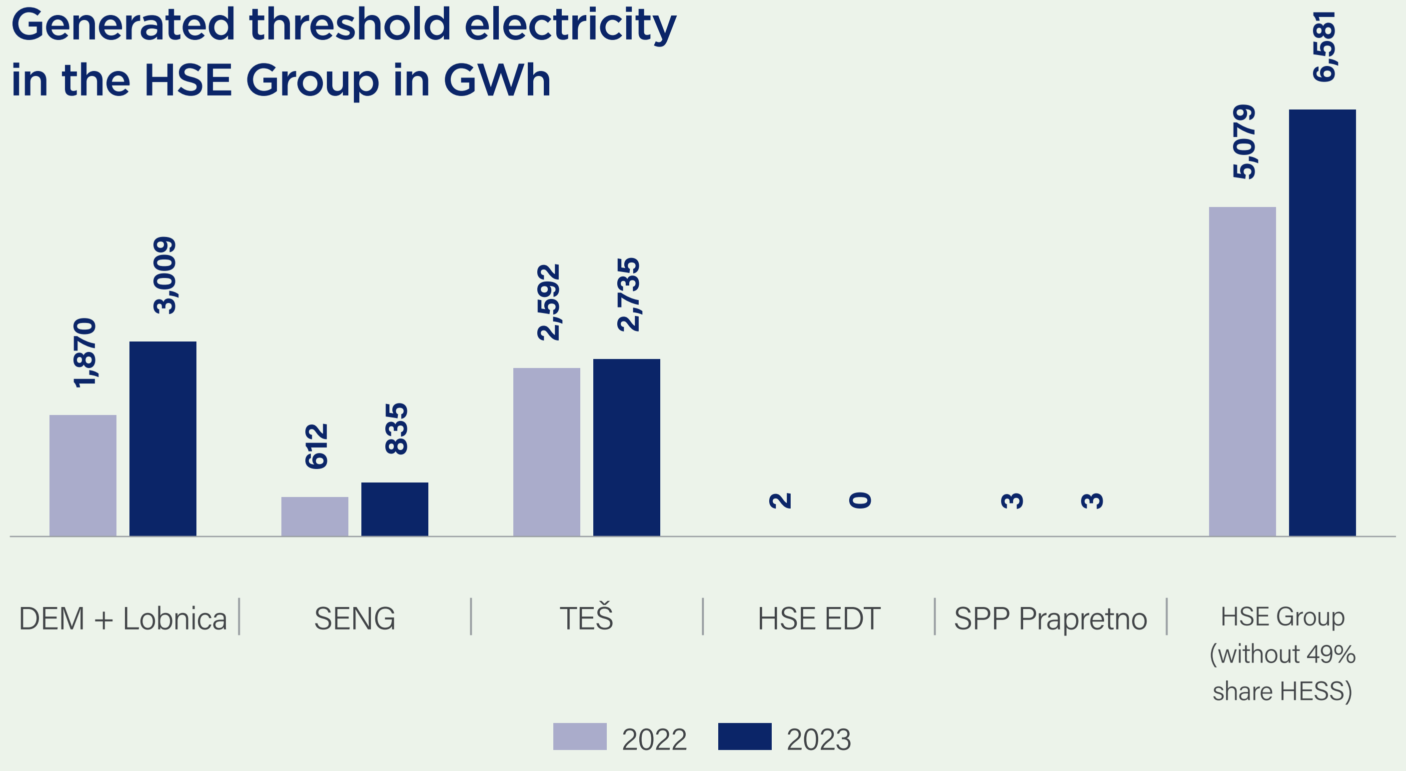


Note: The graph does not include transmission loss in the grid.
Source: Monthly ELES report

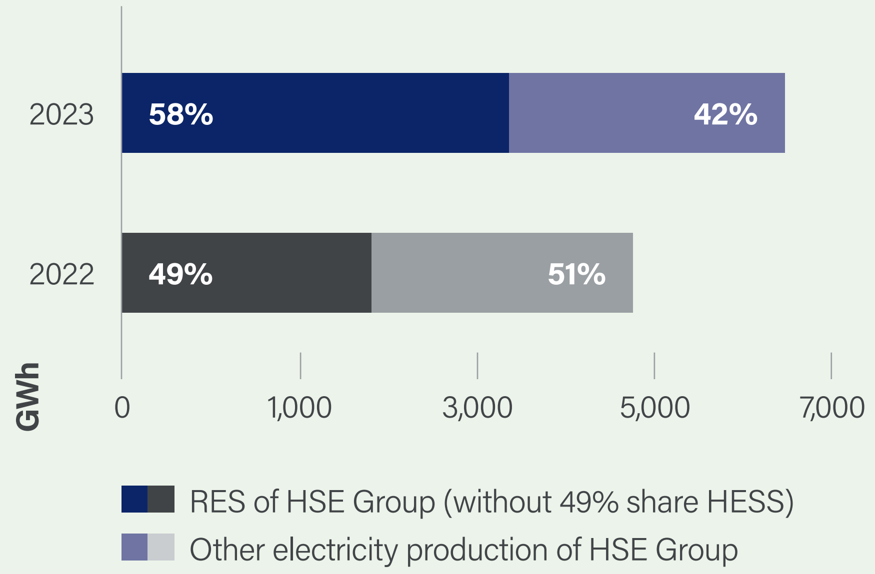
Generation in the HSE Group compared to the total electricity generation in Slovenia



Generated threshold electricity in the HSE Group in GWh



The proportion of renewable energy sources in the generation in the HSE Group



ADAPTATION OF THE HSE GROUP TO MARKET CONDITIONS

In the past year and a half, since the beginning of price growth, the HSE Group has paid a lot of attention to managing exposure when trading financial products. The clearing bank's requirements for cash at banks decreased with the fall in prices, resulting in a liberalisation of which is why trading of financial products. Thus, the HSE Group generated the planned volumes of financial product trading for 2023. On the other hand, physical trading in 2023 was lower than estimated by the business plan, especially trading abroad. Prices fell at the end of 2022 and during 2023, which is why, in combination with lower volumes, the Group's turnover with electricity is also significantly lower. The Group was also accompanied by an extremely good hydrology and high levels of coal in the landfill. Even though Slovenia was struck by floods in August 2023, electricity was generated in a safe and reliable way.

PLANS FOR THE FUTURE

The HSE Group's vision is to remain the leading Slovenian generator and seller of electricity and a pillar of sustainable energy transition in Slovenia. Efforts aimed at the growth of electricity generated from renewable sources also mean the search for new sales and trading business opportunities, such as the creation of new products, including increased analytical activities, and the upgrading of short-term production management by completing the JROS project. The HSE Group already participates in all regional electricity exchanges and is also active in all markets of Central and Southeastern Europe. The HSE Group continues to plan to participate in tenders for the purchase/sale of electricity in the region and places great emphasis on good relations and exemplary cooperation with partners in Slovenia and abroad. In addition to the above, precisely because of the ever-increasing installed power of renewable sources, the flexibility of already existing power plants is also important, both for the sake of ensuring the stability and safety of the operation of the entire system, as well as for the exploitation of market opportunities in intraday trading, which represents an increasingly important segment of the HSE Group's trading activities. The activities of the HSE Group are also aimed at strengthening and expanding trading in the natural gas segment.

2.8 Business performance analysis of the HSE Group[8]

Key data	HSE Group			HSE Company		
	2022	2023	PN 2023	2022	2023	PN 2023
Net sales revenue in EUR	5,330,676,424	4,947,692,605	9,206,063,481	5,545,248,921	5,116,070,394	9,091,483,828
Net profit/loss in EUR	-271,950,087	390,831,261	267,986,260	-319,683,020	366,447,674	271,075,471
Revenue in EUR	5,398,292,386	5,135,886,715	9,221,568,621	5,591,474,945	5,172,712,244	9,105,977,623
EBIT = Operating profit or loss in EUR	-238,320,752	467,642,705	373,696,157	-271,919,845	452,763,593	342,034,904
EBITDA in EUR	-124,255,057	642,917,063	499,846,056	-270,310,148	455,158,339	361,346,228
Assets in EUR	2,455,370,282	2,393,294,417	2,652,610,002	1,874,413,184	1,964,160,650	2,264,765,046
Capital in EUR	1,024,739,730	1,173,324,581	1,176,748,550	821,366,920	946,724,777	1,006,819,897
Bank indebtedness in EUR	812,090,460	591,057,519	650,142,511	470,497,515	277,906,767	337,780,887
Total indebtedness in EUR	818,803,158	597,359,396	656,450,015	508,544,551	328,999,765	341,778,271
Investments in EUR	65,386,265	74,835,611	124,002,552	5,104,859	2,754,361	29,491,215
Electricity produced in GWh	5,079	6,581	5,998	5,079	6,581	5,998
Electricity sold (physical business) in GWh	28,133	26,964	34,766	28,944	27,853	34,964
Electricity sold (physical and finacial business) in GWh	85,574	80,441	55,607	86,384	81,330	55,805
Employees at the end of the year	3,349	3,330	3,510	235	248	262
Average number of emloyess*	3,276	3,340	3,445	225	241	253
Self-financing ratio	41.73	49.03	44.36	43.82	48.20	44.46
Non-current financing ratio	67.99	74.92	69.94	56.65	60.30	57.45
Operating fixed assets rate	47.42	51.64	45.52	7.48	19.13	10.95
Non-current investment ratio	56.48	59.89	52.73	54.33	62.13	53.70
Equity to operating fixed ration	0.88	0.95	0.97	5.86	2.52	4.06

* Average number of employees calculated from the initial and final balance

8 GRI: 103-1, 103-2; 103-3; 201-1.

the text continues on the next page

Key data	HSE Group			HSE Company		
	2022	2023	PN 2023	2022	2023	PN 2023
Immediate solvency ration	0.46	0.19	0.14	0.36	0.04	0.01
Quick ratio	1.19	1.32	1.46	0.99	0.89	1.07
Current ratio	1.36	1.60	1.57	1.05	0.95	1.09
Operating efficientcy ratio	0.96	1.10	1.04	0.95	1.10	1.04
Net return on equity (ROE) indicator	-29.5	35.6	24.1	-43.0	41.5	28.8
Net return on assets (ROA) indicator	-12.1	16.1	10.2	-19.3	19.1	12.5
Added Value in EUR	18,219,821	812,981,008	668,772,146	-255,494,843	473,958,421	379,260,230
Added value per employee in EUR	5,562	243,444	194,157	-1,138,062	1,964,594	1,502,021
Debt-to-capital ratio	0.80	0.51	0.56	0.62	0.35	0.34
Total finacial liabilities/EBITDA	-6.59	0.93	1.31	-1.88	0.72	0.95
EBITDA/Financial expenses from received loans	-7.49	26.14	16.18	-45.45	31.49	17.19
Total fiancial liabilities/Assets	0.33	0.25	0.25	0.27	0.17	0.15
Nef financial liabilities in EUR	462,095,895	486,075,138	546,450,015	215,492,831	297,315,667	329,886,713
Nef financial liabilities/EBITDA	-3.72	0.76	1.09	-0.80	0.65	0.91
Nef financial liabilities/Capital	0.45	0.41	0.46	0.26	0.31	0.33

2.8.1 ANALYSIS OF THE PROFIT AND LOSS STATEMENT OF THE HSE GROUP AND HSE

Throughout 2023, the HSE Group ensured a reliable supply of electricity to its customers. In the summer, we witnessed floods and unusual, extraordinary weather events, which served as a good test of the operation and management of power plants and systems in emergency conditions, which was successfully passed without any major impacts or damage. Coupled with a good availability of generation units and the efficient implementation of sales activities, exceptional results were achieved. The achieved EBITDA of the HSE Group in 2023 amounted to EUR 642.9 million and the EBITDA of HSE company to EUR 455.2 million, which is the best result since the inception of the HSE Group and HSE. The performance of the HSE Group and HSE was above our targets.

Due to favourable hydrological conditions and a high availability of generation units, **the generation of the HSE Group** was 10% higher than planned and 30% higher than in 2022.

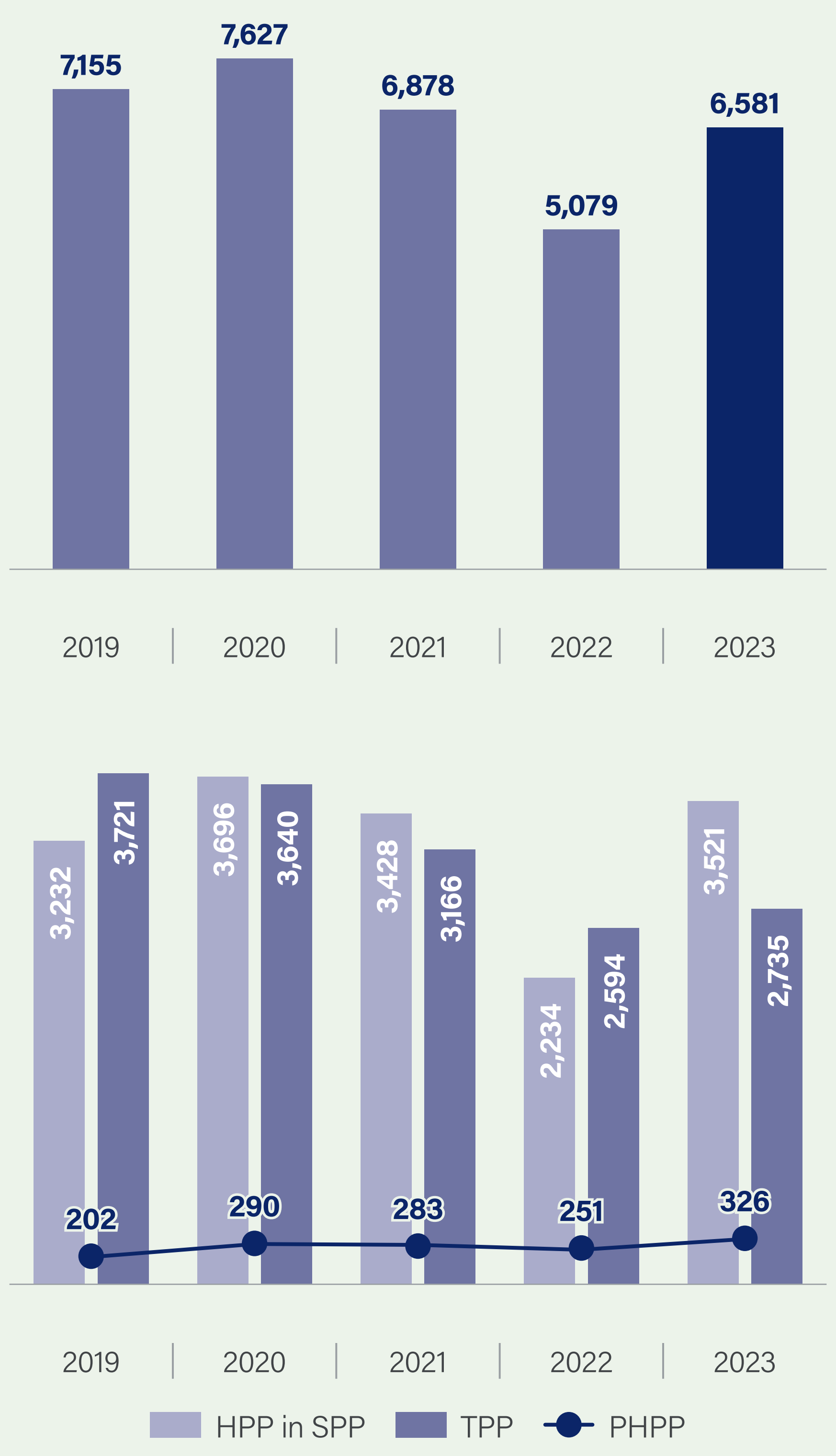
Higher generation compared to the previous year was achieved by all generation units of the HSE Group, and generation in hydroelectric power stations was higher than planned.

Hydroelectric power stations generated 3,513 GWh in electricity, which is 58% more compared to the previous year. Photovoltaic generation which amounted to 8 GWh was higher by 34%. Our two pumped-storage hydropower plants generated 326 GWh or 30% more compared to 2022. At the end of January 2023, Dravske Elektrarne acquired the right to use a 20% share of the electricity generated at the Golica pumped-storage hydropower plant, which amounted to 25 GWh for 2023. The generation of the Avče pumped-storage hydropower plant was also higher compared to year 2022.

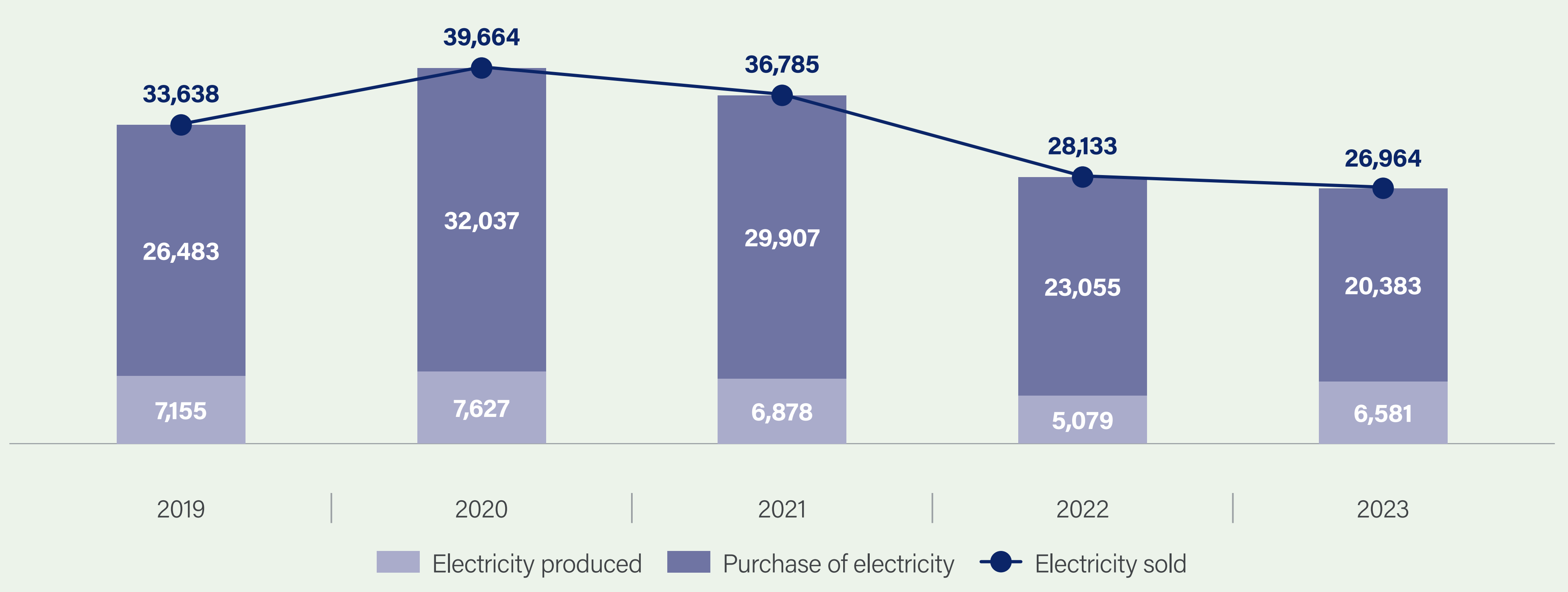
The Velenje coal mine generated 2,439,539 tons in coal in 2023, which is 3% more than in 2022. In 2023, four coal faces were in operation, while in 2022, only three had been in operation. The generation of electricity in the thermal power plant is adjusted to the generation or coal supply and market conditions. Thus, the Šoštanj thermal power plant achieved a generation of 2,735 GWh, which is 5% more compared to year 2022. 2,679 GWh of electricity was generated from coal, and 56 GWh of electricity from gas.

In 2023, the generated quantities of electricity of the HSE Group accounted for 24% of the sales volume of the HSE Group. This is 6 percentage points more than in 2022.

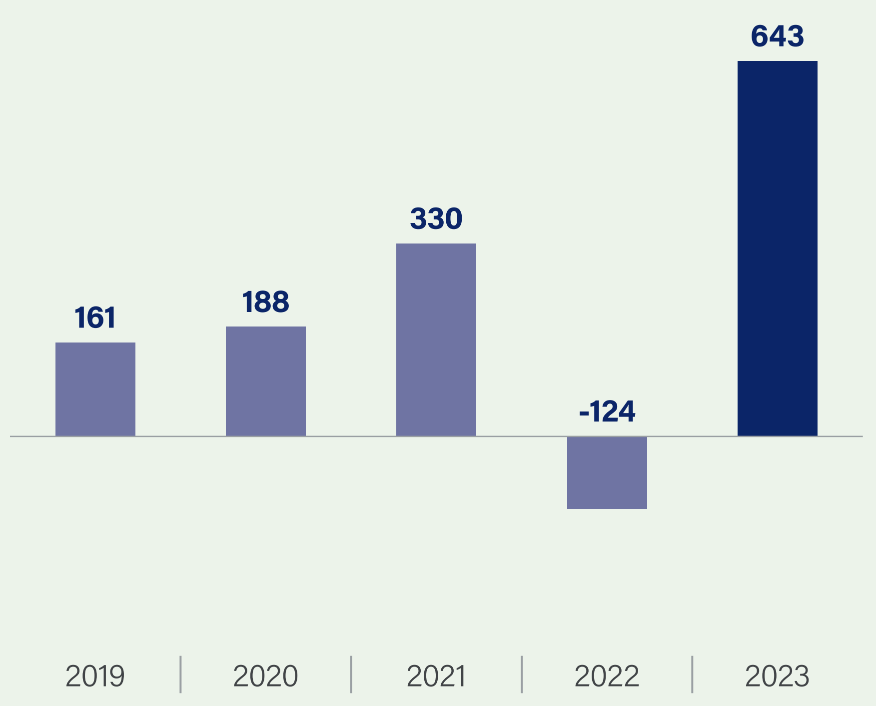
Generated electricity in GWh



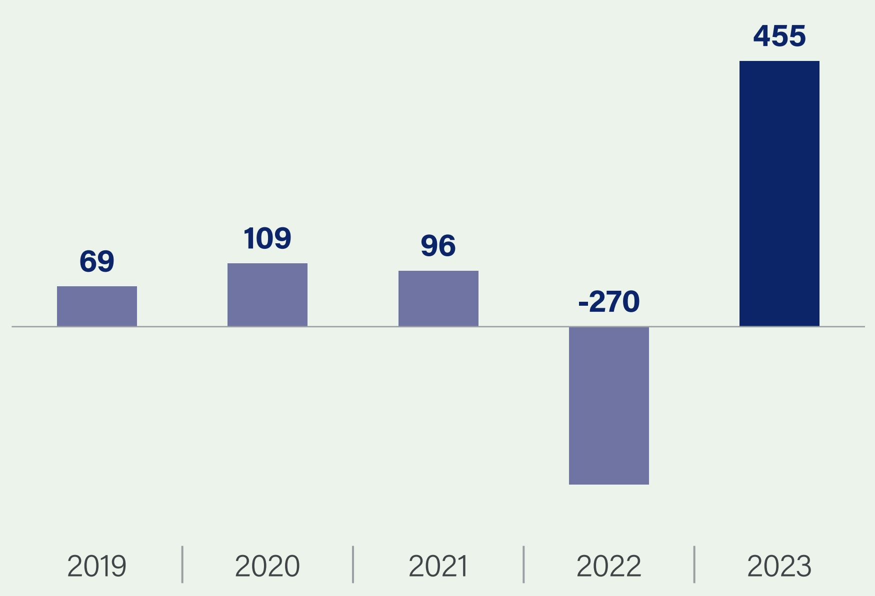
Generated and sold electricity of the HSE Group in GWh



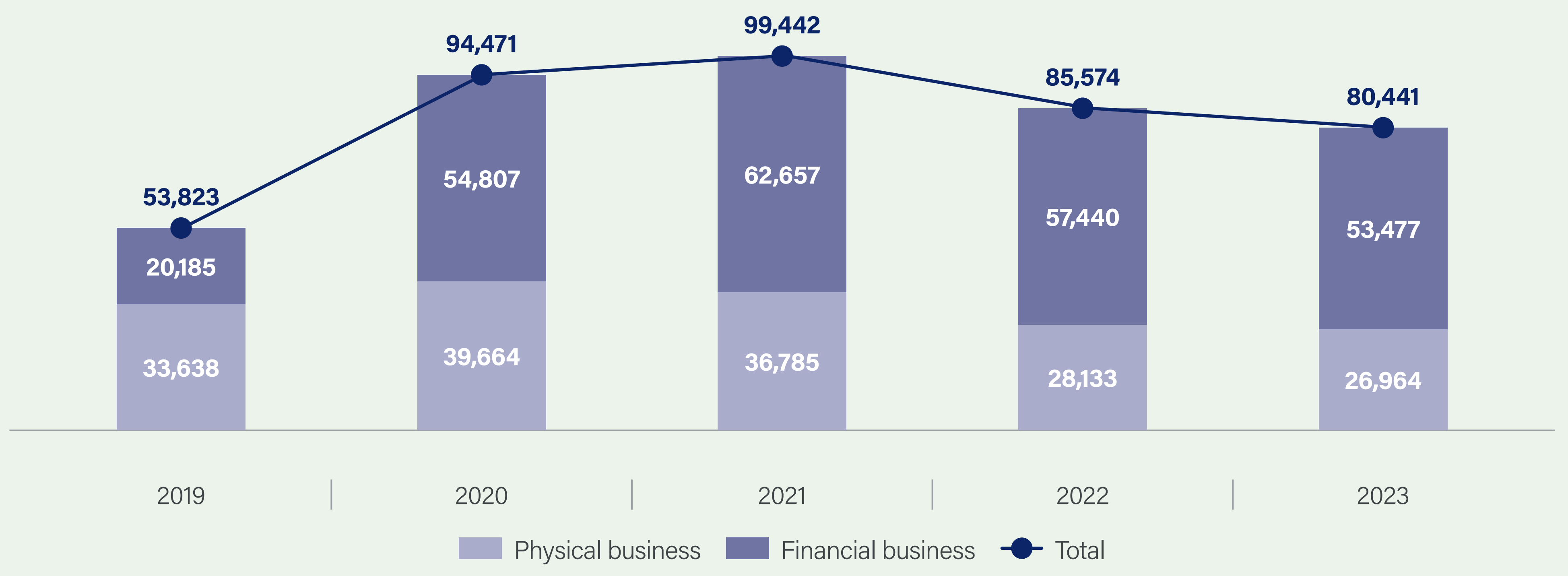
EBITDA of the HSE Group in EUR million



EBITDA of HSE Company in EUR million



Sold electricity of the HSE Group in GWh



In compliance with the generation sales strategy of the HSE Group, the majority of the electricity generated by the HSE Group is sold by **HSE Company**, which at the same time assumes all market and quantitative risks of the HSE Group. As a result, the aforementioned EBITDA of HSE equals the EBITDA of the HSE Group (if the company has a high EBITDA, this is also reflected in the HSE Group and vice versa).

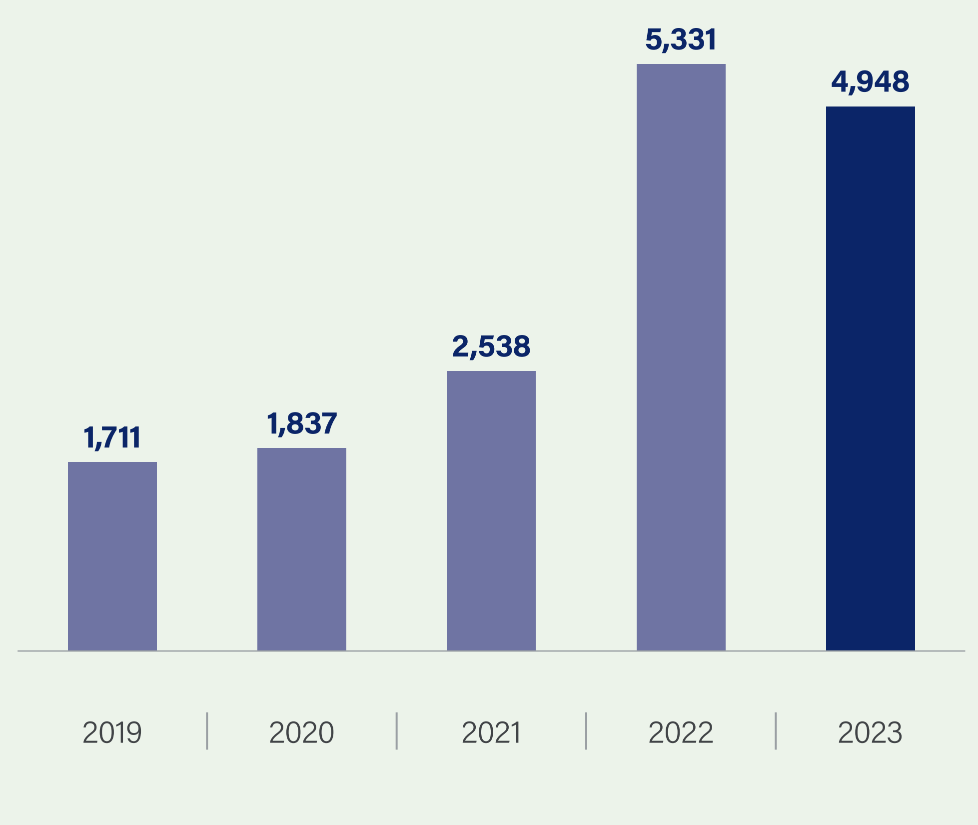
HSE generated more than 99% of its net revenue from sales through the sale of electricity and the provision of services related to electricity. Other revenues were generated by offering services to subsidiaries and by selling gas. Net revenue from sales was 8% lower than in 2022. After the extraordinary situation on the energy market in 2022, the situation began to calm down in 2023, which is reflected in significantly lower average sales prices of electricity and other energy products. The company generated a 4% lower sales volume compared to 2022. However, despite this, the successful sales of the planned hydro generation for 2023 as early as during the previous years when the sales prices of electricity had been at high levels and the effective implementation of sales activities, allowed it to generate an extremely high **gross margin in the sales of electricity** and a consequently excellent EBITDA amounting to EUR 455.2 million. The regulation of prices had an EUR 93.5 negative impact on the operations of HSE, taking into account market prices on the day of reservation of volumes for the purpose of supplying electricity to the price-regulated segment of customers. HSE's EBITDA was as much as 26% higher than planned due to a higher gross margin in the sales of electricity and lower than planned costs of materials and services. HSE was also cost effective. **Costs of materials**, which accounted for only 2% of the structure of costs, fell by 34% compared to 2022. **Cost of services**, however, fell by 7% (a 28% share). The above has resulted from a reduced need for legal services and consultancy and the lower costs of compensation for banking services and studies. **Labour costs** increased by 27% compared to 2022. The increase in labour costs was the result of a higher average number of employees, the calculated business performance due to an above-plan performance and the harmonisation of wages with the collective and enterprise agreements. Labour costs accounted for 62% of HSE's structure of costs. **Depreciation** was higher by 20% due to the increase in assets as a result of investments and additional leased assets (a 6% share). **Other costs**, which accounted for 1% in the structure of costs, were higher by 24% (higher quotas for persons with disabilities).

58% of electricity was generated from renewable sources. The structure of the generated electricity had a favourable impact on our margin. The share of electricity generated from renewable sources increased by 19 percentage points compared to the previous year. Hydroelectric power stations have a low cost price, while thermal generation has an extremely high one. In 2023, thermal generation accounted for 42% of the total generated electricity, which is 19 percentage points less compared to the previous year.

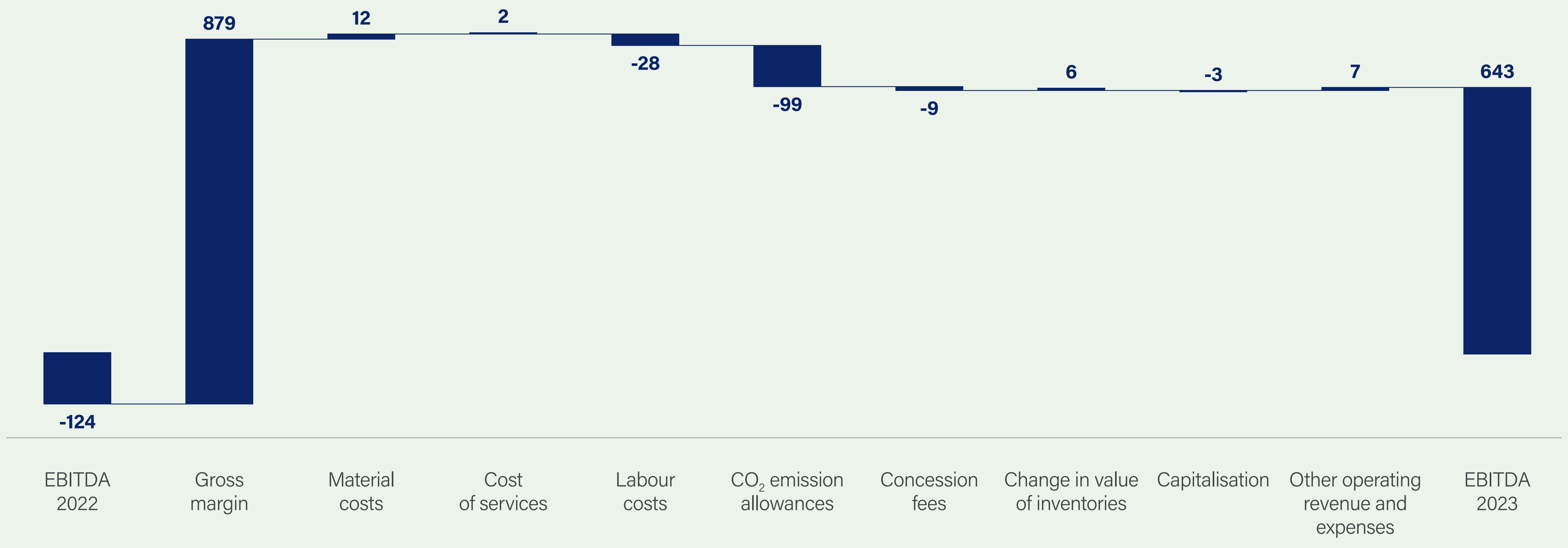
Revenues from sales of electricity also accounted for more than 98% of the HSE Group's structure of net revenue from sales. The HSE Group had also entered the retail market in the previous years through the incorporation of ECE and Energija plus. The net revenue from sales of the HSE Group fell by 7% compared to 2022. The main reason is the significantly lower level of achieved average sales prices of electricity. Quantitative sales fell by 4% mainly due to lower volumes sold at foreign exchanges. Compared to previous years, the generated net revenue from sales remained at a high level.

Due to lower thermal energy consumption needs, the Šoštanj thermal power plant generated 305 GWh in thermal energy for heating purposes in 2023, which is 4% less than in 2022. However, due to a higher sales price of thermal energy, the sales of thermal energy allowed it to generate 49% more revenue than in 2022. Energija plus and ECE generated a 87% higher revenue from sales of natural gas. **Other revenue** from sales was also generated by the HSE Group by rendering engineering services and selling merchandise and products.

Net revenue from sales of the HSE Group in EUR million



Changes in the HSE Group EBITDA in 2023 compared to 2022 in EUR million



Compared to 2022, lower **costs of materials and services** were generated by the HSE Group. Mainly due to lower gas costs, costs of materials fell by EUR 18.4 million (lower consumption and lower average purchase price). The costs of consumed wood and steel arched support in the coal mine increased (by EUR 3.2 million) as a result of the construction of 900m more in roadway drifting. Lower costs of services were mainly generated by the HSE Group in the creation of products, as fewer projects were implemented using subcontractors.

All companies in the HSE Group, with the exception of companies abroad, generated higher **labour costs** compared to 2022. Labour costs in 2023 also include the calculation of a variable business performance on account of a significantly higher EBITDA compared to the planned one. Due to poor performance, there had been no variable business performance in 2022. Labour costs also increased due to the harmonization of wages with the enterprise and collective agreements. In the HSE Group, the average number of employees in 2023 was higher compared to 2022, mainly due to the higher average number of employees of the Energija plus which had been incorporated into the HSE Group in mid-2022.

Based on carried out appraisals, the assets of the HSE Group were impaired in the amount of EUR 78.2 million (EUR 56 million impairment of property, plant and equipment and EUR 22.2 million impairment of inventories and receivables).

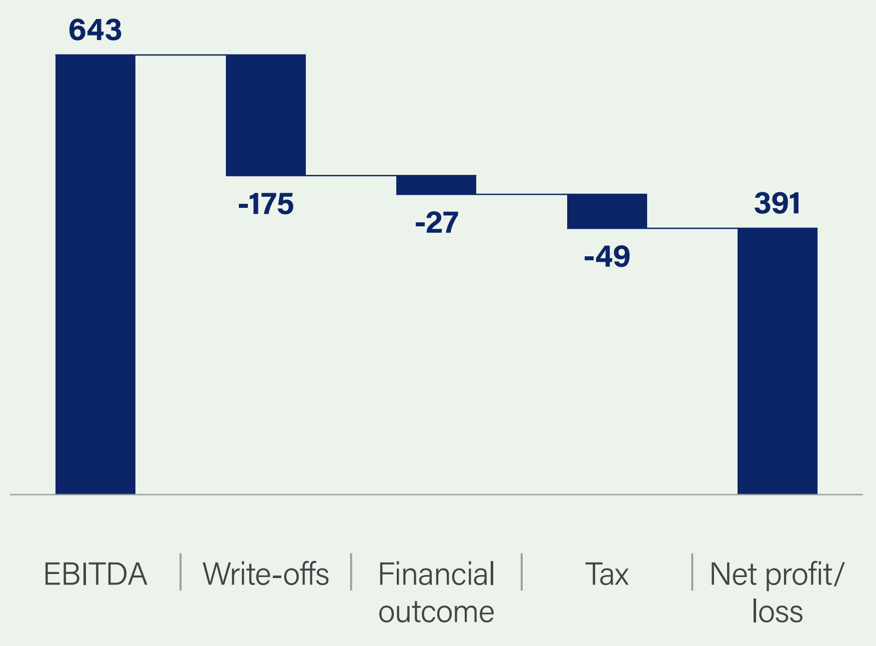
Emission allowance costs exercise an ever-increasing pressure on the cost price of thermal generation and continue to grow (by EUR 99.3 million more compared to 2022). The price remained at high levels, and consumption was also higher. **Concession fees** are EUR 9.5 million higher than in 2022. This is a result of a higher quantitative generation in hydroelectric power stations. The price was legally regulated as early as in 2022.

After the write-offs, the HSE Group generated an EUR 467.6 million EBIT. The financial outcome of the HSE Group was negative in the amount of EUR 28.8 million (excluding the share in the profit of the associate). Compared to 2022, financial expenses for interest were higher due to a higher average indebtedness. After deducting taxes, the HSE Group generated EUR 390.8 million in net operating profit in 2023.

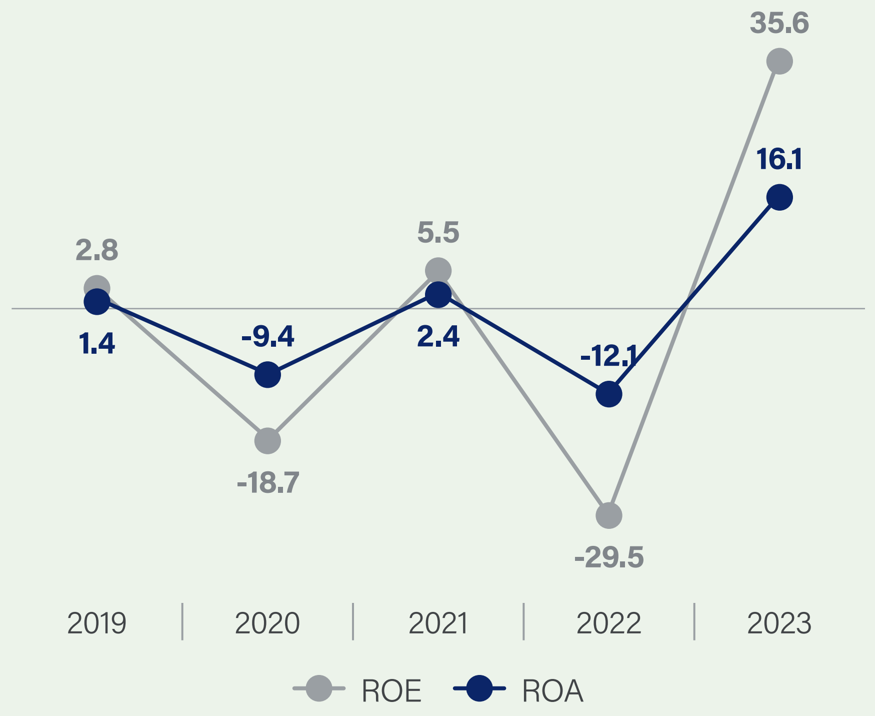
Due to the high net profit in 2023, high net return on equity (ROE) and assets (ROA) coefficients were achieved. ROA amounted to 16.1% and ROE to 35.6%. Both coefficients had been negative in 2022 due to loss-making operations.

HSE generated an operating profit of EUR 452.8 million in 2023. In the financial statements of HSE, an impairment of non-current financial investments in the amount of EUR 33.9 million was recognized on the basis of appraisals. Due to the impairment of non-current financial investments, the financial outcome of HSE was negative in the amount of EUR 44.9 million. In 2023, after taking into account taxes in the amount of EUR 41.4 million, HSE generated EUR 366.4 million in net profit.

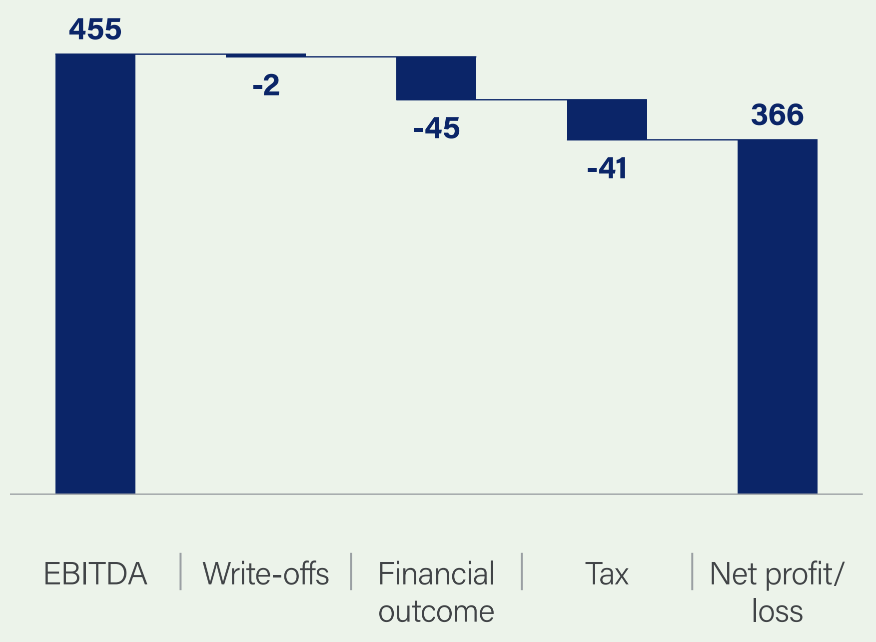
Net profit of the HSE Group in 2023 in EUR million



ROE and ROA of the HSE Group in %



Net profit of HSE in 2023 in EUR million



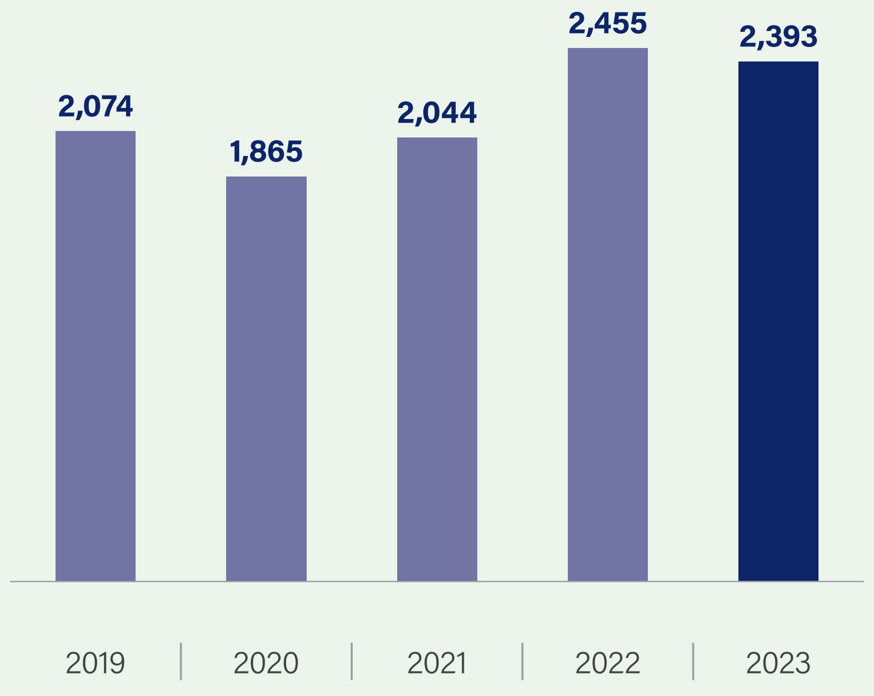
2.8.2 ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION OF THE HSE GROUP AND HSE

The composition of the HSE Group has not changed in relation to the balance at the end of 2022. On 31/12/2023, the assets of the HSE Group were 3% lower compared to the balance at the end of 2022. The share of non-current assets in assets increased by 3 percentage points.

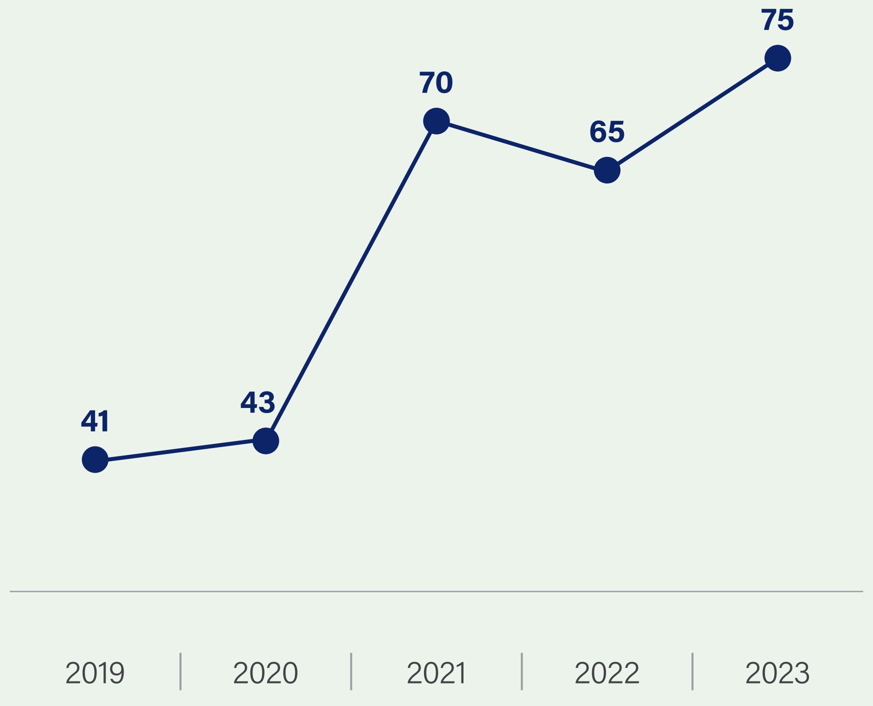
As of 31 December 2023, assets of **HSE Company** were 5% higher than at the end of 2022. The share of non-current assets in assets increased by 8 percentage points also increased in HSE.

The company HSE shows, at the end of 2023, **intangible assets** amounting to EUR 352.3 million, which is 195% more compared to the balance as of 31 December 2022. Among intangible assets, the Company primarily shows emission allowances needed to cover self-generated electricity needs in its subsidiaries, under the Emission Coupons Portfolio Management Agreement, from which it derives that the Company manages emission allowances of its subsidiaries. The Company purchased the necessary number of allowances several years in advance (depending on the quantities of electricity sold for this period). The number of emission allowances needed by the companies for the current year is determined at the beginning of the following year, which is why allowances are divested and transferred during the following year. All effects from the sale are already included in the Company's profit or loss of the current year. The purchase of emission allowances is also reflected in the increase in intangible assets of the HSE Group. At the end of 2023, the HSE Group held EUR 157.2 million in emission allowances, which is 585% more compared to 31 December 2022.

Assets of the HSE Group
in EUR million



Investments of the HSE Group
in EUR million



Investments of the HSE Group are increasing, but still do not follow depreciation. A 6% reduction in **property, plant and equipment** of the HSE Group was also affected by an impairment of assets amounting to EUR 56 million. HSE's investments exceeded depreciation in 2023, which is reflected in a 7% increase in property, plant and equipment.

On the basis of the carried-out appraisals, the financial statements of HSE showed an impairment of non-current financial investments amounting to EUR 33.9 million, which is the reason for a lower balance of **non-current financial investments in subsidiaries**.

Non-current operating receivables of the HSE Group fell by 44%. These primarily arise from receivables related to TEŠ's arbitration proceedings that ended in 2021. In 2023, these were reduced by part of the receivables due in 2024 and were transferred to current operating receivables (EUR 26.4 million). Among non-current operating receivables, the HSE shows receivables for financial coverages, which increased by 5%.

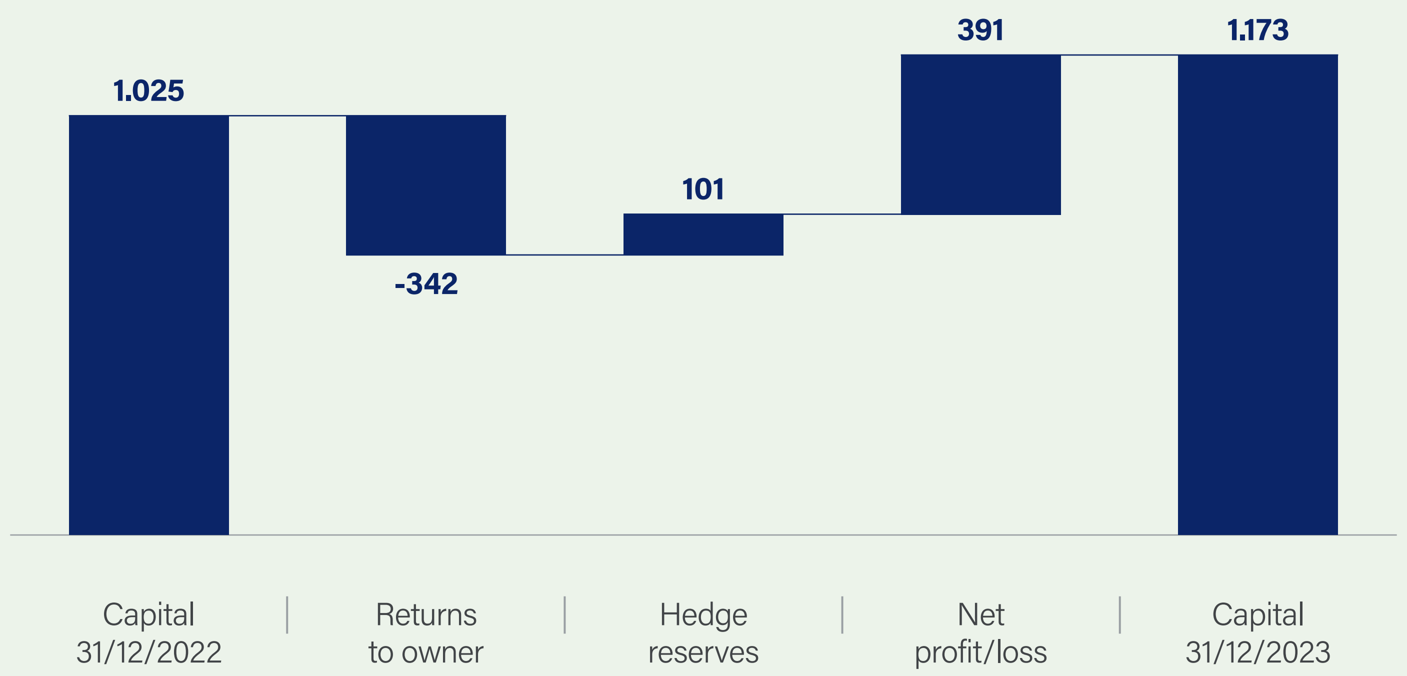
Inventories of the Group increased by 29% due to a 70% increase in inventories of products and merchandise. As part of inventories of products and merchandise, the HSE Group mainly shows inventories of domestic and foreign coal as well as of emission allowances held for trading. The increase in the inventories of products and merchandise relates mainly to the higher inventory of emission allowances held for trading, which is also reflected in a 246% increase of the total inventories of HSE.

Current assets of the HSE Group fell by 10% and of HSE by 13%. **Cash and cash equivalents** of HSE experienced the sharpest decline by as much as EUR 261.4 million. In 2023, the balance of cash was affected by a high cash flow from operating activities, the repayment of loans and repayment of subsequent capital increases to the owner's.

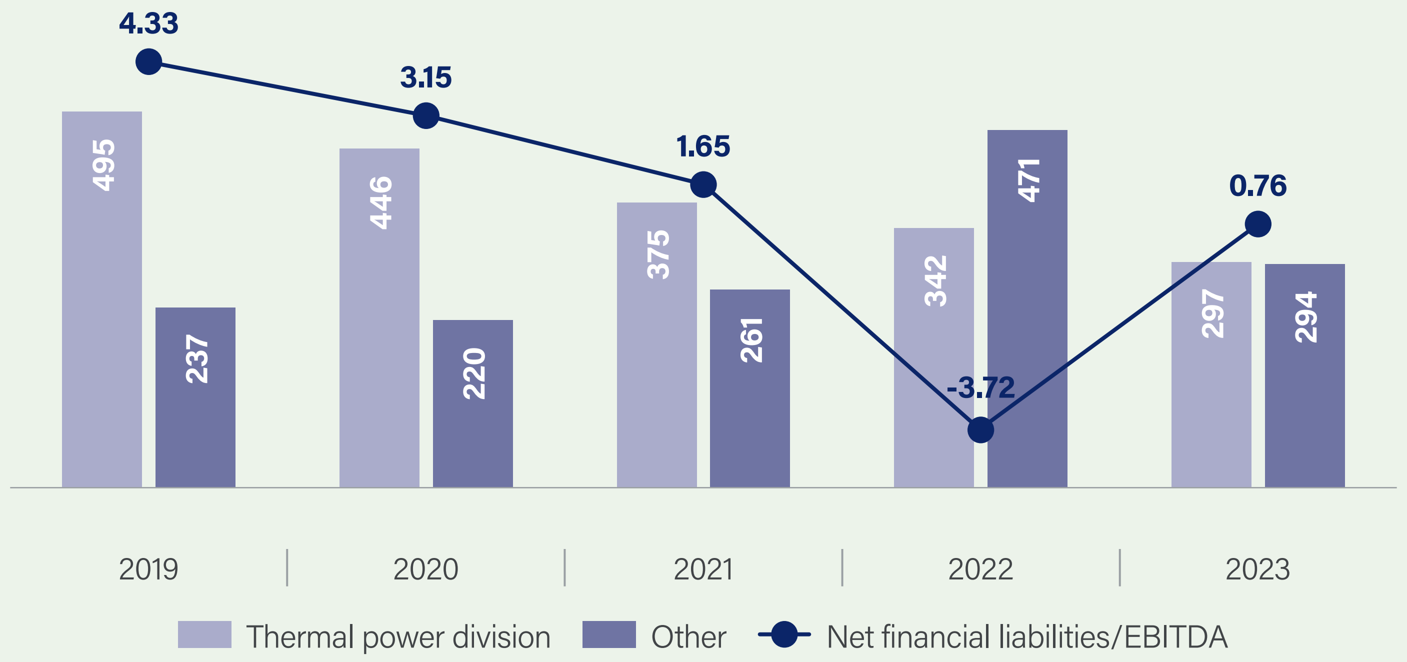
Current trade receivables of the HSE Group were higher by 15%, and of HSE by 25% due to higher sales of electricity and higher domestic receivables. **Other current assets** of the HSE Group increased by 53% and of HSE by 30%. Both the Company and the HSE Group show higher VAT receivables (higher turnover, in addition, a 9.5% tax rate was still in force at the end of 2022, while a 22% tax rate was in force at the end of 2023). Among other current assets, the Group also shows claims for the reimbursement of revenue compensation from the sales of electricity - receivables from Energija plus and ECE to Borzen arising from price regulation.

The HSE Group and HSE operated successfully in the 2023 financial year. **Equity** of the HSE Group and HSE increased by the net profit of the current year 2023. In 2023, HSE repaid to the owner EUR 342 million of the latter's subsequent capital increases, i.e. EUR 100 million more than planned. The repayments of subsequent capital increases reduced the equity of the HSE Group and HSE. The increase of the hedge reserve arises from the effects of futures hedging electricity. As at 31 December 2023, the equity of the HSE Group had increased by 14% and of HSE by 15% compared to the end of 2022.

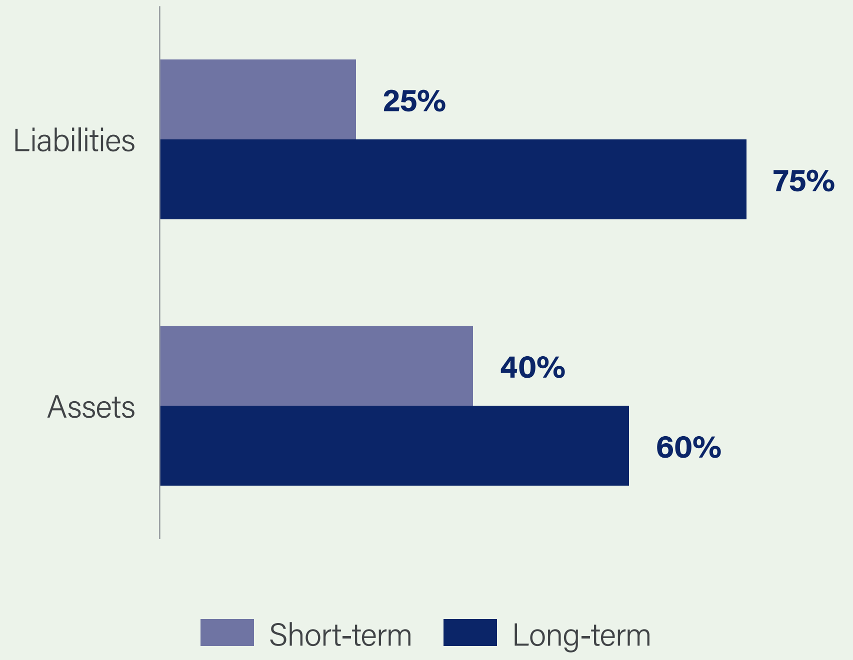
Changes in capital of the HSE Group as at 31/12/2023 compared to 31/12/2022 in EUR million



HSE Group's bank indebtedness in EUR million and net indebtedness/EBITDA



Structure of the financial position of the HSE Group as at 31/12/2023



Other provisions of the HSE Group increased by 16%. Provisions are primarily related to provisions for closing works of the remaining Velenje coal face set up based on the estimated costs of the closing works and the provisions set up for the Block 6 decommissioning and removal costs following the expiration of its useful life. **Other non-current liabilities** of the HSE Group increased by 27%. The major part of the increase relates to the funds specifically received for the North Adriatic Hydrogen Valley (NAHV) project, which HSE received as the lead partner.

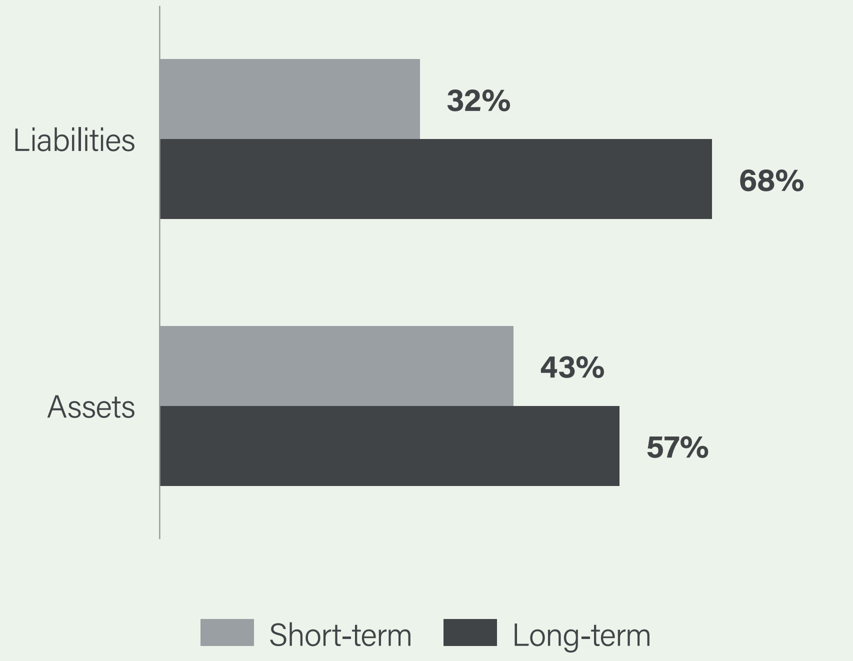
Compared to 2022, the **outstanding amounts owed by the HSE Group to banks** fell by 27% at the end of 2023 and the outstanding amounts owed by HSE to banks by 41%. In October 2022, HSE received a current EUR 185 million revolving loan subject to the Intervention Act. The loan was repaid in full in February 2023. At the end of September 2023, TEŠ repaid the loan for the construction of the replacement Block 6 received from the EBRD in the amount of EUR 14.4 million early.

Due to a lower cash balance, **net financial liabilities** of the HSE Group increased by 5% and of HSE by 38%.

Current trade payables of the HSE Group fell by 12% and of HSE by 16%. Payables to electricity suppliers on the foreign market were lower. **Other current liabilities** of the HSE Group increased by 4% and of HSE by 95% due to accrued expenses. Among other current liabilities, the Group mainly shows VAT liabilities. At the end of 2023, HSE shows high other current liabilities due to the accrued purchase value of electricity.

The Management Boards of all HSE Group companies are continuously in charge of monitoring solvency and liquidity indicators and of taking prompt action in compliance with ZFPPIPP.

Structure of the financial position of the HSE Group as at 31/12/2022



2.9 Risk management of the HSE Group[9]

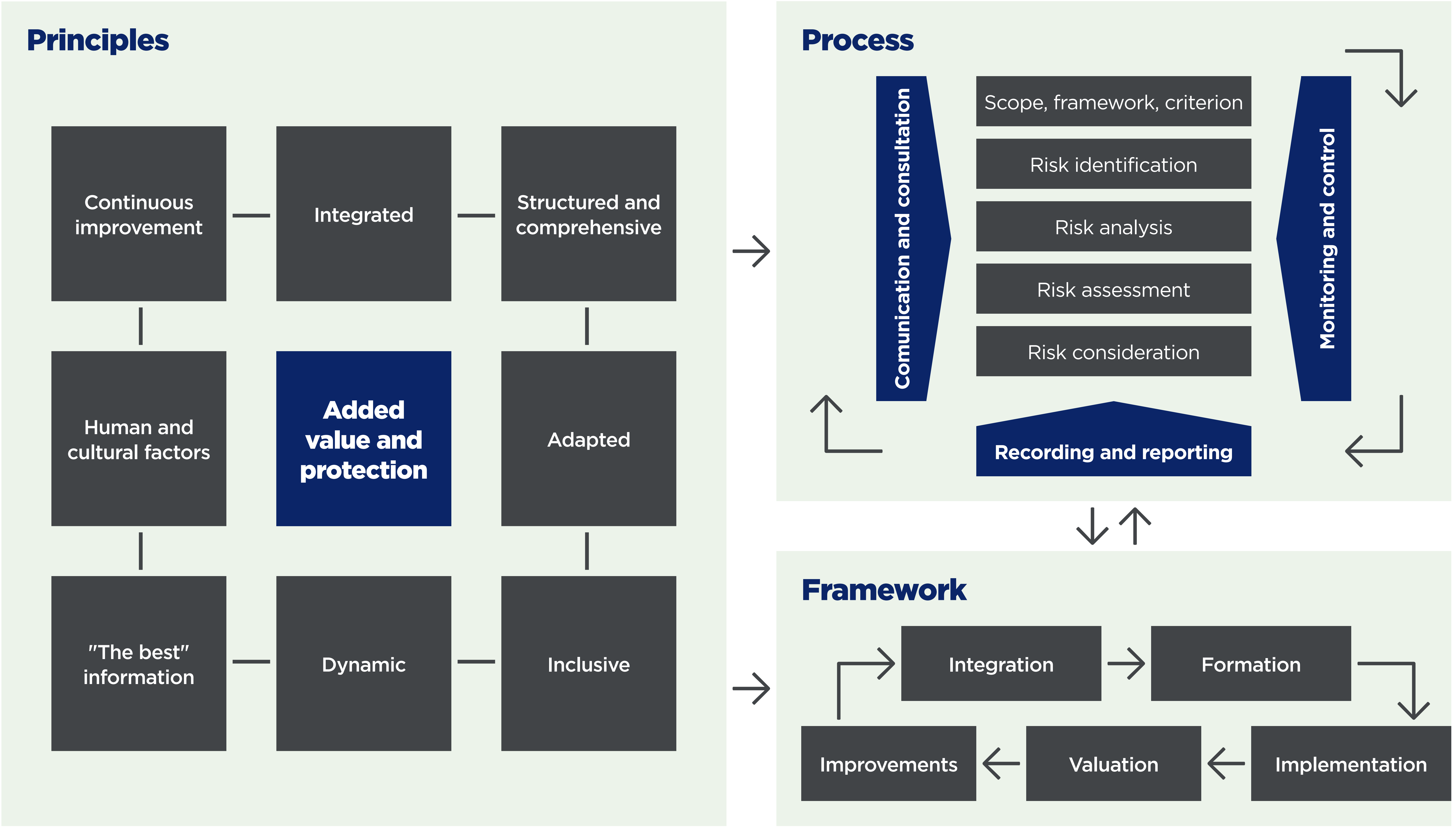
Risk management in the HSE Group is carried out in a centralised manner at the level of the entire Group, where we are constantly striving to standardise processes and tools for comprehensive risk management. This is applied to provide assistance in attaining the objectives set, improving operative efficiency, the protection of people and assets, making informed decisions and operating in compliance with applicable internal and external regulations. By implementing and upgrading risk management at the level of the HSE Group, we are following the guidelines of the standard ISO 31000:2018 to the greatest possible extent.

The HSE Group is committed to constantly upgrading the risk management system and enhancing its use, both in the strategic planning process as well as when making regular business decisions of the individual companies or the HSE Group.

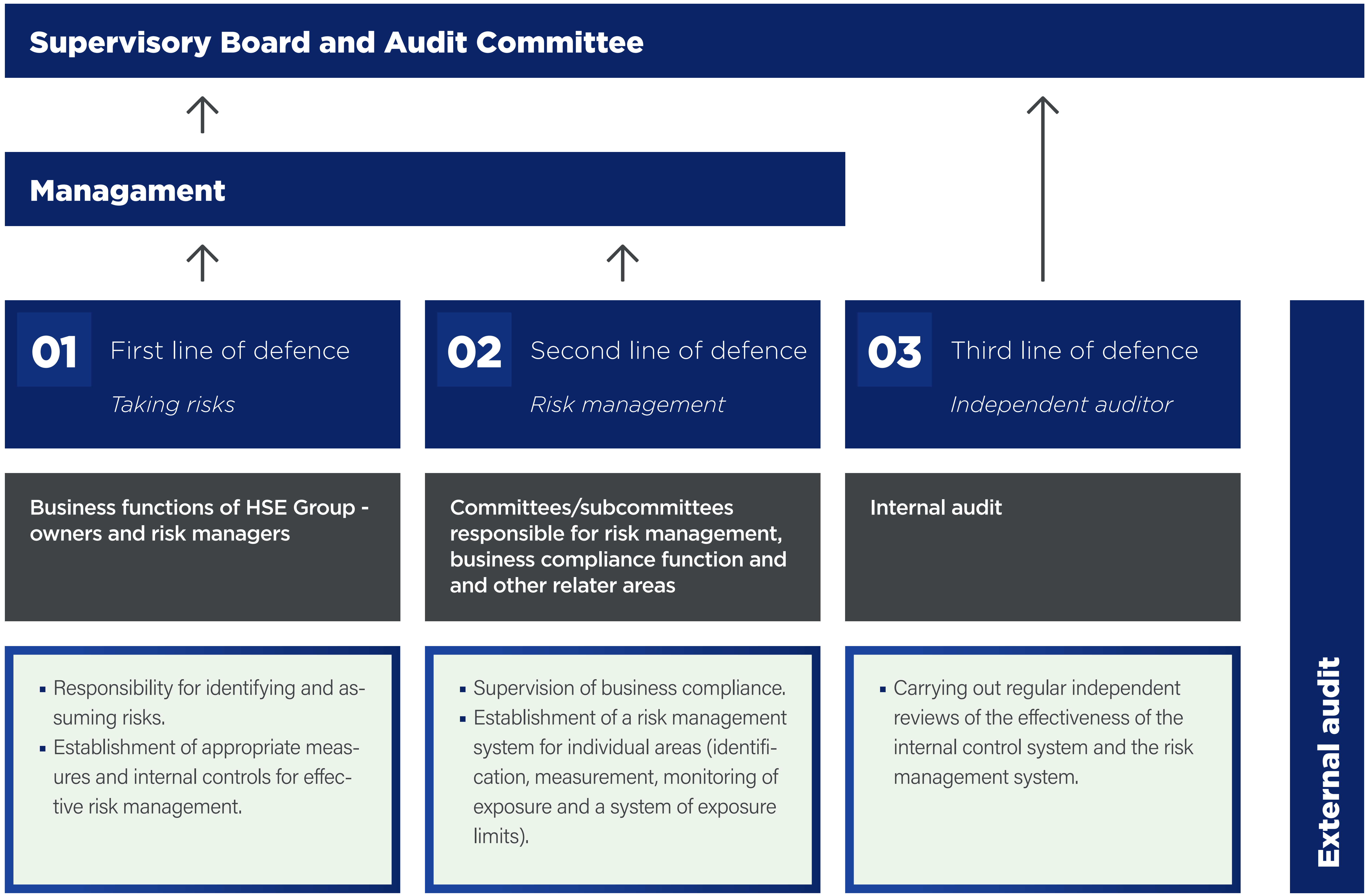
Principles provide guidelines for effective and efficient risk management, reporting on its added value and clarifying its purpose and objectives. The process involves a systematic application of policies, procedures, and practices in risk communication and consultation, context establishment and evaluation, processing, monitoring, control, recording, and reporting activities. The risk management process is a multi-directional, continuous process in which any element of any phase can affect the remaining risk management process phases. The established key risk management system allows us to recognise negative trends and to promptly adopt timely risk management measures both at the level of individual companies and at the level of the HSE Group as a whole.

9 GRI: 102-15; 102-30; 103-1; 103-2; 103-3; 201-2.

Risk management principles, framework, and process of the HSE Group (according to ISO 31000:2018)



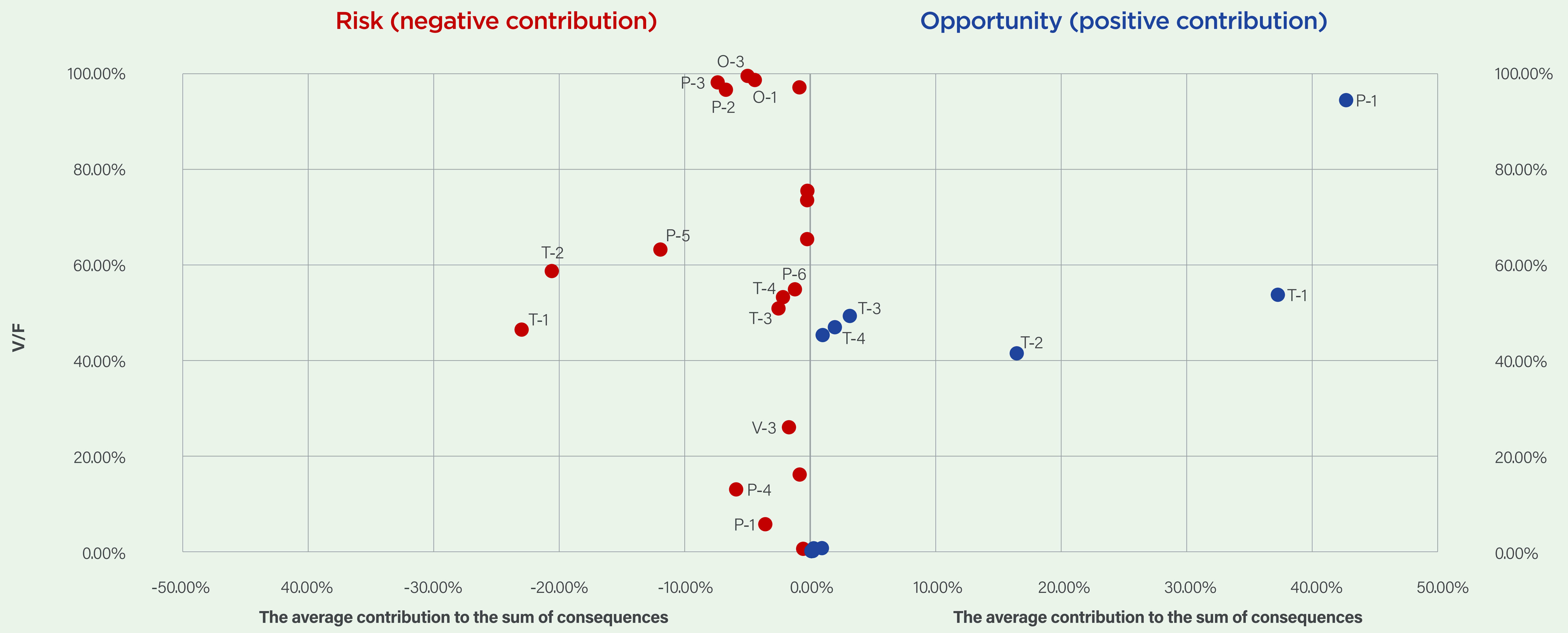
Risk management



2.9.1 KEY RISKS OF THE HSE GROUP

The risk profile of individual companies and the HSE Group as a whole is assessed on an annual basis. It informs us of the level of contribution of individual key risks at the level of the entire exposure of an individual company or the Group from the perspective of its effect on the value of the respective company. Valuation uses the business model of the HSE Group as its basis, whereby key uncertainties that the Group is exposed to as part of its operations are recognised, their range values are defined, and a Monte Carlo (MC) simulation is carried out. The contribution of each risk to the risk profile of the HSE Group is obtained by evaluating the proportion of the contribution (positive/negative) that the individual risk contributes to the total set of risks.

Presentation of risks and opportunities of the HSE Group



Risks with an average contribution of less than -1% to the conseguence sum:

O-1	HR risks
O-3	Environmental risks
P-1	Hydrology risks
P-2	Risks of Production Facilites Outage (HPP)
P-3	Risks of Production Facilites Outage (TPP)
P-4	Risk of Not Meeting Lignite Production Plan – External Factors
P-5	Risk of Not Meeting Lignite Production Plan – Internal Factors
P-6	Retail Quantity Risks
T-1	Price Risks for EE (Asset-Backed Trading)
T-2	Price Risks for CO_2 (Asset-Backed Trading)
T-3	Price Risks (Prop trading)
T-4	Price Risks (Retail)
V-3	Information security risks

Opportunities with an average contribution of more than +1% to the consequence sum:

P-1	Environmental risks
T-1	Retail Quantity Risks
T-2	Price Risks for EE (Asset-Backed Trading)
T-3	Price Risks for CO_2 (Asset-Backed Trading)
T-4	Price Risks (Prop trading)

The following impact assessments and risk trends apply to the tables below:

Estimated impact on the planned EBITDA and/or cash flow (DT) of HSE/the HSE Group in 2023:

- a major positive impact in 2023 (over EUR +10 million)
- a positive impact in 2023 (up to EUR +10 million)
- a neutral or insignificant impact in 2023
- a negative impact in 2023 (up to EUR -10 million)
- a negative impact in 2023 (over EUR -10 million)

Risk trend (indicates the potential assessment of risks in the future based on current events and known forecasts):

- a strong positive trend (the risk is diminishing sharply)
- a positive trend (the risk is diminishing slightly)
- no changes (stable – neutral)
- a negative trend (the risk is increasing slightly)
- a strong negative trend (the risk is increasing sharply)

The key risk identification and valuing process also includes defining risks that could affect the balance sheet items of the HSE Groups or which result from the realisation of other risks, such as the liquidity and solvency and capital adequacy risks.

Uncertainty	Assessment	Trend	Brief explanation of the risk assessment and trend
Liquidity risk			This constitutes the common denominator for other risks, therefore managing it is a complex and important task, which cannot be carried out individually, but rather together while managing other risks. Additional liquidity needs in 2023 were ensured by successfully refinancing in 2022, an effective exchange and management of positions in financial products of electricity and CO_2 emission allowances and subsequent capital increases. Liquidity within the HSE Group is managed through cash management in the HSE Group ("cash management"), in addition, at the end of 2023, we successfully initiated and, in February 2024, successfully completed the procedures for current borrowing in the form of revolving loans. In addition to the above, a credible document that will clearly indicate the strategy of replacing thermal generation with renewable sources, i.e. the green transition, will be crucial for the future provision of sufficient liquidity for commercial banks and financial institutions.
Solvency and capital adequacy risk			The risks will continue to be managed by regularly monitoring the solvency parameters subject to the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act and carrying out appropriate correction measures in individual HSE Group companies. From the viewpoint of long-term financial solvency, the Group has been striving towards the provision of a volume of non-current financing sources which is sufficient subject to the scope and types of transactions performed and by taking into account the risk it is exposed to in the process.

More detailed information on measures ensuring the liquidity, solvency, and capital adequacy of HSE Group companies is provided in the Accounting Report of the annual report of HSE and the HSE Group.

2.9.2 VOLUME/GENERATION RISKS

Uncertainty	Assessment	Trend	Brief explanation of the risk assessment and trend
Risks related to hydrology			The risk is managed by planning generation based on average flows over several years and the foreseen probability of hydrology. In 2023, hydro generation was 22% above the business plan, and a stable trend is expected in 2024 as well.
The risk of loss of the planned volume of coal			The risk is managed by drafting long-term stope plans, monitoring and establishing a suitable inventory volume at the coal landfill, replacing equipment, ensuring continued equipment maintenance and supervision of operations, optimising the costs of materials for constructing roadways and, in the event of problems, by introducing additional workdays to compensate for the lost generation volumes. The realization of coal generation in 2023 exceeded the one in the business plan by 13%. In 2023, TEŠ also used foreign coal and wood biomass. In 2024, it was planned to reduce the generation of coal by approximately 100,000 tons compared to the planned in the business plan by delaying the start of stopes, due to the start of the year with a record amount of lignite inventories at the landfill (6,500 TJ) and changing electricity prices on the markets.
Risks to generation facilities			Risks are managed on the basis of many years of experience, knowledge and regular training of employees and known methods of operation of the generation facility, by means of regular maintenance and periodic controls of appliances (measuring and diagnostics thereof) and established modern monitoring systems.

2.9.3 MARKET RISKS

Uncertainty	Assessment	Trend	Brief explanation of the risk assessment and trend
Risks in the segment of sale of self-generated electricity			These risks are managed in compliance with the set strategy of selling self-generated electricity and buying CO_2 emission allowances needed for self-generation purposes. 2023 was marked by an above-plan realization of generation, the trend of a sharp dropping in electricity prices for the current year and future years began, directly affect the sales prices of self-generated electricity. The strong trend of falling prices has been continuing in 2024 as well. In addition to the falling absolute price, the difference between the CO_2 emission allowance price and the price of electricity is also falling rapidly, namely below the levels that enable sustainable operations of the thermal division in the long term.
Price risks of electricity and CO_2			These risks are managed as part of the activities of the HSE parent company. In addition to price volatility, another key factor is the difference between the volume of planned generation and the procured and sold electricity at the moment of supply in the future, i.e. the open position. In 2023, the energy markets were marked by a drop in prices almost to the levels that the sector had been used to before the crisis years. The drop in prices, somewhat eased the pressures on liquidity needs and on the required volumes of financial coverage as part of engaging in the market activity. The downward trend in prices continues in the first quarter of 2024.
Risks in the electricity trading segment			Risks are managed on the basis of the range and limitation of the above parameter ceilings, in addition to the key parameter Value-at-Risk (we monitor the 5-day VaR with a 95% confidence interval), we also monitor the parameters of risk capital and sliding profit loss limits. By actively managing portfolio positions, we ensure that parameter values remain within the limits. The marked decline in prices, which began already in 2023 and has continued in 2024, impacts the reduction in differences between prices and the margins generated in trading.
Risks related to retail sales - price and quantitative risk of electricity and other energy products			Risks are managed through open contracts, characterised by a pre-agreed permitted deviation from the expected/contractual volumes of energy, with the option of adjusting the tolerance range during the period of validity of the contractual relationship by HSE. In addition, quantity and price risks have been significantly reduced using new sales products, where customers can purchase the difference between contracted and realized volumes or sell them off on the market. With prices falling to lower levels, the risk of price changes has decreased compared to previous years. As a result, energy is more easily accessible to customers and less adjustment of volumes due to high prices is expected. The period for calculating deviations has also been reduced in the contracts, thereby reducing the quantitative risk.

Additional information related to managing price risks is also provided in the Accounting Report of the annual report (Financial instruments and risk management).

2.9.4 STRATEGIC AND BUSINESS RISKS

These are risks whose implications may not be fully reflected in the presented risk profile, which is a result of their impacts on the operations of the Company which could be much more far-reaching than the period relevant for the profile assessment. In the HSE Group, we are aware of their potential overall impact and respond accordingly.

Uncertainty	Assessment	Trend	Brief explanation of the risk assessment and trend
Regulatory risks			These risks are managed by regularly monitoring legislative changes, analysing their effects on the operation of the HSE Group and actively responding to safeguarding the interests of the HSE Group, even before amendments to legislation in force is made. Regulatory changes at the national and EU level and the risks associated therewith are assessed from the point of view of their impact on the entire HSE Group as well as on the operations of individual HSE Group companies. The estimated impact in 2023 is predominantly neutral, as the assessment of the potential effect of regulatory changes in the field of production and trading is neutral, but positive in the field of investment. The risk trend is stable - neutral. In the field of investments, a positive trend is expected, as the regulation is moving from crisis measures back to measures for the accelerated achievement of the set climate goals with a focus on the national implementation of the "Fit for 55" measures for the accelerated siting of renewable energy sources, which could have a medium-term positive impact on the implementation of the planned investments of the HSE Group. On the other hand, the effect of the change in the design of the electricity market on trading is still difficult to define unambiguously, and the impact on production is neutral in the medium term due to successfully implemented activities.
Risk associated with developing a sustainable coal phase-out strategy			As a result of the risks described under risks in the segment of the sale of own production, the time available for the preparation of a sustainable coal phase-out strategy is shortened, and the requirement to accelerate the activities of all stakeholders in this matter increases. An Application for the extension of the Concession Agreement is regularly submitted, the next regular extension is due 12 months before its expiry (i.e. until 21 January 2025).
Retail risks - price regulation			The government has yet to adopt a regulation for 2024, through which ECE and Energija plus would receive compensation due to the regulation on the determination of electricity prices, which sets the highest sales price for energy sold to household customers for them. Such a regulation was adopted for 2023.
Risks associated with investments			Risks are managed by establishing control over the investments of the HSE Group in compliance with the accepted normative documents at the HSE Group level. The identified new locations present us with the potential to develop new energy capacities, while the high expectations of the state/local community render it difficult for us to develop investments. In 2023, grants were obtained and an agreement was signed for Horizon Europe's co-financing of the North Adriatic Hydrogen Valley project, applications for grants were made to the public call for the selection of project tenders to be included on the indicative list of investments to be co-financed using the funds of the Modernization Fund in the 2024–2030 period and to Borzen's call for grants for investments in RES to promote the generation of electricity and heat from renewable sources and for the storage of electricity and heat.

2.9.5 OPERATIONAL RISKS

Uncertainty	Assessment	Trend	Brief explanation of the risk assessment and trend
Risks of fraud and compliance	↔	≈	These risks are managed by prevention activities in the form of employee compliance and integrity training and seminars, controls in the form of compliance checks and (forensic) investigations, related to preventing and identifying fraud, and corrective activities intended to prevent and examine identified fraud, establishing fraud prevention measures and measures to protect whistleblowers in compliance with recently adopted legislation. We are constantly improving measures and mechanisms for detecting and handling reported fraud and other business compliance risks. This allows the Company to ensure that risks are effectively under control and remain at a stable level.
Risks related to contracts and risks arising from legal disputes	↔	≈	Risks related to contracts are managed by standardizing drafts and standard clauses in contracts, which minimize risks and at the same time improve the negotiating position with the counterparty. If necessary, individual contract clauses are adjusted to legislative amendments when required, taking into account the views of the professional public and the practices of authorities in the individual field. By managing contractual risks, we also reduce risks arising from legal disputes, i.e. of a loss of revenue from litigations due to the involvement of the legal department in preliminary processes in the Company.
Environmental risks	↔	✕	These risks are managed by consistently following the established sustainable environmental policy, which defines the important environmental management system objectives and the key guidelines for implementing measures for managing these risks. The new Slovenian Technical Approval was not obtained in 2023. However, it shall be obtained by the end of 2024. There is still a potential risk due to the increase in the concentration of eluates in the leachate as pertaining to the rehabilitation of collapsed formations. The risk regarding the required quantities of material as pertaining to the rehabilitation of collapsed formations, which is important from the point of view of further extraction under this area, was managed in 2023 with the available quantities of TEŠ stabilizer, material from the construction site of the third development axis and material from the August floods, for which a previous analysis of the suitability of the material has been carried out. In 2023, TEŠ continued the implementation of activities to obtain a technological solution for the treatment of waste into a final product.
IT-related risks	↔	✕	Risks are managed through the guidelines of the ISO 27001 standard, with the ultimate objective being to ensure the safe operation of the HSE Group's information system. An assessment is carried out annually, internal and external inspections are also performed and used as the basis for implementing necessary improvements. To ensure a high level of availability and continuous operation, two data centres and appropriate on-call systems have been established. In 2023, HSE also established a central information and cyber security team, introduced a central system for managing security information and events of the HSE Group (SIEM), in addition to launching our Security Operating Centre. Almost everything we do is computerized and/or digitized. From this point of view, IT-related risks are somewhat on the rise, since all services depend on IT solutions. In practice, this means that we will have to increase investments in IT as well as in the IT team itself.
Risks related to recruitment	↘	✕	These risks are managed by implementing activities in three key areas. By strengthening the brand and the visibility of the HSE Group as an attractive employer, by cooperating with educational institutions and student organizations, by participating in numerous career fairs, and by engaging in positive communication with the target public. To manage the risks of departure of key talent, successions are properly planned, recruitment is carried out in a targeted manner, regular annual interviews are conducted, the organizational climate is measured and special attention is paid to HR development. Good relationships between employees are built on using a purposeful performance of team building activities, seminars and other motivational factors. This is used to motivate them, strengthen their dedication and prevent unwanted turnover. The risk is increasing, as we have been witnessing a lower number of applications for vacancies, resulting from the situation in the market. In addition, more and more younger candidates with less experience who need mentoring have been applying. This may lead to an additional overburdening of the current HR. It is estimated that the number of applications for vacancies may decrease even further: - the employee turnover has been increasing, although it continues to remain well below the Slovenian average turnover rate; - competition on the labour market has increased due to the entry of new competing companies (mainly in the field of trading); - with some HR, we have been facing the challenge of remuneration which is not competitive compared to other employers.

2.9.6 SECURITY RISKS

Uncertainty	Assessment	Trend	Brief explanation of the risk assessment and trend
Risks related to occupational health and safety and fire safety	⟷	≈	These risks are successfully managed by planning, controlling and implementing various prevention measures and by monitoring their efficiency. The risks of work accidents and health impairments are monitored for all job positions and technologies. In 2023, various occupational health and safety and fire safety trainings, proficiency checks, and practical drills were carried out in the HSE Group companies (evacuation drills for employees, extinguishing incipient fires, how to act in the event of hazardous substance spillages, providing first aid, drills of the mine rescue team, drills with fire brigades, etc.).
Information security risks	⟷	✕	Risks are managed using an established SIEM security information system, an established security operating centre that continuously monitors security events, multi-level authentication and some other security measures. Cyber security and related risks have remained at the top of the list of operational risks for several years, and their importance continues to grow. This trend will continue, as cyber-attacks have become a source of revenue for certain groups, and, at the same time, the importance of cyber-warfare (disabling certain or all information services to others through cyber-attacks) is also increasing. In 2023, a security incident was experienced. No major commercial damage was detected. The SIEM system helped us detect it early, successfully remedy it and at the same time upgrade our information security systems.
Physical asset protection risks	↘	✕	These risks are managed by combining a property insurance strategy and the establishment and maintenance of advanced security systems and security architecture. Risks are identified through the analysis of crisis situations taking place around the world, i.e. Russia - Ukraine. They are also associated with unpredictable security situations, which are also reflected in the Republic of Slovenia through an increased number of migrants. The Slovenian Police elevated this risk which can also have a negative impact on our production facilities. In addition, we must not ignore the risks associated with the implementation of cyber-attacks that we have also been subjected to. In 2023, we successfully completed the public tender process for upgrading the equipment of the technical security systems in HSE Group companies.

2.9.7 FINANCIAL RISKS

Uncertainty	Assessment	Trend	Brief explanation of the risk assessment and trend
Credit risks	⇔	≈	These risks are systematically managed by conducting a thorough review of the credit rating of our existing and potential business partners that involves a clearly defined receivable recovery procedure, a warning system and the conclusion of agreements subject to appropriate securities (bank or corporate guarantees, advance payments and other appropriate securities). Great importance is placed on obtaining current information from the market. Credit risks to banks and other financial institutions that HSE is exposed to are managed by regularly keeping up-to-date with operating information on the financial institutions we collaborate with. In 2023, market prices decreased significantly compared to 2022, with their volatility also significantly moderated. In a stable macroeconomic environment, this led to a reduction in exposure to partners and at the same time reduced requirements for additional hedging related to our operation.
Interest rate risk	↘	✕	The extent of exposure is dependent on the share of financial liabilities and investments in the Company at a variable interest rate. Based on information and forecasts of future events on the financial markets, especially forecasts of market interest rates and updated projections of the HSE Group's operations, it is decided whether additional measures are necessary to limit the risks arising from potential changes in market interest rates. When inflation is expected to be curbed, analysts are forecasting a gradual lowering of market interest rates.

More detailed information on our exposure to individual financial risks and disclosures related to financial instruments are defined in the Accounting Report of the annual report (Financial instruments and risk management).

2.10 Development strategy of the HSE Group[10]

After the turbulent and very demanding year of 2022, the HSE Group stabilized the generation of coal and electricity in 2023, put in place appropriate risk management strategies and remedied the demanding liquidity situation, which, together with favourable market conditions, contributed to an extremely successful performance of the HSE Group in 2023. Thus, 2024 is entered in good shape and with a good measure of optimism, and above all with a new investment cycle associated with the green transition. This means that, in addition to properly maintaining the good condition of the existing generation portfolio of more than 2000 MW, we will realize new development and investment opportunities (FE - photovoltaic power plants, VE - wind farms, HE - hydroelectric power stations, mHE - small-scale hydro, ČHE – pumped-storage hydropower plants, GE - geothermal power plants, PPE - gas steam power plants, biomass power plants, hydrogen technologies and battery storage and appropriate services allowing for the active role of end customers in the green transition).

STRATEGIC CHALLENGES OF THE HSE GROUP

Energy of the HSE Group will be focused on three strategic areas, namely:

- We will improve the cost efficiency of the existing generation portfolio and increase its flexibility in the face of a safe and reliable supply, all the while ensuring the implementation of a just transition.
- By investing in R&D, primarily in the exploitation of RES, we will increase the scope of sustainable generation, reduce the average generation price and energy dependence of the generation portfolio of the HSE Group.
- In terms of trading and sales, we will reduce our dependence on the wholesale market by entering the retail market and increase the added value of the HSE Group by offering new energy products and services.

In 2023, a new vision of the HSE Group was formulated, which reads:

"A responsible green transition driving force and a pillar of reliable energy supply."

Based on this vision, the new strategic objectives of the HSE Group were determined both pertaining to new renewable energy generation capacities as well as flexibility, development of new energy products, e-mobility and energy solutions.

STRATEGIC GOALS OF THE HSE GROUP UNTIL 2030 AND 2035

The outlined strategic objectives of the HSE Group are included in the framework of strategic objectives at the national and EU level, which means:

- **Maximised decarbonisation of the company whilst ensuring a high degree of self-sufficiency**. More ambitious climate targets of the EU until 2030 and the commitment to reach climate neutrality by 2050 require accelerated investing in RSE projects and energy efficiency measures. This requires the completion of RSE, i.e. hydro, solar, wind and geothermal energy projects, as soon as possible, by ensuring an appropriate return on investment.
- **EU-level integration of the system service market, an increase in volume of variable and decentralised generation of renewable electricity, a more intense growth in energy efficiency, and a fast-tracked electrification of traffic and heating**. This requires the optimisation of the existing generation portfolio of the HSE Group and the improvement of the price competitiveness of the HSE Group by adding more cost-effective, carbon-neutral and low-carbon generation units.
- **The introduction of new technologies**, related to the flexibility, digitalisation, and use of smart grids, accumulators, and virtual power plants. This shall require an adjustment to the business model of the HSE Group, adding new pumped-storage hydropower plants and battery storage (BHEE) to our generation portfolio, carrying out pilot hydrogen and geothermal power plant project, and the further development of interesting services and products for the market.
- **Controlled coal phase-out** subject to the principles of just transition in compliance with the adopted just transition regional plans for Savinjsko-Šaleška (SAŠA) and the Zasavska Region, while ensuring to preserve the competitiveness of the existing generation portfolio, the Progressive Closure of the Velenje Coal Mine Act intended to share the costs of the mine infrastructure, close the mine and mediate the consequences of mining.
- **Sustainable development of the HSE Group through the implementation of the sustainable strategy of the HSE Group** to achieve climate neutrality and define the strategic objectives and sustainability indicators of the HSE Group. Raising awareness of sustainable operations as an integral part of regular operations and business decisions at all levels and processes of the HSE Group. Implementation of reporting and compliance with the EU Taxonomy and other EU directives related to the sustainable operations of companies.

10 GRI: 102-16; 102-30; 103-1; 103-2; 103-3; 201-2; 203-1.

STRATEGIC GOALS OF THE HSE GROUP UNTIL 2030 AND 2035

RES investments	MW 2030	GWh 2030	MW 2035	GWh 2035
Sun	800	860	1,400	1,600
Wind	50	125	70	175
Hydro	50	200	100	375
Geothermal energy	11	90	11	90
Biomass	50	300	70	420
Gas/Hydrogen	20	3,000 t H_2	20	3,000 t H_2
Generation of heat	80	300	80	300
TOTAL	**1,061**	**1,875**	**1,751**	**2,960**

Flexibility	MW 2030	MW 2035
PHPP	40	590
Batteries	100	150
Electrolysis	30	50
AO	5	10
TOTAL	**175**	**800**

*˝PPA – Power Purchase Agreement (long-term power purchase agreements)
AO - Active consumption

E-Mobility	2030	2035
Sale and installation of E-chargers (B2C)	2,500	3,500
Sale and installation of E-chargers (B2B)	1,000	1,400
Public charging stations next to existing power plants	30	50

Development of new energy products	2030	2035
Preparation of PPA contract (until 2024)	≥ 5	≥ 15
Preparation of products with the aim of increasing market share	10%	15%
Preparation of products with the aim of increasing the margin	30%	50%

Energetske rešitve	2030	2035
Installation of advanced products **(B2C)** (Combination of SPP, battery storage, E-charger, HEMS)	2,500	3,500
Installation of advanced products **(B2B)** (Combination of SPP, battery storage, E-charger, HEMS)	100	140
Energy contracting **(B2B)**	30	45

The realisation of the strategic objectives of the HSE Group is largely dependent on two key parameters: electricity and CO_2 emission allowance prices. A strategic environment for determining the level of electricity and CO_2 prices of emission allowances consists of the following: extreme fluctuations in CO_2 emission allowance and electricity prices in the years 2021-2023, more ambitious EU strategic directions for reducing greenhouse gas emissions, and the adopted National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy in January 2022, which foresees the coal phase-out in Slovenia in 2033.

2.10.1 THE BUSINESS POLICY OF THE HSE GROUP[11]

Mission

The HSE Group is **Slovenia's largest producer and dealer in self-generated electricity**.

We strive for a **safe, reliable, competitive**, and **profitable** generation of electricity, performed with our experienced and dedicated employees **efficiently while minimising the effects on the environment**, in which we operate.

Vision

We will remain a **responsible driving force of the sustainable energy transition (green transition), a pillar of reliable energy supply, a leading national generator and seller** of electricity and a key pillar of self-sufficiency in Slovenia.

Our efforts will be focused on the growth of generation of renewable electricity and the expansion of content, scope, and profitability of operations.

By monitoring business, market, and technological environment trends, **we will seek the best business solutions** to any upcoming challenges and continue to **actively participate in the adoption of national energy policies**.

Values

Responsibility: we are actively involved in drawing up business objectives. We are held responsible for fulfilling our objectives, for our own development, for our employees, business partners, owners and the environment.

Efficiency: we are excellent at what we do. We optimise processes and simplify procedures. We do the right things.

Innovation and creativity: we seek the best solutions. We have the courage to be original and the constant wish to see improvement. We view business challenges from different perspectives. We have an open mind and support creativity in our work.

Positive attitude: we perform our tasks with optimism and positive energy. We are committed. We are confident in our knowledge and abilities.

Integrity and credibility: we keep our word and our promises. We are trustworthy and sincere, and we act ethically and transparently.

Respect and cooperation: we nurture our interpersonal relationships. We are respectful. We believe that together we can be more successful. We recognise the best in our co-workers, clients, and business partners. We understand and respect diversity. We are open-minded and trustworthy.

2.10.2 PROMISE: GREEN FUTURE, PROTECTION OF THE ENVIRONMENT IN WHICH WE LIVE

The HSE Group follows the main strategic sustainable development at the national and EU levels. The investments made serve our commitment to continue our transformation into a sustainable group (green transition), as this is the only way we will ensure stable and environmentally friendly electricity generation and urgently needed system services. By using innovative solutions, we will continue to remain an important stakeholder of the Slovenian power grid. Our activities are aimed at making economically justified investments in new generation units that enable the exploitation of renewable resources and significantly reduce CO_2 emissions per unit of electricity generated and, at the same time, increase the added value of the HSE Group.

11 GRI: 102-16.

2.10.3 ANALYSIS OF OUR ENVIRONMENT AND COMPETITION

The unpredictable market conditions in 2022, the stagnation of energy consumption in 2023 and the uncertain future of the role of natural gas in the green transition did not deter energy companies from following their development strategies, which were mostly updated in 2021 in compliance with the adopted national energy and climate plans.

The review of the development guidelines of energy companies clearly shows that the main focus in the generation segment is on increasing the cost efficiency and environmental acceptability of the existing generation portfolio.

As far as the new generation capacity projects are concerned, projects that contribute to increasing the exploitation of wind and solar energy lead the way, and, despite the gas crisis, energy companies are still planning to construct gas-fired power plants, although with a greater emphasis on the possibility of using renewable gases with an emphasis on hydrogen.

Energy companies, whose generation portfolio is based on nuclear energy, are intensively undertaking the modernization of existing units and the construction of new ones, both in the role of replacement units and in terms of increasing existing electricity generation.

In the hydro generation segment, it can be seen that investments are being made in new hydroelectric power projects, which were designed in the past and have not yet come to fruition due to demanding environmental boundary conditions. At the same time, projects to upgrade existing hydroelectric power stations are being implemented with the aim of increasing the exploitation of the available water potential while minimizing additional environmental impacts.

In the segment of development and pilot projects, energy companies have recognized the importance of renewable hydrogen both in the segment of its generation as well as transport and exploitation, especially in the role of decarbonization of industry.

Given the need for large-scale investments to achieve the share of renewable energy in the energy end-use efficiency, the companies, in relation to their owners, advocated for the minimization of the still acceptable return on individual investments with the aim of increasing the volume of realized investments in new production capacities. However, they are aware that the rate of return on investment is one of the key elements in making investment decisions.

On the end customer supply side, they are focusing on the development of new products that will contribute to the decarbonization and electrification of the end customer, taking into account the growth of e-mobility, electrification of heating and self-sufficiency. Great emphasis is also placed on energy performance contracting. A lot of effort is also under way to create multi-year electricity supply contracts, including the possibility of sharing risks and opportunities, as well as digitizing processes in the customer-supplier relationship.

There are no significant deviations from the already established plans in the domestic coal phase-out strategies. However, companies have become more cautious and allow the possibility of extending the operation of their generation capacities only if the operation is co-financed by public funds.

Companies are aware of the importance of existing energy sites that will be freed up after the use of coal is phased out, therefore they have been planning their revitalisation for new renewable energy and gas/hydrogen generation units, hydrogen generation, the installation of energy storage facilities, as well as for the development of the industry as required by the green transition. The principle of a just transition, including proactive cooperation with the local community, is internalized in all the listed energy company projects.

Energy companies specifically point out the need for active cooperation in reducing energy poverty and social responsibility, especially in environments where their generation capacities are located, they emphasize cooperation with the public sector and the local community in the preparation and implementation of energy efficiency projects, and they warn that, without a properly developed and digitized power grid, it will not be possible to carry out all the tasks and measures necessary for the realization of the green transition.

In the segment of the legal framework, the companies highlight the desire for a stable legal framework and an effective transposition of the "Fit for 55" and REPowerEU provisions into the national legal framework, acceptable to the companies.

2.10.4 KEY FINDINGS OF THE REVIEW OF ENERGY POLICIES

The EU's more ambitious energy and climate targets for 2030 were confirmed with the adoption of key pieces of legislation from the Fit for 55 package. In order for the common goals at EU level to be achieved, Member States must significantly increase their national objectives compared to those they presented in the comprehensive national energy and climate plans adopted in 2020. Developments in the EU's internal energy market and in the wider region in the last two years were also marked by the EU's response to problems and disruptions in the global energy market, including the high prices of energy products caused by the Russian invasion of Ukraine and the subsequent implementation of measures from the REPowerEU action plan used for abandoning Russian fossil fuels and accelerating the transition to renewable energy sources. In support of the accelerated green transition, the European Commission (EC) adopted a new regulatory framework and strengthened EU financial mechanisms to help implement the required investments. This will be followed by the revision of national legislation in the Member States in order to realize the set objectives and achieve climate neutrality of the EU by 2050.

The European Commission expects that the changes in national policies, in response to the aforementioned EU challenges in energy supply, will already be reflected in the revised NECPs, the drafts of which the Member States had to submit for evaluation to the European Commission by the end of June 2023, and the deadline for the adoption of their final version is the end of June 2024.

Individual Member States have more clearly relied on many national circumstances when revising their national energy and climate policies and focused on increasing self-sufficiency and security of supply and reducing import dependence. The change is also reflected in the revised plans regarding the replacement of coal capacities with natural gas, which is now defined primarily as an energy source for providing replacement capacities included in capacity mechanisms to ensure security of supply (in total at the EU level up to 15 GW), and to new gas-fired power plants ready to use renewable gases.

Decarbonisation

The escalation of the conflict between Russia and Ukraine calls for a new consideration of maximised electricity generation decarbonisation in countries whose portfolio also includes a large share of coal. Relative to the strategies in force, a significant change in the portfolio shall be supported by way of gas-fired or nuclear power plants and by accelerating the deployment of renewable energy (primarily solar and wind energy). However, the recent energy crisis has led countries, primarily those whose transition and coal phase-out were built on natural gas, to seriously consider how to minimise the role of natural gas as a transitional energy product – by accelerating transition to RSE and/or by extending the operation of coal-fired power plants. The official coal phase-out years of individual EU Member States haven't changed, but in the light of ensuring a reliable supply, individual countries allow the possibility of extending the transition period during which they maintain coal capacities in a state of reserve.

In addition to the abandonment of coal, the renewed decarbonization strategies of the electricity sector are now based on plans for the gradual abandonment and reduced role of natural gas and on an accelerated transition to renewable energy sources (mainly photovoltaic power plants and wind farms), nuclear energy and the development of low-carbon gases. The greatest progress is represented by plans for the development of hydrogen technologies, both on the generation side as well as on the transport and end-use side, as well as in terms of a significant increase in storage capacity and flexibility of grids.

At the COP28 climate conference, despite great expectations, no agreement was reached on the final elimination of fossil fuels, which was opposed mainly by developing countries, but the conclusions adopted a call for a transition from fossil fuels in energy systems in a fair and orderly manner by 2050.

Coal

Most EU Member States have already decided when to complete the coal phase-out process, despite the fact that the use of fossil energy sources, regardless of the current geopolitical situation in Europe, still remains part of the energy strategies, especially in those countries that use domestic coal. More ambitious climate goals have further accelerated intentions to phase out coal with adequate state support. By 2030, the capacity of coal-fired power plants is expected to be halved in the EU. After 2030, the capacity of coal-fired power plants in the EU is expected to be approximately 38 GW, and its continued use is foreseen in six Member States (Bulgaria, the Czech Republic, Germany, Poland, Romania and Slovenia). According to the adopted climate objectives, the use of coal in the EU is gradually being phased out.

National strategies and separate acts on the closure of coal mines and coal-fired power plants taking into consideration just transition principle-based restructuring aspects supporting the coal phase-out process, financially supported by the state, have been adopted by several Member States. In January 2022, Slovenia also adopted its National Coal Phase-Out and Coal-Mining Region Restructuring Strategy in compliance with just transition principles, which includes the year of the Slovenian coal phase-out: 2033.

Non-EU countries (Bosnia and Herzegovina, North Macedonia and Serbia) are maintaining their coal generation, but are rapidly preparing for the necessary environmental adaptations of installations and binding climate targets in order to avoid the Carbon Border Adjustment Mechanism tariff at EU borders - the CBAM, which is in force also for the import of electricity to the EU area.

Renewable energy sources

In its assessment of the drafts of the updated NECPs from December 2023, the European Commission estimates that, based on the current targets of the Member States, the share of renewable energy in the final energy consumption in 2030 at the EU level could be between 38.6 and 39.3%, which is lower than of the new EU target by 2030 (42.5% with efforts for 45%). Therefore, the Member States have been called on to be more ambitious and to strengthen their efforts to transition to renewable energy sources. Although the national plans of individual member states show a significant increase in the RES target, the majority of countries are still reluctant to plan the necessary increase in RES. This can be attributed, among other things, to the obstacles that are still represented by the long and complicated procedures of siting and problems pertaining to connecting new capacities to the existing power grid.

With the support of the updated EU regulatory framework, the Member States are primarily planning an accelerated introduction of solar and wind energy in connection with new energy storage capacities and in combination with the upgrading of the power grid. In addition to large installations (photovoltaic power plants and wind farms), a significant share of the planned RES is also generated from self-supply and Community installations (up to 30% of RES growth by 2030). Individual countries are focusing even more than before on measures to exploit national advantages also in the introduction of renewable resources. In doing so, Hungary is betting primarily on geothermal energy and increasing the capacity of energy storage, just like Austria, which has already significantly increased investments in increasing the hydropower storage capacity (pumped-storage hydropower plants). It is also positive to realize that, in addition to solar and wind energy, the importance of hydropower is recognized both in generation and for storage purposes even in countries that otherwise rely on other zero carbon sources. Despite the large-scale increase in nuclear capacity, France also plans to upgrade its existing hydropower capacity by 2.8 GW.

Gas

The role of gas in the EU's energy supply has changed significantly due to the abandonment of Russian gas, which was an important energy source for several European economies. The use of gas as a transitional energy product in the coal phase-out process is also planned by countries with a high share of coal in the generation of electricity and heat, which, however, adjusted their gas supply plans through a greater diversification of sources and supply routes and by planning an accelerated transition to renewable gases, including hydrogen. For this purpose, the European Commission has adopted a revised regulatory framework for the use of gas as a transition energy in accordance with the EU's plans to abandon the use of Russian natural gas and accelerate the transition to renewable sources (biomethane and hydrogen), which will help countries transform their gas sector.

Nuclear energy

Nuclear energy has been recently recognized by many EU countries as a key low-carbon energy source for the transition to climate neutrality by 2050. A great acceleration towards nuclear energy can be detected in countries where the share of coal is high (Romania, Poland and the Czech Republic) and in countries where nuclear energy is already an important source of energy (Slovakia, Hungary, France, Sweden and Finland). Many countries have announced significant increases in generation capacities by extending the lifetime of existing nuclear power plants and by planning the construction of new capacities over the next two decades. Nuclear energy, together with natural gas, was also included among economic activities compliant with the EU's sustainable taxonomy, which will enable future investors to access more favourable sustainable financing.

2.10.5 INVESTMENTS OF THE HSE GROUP

By investing in its self-generation capacities, the HSE Group has been able to preserve its leading position as the largest generator of electricity from RES sources of electricity. The portfolio of existing production capacities requires regular maintenance to preserve a stable generation and reliable provision of system services to the Slovenian power grid. By investing in Group companies that sell electricity to end customers, our position is further strengthened in this area as well.

The HSE Group follows the main strategic sustainable development guidelines of Slovenia and the European Union. The investments made serve our commitment to continue our transformation into a sustainable group, as this is the only way we will ensure stable and environmentally friendly electricity generation and urgently needed system services. By using innovative solutions, we will continue to remain an important stakeholder of the Slovenian power grid. Our activities are aimed at making economically justified investments in new generation units that enable the exploitation of renewable resources and significantly reduce CO_2 emissions per unit of electricity generated and, at the same time, increase the added value of the HSE Group.

A description of key investments in the HSE Group is provided below.

In 2023, the majority of funds were intended for investments in reliable generation (53%), followed by investments in re-construction following the expiration of the useful life (20%), investments in the management information system and other assets (12%), and investments in new generation capacities (5%).

Investments in the HSE Group in EUR

Company	2023	2022
TEŠ	15,321,307	14,475,577
PV	22,767,318	20,682,957
HTZ	468,593	517,252
SIPOTEH	82,592	30,958
PLP	5,921	551,101
∑ THERMAL POWER DIVISION	**38,645,731**	**36,257,844**
HSE	2,754,361	5,104,859
DEM	29,331,754	17,285,053
SENG	2,655,337	4,665,320
HSE EDT	27,683	51,626
RGP	452,799	1,555,099
HSE Invest	101,105	170,625
ECE	226,868	162,634
E+	639,973	130,636
HSE BE	0	2,568
∑ OTHER COMPANIES IN THE GROUP	**36,189,880**	**29,128,421**
TOTAL INVESTMENTS	**74,835,611**	**65,386,265**

HSE

The majority of funds were allocated by the Company to the HPP on the middle River Sava, the security operating centre and the SIEM (Security Information and Event Management) tool and the Prapretno photovoltaic power plants 2/3. Together, these three investments accounted for more than three quarters of the Company's total realisation. Investments in the implementation of a unified SAP, Billing and CRM (Customer Relationship Manager) solution in Energija plus and ECE were assumed by Energija plus in cooperation with ECE.

As far as the investment in the **hydroelectric power stations on the middle Sava River** (EUR 1.5 million invested in 2023) is considered, the siting procedures continued for all three HPPs (HPP Suhadol, HPP Trbovlje and HPP Renke). Most of the expert bases for the variant study (SV), the environmental report (OP) and the draft regulation on the most appropriate variant (UNV) are currently in their final phase. In July 2023, the OP and SV were submitted to the Ministry of Natural Resources and Spatial Planning (MNVP). Discussions are ongoing between the concessionaire and grantor regarding the division of investments into the energy and infrastructure part. Due to the still undefined division of investments, the procurement contract for geological geomechanical research is on hold. In October 2023, the MNVP appointed a project group, which is a condition for the completion of the project documentation, which is the basis for the public unveiling of the UNV. The investment is ongoing.

The preliminary procedure for **the Prapretno 2 and 3 photovoltaic power plants** (EUR 0.2 million invested in 2023) as required by the MNVP has been completed, according to which no environmental impact assessment (EIA) will be required. Unsettled ownership matters were settled by the end of 2023. The draft of the documentation for obtaining a construction permit (DGD) was sent to opinion-giving institutions. All opinions have been obtained, and the DGD is still being drafted. Easement contracts for the Prapretno 2 photovoltaic power plant have been signed. For the Prapretno 3 photovoltaic power plant, a municipal detailed spatial plan (OPPN) is pending adoption subject to the Spatial Planning Act (ZUREP-3), the completion of which is expected in the first half of 2024. At its meeting in April 2023, the municipal council of the Municipality of Hrastnik conducted the first reading of the draft OPPN and adopted a positive decision to continue the process. The public consultation, public hearing was completed on November 17, 2023. The concept with a battery storage is already included in the draft design and the work implementation project, which is already taken into account in the DGD, but will also be taken into account in the investment program. The variant with battery storage is considered only in the event that grants from the Just Transition Fund (JTF) are obtained. The investment is ongoing.

The North Adriatic Hydrogen Valley (North Adriatic Hydrogen Valley - NAHV) is a development and research project with a duration of activity of 6 years. The consortium consists of 37 partners with their associates, where HSE acts as the coordinator. The consortium consists of partners from the industry, research institutions and ministries. In order to fulfil the objectives of the EU strategy on hydrogen and the European Green Deal, the NAHV project envisages the development of 17 pilot projects covering the entire hydrogen value chain from production to distribution, storage and end use with an initial TRL (Technology readiness level) 6 and a final TRL 8. In the following years, NAHV will contribute to the REpowerEU objective, which envisages the generation of 10 million tons/year of renewable (green) hydrogen in EU Member States.

NAHV envisages a broad area of green hydrogen generation and distribution that will include three countries: 3,658 t/year will be generated in Slovenia (of which HSE Group 3,000 t/year), 1,002 t/year in Croatia and 1,279 t/year in Italy. Of the total amount of green hydrogen produced, heavy industry could consume about 3,000 t/year, transport about 1,700 t/year, and the rest will be consumed by the energy sector.

Security Operating Center and SIEM tool – in December 2023, the project, where all the required activities were carried out and the expected results/effects of the IBM QRadar implementation were achieved, was successfully completed. A total of EUR 0.5 million were invested therein.

DEM

The realisation of DEM mainly refers to investment maintenance or investing in generation reliability and investing in new generation capacities. Among other things, DEM invested in maintaining the energy potential of the reservoirs, replacing the secondary systems of the Dravograd, Vuzenica and Mariborski otok HPPs, renovating the Formin HPP, renovating spillways 3 and 4 at the Dravograd HPP and the geothermal power plant at the Pg-8 turbine.

Geothermal power plant on an existing well – Pg-8 (EUR 0.6 million invested in 2023). The contract for the construction of the above-ground part of the pilot geothermal power plant at the Pg-8 well in Čentiba was concluded with the contractor at the beginning of February. The turbine system was inspected and serviced. As part of the installation of the equipment, the connection to the water supply and electricity network was made. A management centre connecting concept is also in place. As part of the preparation for tests of individual equipment, appropriate control equipment was also manufactured. Due to the impossibility of removing the packer (a device used for rehabilitating the well walls) at a depth of 1600 m, the remediation work by Petrol Geo was extended, which affected the start of the above-ground work. The packer at a depth of 1,600 m made it impossible to remove water by blowing nitrogen, which was carried out by the method of vaporizing water at an appropriate pressure. In 2023, in accordance with the schedule, the service of the micro gas turbine system and the transport of the gas turbine with the generator, the cooling system and the container to the location of the Pg-8 well were also carried out. The construction and one part of the mechanical and electrical works of the above-ground part of the geothermal power plant have been completed. The investment is ongoing.

Replacement of the secondary systems of the Dravograd, Vuzenica and Mariborski otok HPPs (EUR 8.7 million invested in 2023). The focus of the project implementation was to accelerate the implementation of works pertaining to the renovation of aggregate 3 at the Mariborski otok HPP and aggregate 3 at the Dravograd HPP. After the completion of the work on both aggregates, the assembly work in establishing new own consumption of alternating, direct and distributed voltage at all 3 HPPs was more intensely underway. Key power supply systems are put into operation at all 3 HPPs, which affect practically all other systems, as this eliminates temporary solutions. The latter are otherwise necessary transitional states, which they are, however, undesirable from the point of view of operations and safety, as they reduce transparency and contain exceptions that are particularly undesirable in emergency operating conditions. The investment is ongoing.

Renovation of the Formin HPP (EUR 1.2 million invested in 2023). The draft design and investment programme have been completed, and the drafting of technical documentation and instructions for the implementation of procedures is continuing. Following the direction of the HSE Management Board, the optimization of the work plan on the supply channel and of the reconstruction implementation timetable were carried out. Activities pertaining to drawing up procurement documentation for the LOT TG and the production of expert bases as part of drafting the environmental impact assessment (EIA) documentation were carried out. In October, the investment program for the reconstruction of the Formin HPP and the Markovci Dam was approved, and the formal conditions for the start of tender procedures were also given. A call for tenders for the supply of power transformers (LOT MT) was published. Expert bases are being acquired for drafting the final PVO required to obtain a construction permit according to the integral procedure. The investment is ongoing.

Restoration of the spillways 3 and 4 at the Dravograd HPP (EUR 0.9 million invested in 2023). The operating lock sealing equipment was fully manufactured by the contractor by April, and the equipment for the rolling-element bearings and equipment in May. During high water levels, the working area was flooded twice, which consequently prolonged the implementation of works on spillway 4. By the end of September, most of the assembly mechanical and electrical works on this spillway had been completed. In the last quarter, wet tests were carried out and works on spillway 4 ere completed. The investment is ongoing.

Energy potential conservation of accumulations (EUR 1.4 million invested in 2023). Due to unfavourable weather conditions and the resulting high waters (in the month of August), works were carried out on a smaller scale. The following activities were carried out: the removal and subsequent installation of sediments in the conventional way and by using flocculant, the installation of geotextile bags and wooden crates and their filling with sediment, the regulation of the damaged bank using wooden stakes and filling of damaged areas with sediment, milling and planning of the area of the carried out works. Through the described works, a sustainable regulation and greater stability of the bank are ensured. The investment is ongoing.

Reconstruction of the Markovci dam (EUR 0.9 million invested in 2023). In the winter of 2023, fittings and works (mechanical and electrical) began on spillways 3 and 4 (PP3 and PP4). The implementation of anti-corrosion protection on PP4 was completed. The heating of the side rails was carried out according to the solution provided by the DEM expert service. In 2024, works on PP4 will be completed and works on PP3 will continue.

Transfer of the right and obligations in the Golica pumped-storage hydropower plant
Pursuant to Article 184 of the Electricity Supply Act, the right to use electricity generated in the Golica pumped-storage hydropower plant (previously held by ELES) and the obligations arising from it were fully transferred to DEM for consideration. The value of the said transfer constitutes a fair value of the consideration, established subject to the value of the investment on the day of the transfer, based on the appraisal by an authorized appraiser appointed and paid by DEM. The subject of the transfer is the sale, transfer and assignment of the entire contractual position of rights and obligations to use in the Golica pumped-storage hydropower plant, in compliance with and in the manner regulated by the Agreement on the taking over of contracts.

The Golica pumped-storage hydropower plant facility was designed in 1988 as a storage HPP (1st construction phase) with a smaller Hollgraben pumping unit, approximately 100 m below the Sobota dam benchmark. It became a pumped-storage hydropower plant during the second construction phase completed in 2010. Its current stakeholder from Austria is Kelag (80%), while Slovenia's eligible share belonged to the Slovenian system operator ELES (20%) until 2023. Kelag fully manages the power station (generation, regular maintenance, investment maintenance, etc.), and the Company on the Slovenian side, based on a fictitious billing model, proportionally contributes to the share of electricity generated and the costs of the power station (generation, regular maintenance, investment maintenance, etc.).

SENG

The reconstruction of the Hubelj HPP, the protection of the Zadlaščica pipeline and water pipes (investment maintenance) and the establishment of a central control system (corporate security) accounted for the majority of investments. Investment maintenance accounts for three quarters of all Company investments.

Reconstruction of the Hubelj small-scale hydro (EUR 0.8 million invested in 2023). The construction works, which started in May 2021, were largely completed by the end of 2022. In mid-January 2023, trial operation of the facility began. In February, an expert technical inspection was carried out for the entire reconstruction. At the end of September, a technical inspection was carried out by the Ajdovščina Administrative Unit. To a large extent, more funds were invested in the reconstruction of the Hubelj HPP in 2023 than planned due to the early delivery of materials and the implementation of the launched investments. The investment is completed. A total of EUR 4.3 million were invested.

Protection of the Zadlaščica pipeline and water pipes (EUR 0.5 million invested in 2023). The construction of the catch gate of the upper part of the route and the gabions and catch palisade were completed at the end of May. In October, a project of the completed works and other project documentation was drafted. The operating licence was obtained in November. The investment is completed. A total of EUR 0.5 million were invested.

Establishing a central control system (EUR 0.2 million invested in 2023). The investment was postponed to 2023 due to long delivery times. The equipment was delivered in January, the works started in February and lasted until the end of August. The investment is completed. A total of EUR 0.2 million were invested.

TEŠ

The majority of our funds were invested in the Black Start reconstruction, Block 6 equipment overhaul and DCS (Eng. Distributed Control System) or under the non-short-term maintenance contract and digitization of Block 6; all investments were made in the reliability of generation. Investment maintenance accounts for 99% of all Company investments.

Overhaul of Block 6 (EUR 2.7 million invested in 2023). The investment refers to the supply of wear parts required for the overhaul of Block 6, namely post-combustion grates (EUR 0.9 million), a heating system (EUR 0.5 million), the transport of products (EUR 0.7 million), mechanical installations for water treatment purposes (EUR 0.2 million), boiler fittings (EUR 0.3 million) and spare parts of Block equipment (EUR 0.1 million). The investment is ongoing.

Black start (EUR 2.6 million invested in 2023) – the investment in the purchase of a diesel generator set and additional equipment to be used in the event of a grid failure facilitates the start-up of the gas turbine (Black start) and thus the establishment of a 110-kV power supply (GIS). By establishing the above, the transformers of general own use and the reserve transformer of block 6 are switched on, thus establishing the conditions for preparing for the start-up of Block 6. The investment is ongoing.

Long Term Service Agreement ("LTSA") (EUR 1.3 million invested in 2023). As part of the out-of-court settlement with the GE Group, a Long-Term Service Agreement (LTSA) for Block 6 was concluded in 2021. On this basis, in 2023, EUR 1.3 million of investments were earmarked for the supply of long-term maintenance services (maintenance works that include inspections, repairs, renovations and replacements in accordance with the equipment manufacturer's operation and maintenance instructions (OMM)) and digitization of Block 6 with the aim of advanced maintenance of the key technological equipment of Block 6 and achieving positive effects of the availability and utilization thereof. Within the framework of comprehensive asset management (APM), a user interface for the use of the Predix APM system was created, for which EUR 1.2 million was spent. The Predix system has gone into service, and workshops aimed at inputting input data (equipment, risk matrices, work documentation, etc.) are ongoing. EUR 1.3 million was earmarked for the implementation of modules to improve the operation of Block 6 (OPM) (optimization of boiler combustion and blowdown). EUR 1.8 million was spent as part of the replacement of the control system (DCS).

Replacement of the 110-kV GIS control and integration into the upgraded SCADA system (EUR 0.5 million invested in 2023). Investing in replacing the 110kV GIS control system and integrating it into the upgraded SCADA system allowed us to replace the outdated control system with a new one that is compatible or identical to the system that will be installed by ELES. By replacing the system, the reliability of operation will be maintained and ELES' requirements will be met. The same control system (Siemens Siprotec 5) as for Block 5 and Block 6 (GIS 400 kV) will be used, and the new cabinets will be connected via optics to the existing SICAM-PAS system in GIS 400 kV, which is managed by the dispatcher on Block 6. The investment is ongoing.

PV Group

Most investments were made in investment maintenance (99% of all investments). The biggest investment is the construction and electrical works on the construction of the exhaust ventilation shaft, hydraulic extraction supports, spare parts for frontal and chain conveyors and other spare parts (all PV). Other companies in the PV Group realized several smaller investments (the investments of PLP, HTZ and SIPOTEH together account for 2% of the investments of the PV Group).

The largest amount of funds was allocated to the project of building an exhaust ventilation shaft, which includes construction works, electrical works (construction of a switching station) and the supply, installation and trial operation of a ventilation station (EUR 3 million). Investment maintenance also includes the purchase of extraction equipment, which includes the purchase or production of hydraulic extraction support (EUR 3.7 million), control equipment for coal faces and disposals, as well as equipment for chain conveyors and upstream machines. A used advance mining machine was purchased as required by the preparation sites. Part of the funds were spent on the maintenance of advance mining machines, arc feeders, chain and belt conveyors, as well as on preparation infrastructure and working instruments (EUR 1.8 million). Electro-mechanical equipment as required by the coal faces, preparation sites and mine and external infrastructure was purchased. Process water pipelines, drainage equipment, transformers, process and compact stations and equipment required for communication were purchased to the largest extent. For ventilation purposes, a separate ventilator as well as stable and portable meters of ventilation parameters were purchased. A suspended diesel locomotive and a hydraulic unit were purchased to transport material or as required by the logistics infrastructure. In order to ensure the operation of suspended and ground locomotives, rails, shackles and cross-ties were purchased. One part of the funds was spent on updating or maintaining the reciprocating engine. The majority of funds spent on structural installations were spent on the installation of the coal unloading or transfer station. Other investments in this area include the replacement of the roof on the PLP facility, the replacement of windows in the administrative building, the renovation of ground tracks, the construction of a training tunnel for rescuers, the construction of parking lots or charging stations for e-cars and other smaller works.

As far as informatics is concerned, an investment was made in hardware, namely in the purchase of monitors and laptops and personal computers, and in the upgrade of software and network equipment (upgrade of MAXIMO, KOPA and ODOS).

The remaining funds were used for the purchase of technical security equipment or upgrade of the video surveillance system. Mining headlamps, rescue equipment, work aids, geomechanical equipment and means of personal transport. Maintenance of condominiums was also carried out.

SUSTAINABLE DEVELOPMENT OF THE HSE GROUP[12]

The Green Transition: at the heart of the HSE Group’s vision

03

12 GRI: 102-7; 102-8; 102-9; 102-11; 102-13; 102-17; 102-20; 102-25; 102-28; 102-30; 102-40; 102-41; 102-42; 102-43; 102-46; 102-53; 102-54; 103-1; 103-2; 103-3; 203-1; 205-1; 205-2; 301-1; 302-1; 302-2; 302-3; 302-4; 303-1; 303-2; 303-4; 303-5; 304-1; 304-2; 304-3; 305-1; 305-2; 305-3; 305-4; 305-5; 305-7; 306-3; 306-5; 307-1; 401-1; 401-3; 403-1; 403-2; 403-4; 403-5; 403-6; 403-9; 403-10; 404-1; 404-2; 404-3; 404-4; 405-1; 406-1; 412-1; 412-2; 413-1; 413-2; 415-1; 419-1.

The HSE Group actively supports the sustainability goals of the United Nations (Agenda 2030), the Paris Agreement, the EU Green Agreement, the "Fit for 55" package, the National Energy Climate Plan, and all other EU and national sustainable development guidelines. It operates in compliance with the adopted sustainable development EU and national regulations, which is reflected in the adopted and planned strategic guidelines and implemented activities. Our key strategic guidelines primarily pursue the following sustainability objectives:

- accelerated decarbonization of the Company while ensuring a high level of self-sufficiency;
- EU-level integration of the system service market, an increase in volume of variable and decentralised generation of renewable electricity, a more intense growth in energy efficiency, and a fast-tracked electrification of traffic, heating, and cooling;
- the introduction of new technologies, related to the flexibility, digitalisation, and use of smart grids, accumulators, and virtual power plants;
- controlled coal phase-out subject to the principles of just transition in compliance, with the adopted just transition regional plans for Savinjsko-Šaleška (SAŠA) and the Zasavska Regions, while ensuring to preserve the competitiveness of the existing generation portfolio, the Progressive Closure of the Velenje Coal Mine Act intended to share the costs of the mine infrastructure, close the mine and mediate the consequences of mining;
- sustainable development of the HSE Group through the implementation of the sustainable strategy of the HSE Group to achieve climate neutrality and define the strategic objectives and sustainability indicators of the HSE Group.

More details regarding the above-mentioned key development guidelines can be found in the HSE Group Development Strategy section.

Sustainable development reporting is carried out by taking into account Directive 2013/34/EU and its amendments in Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups. This part of the acquis communautaire has been introduced into our legal order by way of the Companies Act. Reporting is carried out by also taking into account the recommendations of SDH for non-financial operations. In line therewith, the sustainable operations of the HSE Group, its key policies and their results, main risks and opportunities and non-financial information on environmental, social, and HR matters and the respect for human rights, anti-corruption and unethical conduct, are presented. In 2023, however, our activities pertaining to preparing for reporting in compliance with EU Directive 2022/2464 (CSRD) regarding corporate sustainability reporting, which significantly changes the existing reporting rules defined in the Non-Financial Reporting Directive (NFRD) (hereinafter referred to as the "CSRD" directive). The new directive obliges large companies (groups) that are public-interest entities to undertake reporting as of 2025 (for 2024) in compliance with the new ESRB standards, which were approved in their final form in December 2023. By 2027, this will also include other large companies and SMEs. We actively monitor and carry out activities also pertaining to other European sustainable development regulations, which will mark our operations and sustainable development efforts in the coming years, especially the Corporate Sustainability Due Diligence Directive (CSDDD) and the development and upgrading of EU taxonomy and other relevant regulations.

SUSTAINABLE DEVELOPMENT GOALS

Our operations are carried out taking care of the natural and social environments and supporting the sustainability goals of the UN. As for our activities and effects on our social and natural environments, the following objectives are pursued in particular:

Sustainability parameters are presented using the international GRI standard to be replaced next year by the European Sustainability Reporting Standards (ESRS) introduced by the CSRD EU directive.

Areas, contents, measurements, and analyses were specified and results presented as part of collaborative efforts of all key departments and subsidiaries in the HSE Group. Our reporting is transparent and contains continuously monitored data. Key conditions for selecting content are: materiality, the engagement of stakeholders, and the context of sustainability. Content has been provided by following the balance, comparability, accuracy, clarity and reliability of data.

KEY STAKEHOLDERS

The HSE Group maintains open and transparent relations with its stakeholders. Hand in hand with their contribution, our operations are improved and we act as a responsible member of society. The value chain of the HSE Group extends through our activities from raw material producers, raw material processors, product manufacturers to suppliers and transport providers. On the other hand, we cooperate with buyers of generated electricity and heat, users of our services and users of our waste material. Key stakeholders have been identified in the following groups:

- employees and social partners,
- buyers of goods and services,
- organisers of market activities and stock exchanges,
- EU and national institutions and regulators,
- financial institutions,
- civil society,
- local communities,
- the media,
- suppliers of equipment and services,
- research and educational institutions and,
- trade and professional associations.

3.1 Overview of key EU legislation to mark the sustainable operations of companies

In 2023, the European regulatory framework at the EU level was mainly aimed at the adoption of key legislative acts of the "Fit for 55" package (EU ETS Directive, RES Directive, EUP Directive, etc.), with which the EU strengthened its efforts to transition to climate neutrality by 2050 and the adoption of the REPowerEU action plan for accelerating the EU's transition to renewable sources and ending dependence on Russian fossil fuels. The changes are supposed to accelerate the introduction of the use of renewable energy sources, which will facilitate the implementation of the planned development projects of the HSE Group. The first half of the year was also marked by the implementation of crisis intervention measures to mitigate the impact of high energy prices, which were adopted in 2022, the validity of some of which was extended for another year at the end of 2023.

Two new legislative acts, the Regulation on methane emissions in the energy sector and the Regulation on fluorinated gases, will also apply to the operation of the HSE Group's facilities. In March 2023, with the aim of a long-term solution to the problem of high energy prices as a consequence of the green transition, the European Commission also presented a proposed structural reform of the electricity market and the improvement of EU rules against market manipulation on the wholesale energy market, which were also adopted before the end of the year, and which introduces additional trading obligations and opportunities for the HSE Group. It is important, however, that a cap on the revenue of electricity generators is not introduced as a structural part of the market.

At the national level, a revised comprehensive national energy and climate plan (NEPN) was drafted. This constitutes the central energy and climate policy strategic document and is crucial in the light of determining the strategic guidelines of the HSE Group. A new Act on Accelerated Implementation of Renewable Energy Sources was also adopted, lifting some siting bans and introducing some procedural simplifications, thereby enabling a faster implementation of RES projects of the HSE Group.

In 2024, a greater number of legislative changes at the national level are expected primarily on the national, since, in addition to the legislative procedures that have already been initiated and the coordination of the final content of the revised NEPN, the process of transposing the adopted acts from the "Fit for 55" package into the national legislation will begin, while changing the legislation on the EU level is expected to slow down somewhat in 2024, as European elections will be held in June.

3.2 The importance of a just transition for the HSE Group

The HSE Group is a beneficiary of the funds of the Just Transition Fund (JTF), as part of which approximately EUR 250 million in funds are available for renewable energy projects, development projects and decommissioning/reuse projects for degraded areas in the period 2021-2027. For this purpose, Regional plans for the Savinjsko-Šaleška and Zasavska Coal Mining Regions were adopted based on The National Coal Phase-Out Strategy adopted in 2022. The two regional plans serve as the basis for defining eligible projects. For HSE Group projects, approximately EUR 47 million will be available from the JTF for the Savinjsko-Šaleška and approximately EUR 5 million for the Zasavska Coal Mining Region.

In the Savinjsko-Šaleška Coal Mining Region, the projects relevant to HSE, which will be co-financed by JTF funds, include the decommissioning projects of Blocks 1 to 3, Block 4 and the cooling tower of Block 4 of TEŠ in the context of preparing the surface for new projects, as well as projects pertaining to the installation of photovoltaic power plants and the generation, storage and use of hydrogen in transport. In the Zasavska Coal Mining Region, the photovoltaic power plant in the degraded area project is included among the eligible projects of the HSE Group.

A just transition is also supported by the Modernization Fund, which is established as part of the EU emissions trading system. Thanks to an active role played by HSE, we managed to achieve that, from 2024, Slovenia will also be included among the recipients of funds from the fund (EUR 342 million for the 2024–2030 period), which will enable the HSE Group to obtain additional grants for investments in renewable energy sources. In 2023, there was a call for the identification of potential eligible projects, in which the HSE Group participated with a larger number of projects, with an emphasis on the exploitation of RES.

7 PROJECTS OF THE HSE GROUP ARE PLACED ON THE PRIORITY LIST AND 4 PROJECTS ARE PLACED ON THE LIST OF RESERVE PROJECT PROPOSALS FOR CO-FINANCING WITH THE FUNDS OF THE MODERNIZATION FUND IN THE 2024–2030 PERIOD

LIST A

- **01** SENG – Reconstruction of the 100 kV switching station of the Doblar hydro-electric power plant
- **02** DEM – Ojstrica wind farm
- **03** HSE – Družmirje floating solar power plant
- **04** SENG – Kanalski vrh solar power plant
- **05** DEM – Reconstruction of the 100 kV switching station of the Zlatoličje hydro-electric power plant
- **06** DEM – Solar power plant (SPP) – SPP Formin in SPP Zlatoličje
- **07** DEM – Solar power plant ZOOP

LIST B

- **01** DEM – Reconstruction of the Formin hydro-electric power plant
- **02** DEM – Battery storage of the Mariborski otok hydro-electric power plant
- **03** DEM – Solar power plant Kanal II
- **04** HSE – NAHV phase 2

The first investment proposals are expected to be submitted to the EIB for decision-making in autumn 2024, and the first funds could be disbursed in May 2025.

3.3 Key policies of the HSE Group

Sustainable development within the HSE Group is also achieved through the continuous improvement of the integrated management system based on a process approach. At HSE Group level, the following policies have been established among others:
- quality policy of the HSE Group,
- environmental policy of the HSE Group,
- occupational health and safety and fire safety policy of the HSE Group,
- information security management policy of the HSE Group,
- property management policy of the HSE Group,
- communication policy and strategy of the HSE Group,
- the Management and Supervisory Board Diversity Policy of HSE,
- governance policy of the HSE Company and the HSE Group,
- social responsibility policy of the HSE Group,
- the Code of Ethics of the HSE Group and
- managerial function replacement policy in HSE Group companies.

Individual HSE Group companies have drawn up and published their own separate internal management system policies whose development-oriented character provides for high-quality and environment-friendly energy, products, and services, by also ensuring safe and healthy work conditions for employees, aimed at economic viability and coherent sustainable development of the environment and markets they operate on.

Management policies are available to all interested parties at the premises of HSE Group companies and beyond. The understanding and application of the Policy within HSE Group companies are achieved via training, seminars, and by using communications tools of HSE Group companies. All policies are also published on our website.

Management policies of individual HSE Group companies arise from the strategic guidelines of HSE.

CERTIFICATES OBTAINED BY THE HSE GROUP

The key guidelines used to implement and carry out certificate obtaining and maintenance activities at the HSE Group level are:
- ensuring long-term stable and successful operations,
- constant monitoring, measurement and analysis of impacts on the environment, safety and health of employees and property as a result of the generation and provision of services,
- goal-oriented management of HSE and HSE Group companies,
- risk and opportunity management of HSE and HSE Group companies,
- providing resources to maintain the position of the leading energy system in Slovenia,
- clearly defined responsibilities and powers pertaining to identifying, measuring and improving the performance and effectiveness of processes and the management system as a whole subject to the expectations of clients and key stakeholders,
- employee awareness, employee attitude towards quality, environment, health and safety, information security and property,
- utilization of synergies between HSE Group companies in all operating areas,
- continuous improvement of process performance by identifying risks and opportunities and defining activities to manage risks and opportunities, defining objectives, internal and external audits and management review,
- regular communication with employees, suppliers, customers, inspection services, health organizations and institutes and the rest of the environment with the aim of maintaining and improving mutual trust,
- compliance with legal and other relevant requirements,
- orderly and transparent operations.

Special attention is paid to:
- investing in and realizing new production sources/projects from RES as a strategic development area of HSE Group companies,
- upgrading existing generation capacities using BAT technologies, with the aim of increasing the reliability and efficiency of operation,
- making employees aware that they maximise their contribution to their own occupational health and safety through appropriate and responsible behaviour,
- creating an attractive environment for employees who feel that they form part of a team that provides conditions for their personal growth and development.

OBTAINED CERTIFICATES	HSE	DEM	SENG	TEŠ	PV	HTZ	SIPOTEH	PLP	RGP	HSE Invest	ECE	E+
ISO 9001 Quality management system	■	■	■	■	■	■		■	■	■		
ISO 14001 Environmental managements system	■	■	■	■	■	■			■			
ISO 45001 Occupational Health and Safety Management System	■	■	■	■	■	■			■	■		
ISO 27001 IT security management system	■	■	■	■	□	□			□	□	□	□
ISO/IEC 17025 General requirements for the competence of testing and calibration laboratories				■	■							
ISO 55001 Asset management system standard	■	■	■	■	■	■						
EE Certification of electricity production from renewable sources	■	■	■									
EEnew E generation with requirements for new HPP	■	■										
DPP Familiy Friendly Company	■	■										
EN ISO 3834:3:2005 Quality requirements for fusion welding of metallic materials							■					
EN ISO 9606-1:2018 Certificate of welders on the complated test							■					
EN ISO 1090-1:2009+A1:2011:ES Production control certificate							■					

■ Certification □ Consideration of mandatory control

HSE EDT, HSE BH, HSE BE, HSE MAK have no certificates.

MANAGEMENT BOARD REMUNERATION AND BONUS POLICY

The Management Board remuneration and bonus policy in the HSE Group is regulated in compliance with the provisions of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities and the Recommendations and expectations of SDH.

COLLABORATION WITH REPRESENTATIVES OF EMPLOYEES

The HSE Group cooperates with works councils and representative trade unions in compliance with the Worker Participation in Management Act, thus ensuring constant dialogue (information, joint consultations, giving consents). Social partners and works councils constitute the unifying link between employees and Management Boards of companies. Social dialogue is ascertained through regular meetings with representatives of the works council and representative trade unions, thus providing for timely information of employees and the active involvement of representatives of employees in the operations of the Company and Group. Management Boards also regularly attend all sessions where not only up-to-date operating information of companies but also questions and initiatives of employees submitted via the president of the works council or the trade union president or representative are deliberated on.

The HSE Group also has a Joint Works Council of the HSE Group, which consists of the representatives from the works councils of HSE Group companies. The joint works council collaborates with the Management Board of HSE in governance as laid down by the Worker Participation in Management Act and the Participation Agreement.

3.4 Ethical conduct and operations

A DESCRIPTION OF THE MECHANISM USED FOR IDENTIFYING, REPORTING AND INVESTIGATING ILLEGAL OR CODE NON-COMPLIANT ACTS

With the purpose of enhancing integrity, transparent conduct, and zero tolerance for corruption, illegal and unethical conduct subject to the relevant regulations and good practice recommendations, HSE had adopted internal Rules on handling reported suspicions of irregularities and the protection of whistleblowers in the HSE Group. The internal rules apply for all HSE Group companies and are mutatis mutandis applied in business relationships with other legal entities and natural persons doing business with HSE Group companies. The objectives of the HSE Group in managing these risks are:

- to reduce the risks of fraud and thus to reduce the vulnerability of the HSE Group due to fraud, while taking into account the principles of zero tolerance,
- to increase employees' awareness of the indications of fraud and their management methods,
- to constantly increase ethical culture, to educate employees about their responsibility in identifying and reporting indications of fraud and
- to protect the reputation and assets of the HSE Group.

The HSE Group handles suspected irregularities of all kinds in an efficient and impartial manner. The Compliance Department which shall handle all reported alleged irregularities in a completely independent and objective manner shall be in charge of establishing and operating a reporting line. Procedures are clearly defined to limit any influence from the decision-making chain and any executives involved.

The Compliance Service is responsible for receiving all types of reports of suspected irregularities in HSE Group companies and is the internal reporting trustee in HSE subject to the provisions of the Whistleblower Protection Act. Each HSE Group company appoints a trustee by decision of its employees. The trustee of the company in the HSE Group considers the reports submitted thereto by the HSE Compliance Service after classifying them and assigning it to them and determining that the conditions for consideration by the individual trustee in the HSE Group company are met (based on the content). The Compliance Service or the other trustee, to whom the application is assigned for consideration, undertakes a careful, confidential and independent review, while not being bound by the instructions in the individual case.

Any suspected irregularities can be reported in person, via telephone, in writing to the registered seat of the Company, via e-mail or via the online form.

COMPANY WHISTLEBLOWER POLICY

The purpose of this policy is to protect those individuals who have refused to act illegally, even if doing so has resulted in the loss of business or would have jeopardized their employment. Key to this is protecting those who have been granted whistleblower status against retaliation measures.

All whistleblowers acting in good faith shall be entitled to be protected against any retaliation measures in the HSE Group. In order to enjoy protection against retaliation measures, the whistleblower shall suspect with reasonable doubt that the reported irregularities are true given the circumstances and information available thereto at the time of the report. Each whistleblower shall be assumed to act in good faith unless proven otherwise.

In 2023, the Compliance Service investigated 7 reported irregularities. Until the publication of the annual report, there were no confirmed cases of corruption and bribery, and, in 2023, there were no final convictions or sanctions against employees for corruption and bribery.

The criminal proceedings in the Block 6 TEŠ case, in which the accused also include persons who were employed in HSE Group companies during the relevant period, are still ongoing before the court of first instance.

As part of the preliminary stage of criminal proceedings led by the investigative department of the District Court in Celje, several house searches were conducted in 2023 due to suspicion of abuse of position or trust in economic activity in PV, TEŠ and RGP. As far as we know, no indictment was brought in this case in 2023.

TRAINING EMPLOYEES ON PROPER BUSINESS CONDUCT AND ANTI-CORRUPTION

The Compliance Department undergoes a regular annual training of employees on the Code of Ethics, proper business conduct and possible reporting channels for irregularities, as well as the procedure for reporting irregularities, and regularly advises the departments (as well as Group companies) regarding the irregularities themselves, their reporting, resolution and prevention. This training is also regularly conducted for all recent recruits.

POLITICAL INTERFERENCE AND LOBBYING

The HSE does not allocate funds to political activities. HSE is registered in the register of lobbyists with EU Transparency. Subject to provisions, HSE or its legal representative is not registered in the register of lobbyists maintained by the Anti-Corruption Commission, as HSE carries out lobbying activities for an interest organization. Pursuant to Article 59 of the Act on Integrity and Prevention of Corruption (ZIntPK), the legal representative or elected representative of an interest organization is not obliged to register in the register of lobbyists.

In 2023, HSE lobbied in connection with the presentation of RES projects and investments.

THE POLICY OF RESPECT FOR HUMAN RIGHTS

HSE undertook to respect human rights in its operations and to implement important principles of the National Action Plan of the Republic of Slovenia on Business and Human Rights confirmed on 21 December 2020 by the Company by signing a commitment on business and human rights (hereinafter referred to as the "Commitment"). The commitment is based on the Universal Declaration of Human Rights adopted by the General Assembly of the UN in 1948 and on other relevant international human right instruments and international documents on the protection and promotion of human rights in economic activities (UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, International Labour Organisation (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and Guidelines on Corporate Social Responsibility).

The HSE Group has adopted a Code of Ethics that defines the principle of equal treatment. The attitude of the HSE Group towards individuals is not influenced by nationality, race, gender, language, religion, political or other belief, financial status, birth, education, social position, disability or any other personal circumstance. The HSE Group recruits by taking into account the principle of equal opportunities and non-discrimination.

In 2023, there were no discriminatory behaviour or procedure reports in the HSE Group, nor were there any procedures related to violations of social or human rights.

3.5 Our dedicated employees are our wealth

As at 31 December 2023, **HSE Company** employed 248 people, out of which 241 for an indefinite and 7 for a fixed term. As at 31 December 2023, the number of employees had increased by 13 compared to 2022. 37 new employees joined the Company. 65% (161 employees) of Company employees are men and 35% (87 employees) are women.

The average age in the Company at the end of 2023 amounted to 43.4 years and was lower compared to the end of 2022 when it had amounted to 43.8 years. 38% (95) of the Company's employees are aged between 41 and 50; 25% (61) between 31 and 40; 24% (59) between 51 and 60; 12% (30) are aged maximum 30 years and 1% (3) are older than 61 years.

	2023				2022				Δ according to 2022		
Age class	number of employees	%	male	female	number of employees	%	male	female	number of employees	male	female
up to 30 years	30	12	24	6	21	9	16	5	+ 9	+ 8	+ 1
31-40 years	61	25	45	16	60	26	41	19	+ 1	+ 4	- 3
41-50 years	95	38	53	42	94	40	59	35	+ 1	- 6	+ 7
51-60 years	59	24	37	22	57	24	33	24	+ 2	+ 4	- 2
over 61 years	3	1	2	1	3	1	2	1	+ 0	+ 0	+ 0
Σ	**248**	**100**	**161**	**87**	**235**	**100**	**151**	**84**	**+ 13**	**+ 10**	**+ 3**

At the end of the year, the **HSE Group** employed 3,330 people or 19 fewer than the year before. The number of employees decreased due to the large number of retirements: 130 or 32% more than in 2022, and due to terminations of employment for other reasons: 171 in 2023 or 21% more than in 2022. 265 new employees were recruited from an external source. The share of all redeployments within the HSE Group amounts to 18% or 60 employees. Two more employees were recruited after their suspension expired. 289 men (88%) and 38 women (12%) were recruited in total.

The average age of our employees in the Group also decreased somewhat, to 43.5 years (in 2022, it had amounted to 43.8 years).

The majority of HSE Group employees are in the 41 to 50 age bracket (1,162 or 35% employees). 849 employees (25%) are aged between 51 and 60, followed by employees aged between 31 and 40 years (797 employees or 24%). 440 or 13% of Group employees are maximum 30 years old. 82 or 2% of Group employees are older than 61.

The composition of employees by gender did not changed compared to 2022. The HSE Group employs 15% women and 85% men. Most women are aged between 51 and 60 (37 %). Most men are aged between 41 and 50 (35 %).

	2023				2022				Δ according to 2022		
Age class	**number of employees**	**%**	**male**	**female**	**number of employees**	**%**	**male**	**female**	**number of employees**	**male**	**female**
up to 30 years	440	13	420	20	424	13	406	18	+ 16	+ 14	+ 2
31-40 years	797	24	701	96	811	24	710	101	- 14	- 9	- 5
41-50 years	1,162	35	980	182	1,197	36	1,019	178	- 35	- 39	+ 4
51-60 years	849	25	666	183	844	25	659	185	+ 5	+ 7	- 2
over 61 years	82	2	64	18	73	2	56	17	+ 9	+ 8	+ 1
Σ	**3,330**	**100**	**2,831**	**499**	**3,349**	**100**	**2,850**	**499**	**- 19**	**- 19**	**+ 0**

EDUCATION STRUCTURE

In the parent company (HSE), 229 or 92% of all HSE employees have completed a minimum higher education course. 34% or 1,122 of employees in the HSE Group have completed a minimum higher education course, out of which 110 hold a Master's or Ph.D. degree. In the HSE Group, 26% employees have completed Level 5 of education, and 31% have completed Level 4 of education. 10% of our employees has a level of education less than Level 4.

Education level	31/12/2023		31/12/2022	
	HSE Company	**HSE Group**	**HSE Company**	**HSE Group**
8/2	7	21	6	19
8/1	28	89	23	89
7	103	353	97	345
6/2	70	303	70	285
6/1	21	356	18	351
5	16	858	17	877
4	3	1,017	4	1,054
3	0	51	0	55
2	0	100	0	100
1	0	182	0	174
Σ	**248**	**3,330**	**235**	**3,349**

EMPLOYEE TURNOVER

The employee turnover rate in the HSE Group rose by 2.2 per cent compared to 2022, whereby no related major operating risks or dysfunctions have been detected. In 2023, it thus amounted to 9.2% (it had amounted to 7% in 2022).

130 employees or 41 more than the year prior retired. Retirement accounts for 38% of all terminations of service. 49% of all terminations of service (171 employees) were due to a dismissal or termination agreement. 2% of all terminations of service (7 employees) were due to the suspension of their employment agreement. 11% of all terminations of service (38 employees) were due to redeployment to other HSE Group companies. These are not included in the turnover calculation.

Fluctuation of employees	**2023**	**2022**
Number of employees who left during the reporting period	308	230
Average number of employees	3,340	3,276
Fluctuation in %	**9.2%**	**7.0%**

Item	**2023**	**2022**
Reason		
- Retirement	130	89
- Redeployment within the HSE Group	38	34
- Departure	171	135
- Departure due to suspension	7	6
Total	**346**	**264**
Gender		
- male	**308**	**218**
- female	**38**	**46**

In the next five years, approximately 18% of employees will meet retirement conditions, based on which we estimate that the turnover rate will increase, but in these cases, it is a controlled or to a certain extent also desired turnover.

ABSENTEEISM

Compared to 2022, the level of absenteeism in the HSE Group fell by one per cent to 9%. Sickness accounts for the majority of absenteeism borne by the employer (69%).

Compared to 2022, absences due to occupational injuries borne by compulsory health insurance fell by 21% and absences due to injuries not related to work borne by the employer fell by 15%.

Item	**2023**	**2022**
Number of lost days due to sick leave	79,292	87,169
Average number of employees	3,340	3,276
Number of all working days	260	260
Absenteeism (medical) in %	**9%**	**10%**

Sick leave in hours	**2023**	**2022**
Sickness benefits chargeable to the company	278,116	332,954
Sickness benefits chargeable to the HIIS	356,220	364,400
Total	**634,336**	**697,354**

EMPLOYMENT OF DISABLED WORKERS

430 persons with a recognised disability (or 13% of all employees) are employed by the HSE Group, out of which 384 persons in our sheltered workshop HTZ of the PV Group, which forms part of the HSE Group.

+14%

98,367

Total number of hours of training in 2023

+16%

30

Average number of hours of training per employee

+17%

289

Number of internal educational courses (number of content)

+32%

675

Number of all repeats of internal trainings

EDUCATION AND DEVELOPMENT

The HSE Group provides for continuous education and training of employees. We are aware that by investing in knowledge and transferring knowledge between colleagues, the continuous development of employees is ensured.

Continuous education and training serve to enhance the competencies, productivity, and creativity of our employees and boost the competitive edge of HSE Group companies. In addition to formal and informal training, knowledge is exchanged and passed on to our colleagues.

The most frequent knowledge exchange types are mentorship of young employees, attending educational sessions and passing on the acquired knowledge to our colleagues in the form of lectures, presentations, or material dissemination.

An employee training plan is drawn up every year based on annual reviews, the work process needs, and regulatory requirements. There is a lot of interest among employees to undergo technical content and soft skill training. The vast majority of soft skill training is carried out via e-learning, allowing for the participation of a larger number of employees. The quality and usefulness of the trainings are assessed by measuring the satisfaction of the participants via electronic questionnaires.

INTERNAL TRAINING

In 2023, particular attention was paid to the internal transfer of knowledge, organising as many as 289 different internal workshops for our employees. Our training or workshops organised every last Friday of the month, called the "Megawatt Hours", continued. They are used to present our employees with various interesting joint projects or work areas within the HSE Group and the work and associates from various HSE Group companies. They allow us to help other employees become better acquainted with the work carried out by individual organisational unit and facilitate better mutual collaboration, allowing us to bond in this way as well. As part of the Megawatt Hours in 2023, the winners of the Hackathon 2022 of the HSE Group presented their winning project to their colleagues. In February, marked by the Cultural Holiday and the International Mother Language Day in Slovenia, a workshop was organised for our colleagues, aimed at refreshing the knowledge and use of grammar rules, entitled "When you are tongue-tied". As many as two workshops were organised presenting the use of the Chat GPT artificial intelligence tool. As part of the Megawatt Hours, the "Electricity Challenges and Opportunities" training, where it was presented where the potential for reduced energy use is hidden, was also organised.

In the first half of the year, Peer Coaching was organised for HSE Group leaders with the aim of good mutual cooperation and networking at the Group level. The meetings called sHSE cafe took place online via MS Teams. The topics discussed were: cooperation between companies, giving feedback, conflict resolution, changing organizational culture, time management and communication. Regular meetings were exceptionally effective primarily due to the exchange of good practice cases, meeting, and strengthening the collaboration in other areas.

Peer Coaching workshops under the name SOdelujem were also organized for colleagues from the parent company with the aim of improving cooperation between organizational units. Associates discussed topics such as organizational silos, discovering surprising things about working with others, how to manage conflict in teams, assume responsibility, and how to establish a culture of openness.

Various workshops were organized for employees pertaining to communication, stress management at the workplace, self-motivation, occupational health and safety, fire safety, procurement and public procurement, quality standards, legislative innovations and computer skills, as well as project and other documentation changes and innovations.

To improve digital skills, an e-training was undergone on cyber and information security, the use of digital technology, digital etiquette and digitization in property management.

We collaborated with the Faculty of Management and Law on the "Care for Health" project and organized workshops for employees on emotional intelligence and stress management at the workplace.

Certain education or programmes are mandatory for all employees and are, wherever possible and feasible in terms of achieving the training objectives, carried out in the form of self-learning or distance learning (such as occupational safety, IT security, Code of Ethics, etc.).

Our experts in individual fields lecture as guest lecturers at various technical faculties or high school and college students are invited to the Company, where they are introduced to its operations and individual functions. Our associates present their research and implementation work at various international and Slovenian conferences, symposia, round tables organized by various recognized organizations in our field, and in publicly available articles or papers.

MENTORSHIP

Aware of the significance of transfer of know-how among our employees, a mentorship system has been set up, as part of which older workers transfer their know-how to younger colleagues.

In addition to introducing our most recent recruits to the mentorship programme, we preserve, develop, and upgrade key knowledge and skills required for autonomous working at the new workplace. This promotes internal succession and strengthens inter-generational cooperation and transfer of know-how. This applies in particular to expertise, which is difficult or impossible to acquire on the market, which is why mentors play a particularly important role in transferring know-how to younger colleagues.

We highly value the knowledge and extensive experience of our internal lecturers, who pass on their knowledge to colleagues through additional professional training.

Key HR management

In 2023, the HSE Group completed the two-year “Key HR Pool” project which included 32 experts with highly developed competences, who want to develop further and are ready to take on the most demanding tasks. As part of the program, we developed their potential and educated their successors through planned education. The programme encompassed many workshops, meetings, and activities aimed at developing leadership and strategic competences and potentials. 25 associates successfully completed the program. In 2023, some associates already assumed management roles: 7 colleagues assumed management functions, and some assumed the management of major projects.

In 2023, various target-oriented educations and trainings for the key HR pool were prepared to acquire additional professional knowledge and desired competencies. Key HR management will continue in 2024 as well.

LEADER DEVELOPMENT

In order to improve and develop leadership skills and raising awareness on the role and tasks of leaders in ensuring a great performance and carrying out the mission and sustainable operations of the Company, several goal-oriented leadership programmes for leaders have been implemented. Various workshops and group and individual coaching sessions were organised.

Leaders are monitored via anonymous rating systems, competence assessments, various surveys and regular annual reviews that serve as the basis for effective leader training planning. Potential successors for key senior management and executive positions that we wish to timely train to assume management functions or more challenging jobs via separate educational programmes and other development-oriented activities have been identified.

Goal-oriented leadership and feedback

Goal-oriented leadership matches the achievement of long-term strategic objectives of the HSE Group and short-term operating objectives of companies with the objectives of our employees. We improve the performance of our employees, their satisfaction and motivation to achieve their goals. Various workshops are organised for leaders pertaining to learning about objective-setting methods, the advantages of leading with objectives, and how to properly communicate with employees, in particular in terms of assessing, encouraging, and motivating employees. Goal-oriented leadership is attained through clearly set objectives of each company and the HSE Group as a whole.

EMPLOYMENT

Career opportunities are presented at various career fairs and recruitment events, where our presentations have attracted a lot of interest among visitors. Many of them decided to contact our experts. Vacancies are advertised on various employment portals, through various media channels, we collaborate with faculties, and also use social media to a great extent. All with the purpose of the advertisements to reach as much potential talent as possible and to reinforce our brand of a distinguished employer.

Two rounds of interviews are usually carried out and many job applicants are met in person. This part is extremely important for us, as we seek associates who, in addition to professional knowledge, also enrich our team with their personality. Our objective is to work with those applicants who resonate with the values of our Group. The selection process is also aided by additional tools such as assessment of personality traits, abilities and potentials.

We monitor the satisfaction of job applicants and, if required, properly adjust or update our recruitment processes.

REACHING OUT TO YOUNG POTENTIAL HR

Young potential HR are connected with in various ways: through compulsory internships, scholarships for high school and university students, holiday work and other ways of cooperating with secondary schools and colleges. We also connect through mentoring high school and college student projects as well as bachelor, master's and doctoral theses.

Our scholarship policy, in particular related to mining, mechanical and electrical engineering, plays an important role in recruiting appropriate job applicants. As such, our scholarship holders constitute an important pool of potential talent for the Company. In the HSE Group, 77 high school and college students are currently receiving scholarships.

We have also been in touch with elementary school students. A presentation of hydrogen and hydrogen technologies was drawn up for students.

In 2023, the children of our employees were also invited to partake in summer holiday work. Both high school and college students gained their first working experience in our midst. In addition to gaining work experience, during their summer holiday work, they learnt about the work of their parents and the various areas of work that form part of the individual departments of HSE Group companies.

REWARDING AND MOTIVATING EMPLOYEES

We want our employees to be motivated and committed. That is why an appraisal system have been and a promotion system containing precisely set criteria have been established. Our reward system promotes individual and team successes. One of the important objectives of the reward system is to achieve good results, motivate and retain successful employees, and support their personal and professional development while simultaneously achieving the company's business objectives.

Rewards are based on pre-defined or expected results and are based on an assessment of the level of achievement and exceeding of the objectives set. Our employees are also rewarded through various stimulations and rewards for exceptional successes. In addition to financial rewards, employees are also motivated with the option of education, development and participation in various projects and work groups. Team rewards are based on pre-defined or expected results. Rewards are paid out subject to company agreements and other internal acts.

ANNUAL REVIEWS

Annual reviews are conducted at the beginning of the year. In 2023, 1,216 employees underwent an annual review.

By conducting annual reviews, constructive communication between leaders and employees is promoted, the achievements of the previous year are evaluated and objectives for the future are set. On the basis of annual reviews, further development of employees, any career changes given the wishes of our employees and needs of the Company, training, the improvement of their knowledge and skills are planned.

MEASURING THE PULSE OF HSE

HSE Group companies offer their employees good working conditions, a stimulating work environment and a pleasant organizational climate. We constantly strive to increase employee satisfaction, improve the organizational climate, ensure job security and increase employee commitment and loyalty.

In 2023, the internal "The pulse of HSE" survey performed subject to the eNPS (Employer Net Promoter Score) methodology was carried out. The survey is used to measure the loyalty and satisfaction with HSE as an employer. The pulse of the HSE was found to still be very good. The HSE pulse or good climate will be maintained and improved in the future as well, various programs, namely teambuilding, used to strengthen mutual relations between organizational units, will be continued. Internal contests, campaigns and educational activities will serve to improve collaborative communication between employees and strengthen cooperation to improve the organizational climate or commitment of employees and our "HSE Pulse".

COMMUNICATION WITH EMPLOYEES

Employees of the HSE Group are proactively informed of all current developments throughout the year. Additional communication channels have been set up at the HSE Group level to assure up-to-date and transparent communications on the developments in individual Group companies and the HSE Group as a whole. In addition to news and communications on various channels, our employees receive a HSE newsletter to their e-mail address on a weekly basis.

All important information on the operation of the companies and current affairs are available to our employees through the intranet, our internal newsletters, the radio, the internet, LinkedIn profiles, Twitter, Facebook, Instagram, and YouTube. View data services shown at the business premises of our companies have been established for our employees who do not work behind a computer. These are updated regularly with up-to-date communications. We also communicate with our employees via virtual events for all employees during which the management presents the operations of the companies, the most important projects, and plans for the future. The MS Teams tool, through which our employees remain in touch, connect, and collaborate, is also a very important communication tool. Various types of meetings, such as boards, working meetings, and workshops, are organised to transmit information. At the level of individual areas and departments of HSE Group companies, regular weekly or monthly colleges that enable the exchange of views and the joint and coordinated solution of challenges are held. Virtual "Current news with the Management Board" quarter meetings have also been introduced to remain up-to-date with operating information.

CONCERN FOR OUR EMPLOYEES

As a recipient of the full "Family Friendly Company" many measures, such as time-spatial flexibility, the development of employees and managers, an optimal organisation of the working process, financial and other benefits, family services and other services that make it easier to reconcile work and family life, have been established. The "Family Friendly Company" certificate demonstrates our commitments towards creating a friendly working environment for our employees, our private lives, and our families. For many years, we have been committed to creating a work environment where we feel well and which facilitates an effective reconciliation of work and family life. Measures are adopted and adjusted primarily at the initiative of our employees and their implementation is continuously enforced.

We are also recipients of the Socially Responsible Employer certificate, as part of which organizational management, personal and private life balance, intergenerational cooperation, and occupational health and safety measures have been established. Employees have the opportunity to take advantage of one of the many adopted measures. The certificate demonstrates commitment to improving socially responsible governance.

Employees of HSE Group companies are allowed to take up to seven extraordinary days off due to personal circumstances. In 2023, there were 1,997 such absences.

The HSE Group is aware of the importance of health of all its employees. Employees and their family members are assisted in taking care of it and preserving it with various forms of above-standard insurance. These enable them to be able to consult a doctor as soon as possible and to indirectly ensure that they are able to return to the working environment following illness or injury faster.

For employees, health indicators are measured twice a year and a fitness testing workshop is organised.

Contributing into the second retirement pillar in the form of a voluntary supplementary retirement scheme of our employees forms an integral part of the HSE Group remuneration policy. The employees of all subsidiaries of the HSE Group are included in this pension scheme. Therefore, as an aware employer, we try to provide our employees with greater financial security even after retirement.

Flexible working hours for employees commuting to the workplace from remote locations have been preserved. This has allowed them to shorten their commute from/back home and facilitated a more easier balance between work and private life.

If the working process allows for it, our employees may also work from home.

CONCERN FOR OUR EMPLOYEES OUTSIDE WORKING HOURS

On the HSE Group level, with a sense of social responsibility, we support charity, cultural, sports, and other activities that our employees can partake in during their free time.

Budding students who started school for the first time in 2023 were surprised with a gift package of school and craft supplies.

As many years before that, the children of HSE Group employees were overjoyed to have their December brightened by a puppet show and Christmas gifts. In 2023, as many as 632 children received a present.

Great attention is paid to sports and recreation and the overall concern for our employees' health. Our employees are consistently encouraged to pursue a healthy and active lifestyle as part of various activities organised by sports association.

In cooperation with various cultural institutions, we make it possible to purchase tickets for cultural and artistic performances at a lower price. The Velenje Coal Mine Marching Band, the Velenje Miners' Octet and the Barbara Harmonica Orchestra also boast a very rich tradition.

The Coal Mining Museum of Slovenia, established on the Mining Holiday in 1999, displays numerous exhibitions of various art forms, high-visibility concerts and other events are also organised.

Our employees can spend their holidays in our holiday facilities at various locations in Slovenia and Croatia.

PRIVATE AND PERSONAL DATA PROTECTION

We comply with the law and the General Data Protection Regulation (GDPR). As a result, categories of personal data processed have been defined and our data flows are regulated, allowing us to safeguard our personal data processing activities. Information and security measures are constantly revised and comply with corporate security principles.

Personal data is only processed on the basis of a relevant legal basis and in compliance with the purpose of processing. Pursuant to the General Personal Data Regulation, individuals are provided with all necessary information related to the processing of their personal data, whereby they are also notified of their right to information, right to erasure of their personal data, right to restriction of processing and right to object to processing.

IT security is ensured by way of continuous updates and various measures. The use of software enabling access to personal data records is restricted to authorised persons. Access is secured by way of an authorisation and user identification system.

Internal acts related to the protection of privacy, personal data, software, and hardware have been adopted, governing and laying down personal data, software, and hardware processing rules.

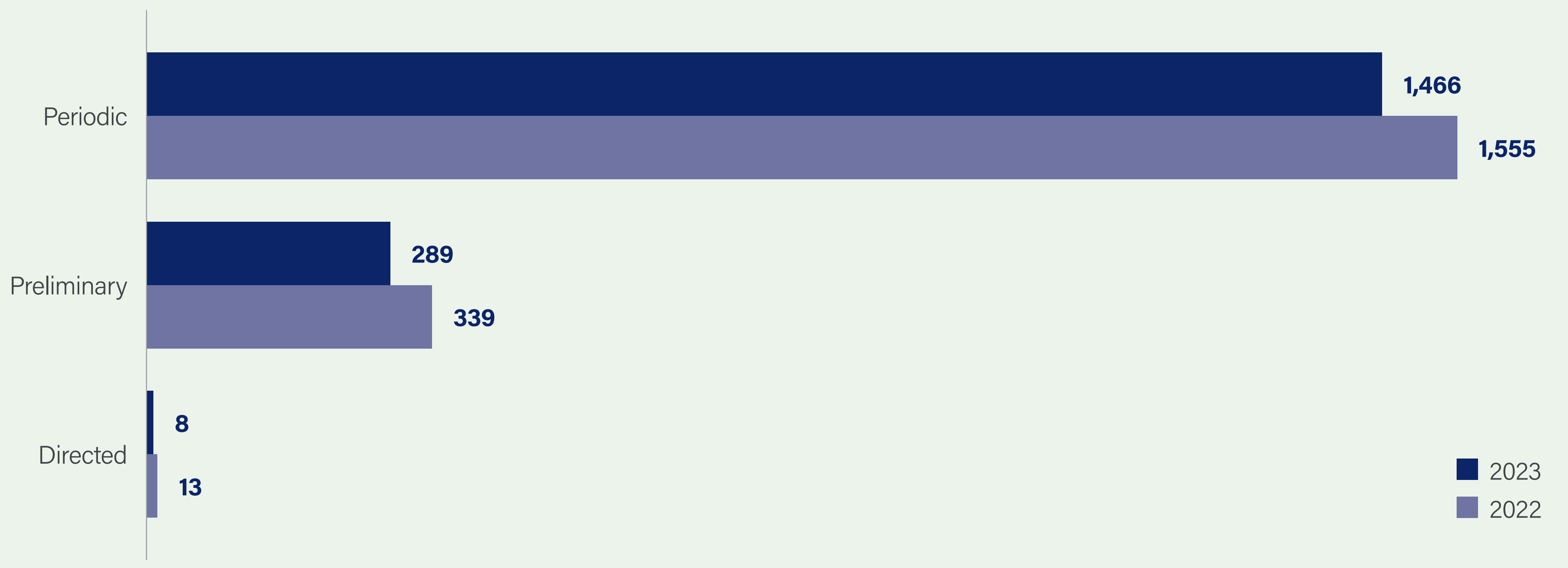
3.6 Health and safety come first

Subject to the Health and Safety at Work Act (ZVZD-1), the occupational health and safety system includes all employees of the HSE Group, except for 9 employees of the RGP at the Paka quarry which are included in the system subject to the Mining Act (Zrud-1). All companies of the HSE Group, except for ECE and Energija plus, have implemented the ISO 45001 occupational health and safety and fire safety standard.

PREVENTIVE ACTION

The HSE Group places a great emphasis on preventive occupational health and safety measures. As part of our workplace health promotion activities, our employees were provided with fresh fruit on a weekly basis, they also received Vitamin C and D3 dietary supplements, had masks and rapid self-testing kits for covid-19 at their disposal. In addition, the Group organised several activities via its sports associations, provided employees with the required ergonomic aids and communicated to and trained employees in occupational health and safety. Due to the specific nature of the mining profession, preventive measures for all employees intended to strengthen and preserve their physical and mental health were carried out at the Velenje Coal Mine Group.

Preventive health checks



INCIDENTS AND MEASURES

No companies recorded any major occupational health and safety incident. During various trainings, our employees are continuously informed on the importance of complying with the relevant measures and rules both due to their own occupational health and safety and the occupational health and safety of their colleagues. All recorded hazardous occurrences are followed by an analysis of their causes and the establishment of measures intended to prevent similar situations to occur in the future.

Number of workplace accidents

Number of drills for improving emergency preparedness

DESCRIPTION OF THE WORKPLACE ACCIDENT PREVENTION POLICY

The fundamental objective of the occupational health and safety and fire safety policy is sustainable development in these areas including all three aspects of sustainable operations: social, environmental, and governance. It is achieved by planning, implementing, supervising, and taking action to prevent workplace accidents and other extraordinary events, by sharing responsibilities and including the occupational health and safety and fire safety system in individual business processes.

All the prescribed activities laid down by the law for the provision of a safe and as health-hazard-free work as possible. All these activities are sought to be upgraded on an annual basis and the quality and efficiency of measures improved. These activities include the drawing up of occupational safety instructions, training and seminars, theoretical and practical (at the workplace), examinations, continuous control of working processes, the handling of all hazardous occurrences and accidents with all involved in order to establish what went and what can be done to prevent the event from repeating, discussions or exchange of opinions and experience with employees on all matters related to, for example, the work environment, machinery, work methods, PPE, insecurities (questions), hazardous situations, and improvements, etc., all intended to provide an as a safe and employee-friendly performance of work tasks as possible.

We are aware of the fact that the concern for a healthy and safe working environment is the basic predisposition for the development and focus of our activities. As such, we undertake to provide for an optimum operation of our production units from the viewpoints of:

- preventing workplace injuries and accidents and damage to health,
- preventing extraordinary events,
- preventing fires,
- mitigating hazards and minimising the occupational health and safety risk,
- reducing the likelihood of occupational health and safety and fire safety incidents and risks.

EMPLOYEE STRESS MANAGEMENT AND BURN-OUT PREVENTION

The HSE Group puts a great emphasis on managing stress, preventing burn-out in employees, and ensuring their general well-being. Great attention is paid to the health of our employees and preventive care. Various medical prevention programmes and programmes intended for employees exposed to harsh working conditions were organised for employees.

Through various communication channels, our employees are constantly communicated news about a healthy lifestyle, working environment arrangements, a healthy diet and how to take care of your well-being. Our employees have been provided with access to various guided workouts prepared by certified fitness instructors. In the context of sports clubs, a wide range of afternoon recreation is available for employees and the possibility to participate in various preventive activities, the possibility of cheaper use of wellness services, etc. Free physiotherapy services are also available to our employees.

In light of our great concern for the preventive health of our employees, a medical prevention active retreat was organised for our employees at various locations. At the end of the year, vitamin supplements were distributed to our employees and fruit was provided at the workplace through health promotion. Psychological support is also available 24 hours a day, every day of the week for all employees and their family members.

Useful healthy lifestyle information and tips are also available for our employees on a designated intranet portal.

3.7 Responsibility towards wider society

Socially responsible conduct forms an integral part of the strategic direction of the HSE Group and is one of the key tools to achieve sustainable development. Our environmental policy derives from our strategic objectives related to our concern for a healthy working and living environment, for the health of our employees and other local inhabitants, and to prevent any environmental burdens and to mitigate negative effects on the environment.

Various activities serve to raise the awareness of our employees on the significance of social responsibility. For this purpose, various charity and socially responsible campaigns have been organised. Our employees have donated their own money to people in need and participated in various organised clean-up efforts. Our employees are also involved as volunteers in various local associations.

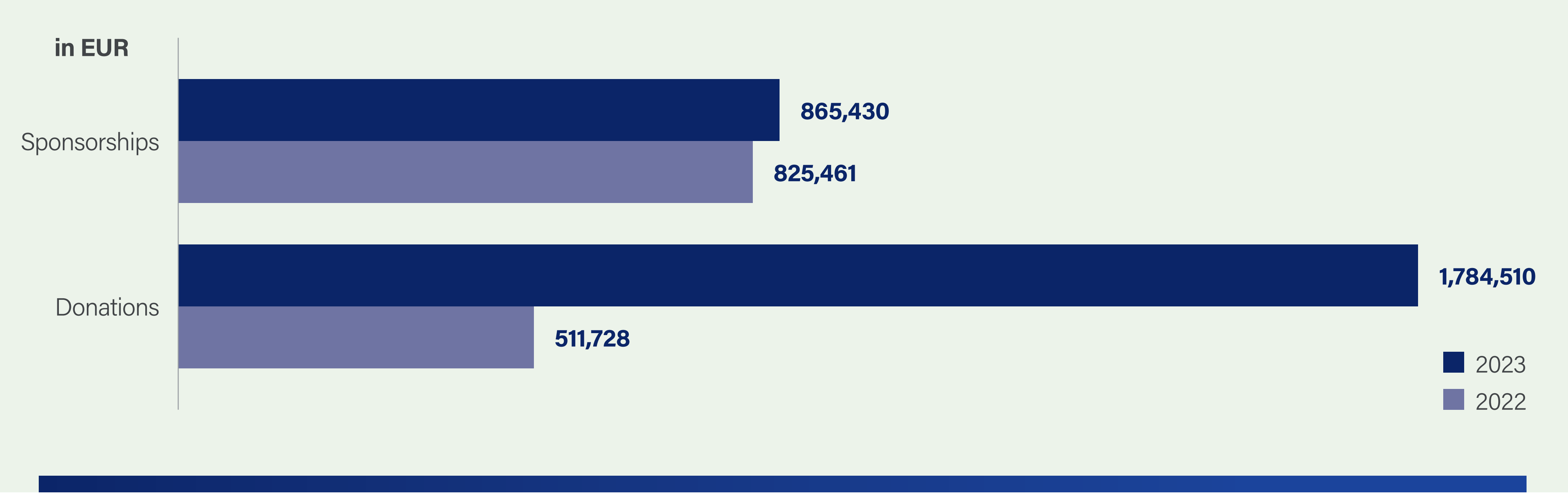
In 2023, our solidarity and charity were primarily shown after the floods that affected the people of Slovenia on a wider scale. The response of our employees was exceptional. Several charity events were organised in various parts of Slovenia. We rehabilitated various buildings affected by the floods, helped clean the buildings and raised funds for families affected by the natural disaster. Together we made big changes and left a lasting impression.

Donating blood is undoubtedly one of the most noble things one can do to help another human being. At HSE Group companies, we support employees who choose to donate blood – as many as 830 of them did so in 2023. In addition to the rights our employees are entitled to subject to the collective agreement, they are also rewarded with an additional day off for their first blood donation of the year.

SPONSORSHIPS AND DONATIONS

The HSE Group also gives back to the environment we co-habitate with by investing in sports, culture, science and charity. Sponsorship and donor funds are allocated thoughtfully, in compliance with a strategy that regulates this area using clearly defined rules and criteria. The objectives pursued through sponsorships are primarily related to strengthening the visibility and reputation of the HSE Group, which has a direct consequence of favouring our mission, vision and development projects.

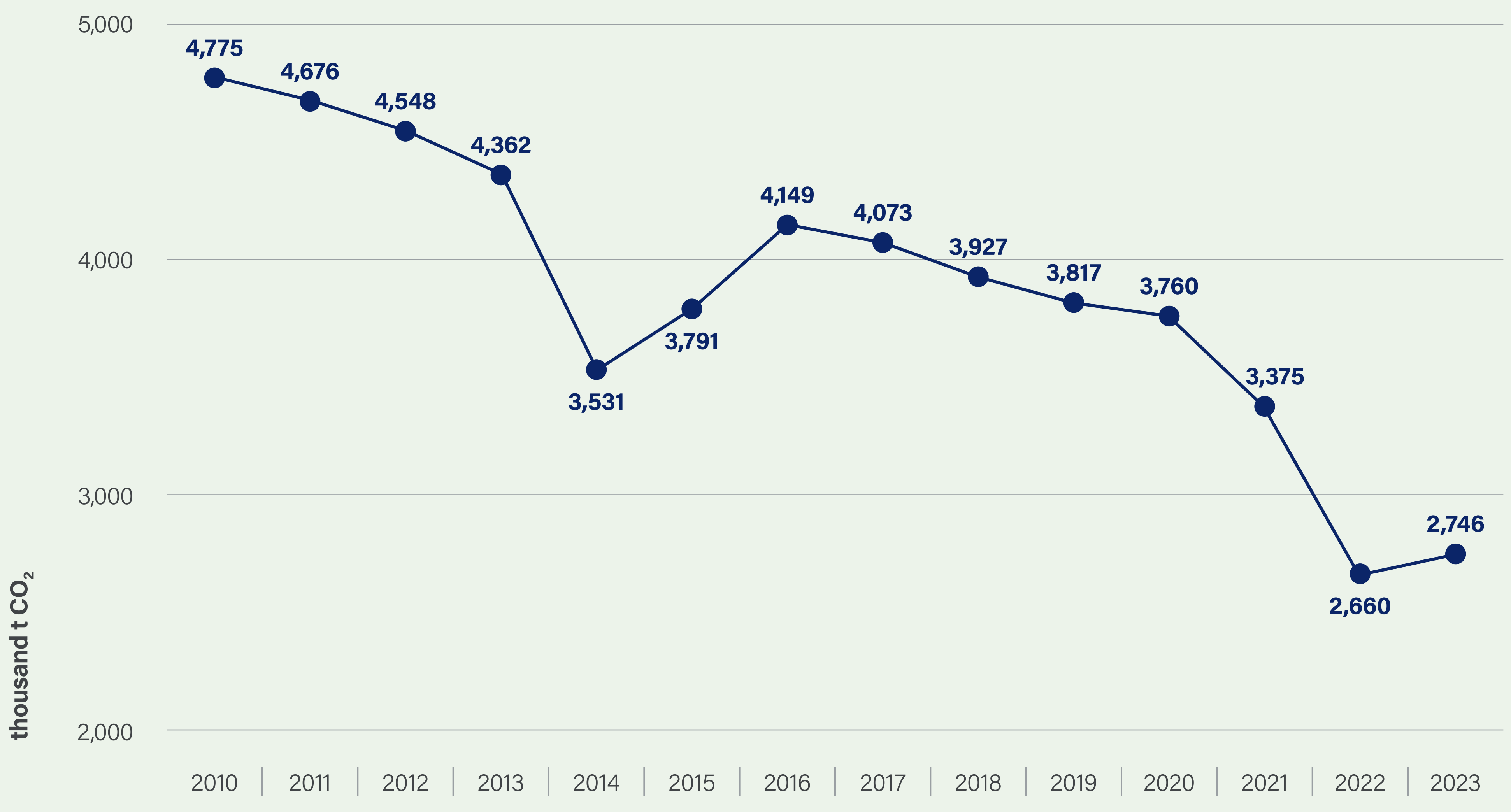
In 2023, the HSE Sponsorships and Grants Committee agreed to support almost thirty organisations, societies, associations and clubs, both in the local environments where our power plants operate, as well as at the national level. A large part of the funds **in the HSE Group, more than two million euros, were allocated to the post-flood reconstruction of Slovenia**. A good EUR 150,000 of financial resources were donated to the civil protection force in the flooded areas in north-eastern Slovenia, where our generation facilities operate, and more widely, to be used for the purchase of equipment necessary to remedy the damage incurred. Construction materials and protective equipment worth a total of almost EUR 70,000 were also donated to the affected areas and 14,700 litres of bottled drinking water were delivered to our affected customers. HSE donated EUR 100,000 to the victims of the floods, and HSE Group employees participated in large numbers as volunteers in the flooded areas. In September, HSE also organized a charity campaign, during which as many as 160 employees helped rehabilitate affected facilities in the Kamnik area: the Virtus sports park, the Sonček kindergarten, the Stranje elementary school and the Črna-Gozd branch school, where school days were made more beautiful for the students using a donation of a new playground. HSE Invest signed a donation agreement with the Municipality of Medvode for the design of the bridge that had been washed away by the water in the August floods in the amount of EUR 48,000. The suppliers ECE and Energija plus, two HSE Group companies, provided 2,200 customers who suffered damage in the floods with the price of electricity at EUR 1/MWh, which means assistance in the amount of EUR 660,000. HSE ended a successful and charitable year with **a donation in the amount of one million euros to the Fund for the Remedy of the Consequences of the Floods that Had Affected Slovenia of Slovenia (SOS Fund)**.



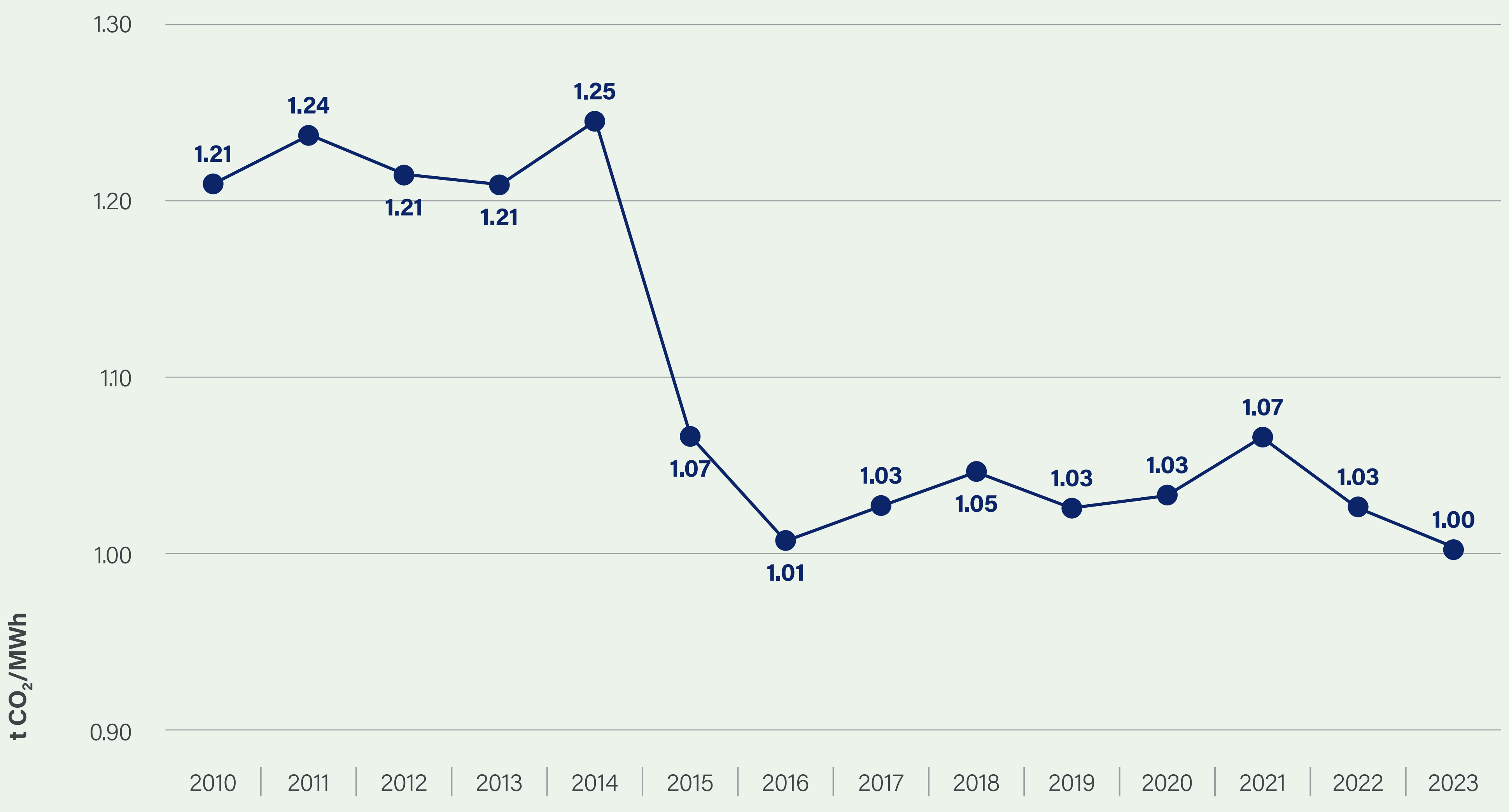
3.8 Let's listen to the environment

The HSE Group is aware of its impact on the environment. As such, it continuously seeks to reduce its negative impacts. The highest level of attention is paid to our thermal part, the Velenje Coal Mine and TEŠ, where lower emissions of greenhouse gases and other environment-hazardous substances have been recorded for several years. As a result of the breakdown of a gallery at the Velenje Coal Mine and the resulting one-month suspension of operations of TEŠ, CO_2 emissions fell by as much as 23% in 2022 compared to the year before. CO_2 emissions were slightly higher in 2023, but still significantly lower than in the pre-covid era. However, there were specific CO_2 emissions in 2023 at a record low level, which means that the least amount of CO_2 per unit of electricity generated was released. The reason behind that is that the most technologically advanced Block 6 in Šoštanj is the most frequently used one.

Total CO_2 emissions by TEŠ



Specific CO_2 emissions of TEŠ – the impact of measures



ACHIEVED SAVINGS IN 2023 IN kWh

Legislation provides that all suppliers of energy to final customers shall provide for energy savings of the same. Pursuant to the Act on Energy Efficiency and the Decree on energy savings requirements, an annual report on the achieved savings is sent to the Energy Agency once a year. The table below contains data for the HSE Group as reported for 2023. Under legislation, the savings (or losses) achieved are transferred for the past three years. The annual savings requirement calculation is 0.8% of sold energy in the preceding year. As such, the HSE Group had to achieve 3.993 million kWhs in energy savings in 2022 - the actual number was even higher, 5.408 million kWhs. Given the completed investment maintenance and excess savings between 2020 and 2022, our total residual energy savings excess amounts to 13.134 million kWhs.

Achived savings in the year 2023 in kWh	
Volume of energy sold in 2022	499,147,780.0
0,80% of energy sold in 2022	3,993,182.2
0,50% of petrol and diesel sold in 2022	0.0
Savings achived in 2023	**5,407,656.9**
Remaining savings surplus from 2020	61,000.0
Remaining savings surplus from 2021	2,208,189.6
Remaining savings surplus from 2022	2,816,473.0
TOTAL remaining energy savings surplus	**13,133,698.3**
Remaining savings surplus from 2020	1,031,480.4
Remaining savings surplus from 2021	6,694,561.0
Remaining savings surplus from 2022	5,407,656.9

WE MEASURE, WE CONTROL, WE IMPROVE

The HSE Group regularly measures and verifies if it meets all the statutory requirements and actively improves its environmental impact. It is active in all areas by optimising the consumption of fuel, shifting to electric cars, and continuously seeking new ways to reduce greenhouse gas emissions.

Air emissions of the HSE Group

Greenhouse gases/carbon print	Unit of measure	2019	2020	2021	2022	2023
Direct emissions (Set 1)						
Due to coal combustion	t CO_2eq	3,739,414	3,677,806	3,291,126	2,605,815	2,663,415
- of which for own usage	t CO_2eq	422,965	421,302	388,701	304,652	314,892
Due to natural gas combustion, ELKO	t CO_2eq	14,452	19,248	21,924	55,012	33,723
Total (Set 1)		3,753,866	3,697,054	3,313,050	2,660,827	2,697,138
Indirect emissions (Set 2)						
Energy sources for direct implementation of activitiest (construction machinery, work leases, work travel)	t CO_2eq	1,944	1,518	3,053	2,797	5,105
Administrative buildings	t CO_2eq	796	741	721	628	678
Indirect emissions (Set 3)						
Transport to work	t CO_2eq	398	400	974	3,629	1,537
Other emissions	t CO_2eq	63,565	63,467	62,099	40,991	48,988
Total	**t CO_2eq**	**3,820,570**	**3,763,181**	**3,379,897**	**2,708,871**	**2,753,446**

Air pollutants	Unit of measure	2019	2020	2021	2022	2023
Intensity for electricity production SO_2	mg/kWh	278	280	321	214	486
NO_x intensity for electricity production	mg/kWh	607	597	640	632	602
Sulphur dioxide (SO_2)	t	1,049	1,037	1,032	570	500
Nitrogen gases, NO_2	t	2,270	2,185	2,032	1,660	1,668
Carbon monoxide (CO)	t	721	740	690	492	514
Particles (PM)	t	65	70	89	71	115
Methane	t	3,752	4,772	3,501	2,354	7,411

RESPONSIBLE WASTE MANAGEMENT

In the spirit of circular economy, the Group strives to maximise the reuse or recycling levels of recyclable material. The majority of non-hazardous waste is treated and used in other processes. As we care for river beds, excess alluvium is safely accumulated at foreseen areas and a new useful value for it is sought.

Waste and waste water management in the HSE Group

Water protection (in mio m³)	2019	2020	2021	2022	2023
Evaporation	7.03	7.71	6.64	4.86	4.39
Technological wastewater	4.03	3.90	3.91	3.66	3.64

Waste (in tonnes)					
All waste	686,420	768,030	595,947	366,535	400,225
Hazardous waste	271	348	360	388	109
Non-hazardous waste	686,149	767,682	595,588	366,147	400,116
Processed waste	675,648	749,368	583,722	354,735	381,931
Debris	1,350	2,486	722	984	2,529

MATERIAL CONSUMPTION

The HSE Group required a significant volume of various materials for continuous operations of our installations. Those that pose a risk to the environment are presented below. The consumption of materials which could negatively affect the environment has been continuously reduced by way of a responsible supply chain and constant improvements.

Consumption of material in the HSE Group

Input materials (in tonnes)	2019	2020	2021	2022	2023
Limestone products ($CaCO_3$, CaO, $Ca(OH)_2$)	146,813	145,601	142,050	94,426	112,013
Ammoium hydroxide	2,711	2,530	2,338	1,945	2,226
Chlorine-hydrogen acid	262	304	219	233	223
Lubricants, oils	160	152	164	124	148
Steel	10,038	8,216	8,492	10,757	7,386
Wood	5,754	5,193	6,036	4,852	5,063

SAVING ENERGY

Maintenance works and investments reduce the consumption of energy products or the Group seeks to replace them with green and sustainable resources.

Consumption of energy in the HSE Group

Energy	Unit of measure	2019	2020	2021	2022	2023
Total end energy consumption (electricity, heat, cooling)	GWh	92.82	77.47	87.96	78.43	79.80
End energy consumption in business premises per employee	kWh/employee	64,957	61,264	60,861	67,111	57,498

Fuels						
Coal	GJ	36,589,929	35,658,312	32,430,765	25,102,848	26,077,566
Natural gas	GJ	256,021	334,286	151,119	910,720	647,057
Other	GJ	646	533	196,706	144,682	51,521

WATER WEALTH

2023 was favourable for us from the point of view of hydrology, which is why much more water flowed through our HPPs than the year before, when hydrology had been at a record low. Water resources are managed responsibly towards all natural and social stakeholders.

Water use in the HSE Group

Water	Unit of measure	2019	2020	2021	2022	2023
Use of river water*	mio m^3	3.380	3.443	3.480	2.844	2.851
Use of accumulation and lakes*	mio m^3	5.216	5.246	4.054	3.547	3.306
Use of groundwater	mio m^3	2.479	2.629	2.775	2.216	2.379
Use of drinking water	m^3	202,015	146,350	123,077	124,861	121,010
Use of water for production at HPP	mio m^3	73,889	85,343	79,504	64,608	77,081

* For cooling technical devices

PRODUCTS AND SERVICES

The HSE Group has material reuse or recycling programmes and projects in place. Bottom ash, slag, and gypsum, generated as waste during coal power generation, are mixed into a stabilising agent placed in the barrier between the Velenje and Družmir Lakes using a special formulation. Certain surpluses are also sold in the construction material production market. In addition to generating electricity, TEŠ also provides thermal energy for the entire Šalek Valley. It was distant heating that significantly contributed to reducing hazardous emissions in the area.

Products and services in the HSE Group

Products and services	Unit of measure	2019	2020	2021	2022	2023
Ashes	t	10,455	22,173	19,397	25,525	74,575
Gypsum	t	23,158	67,789	77,025	90,498	117,412
Stabiliser*	t	639,323	660,834	550,859	329,182	357,813
Waste metals	t	3,441	6,520	6,676	6,702	9,045
Heat energy	MWh	341,217	351,254	374,080	333,597	332,307
Gravel	t	10,666	31,141	27,417	6,753	12,543

* Stabiliser contains ashes, gypsum and slag. Excess materials are sold in the market.

INVESTING IN CONSERVING NATURE

More and more funds are spent on conserving the environment, for animal habitats, clean air, soil, and water on an annual basis. The majority of higher expenses has resulted from higher prices of emission allowances. Nevertheless, investments in concrete environmental projects and programmes have also been on the rise.

Nature conservation expenses in the HSE Group

Nature conservation expenses (in thousand EUR)	2019	2020	2021	2022	2023
Air and climate protection	46,070	81,149	100,660	113,983	219,789
- of which for climate change	*35,867*	*69,961*	*91,027*	*102,334*	*202,815*
Wastewater management	3,442	2,987	2,830	2,944	4,054
Waste management	3,848	5,694	3,920	2,726	4,332
Soil, groundwater and surface water protection and improvement	2,755	6,177	4,448	18,295	1,017
Noise and vibration protection	17	8	19	10	28
Biodiversity and landscape protection	211	336	309	291	374
Research and development	34	5	33	28	5
Other	3,493	3,290	4,309	2,208	3,857
Total	**59,869**	**99,646**	**116,528**	**140,486**	**233,456**

3.9 EU taxonomy

The EU taxonomy (adopted by the European Union with Regulation 2020/852) **identifies six environmentally sustainable economic activities to make sustainable investment decisions**:

1. climate change mitigation,
2. climate change adaptation,
3. the sustainable use and protection of water and marine resources,
4. the transition to a circular economy,
5. pollution prevention and control, and
6. the conservation and preservation of biodiversity and ecosystems.

Reporting also takes into account Regulations (EU) 2019/2088, 2021/2178 and 2021/2139.

The EU thus establishes a uniform system of standards and practices and simultaneously prevents so-called "greenwashing". In compliance with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, the HSE Group shall report on the share of activities, compliant with EU taxonomy and the corresponding technical standards, environmental requirements, and minimum social standards. These shall continue to be developed in the future and expanded to other areas and activities. The EU taxonomy is complementary with other European green transition regulations and measures. The European Green Deal foresees net zero emissions of greenhouse gases by 2050. The achievement of these objectives shall require substantial investments. As a result, the Union seeks to direct capital flows towards sustainable investments so as to achieve sustainability targets. The EU taxonomy which shall serve as one of the criteria for the 'green' financing of companies or the projects shall aid in this regard.

In compliance with Regulation (EU) 2020/852, companies shall report on the share of the activities complying with all criteria listed above, namely through three indicators:

- the share of net income eligible or compliant with the EU taxonomy;
- the share of investments (CapEX), eligible or compliant with the EU taxonomy;
- the share of operating costs (OpEX), eligible or compliant with the EU taxonomy.

Activities eligible for or in line with the EU taxonomy shall include only those who meet the technical criteria (less than 100 g CO_2eq/kWh), environmental and minimum social standards, and have the appropriate NACE codes.

According to this definition, the thermal and hydro divisions were divided first. Since activities related to the use of coal and other fossil fuels are not eligible with the EU taxonomy, specifically Article 19 of Regulation (EU) 2019/2088 in paragraph 3 states: *"The technical review criteria referred to in paragraph 1 shall ensure that electricity generation activities using solid fossil fuels are not considered environmentally sustainable economic activities."* In Annex I of Commission Delegated Regulation (EU) 2021/2178, the use of fossil gaseous fuels for the generation of electricity is allowed, but these must meet the technical screening criteria referred to in Section 4.29 Electricity generation from fossil gaseous fuels which, provides, among other things: "the life-cycle GHG emissions from the generation of electricity using fossil gaseous fuels are lower than 100 g CO_2e/kWh." Based on these criteria, PV Group Companies, TEŠ and HSE EDT, were deemed not eligible with the EU taxonomy.

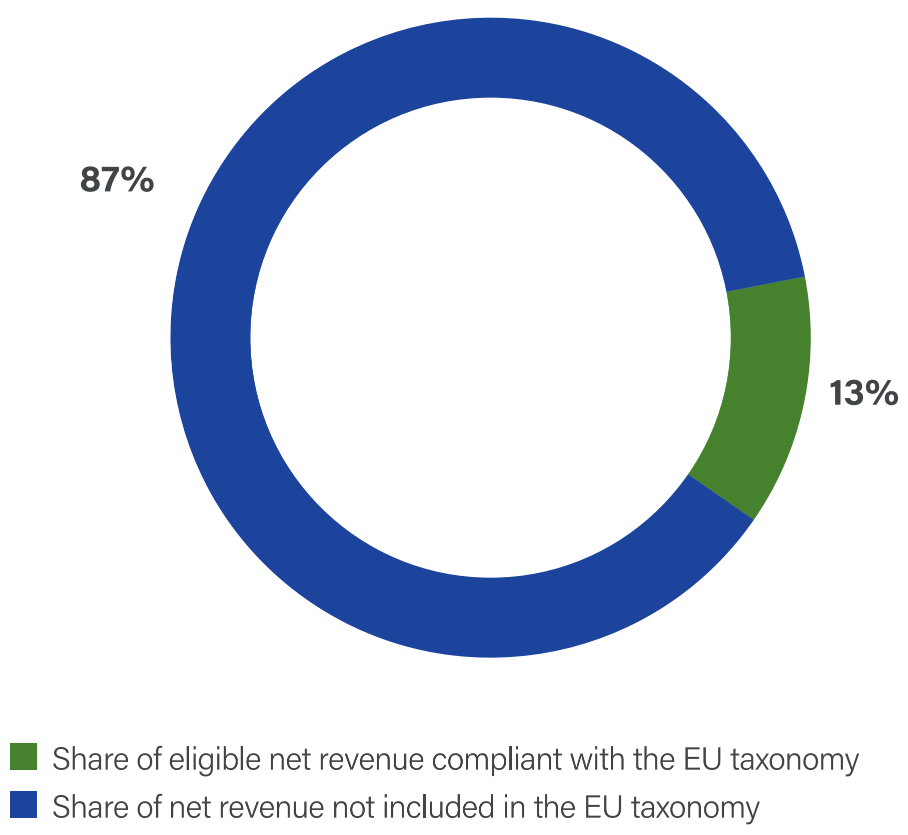
It was verified with DEM and SENG whether their hydro-electric power stations and photovoltaic power plants meet all technical, environmental and social standards. At HSE, the eligibility of the Prapretno photovoltaic power plant with the EU taxonomy was verified.

3.9.1 CALCULATION OF THE EU TAXONOMY

The share of net revenue

The share of net revenue from activities eligible with the EU taxonomy was almost 13% in the year, which is much higher than in 2022, when it had been 5%. The key reason is that 2022 was one of the lowest hydrologies since the existence of the HSE Group, while last year it was among the highest. An additional reason were also the relatively high prices of electricity at the exchanges.

Share of net revenue compliant with the EU taxonomy



Net revenue from activities compliant with the EU taxonomy

			CONTRIBUTES SIGNIFICANTLY					
Activities	**Net turnover (in EUR)**	**Share of revenue (in %)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**
A. ACTIVITIES ELIGIBLE SUBJECT TO THE TAXONOMY								
A.1. Environmentally sustainable activities (compliant with the taxonomy)								
4.10. Storage of electricity	45,970,525	0.93%	Yes	Not eligible	Not eligible	Not eligible	Not eligible	Not eligible
4.1. Generation of electricity from photovoltaic power plants	4,844,889	0.10%	Yes	Not eligible	Not eligible	Not eligible	Not eligible	Not eligible
4.5. Production of electricity in hydro-electric power plants	577,146,018	11.66%	Yes	Yes	Not eligible	Not eligible	Not eligible	Not eligible
Net revenue from environmentally sustainable activities (compliant with the taxonomy) (A.1)	627,961,432	12.69%	99.23%	91.91%	0.00%	0.00%	0.00%	0.00%
Of which enabling activities	**45,970,525**	**0.93%**	**0.92%**	**0.85%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which customization purpose	**0**	**0.00%**	**0.00%**					
A. 2. Eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy)								
Net revenue from eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy) (A.2)	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total (A.1 + A.2)	**627,961,432**	**12.69%**						
B. ACTIVITIES NOT ELIGIBLE SUBJECT TO THE TAXONOMY								
Net revenue from activities not eligible subject to the taxonomy (B)	4,319,731,174	87.31%						
Total (A + B)	**4,947,692,606**	**100.00%**						

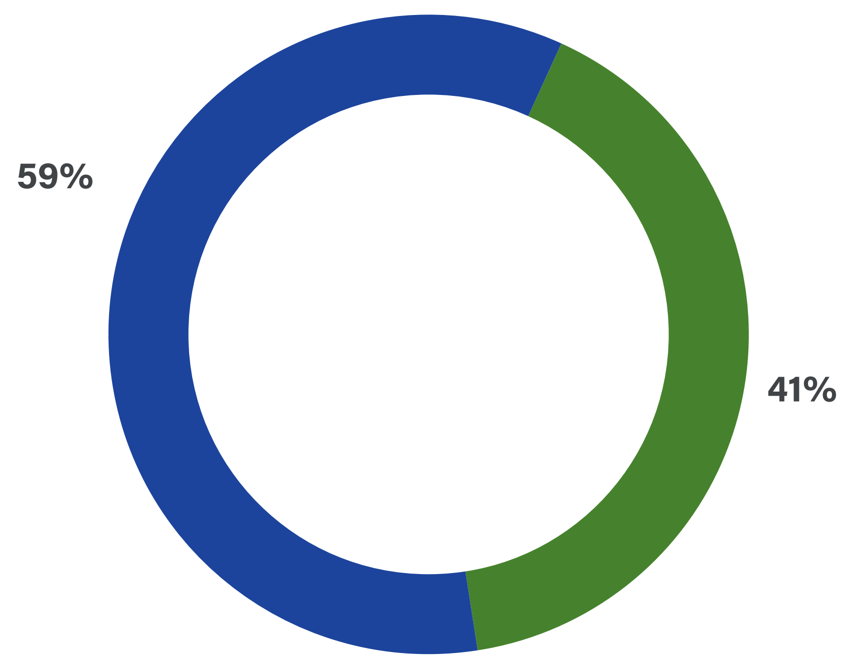
the text continues on the next page

Activities	DOES NOT SIGNIFICANTLY HARM						MINIMUM SAFEGUARDS	Share of environmentally sustainabel or eligible net revenue N-1	Enabling activity
	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems			
A. ACTIVITIES ELIGIBLE SUBJECT TO THE TAXONOMY									
A.1. Environmentally sustainable activities (compliant with the taxonomy)									
4.10. Storage of electricity	N/A	Yes	Yes	Yes	Yes	Yes	Yes	1.58%	Yes
4.1. Generation of electricity from photovoltaic power plants	N/A	Yes	Yes	Yes	Yes	Yes	Yes	0.01%	
4.5. Production of electricity in hydro-electric power plants	N/A	Yes	Yes	Yes	Yes	Yes	Yes	2.99%	
Net revenue from environmentally sustainable activities (compliant with the taxonomy) (A.1)									
Of which enabling activities									
Of which customization purpose									
A. 2. Eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy)									
Net revenue from eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy) (A.2)									
Total (A.1 + A.2)									
B. ACTIVITIES NOT ELIGIBLE SUBJECT TO THE TAXONOMY									
Net revenue from activities not eligible subject to the taxonomy (B)									
Total (A + B)									

Investments

The share of HSE Group's investments eligible with the EU taxonomy is also higher than in 2022, when it had been 31%. Last year, the HSE Group achieved a slightly more than 40% share of investments eligible with the EU taxonomy, which is essential for achieving green transition objectives.

Share of investments compliant with the EU taxonomy



Investments in activities compliant with the EU taxonomy

			CONTRIBUTES SIGNIFICANTLY					
Activities	Net turnover (in EUR)	Share of revenue (in %)	Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
A. ACTIVITIES ELIGIBLE SUBJECT TO THE TAXONOMY								
A.1. Environmentally sustainable activities (compliant with the taxonomy)								
4.10. Storage of electricity	19,031	0.03%	Yes	Not eligible	Not eligible	Not eligible	Not eligible	Not eligible
4.5. Production of electricity in hydro-electric power plants	30,124,405	40.72%	Yes	Yes	Not eligible	Not eligible	Not eligible	Not eligible
Investments in environmentally sustainable activities (compliant with the taxonomy) (A.1)	30,143,436	40.74%	100.00%	99.94%	0.00%	0.00%	0.00%	0.00%
Of which enabling activities	**19,031**	**0.03%**	**0.03%**	**0.03%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which customization purpose	**0**	**0.00%**	**0.00%**					
A. 2. Eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy)								
Investments in eligible activities subject to the taxonomy but not environmentally sustainable (non-compliant with the taxonomy) (A.2)	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total (A.1 + A.2)	**30,143,436**	**40.74%**						
B. ACTIVITIES NOT ELIGIBLE SUBJECT TO THE TAXONOMY								
Investments in activities not eligible subject to the taxonomy (B)	43,839,350	59.26%						
Total (A + B)	**73,982,786**	**100.00%**						

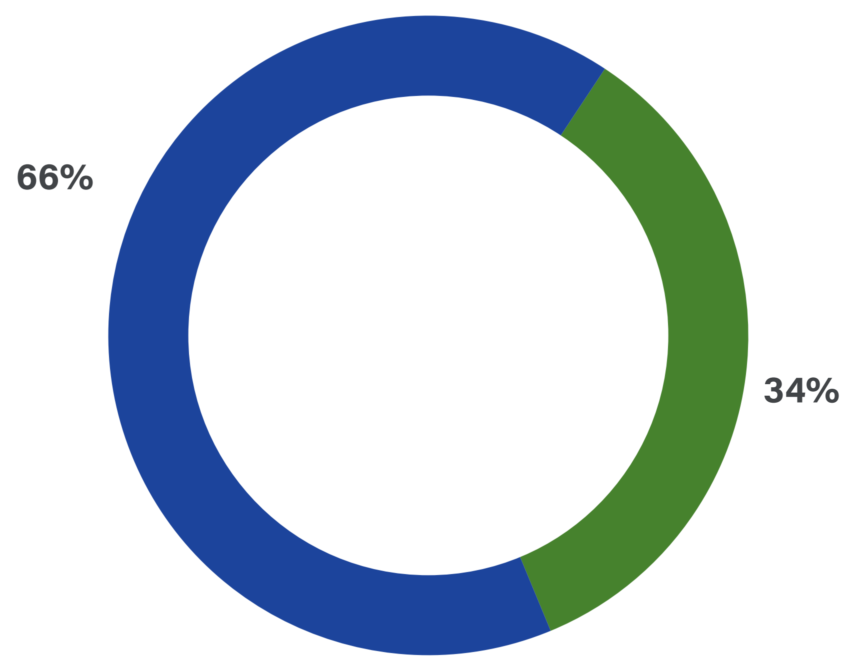
the text continues on the next page

Activities	DOES NOT SIGNIFICANTLY HARM						MINIMUM SAFEGUARDS	Share of environmentally sustainabel or eligible net revenue N-1	Enabling activity
	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems			
A. ACTIVITIES ELIGIBLE SUBJECT TO THE TAXONOMY									
A.1. Environmentally sustainable activities (compliant with the taxonomy)									
4.10. Storage of electricity	N/A	Yes	Yes	Yes	Yes	Yes	Yes	0.09%	Yes
4.5. Production of electricity in hydro-electric power plants	N/A	Yes	Yes	Yes	Yes	Yes	Yes	34.00%	
Investments in environmentally sustainable activities (compliant with the taxonomy) (A.1)									
Of which enabling activities									
Of which customization purpose									
A. 2. Eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy)									
Investments in eligible activities subject to the taxonomy but not environmentally sustainable (non-compliant with the taxonomy) (A.2)									
Total (A.1 + A.2)									
B. ACTIVITIES NOT ELIGIBLE SUBJECT TO THE TAXONOMY									
Investments in activities not eligible subject to the taxonomy (B)									
Total (A + B)									

Operating costs

In 2023, there was also a higher share of eligible operating costs with the EU taxonomy, therefore, in 2023, the share was 34.45%, and, in 2022, it had been a little more than 19%. The key reason for the better result last year is that in 2022 there had been a collapse in a cave of the Velenje Coal Mine, which significantly increased the costs of renovation and investments in establishing normal conditions in the cave.

Share of operating costs, compliant with the EU taxonomy



■ Share of eligible operating costs, compliant with the EU taxonomy
■ Share of operating costs not icluded in the EU taxonomy

Operating costs in activities compliant with the EU taxonomy

Activities	Net turnover (in EUR)	Share of revenue (in %)	CONTRIBUTES SIGNIFICANTLY					
			Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems
A. ACTIVITIES ELIGIBLE SUBJECT TO THE TAXONOMY								
A.1. Environmentally sustainable activities (compliant with the taxonomy)								
4.10. Storage of electricity	37,437,495	11.16%	Yes	Not eligible	Not eligible	Not eligible	Not eligible	Not eligible
4.5. Production of electricity in hydro-electric power plants	78,173,487	23.29%	Yes	Yes	Not eligible	Not eligible	Not eligible	Not eligible
Operating costs in environmentally sustainable activities (compliant with the taxonomy) (A.1)	115,610,982	34.45%	100.00%	67.62%	0.00%	0.00%	0.00%	0.00%
Of which enabling activities	**37,437,495**	**11.16%**	**11.16%**	**7.54%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Of which customization purpose	**0**	**0.00%**	**0.00%**					
A. 2. Eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy)								
Operating costs in eligible activities subject to the taxonomy but not environmentally sustainable (non-compliant with the taxonomy) (A.2)	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total (A.1 + A.2)	**115,610,982**	**34.45%**						
B. ACTIVITIES NOT ELIGIBLE SUBJECT TO THE TAXONOMY								
Operating costs in activities not eligible subject to the taxonomy (B)	219,996,073	65.55%						
Total (A + B)	**335,607,055**	**100.00%**						

the text continues on the next page

Activities	DOES NOT SIGNIFICANTLY HARM Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	MINIMUM SAFEGUARDS	Share of environmentally sustainabel or eligible net revenue N-1	Enabling activity
A. ACTIVITIES ELIGIBLE SUBJECT TO THE TAXONOMY									
A.1. Environmentally sustainable activities (compliant with the taxonomy)									
4.10. Storage of electricity	N/A	Yes	Yes	Yes	Yes	Yes	Yes	2.04%	Eligible
4.5. Production of electricity in hydro-electric power plants	N/A	Yes	Yes	Yes	Yes	Yes	Yes	17.13%	
Operating costs in environmentally sustainable activities (compliant with the taxonomy) (A.1)									
Of which enabling activities									
Of which customization purpose									
A. 2. Eligible activities subject to the taxonomy, but not environmentally sustainable (non-compliant with the taxonomy)									
Operating costs in eligible activities subject to the taxonomy but not environmentally sustainable (non-compliant with the taxonomy) (A.2)									
Total (A.1 + A.2)									
B. ACTIVITIES NOT ELIGIBLE SUBJECT TO THE TAXONOMY									
Operating costs in activities not eligible subject to the taxonomy (B)									
Total (A + B)									

3.10 Corporate security

The Corporate Security Service of the HSE Group is authorized to implement and manage all activities in HSE Group companies. Its mission is to define and implement the necessary security and system measures to manage security risks and ensure the safety of people and property.

The key goal and priority task of the Corporate Security Service of the HSE Group is the management of security risks pertaining to physical and technical security and the establishment of a security system. This includes organizational and functional measures to ensure operating and internal security, security subsystems (implementation of video surveillance, physical and technical security, fire safety, etc.), a modern information (security) system and the promotion of a security culture among employees, including concrete security measures. At the same time, the management of security risks is an important factor in the implementation of the process allowing for uninterrupted operation and the generation of electricity and thermal energy.

In ensuring a higher level of security, the Corporate Security Service also cooperates with external institutions, such as the Police, SOVA, MORS, URSZR, etc. The planning, updating and upgrading of technical security systems in HSE Group companies is carried out in coordination with the Corporate Security Service and in accordance with the legislation governing these areas (Private Security Act, Decree on Mandatory Organization of Security and Critical Infrastructure Act). In addition, this process is carried out as part of the National Crisis Management Centre - NCKU (under the Critical Infrastructure Act). NCKU requires owners and/or managers of critical infrastructure to provide continuous notification of events that may directly or indirectly threaten national security, 24 hours a day, seven days a week.

Following a cyber attack on the information system of the HSE Group, the Corporate Security Service activated and coordinated activities between the HSE and the state authorities SI-CERT, the Police and the Information Security Administration of the Republic of Slovenia (URSI) and established a crisis headquarters at the HSE headquarters with representatives of the aforementioned institutions. At the same time, due to the non-operation or of interrupted network connections, an additional security measure has been introduced within the HSE Group, as it has increased and tightened the physical security of key (generation) units in cooperation with the Police and the HTZ security service. The video surveillance systems in all companies functioned smoothly during the cyber-attack, and the anti-theft signals were transmitted to the security control centre of the external contractual provider of security services.

INFORMATION/CYBER SECURITY

In 2023, the Information Technology Sector achieved important cyber security milestones. They focused on strengthening the information security team, which provided a stronger foundation for future operations and increased awareness of the importance of this area. They successfully completed the establishment of a SIEM security information system, which enabled a valuable insight into all segments of the IT environment. This system was instrumental in the early detection and handling of the attack that occurred in late November 2023. Despite the security incident, they acted quickly and remedied it without any major operating damage. They also set up a temporary security operations centre to continuously monitor security events and implemented multi-level authentication and some other security measures.

In 2024, they will further strengthen the information security team, thereby increasing their capabilities. They expect the European directive NIS2 to be implemented in Slovenian legislation, resulting in the majority of the HSE Group's subsidiaries becoming providers of essential services. In this context, they continue to strengthen the team and integrate advanced security solutions both in the business and process generation network. They also plan to further optimize the management processes and systems, which includes the renewal of rules and procedures, the improvement of the incident management system and the upgrade of security monitoring and reporting tools. They will actively manage security systems and tools and continue to develop identity and access management solutions.

Emphasis will also be placed on employee education, as awareness of the importance of information security is key to successfully protecting the organization from cyber threats.

With this plan, they continue their commitment to providing a high level of cyber security, thereby maintaining the integrity and trust of the organization.

PROTECTION OF GENERATION RESOURCES

Since its establishment, the HSE Group's Corporate Security Department has systematically approached improving the security of generation resources. Our comprehensive approach includes a number of measures, such as upgrading the equipment of technical security systems and increasing the level of information security in HSE Group companies. We managed to establish successful cooperation with state authorities. We replaced an external security service with our own, which contributed to improving the control and efficiency of security procedures.

As part of our physical and technical protection integration strategy, we have established close partnerships with other electricity providers, such as ELES, MZI, etc. Through the continuous implementation and upgrading of security risk management measures, we have made a significant contribution to ensuring the continuous operation and generation of electricity and thermal energy in all HSE Group companies. This was especially evident during emergency situations, such as the emergence of the crisis between Russia and Ukraine and the execution of cyber attacks. Our commitment to security remains critical to the stability of the HSE Group's operations in all circumstances.

LOOKING AHEAD

The Corporate Security Service of the HSE Group will continue to actively strive to establish and maintain an adequate level of security. Our commitment to this objective is key to maintaining the functionality and purpose of HSE Group companies, whose operations strive to ensure a safe, smooth and continuous operation and generation of HSE electricity and heat energy.

As key activities part of the security ensuring process, the HSE Group's Corporate Security Service will continue to implement measures for all HSE Group companies. This includes the planning and implementation of security processes, the implementation of preventive measures to reduce the possibility of harmful events and financial losses, the construction of an integral security system in companies, and the promotion of a security culture in the Company. Security standards, including technical and physical security, will continue to be implemented and cooperation with state institutions strengthened. The service will also actively carry out assessments of vulnerabilities, threats and security risks, and based on these, analyse and plan activities to improve and raise the level of security. This approach will serve to continue to ensure a sustainable and comprehensive security environment in the HSE Group and aim to achieve the highest security standards.

ACCOUNTING REPORT OF THE HSE GROUP[13]

Know-how and commitment -> visibility, esteem and success

04

13 GRI: 201-1.

4.1 Auditor's Report on the HSE Group

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

VAT ID: SI62560085
Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the owner of HOLDING SLOVENSKE ELEKTRARNE d.o.o.

Report on the audit of the consolidated financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with 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 and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities (EU Regulation). Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MAKING AN IMPACT THAT MATTERS since 1845

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 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of property plant and equipment

Key audit matter	How key audit matter was addressed
As of December 31, 2023, the group discloses property, plant and equipment in the amount of EUR 1,044,212 thousand in the consolidated statement of financial position. In the year ended December 31, 2023, the group recognized EUR 54,482 thousand impairment of the aforementioned assets. Additional information on impairments is included in the note Property, plant and equipment (2) to the financial statements. As required by the accounting standard *IAS 36 Impairment of Assets*, management performs an annual impairment test of cash-generating units to assess their recoverable amount. The recoverable amount of property, plant and equipment is determined in accordance with IAS 36 value in use, which is estimated as the present value of the expected future cash flows that the Group is expected to generate. Due to the specific expert knowledge required the management engaged the independent expert in order to estimate the recoverable amount of the assets. Determining critical assumptions and planning expected cash flows requires a high degree of management judgment, and therefore testing the impairment of these assets is considered a key audit matter.	As part of our audit procedures, we assessed the adequacy of the company's accounting policies regarding impairments of property, plant and equipment and their compliance with IFRS, and performed the following audit procedures: - We assessed whether the model used by the management to calculate the value in use meets the requirements of *IAS 36 Impairment of Assets* and whether the assumptions used are reasonable given the current macroeconomic situation, and expected future performance. - We assessed the competencies, abilities and objectivity of the independent management expert and verification of the expert's qualifications. In addition, we discussed the scope of his work with management. - With the help of our internal experts, we assessed whether the methodology used by the management expert was appropriate and whether the significant assumptions used were appropriate for the given purpose. While doing so we focused our assessment predominantly (but not exclusively) on expected future cashflows, assumptions used to determine and calculate the discount rate and other data, prepared by the company which were used in the calculations. - We assessed whether special assumption of obtaining state aid, which was included in the projections and impacts the estimated value in use of property, plant and equipment in TEŠ d.o.o. and Premogovnik Velenje d.o.o., is reasonable considering activities already carried out by the management and planned further actions. - We assessed whether the recoverable amount is properly determined and impairment properly recognized in the

Deloitte.

	consolidated financial statements of the Group. We have also reviewed the information in the consolidated financial statements to assess whether the disclosures regarding the assessment of impairment are appropriate in accordance with the requirements of applicable financial reporting standards.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a

Deloitte.

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, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Report on other legal and regulatory requirements

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

Confirmation to the Audit Committee

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

Prohibited Services

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

Other services performed by the audit company

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

Appointment of the Auditor and responsible certified auditor

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company and the Group on General Shareholders' Meeting held on 31 August 2022, while the president of the Supervisory Board signed the audit contract on 21 September 2022. The audit contract was signed for 3 years. Our total uninterrupted engagement as statutory auditors has lasted since 30 September 2019.

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

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

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, June 21, 2024

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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

4.2 Liability declaration of the management

The management shall be responsible for drawing up consolidated financial statements for each individual financial year according to the International Financial Reporting Standards (IFRS) adopted by the European Union and the Companies Act, so that they present a true and fair view of the HSE Group's operations.

The management legitimately expects the Group to have sufficient resources in the foreseeable future to enable it to continue its operations. The consolidated financial statements are therefore drawn up on a going concern basis of the HSE Group.

The responsibility of the management in drawing up consolidated financial statements includes the following:
- properly selected and consistently applied accounting policies,
- reasonable and sensible assessments and estimates.

The management is responsible for keeping corresponding records, which give an accurate and fair view of the HSE Group's financial position at any given time, and for making sure that the consolidated financial statements of the HSE Group are in accordance with the International Financial Reporting Standards. The management is also responsible for protecting the HSE Group's assets, as well as discovering and preventing abuses and other irregularities.

The management confirms that the 2023 financial year financial statements have been drawn up in accordance with the provisions of the International Financial Reporting Standards, as adopted by the European Union.

The consolidated financial statements of the HSE Group for the financial year ended on 31 December 2023 were adopted by the management on 21 June 2024.

In Ljubljana, on 21 June 2024

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

4.3 Introductory explanatory notes to the consolidated financial statements

The financial report of the HSE Group represents the financial statements with notes.

Based on the decision of the Capital Assets Management Agency of the Republic of Slovenia in its capacity as the then representative of the founder of 29 November 2010, the HSE Group has been drawing up financial statements and notes thereto in accordance with the International Financial Reporting Standards, as adopted by the European Union, since 1 January 2011.

The Deloite revizija d.o.o. audit firm audited the consolidated financial statements with explanatory notes and drew up an independent auditor's report included at the beginning of this section.

4.4 Consolidated financial statements

4.4.1 CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

Items (in EUR)	Explanatory note	31/12/2023	31/12/2022
ASSETS		**2,393,294,417**	**2,455,370,282**
A. NON-CURRENT ASSETS		**1,435,028,274**	**1,388,828,332**
I. Intangible assets	1	185,343,505	46,664,901
II. Property, plant and equipment	2	1,044,212,254	1,112,181,844
III. Right of use assets	3	6,412,679	5,417,975
IV. Investment property	4	17,796,115	16,987,031
VI. Other financial investments and loans	5	144,790,150	144,550,572
VII. Operating receivables	6	33,314,029	59,182,610
VIII. Other assets		1,447,465	1,769,001
IX. Deferred tax receivables	7	1,712,077	2,074,398
B. CURRENT ASSETS		**958,266,143**	**1,066,541,950**
I. Assets included in the disposal groups		7,400	13,999
II. Inventories	9	118,979,546	92,210,574
III. Financial investments and loans	10	384,922	5,244,145
IV. Current trade receivables	11	546,282,957	475,775,175
V. Contract assets	12	737,907	3,698,292
VI. Tax receivables	33	3,030,136	16,524,980
VII. Other assets	13	177,559,016	116,367,522
VIII. Cash and cash equivalents	14	111,284,259	356,707,263

Items (in EUR)	Explanatory note	31/12/2023	31/12/2022
EQUITY AND LIABILITIES		**2,393,294,417**	**2,455,370,282**
A. EQUITY	15	**1,173,324,579**	**1,024,739,729**
I. Called-up capital		29,558,788	29,558,788
II. Capital reserves		711,243,182	1,053,243,183
III. Reserves from profit		0	413,501,341
IV. Risk hedging reserve		-5,575,521	-106,751,557
V. Fair value reserves		-12,924,886	-11,582,513
VI. Retained profit/loss		428,859,934	-374,159,547
VII. Conversion reserve		-153,249	-573,104
VIII. Capital of owners of non-controlling shares		22,316,331	21,503,138
B. NON-CURENT LIABILITIES		**619,822,377**	**644,599,575**
I. Provisions for severance pays and anniversary bonuses	16	28,342,987	25,003,111
II. Other provisions	17	68,322,694	59,045,005
III. Other liabilities	18	10,493,712	8,251,877
IV. Financial liabilities	19	508,230,148	548,758,833
V. Financial liabilities from leases	19	4,257,640	3,242,768
VI. Operating liabilities		150,751	273,683
VII. Deferred tax liabilities	8	24,445	24,298
C. CURRENT LIABILITIES		**600,147,461**	**786,030,978**
II. Financial liabilities	20	82,959,803	264,783,510
III. Financial liabilities from leases	20	1,911,807	2,018,048
IV. Operating liabilities	21	356,635,343	404,433,714
V. Contract liabilities		130,120	3,333
VI. Tax liabilities	33	45,401,780	6,238,321
VII. Other liabilities	22	113,108,608	108,554,052

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

4.4.2 CONSOLIDATED INCOME STATEMENT

Items (in EUR)	Explanatory note	2023	2022
1 Net sales revenues	24	4,947,692,606	5,330,676,422
2. Change in value of inventories and work in progress		16,936,925	10,666,583
3. Other operating income	25	167,202,204	55,355,804
GROSS OPERATING INCOME		**5,131,831,735**	**5,396,698,809**
4. Costs of goods, materials and services	26	4,083,986,184	5,175,806,028
5. Labour costs	27	170,063,945	142,474,878
6. Value write-offs	28	175,274,359	114,065,695
7. Capitalised own products and services	29	-15,139,459	-18,450,407
8. Other operating expenses	30	250,004,001	221,123,369
OPERATING PROFIT/LOSS		**467,642,705**	**-238,320,754**
9. Financial revenue		**2,611,690**	**167,444**
10. Financial expenses		**31,454,653**	**27,074,284**
FINANCIAL OUTCOME	31	**-28,842,963**	**-26,906,840**
11. Shares in affiliated and jointly-controlled companies	32	1,443,290	1,426,131
PROFIT (LOSS) BEFORE TAX		**440,243,032**	**-263,801,463**
TAX	33	**49,411,771**	**8,148,626**
12. Current tax		49,296,881	7,527,999
13. Deferred tax		114,890	620,627
NET PROFIT/LOSS FOR THE YEAR	34	**390,831,261**	**-271,950,089**
Owner of parent company		389,908,697	-280,477,134
Non-controlling interest		922,564	8,527,045

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

4.4.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Items (in EUR)	Explanatory note	2023	2022
NET PROFIT/LOSS FOR THE YEAR	34	**390,831,261**	**-271,950,089**
Change in fair value reserves for real property, plant and equipment		-82,317	-195,657
Actuarial profits and losses of programmes with certain income of employees		-1,736,415	656,632
Profits and losses from currency translation differences for financial statements of companies abroad		419,855	-30,567
Items that will subsequently not be included in the income statement	15	**-1,398,877**	**430,408**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows		100,106,155	-17,872,033
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss		1,069,881	11,982
Change in reserve for fair value of financial assets via other comprehensive income		621	-7,169
Items that will subsequently be included in the income statement	15	**101,176,657**	**-17,867,220**
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		**490,609,041**	**-289,386,901**
Owner of parent company		489,765,868	-298,068,275
Non-controlling interest		843,173	8,681,374

4.4.4 CONSOLIDATED CASH FLOW STATEMENT

Items (in EUR)	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss	390,831,261	-271,950,089
Adjustments for:		
Depreciation of property, plant and equipment, investment property, rights to use assets and amortisation of intangible assets	97,095,185	93,547,568
Impairments/write-offs, sales of real property, plant and equipment, intangible assets and investment property	55,932,921	19,899,850
Inventories write-offs	21,309,466	328,208
Operating receivables write-offs	936,787	290,069
Elimination of write-off/impairment of operating receivables	-593,497	-2,257,345
Financial revenue	-2,611,690	-167,444
Financial expenses	31,454,654	27,074,284
Shares in affiliated and jointly-controlled companies	-1,443,290	-1,426,131
Profit from sale of property, plant and equipment	-1,124,310	-1,445,942
Taxes	49,411,771	8,148,626
Operating profit before changes in net current assets and taxes	**641,199,257**	**-127,958,346**
Changes in net current assets and provisions		
Change in:		
Inventories	-52,724,178	-55,578,715
Trade receivables and other assets	-102,892,065	-59,337,060
Operating liabilities to suppliers and other liabilities	256,394,035	86,198,471
Assets held for sale	6,599	0
Provisions	3,307,458	1,138,383
Profit tax paid	3,361,422	-15,492,242
Cash from operations	**748,652,529**	**-171,029,509**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	2,601,229	146,253
Remuneration from other financing	841	6,951
Dividends received	9,620	14,240
Proceeds from sale of real property, plant and equipment	1,281,895	1,615,651
Proceeds from sales of investment property	37,817	1,531,832
Proceeds from reduction of current loans given	5,133,642	5,801,391
Acquisitions of property, plant and equipment	-69,800,216	-64,040,374
Acquisitions of intangible assets	-336,789,528	-117,911,398
Acquisitions of investment property	-97,417	-131,585
Purchase of subsidiaries net of cash acquired	0	-19,848,800
Lease payments	-3,569,133	-1,004,067
Increase of current loans given	-669	-5,195,011
Increase of non-current loans given	-659	-271,568
Cash from investment	**-401,192,578**	**-199,286,485**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of capital reserves	0	492,000,000
Proceeds from leases	3,308,676	1,093,317
Proceeds from non-current loans received	141,250,000	595,000,000
Proceeds from current loans received	33,500,000	473,339,810
Returns of capital reserves	-342,000,001	0
Payments of loan interest	-25,074,762	-15,813,221
Payments of other financial liabilities	-6,866,288	-10,535,392
Payments of other financial liabilities	-191,178,685	-558,328,125
Payments of current loans	-203,820,000	-344,593,800
Payment of current financial liabilities	-2,001,895	-1,729,080
Cash from financing	**-592,882,955**	**630,433,509**
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	**356,707,263**	**96,589,748**
Profit or loss for the period	**-245,423,004**	**260,117,515**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**111,284,259**	**356,707,263**

4.4.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Items (in EUR)	CALLED-UP CAPITAL	CAPIRAL RESERVES	RESERVE FROM PROFIT	RISK HEDGING RESERVE	FAIR VALUE RESERVES	RETAINED PROFIT/LOSS		CONVERSION RESERVE	CAPITAL OF MINORITY OWNERS	TOTAL
	Share capital		Other reserves from profit			Retained net earnings	Net profit/loss for the year			
Balance as at 1/1/2022	**29,558,789**	**561,243,185**	**413,856,350**	**-88,891,503**	**-14,227,666**	**-142,244,812**	**48,729,839**	**-530,213**	**9,539,882**	**817,033,848**
B.1. Transactions with owners	**0**	**492,000,000**	**-355,008**	**0**	**0**	**-157,279**	**0**	**-12,326**	**5,643,038**	**497,118,425**
Disbursement of dividends	0	0	0	0	0	0	0	-12,326	0	-12,326
Entry of additional capital increases	0	492,000,000	0	0	0	0	0	0	0	492,000,000
Other changes in equity	0	0	-355,008	0	0	-157,279	0	0	5,643,038	5,130,751
B.2. Changes in comprehensive income	**0**	**0**	**0**	**-17,860,054**	**310,152**	**-10,675**	**-280,477,133**	**-30,565**	**8,681,374**	**-289,386,901**
Entry of net profit for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**-280,477,133**	**0**	**8,527,045**	**-271,950,088**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**315,513**	**-10,675**	**0**	**-30,565**	**156,137**	**430,410**
Change in surplus from revaluation of real property, plant and equipment	0	0	0	0	-195,657	0	0	0	0	-195,657
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	511,170	-10,675	0	0	156,137	656,632
Profits and losses from currency translation differences for financial statements of companies abroad	0	0	0	0	0	0	0	-30,565	0	-30,565
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**-17,860,054**	**-5,361**	**0**	**0**	**0**	**-1,808**	**-17,867,223**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	-17,872,036	0	0	0	0	0	-17,872,036
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	11,982	0	0	0	0	0	11,982
Change in reserve for fair value of financial assets via other comprehensive income	0	0	0	0	-5,361	0	0	0	-1,808	-7,169
B.3. Changes in equity	**0**	**0**	**0**	**0**	**2,335,001**	**48,730,352**	**-48,729,839**	**0**	**-2,361,156**	**-25,642**
Allocation of the remainder of net profit of the comparative reporting period to other components of capital		0	0	0	0	48,729,839	-48,729,839	0	0	0
Other changes in equity	0	0	0	0	2,335,001	513	0	0	-2,361,156	-25,642
Balance as at 31/12/2022	**29,558,789**	**1,053,243,185**	**413,501,342**	**-106,751,557**	**-11,582,513**	**-93,682,414**	**-280,477,133**	**-573,104**	**21,503,138**	**1,024,739,730**

the text continues on the next page

Items (in EUR)	CALLED-UP CAPITAL	CAPIRAL RESERVES	RESERVE FROM PROFIT	RISK HEDGING RESERVE	FAIR VALUE RESERVES	RETAINED PROFIT/LOSS		CONVERSION RESERVE	CAPITAL OF MINORITY OWNERS	TOTAL
	Share capital		Other reserves from profit			Retained net earnings	Net profit/loss for the year			
Balance as at 1/1/2023	**29,558,789**	**1,053,243,185**	**413,501,342**	**-106,751,557**	**-11,582,513**	**-93,682,414**	**-280,477,133**	**-573,104**	**21,503,138**	**1,024,739,730**
B.1. Transactions with owners	**0**	**-342,000,000**	**0**	**0**	**-52,337**	**0**	**0**	**0**	**-29,980**	**-342,082,317**
Additional capital returned	0	-342,000,000	0	0	0	0	0	0	0	-342,000,000
Other changes in equity	0	0	0	0	-52,337	0	0	0	-29,980	-82,317
B.2. Changes in comprehensive income	**0**	**0**	**0**	**101,176,036**	**-1,290,036**	**-366,366**	**389,908,697**	**419,855**	**843,173**	**490,691,359**
Entry of net profit for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**389,908,697**	**0**	**922,563**	**390,831,260**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**-1,290,501**	**-366,366**	**0**	**419,855**	**-79,547**	**-1,316,559**
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	-1,290,501	-366,366	0	0	-79,547	-1,736,414
Profits and losses from currency translation differences for financial statements of companies abroad	0	0	0	0	0	0	0	419,855	0	419,855
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**101,176,036**	**465**	**0**	**0**	**0**	**157**	**101,176,658**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	1,069,881	0	0	0	0	0	1,069,881
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	100,106,155	0	0	0	0	0	100,106,155
Change in reserve for fair value of financial assets via other comprehensive income	0	0	0	0	465	0	0	0	157	622
B.3. Changes in equity	**0**	**0**	**-413,501,342**	**0**	**0**	**133,000,016**	**280,477,134**	**0**	**0**	**-24,192**
Allocation of the remainder of net profit of the comparative reporting period to other components of capital	0	0	0	0	0	-280,477,134	280,477,134	0	0	0
Other changes in equity	0	0	-413,501,342	0	0	413,477,150		0	0	-24,192
Balance as at 31/12/2023	**29,558,789**	**711,243,182**	**0**	**-5,575,521**	**-12,924,886**	**38,951,236**	**389,908,698**	**-153,249**	**22,316,331**	**1,173,324,579**

4.5 Notes to the consolidated financial statements of HSE Group

4.5.1 REPORTING COMPANY

The consolidated financial statements of the HSE Group are drawn up by the parent company, Holding Slovenske elektrarne, d.o.o. The registered head office of the parent company is Koprska ulica 92, 1000 Ljubljana, where consolidated financial statements as part of the annual report of the company and Group are available.

Consolidated financial statements as of 31 December 2023 report Group operations that include the parent company and its subsidiaries, participating interests in joint ventures and participating interests in associates.

The HSE Group is the largest Slovenian electricity producer (from hydro, photovoltaic, and fossil sources) and trader in wholesale markets in Slovenia and Europe.

The financial year of the HSE Group shall correspond to the calendar year. The consolidated financial statements for the year ended on 31 December 2023 are presented below.

The HSE Group as at 31 December 2023

Company	% ownership 31/12/2023	% ownership 31/12/2022	Country of the company's registered office
HSE	100%	100%	Slovenia
DEM	100%	100%	Slovenia
SENG	100%	100%	Slovenia
TEŠ	100%	100%	Slovenia
PV	100%	100%	Slovenia
HTZ I.P.	100%	100%	Slovenia
RGP	100%	100%	Slovenia
SIPOTEH	100%	100%	Slovenia
PLP	100%	100%	Slovenia
HSE EDT	100%	100%	Slovenia
HSE Invest	86.84%	86.84%	Slovenia
SRESA	60%	60%	Slovenia
mHE LOBNICA	65%	65%	Slovenia
ECE	63.58%	63.58%	Slovenia
Energija plus	51%	51%	Slovenia
HSE MAK Energy	100%	100%	North Macedonia
HSE BH	100%	100%	Bosnia and Herzegovina
HSE Balkan Energy	100%	100%	Serbia

The most important information from the primary financial statements of the HSE Group is presented below:

Company	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
HSE	1,964,160,651	1,017,435,873	5,172,679,337	366,447,674	946,724,778
DEM	503,077,163	22,537,011	81,606,914	14,922,343	480,540,152
SENG	244,564,804	14,320,702	77,821,222	19,946,429	230,244,102
TEŠ	777,710,039	583,695,703	478,692,729	-45,912,845	194,014,336
PV	221,403,641	196,112,237	200,427,146	-5,744,913	25,291,406
HTZ I.P.	15,031,399	14,207,753	36,589,294	66,580	823,646
RGP	15,608,790	11,158,334	27,413,721	2,085,058	4,450,456
SIPOTEH	3,422,215	1,445,699	4,540,232	399,136	1,976,516
PLP	2,039,378	758,115	3,647,888	209,163	1,281,263
HSE EDT	3,137,777	939,134	1,360,842	558,178	2,198,643
HSE Invest	3,735,616	2,607,286	7,668,604	159,456	1,128,330
SRESA	37,801	0	0	-4,845	37,801
mHE Lobnica	622,018	3,208	51,066	11,960	618,810
ECE	123,576,937	90,786,532	483,385,151	1,505,782	32,790,405
Energija plus	101,579,370	81,234,113	392,075,909	703,794	20,345,257
HSE MAK Energy	10,273,495	8,435,091	111,328,258	360,997	1,838,404
HSE BH	9,803,625	7,245,446	89,875,373	470,303	2,558,179
HSE Balkan Energy	775,893	15,281	177,957	26,980	760,612

Associate

Name of the company	Co-owner	Registered office country	% of co-ownership	% of ownership of HSE Group
HESS	DEM	Slovenia	30.8%	49%
	HSE	Slovenia	15.4%	
	SENG	Slovenia	2.8%	

Company	Address	Activity
HESS	Cesta bratov Cerjakov 33a, 8250 Brežice	Electricity production at hydro power plants

Significant amounts from statements of associate in 2023 (in EUR)	Assets	Liabilities (without capital)	Revenue	Net profit/ loss for the year	Amount of total capital
HESS	331,335,375	36,392,279	25,387,755	2,854,893	294,943,096

Jointly-controlled company

Company	Address	Activity	% of ownership
SOENERGETIKA	Stara cesta 3, 4000 Kranj	Production of electricity and heat	25%

Significant amounts from statements of jointly-controlled company in 2023 (in EUR)	Assets	Liabilities (without capital)	Revenue	Net profit/ loss for the year	Amount of total capital
SOENERGETIKA	1,608,633	300,738	2,308,134	177,573	1,307,895

Branch

The Group has a branch in the Czech Republic. In 2023, it did not trade in electricity as this was transferred to HSE. The operations of the branch are included in the financial statements of the Company HSE.

4.5.2 DRAWING UP BASIS

a) Statement of conformity

The Group drew up its consolidated financial statements as at 31 December 2023 by taking into account the following:

- International Financial Reporting Standards (IFRS), which include the International Accounting Standards (IAS), Interpretations from the Standing Interpretations Committee (SIC), the International Financial Reporting Standards and Interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union,
- Companies Act,
- Energy Act;
- Electricity Supply Act and Gas Supply Act,
- Corporate Income Tax Act,
- Rules on the implementation of the Corporation Tax Act and its bylaws,
- HSE Corporate Accounting Rules and
- other applicable laws.

b) Accounting assumptions and qualitative characteristics of financial statements

The financial statements of the Group were drawn up by taking into consideration the basic accounting assumptions:

- accrual and
- going concern.

The effects of transactions and other events are recognised when they actually occur, not when they are paid, and are recorded and reported for the periods to which they apply. Therefore, the consolidated financial statements also include information on liabilities regarding monetary payments in the future, as well as assets that will generate revenue in the future.

The financial statements of the Group were drawn up by taking into consideration the assumption that the Group would not significantly decrease the scope of its operations, or even cease its operations and that it shall continue with its operations in the foreseeable future.

The following qualitative characteristics of consolidated financial statements have been taken into account:

- **Fair presentation and compliance with the international financial reporting standards**: The consolidated financial statements fairly represent the financial position, financial performance and cash flows of the Group.
- **Presentation consistency**: For the sake of comparability of data, the presentation and classification of items in financial statements is the same from period to period.
- **Materiality and aggregation**: Each material group that comprises similar items is presented separately in the consolidated financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.
- **Offsetting**: assets and liabilities, and revenue and expenses, are not offset unless this is required or permitted by a standard or an interpretation.
- **Comparative information**: unless the standard or the interpretation permits or requires otherwise, for all of the presented amounts in the consolidated financial statements, comparative information is disclosed in respect of the previous period. Comparative information is included in the narrative and descriptive information when it is relevant for understanding the consolidated financial statements for the relevant period.
- **Amendments to important accounting policies**: the same accounting bases, policies and valuation and recognition principles were observed while compiling the consolidated financial statements as for the year 2023.

c) Measurement basis

The consolidated financial statements have been drawn up based on historical cost, except for the following assets and liabilities, measured at their fair value.

d) Functional and reporting currency

The consolidated financial statements in this report are presented in euro (EUR) without cents; the euro is also the Group's reporting currency. When using addition, insignificant rounding errors in tables may occur.

e) Application of estimates and judgements

The drawing up of consolidated financial statements requires the companies managements to form certain estimates and assumptions that affect the disclosed amounts of assets and liabilities, revenue and expenses and disclosures of contingent assets and liabilities in the reporting period. The formation of estimates and of accompanying assumptions and uncertainties are disclosed in notes to individual items.

Estimates and judgements are based on past experience and other factors that are considered reasonable in the given circumstances and on the basis of which the judgements on the carrying amount of assets and liabilities are expressed. As these estimates and assumptions are based purely on subjective considerations and entail a degree of uncertainty, subsequent actual results may differ from them. These are reviewed on an ongoing basis. Modifications to accounting estimates shall be recognised in the period in which the estimates had been modified if the modification only affects that period; or in the period of modification and subsequent periods if the modification affects subsequent periods.

Estimates and assumptions shall be present in the following judgements in particular:

- estimate of the useful life of depreciable assets (the section entitled Notes to the consolidated financial statements of the HSE Group - intangible assets, right-to-use assets, and property, plant and equipment in addition to the Note Disclosures 1, 2 and 3 to the consolidated financial position statement),
- impairment testing of non-current assets, including goodwill (Note Disclosures 1, 2, 4 to the consolidated income statement),
- identification of lease agreements (Section Notes to the consolidated financial statements - Leases),
- assessment of the liquid amount of receivables (Note Credit risk disclosure),
- estimate of the net realisable value of inventories (Section Notes to the consolidated financial statements - Inventories),
- assessment of provisions for post-employment and other non-current employee benefits (retirement allowances) (Note Disclosure 16 to the consolidated financial position statement),
- assessment of other provisions (Note Disclosure 17 to the consolidated financial position statement); and
- assessment of the useful life of contingent liabilities (Note Disclosure 23 to the consolidated financial position statement).

Further assessments and judgements applied by the management in drawing up the financial statements as at 31 December 2023 are as follows:

1. The HSE Group holds the right to buy back 35.6% of the shareholding in HESS, which it has sold (redemption right), and the purchaser/acquirer are obliged to sell their shareholding no later than 31 December 2028, whereby HSE may exercise its redemption right between 30 June 2026 and 30 June 2028. The redemption right relates to the redemption of the total 35.6% shareholding, namely SEL's total shareholding amounting to 14.7% of the share capital in HESS and GEN's total shareholding amounting to 20.9% of the share capital in HESS. The Group shall exercise the redemption right towards both company members/acquirers at the same time. The estimated option value as at 31 December 2023 is EUR 0, as it is estimated that it shall be exercised at an above-market price.

2. The HSE Group holds the right to acquire a 36.42% shareholding in the ECE share capital from Elektro Celje. HSE currently owns 63.58% of equity in ECE.

   There is a call option for the redemption of the remaining shareholding (36.42%) in ECE from Elektro Celje, namely:
   - The call option shall enter into force on 1 January 2025 and apply until 31 May 2025 and shall be exercised on 30 June 2025. The HSE Group shall redeem the option by expressing to Elektro Celje its intention to exercise its call option right. The purchase price shall be laid down by an option agreement giving rise to the executable value of the option equalling its market value at the time of execution. Given the execution value specification method, the fair value of the financial instrument (option) is close to EUR 0.

3. The power plant decommissioning obligation relates solely to the replacement of Block 6 of TEŠ (Šoštanj Thermal Power Plant), as indicated in the energy permit for this facility. The environmental permits for other production facilities do not include a decommissioning obligation. The decommissioning shall be planned and managed by taking into consideration current and future standards, as well as the conditions for these kinds of works (such as environmental conditions, occupational health conditions, handling of certain materials that might be labelled hazardous in the future). Most of these conditions shall be determined in the consents and the building permit at the beginning of the decommissioning process.

   The assessment of the decommissioning costs is made based on the quantity of installed materials and expert assessments of their removal. Studies or assessments of decommissioning costs of certain similar facilities around Europe have been used as support.

   Hydro-electric power plants shall be subject to regular maintenance for the duration of the concession right. After the expiry of the concession period, no decommissioning costs are foreseen for the concessioner.

4. The obligation to form provisions for closing works of the remaining excavation in Velenje is formed on the basis of the discounted cost value estimate for the closing works as arising from the study Evaluations of activities relating to closing the mines of the PV upon abandoning the exploitation of the Velenje's part of the site, compiled by a group of company experts. The Group reviews the provision on an annual basis. In 2023, the HSE Group reassessed closing work activities as referred to in the study and formed additional provisions on the basis thereon. The calculation of costs of services and goods takes into consideration current market values for carrying out the defined activities based on the monitoring and environmental rehabilitation quotes received as well as the assessed cost of the services and goods required for individual liquidation works. There is some insecurity regarding the extension of the concession agreement, a change to the extraction concept, in relation to an assessment of the provisions. As a result, baselines related to the statutory basis, HR, and financial projections and the TEŠ operating regime are regularly monitored.

5. In compliance with IFRS 9.2.6, the HSE Group shall account for electricity, gas and emission allowance procurement and sales contracts for the purpose of trading as derivatives, as, for these contracts, the Group usually has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin (in compliance with the rules of IFRS 9 on contract settling net). In compliance with IFRS 9.2.4, the Group shall account for these contracts as derivatives and measure them at fair value through profit or loss.

6. In the event of impairment testing for a cash-generating unit with assets with limited useful lives (TEŠ and PV), business projections for its entire useful life are used. The key assumptions are presented in the following disclosures on the implementation and results of impairment of assets of the cash generating unit.

4.5.3 IMPORTANT INFORMATION ON ACCOUNTING POLICIES

The consolidated financial statements are drawn up based on the important information on the accounting policies presented below. This mentioned information was applied for both reported years, unless specified otherwise. Where necessary, the comparable data were adjusted to match the information presented for the current year.

Foreign currency conversion

Transactions in foreign currencies are translated into the applicable functional currency at the exchange rate on the date of the transaction.

Cash assets and liabilities denominated in foreign currency at the end of the period are translated into the functional currency at the then valid exchange rate.

Positive or negative exchange rate differences are the differences between the amortised cost in the functional currency at the beginning of the period, adjusted by the amount of the effective interest rate and the payments during the period, and the amortised cost in foreign currency, calculated at the exchange rate at the end of the period.

Foreign exchange differences are recognised in the income statement by applying the principle of net profit or loss.

Financial statements of subsidiaries abroad, whose functional value does not match the reporting currency of the Group, are translated by using the following exchange rates:

- assets and liabilities (other than capital) translated at the exchange rate as at the reporting date,
- capital at the initial exchange rate and
- revenue and expenses at the average exchange rate in the reporting year.

Consolidation basis

Consolidated financial statements comprise financial statements of the parent company and its subsidiaries. Subsidiaries are entities controlled by the parent company. This means that the parent company holds the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is assumed to the date on which it ceases.

Transactions with the owners of non-controlling interest are treated in the same way as transactions with external partners. Gains and losses of the owners of non-controlling interest are disclosed in the consolidated income statement. The equity of non-controlling interest owners in the consolidated statement of financial position is disclosed separately from other equity items.

The financial statements of Group companies have been aggregated into the consolidated financial statements on the basis of full consolidation. The financial statements are compiled item by item, by summing similar items of assets, liabilities, equity, revenue and expenses.

The consolidated financial statements do not include balances of receivables and receivables among Group companies, revenue and expenses and realised gains and losses from transactions within the Group.

Exchange rate differences from the translation of financial statements of subsidiaries (whose functional currency does not match the reporting currency of the Group) are recognised in the translation capital reserve or in the statement of other comprehensive income.

Business combinations are accounted for by applying the acquisition method. An acquirer identifying the date on which it obtains control over the acquiree shall be identified. On the acquisition date, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets and the liabilities assumed, and assets acquired at their fair values at the acquisition date.

Goodwill or a gain from a bargain purchase (negative goodwill) shall be recognised as a result of a business combination in the consolidated financial statements of the Group. Goodwill shall be accounted for at the initial measurement, namely as the excess of the sum total of the transferred consideration, usually measured by the company at fair value at the acquisition date, and non-controlling interest over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed at the acquisition date. If the consideration received by the acquirer is lower than the fair value of the identifiable net assets of the acquired subsidiary, the difference shall be recognised as negative goodwill or a gain from a bargain purchase in the income statement for the whole of the current year.

The acquisition of non-controlling interest, whereby no changes to the control of the company, are accounted for as transactions with owners and no goodwill is recognised. The Group recognises the difference between the investment and the net value of merged assets by taking into account any applicable goodwill under other reserves from profit.

Intangible assets

Intangible assets are non-current assets that enable the implementation of the Group's activity without physical substance. Intangible assets include non-current property rights and emission coupons for electricity generation purposes in the HSE Group, goodwill, other intangible assets and intangible assets being acquired.

At initial recognition, an intangible asset is recognised at cost. This includes import or other non-refundable trade receivables less commercial and other rebates, as well as any directly attributable cost of preparing the asset for its intended use. Rental costs that are directly attributed to the acquisition of an intangible qualifying asset (until its capitalisation) are recognised as part of the cost of such an asset.

Intangible assets are subsequently measured using the cost model.

The residual value of an intangible asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The Group has no intangible assets for which it would deduct the residual value upon acquisition.

Goodwill arising upon consolidation is excess of the cost of acquisition over the acquirer's interest in the net fair value of the identifiable assets acquired, of the identifiable and contingent liabilities assumed at the date of acquisition. Goodwill is recognised as an asset and is reviewed at least once a year for impairment. Any impairment is recognised immediately in the consolidated income statement and is not reversed ex post facto. Upon disposal of a subsidiary, the appropriate amount of goodwill is included into establishing the profit or loss at the time of sale and affects the economic outturn of the Group.

Amortisation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the intangible asset. Amortisation is applied at cost when the asset is available for use. Emission coupons are not depreciated since they are procured for the individual periods in which they are used. Goodwill are also not depreciated, but is subject to revaluation as a result of potential impairment.

Amortisation and the useful lives of groups of intangible assets are reviewed at the end of each financial year and are adjusted, where appropriate. If their useful life is extended, the cost of amortisation in the financial year is decreased. If the useful life period is shortened, depreciation costs increase. The adjustment of the useful life period has to be restated to allow for the depreciation of the asset in the new foreseen useful life. A change in the useful life is considered a change of the accounting assessment and affects only the period in which the accounting assessment was changed and for each subsequent period in the remaining useful life. In 2023, there were no changes in the useful life compared to the previous year.

Subsequent costs in relation to intangible assets are only capitalised in the event that they increase the future economic benefits arising from the asset the costs apply to. All other costs are recognised in the income statement as expenses as soon as they are incurred.

An intangible asset shall be removed from the accounts on disposal; the difference between the net realisable value and the carrying amount of the disposed intangible asset shall be transferred to other operating revenue or write-offs.

Estimated useful life of intangible assets	2023
Software	2–20 years
Licences	2–10 years
Other non-current property rights	4–30 years
Other intangible assets	3–10 years

Property, plant and equipment

Property, plant and equipment are non-current assets owned by the Group and employed for the performance of its activity. Property, plant and equipment comprise buildings, production equipment, other equipment and assets under construction.

Property, plant and equipment are carried at cost less accumulated depreciation and losses from impairments. Cost includes costs that may be directly attributed to the acquisition of the individual asset. Cost also includes rental costs relating to the acquisition of an item of property, plant and equipment until they are prepared for their intended use, depending on the type of an item of property, plant and equipment and decommissioning costs.

Parts of devices and equipment that have different usable life are accounted for as individual assets. Spare parts of major values are recorded among property, plant and equipment and depreciated during the asset's useful life for which they were acquired.

The anticipated costs of regular inspections and repairs of property, plant and equipment are accounted for as parts of fixed assets. They include repairs that are usually carried out every few years (periodically) and require substantial resources.

The cost of property, plant and equipment, completed at the company, is comprised of the costs incurred by their construction or manufacture and of the indirect costs of their construction or manufacture that can be attributed to them.

For the subsequent measurement of property, plant and equipment, the cost model is used.

The residual value of property, plant and equipment is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The Group has no properties, plant and equipment for which the remaining value would be determined.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the property, plant and equipment. Depreciation is accounted for when an asset is available for use. Land, quarries and assets under construction are not depreciated.

Assets acquired free-of-charge are depreciated, at the same time the part of non-current deferred revenue is transferred among other operating revenue equals to the value of the accounted for depreciation.

Estimated useful life of property, plant and equipment	2023
Buildings	10–80 years
Parts of buildings	17–50 years
Production equipment	5–65 years
Parts of production equipment	5–20 years
Computer equipment	2–20 years
Furniture	4–35 years
Small tools	3–16 years
Cars	5–10 years
Other vehicles	5–26 years
Other plant and equipment	2–35 years

Useful lives of property, plant and equipment are reviewed at the end of each financial year and adjusted, where appropriate. If their useful life is extended, the cost of amortisation in the financial year is decreased. If the useful life period is shortened, depreciation costs increase. The adjustment of the useful life period has to be restated to allow for the depreciation of the property, plant and equipment in the new foreseen useful life. A change in the useful life is considered a change of the accounting assessment and affects only the period in which the accounting assessment was changed and for each subsequent period in the remaining useful life. In 2023, there were no changes in the useful life compared to the previous year.

The replacement costs of items of property, plant and equipment are assigned to the carrying amount of this item, if it is probable that the future economic benefits embodied with this asset will flow to the company and the cost of the item can be measured reliably. All other costs (for example current maintenance costs) are recognised in the income statement as expenses as soon as they are incurred.

Gains and losses, arising at the disposal of property, plant and equipment, are established as the difference between the net sales value and the carrying amount of the written-down or disposed property, plant and equipment, and are recorded among other operating revenue or write-downs.

The Group verifies on a yearly basis whether there is an indication of impairment relating to property, plant and equipment being acquired. Significant indications of impairment includes the following circumstances:

- adopting the decision on suspending a certain investment and
- a material deterioration of circumstances relating to the economic efficiency of an individual investment.

Leases

The Group leases real property (land and premises), plant and equipment. At contract conclusion, the Group estimates whether it refers to a lease contract, i.e. whether the right to managing the use of the recognised asset for a certain period is transferred for payment.

At the inception of the lease, the Group recognises the right to use lease assets and liabilities, which are estimated based on discounting future cash flows for the lease duration.

The value of liabilities is reduced by repayments, the value of the right to use leased assets is reduced by the calculated amortisation during the lease. Financing costs are categorised under financial expenses.

In the case of lease contracts of an indefinite duration with the right to contract termination, the HSE Group estimates in accordance with item 18 of IFRS 16 that lease termination will not occur for at least five years, whereas the evaluations of longer leases cannot be made with reasonable certainty. Therefore, lease contracts of an indefinite duration are determined for a duration of five years.

Interest rates, accepted upon the conclusion of leases, are not disclosed in contracts. Item 26 of standard IFRS 16 refers the lessee to use the incremental borrowing rate of interest, which the Group would pay if the asset was bought, and the purchase would be indebted. The Group has no such interest rates, since the analysis of financing resources shows that existing resources were used to finance working capital.

If the lessee cannot acquire data about the borrowing interest rate from the financial institution, the lessee uses the average interest rate of the concluded loan contracts with non-financial corporations in credit institutions in the month of the lease, published in the bulletin of the Bank of Slovenia.

The Group used the exemption regarding the recognition of the right to use assets for low value leases. The lease cost is recognised equally for the entire duration of the lease.

Investment property

Investment property is defined as the property held by the Group to earn rentals or for capital appreciation or both.

Investment property also includes property under construction.

If a part of the property is used for performing the activity and the other part as investment property, a separation or calculation of shares is necessary. Should this not be possible, the entity assesses which part is more material and discloses it as such in its accounts.

Fair value is taken into consideration for valuation purposes. Fair value is calculated using the market approach and the direct capitalisation method (the income approach). Changes in fair value are recognised in the income statement.

Non-current investments in associates and joint ventures

Investments in associates are those in which the Group has significant influence, although as a rule the shareholding in such companies is 20–50%.

Investments in joint ventures are investments in which the Group, together with other owners, jointly controls the operations of these companies on the basis of a contractually agreed sharing of control.

In the Group's financial statements, investments in associates as well investments in joint ventures are carried at cost at the time of acquisition. Hereinafter, their book value is changed as a result of attribution resulting from using the equity method.

Financial resources

Financial resources include cash and cash equivalents, loans and receivables and financial investments. Among financial investments, the Group shows investments in joint ventures, investments in associates and investments in financial instruments.

The Group initially recognises loans and receivables and deposits on the date of their formation. Other financial resources are initially recognised at the exchange date or when the Group becomes party to the instrument's contractual terms.

The Group eliminates the recognition of a financial asset when contractual rights of the cash flows from the asset expire, or when the rights of contractual cash flows are transferred from a financial asset based on a business transaction in which all risks and benefits of ownership of the financial asset are transferred.

Upon initial recognition, the Group's financial instruments are classified as follows:

- financial resources at fair value through profit or loss,
- financial resources at fair value through other comprehensive income, and
- financial resources at amortised cost.

The classification depends on the asset management business model selected and whether the Group collects contractual cash flows from financial instruments exclusively from principal payments and interest on the outstanding principal amount. With the exception of operating receivables that do not contain significant financing components, the Group measures the financial asset during its initial recognition at fair value, which is increased by transaction costs. Operating receivables that do not contain significant financing components are measured at the transaction price.

a) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits with a maturity of up to three months, and other current, quickly redeemable investments with an original maturity of maximum three months.

b) Financial resources at fair value through profit or loss

Financial resources at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss and financial assets that shall be measured at fair value.

Financial resources are classified as held for trading if they are acquired with the intention of selling or repurchasing them in the near future. Derivatives are classified as held for trading, except in the case of effective hedging instruments.

Financial resources that generate cash flows and are not solely principal and interest payments, are classified and measured at fair value through profit or loss regardless of the business model of choice.

Financial resources at fair value through profit or loss are disclosed in the statement of financial position at their fair value, including the net change in the fair value recognised in the income statement.

c) Financial resources at fair value through other comprehensive income (debt instruments)

Financial resources recognised at fair value through other comprehensive income with the nature of an equity instrument, are financial resources held by the Group within the business model for collecting contractual cash flows, which comprise solely payments of the principal and interest accrued on the outstanding principal balance, and for sale.

As for debt instruments that are recognised at fair value through other comprehensive revenue, the interest income, foreign exchange gains or losses arising from impairment or reversal are recognised in the income statement and accounted for by applying the same method as for financial assets at amortised cost. Other changes in fair value are recognised in the statement of other comprehensive income. Upon de-recognition, the cumulative change in fair value, recognised in other comprehensive income, is reclassified to the income statement.

d) Financial resources at fair value through other comprehensive income (equity instruments)

Financial resources recognised at fair value through other comprehensive income with the nature of an equity instrument, are financial assets that meet the equity-related definition in accordance with IAS 32 - Financial Instruments, and for which the company irrevocably chooses to be classified as equity instruments at fair value through other comprehensive income and which are not held for trading. The classification is stipulated by an individual financial instrument.

Gains and losses on these financial assets shall never be reallocated to the income statement, excluding dividends received which shall be recognised in profit or loss.

e) Financial resources at amortised cost

Financial resources at amortised cost include financial assets held by the Group within the business model for collecting contractual cash flows and if the latter constitute exclusively payments of the principal and interest accrued on the outstanding principal balance. Financial resources at amortised cost also include loans and receivables. Given their maturity, they are classified as current financial resources (maturity of up to 12 months after the date of the statement of financial position) or non-current financial resources (maturity over 12 months after the date of the statement of financial position).

Financial resources at amortised cost are initially recognised at fair value increased by direct transaction costs. Upon initial recognition, they are measured at amortised cost using the effective interest rate method less any impairment losses. Gains and losses are recognised in profit or loss upon reversal, changes or impairment.

Financial liabilities

The Group's financial liabilities include loans received and liabilities to suppliers. They are, upon initial recognition, classified as financial liabilities at fair value through profit or loss, loans received or operating liabilities. All other financial liabilities are initially recognised on the date of trading or when the Group becomes party to the instrument. With the exception of loans received, all financial liabilities are initially measured at fair value. Loans received are measured at amortised cost using the applicable interest rate. Given their maturity, they are classified as current financial liabilities (maturity of up to 12 months after the date of statement of financial position) or non-current financial liabilities (maturity over 12 months after the date of the statement of financial position). Gains and losses are recognised in the income statement upon de-recognising the financial liability and as part of the depreciation of the effective interest rate.

The Group de-recognises a financial liability when contractual obligations are discharged, cancelled, or expire.

Derivatives

Derivatives are used for hedging the Group's cash flow exposure to price and currency risks, as well as the trading risk. As part of its hedging efforts, the Greoup concluded exchange rate swaps as well as futures contracts for the acquisition of electricity, gas and emission allowances in the following years. These are financial instruments that do not require initial financial investment, while their value is changing due to changes in goods prices or foreign exchange rates.

Derivatives shall initially be recognised at fair value, namely by using the principle of net profit or loss, meaning that the actual value of the concluded transaction shall not be shown in the financial statements.

Following initial recognition, derivatives are measured at fair value, whilst the pertaining changes are considered differently with regard to whether or not the derivative qualifies for hedge accounting. Derivatives which do not qualify for hedge accounting shall be measured at value through profit or loss.

When a derivative is defined as hedging in the case of exposure to cash flow variability that may be attributed to an individual risk related to a recognised asset, liability or highly probable forecast transactions, which can affect the profit or loss, the effective portion of the fair value change of the derivative is recognised in the period's other comprehensive income and disclosed in the cash flow hedge reserve. The ineffective part of fair value changes of the financial instrument is directly recognised in the income statement. The Group shall prospectively discontinue hedge accounting if the hedge no longer meets the criteria for hedge accounting or if the hedging instrument is sold, terminated or exercised. The accumulated gain or loss recognised in the period's comprehensive income remains recorded in the cash flow hedge reserve until the hedged forecast transaction affects profit or loss. If the forecast transaction can no longer be expected, the amount shall be directly recognised in profit or loss in other comprehensive income. In other cases, the amount recognised as comprehensive income shall be transferred to profit or loss in the same period during which the hedged forecast transaction affects profit or loss.

The effects of other derivatives, not defined as hedges, in the case of cash flow variability exposure or failure of attribution to an individual risk, associated with a recognised asset or liability, shall be recognised in profit or loss among other operating revenue or other net operating expenses.

If forward purchases and sales related to the physical delivery of electricity are considered contracts concluded in the ordinary course of business of the Group ("own use" contracts), they are not subject to the scope defined under IFRS 9. This applies when the following conditions are met:

- physical delivery forms part of all such contracts,
- the contractually purchased or sold energy volume corresponds to the operational needs of the Group and
- contracts cannot be considered an option, as defined in the standard. In the case of electricity sales contracts, the contract is equivalent to fixed forward sales or can be considered sales of capacity.

The Group is of the opinion that transactions, subject to negotiations with a view balancing electricity purchasing and sales commitments, are to be considered part of its operations and outside the scope of IFRS 9.

Inventories

Inventories of materials shall be measured at the lower of cost and net realisable value. The historical cost includes cost, consisting of the purchase price, import duties and direct purchase costs. The purchase price is reduced by any discounts given. Direct purchase costs are transport costs, costs of loading, reloading and unloading, costs of monitoring goods and other costs attributable to directly purchased merchandise or materials. Discounts off the purchase price include both those stated on the invoice or those which are given later and refer to individual purchases. Depletion of inventories is valued on the basis of sliding-scale prices.

The value of finished products and work in progress includes total production costs sensu stricto, which comprise direct costs of materials, direct costs of services, direct labour costs, direct depreciation costs and general production costs. General production costs (costs of materials, services, stemming from depreciation and labour costs) shall be charged as part of the production process and cannot be directly linked to emerging products and services. A part of production costs in total costs (costs of materials, services, labour and depreciation) is established once per year based on data relating to the previous year.

The net realisable value is estimated based on the sales price in the ordinary course of business, less the estimated costs of completion and estimated sales costs. Write-offs of damaged, expired and unusable inventories are regularly performed during the year on individual items.

At least once a year, namely as at the date of drawing up annual financial statements, the Group evaluates the evidence on the impairment of inventories. The impairment of inventories is assessed by type of inventory. Individual types of inventories are allocated to groups of inventories with similar characteristics based on the time component of changes in inventories. The estimate of impairment for each individual group includes an expert assessment of the possibility of further use or re-sale.

Impairment of assets

Financial resources

A financial asset is considered to be impaired if objective evidence exists indicating that one or more events have caused a decrease in the estimated future cash flows from this asset, which can be reliably measured.

Objective evidence on the impairment of financial assets can be: non-compliance or violation by the debtor, deterioration of the borrowers' solvency, signs that the debtor will go bankrupt and disappearance of an active market for such an instrument.

Impairment of receivables and loans given

If the carrying amount of receivables is assessed to exceed their fair, i.e. recoverable, value, receivables are considered to be impaired.

Final write-offs of receivables require appropriate documents: a final arrangement with creditors, bankruptcy proceedings decisions, court decisions or other appropriate documents.

The impairment assessment is based on the expected credit losses associated with the probability of defaults on loans and receivables in the next 12 months, unless the credit risk significantly increased since the initial recognition. In these cases, the impairment assessment is based on the lifetime expected credit loss (LECL) of a financial asset. Expected credit losses represent the difference between contractual cash flows that are due under the contract and all cash flows which the Group expects to receive. Expected cash flows will include cash flows from the sale of collateral.

Impairments for expected credit losses are assessed in two stages. For credit exposures where no significant increase in credit risk was established after initial recognition: impairments for expected credit losses are recognised for credit losses arising from defaults possible within the following 12 months. For credit exposures, for which a significant increase in credit risk has occurred since the initial recognition: the Group recognises an allowance from losses expected in the remaining useful life of the exposure, regardless of the default period.

Doubtful receivables from others are not settled within 180 days after their due date.

Disputed receivables comply with one of the following conditions:

- judicial debt-collection proceedings to recover the receivables have been instituted, and
- an opening decision for receivership, liquidation or bankruptcy proceedings has been published.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. The Group creates groups of receivables on the basis of maturity of receivables. In the evaluation of total impairment, we use past trends in the probability of non-fulfilment, the reimbursement period and the amount of incurred loss, which is revised for the management's evaluation as to whether the actual losses due to the current economic and credit conditions could be higher or lower than the losses foreseen in past trends.

If all acts have been performed by exercising due diligence in order to achieve the repayment of a particular outstanding receivable, or if the amount of the receivable would make it uneconomic for the Group to have it recovered via judicial recovery proceedings, the receivable will be written-down in full on the basis of a management's decision.

The Group assesses the evidence of impairment for each important loan individually.

An impairment loss related to a financial asset shown at amortised cost is measured as the difference between its carrying amount and the expected future cash flows, discounted at an originally effective interest rate. Loss is recognised in the consolidated income statement among operating expenses.

Non-financial resources

At each reporting date, the HSE Group reviews the carrying value of its material non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the asset's recoverable value is estimated via an impairment test. The non-financial assets impairment assessment is implemented once per year before the annual financial statements are drawn up. An impairment loss is recognised if the carrying amount of a cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable value of an asset or cash-generating unit is the higher value in use or fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For impairment testing purposes, assets that cannot be tested individually are placed into the smallest possible group of assets, which create cash flows from further use and that are largely independent of the inflow of other assets or groups of assets (cash-generating unit). To test the impairment of goodwill, CGUs to which goodwill is allocated shall be subjected to a special test (the so-called 'segment ceiling test); CGUs to which goodwill is allocated shall be pooled or aggregated in a way that the level on which impairment is tested reflects the minimum level at which goodwill is monitored for internal reporting purposes.

The impairment is disclosed in the consolidated income statement. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of other assets in the CGU (group of CGUs) pro rata on the basis of the carrying amount of each asset in the unit.

The Group evaluates the impairment losses of previous periods at the end of the reporting period and thus determines whether the loss was reduced or it even no longer exists. An impairment loss is reversed if there has been a change in the estimates used by the Group to determine the asset's recoverable value. The loss due to the impairment of the asset is reversed only up to the amount that does not entail the increased carrying amount of an asset exceeding the carrying amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss was not recognised as an asset in prior years. An impairment loss on goodwill is not reversed.

Capital

Share capital and capital reserves include cash and non-cash consideration of the parent company.

On 31 December 2002, the general adjustments from revaluation of capital (in accordance with the then applicable Slovenian Accounting Standards) included the revalorisation of the share capital before 2002. Subsequently, the aforementioned adjustment was transferred to capital reserves.

Other reserves from profit are purposely retained earnings from previous years and are primarily used to cover losses. They are established based on a decision by the relevant body.

The risk hedging reserve shall include the effect of the change to the fair value of derivatives established as successful hedging instruments in the event of exposure to cash flow variability related to hedging self-generated electricity and the hedging accounting related to emission allowance procurement cash flows.

The fair value reserve represents the revaluation amounts of financial assets at the fair value through other comprehensive income and revaluation amounts of investment properties upon their transfer from property, plant and equipment to investment property and the cumulative value of written-up actuarial gains or losses arising from provisions for post-employment and other non-current payables to employees (retirement allowances) and the excess of the fair value of the additionally acquired ownership share over the net carrying amount of assets.

The retained profit or loss includes past and the current profit or loss of the Group.

In the translation capital reserve, exchange differences arising from the recalculation of items in financial statements of Group companies operating abroad, where different reporting currencies are used for reporting purposes, are presented.

The capital of non-controlling interest holders is their share in the total capital of subsidiaries.

Provisions for post-employment and other non-current employee benefits

In accordance with statutory regulations, Collective Agreements and internal rules, the HSE Group shall make provisions for the mandatory payment of jubilee and retirement benefits to employees. There are no other pension liabilities.

Provisions are made in the amount of estimated future jubilee and retirement allowance payments, discounted at the end of the financial year. The calculation is made for each individual employee and includes the costs of retirement benefits and all expected jubilee benefits up to retirement. The calculation using a projected unit is drawn up by an actuary for all Group companies. Retirement and jubilee benefits decrease the provisions made.

Labour costs and interest costs are recognised in the income statement, while the restatement of post-employment benefits or of unrealised actuarial revenues or losses arising from retirement benefits are recognised in other comprehensive income (capital).

Employee benefits

Current employee benefit obligations are measured on an undiscounted basis and are expensed as the current benefit related service by the employee is provided. Liabilities are carried in the amount that is expected to be paid in the form of current remuneration, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the liability can be estimated reliably.

Other provisions

Provisions are recognised when the Group has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability.

The provision value equals the present value of expenditure that is expected to be needed to settle a liability. Provisions are intended for covering probable, but not certain obligations. As a result, the amount recognised as a provision is merely the best estimate of the expenditure needed for the settlement of liability existing on the date of the statement of financial position. In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround the events and circumstances are taken into account.

Provisions are directly decreased by costs or expenses for which they were created to cover. This means that costs or expenses are no longer included in the consolidated income statement in the financial year. The effects of discounting are recognised as part of financial expenses.

In the event the forecast liabilities do not occur, or if the provision disbursing period is extended, the amount of the provisions made is reversed to the credit of operating expenses. Additional provisions made are disclosed as part of investments into coal mine facilities; similar considerations apply to all of the effects on the value of the disclosed provisions arising from the change in the amount of the used discount rate when discounting the forecast amounts of future expenditures related to closing the coal mine.

Government grants

All types of government grants are initially recognised as deferred income under non-current liabilities when there is reasonable assurance that they will be received and that the Group will comply with the terms and conditions associated with the grant. Subsequently, they are recognised in the consolidated income statement under other operating revenue in the useful life period of each individual asset. Government grants received for covering expenses are recognised as revenue in periods in which the relevant costs that are to be replaced by the government grants arise.

Other assets and liabilities

Other assets include advances given, receivables due from state and other institutions and current deferred costs and accrued revenue not related to sales contracts. Deferred costs are the amounts incurred although not yet charged against the Group's profit or loss.

Other liabilities include advances received, liabilities to employees, liabilities to the State and other institutions and non-current and current accrued costs and deferred revenue not related to liabilities arising from sales contracts. Accrued charges are amounts not yet reported, although they will be in the future and already have an effect on the Group's profit or loss.

Contract assets and liabilities

With the introduction of IFRS 15, accrued revenue associated with sales contracts with customers is no longer part of other assets, but is reported under Contract Assets and recognised as the right to consideration in exchange for goods or services that the entity has transferred to a customer.

With the introduction of IFRS 15, deferred income from sales contracts with customers is no longer part of other liabilities, but is reported under Contract Liabilities and is recognised as revenue when the company meets its contractual performance obligation.

Contingent liabilities

Contingent liabilities are:

- a possible liability that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not yet recognised in the consolidated statement of financial position.

Revenue

In accordance with IFRS 15, the Group uses a five-step model to establish when to recognise revenue and to what amount. The model determines that revenue is recognised at the transfer of control over goods or services to the buyer in an amount expected to be justified. In view of the satisfied criteria, revenue shall be recognised:

- as it occurs or
- through the period.

The Group recognises revenue from contracts with buyers based on contracts, thus the control over goods and services is transferred to the buyer in the amount that reflects the compensation that the Group expects to be entitled to. Any promised service or supply of goods is considered a separate performance obligation if different. It is different when the buyer derives benefits from the services rendered or goods delivered. The performance obligation is the obligation to provide a service or goods to the buyer.

Revenue is recognised as soon as the Group satisfies its performance obligation, i.e. when control over the respective service and goods is transferred to the buyer. Control means that the buyer can direct the use of an asset and receives all material benefits from the asset. The buyer may also prevent others from using and receiving the benefits from the respective asset.

Discounts, approved upon the contract signing, are distributed among all performance obligations and deferred for the duration of the contract. All subsequently approved discounts are recognised in the period for which they are approved and reduce revenue.

Sale of goods

When selling goods, the performance obligation arises upon the provision of goods. Goods are invoiced within 14 days or on a monthly basis. The sale of electricity accounts for the biggest share in the sale of goods structure, followed by the sale of secondary and tertiary energy, deviations from the sale of electricity and the sale of thermal energy and other products. This part also includes the sale of emission allowances arising from trading and the sale of other merchandise and materials.

If the Group generates more foreign exchange gains than losses from operating activities, these are reported as net revenue from the sale of merchandise by applying the principle of net profit or loss.

Sale of services

The performance obligation in the sale of services arises while services are rendered. Invoicing is performed on a monthly basis. The sale of services related to electricity and construction, in addition to construction, mining and maintenance services account for the biggest share in the sale of services structure.

Accrued revenue is the revenue taken into account in the Group profit or loss even though it has not been invoiced yet. In compliance with IFRS 15, it is recognised in the consolidated statement of financial position as contract assets which is the right to consideration in exchange for goods or services that the entity has transferred to a customer.

Deferred income is presented in accordance with IFRS 15 as a contract liability and is recognised as revenue when the Group meets its contractual performance obligation.

Other operating and financial income

Revenue arising from accruing late interest and related receivables are recognised upon arising if it is probable that economic benefits, related to the transaction, will flow into the Group. Else, accruing late interest is recorded as contingent assets and recognised in the Group's accounts upon payment. Accrued late interest is recorded on a case-by-case basis.

Other operating revenue, associated with products and services, are revenue from the reversal of provisions, excluding provisions for jubilee and retirement benefits, revenue from the absorption of deferred revenue, capital gains, revenue from the revaluation of investment property, reversal of impairment of receivables, damages and fines received and similar revenue (such as government grants).

Financial income comprises revenue from participating interest in investments (dividends), interest on deposits and loans given, profits of associates and profits generated from hedging instruments recognised in the income statement. Interest revenue is recognised as soon as they arise and amounts to the agreed-upon interest rate.

Operating and financial costs

Expenses are recognised if the decrease in economic benefits in the reporting period is associated with decreases in assets or increases in debt and if this decrease can be reliably measured. Operating expenses are recognised once costs are no longer held in the value of inventories of products and work in progress, or once the merchandise is sold. Costs that cannot be held in inventories of products and work in progress are recognised as operating expenses upon its occurrence.

The cost of sold goods encompasses the recording of expenses, related to the sale of electricity, gas, emission allowances held for trading and their related costs. If the Group generates more foreign exchange gains than losses from operating activities, these are reported in the cost of sold goods.

Costs of materials are historical costs of materials procured that are directly used for creating products and services (direct costs of material), as well as costs of materials that do not have such characteristics and are included in relevant purpose (functional) groups of indirect operating costs. The first subgroup includes the costs of raw materials, other materials and purchased parts and semi-finished products whose consumption can be related to creating products and services. The second group includes the costs of auxiliary materials for the maintenance of property, plant and equipment, small tools whose useful life period does not exceed one year, spare parts for the servicing of products after their sale, office supplies, specialised literature and other items. Costs of materials also cover the accrued costs of shrinkage, spilling, breakage, and failure.

Costs of services re historical costs of procured services that are directly used for creating products and services (costs of direct services) as well as costs of services that do not have such characteristics and are included in adequate purpose (functional) groups of indirect operating costs. The first group mostly includes the costs of services for the production of goods, while the second group includes mainly the costs of transport services, maintenance services, services related to trade fairs, advertising and entertainment, costs of insurance premiums, payment transactions and other banking services (except interest), rents, advisory services, business travels and similar services.

Write-downs in value include depreciation costs related to consistent transfer of value of depreciable intangible assets and depreciable intangible assets, property, plant and equipment and the right to use assets to the consolidated profit or loss. Write-downs in value also include impairments, write-downs and losses from the sales of intangible assets and property, plant and equipment, costs arising from the revaluation of investment property, as well as impairments or write-down of operating receivables and inventories.

Labour costs are historical costs that refer to gross salaries and other similar amounts to employees, as well as duties that are accounted for from this basis and are not an integral part of gross amounts. Costs of services are historical costs of purchased services that are directly used for creating products and services (costs of direct services) as well as costs of services with a nature of indirect costs which are included in adequate purpose (functional) groups of indirect operating costs.

Other operating expenses arise in relation to making (setting up) provisions, environmental taxes, concessions, donations and other duties.

Financial costs comprise interest on loans received, borrowing costs and the impairment of financial assets. Interest expenses are recognised when they arise and amount to the agreed-upon interest rate.

Taxes

Taxes comprise current and deferred tax liabilities. Current tax is disclosed in the consolidated income statement. Deferred tax is recognised in the consolidated income statement and in the consolidated statement of financial position.

Tax liabilities are based on the taxable base of the financial year. The taxable base differs from the profit or loss reported in the income statement, as it excludes items of revenue or expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible. The Group companies' current tax liabilities are calculated using the tax rate applicable on the reporting date. Current tax liabilities decrease in the event of advance payments of corporate income tax during the year.

Deferred tax is shown in total by applying the financial position statement liability method to temporary differences, arising between tax bases of assets and liabilities and their carrying amounts in financial statements. Deferred income tax is calculated by using tax rates (and laws) applicable on the date of the consolidated statement of financial position, which are expected to be used when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised if future taxable gain that can be used for temporary differences is likely. It is the levied corporate income tax with regard to deductible temporary differences.

The deferred tax liability is corporate income tax levied with regard to taxable temporary differences, which means higher payment of tax in the future.

Consolidated cash flow statement

The consolidated cash flow statement shows changes in balances of cash and cash equivalents for the financial year it is drawn up for. The consolidated cash flow statement is drawn up using the indirect method and data from the consolidated statement of financial position and the consolidated income statement pursuant to International Financial Reporting Standards (IFRS) as adopted by the EU.

Cash and cash equivalents of the Group include cash, cash in bank accounts, deposits redeemable at notice and deposits for a period of up to three months.

Segment reporting

In the Annual Report, the Group does not disclose operations by segment. Segment reporting in the Annual Report is required for groups whose debt or equity securities are publicly traded, and companies that are in the process of issuing equity or debt securities on a public securities market.

Initial application of new amendments to the existing standards effective for the current financial period

In the current reporting period, the following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU and mandatory for annual reporting periods beginning on or after 1 January 2023 are applied:

- **IFRS 17 – Insurance Contracts**, published by the IASB on 18 May 2017. The new standard requires that insurance liabilities are measured using the current value of their fulfilment and provides are more uniform measurement and presentation method for all insurance contracts. The requirements serve to ensure diligent and principle-based accounting of insurance contracts. IFRS 17 replaces IFRS 4 - Insurance Contracts and its related interpretations. By adopting the amendment to IFRS 17 - Insurance Contracts, issued by the IASB on 25 June 2020, the effective date for IFRS 17 was postponed by a period of two years. The standard shall be effective for annual reporting periods beginning on or after 1 January 2023. The amendments issued on 25 June 2020 also introduce simplifications and interpretations of some requirements of the standard and provide additional assistance for the first-time adoption of IFRS 17.
- **Amendments to IAS 1 – Presentation of Financial Statements – Disclosure of Accounting Policies**, issued by the IASB on 12 February 2021. Subject to the amendments, entities shall disclose important information on accounting policies instead of important accounting policies. They contain guidance and case studies to help rapporteurs decide which accounting policies to disclose in their financial statements.
- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates**, issued by the IASB on 12 February 2021. These amendments focus on accounting estimates and provide guidance on how to differentiate between accounting policies and estimates.
- **Amendments to IAS 12 - Income Taxes, Deferred Tax related to Assets and Liabilities**, arising from a Single Transaction, issued by the IASB on 6 May 2021. In compliance with the amendments to apply a temporary exemption at initial recognition, this shall not apply to transactions whereby, at initial recognition, both temporary deductible and taxable differences are generated in equal amount.
- **Amendments to IAS 12 – Income Taxes – International Tax Reform - Pillar Two Model Rules**, issued by the IASB on 23 May 2023. The amendments introduced a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities pertaining an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The adoption of the amendments to existing standards did not have a material effect on the disclosures or amounts stated in the financial statements of the Group.

Standards and amendments to existing standards issued by the IASB and adopted by the EU that do not yet apply

At the date of approval of these financial statements, the Group does not apply the following amendments to existing standards issued by the IASB and adopted by the EU that do not yet apply:

- **Amendments to IFRS 16 – Leases – Lease Liability in a Sale and Leaseback**, issued by the IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to apply the subsequent measurement requirements for lease liabilities arising from a leaseback in a way that it recognises no amount of the gain or loss related to the right of use that it retains. The new requirements do not prevent the seller-lessee to recognise the gain or loss in operating profit/loss relating to the partial or full termination of the lease. The effective date is 1 January 2024.

New standards and amendments of the existing standards issued by the IASB, but not yet adopted by the European Union

Currently, IFRSs as adopted by the EU do not differ significantly from those adopted by the International Accounting Standards Committee (IASC) with the exception of the following new standards and amendments to existing standards (dates of entry into force below for IFRSs as issued by the IASC):

- **Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current** or Non-current, issued by the IASB on 23 January 2020, in Amendments to **IAS 1 – Presentation of Financial Statements – Non-current Liabilities**, issued by the IASB on 31 October 2022. The amendments issued in January 2020 provide a more general approach to classifying liabilities subject to IAS 1 on the basis of contractual agreements effective at the reporting date. The amendments issued in October 2022 clarify how the conditions that shall be met by an entity within 12 months following the reporting period affect the classification of liabilities and lay down that both amendments shall be effective for annual periods beginning on or after 1 January 2024.
- **Amendments to IAS 7 – Statement of Cash Flows and IFRS 7 – 7 Financial Instruments: Disclosures – Supplier Finance Arrangements**, issued by the IASB on 25 May 2023. The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements (effective date as laid down by the IASB: 01 January 2024).
- **Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability**, issued by the IASB on 15 August 2023. The amendments specify when a currency is exchangeable into another currency and how an entity determines the exchange rate to apply when a currency is not exchangeable (effective date as laid down by the IASB: 01 January 2025).
- **IFRS 14 — Regulatory Deferral Accounts**, published by the IASB on 30 January 2014. The aim of the standard is to permit an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements (effective date as laid down by the IASB: 01 January 2016).
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**, published by the IASB on 11 September 2014. The amendments refer to the diverging requirements of IAS 28 and IFRS 10 and clarify that extent of gain or loss recognition for transactions between an investor and its associate or joint venture shall be dependent on whether the sold or contributed assets constitute a business (the effective date was postponed by the IASB for an indefinite period of time, early application permitted).

The Group foresees that the introduction of these new standards and amendments to the existing standards during the period of initial application will not have a material effect on the financial statements of the Group.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

The Group estimates that the use of the method for the calculation of risks connected to financial assets and liabilities in accordance with **IAS 39 - Financial Instruments: Recognition and Measurement** would not materially affect the financial statements of the Group if it were to be used as at the balance sheet date.

4.5.4 DETERMINING FAIR VALUE

With reference to reporting and disclosing the fair values of non-financial and financial assets and liabilities, fair value shall be determined either for measuring individual assets or due to additional fair value disclosures. Fair value is the amount for which an asset can be exchanged or the liability can be settled between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments shall be determined considering the following hierarchy levels of determining fair value:

- level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities,
- level two includes inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- level three includes inputs for the asset that are not based on observable market data.

Quoted prices are used as a basis for determining the fair value of financial instruments. If a financial instrument is not admitted to trading on a regulated market or the market is deemed non-functioning, inputs of Levels two and three are used to estimate the fair value of the financial instrument.

The fair value of foreign currency swaps is determined by using data provided to the Company by the bank with which a specific foreign currency swap has been concluded. Values are verified in the Company's financial department.

In order to determine the fair values of derivatives related to electricity and emission allowances, known exchange prices are used as at the end of the reporting period.

The fair value of commodity contracts shall be determined or calculated using market prices applicable to Levels one and two as at 31 December 2023. Not a single transaction was subject to the calculation of the fair value on the basis of the Level three criterion.

The fair value of options shall be determined by calculating it on the basis of the Level three criterion.

4.5.5 FINANCIAL RISK MANAGEMENT

Detection and management of financial risks is defined in the business section of the annual report. In the notes to consolidated financial statements, risks are presented in connection with items in the consolidated financial statements ('Financial instruments and risks' section), namely:

- the credit risk,
- the liquidity risk,
- the currency risk,
- the interest rate risk, and
- the price risk.

4.5.6 DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.5.6.1 Consolidated statement of the financial position

Intangible assets (1)

Emission coupons and goodwill account for the majority of intangible assets, whereas the remaining portion of the value is related to software.

The Group procures emission allowances for electricity generation purposes within the Group. The initial balance of Group emission allowances is 3,254,676 allowances, 4,132,850 allowances in the amount of EUR 331,851,650 were procured in 2023 and 2,628,762 allowances in the amount of EUR 197,589,315 were divested or redeemed. Thus, as at the end of 2023, the Group has 4,758,764 emission allowances in the amount of EUR 157,207,527.

Licensed software used by the Group as IT support to the performance of its activities has the highest value among all other non-current property rights. In 2023, there were EUR 4,937,878 in new procurements, EUR 173,532 write-downs and disposals with a current value of EUR 0 and EUR 1,503,243 in transfers and accounting transfers, which in principle account for the transfer of assets from property, plant and equipment to intangible assets.

The increase in intangible assets in 2023 refers to the expansion and upgrading of the SAP and other software and the acquisition of the right to use of the Golica pumped-storage hydropower plant.

The useful lives of the most important software were reviewed in 2023. It was established that, subject to internal sources of information on the use of these assets, the useful lives of these assets had been estimated correctly.

Intangible assets (in EUR)	31/12/2023	31/12/2022
Emission allowances	157,207,525	22,945,192
Other property rights	9,648,897	4,836,236
Goodwill	18,374,888	18,374,888
Intangible assets being acquired	112,195	508,585
Total	**185,343,505**	**46,664,901**

Movement of intangible assets (in EUR)	Emission allowances	Other property rights	Goodwill	Other intangible assets	Intangible assets being acquired	Total
Purchase cost as at 1/1/2023	**22,945,192**	**25,211,809**	**18,374,888**	**24,078**	**508,585**	**67,064,552**
Acquisition	331,851,650	0	0	0	4,937,878	336,789,528
Disposals – write-offs, sales	-197,589,317	0	0	0	0	-197,589,317
Transfer from investments	0	6,150,818	0	0	-6,150,818	0
Transfers – restatements	0	686,693	0	0	816,550	1,503,243
Write-offs	0	-173,532	0	0	0	-173,532
Purchase cost as at 31/12/2023	**157,207,525**	**31,875,788**	**18,374,888**	**24,078**	**112,195**	**207,594,474**
Written-off value as at 1/1/2023	**0**	**20,375,573**	**0**	**24,078**	**0**	**20,399,651**
Amortisation	0	2,024,631	0	0	0	2,024,631
Write-offs	0	-173,313	0	0	0	-173,313
Written-off value as at 31/12/2023	**0**	**22,226,891**	**0**	**24,078**	**0**	**22,250,969**
Book value as at 1/1/2023	**22,945,192**	**4,836,236**	**18,374,888**	**0**	**508,585**	**46,664,901**
Book value as at 31/12/2023	**157,207,525**	**9,648,897**	**18,374,888**	**0**	**112,195**	**185,343,505**
Purchase cost as at 1/1/2022	**8,028,929**	**19,361,388**	**12,823,254**	**24,078**	**473,391**	**40,711,040**
Acquisitions through a business merger	0	4,558,816	0	0	31,180	4,589,996
Acquisition	116,902,230	0	11,588,634	0	1,009,168	129,500,032
Disposals – write-offs, sales	-101,985,967	-3,311	0	0	0	-101,989,278
Transfer from investments	0	1,005,154	0	0	-1,005,154	0
Transfers – restatements	0	372,950	0	0	0	372,950
Impairments	0	0	-6,037,000	0	0	-6,037,000
Write-offs	0	-83,188	0	0	0	-83,188
Purchase cost as at 31/12/2022	**22,945,192**	**25,211,809**	**18,374,888**	**24,078**	**508,585**	**67,064,552**
Written-off value as at 1/1/2022	**0**	**15,795,995**	**0**	**24,078**	**0**	**15,820,073**
Acquisitions through a business merger	0	3,272,010	0	0	0	3,272,010
Disposals – write-offs, sales	0	-205	0	0	0	-205
Transfers – restatements	0	-4,414	0	0	0	-4,414
Amortisation	0	1,395,375	0	0	0	1,395,375
Write-offs	0	-83,188	0	0	0	-83,188
Written-off value as at 31/12/2022	**0**	**20,375,573**	**0**	**24,078**	**0**	**20,399,651**
Book value as at 1/1/2022	**8,028,929**	**3,565,393**	**12,823,254**	**0**	**473,391**	**24,890,967**
Book value as at 31/12/2022	**22,945,192**	**4,836,236**	**18,374,888**	**0**	**508,585**	**46,664,901**

In 2023, the Group did not attribute the purchase value of intangible assets of borrowing costs (interests) as they weren't brought to their working condition for a longer period of time.

The Group has no pledged intangible assets.

As at 31 December 2023, the Group has EUR 79,971 in contractual engagements for the procurement of intangible assets in the years to come.

Goodwill refers to SENG in the amount of EUR 12,387,056, Sipoteh in the amount of EUR 436,198 and to Energija plus in the amount of EUR 5,551,634.

As at 31 December 2023, the recoverable amount was tested subject to a goodwill-impairment test of the cash-generating units SENG, Sipoteh, and Energija plus. Subject to the estimated value of cash-generating units, there were no impairment indications.

The assumptions, considered in the impairment testing of the goodwill, and relevant results are outlined below.

GOODWILL - SENG	
2023	**2022**
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2023	31/12/2022
Important assumptions used in the performance of the impairment testing	
Going concern assumption.	Going concern assumption.
The discount rate at a nominal amount of 7.89% adjusted to the real level of 5.86%, which was taken into account throughout the forecast horizon.	The discount rate at a nominal amount of 8.88% adjusted to the real level of 6.62%, which was taken into account throughout the forecast horizon.
The price of electricity is projected subject to the prices forecast by the ICIS consulting company (ICIS Slovenia Power Market report for HSE, November 2023).	The price of electricity is projected subject to the prices forecast by the ICIS consulting company (ICIS Slovenia Power Market report for HSE, November 2022).
The average annual growth rate of normalized real free cash flow is 2.0% (on the expected inflation rate level).	The average annual growth rate of normalized real free cash flow is 2.1% (on the expected inflation rate level).
The average generation of 729 GWh/year has been taken into account. The average generation of hydroelectric power stations on the Soča River was determined on the basis of statistical data about the average hydrology of the Soča River. 50% probability is taken into account. In 2027 (lower by 116 GWh), lower electricity generation is envisaged due to the overhaul of the Avče PSPP.	The average generation of 729 GWh/year has been taken into account. The average generation of hydroelectric power stations on the Soča River was determined on the basis of statistical data about the average hydrology of the Soča River. 50% probability is taken into account. In 2027 (lower by 116 GWh), lower electricity generation is envisaged due to the overhaul of the Avče PSPP.
CAPEX over the projection period (2024 - 2033) of EUR 103,329,175. As of 2034, at a level of EUR 10,955,385.	CAPEX over the projection period (2022 - 2030) of EUR 70,288,000. As of 2031, at a level of EUR 10,070,000.
Results of impairment testing carried out	
The book value of fixed assets and goodwill before the impairment testing amounts to EUR 186,135,992.	The book value of fixed assets and goodwill before the impairment testing amounts to EUR 217,439,000.
Recoverable amount of CGU of EUR 442,457,859.	Recoverable amount of CGU of EUR 530,052,000.
Revaluation expenses due to impairment of EUR 0.	Revaluation expenses due to impairment of EUR 0.

Goodwill - ENERGIJA PLUS	
2023	**2022**
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2023	30/9/2022
Important assumptions used in the performance of the impairment testing	
Going concern assumption.	Going concern assumption.
8.3% discount rate throughout the 2024 and 2029 period, and 8.4% discount rate in the period after 2029.	An 8.5% discount rate was taken into account throughout the entire forecast horizon.
A 2 per cent specific risk premium was taken into account, reflecting the risks of the materialisation of the planned revenue and margins. The reason for this are the significantly changed circumstances on the energy product market in the recent 24 months.	A 2 per cent specific risk premium was taken into account, reflecting the risks of the materialisation of the planned revenue and margins. The reason for this are the significantly changed circumstances on the energy product market in the recent 12 months.
The valuation is a result of equal balancing of four operating scenarios. Operating scenarios foresee lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, higher prices/higher margins for the period until 2038 or 15 years.	The valuation is a result of equal balancing of four operating scenarios. Operating scenarios foresee lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, higher prices/higher margins for the period until 2037 or 15 years.
The average annual growth rate of normalized real free cash flow is 2%.	The average annual growth rate of normalized real free cash flow is 2%.
Results of impairment testing carried out	
The book value of goodwill prior to the impairment testing amounts to EUR 5,550,000.	The book value of goodwill prior to the impairment testing amounts to EUR 11,589,000.
The recoverable amount of goodwill amounts to EUR 5,710,000.	The recoverable amount of goodwill amounts to EUR 5,550,000.
Revaluation expenses due to impairment amount to EUR 0.	Revaluation expenses due to impairment amount to EUR 6,039,000.

Sensitivity analysis – goodwill impairment test

Goodwill	Recoverable value in EUR	Sensitivity (change) of recoverable value in EUR	
		Change in discount rate (WACC) in % points	
		-0.5	0.5
In SENG	442,457,859	48,294,265	-67,661,078
In Energija plus	5,710,000	596,000	-675,000

As at 31 December 2021, the recoverable amount – value in use of the cash-generating unit Sipoteh on a going concern basis, was estimated as part of the goodwill impairment test out of which goodwill amounting to EUR 436,198 arises. The present value of expected free cash flows method was used. There was no significant change to assumptions in 2023. As such, it had been assessed that no impairment the goodwill of Sipoteh is required.

Property, plant and equipment (2)

Most of the Group's companies are engaged in generating electricity or in producing the raw materials required for its generation, which requires specific facilities and equipment. Property, plant and equipment thus account for the major part of the Group's assets.

Property, plant and equipment (in EUR)	31/12/2023	31/12/2022
Land	25,194,818	25,205,983
Buildings	343,072,920	346,015,826
Production equipment	591,465,869	675,374,425
Other equipment	9,301,069	7,512,400
Property, plant and equipment being acquired	75,177,578	58,073,210
Total	**1,044,212,254**	**1,112,181,844**

Movement of real property, plant and equipment (in EUR)	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 1/1/2023	**30,206,743**	**1,278,621,895**	**3,262,062,208**	**66,742,262**	**66,090,499**	**4,703,723,607**
Acquisition	0	0	0	0	69,800,216	69,800,216
Disposals	-76,975	-65,535	-207,117	-252,701	0	-602,328
Transfer from investments	283,349	11,708,717	34,935,743	3,914,527	-50,842,336	0
Transfers – restatements	57,191	6,725,797	-1,205,905	0	-1,508,343	4,068,740
Change in the discount on assets under construction	0	6,941,000	1,078,608	0	0	8,019,608
Foreign currency differences	0	0	0	-25	0	-25
Write-offs	-289,785	-544,708	-10,399,502	-734,147	-345,168	-12,313,310
Purchase cost as at 31/12/2023	**30,180,523**	**1,303,387,166**	**3,286,264,035**	**69,669,916**	**83,194,868**	**4,772,696,508**
Written-off value as at 1/1/2023	**5,000,760**	**932,606,069**	**2,586,687,783**	**59,229,862**	**8,017,289**	**3,591,541,763**
Disposals	0	-59,228	-183,781	-201,734	0	-444,743
Transfers – restatements	0	6,643,489	-5,851,645	0	0	791,844
Depreciation	5,954	16,356,400	74,543,335	2,070,023	0	92,975,712
Foreign currency differences	0	0	0	-23	0	-23
Impairments	-21,010	5,016,402	49,459,683	48	0	54,455,123
Write-offs	0	-248,886	-9,857,209	-729,327	0	-10,835,422
Written-off value as at 31/12/2023	**4,985,704**	**960,314,246**	**2,694,798,166**	**60,368,849**	**8,017,289**	**3,728,484,254**
Book value as at 1/1/2023	**25,205,983**	**346,015,826**	**675,374,425**	**7,512,400**	**58,073,210**	**1,112,181,844**
Book value as at 31/12/2023	**25,194,819**	**343,072,920**	**591,465,869**	**9,301,067**	**75,177,579**	**1,044,212,254**

The most important investments in property, plant and equipment of Group companies in 2023 are investments made in the reconstruction, modernisation and renovation of production facilities and in the procurement of equipment required for their engagement in their core activity in the total amount of EUR 69,800,216.

As part of property, plant and equipment being acquired, the Group posts investments in reliable generation and modernisation of equipment, investments in the Kozjak PSPP, the hydroelectric power stations on the Mura River, investments in wind farms and photovoltaic power plants and investments in drawing up pre-investment, investment and other documentation required for power station siting purposes.

Transfers - accounting transfers refer to transfer between property, plant and equipment and intangible assets, investment property and inventories of spare parts.

Write-offs of outdated production equipment account for the majority of write-offs, resulting from their upgrading.

Subject to a review of the remaining useful lives of the most important fixed assets, the Group estimates that these are appropriate.

Movement of real property, plant and equipment (in EUR)	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 1/1/2022	**30,096,785**	**1,285,919,854**	**3,217,123,733**	**64,958,862**	**70,564,602**	**4,668,663,836**
Acquisitions through a business merger	128,429	1,121,434	0	1,866,279	41,858	3,158,000
Acquisition	0	0	0	0	64,040,374	64,040,374
Disposals	-70,075	-48,741	-373,282	-1,666,219	0	-2,158,317
Transfer from investments	92,632	13,235,030	53,125,191	1,872,225	-68,325,078	0
Transfers – restatements	0	-6,113,119	5,902,014	211,105	-388,664	-388,664
Change in the discount on assets under construction	0	-12,199,000	-2,950,748	0	189,616	-14,960,132
Foreign currency differences	0	2	0	29	0	31
Write-offs	-41,028	-3,293,565	-10,764,700	-500,019	-32,209	-14,631,521
Purchase cost as at 31/12/2022	**30,206,743**	**1,278,621,895**	**3,262,062,208**	**66,742,262**	**66,090,499**	**4,703,723,607**
Written-off value as at 1/1/2022	**5,014,082**	**904,086,127**	**2,526,564,389**	**58,411,451**	**8,017,289**	**3,502,093,338**
Acquisitions through a business merger	0	762,913	0	1,140,732	0	1,903,645
Disposals	0	-20,353	-358,189	-1,621,366	0	-1,999,908
Transfers – restatements	0	0	-84,467	84,467	0	0
Depreciation	5,954	17,533,920	71,116,892	1,712,028	0	90,368,794
Foreign currency differences	0	0	0	29	0	29
Impairments	-19,276	12,278,765	-2,677	-410	0	12,256,402
Write-offs	0	-2,035,303	-10,548,165	-497,069	0	-13,080,537
Written-off value as at 31/12/2022	**5,000,760**	**932,606,069**	**2,586,687,783**	**59,229,862**	**8,017,289**	**3,591,541,763**
Book value as at 1/1/2022	**25,082,703**	**381,833,727**	**690,559,344**	**6,547,411**	**62,547,313**	**1,166,570,498**
Book value as at 31/12/2022	**25,205,983**	**346,015,826**	**675,374,425**	**7,512,400**	**58,073,210**	**1,112,181,844**

The Group has mortgaged loans against collateral of EUR 6,701,000 in book value on its plant, property and equipment.

At the end of 2023, the Group's concluded contractual commitments for the procurement of property, plant and equipment amounted to EUR 46,031,121.

As at 31 December 2023, the Group performed impairment testing of property, plant and equipment in cash generating units (CGUs), which operated or are operating at a loss. The most important cash generating unit thereof is the unit that includes the generation of electricity at TEŠ and the procurement of the energy product required for this purpose at PV (coal mining). Accredited company valuers valued the recoverable value of assets. Subject to an estimate, the Group impaired non-current assets in the amount of EUR 54,482,393.

The tables below show the assumptions applied in the impairment testing and the relevant results for the fixed assets of the cash-generating units TEŠ, PV, HTZ I.P. and Energija plus.

ASSETS AT ŠOŠTANJ THERMAL POWER PLANT	
2023	**2022**
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2023	31/12/2022
Important assumptions used in the performance of the impairment testing	
For valuation purposes, three scenarios were developed and the valuation takes into consideration the average value of all three. The baseline scenario foresees the operation of the company until 2033, as foreseen by the adopted National Coal Phase-Out and Coal Mining Region Restructuring Strategy. Operating projections subject to the intermediate scenario basically arise from the baseline scenario, whereby a lower electricity generation along with a simultaneous reduction of operating expenses is taken into consideration. The projections include the expected effects of the operating and financial restructuring that the company is already bound to on the valuation date. In the "low" scenario, the operating period is shortened to the end of 2029 and involves lower electricity generation. Operating projections in all three scenarios have been developed subject to a specific assumption that the planned loss resulting from the difference between the market and cost price of electricity of TEŠ d.o.o. will be covered by the state - the Republic of Slovenia.	The company's operations until 2033. The thermal power plant operating life has been shortened due to the shortened operating life of the PV coal mine providing the thermal power plant with coal. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The valuation of the free cash flow is discounted using the required weighted average cost of capital (WACC). As the projections are made using fixed prices, the discount rate was also adjusted in a way that it does not include the inflation rate. The inflation-adjusted WACC thus amounts to 4.76% in 2024, 5.40% in 2025, 5.99% in 2026, 6.16% in 2027 and 2028 and 6.19% from 2029 onwards.	The discount rate at a nominal amount of 7.30% adjusted to the real level of 4.79%, which was taken into account throughout the period until 2033.
The projected revenue in all three scenarios is based on the so-called cost + 5% method for 2024. The relevant market price published on EEX is taken into consideration for 2025 and 2026. From 2027 onwards, the prices of the external consultant of the company are foreseen.	The forecast revenue is based on the so-called cost +5% method, namely: the sales price of electricity by TEŠ is calculated as the sum of the cost price of electricity by TEŠ less thermal energy generation costs and plus cost uplift. The 5% uplift shall not be taken into account in CO_2 emission allowance costs.
The average procurement price of CO_2 (EE) emission allowance futures (for yet-to-be-procured volumes, the exchange price of futures at the EEX exchange has been taken into account) for 2024 amounts to EUR 86.51/t, at the end of the forecast horizon (2033) EUR 89.07/t. In the low scenario, at the end of 2029, it amounts to 83.42 EUR/t.	The average procurement price of CO_2 (EE) emission allowance futures (for yet-to-be-procured volumes, the exchange price of futures at the EEX exchange has been taken into account) for 2023 amounts to EUR 77.96/t, at the end of the forecast horizon (2033) EUR 89.38/t.
As of 2025, the electricity market price no longer allows for sustainable procurement of electricity by HSE using the cost plus model. HSE has been carrying out the thermal power division restructuring activities in compliance with SDH's instructions. As the manager of the investment of the Republic of Slovenia, SDH stated in the "Expectations of SDH towards HSE in relation to restructuring the thermal power division of the HSE Group" of 06/06/2024, that it supports the activities undertaken by the HSE Group pertaining to the just coal phase-out and that it will actively participate in the implementation of the required measured to obtain sufficient funding for a controlled and viable coal phase-out.	
The average annual generation of electricity amounting to 2.9 TWh in 2024 and to 2.2 TWh in 2033. In the intermediate scenario, generation is progressively reduced to 802 GWh at the end of 2033 and, in the low scenario, to 692 GWh at the end of 2029.	Average annual generation of electricity from coal-fired power plants of 2.4 TWh over the period 2023 - 2033.
Government grants are foreseen in the projections as of 2025. Their exact amounts depend on the relevant scenario (baseline: EUR 2.2 million; intermediate: EUR 1.8 million, low: EUR 1.0 million).	Value of other revenue (revenue from the provision of system services, thermal energy, revenue from the sales of ash and gypsum) in the amount of EUR 15,636,000 in 2023 up to EUR 16,613,000 in 2033.
CAPEX over the projection period of EUR 120.2 million in the baseline scenario, of EUR 94.7 million in the intermediate scenario and of EUR 79.0 million in the low scenario.	CAPEX over the projection period of EUR 156,808,000.
Results of impairment testing carried out	
The book value of fixed assets before the impairment testing amounts to EUR 438,256,997.	The book value of assets before the impairment testing amounts to EUR 469,579,000.
EUR 388,797,314 in recoverable value of non-current assets as at 31/12/2023.	EUR 482,130,000 in recoverable value of assets.
Revaluation expenses due to impairment of EUR 49,459,683.	Revaluation expenses due to impairment of EUR 0.

ASSETS AT VELENJE COAL MINE

2023	2022
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2023	31/12/2022
Important assumptions used in the performance of the impairment testing	
For valuation purposes, three scenarios were developed and the valuation takes into consideration the average value of all three. The baseline scenario foresees the operation of the company until the end of 2033, subject to the adopted company operating plan for the aforementioned period. After 2033, the discontinuation of lignite mining is foreseen as foreseen by the adopted National Coal Phase-Out and Coal Mining Region Restructuring Strategy. Operating projections subject to the "intermediate" scenario arise from the baseline scenario, whereby projections take into consideration lower volumes of sold coal along with a simultaneous reduction of operating expenses. Operating projections were made for the 2024-2033 period, whereby the discontinuation of the operations of the coal mine is foreseen in 2033. The low scenario not only takes into consideration lower volumes of sold coal (along with the simultaneous reduction of operating expenses) but also a shorter operating period (2024-2029). The operating projections in all three scenarios were made subject to a specific assumption that after 2033, when the discontinuation of lignite mining is foreseen, the costs of closing works and severance pays will be covered by the state - the Republic of Slovenia. The specific assumption is based on the adopted National Coal Phase-Out and Coal Mining Region Restructuring Strategy which served as the basis for the adoption of the Progressive Velenje Coal Mine Closure Act which will result in a controlled progressive closure and financially viable operations of the Coal Mine. All current remediation costs until the closure are included in the projections. In addition, a specific assumption, basically pertaining the operations of TEŠ d.o.o., is taken into consideration: namely, that the planned loss resulting from the difference between the market and cost price of electricity of TEŠ d.o.o. will be covered by the state - the Republic of Slovenia.	The company's operations until 2033. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The valuation of the free cash flow is discounted using the required weighted average cost of capital (WACC). As the projections are made using fixed prices, the discount rate was also adjusted in a way that it does not include the inflation rate. The inflation-adjusted WACC thus amounts to 4.98% in 2024, 5.62% in 2025, 6.21% in 2026 and 6.38% in the 2027-2033 period.	The discount rate at a nominal amount of 8.92% adjusted to the real level of 6.37%, which was taken into account throughout the period until 2033.
The average sale price of coal in the baseline scenario in 2024-2033 amounts to 6.62 EUR/GJ, in the intermediate scenario (2024-2033) to 7.5 EUR/GJ and in the low scenario to 7.5 EUR/GJ.	The average sales price of coal EUR 6.25/GJ in the period between 2023 and 2033.
Average annual coal sales of 22,459 TJ per year in the baseline scenario (2023–2033). Whereby the sales of coal in the first forecast horizon year (2024) amounts to 25,615 GJ and, in the last forecast horizon year, to 20,935 GJ. Average annual coal sales of 13,984 TJ per year in the intermediate scenario (2023–2033). Whereby the sales of coal in the first forecast horizon year (2024) amounts to 25,607 GJ and, in the last forecast horizon year, to 5,307 GJ. Average annual coal sales of 13,544 TJ per year in the low scenario (2023–2029). Whereby the sales of coal in the first forecast horizon year (2024) amounts to 25,615 GJ and, in the last forecast horizon year, to 5,533 GJ.	Average annual coal sales of 22,286 TJ per year in the 2023–2033 period.
CAPEX over the 2023–2033 projection period of EUR 161 million in the baseline scenario, of EUR 107 million in the intermediate scenario and of EUR 77 million in the low scenario.	CAPEX over the 2023–2033 projection period of EUR 183,928,000.
The recoverable value of financial investments in subsidiaries and other companies in the amount of EUR 4,055,000.	The recoverable value of financial investments in subsidiaries and other companies in the amount of EUR 4,160,000.
Recoverable amount of assets unnecessary for business (investments and investment property) in the amount of EUR 19,411,000.	Recoverable amount of assets unnecessary for business (investments and investment property) in the amount of EUR 22,717,000.
Results of impairment testing carried out	
The book value of fixed assets before the impairment testing amounts to EUR 98,813,346.	The book value of assets before the impairment testing amounts to EUR 115,939,000.
EUR 93,790,635 in recoverable value of non-current assets.	EUR 103,660,000 in recoverable value of assets.
Revaluation expenses due to impairment of EUR 5,022,711.	Revaluation expenses due to impairment of EUR 12,279,000.

ASSETS AT HTZ	
2023	**2022**
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2023	31/12/2022
Important assumptions used in the performance of the impairment testing	
Operating projections were made for the aforementioned period, that is until the end of 2033, when the discontinuation of lignite mining that almost all operations of the investment subject to valuation are linked to is foreseen. The valuation arises from the operating valuation for 2023, long-term projections of the operations of HTZ Velenje, I.P., d.o.o., for the 2024-2033 period. At the end of the projection period, the closure of working capital is also taken into consideration. The specific assumption taking into consideration limited operations in the 2024-2033 is taken into consideration, whereby, after 2033, the discontinuation of lignite mining or the closure of the coal mine of Premogovnik Velenje d.o.o. is foreseen.	The company's operations until 2033. The operating life of the Company was shortened due to a shortened operating life of the PV coal mine as the business of both companies is strongly tied to one another. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The valuation of the free cash flow is discounted using the required weighted average cost of capital (WACC). As the projections are made using fixed prices, the discount rate was also adjusted in a way that it does not include the inflation rate. The inflation-adjusted WACC thus amounts to 4.76% in 2024, 5.40% in 2025, 5.99% in 2026, 6.16% in 2027 and 2028 and 6.19% from 2029 onwards.	The discount rate at a nominal amount of 8.92% adjusted to the real level of 6.37%, which was taken into account throughout the period until 2033.
The average free cash flow in the 2024-2033 period in the amount of EUR 266 thousand.	The average free cash flow in the 2024-2033 period in the amount of EUR 413 thousand.
Results of impairment testing carried out	
The book value of assets before the impairment testing amounts to EUR 9,361,000.	The book value of assets before the impairment testing amounts to EUR 9,894,000.
EUR 10,730,184 in recoverable value of assets.	EUR 10,314,000 in recoverable value of assets.
Revaluation expenses due to impairment of EUR 0.	Revaluation expenses due to impairment of EUR 0.

ASSETS AT ENERGIJA PLUS	
2023	**2022**
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2023	31/12/2022
Important assumptions used in the performance of the impairment testing	
Going concern assumption.	Going concern assumption.
8.3% discount rate throughout the 2024 and 2029 period, and 8.4% discount rate in the period after 2029.	An 8.5% discount rate was taken into account throughout the entire forecast horizon.
A 2 per cent specific risk premium was taken into account, reflecting the risks of the materialisation of the planned revenue and margins. The reason for this are changed circumstances on the energy product market in the recent 24 months.	A 2 per cent specific risk premium was taken into account, reflecting the risks of the materialisation of the planned revenue and margins. The reason for this are the significantly changed circumstances on the energy product market in the recent 12 months.
The valuation is a result of equal balancing of four operating scenarios. Operating scenarios foresee lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, higher prices/higher margins for the period until 2038 or 15 years.	The valuation is a result of equal balancing of 4 operating scenarios. Operating scenarios foresee lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, higher prices/higher margins for the period until 2037 or 15 years.
The average annual growth rate of normalized real free cash flow is 2%.	The average annual growth rate of normalized real free cash flow is 2%.
Results of impairment testing carried out	
The book value of assets before the impairment testing amounts to EUR 3,690,000.	The book value of assets before the impairment testing amounts to EUR 5,648,000.
EUR 6,150,000 in recoverable amount of non-current assets.	EUR 5,750,000 in recoverable amount of non-current assets.
Revaluation expenses due to impairment of EUR 0.	Revaluation expenses due to impairment of EUR 0.

Sensitivity analysis – impairment testing by category of the cash-generating units TEŠ and PV

Assets	Recoverable value of long term assets as at 31/12/2023	Sensitivity (change) of recoverable value in EUR	
		Change in discount rate (WACC) in % points	
		-0.5	0.5
TEŠ	388,797,314	10,077,808	-9,755,774
PV	93,790,635	365,264	-351,230

Right to use leased assets (3)

The Group has concluded lease agreements for business premises, land, cars and other equipment. The lease duration is estimated based on the type of lease. The value of right to use leased assets and liabilities is estimated based on discounting future cash flows for the lease duration.

In 2023, the Group repaid its liabilities from financial lease amounting to EUR 261,474 and increased production equipment following an accounting transfer.

The increase in the right to use of leased assets in 2023 referred to gains arising from the renewal of lease agreements following the expiration of the 5-year lease duration and newly concluded car lease agreements.

The Group does not sublease its leased assets.

Right of use assets (in EUR)	31/12/2023	31/12/2022
Right of use assets	6,412,679	5,417,975
Total	**6,412,679**	**5,417,975**

Movement of right of use assets (in EUR)	Land	Buildings	Production equipment	Other equipment	Total
Purchase cost as at 1/1/2023	**2,520,946**	**3,361,028**	**2,098,933**	**1,362,290**	**9,343,197**
Acquisition	161,711	2,631,811	160,750	614,861	3,569,133
Transfers - restatements	0	0	-261,474	0	-261,474
Exclusions	0	-1,076,395	0	-301,081	-1,377,476
Purchase cost as at 31/12/2023	**2,682,657**	**4,916,444**	**1,998,209**	**1,676,070**	**11,273,380**
Written-off value as at 1/1/2023	**1,008,377**	**1,588,280**	**740,051**	**588,514**	**3,925,222**
Depreciation	564,209	769,705	335,099	425,826	2,094,839
Transfers - restatements	0	10,992	-261,474	-10,992	-261,474
Exclusions	0	-757,763	0	-140,123	-897,886
Written-off value as at 31/12/2023	**1,572,586**	**1,611,214**	**813,676**	**863,225**	**4,860,701**
Book value as at 1/1/2023	**1,512,569**	**1,772,748**	**1,358,882**	**773,776**	**5,417,975**
Book value as at 31/12/2023	**1,110,071**	**3,305,230**	**1,184,533**	**812,845**	**6,412,679**
Purchase cost as at 1/1/2022	**2,520,946**	**1,898,044**	**1,968,142**	**854,822**	**7,241,954**
Acquisitions through a business merger	0	1,543,333	0	25,279	1,568,612
Acquisition	0	320,199	130,791	553,080	1,004,070
Exclusions	0	-400,548	0	-70,891	-471,439
Purchase cost as at 31/12/2022	**2,520,946**	**3,361,028**	**2,098,933**	**1,362,290**	**9,343,197**
Written-off value as at 1/1/2022	**504,189**	**782,883**	**441,345**	**250,557**	**1,978,974**
Acquisitions through a business merger	0	457,205	0	25,279	482,484
Exclusions	0	-283,333	0	-36,303	-319,636
Depreciation	504,188	631,525	298,706	348,981	1,783,400
Written-off value as at 31/12/2022	**1,008,377**	**1,588,280**	**740,051**	**588,514**	**3,925,222**
Book value as at 1/1/2022	**2,016,757**	**1,115,161**	**1,526,797**	**604,265**	**5,262,980**
Book value as at 31/12/2022	**1,512,569**	**1,772,748**	**1,358,882**	**773,776**	**5,417,975**

Investment property (4)

Book value of investment property (in EUR)	31/12/2023	31/12/2022
Land	1,744,564	1,778,186
Buildings	16,051,551	15,208,844
Total	**17,796,115**	**16,987,031**

Movement of investment property (in EUR)	Land	Buildings	Total
Fair value as at 1/1/2023	**1,778,186**	**15,208,843**	**16,987,029**
Acquisition	0	97,417	97,417
Disposals	0	-37,817	-37,817
Transfers – restatements	-41,368	-150,154	-191,522
Acquisitions	7,746	933,262	941,008
Fair-value 31/12/2023	**1,744,564**	**16,051,551**	**17,796,115**
Fair value as at 1/1/2022	**2,329,462**	**16,050,554**	**18,380,016**
Acquisition	0	131,585	131,585
Disposals	-570,658	-961,174	-1,531,832
Acquisitions	19,382	115,697	135,079
Impairments	0	-127,818	-127,818
Fair value as at 31/12/2022	**1,778,186**	**15,208,844**	**16,987,031**

Apartments account for the majority of our investment property. In 2023, the Group generated EUR 1,031,510 in revenue and EUR 345,035 in costs from leasing investment property.

The assessment of the fair value of the investment property held by the PV Group as part of the equity valuation by an authorised valuer of the investment property owned by PV and HTZ I.P. was carried out on 31 October 2023. On that day, there were no significant changes to the assumptions. As a result, it has been estimated that no additional assessment of the fair value of investment property is required. Fair value is calculated using the market approach and the direct capitalisation method (the income approach).

The effect of adjusting investment property to fair value amounts to EUR 941,008.

In 2023, acquisitions amounting to EUR 97,417 refer primarily to the restoration of apartments, whereas disposals amounting to EUR 37,817 to the sales of three parking slots.

Transfers refer to changing the purpose land and buildings are used (for the performance of the principal activity).

Other non-current financial investments and loans (5)

Other non-current financial investments and loans (in EUR)	31/12/2023	31/12/2022
Financial investments in associates	144,194,973	142,796,076
Investments in jointly-controlled companies	311,843	1,198,839
Financial assets available for sale	165,615	165,378
Other financial investments	98,631	98,098
Financial receivables and loans	19,088	292,181
Total	**144,790,150**	**144,550,572**

An investment in an associate accounts for the biggest proportion of other non-current investments.

a) Investment in an associate

Investmensts in an associate (in EUR)	31/12/2023	31/12/2022
HESS	144,194,973	142,796,076
Total	**144,194,973**	**142,796,076**

Movement of non-current financial investments in an associate (in EUR)	2023	2022
Balance as at 1/1/	**142,796,076**	**142,301,334**
Profits as per capital method	1,398,897	494,742
Balance as at 31/12/	**144,194,973**	**142,796,076**

b) Investment in a jointly-controlled company

Investments in a jointly-controlled company (in EUR)	31/12/2023	31/12/2022
SOENERGETIKA	311,843	1,198,839
Total	**311,843**	**1,198,839**

Movement of investments in jointly-controlled companies (in EUR)	2023	2022
Balance as at 1/1	**1,198,839**	**382,667**
Payment of profit	-931,389	-115,217
Profits as per capital method	44,393	931,389
Balance as at 31/12	**311,843**	**1,198,839**

Non-current operating receivables (6)

Non-current operating receivables (in EUR)	31/12/2023	31/12/2022
Trade receivables	20,265,062	46,703,605
Advances given	9,146	18,293
Operating receivables from others	13,039,821	12,460,712
Total	**33,314,029**	**59,182,610**

Receivables owed by the GE Group following the Settlement Agreement, concluded as part of the arbitration process of TEŠ concluded in 2021 account for the majority of non-current operating receivables. In 2023 receivables were reduced by part of the receivables due in 2024 and were transferred to current operating receivables.

The Group's non-current operating receivables due from others include financial coverages extended for electricity trading purposes.

Deferred tax receivables (7)

Deferred tax assets amount to EUR 1,712,077 and are translated using a 19% or 22% tax rate for deferred tax assets whose consumption is expected within a period of 5 years. They were set up from the expenses that affect the profit or loss of each year, although they are not fully or partially tax deductible in this year (provisions for jubilee and retirement benefits, business amortisation over the amortisation recognised for tax purposes, impairment of investments and receivables, fair value of financial instruments). Deferred tax assets are set up by the Group by taking into account the possibility of their recovery in the future in relation to future operations.

Deferred tax receivables (in EUR)	31/12/2023	31/12/2022
Provisions	449,344	519,312
Impairments	1,223,167	1,270,620
Amortisation	0	5
Other	39,566	284,460
Total	**1,712,077**	**2,074,398**

Movement of deferred tax receivables (in EUR)	Provisions	Impairments	Amortisation	Other	Total
Balance as at 1/1/2023	**519,312**	**1,270,620**	**5**	**284,460**	**2,074,397**
Added to/deducted from profit or loss statement	-69,968	-47,453	-5	-244,894	-362,320
Balance as at 31/12/2023	**449,344**	**1,223,167**	**0**	**39,566**	**1,712,077**
Balance as at 1/1/2022	**587,018**	**653,295**	**10**	**454,748**	**1,695,071**
Acquisitions through a business merger	60,983	923,152	0	0	984,135
Added to/deducted from profit or loss statement	-128,689	-305,827	-5	-170,288	-604,809
Balance as at 31/12/2022	**519,312**	**1,270,620**	**5**	**284,460**	**2,074,398**

Deferred tax liabilities (8)

Deferred tax liabilities (in EUR)	31/12/2023	31/12/2022
Financial assets	24,445	24,298
Total	**24,445**	**24,298**

Deferred tax liabilities arise from the change in the value of financial assets held at fair value through other comprehensive income where fair value can be measured reliably.

Movement of deferred tax liabilities (in EUR)	Financial assets
Balance as at 1/1/2023	**24,298**
Increase	147
Decrease - drawing	0
Balance as at 31/12/2023	**24,445**
Balance as at 1/1/2022	**7,353**
Increase	18,627
Decrease - drawing	-1,682
Balance as at 31/12/2022	**24,298**

Inventories (9)

Inventories (in EUR)	31/12/2023	31/12/2022
Material	38,742,434	44,890,554
Work in progress	2,495	2,775
Emission allowances	40,352,308	8,119,218
Products and merchandise	39,882,309	39,198,027
Total	**118,979,546**	**92,210,574**

Inventories of spare parts and materials for maintenance, necessary for a rapid remedy of defects of production equipment and thus for ensuring reliable production, account for the majority of inventories of materials in terms of value. Important spare parts of Block 6 amounting to EUR 4,645,740 were transferred by the Group to property, plant and equipment where they will be depreciated subject to the useful life of Block 6.

The inventories of coal account for the majority of inventories of products and merchandise in terms of value.

The Group has no pledged inventories.

During the inventory, the Group identified the following differences between the actual and the carrying amount of inventories:

Difference between the actual and account balance (in EUR)	31/12/2023	31/12/2022
Surplus in inventory registration	10,446	8,352
Deficit in inventory registration	-118,356	-35,304

Current financial investments and loans (10)

Current financial investments and loans (in EUR)	31/12/2023	31/12/2022
Financial receivables and loans given to others without interest	51	51
Deposits to others	384,871	5,244,094
Total	**384,922**	**5,244,145**

In 2023, the loan given by the EBRD was repaid in full. As a result, an earmarked deposit of EUR 5,130,000 was released.

Current trade receivables (11)

Current trade receivables (in EUR)	31/12/2023	31/12/2022
Operating receivables from associates	96,733	95,226
Operating receivables from jointly controlled companies	329	73
Trade receivables	546,185,895	475,679,876
Total	**546,282,957**	**475,775,175**

Most current trade receivables relate to receivables arising from the sale of electricity.

Disclosures in relation to the maturity of receivables, allowances for receivables and insuring current operating receivables are presented in the Derivatives and financial risk management section herein.

Contract assets (12)

Contract assets (in EUR)	31/12/2023	31/12/2022
Accrued revenues	737,907	3,698,292
Total	**737,907**	**3,698,292**

Accrued revenue is the revenue included in the profit or loss that has not yet been invoiced and constitutes the right to consideration in exchange for goods or services transferred to a customer.

Other current assets (13)

Other current assets (in EUR)	31/12/2023	31/12/2022
Advances given	5,423,222	7,494,552
Operating receivables from state and other institutions	78,247,074	56,522,626
Trade receivables due from others	48,889,710	31,854,811
Deferred costs and expenses	44,999,010	20,495,533
Total	**177,559,016**	**116,367,522**

Most of the other current operating receivables comprise receivables due from state and other institutions, which primarily refer to input VAT.

Operating receivables due from others are the amount of reserved assets for commodity trading and receivables arising from the valuation of agreements at fair value.

Current deferred costs and expenses primarily relate to transactions arising from electricity trading and sales.

Cash and cash equivalents (14)

Cash and cash equivalents (in EUR)	31/12/2023	31/12/2022
Cash in hand and received cheques	10,081	4,821
Cash in banks	75,732,097	317,518,982
Call deposits	30,547,636	15,401,254
Deposits with up to 3 month maturity	4,994,445	23,782,206
Total	**111,284,259**	**356,707,263**

Equity (15)

Equity (in EUR)	31/12/2023	31/12/2022
Called-up capital	29,558,788	29,558,788
Capital reserves	711,243,182	1,053,243,183
Other reserves from profit	0	413,501,341
Risk hedging reserve	-5,575,521	-106,751,557
Fair value reserves	-12,924,886	-11,582,513
Retained profit/loss	428,859,934	-374,159,547
Conversion reserve	-153,249	-573,104
Capital of owners of non-controlling shares	22,316,331	21,503,138
Total	**1,173,324,579**	**1,024,739,729**

Capital reserves (in EUR)	31/12/2023	31/12/2022
Paid-in capital surplus	561,243,070	561,243,070
Subsequent capital increases by shareholders	150,000,000	492,000,000
Amount on the basis of elimination of general revaluation capital adjustment	113	113
Total	**711,243,183**	**1,053,243,183**

The value of capital reserves fell in 2023 due to the repayment of the subsequent capital increases of the state as the owner amounting to EUR 342,000,000.

Other reserves from profit fell and were transferred to debit retained profit amounting to EUR 413,501,341.

Hedge reserves amounting to EUR -5,575,521 refer to:
- results of futures for electricity amounting to EUR 16,420,903,
- results of futures amounting to EUR -21,205,540 for emission allowances,
- results of futures amounting to EUR -716,542 for gas, and
- fair value of currency swaps in the amount of EUR -74,342.

Risk hedging reserve movement (in EUR)	Standardised futures contracts for electricity	Standardised futures contracts for emission allowances	Standardised futures contracts for gas	Currency swaps	Total
Balance 1/1/2023	**-106,116,074**	**508,740**	**0**	**-1,144,223**	**-106,751,557**
Net Effect of Increase/Decrease	263,960,296	-20,983,150	-716,542	1,069,881	243,330,485
Transfer to expenses	-141,423,319	-731,130	0	0	-142,154,449
Balance as at 31/12/2023	**16,420,903**	**-21,205,540**	**-716,542**	**-74,342**	**-5,575,521**
Balance 1/1/2022	**-222,220,018**	**134,484,720**	**0**	**-1,156,205**	**-88,891,503**
Net Effect of Increase/Decrease	-146,607,599	-133,975,980	0	11,982	-280,571,597
Transfer to expenses	262,711,543	0	0	0	262,711,543
Balance as at 31/12/2022	**-106,116,074**	**508,740**	**0**	**-1,144,223**	**-106,751,557**

The negative balance of the hedge reserve primarily arises from futures hedging emission allowances. In the case of futures for electricity, these refer to concluded transactions for the procurement and sales of electricity listed abroad for the period between 2024 and 2026, allowing the Group to hedge already concluded electricity sales transactions during the same period. In the case of futures for emission allowances, these refer to concluded transactions for the procurement and sales of emission allowances listed abroad for the period between 2024 and 2026. In the case of futures for gas, these refer to concluded transactions for the procurement and sales of gas listed abroad for the period between 2024 and 2025. No deferred taxes were accounted for by the Group in relation thereto, as the price agreed upon during the conclusion of the transaction will be paid upon its realisation.

In 2023, the Group did not conclude any new foreign exchange swaps. The negative fair value of open currency exchanges at the end of 2023 amounts to EUR 95,310, from which the Company accounted for EUR 20,968 in deferred tax liabilities. The final balance taking into consideration the deferred tax amounts to EUR 74,342.

Fair value reserves amounting to EUR -12,924,885 refer to:
- revaluation of investment property amounting to EUR 105,215,
- financial resources at fair value through other comprehensive income amounting to EUR 71,076,
- actuarial profits/losses on severance payments upon retirement amounting to EUR -6,339,612, and
- other fair value reserves amounting to EUR -6,761,565.

Movement of fair value reserve (in EUR)	Revaluation of investment property	Financial assets at fair value through other comprehensive income	Actuarial profits/losses on severance payments upon retirement	Other	Total
Balance as at 1/1/2023	**157,552**	**70,611**	**-5,049,111**	**-6,761,565**	**-11,582,513**
Formation, increase	0	465	-2,146,358	0	-2,145,893
Decrease, elimination	-52,337	0	489,489	0	437,152
Transfer to retained net profit/loss	0	0	366,368	0	366,368
Balance as at 31/12/2023	**105,215**	**71,076**	**-6,339,612**	**-6,761,565**	**-12,924,886**
Balance as at 1/1/2022	**353,209**	**75,971**	**-5,560,276**	**-9,096,565**	**-14,227,661**
Formation, increase	0	0	847,910	0	847,910
Decrease, elimination	-195,657	-5,360	-513,778	2,335,000	1,620,205
Transfer to retained net profit/loss	0	0	177,033	0	177,033
Balance as at 31/12/2022	**157,552**	**70,611**	**-5,049,111**	**-6,761,565**	**-11,582,513**

Other fair value reserves as at 31 December 2023 refers almost solely to the call option for a 36.42% share-holding of ECE, d.o.o. (EUR 6,759,992).

Retained profit (in EUR)	2023	2022
Net profit/loss for the year	389,908,698	-280,477,134
Retained profit/loss	38,951,236	-93,682,413
Total	**428,859,934**	**-374,159,547**

The capital of owners of non-controlling shares increased in 2023 by EUR 813,193 and is posted as amounting to EUR 22,317,331 at the end of 2023.

Non-controlling interests (in EUR)	31/12/2023	1 – 12/2023	31/12/2022	1 – 12/2022
	Non-controlling interests' equity	Share in profit/ loss	Non-controlling interests' equity	Share in profit/ loss
SRESA	15,120	-1,938	17,058	-2,912
mHE LOBNICA	216,584	4,186	212,397	-5,004
HSE Invest	148,467	20,984	133,370	15,149
ECE	11,966,984	554,476	11,486,843	4,569,979
Energija plus	9,969,176	344,859	9,653,470	3,949,833
Total	**22,316,331**	**922,567**	**21,503,138**	**8,527,045**

Provisions for retirement and jubilee benefits (16)

Provisions for severance pay and anniversary bonuses (in EUR)	31/12/2023	31/12/2022
Provisions for severance	24,542,013	21,548,168
Provisions for anniversary bonuses	3,800,974	3,454,943
Total	**28,342,987**	**25,003,111**

The Group reports provisions for retirement and jubilee benefits set up on the basis of the actuarial calculation as at 31 December 2023. Severance pays refer to retirement allowance.

Movement of provisions for severance pay and anniversary bonuses (in EUR)	Provisions for severance pay	Provisions for anniversary bonuses	Total
Balance as at 1/1/2023	**21,548,168**	**3,454,943**	**25,003,111**
Formation, increase	5,553,963	811,462	6,365,425
Decrease, drawing	-2,174,931	-274,749	-2,449,680
Decrease, elimination	-385,187	-190,682	-575,869
Balance as at 31/12/2023	**24,542,013**	**3,800,974**	**28,342,987**
Balance as at 1/1/2022	**21,054,444**	**3,470,038**	**24,524,482**
Acquisitions through a business merger	473,026	174,682	647,708
Formation, increase	3,162,517	426,751	3,589,268
Decrease, drawing	-1,333,828	-261,979	-1,595,807
Decrease, elimination	-1,807,991	-354,549	-2,162,540
Balance as at 31/12/2022	**21,548,168**	**3,454,943**	**25,003,111**

Considered bases for the actuarial calculation:

- employee data (gender, date of birth, date of first employment in the Group, employment for an indefinite or definite period of time, years of pensionable service as at 31 December 2023, years of service until first employment in the Group, type of employment agreement, average gross wage, etc.), the fluctuation of employees by age bracket,
- demographic assumptions (mortality tables, employee fluctuation, retirement rates),
- the average wage increase rates in the RS (monthly and annually) for 2024 and 2025 are taken into consideration from the UMAR Autumn Projection, September 2023. It is foreseen that from 2026 average wage rates in the RS will be raised annually in relation to the inflation rate (IMF, October 2023) and their real growth shall amount to 1.4%,
- the wage increase rate in companies is accounted for by the growth of basic gross wages and the variable part of wages amounting to the annual inflation rate but shall not be higher than the foreseen average growth of wages in the RS.
- the 3.0-3.2% discount rate laid down as at 31 December 2023, reflecting the yield of premium euro-denominated corporate bonds as at 29 December 2023.
- provisions of the new corporate collective agreement which define jubilee and retirement benefits and their amounts.

The sensitivity analysis of the change in the discounted interest rate and salary growth to provisions for jubilee and retirement benefits in 2023:

Sensitivity analysis for provisions for severance pay and anniversary bonuses (in EUR)	**Discount rate**		**Salary growth**	
	Decrease by 0.5%	**Increase by 0.5%**	**Decrease by 0.5%**	**Increase by 0.5%**
Provisions for severance pays upon retirement	1,064,251	-1,469,680	-938,826	1,008,877
Provisions for anniversary bonuses	169,679	-259,272	-85,490	146,893
Total in 2023	**1,233,930**	**-1,728,952**	**-1,024,316**	**1,155,770**
Provisions for severance pays upon retirement	760,408	-742,626	-696,681	749,241
Provisions for anniversary bonuses	105,930	-118,681	-97,037	102,408
Total in 2022	**866,338**	**-861,307**	**-793,718**	**851,649**

Other provisions (17)

Provisions set up for closing works of coal mines and the dismantling of Block 6 account for the majority of other provisions.

Provisions for lawsuits were set up based on the estimation of liability from lawsuits where the Group appears as defendant. The set up of these provisions also refers to default interest charged on a part of damage amounts claimed.

For 2023, the Group reassessed the valuation of the activity and value of closing works in a study of January 2024, subject to which it set up additional closing works provisions in the amount of EUR 1,619,000. The reported effect of the provision balance discounting reconciliation increases these by EUR 722,000 in 2023. The provisions increased further through the increase in the value of cave structural installations due to the expected closing works by EUR 5,322,000, due to the effect of the change in the discount rate applied in relation to the previous year by taking into account the foreseen closure of PV after 2033.

Based on the Energy Permit and assessment of Block 6 decommissioning costs upon the expiry of its useful life in 2015, the Group set up additional provisions in the amount of EUR 9,113,000. The current value of the assessed commissioning costs, by taking into account a 20-year government bond as at 29 December 2023 as an appropriate discount rate, amounts to EUR 14,640,986. The increase in provisions for the decommissioning of Block 6 includes EUR 238,890 in financial expenses (discounting owing to the passage of time), whereas the EUR 1,078,608 increase is the effect of changing the discount rate shown through the value adjustment of investments in construction works.

The used discount rate amounting to 0.01017% has been calculated taking into account the nominal interest rate for 20-year government bonds as at 29 December 2023 and long-term inflation rates.

Other provisions (in EUR)	31/12/2023	31/12/2022
For legal actions	1,010,823	1,028,631
For closing works of coal mine caves	47,917,052	40,254,052
For decommissioning	14,640,986	13,323,488
For damages	2,070,320	1,561,307
Other provisions	2,683,513	2,877,527
Total	**68,322,694**	**59,045,005**

Movement of other provisions (in EUR)	For legal actions	For closing works of coal mine caves	For decommissioning	For damages	Other provisions	Total
Balance as at 1/1/2023	**1,028,631**	**40,254,052**	**13,323,488**	**1,561,307**	**2,877,527**	**59,045,005**
Formation, increase	466,720	7,663,000	1,317,498	681,074	153,136	10,281,428
Decrease, drawing	-54,505	0	0	-172,061	-60,388	-286,954
Decrease, elimination	-430,023	0	0	0	-286,762	-716,785
Balance as at 31/12/2023	**1,010,823**	**47,917,052**	**14,640,986**	**2,070,320**	**2,683,513**	**68,322,694**
Balance as at 1/1/2022	**635,127**	**52,511,052**	**16,074,171**	**1,581,633**	**2,481,902**	**73,283,885**
Formation, increase	519,356	2,444,000	10,448	234,164	477,626	3,685,594
Decrease, drawing	0	-14,643,000	-2,761,131	-145,755	-34,563	-17,584,449
Decrease, elimination	-125,852	-58,000	0	-108,735	-47,438	-340,025
Balance as at 31/12/2022	**1,028,631**	**40,254,052**	**13,323,488**	**1,561,307**	**2,877,527**	**59,045,005**

Other non-current liabilities (18)

The call option for the remaining 36.42% shareholding of the ECE d.o.o. share capital after 1/1/2025 accounts for the majority of other non-current liabilities. The option value is recognised in the amount of the estimated liability arising from the redemption of the call option as at 31 December 2024 and amounts to EUR 6,759,992 million.

The Group also posts the funds received as part of co-financing in the FARCROSS and NAHV European projects among other non-current liabilities. As a leading partner in the North Adriatic Hydrogen Valley (NAHV) project, the Group received funds in the amount of EUR 8,748,889 in 2023, of which EUR 6,372,084 was transferred to other project partners. The project will last 72 months.

Other received government grants refer to assigned contributions for disabled workers in compliance with the Vocational Rehabilitation and Employment of Disabled Persons Act used to cover the costs.

Other non-current liabilities (in EUR)	31/12/2023	31/12/2022
Emission allowances	26,705	40,623
Other received government grants	1,257,803	1,392,305
Other	9,209,204	6,818,949
Total	**10,493,712**	**8,251,877**

Movement of other non-current liabilities (in EUR)	Emission allowances	Other received government grants	Other	Total
Balance as at 1/1/2023	**40,623**	**1,392,305**	**6,818,949**	**8,251,877**
Acquisition	0	7,912,128	2,484,732	10,396,860
Disposals	0	-8,027,171	-94,477	-8,121,648
Release	-13,918	-19,459	0	-33,377
Balance as at 31/12/2023	**26,705**	**1,257,803**	**9,209,204**	**10,493,712**
Balance as at 1/1/2022	**54,918**	**1,052,607**	**9,512,090**	**10,619,615**
Acquisition	0	7,931,978	0	7,931,978
Disposals	0	-7,592,280	-2,693,141	-10,285,421
Release	-14,295	0	0	-14,295
Balance as at 31/12/2022	**40,623**	**1,392,305**	**6,818,949**	**8,251,877**

Non-current financial liabilities and lease liabilities (19)

Non-current financial liabilities to banks include non-current borrowings from Slovenian and foreign banks. Interest rates are fixed and variable. Variable interest rates were based on 6-month Euribor, respectively, and a margin ranging from 0.97% to 1.60%. In the case of a negative Euribor, some loans are only remunerated by taking the margin into account. The fixed interest rate ranges between 3.158 and 5.5%.

The value of principal of the loans received payable in 2024 amounting to EUR 67,653,685 is posted under current liabilities to banks.

The Group has EUR 100,000,000 in revolving loans granted; out of which EUR 40,000,000 were drawn as at 31 December 2023.

The Group regularly monitors the developments related to Euribor market interest rates and accordingly compiles periodical Interest Rate Management Strategies of the Company. The objective of interest rate risk management is to limit and reduce the risk associated with changes in interest rates and to thus stabilise cash flows. No new interest rate hedging contracts were concluded in 2023.

All Group's non-current loans are collateralised with mortgages on properties, assignment of receivables, pledge of shareholding interests, and a guarantee of the Republic of Slovenia and with bills of exchange.

Subject to non-current loan agreements, the Group has to comply with commitments to banks which were not breached in 2023. The maturity dates of non-current liabilities by period are disclosed in the Derivatives and financial risk management section.

Non-current financial liabilities (in EUR)	31/12/2023	31/12/2022
Financial liabilities to banks	508,230,148	548,758,833
Financial liabilities from leases	4,257,640	3,242,768
Total	**512,487,788**	**552,001,601**

Movement of non-current financial liabilities (in EUR)	Financial liabilities to banks	Financial liabilities from leases	Total
Balance as at 1/1/2023	**548,758,833**	**3,242,768**	**552,001,601**
Acquisition	141,250,000	3,126,058	144,376,058
Transfers to current liabilities	-67,653,685	-1,518,230	-69,171,915
Repayments	-114,125,000	-253,421	-114,378,421
Other	0	-339,535	-339,535
Balance as at 31/12/2023	**508,230,148**	**4,257,640**	**512,487,788**
Balance as at 1/1/2022	**497,730,640**	**3,520,256**	**501,250,896**
Acquisitions through a business merger	0	974,608	974,608
Acquisition	595,000,000	955,199	595,955,199
Transfers to current liabilities	-76,214,400	-1,972,419	-78,186,819
Repayments	-467,757,407	0	-467,757,407
Other	0	-234,876	-234,876
Balance as at 31/12/2022	**548,758,833**	**3,242,768**	**552,001,601**

Current financial liabilities (20)

Current loans received and the current part of principals of non-current loans maturing in 2024 account for the majority of current financial liabilities.

Current financial liabilities (in EUR)	31/12/2023	31/12/2022
Financial liabilities to banks without interest	82,353,685	262,373,685
Financial liabilities to banks for interest	473,687	957,942
Derivatives	95,310	1,412,621
Other financial liabilities	37,121	39,262
Financial liabilities from leases	1,911,807	2,018,048
Total	**84,871,610**	**266,801,558**

Movement of current financial liabilities (in EUR)	Financial liabilities to banks without interest	Financial liabilities to banks for interest	Current derivatives	Other financial liabilities	Financial liabilities from leases	Total
Balance as at 1/1/2023	**262,373,685**	**957,942**	**1,412,621**	**39,262**	**2,018,048**	**266,801,558**
Increase	33,500,000	24,476,909	0	1,249,367	182,627	59,408,903
Transfers from non-current liabilities	67,353,685	300,000	0	0	1,518,230	69,171,915
Current repayments	-203,820,000	-25,261,164	0	-1,251,508	-780,650	-231,113,322
Non-current repayments	-77,053,685	0	0	0	-967,824	-78,021,509
Other	0	0	-1,317,311	0	-58,624	-1,375,935
Balance as at 31/12/2023	**82,353,685**	**473,687**	**95,310**	**37,121**	**1,911,807**	**84,871,610**
Balance as at 1/1/2022	**137,983,993**	**181,687**	**1,427,414**	**89,846**	**1,506,470**	**141,189,410**
Acquisitions through a business merger	10,000,000	861	0	0	130,125	10,130,986
Increase	473,339,810	16,821,634	0	2,506,238	138,115	492,805,797
Transfers from non-current liabilities	76,214,400	0	0	0	1,965,789	78,180,189
Current repayments	-344,593,800	-16,046,240	0	-2,556,822	-1,373,511	-364,570,373
Non-current repayments	-90,570,718	0	0	0	-348,940	-90,919,658
Other	0	0	-14,793	0	0	-14,793
Balance as at 31/12/2022	**262,373,685**	**957,942**	**1,412,621**	**39,262**	**2,018,048**	**266,801,558**

Current operating liabilities (21)

Current operating liabilities (in EUR)	31/12/2023	31/12/2022
Operating liabilities to associates	1,261,214	1,048,791
Operating liabilities to suppliers	355,374,129	403,384,923
Total	**356,635,343**	**404,433,714**

Disclosures on the maturity of trade payables are presented in the Derivatives and financial risk management section.

Other current liabilities (22)

Other current liabilities (in EUR)	31/12/2023	31/12/2022
Operating advance payables	10,404,247	18,054,873
Operating liabilities to employees	16,117,860	15,089,417
Operating liabilities to state and other institutions	53,499,893	21,301,249
Current operating liabilities to others	2,540,252	27,855,373
Current accrued costs or expenses	30,546,356	26,253,140
Total	**113,108,608**	**108,554,052**

Liabilities to the state and other institutions refer to the value added tax liability and the liability from surrendering emission allowances to the state.

Other current liabilities are liabilities to employees referring to the payment of remuneration for December in January 2024. Among them, the Group also discloses liabilities related to leave unexpended.

Liabilities arising from the valuation of commodity contracts at fair value accounted for the majority of operating liabilities to others (EUR 25,123,651) in 2022, whereas, in 2023, receivables arising from this are posted in 2023 to a change in fair value.

Current accrued costs largely refer to costs of accrued interest and bank guarantees, and costs related to the procurement of electricity.

Contingent liabilities (23)

Contingent liabilities (in EUR)	31/12/2023	31/12/2022
Performance bonds/warranties for the rectification of defects	2,609,064	3,464,077
Total	**2,609,064**	**3,464,077**

4.5.6.2 Consolidated income statement

Revenue from contracts with customers (24)

Most of the revenue from contracts with customers refers to the revenue generated through the sale of electricity by the parent company. The revenue from the sale of electricity accounts for 99% of all net revenue from sales. Compared to 2022, revenue from contracts with customers has fallen on account of lower electricity prices and lower volumes of electricity sold on both the domestic and foreign markets.

Revenue generated from other merchandise and material mainly include the sale of waste material, emission allowances, and other merchandise.

Revenue from other services provided was generated by the Group largely through services related to electricity (i.e. transmission capacities, guarantees of origin, etc.), whereas the rest refers to construction, mining and maintenance services, lease payments for property and other services.

Revenue from contracts with customers (in EUR)	2023	2022
On the domestic market	**2,525,301,698**	**1,820,983,439**
Electricity	2,450,878,012	1,758,445,801
Heat energy	14,648,502	9,644,649
Natural gas	20,816,384	9,023,384
Other products	5,675,832	10,461,449
Other goods and material	14,367,208	16,999,682
Other services	18,915,760	16,408,474
On foreign market	**2,422,390,908**	**3,509,692,986**
Electricity	2,387,230,690	3,473,764,010
Natural gas	14,443,843	5,665,973
Other products	336,173	361,555
Other goods and material	508,162	5,483,008
Other services	19,872,040	24,418,440
Total	**4,947,692,606**	**5,330,676,422**

Other operating revenue (25)

Other operating income (in EUR)	2023	2022
Revenue from withdrawal of provisions	742,036	371,848
Drawing deferred revenue	8,117,180	7,462,461
Elimination of impairment of receivables	593,497	2,257,345
Revenue from damages and contractual penalties	102,942,091	2,125,584
Default interest	976,462	223,314
Profit from the sale of fixed assets	1,119,323	1,445,942
Profit from derivatives due to trading with electricity, emission allowances and gas	17,667,742	39,919,442
Fair value measurement of commodity contracts	32,233,600	0
Other	2,810,273	1,549,868
Total	**167,202,204**	**55,355,804**

Revenue from damages and contractual penalties, profits derived from trading with electricity, emission allowance and gas derivatives and the valuation of commodity contracts at fair value account for the majority of other operating revenue.

As part of revenue from damages and contractual penalties, the Group posts revenue from damages following reimbursement claims for compensating the loss of revenue related to the sales of electricity and natural gas by Borzen and various reimbursements of costs for various loss events.

Revenue from the valuation of commodity contracts at fair value constitutes the net effect of their valuation. As the effect was negative in 2022, it was posted among other operating expenses.

The absorption of deferred revenue refers primarily to the uptake of contributions assigned for the disabled.

The reversal of the impairment of receivables relates to the payment of previously impaired receivables.

The revenue from capital gains refers to the sales of land and apartments.

Costs of goods, materials and services (26)

Costs of goods, materials and services (in EUR)	2023	2022
Purchase value of sold goods	3,886,705,085	4,992,276,181
Contingent costs of sold goods	77,142,328	48,988,212
Total purchase value of sold goods	**3,963,847,413**	**5,041,264,393**
Costs of material	49,147,205	61,115,540
Cost of supplementary material	2,914,225	2,653,987
Costs of energy	3,494,605	3,505,337
Costs of spare parts	7,262,390	6,334,275
Costs of small tools	501,892	582,604
Stationery	252,985	275,053
Expert literature	40,701	63,478
Harmonisation of costs of material and small tools	33,821	10,153
Costs for fire prevention	8,316	6,388
Other	842,441	2,390,277
Total costs of material	**64,498,581**	**76,937,092**
Costs of services from product generation	11,321,928	17,445,129
Costs of transport services	3,337,524	2,073,039
Costs of maintenance	11,588,832	10,066,720
Costs of rents	2,482,816	2,870,668
Costs of reimbursements of work-related expenses to employees	330,013	276,631

Costs of goods, materials and services (in EUR)	2023	2022
Costs of insurance and bank services	7,794,085	7,476,674
Costs of intellectual and personal services	5,700,041	6,190,068
Cost of research and development	376,136	0
Costs of fairs, advertising and representation	1,974,425	1,805,204
Costs of services provided by individuals	1,775,773	1,658,396
Municipal services	4,580,190	4,258,902
Costs of mining damage	82,960	209,581
Costs of protection and supervision	22,910	16,868
Cleaning costs	481	19,119
Membership contributions	266,693	219,790
Real property management	75,986	72,668
Costs of shipping	1,682	8,010
Costs of deposit site regulation	71,371	9,953
Advertisement postings	880	0
Drawing up annual reports and magazines	1,694	818
Costs of copying and plotting	12,706	0
Other	3,841,064	2,926,308
Total costs of services	**55,640,190**	**57,604,546**
Total	**4,083,986,184**	**5,175,806,028**

The cost of goods sold, accounting for the majority of our operating expenses, includes primarily the expenses related to the procurement of electricity and the accompanying expenses thereof.

Costs of materials comprise the most significant costs of energy products required for the production of electricity (except costs of coal) and thermal energy, as well as the costs of spare parts and material for maintenance of plant and equipment.

Costs of services to a large extent include the maintenance costs of property, plant and equipment, costs of insurance, costs of personal and intellectual services; services related to creating products include construction services, drilling work and diverse restoration work and utility services.

Audit costs (in EUR)	2023	2022
Annual Report audit	198,275	198,004
Other services of providing guarantees	18,000	18,000
Other non-audit services	34,500	0
Total	**250,775**	**216,004**

The 2023 financial statements of Group companies based in Slovenia were audited by the Audit firm Deloitte revizija d.o.o., audit company, which also simultaneously reviewed financial information of its foreign subsidiaries included in the consolidated financial statements. The Audit firm Deloitte revizija d.o.o. audit company also rendered other assurance work-related services such as the review of the Relations with Affiliates Report. The Deloitte Group company also rendered other allowed non-audit services amounting to EUR 34,500.

Two companies, registered abroad, were audited by Deloitte Group audit companies in their respective countries.

Labour costs (27)

Labour costs comprise salaries and allowance, social insurance contributions, supplementary pension insurance and other labour costs (meal allowance, commuting allowance, optional personal insurances, annual leave allowance, solidarity, provisions for jubilee and retirement allowance, etc.). Costs of allowances actually paid for leave not taken in 2023 that may be taken by employees until 30 June 2024 are also included. An increase in labour costs is mainly due to an average higher number of employees compared to 2022, an increase in basic wages in compliance with the collective agreement of the industry and the inclusion of the calculation of the variable part of business performance for 2023 in compliance with enterprise collective agreements.

Labour costs (in EUR)	2023	2022
Salaries	120,765,656	101,964,276
Pension insurance costs	22,323,164	17,736,556
Other insurance costs	7,009,281	7,544,946
Other labour costs	19,965,844	15,229,100
Total	**170,063,945**	**142,474,878**

Number of employees and average number of employees by educational structure	31/12/2022	31/12/2023	Average number of employees
1	174	182	178
2	100	100	100
3	55	51	53
4	1,054	1,017	1,036
5	877	858	868
6/1	351	356	354
6/2	285	303	294
7	345	353	349
8/1	89	89	89
8/2	19	21	20
Total	**3,349**	**3,330**	**3,340**

Value write-offs (28)

Value write-offs (in EUR)	2023	2022
Amortisation of intangible assets	2,024,633	1,395,375
Depreciation of property, plant and equipment	92,975,712	90,368,794
Depreciation of leased assets	2,094,840	1,783,399
Receivables impairments/write-offs	936,787	290,069
Inventories impairments/write-offs	21,309,466	328,208
Impairments in property, plant and equipment and intangible assets	54,482,393	18,316,000
Impairments in real property, plant and equipment	1,437,367	1,524,768
Loss on sale property, plant and equipment and investment property	13,161	59,082
Total	**175,274,359**	**114,065,695**

In 2023, the Group carried out a revaluation of inventories to the net realisable value amounting to EUR 21,309,466. The majority thereof (EUR 20,619,430) refers to the inventories of imported coal.

Capitalised own products (29)

Capitalised own products (in EUR)	2023	2022
Capitalised own products and services	-15,139,459	-18,450,407
Total	**-15,139,459**	**-18,450,407**

Capitalised own products and services refer to:
- engineering services rendered during the construction and reconstruction of hydro-electric power plants and
- construction works on facilities.

Other operating expenses (30)

Other operating expenses (in EUR)	2023	2022
Forming of provisions	1,265,902	1,418,774
Fee for the use of construction land	12,419,361	11,399,083
Concessions	15,183,258	5,732,869
Environmental protection expenses	211,608,164	112,073,339
Donations	1,784,509	511,728
Fair value of commodity contracts	0	84,609,622
Other operating expenses	7,742,807	5,377,954
Total	**250,004,001**	**221,123,369**

The most important other operating expenses are environmental protection expenses (emission allowance and water treatment levy costs).

Expenses from the valuation of commodity contracts at fair value constituted the net effect of their valuation in 2022. As the effect was positive in 2023, it was posted among other operating revenue.

Financial outcome (31)

In 2023 the Group generated a negative financial outcome in the amount of EUR 28,842,964.

Financial revenue (in EUR)	2023	2022
Financial revenue from dividends and other profit shares	9,620	14,240
Financial revenue from loans and deposits given	2,601,229	146,253
Other financial income	841	6,951
Total	**2,611,690**	**167,444**

Financial expenses (in EUR)	2023	2022
Financial expenses for interest	24,590,507	16,589,476
Other financial expenses	6,717,586	10,363,250
Other financial expenses from leases	146,561	121,559
Total	**31,454,653**	**27,074,284**

Commissions for the guarantees received, costs of withholding tax for foreign loans, costs related to taking loans, revenues recorded subject to the Actuarial report for 2023 and expenses related to the closing works (effect of the provision balance discounting reconciliation in 2023) account for the majority of other financial expenses.

Financial income from participating interests in associates and joint ventures (32)

Share of the profit of investments using the equity method (in EUR)	2023	2022
HESS	1,398,897	494,742
Soenergetika	44,393	931,389
Total	**1,443,290**	**1,426,131**

Taxes (33)

Taxes (in EUR)	2023	2022
Current tax	49,296,881	7,527,999
Deferred tax	114,890	620,627
Total tax from profit recognised in the income statement	**49,411,771**	**8,148,626**
Deferred tax recognised in capital	-46	-518

Group companies are subject to corporate income tax.

In 2023, twelve companies in Slovenia were subject to corporate income tax, as well as all our three companies abroad. The remaining three companies did not establish a basis for its payment due to tax relief, the withdrawal of tax losses and negative operating results.

Current tax of Group companies in 2023 amounted to EUR 49,296,881. Based on current tax at the end of 2023, Group companies disclose EUR 3,030,136 of current tax assets and EUR 45,401,780 of the current tax liabilities.

Deferred taxes relate to deferred tax assets recognised in the amount of taxable profits against which tax can be utilised in the future. Deferred tax assets are decreased by the amount up to which it is no longer probable that tax deductible expenses can be utilised in the future or the amount up to which expenses have been included in the tax returns for the current year.

Among deferred taxes, the Group reports EUR 1,712,077 in deferred tax assets and EUR 24,445 in deferred tax liabilities. Further details on deferred tax assets are disclosed in Notes 7 and 8 of the consolidated statement of financial position.

At the end of 2023, Group companies have EUR 1,354,884,767 in unused tax losses, for which they did no deferred tax assets were set up.

The current tax base was established by correcting revenue and expenses in terms of a decrease and increase of the tax base, as shown in the table below.

Effective tax rate calculation (in EUR)	**2023**	**2022**
Profit (loss) before tax	440,243,032	-263,801,462
Calculated tax at the applicable tax rate	83,646,176	-50,122,278
Tax on revenues that lower the tax base	-177,459	1,400,101
Tax on tax deductions	-44,498,432	-1,123,040
Tax on expenses that lower the tax base	-656,658	194,939
Tax on non-deductible expenses	-4,243,993	1,243,533
Tax from other changes in the tax balance sheet	8,524,604	-1,189,238
Tax effects of unrecognised deferred assets arising from tax losses	6,786,959	57,230,275
Effect of higher/lower tax rate of companies abroad	-84,317	-106,293
Tax levied	**49,296,881**	**7,527,999**
Deferred tax	**114,890**	**620,627**
Total taxes	**49,411,771**	**8,148,626**
Effective tax rate	**11.22%**	/

Net profit or loss (34)

Net profit/loss (in EUR)	**2023**	**2022**
Gross operating return	5,131,831,735	5,415,149,216
Operating profit/loss	467,642,705	-238,320,754
Financial outcome	-28,842,963	-26,906,840
Profit (loss) before tax	440,243,032	-263,801,463
Net profit/loss for the year	**390,831,261**	**-271,950,089**

4.5.6.3 Related party

Related party are entities in which the Group has a significant influence and companies in which the Group jointly controls with other owners the operations of this entity, and of the entities where the government owns the majority equity interest.

The Group operated with related party based on purchase contracts. The turnover of all transactions (excluding VAT) including financial revenues is recorded between sales and purchases. Transactions with associates mostly refer to the purchase of electricity from the HESS and the write-up of profits in this company.

The most important transactions with related companies include the following:

- transactions with associates and joint ventures and
- transactions with companies that are directly or indirectly owned by the Republic of Slovenia (its participating interest therein exceeding 50 per cent) and are important for the HSE Group with regard to the level of materiality of the transactions (revenue or expenses in 2023 exceed EUR 2,000,000), except banks where all transactions are disclosed. Most transactions refer to electricity trading or the financing of the HSE Group.

The parent company is 100 per cent owned by the Republic of Slovenia. Dividends were not disbursed in 2023.

Transactions with associated companies (in EUR)	Sales	Purchases	Receivables as at 31/12/2023	Liabilities as at 31/12/2023
Associates	1,871,285	11,929,184	96,733	1,261,214
Total jointly-controlled company	44,663	0	329	0
Total	**1,915,948**	**11,929,184**	**97,062**	**1,261,214**

Transactions with the Republic of Slovenia and legal entities directly owned by the Republic of Slovenia (in EUR)	Outstanding receivables as at 31/12/2023	Outstanding liabilities as at 31/12/2023	Revenue 01-12/2023	Expenses 01-12/2023
BORZEN	1,325,724	3,193,650	91,307,513	42,743,918
BSP	420,509	218,902	237,416,265	169,968,842
ELES	117,561,739	11,754,631	61,869,445	29,807,752
PLINOVODI	96,896	630,954	509,960	4,875,259
GEN ENERGIJA	6,088,683	5,958,892	9,925,169	43,534,220
GORENJSKE ELEKTRARNE	0	2,195,583	0	9,793,321
Energy companies – total	**125,493,551**	**23,952,612**	**401,028,352**	**300,723,312**
ZAVAROVALNICA TRIGLAV	1,223	70,082	59,857	4,201,606
SODO	44,404	0	30,922,446	47,395,649
DARS	1,722,748	0	8,965,171	16,450
STELKOM	8,515	155,190	76,035	3,710,329
Other – total	**1,776,890**	**225,272**	**40,023,508**	**55,324,034**
SID	0	53,747,158	0	2,935,065
Banks – total	**0**	**53,747,158**	**0**	**2,935,065**
Total	**127,270,441**	**77,925,042**	**441,051,860**	**358,982,410**

4.5.6.4 Remuneration

The remuneration shown below by category refers to remuneration in 2023.

Board and management Members and Members of the Supervisory Boards of Group companies neither shared in the profit as decided by the respective General Assemblies nor were they granted advances, loans or guarantees in 2023 by these companies.

Remuneration of the Management

Management remuneration in the 2023 (in EUR)	Period of function	Function	Fixed remuneration - gross (1)	Variable remuneration - gross (2)	Deferred remuneration (3)	Severance pay (4)	Bonunes (5)	Total (1+2+3+4+5)
Tomaž Štokelj, Ph.D.	1/1/2023-31/12/2023	CEO of HSE	166,959	0	0	0	2,191	169,150
Uroš Podobnik	1/1/2023-31/12/2023	CBO of HSE	150,100	526	0	0	1,683	152,309
Damjan Seme, M.Sc.	1/1/2023-31/12/2023	CEO of DEM	133,566	3,706	0	0	6,148	143,420
Mitja Gorjan	1/1/2023-31/12/2023	CEO of SENG	122,362	0	0	0	1,504	123,866
Radovan Jereb, M.Sc.	until 31/12/2022	CEO of SENG	8,390	0	14,198	0	378	22,966
Viktor Vračar, Ph.D.	1/1/ 2023-3/4/2023	CEO of TEŠ	78,255	0	0	66,744	1,673	146,672
Branko Debeljak	4/4/2023-31/12/2023	CEO of TEŠ	87,981	0	0	0	1,229	89,210
Mitja Tašler	1/1/2023-31/12/2023	Business director of TEŠ	106,829	22,363	0	0	3,752	132,944
Marko Mavec, M.Sc.	1/1/2023-31/12/2023	CEO of PV	121,890	0	0	0	611	122,501
Janez Rošer, Ph.D.	1/1/2023-31/12/2023	CEO of PV	114,846	0	0	0	4,698	119,544
Ervin Renko	1/1/2023-31/12/2023	Management Board of HSE EDT	12,000	1,440	0	0	0	13,440
Jure Šimic, M.Sc.	1/1/2023-31/12/2023	CEO of HSE Invest	96,021	6,446	5,830	0	3,901	112,198
Aleksandar Erkić, M.Sc.	1/1/2023-31/12/2023	CEO of RGP	88,663	0	0	0	2,585	91,248
Miran Hudournik	until 31/12/2022	CEO of RGP	7,486	0	0	0	0	7,486
Zaltko Sahadžić	1/1/2023-31/3/2023	CEO of HSE BH	18,171	0	0	0	0	18,171
Sebastijan Roudi, M.Sc.	1/1/2023-31/12/2023	CEO of ECE	108,573	0	0	0	4,444	113,017
Alan Perc, M.Sc.	1/1/2023-31/12/2023	CEO of Energija plus	108,000	0	0	0	8,169	116,169
Damijan Kanduti, M.Sc.	17/4/2023-31/12/2023	CEO of HTZ	67,611	0	0	0	3,081	70,692
Staška Velikonja	1/1/2023-16/4/2023	CEO of HTZ	36,231	0	0	0	1,456	37,687
Damijan Kanduti, M.Sc.	1/1/2023-16/4/2023	CEO of PLP	26,586	0	0	0	300	26,886
Damjan Lesnjak, M.Sc.	17/4/2023-31/12/2023	CEO of PLP	44,110	0	0	0	549	44,659
Iztok Kikec	1/1/2023-31/12/2023	CEO of Sipoteh	80,353	0	0	0	137	80,490

Remuneration of Supervisory Board members

Income of Supervisory Board members in 2023 (in EUR)	Period of function	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
			Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Nevenka Hrovatin, Pd.D.	1/1/2023-31/12/ 2023	President of SB of HSE	13,000	6,500	19,500	2,200	21,700	67
David Valentinčič	1/1/2023-31/12/2023	Deputy President of SB of HSE	13,000	1,300	14,300	2,200	16,500	984
Boštjan Grešak	1/1/2023-31/12/2023	Member of SB of HSE	13,000	0	13,000	2,200	15,200	57
Miha Šebenik	1/1/2023-31/12/2023	Member of SB of HSE	13,000	0	13,000	2,200	15,200	43
Barbara Gorjup, M.Sc.	1/1/2023-31/12/2023	Member of SB of HSE	13,000	0	13,000	2,200	15,200	55
Denis Bele	1/1/2023-31/12/2023	Member of SB of HSE	13,000	0	13,000	2,200	15,200	591
Blanka Povh, M.Sc.	4/11/2023-31/12/2023	Representative of employees of SB of HSE	975	0	975	0	975	0
Matej Kovač	4/11/2023-31/12/2023	Representative of employees of SB of HSE	975	0	975	0	975	0
Rok Rožman	4/11/2023-31/12/2023	Representative of employees of SB of HSE	975	0	975	0	975	0
Jernej Otič	1/1/2023-3/11/2023	Representative of employees of SB of HSE	12,025	0	12,025	2,200	14,225	168
Peter Cerkvenik	1/1/2023-3/11/2023	Representative of employees of SB of HSE	12,025	0	12,025	2,200	14,225	0
Dejan Kolarič	1/1/2023-3/11/2023	Representative of employees of SB of HSE	12,025	0	12,025	1,925	13,950	0
Tomaž Štokelj, Ph.D.	1/1/2023-31/12/2023	President of SB of DEM	10,662	0	10,662	692	11,354	0
Urška Gašperlin, M.Sc.	1/1/2023-31/12/2023	Deputy President of SB of DEM	7,818	0	7,818	692	8,510	0
Marjan Kribiš	1/1/2023-31/12/2023	Member of SB of DEM	7,108	0	7,108	692	7,800	0
Tomaž Štokelj, Ph.D.	1/1/2023-31/12/2023	President of SB of SENG	6,543	3,271	9,814	636	10,450	0
Kristina Rovšek	1/1/2023-31/12/2023	Deputy President of SB of SENG	6,543	1,312	7,855	636	8,491	0
Boštjan Čopi	1/1/2023-31/12/2023	Member of SB of HSE	6,543	0	6,543	636	7,179	0
Tomaž Štokelj, Ph.D.	1/1/2023-31/12/2023	President of SB of TEŠ	7,385	3,693	11,078	947	12,025	0
Tomaž Pestotnik	1/1/2023-17/5/2023	Deputy President of SB of TEŠ	3,425	343	3,768	394	4,162	0
Matej Čufer	18/5/2023-31/12/2023	Deputy President of SB of TEŠ	3,960	396	4,356	552	4,908	0

the text continues on the next page

Income of Supervisory Board members in 2023 (in EUR)	Period of function	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
			Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Aleš Radnjak	1/1/2023-31/12/2023	Member of SB of TEŠ	7,385	0	7,385	947	8,332	0
Uroš Podobnik	1/1/2023-31/12/2023	President of SB of PV	7,385	3,693	11,078	1,380	12,458	0
Drago Skornšek	1/1/2023-31/12/2023	Deputy President of SB of PV	7,385	738	8,123	1,380	9,503	0
Danilo Rednjak	1/1/2023-31/12/2023	Representative of employees of SB of PV	7,385	0	7,385	1,380	8,765	0
Jana Pogačnik, M.Sc.	1/1/2023-31/12/2023	President of SB of ECE	11,300	5,650	16,950	2,430	19,380	0
Boris Kupec, M.Sc.	1/1/2023-31/12/2023	Deputy President of SB of ECE	11,300	1,130	12,430	2,101	14,531	0
Marija Kupčič	1/1/2023-30/8/2023	Member of SB of ECE	8,475	0	8,475	1,551	10,026	0
Andrej Kerk	4/9/2023-31/12/2023	Member of SB of ECE	2,825	0	2,825	550	3,375	0
Jana Pogačnik, M.Sc.	1/1/2023-31/12/2023	President of SB of Energija plus	8,475	3,998	12,473	1,650	14,123	0
Andreja Žinkovič	1/1/2023-31/12/2023	Deputy President of SB of Energija plus	8,475	848	9,323	1,650	10,973	0
Boštjan Majč	1/1/2023-31/12/2023	Member of SB of Energija plus	8,475	0	8,475	1,650	10,125	0

Remuneration of members of the Audit Committee

Remuneration of members of the Audit Committee of SB 2023 (in EUR)	Period of function	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
			Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Barbara Gorjup, M.Sc.	1/1/2023-31/12/2023	President of AC of HSE	0	4,875	4,875	2,332	7,207	48
Marko Hočevar, Ph.D.	1/1/2023-31/12/2023	External member of AC of HSE	13,000	0	13,000	2,915	15,915	0
Jernej Otič	1/1/2023-3/11/2023	Member of AC of HSE	0	3,006	3,006	2,332	5,338	504
Miha Šebenik	1/1/2023-31/12/2023	Member of AC of HSE	0	3,250	3,250	2,332	5,582	37
Matej Kovač	4/11/2023-31/12/2023	Member of AC of HSE	0	244	244	0	244	0
Urška Gašperlin, M.Sc.	1/1/2023-31/12/2023	President of AC of DEM	0	2,665	2,665	664	3,329	0
Marjan Kribiš	1/1/2023-31/12/2023	Member of AC of DEM	0	1,777	1,777	664	2,441	0
Rado Sodin	1/1/2023-31/12/2023	Member of AC of DEM	7,108	0	7,108	830	7,938	149
Kristina Rovšek	1/1/2023-31/12/2023	President of AC of SENG	0	2,454	2,454	738	3,192	0
Romana Jontes	1/1/2023-31/12/2023	External member of AC of SENG	6,543	0	6,543	924	7,467	525
Boštjan Čopi	1/1/2023-31/12/2023	Member of AC of SENG	0	1,636	1,636	738	2,374	0
Tomaž Pestotnik	1/1/2023-17/5/2023	President of AC of TEŠ	0	1,284	1,284	316	1,600	72
Matej Čufer	25/5/2023-31/12/2023	President of AC of TEŠ	0	1,435	1,435	442	1,877	0
Rado Sodin	1/1/2023-31/12/2023	External member of AC of TEŠ	7,385	0	7,385	947	8,332	159
Aleš Radnjak	1/1/2023-31/12/2023	Member of AC of TEŠ	0	1,846	1,846	757	2,603	0
Drago Skornšek	1/1/2023-31/12/2023	President of AC of PV	0	2,769	2,769	1,420	4,189	0
Romana Jontes	1/1/2023-31/12/2023	External member of AC of PV	7,385	0	7,385	1,538	8,923	392
Danilo Rednjak	1/1/2023-31/12/2023	Member of AC of PV	0	1,846	1,846	1,420	3,266	0
Boris Kupec, M.Sc.	1/1/2023-31/12/2023	President of AC of ECE	0	7,062	7,062	1,320	8,382	0
Darinka Virant	1/1/2023-31/12/2023	Member of AC of ECE	706	0	706	1,276	1,982	147
Jana Pogačnik, M.Sc.	1/1/2023-31/12/2023	Member of AC of ECE	0	2,825	2,825	1,320	4,145	0
Marija Kupčič	1/1/2023-31/12/2023	Member of AC of ECE	0	2,118	2,118	880	2,998	0
Andrej Kerk	4/9/2023-31/12/2023	Member of AC of ECE	0	3,390	3,390	440	3,830	0
Andreja Žinkovič	1/1/2023-31/12/2023	President of AC of Energija plus	0	2,076	2,076	1,672	3,748	0
Jana Pogačnik, M.Sc.	1/1/2023-31/12/2023	Deputy President of AC of Energija plus	0	3,178	3,178	1,595	4,773	0
Daniel Zdolšek, Ph.D.	1/1/2023-31/12/2023	External member of AC of Energija plus	8,475	0	8,475	1,672	10,147	0

Remuneration of members of the Personnel Committee

Remuneration of members of the Personnel Committee of SB 2023 (in EUR)	Period of function	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
			Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Nevenka Hrovatin, Ph.D.	1/1/2023-31/12/2023	President of PC of SB of HSE	0	4,875	4,875	440	5,315	8
Boštjan Grešak	1/1/2023-31/12/2023	Member of PC of SB of HSE	0	3,250	3,250	440	3,690	7
Denis Bele	1/1/2023-31/12/2023	Member of PC of SB of HSE	0	2,979	2,979	440	3,419	0
Dejan Kolarič	1/1/2023-3/11/2023	Member of PC of SB of HSE	0	3,006	3,006	220	3,226	0
Blanka Povh, M.Sc.	4/11/2023-31/12/2023	Member of PC of SB of HSE	0	244	244	0	244	0

Remuneration of members of the Restructuring Committee

Remuneration of the Members of the Restructuring Committee of the Supervisory Board in 2023 (in EUR)	Period of function	Function	Function performance remuneration - gross		
			Basic function performance remuneration	Additional function performance remuneration	Total
Boštjan Grešak	1/1/2023-12/5/2023	President of RC of SB of HSE	0	2,189	2,189
Denis Bele	1/1/2023-12/5/2023	Member of RC of SB of HSE	0	1,188	1,188
Peter Cerkvenik	1/1/2023-12/5/2023	Member of RC of SB of HSE	0	1,459	1,459
David Valentinčič	1/1/2023-12/5/2023	Member of RC of SB of HSE	0	1,459	1,459

Remuneration of the members of the Marketing and Investment Committee

Remuneration of the members of the Marketing and investment committee of SB 2023 (in EUR)	Period of function	Function	Function performance remuneration - gross			Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
			Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Miha Šebenik	1/1/2023-31/12/2023	President of MIC of SB of HSE	0	4,875	4,875	1,320	6,195	11
Rok Rožman	4/7/2023-31/12/2023	Memeber of MIC of SB of HSE	0	244	244	0	244	0
Peter Cerkvenik	1/1/2023-3/11/2023	Memeber of MIC of SB of HSE	0	3,006	3,006	1,320	4,326	0
David Valentinčič	1/1/2023-31/12/2023	Memeber of MIC of SB of HSE	0	3,250	3,250	1,320	4,570	369
Barbara Gorjup, M.Sc.	1/1/2023-31/12/2023	Memeber of MIC of SB of HSE	0	3,250	3,250	1,320	4,570	7

4.5.6.5 Financial instruments and Risk Management

This section is related to the Risk management section in the business part of the annual report.

Credit risk

As 98% of the Group's net revenue from sales refers to the activity of electricity sales and trading, therefore most credit risk management activities are centred in the parent company. The latter manages credit risks in accordance with the procedures described in the Credit Risk section in the Accounting Report of the parent company, wherein the structure of current receivables of the Company and their management are discussed in further detail. HSE, which procures most of the electricity generated from its subsidiaries or the Group's generation units, settles its liabilities pursuant to the provisions of electricity procurement contracts concluded by the parent company on an annual basis with its subsidiaries engaged in generating electricity. Electricity is then sold by HSE on the market, indicating that HSE is particularly at credit risk. The credit risks of subsidiaries are managed according to the internal acts and procedures of each individual subsidiary.

Group companies manage credit risks by means of a detailed review and careful selection of their business partners prior to their approval, by means of regularly monitoring their business partners' operations upon their approval and by means of a conservative approach that further restrict the scope of operations of any given business partner.

Operating receivables are secured with bank guarantees, corporate guarantees and the pledge of receivables under bank account management contracts, with deposits, with advance payments, bills of exchange and enforcement drafts. Group companies have secured approximately 62% of current trade receivables or the majority of all Group receivables.

Defaulting debtors in Slovenia and abroad are charged with contractually agreed default interest.

Non-current operating and financial receivables by maturity dates (in EUR)	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Deposits to others	0	0	19,088	19,088
Operating receivables from buyers	20,255,839	9,223	0	20,265,062
Advances given	9,146	0	0	9,146
Operating receivables from others	1,849	0	13,037,972	13,039,821
Total as at 31/12/2023	**20,266,834**	**9,223**	**13,057,060**	**33,333,117**
Deposits to others	3,000	270,752	18,429	292,181
Operating receivables from buyers	26,623,605	15,030,000	5,050,000	46,703,605
Advances given	18,293	0	0	18,293
Operating receivables from others	0	0	12,460,712	12,460,712
Total as at 31/12/2022	**26,644,898**	**15,300,752**	**17,529,141**	**59,474,791**

Current operating and financial receivables by maturity date (in EUR)	Due for payment						Total
	Not past due	Up to 3 months past due (up to 90 days)	From 3 to 6 months past due (from 91 to 180 days)	From 6 to 9 months past due (from 181 to 272 days)	From 9 to 12 months past due (from 271 to 360 days)	Over a year past due (from 361 days onwards)	
Financial receivables and loans from others	51	0	0	0	0	0	51
Deposits to others	384,871	0	0	0	0	0	384,871
Operating receivables from affiliated companies	96,733	0	0	0	0	0	96,733
Operating receivables to jontly controlled companies	329	0	0	0	0	0	329
Operating receivables from buyers	519,336,099	27,080,807	227,815	159,840	143,610	7,385,984	554,334,155
Advances given	5,423,222	0	0	0	0	145,745	5,568,967
Operating receivables from state and other institutions	78,247,074	0	0	0	0	0	78,247,074
Operating receivables from others	48,889,710	0	0	0	0	316,163	49,205,873
Total as at 31/12/2023	**652,378,089**	**27,080,807**	**227,815**	**159,840**	**143,610**	**7,847,892**	**687,838,053**
Financial receivables and loans from others	51	0	0	0	0	0	51
Deposits to others	5,244,094	0	0	0	0	0	5,244,094
Operating receivables from affiliated companies	95,226	0	0	0	0	0	95,226
Operating receivables to jontly controlled companies	73	0	0	0	0	0	73
Operating receivables from buyers	464,975,178	11,564,572	140,941	101,947	205,516	8,727,595	485,715,749
Advances given	7,647,533	0	0	0	0	0	7,647,533
Operating receivables from state and other institutions	56,522,626	0	0	0	0	0	56,522,626
Operating receivables from others	31,854,811	0	0	0	0	316,163	32,170,974
Total as at 31/12/2022	**566,339,592**	**11,564,572**	**140,941**	**101,947**	**205,516**	**9,043,758**	**587,396,326**

Movement of value adjustments of current operating receivables (in EUR)	2023	2022
Balance as at 1/1	**10,505,017**	**10,152,799**
Recovered written-off receivables	-415,399	-2,278,633
Allowances set up for receivables	736,217	3,430,778
Final write-offs of receivables	-2,215,667	-799,927
Balance as at 31/12	**8,610,168**	**10,505,017**

At the end of 2023, the Group has a total of EUR 8,610,168 of value allowances for doubtful and disputed current operating receivables.

In 2023, the Group set up value allowances for current receivables pursuant to the provisions of IFRS 9. Accordingly, the HSE Group has introduced an impairment calculation model that does not base solely on realised credit losses but takes also expected credit losses (ECL) into account. Compared to the total value of operating receivables, the calculated ECL has no effect on a fair view of assets, as the Group properly disclosed and set up allowances for current operating receivables in the past.

Credit risks were properly managed in 2023.

Liquidity risk

The liquidity or insufficient solvency risk is the risk associated with a lack of available financial resources and the consequent inability of the Group to meet its obligations in due time.

The liquidity risk is managed by planning the daily, monthly and annual cash flows and then, using this, by effectively distributing surpluses within the Group, reconciling the maturities of payables and receivables, consistently recovering receivables and ensuring suitable available credit lines from commercial banks.

In addition, the HSE Group implemented debt restructuring and maturity optimisation measures and actively monitored the developments on the financial markets, contributing to greater control and management of the liquidity risk.

Liquidity risk management is monitored by Group operating category, namely:

Managing the operating liquidity risk, inextricably linked to the credit risk. The operating liquidity risk is managed primarily by reconciling maturity dates of receivables and liabilities arising from our core activity - electricity trading, as well as the maturities of other payables in a way that trade payables of Group companies are settled on time. The operating liquidity risk management measures are aimed at optimising the liquidity of Group companies that allows them to honour current liabilities both under normal and critical, unforeseeable circumstances arising from electricity trading, transmission capacities, emission allowances and forward contracts requiring sufficient liquidity buffers to provide for the stability of our everyday operations and trading activities. Measures include the up-to-date monitoring of supplier settlements, extension of payment deadlines, payment delay arrangements and the provision of sufficient liquidity resources to cover basic and flexible margins on power exchanges and the clearing bank. The operating liquidity risk has been assessed as properly managed in 2023.

Managing the investment liquidity risk, inextricably linked to the investment risk. Managing the investment liquidity risk is providing for the financing of investments in compliance with investment programmes in a way that allows for the timely provision of sufficient funds foreseen in the financial plans, thus preventing any project implementation delays. The investment liquidity risk is also reflected in inflows - by implementing divestment activities that are carried out for operating optimisation purposes in Group companies. The liquidity risk has been assessed as properly managed in 2023.

Managing the financing liquidity risk is the risk linked to providing sufficient financial resources, which includes an active relationship with financial markets, obtaining sufficient current borrowings and credit lines, as well as non-current sources of financing for the purpose of a timely repayment of Group companies' liabilities by taking into account obligations defined in loan contracts concluded with financial institutions. The Group applies the so-called 'cash management system' as part of which Group companies borrow funds on a current basis. The primary source of financing current deficits of Group companies is excess cash of other Group companies and current loans with commercial banks, whereas the liquidity of individual Group companies and the Group as a whole optimised.

The maturity of the Group's non-current liabilities by maturity date is outlined in the tables below.

Non-current operating and financial liabilities by maturity dates (in EUR)	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Financial liabilities to banks	251,791,194	62,020,349	194,418,605	508,230,148
Financial liabilities from leases	2,836,662	1,420,978	0	4,257,640
Operating liabilities to suppliers	0	4,813	0	4,813
Operating liabilities from advances	71,881	0	0	71,881
Other operating liabilities from leases	74,057	0	0	74,057
Total as at 31/12/2023	**254,773,794**	**63,446,140**	**194,418,605**	**512,638,539**
Financial liabilities to banks	76,753,685	194,944,271	277,060,877	548,758,833
Financial liabilities from leases	1,532,377	1,496,771	213,620	3,242,768
Operating liabilities to suppliers	0	4,813	0	4,813
Operating liabilities from advances	0	0	245,416	245,416
Other operating liabilities from leases	19,739	0	3,715	23,454
Total as at 31/12/2022	**78,305,801**	**196,445,855**	**277,523,628**	**552,275,284**

As at 31 December 2023, all outstanding current liabilities of the Group had already been settled.

The liquidity risk exposure from financial liabilities to banks on 31 December 2023 is illustrated in the table below. The amounts in the table are not discounted. The Group has sufficient financial resources to repay its liabilities to banks due in 2024. The source is operating revenue. At the same time, the Group has EUR 111,284,259 in cash liquidity reserves and EUR 60,000,000 in granted but undrawn non-current revolving loans.

Exposure to liquidity risk arising on financial liabilities to banks (in EUR)	Estimated cash flows					Total
	Up to 2 months after the date of SFP	From 2 to 12 months after the date of SFP	From 1 to 2 years after the date of SFP	From 2 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Financial liabilities to banks without interest rate hedging						
Non-current loans	-20,301,436	-47,264,749	-103,571,174	-209,915,281	-194,831,106	-575,883,746
Total as at 31/12/2023	**-20,301,436**	**-47,264,749**	**-103,571,174**	**-209,915,281**	**-194,831,106**	**-575,883,746**
Financial liabilities to banks without interest rate hedging						
Non-current loans	-20,351,435	-56,702,249	-76,753,685	-194,944,270	-277,060,880	-565,714,633
Total as at 31/12/2022	**-20,351,435**	**-56,702,249**	**-76,753,685**	**-194,944,270**	**-277,060,880**	**-565,714,633**

Currency risk

The Group is exposed to the currency risk to a lesser extent since the majority of inflows and outflows are made in its domestic currency (EUR).

The currency risk of the Group was properly managed in 2023. The Group manages its foreign currency risks in compliance with system regulations of the financial department of HSE and the internal rules of the subsidiaries of the HSE Group. The parent company primarily faces the currency risk when trading in electricity in foreign currencies at electricity exchanges whereby the settlement is carried out on a daily basis and no major exposure to the currency risk arises. If any major exposure does arise, the Group protects itself by using derivatives (receivables).

The currency risk is also present in the operations of subsidiaries registered in SE Europe to a minor extent. Nevertheless, the exposure to currency risk is minimal, as the operations of subsidiaries based in SE Europe account for a smaller segment of operations compared to the total volume of HSE Group operations.

Other currencies in transactions are present to a lesser extent. As a result, the Group does not draw up a sensitivity analysis on changing the exchange rates of other currencies, as the change in these rates would not have a material effect on the Group's profit.

The Group's assets and liabilities as at 31 December 2023 were converted using the following exchange rates:

Country	Currency code	Final exchange rate in EUR for 2023	Final exchange rate in EUR for 2022
Czech Republic	CZK	24.7240	24.1160
Hungary	HUF	382.8000	400.8700
Romania	RON	4.9756	4.9495
USA	USD	1.1050	1.0666
Great Britain	GBP	0.8691	0.8869
Bulgaria	BGN	1.9558	1.9558
Turkey	TRY	32.6531	19.9649
Serbia	RSD	117.4100	117.2900
North Macedonia	MKD	61.6110	61.6000
Bosnia and Herzegovina	BAM	1.9558	1.9558

Exposure to risk of change of exchange rates (in EUR)	EUR	HUF	BAM	Other currencies	Total
Non-current financial receivables and loans	19,088	0	0	0	19,088
Non-current operating receivables	33,314,029	0	0	0	33,314,029
Current financial receivables and loans	383,753	0	51	1,118	384,922
Current operating receivables	673,201,172	0	3,874,031	1,811,592	678,886,795
Non-current financial liabilities	-512,487,788	0	0	0	-512,487,788
Non-current operating liabilities	-150,751	0	0	0	-150,751
Current financial liabilities	-84,871,609	0	0	0	-84,871,609
Current operating liabilities	-433,293,815	-438,481	-1,645,787	-1,392,973	-436,771,056
Net exposure of the SFP as at 31/12/2023	**-323,885,921**	**-438,481**	**2,228,295**	**419,737**	**-321,676,370**
Non-current financial receivables and loans	292,181	0	0	0	292,181
Non-current operating receivables	58,396,105	322,833	0	463,672	59,182,610
Current financial receivables and loans	5,242,974	0	51	1,120	5,244,145
Current operating receivables	557,505,101	0	6,336,068	7,805,995	571,647,164
Non-current financial liabilities	-552,001,601	0	0	0	-552,001,601
Non-current operating liabilities	-273,683	0	0	0	-273,683
Current financial liabilities	-266,801,558	0	0	0	-266,801,558
Current operating liabilities	-469,090,386	-443,140	-4,424,402	-10,577,402	-484,535,330
Net exposure of the SFP as at 31/12/2022	**-666,730,867**	**-120,307**	**1,911,717**	**-2,306,615**	**-667,246,072**

Concluded contracts for currency swaps (in EUR)	31/12/2023	31/12/2022
Concluded contracts for currency swaps – purchase hedging	0	13,274,749
Concluded contracts for currency swaps – sale hedging	0	0
Total	**0**	**13,274,749**

Currency swap effect (in EUR)	2023	2022
Unrealized loss of effective transactions	74,342	1,144,223
Realised loss of effective transactions	-4,244	-1,129,286

Interest rate risk

The Group manages interest rate risks in compliance with system regulations of the financial department of HSE and the internal rules of the subsidiaries of the HSE Group. The interest rate risk was managed properly in 2023, as the risks associated with interest rate changes were limited and reduced and cash flows stabilised as a result.

As at 31 December 2023, EUR 296,700,000 million of Group's non-current loans were subject to a fixed interest risk, whereas the remainder was subject to a variable interest rate.

Developments on the money market and interest rate oscillations are monitored regularly and, in relation thereto, appropriate measures to reduce the interest rate risk are adopted. In 2023, no interest rate rising hedging transactions and no interest rate derivatives were concluded.

Cash flow sensitivity analysis with variable interest rate instruments

The sensitivity analysis takes into account the increase/decrease of the reference interest rate by +/- 50 basis points.

The sensitivity analysis is not calculated for financial liabilities with an agreed fixed interest rate.

Financial instruments (in EUR)	Net profit or loss 2023		Net profit or loss 2022	
	Increase by 50 basis points	Decrease by 50 basis points	Increase by 50 basis points	Decrease by 50 basis points
Financial instruments with variable interest rates	-1,597,951	1,597,951	-849,585	429,217
Financial liabilities	-1,597,951	1,597,951	-849,585	429,217

Price risk

The price risk derives from market price fluctuations of electricity and emission permits arising from changes to market categories such as market prices of other energy products (e.g. coal, gas, oil, etc.), changes in the market structure of supply and demand as well as regulatory and other effects.

The effect of the price risk on the Group's operations can be quantified based on key variables:
- market positions of the Group by market and product at a specific time of supply,
- the volatility of prices on individual markets and products at a specific time of supply, and
- price correlations between individual markets and products at a specific time of supply..

The metrics monitored for price risk management purposes differ in respect of activity type.

Three key price-risk-related trading parameters and limits were applied in 2023, namely the VaR (value-at-risk) parameter, the floating stop-loss limit and the venture capital limit.

The VaR parameter is the key metrics indicating current price risk exposure. It includes key risk exposure effects, such as the observed portfolio's market position, the fluctuation of prices the portfolio is exposed to and the statistical relation between market and product prices affecting the portfolio's value. By using a selected time interval and the level of confidence of the price exposure, the parameter discloses the actual level of risk. The Group monitors the 5-day VaR level by using a 95% confidence interval. The parameter stands for the severity of potential loss of the trading portfolio in five days which won't be exceeded subject to market prices, correlations and volatility and given the quantitative position in 95% of cases. The floating stop-loss limit aims to secure the portfolio's already achieved values. The venture capital limit stands for the value's loss limit still acceptable to the Group for a certain portfolio; in the case of a higher loss, however, portfolio- related activities are discontinued.

The sale of electricity and the procurement of emission allowances from our self-generated electricity are managed based on the relevant Self-Generated Electricity Sales and Emission Allowance Procurement for the Needs of Self-Generated Electricity of the Group Strategy. The respective strategy aims to disperse the price risk over a longer trading period. The parent company reduces the risk associated with the price of electricity by selling parts of volumes of its self-generated electricity and by procuring emission allowances on energy markets for years in advance. The market liquidity of non-current products is limited by the length of the period in the future. Market development also tends to increase the liquidity of non-current products in the region, indicating that even periods further in the future can be price secured. Procedures related to the self-generated electricity sales strategy are regularly monitored and assessed at Group meetings in charge of sales of self-generated electricity.

The Group manages and controls price risks by using the following activities and methods:
- by monitoring the market position of the Group, parent company by country and group of transactions levels on a daily basis;
- by market activities on a daily basis - by concluding over-the-counter (OTC) transactions of an equal volume on the same market or by procuring and selling forwards given the type of trading activity;
- by monitoring and analysing the prices of energy products on a daily basis and by projecting expected energy product price changes on various markets;
- by monitoring market activities on the emission allowances market on daily basis;
- by monitoring investment decisions in the energy sector in the European Union and the economic growth of leading countries;
- by monitoring and analysing the value of the VaR and MtM (Mark-to-Market) parameters by transaction group, taking into account limits or the levels of the VaR value as laid down by internal rules on a daily basis, and
- by deliberating on the changes in value and risk parameters in the market risk management sub-committee on a regular basis.

Future contracts for electricity
The Group sells and procures futures with the purpose of securing long-term positions from self-generated electricity, against price risks and with the purpose of position trading.

In the event of securing the price, the Group shall, upon concluding a physical delivery of electricity transaction, also simultaneously conclude a future of an offset volume and the same maturity or a future with the maturity complying with the planned volumes of self-generated electricity. In doing so, the Group shall financially fix its gain allowing, for example, that loss generated from the procurement of futures is set off by profit generated from the physical quantity of procured/sold or generated physical volume of electricity. The planned volumes of generated electricity in the Group shall serve as the basis used for implementing the Price Securing Strategy of Planned Volumes of Self-Generated Electricity. Thus, the Group is already selling electricity of subsidiaries during the current year for several years in advance, whereas the main objective of the strategy is to maximise profit and provide stable revenue from the sale of electricity.

At year-end, the Group has EUR 1,935,865,806 in concluded futures. Related disclosures are provided in the Eqouty section.

The procurement or sales of futures with the purpose of position trading at the time a position is opened increases the price exposure of the Group since the future is concluded with the intention of generating revenue on the account of changes in the prices of electricity. The price exposure is reduced only in the case of concluding futures or physical contracts with an offset position. The disclosures of the respective transactions are provided in the Equity section. At the end of the year, the Group recorded EUR 182,923,091 of open future contracts held for trading.

Emission coupons
The Group concluded futures in 2023 for the procurement and sale of emission allowances in order to secure the price of volumes of emission allowances arising from self-generated electricity requirements; to a limited extent, the Group also concluded futures for the procurement and sales of trading activities not related to its self-generated electricity. At the end of 2023, the Group held EUR 528,989,160 in open contracts securing the procurement and sale of emission allowances and EUR 43,999,760 in contracts arising from the procurement and sale for trading purposes. Related disclosures are provided in the Equity section.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2023	31/12/2022
For electricity - to hedge procurement	986,481,817	905,197,519
For electricity - to hedge sales	949,383,989	882,370,393

Concluded standardised forward contracts for hedging (in EUR)	31/12/2023	31/12/2022
For emission allowances - futures for hedging procurement	339,165,210	250,544,010
For emission allowances - futures for hedging sales	189,823,950	206,662,850

Concluded standardised forward contracts for trading (in EUR)	31/12/2023	31/12/2022
For electricity - trading - purpose of purchase	81,116,740	316,348,232
For electricity - trading - purpose of sale	101,806,351	318,376,282

Concluded standardised forward contracts for trading (in EUR)	31/12/2023	31/12/2022
For emission allowances - trading - intended for procurement	0	0
For emission allowances - trading - intended of sale	43,999,760	9,004,990

Gas

The Group concluded futures in 2023 for the procurement and sale of natural gas in order to manage the leased natural gas warehouse; to a limited extent, the Company also concluded futures for the procurement and sales of trading activities. At the end of 2023, the Company held EUR 1,711,737 in open contracts securing the procurement of natural gas and EUR 2,835,125 in contracts arising from the procurement and sale for trading purposes. Related disclosures are provided in the Equity section.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2023	31/12/2022
For gas - futures for hedging procurement	1,711,737	0
For gas - futures for hedging sales	0	0

Concluded standardised forward contracts for trading (in EUR)	31/12/2023	31/12/2022
For gas - trading - intended for procurement	1,252,001	0
For gas - trading - intended of sale	1,583,124	0

Capital management

The main purpose of capital management is to ensure the best possible credit rating and capital adequacy for the purposes of financing operations and investments. An adequate volume of capital guarantees the trust of creditors, partners and potential investors in the Group as well as maintains the future development of activities.

The Group monitors changes in capital using the leverage ratio calculated by dividing the total net liabilities by total capital. Net liabilities of the Group include loans received and other financial liabilities less cash.

The debt to equity (gearing) ratio shows the ratio between the Group's debt and equity. The ratio was lower at the end of 2023 compared to the previous year, suggesting lower indebtedness. The leverage ratio also fell compared to 2023, caused by the reduction of cash compared to the previous year.

Capital management (in EUR)	31/12/2023	31/12/2022
Non-current financial liabilities	508,230,148	548,758,833
Non-current financial liabilities from leases	4,257,640	3,242,768
Current financial liabilities	82,959,803	264,783,510
Current financial liabilities from leases	1,911,807	2,018,048
Total financial liabilities	597,359,398	818,803,159
Capital	1,173,324,579	1,024,739,729
Financial liabilities/Capital	**0.51**	**0.80**
Cash and cash equivalents	111,284,259	356,707,263
Net financial liability	486,075,139	462,095,896
Net debt/Capital	**0.41**	**0.45**

Carrying amounts and fair values of financial instruments

Carrying amounts and fair values of financial instruments (in EUR)	31/12/2023		31/12/2022	
	Book value	Fair value	Book value	Fair value
Non-derivative financial assets at fair value	**18,060,361**	**18,060,361**	**17,125,838**	**17,125,838**
Financial assets available for sale	18,060,361	18,060,361	17,125,838	17,125,838
Derivative financial assets at fair value	**11,511,982**	**11,511,982**	**0**	**0**
Derivatives (receivables)	11,511,982	11,511,982	0	0
Non-derivative financial assets at amortised cost	**864,259,874**	**864,259,874**	**993,073,382**	**993,073,382**
Financial receivables	404,010	404,010	5,536,326	5,536,326
Operating and other receivables	752,571,605	752,571,605	630,829,774	630,829,774
Cash and cash equivalents	111,284,259	111,284,259	356,707,282	356,707,282
Total	**893,832,217**	**893,832,217**	**1,010,199,220**	**1,010,199,220**
Derivative financial liabilities at amortised cost	**0**	**0**	**25,123,651**	**25,123,651**
Derivatives (liabilities)	0	0	25,123,651	25,123,651
Non-derivative financial liabilities at amortised cost	**1,123,304,157**	**1,123,304,157**	**1,316,209,389**	**1,316,209,389**
Bank loans	591,057,520	591,057,520	812,090,460	812,090,460
Other financial liabilities	6,301,878	6,301,878	2,596,106	2,596,106
Operating and other liabilities	525,944,759	525,944,759	501,522,823	501,522,823
Total	**1,123,304,157**	**1,123,304,157**	**1,341,333,040**	**1,341,333,040**

Illustration of financial assets and liabilities disclosed at fair value subject to the fair value determination hierarchy..

Carrying amounts and fair values of financial instruments (v EUR)	31/12/2023				31/12/2022			
	1. Level	2. Level	3. Level	Total	1. Level	2. Level	3. Level	Total
Non-derivative financial assets at fair value	**133,526**	**0**	**17,926,835**	**18,060,361**	**132,756**	**0**	**16,993,082**	**17,125,838**
Financial assets at fair value through other comprehensive income	133,526	0	17,926,835	18,060,361	132,756	0	16,993,082	17,125,838
Derivatives financial assets at fair value	**15,427,311**	**-3,915,329**	**0**	**11,511,982**	**0**	**0**	**0**	**0**
Derivatives (receivables)	15,427,311	-3,915,329	0	11,511,982	0	0	0	0
Non-derivative financial assets at amortised cost	**0**	**864,259,874**	**0**	**864,259,874**	**0**	**993,073,382**	**0**	**993,073,382**
Financial receivables	0	404,010	0	404,010	0	5,536,326	0	5,536,326
Operating and other receivables	0	752,571,605	0	752,571,605	0	630,829,774	0	630,829,774
Cash and cash equivalents	0	111,284,259	0	111,284,259	0	356,707,282	0	356,707,282
Total	**15,560,837**	**860,344,545**	**17,926,835**	**893,832,217**	**132,756**	**993,073,382**	**16,993,082**	**1,010,199,220**
Derivative financial liabilities at amortised cost	**0**	**0**	**0**	**0**	**31,103,097**	**-5,979,446**	**0**	**25,123,651**
Derivatives (liabilities)	0	0	0	0	31,103,097	-5,979,446	0	25,123,651
Non-derivative financial liabilities at amortised cost	**0**	**1,123,304,157**	**0**	**1,123,304,157**	**0**	**1,316,209,389**	**0**	**1,316,209,389**
Bank loans	0	591,057,520	0	591,057,520	0	812,090,460	0	812,090,460
Other financial liabilities	0	6,301,878	0	6,301,878	0	2,596,106	0	2,596,106
Operating and other liabilities	0	525,944,759	0	525,944,759	0	501,522,823	0	501,522,823
Total	**0**	**1,123,304,157**	**0**	**1,123,304,157**	**31,103,097**	**1,310,229,943**	**0**	**1,341,333,040**

4.5.7 EVENTS AFTER THE REPORTING DATE

After the date of the statement of financial position in the Company, the following important events happened which did not have any effect on the 2023 financial statements:

- in February 2024, the Group concluded loan agreements for an additional EUR 80,000,000 in revolving loans with a three-year maturity date following the signing of the agreements with commercial banks and
- in March and May 2024, the Group repaid to the owner an additional EUR 150,000,000 from the subsequent capital increases, received as a result of the decision of the SDH in December 2022. In total, the Group repaid the subsequent capital increases to the state in full (EUR 492,000,000).

ACCOUNTING REPORT OF HSE COMPANY

Diligently on the right path
- the path to change

05

5.1 Auditor's Report of HSE Company

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

VAT ID: SI62560085
Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the owner of HOLDING SLOVENSKE ELEKTRARNE d.o.o.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of the company HOLDING SLOVENSKE ELEKTRARNE d.o.o. (hereinafter 'the Company'), which comprise the separate statement of financial position as at 31 December 2023, and the separate income statement, separate statement of other comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with 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 and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities (EU Regulation). Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the year ended 31 December 2023. These matters were

addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How key audit matter was addressed
Investments in subsidiaries in the company's separate financial statements as of December 31, 2023 amount to EUR 790,497 thousand, out of which EUR 195,291 thousand investment in TEŠ d.o.o. and EUR 26,450 thousand investment in Premogovnik Velenje d.o.o. In the year ended December 31, 2023, the company recognized EUR 33,861 thousand impairment of these two investments in subsidiaries. Additional information on impairments related to subsidiaries is included in the note *Investments in subsidiaries (4)* to the financial statements. As required by the accounting standard *IAS 36 Impairment of Assets*, management performs impairment tests annually to assess the recoverable amount of investments in subsidiaries. The recoverable amount of an investment is determined in accordance with IAS 36 as value in use, which is estimated as the present value of the expected future cash flows to be generated by the subsidiary. Due to the specific expert knowledge required the management engaged the independent expert in order to estimate the recoverable amount of the investments in subsidiaries. Determining critical assumptions and planning expected cash flows requires a high degree of management judgment, and therefore testing the impairment of investments in subsidiaries is considered a key audit matter.	As part of our audit procedures, we assessed the adequacy of the company's accounting policies regarding impairments of investments in subsidiaries and their compliance with IFRS, and performed the following audit procedures: - We assessed whether the model used by management to calculate the value in use of individual investments meets the requirements of *IAS 36 Impairment of Assets* and *IFRS 13 Fair Value*, and whether the assumptions used are reasonable and supportable given the current macroeconomic situation, and expected future performance. - We assessed the competencies, abilities and objectivity of the independent management expert and verification of the expert's qualifications. In addition, we discussed the scope of his work with management. - With the help of our internal experts, we assessed whether the methodology used by the management expert was appropriate and whether the significant assumptions used were appropriate for the given purpose. While doing so we focused our assessment predominantly (but not exclusively) on expected future cashflows, assumptions used to determine and calculate the discount rate and other data, prepared by the company which were used in the calculations. - We assessed whether special assumption of obtaining state aid, which was included in the projections and impacts the estimated value in use of investment in TEŠ d.o.o. and Premogovnik Velenje d.o.o., is reasonable considering activities already carried out by the management and planned further actions. - We assessed whether the recoverable amount is properly determined and impairment properly recognized in the separate financial statements of the company.

Deloitte.

	We have also reviewed the information in the financial statements to assess whether the disclosures regarding the assessment of impairment are appropriate in accordance with the requirements of applicable financial reporting standards.

Other information

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

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the separate financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances. In relation to this and based on our procedures performed, we report that:

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

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

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

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

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

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

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

Deloitte.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Report on other legal and regulatory requirements

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

Confirmation to the Audit Committee

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

Prohibited Services

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

Other services performed by the audit company

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

Appointment of the Auditor and responsible certified auditor

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 31 August 2022, while the president of the Supervisory Board signed the audit contract on 21 September 2022. The audit contract was signed for 3 years. Our total uninterrupted engagement as statutory auditors has lasted since 30 September 2019.

The auditor's report on the adequacy of the criteria used and the correctness of their use

We have performed reasonable assurance engagement as to whether the criteria used to allocate direct and indirect assets and liabilities, costs, expenses and revenues that entity takes into account when keeping separate statements for energy activities, and which are used in the preparation of the disclosure *1.5.9 "Additional disclosures on the basis of the Electricity and Gas Supply Act"* for the financial year ended on 31 December 2023, were appropriate and properly used, all in accordance with the Act on Transparency of Financial Relations and Separate Recording of Various Activities (ZPFOLERD-1), Electricity Supply Act (ZOEE) and Gas Supply Act (ZOP).

Criteria used

When assessing the suitability of the internal regulations used by the company to allocate direct assets and liabilities, costs and expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE and ZOP, we checked whether assets, liabilities, costs and expenses and revenues are allocated directly related to the activity to which they are assigned.

When assessing the suitability of the criteria used by the company to allocate indirect assets and liabilities, costs and expenses and income to individual activities in accordance with ZPFOLERD-1, ZOEE and ZOP, we took into account whether the criteria were determined on the basis of activities that these assets and liabilities, costs and expenses and revenues cause. If these activities cannot be determined, the rules for dividing indirect costs based on the proportion of direct costs are used.

Deloitte.

When assessing the suitability of the allocation criteria used we carried out procedures of an audit nature, with which we checked whether the individual criteria is used for the distribution of the economic category for which it was adopted and in the way it was determined.

Responsibility of management and those charged with governance.
The management is responsible for the adoption of appropriate criteria and for their correct use in the preparation and presentation of the disclosure of the *1.5.9 "Additional disclosures on the basis of the Electricity and Gas Supply Act"* in accordance with the requirements of ZPFOLERD-1, ZOEE and ZOP, as well as for such internal control as management determines is necessary to enable the preparation of such statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for accepting criteria for distribution and the supervising their implementation in line with ZPFOLERD-1, ZOEE and ZOP.

Auditor's responsibility
Our responsibility is to carry out reasonable assurance engagement and conclude whether the criteria used to allocate direct assets and liabilities, costs, expenses and income that the company considers when keeping separate accounting records and when compiling separate financial statements for energy activities, and which were used in the preparation of the disclosure *1.5.9 "Additional disclosures on the basis of the Electricity and Gas Supply Act"* for the financial year that ended on 31 December 2023, were appropriate and properly used. Our reasonable assurance engagement was carried out in accordance with *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)*, issued by the International Auditing and Assurance Standards Board. Pursuant to the standard, the auditor shall plan and perform the engagement in the way that will allow the auditor to obtain reasonable assurance.

We performed our work in accordance with independence and ethical requirements of EU Regulation no. 537/2014 and the IESBA Code. The Code is prepared based on the principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

As a part of its compliance with International Standard on Quality Management (ISQM) 1, our company maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work done
Within the scope of the work performed, we carried out procedures of an audit nature, namely:

- We recognized and assessed risk of material misstatement of the appropriateness of the distribution criteria and the correctness of their use in accordance with ZPFOLERD-1, ZOEE and ZOP.
- We have obtained an understanding of internal control that is relevant to the reasonable assurance engagement in order to design procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control;
- We have obtained and reviewed the company's internal regulations, which determine the criteria regarding the allocation of direct and indirect assets and liabilities, costs and expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE and ZOP.
- We checked whether the criteria from the first indent were accepted by those charged with governance, in accordance with Article 8 of ZPFOLERD-1 and whether they are consistently used every business year in accordance with Article 107 of the ZOEE and Article 102. of the ZOP.

Deloitte.

- For the criteria used by the company for allocating indirect costs, we checked whether they are based on the activities that cause these costs; if these activities cannot be determined, the criteria for dividing indirect costs based on the share of direct costs are used.
- We inquired with the management and professional services regarding the method, procedures and controls established in the context of cost accounting and the allocation of costs and expenses to individual activities.
- Through additional testing of the data, we checked whether the criteria, as adopted in accordance with Article 8 of ZPFOLERD-1, were correctly used for keeping separate accounting records for individual activities.
- We checked whether the client uses public and other funds received in connection with the activities it performs based on exclusive or special rights or authorization to finance its other activities in violation of paragraph 2 of Article 7 of ZPFOLERD-1.
- We have checked whether the company has fully disclosed the annual report together with the financial statements for energy activities for which separate disclosure is required in accordance with ZOEE and ZOP.

We believe that the evidence obtained is a sufficient and appropriate basis for our conclusion.

Conclusion
In our opinion, the criteria used to allocate direct and indirect assets and liabilities, costs and expenses and income, which the company considers when keeping separate accounting records and when compiling separate financial statements for energy activities, and which were used in the preparation of disclosure *1.5.9 "Additional disclosures on the basis of the Electricity and Gas Supply Act"* for the financial year ended on 31.12.2023, in all material respects adequate and correctly applied according to the requirements of ZPFOLERD-1, ZOEE and ZOP.

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

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

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, June 21, 2024

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

5.2 Liability declaration of the management

The management shall be responsible for drawing up financial statements for each individual financial year according to the International Financial Reporting Standards (IFRS) adopted by the European Union and the Companies Act, so that they present a true and fair view of the Holding Slovenske elektrarne d.o.o.'s operations.

The management legitimately expects the Company to have sufficient resources in the foreseeable future to enable it to continue its operations. The financial statements are therefore drawn up on a going concern basis of the Company.

The responsibility of the management in drawing up the financial statements includes the following:
- properly selected and consistently applied accounting policies,
- reasonable and sensible assessments and estimates.

The management is responsible for keeping corresponding records, which give an accurate and fair view of the Company's financial position at any given time, and for making sure that the financial statements of the Company are in accordance with the International Financial Reporting Standards. The management is also responsible for protecting the Company's assets, as well as discovering and preventing abuses and other irregularities.

The management declares that the financial statements have been compiled in accordance with the IFRSs, without reservations about their application.

The financial statements of Holding Slovenske elektrarne d.o.o. for the financial year ended on 31 December 2023 were adopted by the management on 21 June 2024.

In Ljubljana, on 21 June 2024

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

5.3 Introductory explanatory notes to the financial statements

The financial report of the company Holding Slovenske Elektrarne d.o.o. represents the financial statements with notes.

Based on the decision of the Capital Assets Management Agency of the Republic of Slovenia in its capacity as the then representative of the founder of 29 November 2010, the Company has been drawing up financial statements and notes thereto in accordance with the International Financial Reporting Standards, as adopted by the European Union, since 1 January 2011.

Audit firm Deloitte revizija d.o.o. audited the financial statements with explanatory notes and prepared an auditor's report, which is presented at the beginning of the section.

5.4 Separate financial statements of HSE Company

5.4.1 SEPARATE ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION OF HSE COMPANY

Items (in EUR)	Explanatory note	31/12/2023	31/12/2022
ASSETS		**1,964,160,651**	**1,874,413,184**
A. NON-CURRENT ASSETS		**1,220,760,333**	**1,018,933,742**
I. Intangible assets	1	352,347,993	119,613,579
II. Property, plant and equipment	2	20,556,530	19,146,372
III. Right of use assets	3	2,862,139	1,354,758
V. Financial investments in subsidiaries	4	790,496,732	824,357,481
VI. Other financial investments and loans	5	41,070,442	41,376,441
VII. Operating receivables	6	13,037,972	12,460,712
IX. Deferred tax receivables	7	388,525	624,398
B. CURRENT ASSETS		**743,400,318**	**855,479,443**
II. Inventories	8	41,363,134	11,944,462
III. Financial investments and loans	9	400,101	655,752
IV. Trade receivables	10	560,342,170	448,614,258
V. Contract assets	11	2,678,758	3,166,911
VI. Tax receivables	12	0	15,954,379
VII. Other assets	13	106,932,057	82,091,962
VIII. Cash and cash equivalents	14	31,684,098	293,051,719

Items (in EUR)	Explanatory note	31/12/2023	31/12/2022
EQUITY AND LIABILITIES		**1,964,160,651**	**1,874,413,184**
A. EQUITY	15	**946,724,778**	**821,366,920**
I. Called-up capital		29,558,789	29,558,789
II. Capital reserves		711,243,185	1,053,243,185
III. Reserves from profit		107,744,824	562,744,824
IV. Risk hedging reserve		-5,575,521	-106,751,557
V. Fair value reserves		-384,441	-139,119
VI. Retained profit/loss		104,137,942	-717,289,200
B. NON-CURENT LIABILITIES		**237,605,783**	**240,424,559**
I. Provisions for severance pays and anniversary bonuses	16	2,095,228	1,698,692
II. Other provisions	17	49,418	404,475
III. Other liabilities	18	2,292,367	772
IV. Financial liabilities	19	231,016,317	237,780,886
V. Financial liabilities from leases	20	2,152,453	539,734
C. CURRENT LIABILITIES		**779,830,090**	**812,621,704**
II. Financial liabilities	21	95,108,236	269,259,587
III. Financial liabilities from leases	22	722,758	919,513
IV. Operating liabilities	23	328,985,388	392,586,634
V. Contract liabilities	24	21,946,564	0
VI. Tax liabilities	25	41,417,799	22,928
VII. Other liabilities	26	291,649,345	149,833,041

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

5.4.2 SEPARATE INCOME STATEMENT OF HSE COMPANY

Items (in EUR)	Explanatory note	2023	2022
1. Net sales revenues	27	5,116,070,394	5,545,248,921
2. Other operating income	28	52,073,813	41,312,079
GROSS OPERATING INCOME		**5,168,144,207**	**5,586,561,000**
3. Costs of goods, materials and services	29	4,651,061,492	5,755,867,837
4. Labour costs	30	18,800,082	14,815,304
5. Value write-offs	31	2,394,747	1,609,697
8. Other operating expenses	32	43,124,294	86,188,006
OPERATING PROFIT/LOSS		**452,763,592**	**-271,919,844**
9. Financial revenue	33	4,568,037	4,913,947
10. Financial expenses	34	49,477,713	52,458,065
FINANCIAL OUTCOME		**-44,909,676**	**-47,544,118**
PROFIT (LOSS) BEFORE TAX		**407,853,916**	**-319,463,962**
TAX	35	**41,406,242**	**219,057**
12. Current tax		41,417,799	0
13. Deferred tax		-11,557	219,057
NET PROFIT/LOSS FOR THE YEAR	36	**366,447,674**	**-319,683,019**

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

5.4.3 SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME OF HSE COMPANY

Items (in EUR)	Explanatory note	2023	2022
Net profit/loss for the year	36	**366,447,674**	**-319,683,019**
Actuarial profits and losses of programmes with certain income of employees		-265,854	152,038
Items that will subsequently not be included in the income statement	15	**-265,854**	**152,038**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows		100,106,155	-17,872,036
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss		1,069,881	11,982
Items that will subsequently be included in the income statement	15	**101,176,036**	**-17,860,054**
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD		**467,357,856**	**-337,391,035**

5.4.4 SEPARATE CASH FLOW STATEMENT OF HSE COMPANY

Items (in EUR)	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss	366,447,674	-319,683,019
Adjustments for:		
Amortisation of intangible assets	531,547	370,233
Depreciation of property, plant and equipment	530,573	478,829
Depreciation of right of use assets	865,304	760,015
Inventories write-off	466,764	0
Write-off of property, plant and equipment	534	462
Operating receivables write-offs	0	110
Elimination of operating receivables write-off/impairment	0	-965,993
Loss from sale of real property, plant and equipment	25	48
Financial revenue	-4,568,037	-4,913,947
Financial expenses	49,477,713	52,458,065
Profit from sale of property, plant and equipment	-10,640	-21,297
Taxes	41,406,241	219,057
Operating profit before changes in net current assets and taxes	**455,147,698**	**-271,297,437**
Changes in net current assets and provisions		
Change in:		
Inventories	-29,418,672	-8,359,905
Trade receivables and other assets	-136,779,997	-123,207,568
Operating liabilities to suppliers and other liabilities	202,215,593	10,730,564
Received advance payments	0	-241,138
Provisions	-224,375	-32,465
Profit tax paid	15,931,450	-14,631,709
Cash from operations	**506,871,697**	**-407,039,658**

Items (in EUR)	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	38,453	186,478
Dividends received	3,709,747	3,964,209
Remuneration from other financing	931,389	441,967
Proceeds from sale of property, plant and equipment	13,782	25,006
Proceeds from disposal of intangible assets	99,395,619	88,718,907
Proceeds from reduction of current loans given	450,000	1,000,000
Acquisitions of property, plant and equipment	-2,631,124	-4,754,864
Acquisitions of intangible assets	-331,974,888	-116,902,230
Acquisitions of leases	-2,372,685	-691,595
Purchase of subsidiaries	0	-20,177,815
Increase in capital	0	-30,000,000
Cash from investment	**-232,439,707**	**-78,189,937**
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity changes	-342,000,000	492,000,000
Proceeds from leases	2,061,125	2,681
Proceeds from non-current loans received	140,000,000	595,000,000
Proceeds from current loans received	58,000,000	517,000,000
Payments of loan interest	-15,285,371	-5,023,641
Payments of other financial liabilities	-1,165,636	-1,693,442
Payments of non-current loans	-146,764,569	-525,803,030
Payments of current loans	-230,000,000	-342,000,000
Lease payments	-645,161	0
Cash from financing	**-535,799,612**	**729,482,568**
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	**293,051,719**	**48,798,746**
Financial result in the period	-261,367,621	244,252,973
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**31,684,098**	**293,051,719**

5.4.5 SEPARATE STATEMENT OF CHANGES IN EQUITY OF HSE COMPANY

Items (in EUR)	CALLED-UP CAPITAL	CAPITAL RESERVES	RESERVES FROM PROFIT	RISK HEDGING RESERVE	FAIR VALUE RESERVES	RETAINED PROFIT/LOSS		TOTAL
	Share capital		Other reserves from profit			Retained net earnings	Net profit/loss for the year	
Balance as at 1/1/2022	**29,558,789**	**561,243,185**	**562,744,824**	**-88,891,503**	**-282,078**	**-397,615,260**	**0**	**666,757,957**
B.1. Transactions with owners	**0**	**492,000,000**	**0**	**0**	**0**	**0**	**0**	**492,000,000**
Entry of additional capital increases	0	492,000,000	0	0	0	0	0	492,000,000
B.2. Changes in comprehensive income	**0**	**0**	**0**	**-17,860,054**	**142,959**	**9,079**	**-319,683,019**	**-337,391,035**
Entry of net profit for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**-319,683,019**	**-319,683,019**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**142,959**	**9,079**	**0**	**152,038**
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	142,959	9,079	0	152,038
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**-17,860,054**	**0**	**0**	**0**	**-17,860,054**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	-17,872,036	0	0	0	-17,872,036
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	11,982	0	0	0	11,982
Balance as at 31/12/2022	**29,558,789**	**1,053,243,185**	**562,744,824**	**-106,751,557**	**-139,119**	**-397,606,181**	**-319,683,019**	**821,366,922**

the text continues on the next page

Items (in EUR)	CALLED-UP CAPITAL	CAPITAL RESERVES	RESERVES FROM PROFIT	RISK HEDGING RESERVE	FAIR VALUE RESERVES	RETAINED PROFIT/LOSS		TOTAL
	Share capital		Other reserves from profit			Retained net earnings	Net profit/loss for the year	
Balance as at 1/1/2023	**29,558,789**	**1,053,243,185**	**562,744,824**	**-106,751,557**	**-139,119**	**-397,606,181**	**-319,683,019**	**821,366,922**
B.1. Transactions with owners	**0**	**-342,000,000**	**0**	**0**	**0**	**0**	**0**	**-342,000,000**
Additional capital returned	0	-342,000,000	0	0	0	0	0	-342,000,000
B.2. Changes in comprehensive income	**0**	**0**	**0**	**101,176,036**	**-245,322**	**-20,532**	**366,447,674**	**467,357,856**
Entry of net profit for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**366,447,674**	**366,447,674**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**-245,322**	**-20,532**	**0**	**-265,854**
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	-245,322	-20,532	0	-265,854
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**101,176,036**	**0**	**0**	**0**	**101,176,036**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	100,106,155	0	0	0	100,106,155
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	1,069,881	0	0	0	1,069,881
B.3. Changes in equity	**0**	**0**	**-455,000,000**	**0**	**0**	**501,764,655**	**-46,764,655**	**0**
Allocation of the remainder of net profit of the comparative reporting period to other components of capital	0	0	0	0	0	-319,683,019	319,683,019	0
Settlement of loss as a deduction component of equity	0	0	0	0	0	366,447,674	-366,447,674	0
Other changes	0	0	-455,000,000	0	0	455,000,000	0	0
Balance as at 31/12/2023	**29,558,789**	**711,243,185**	**107,744,824**	**-5,575,521**	**-384,440**	**104,137,942**	**0**	**946,724,778**

5.5 Notes to the separate financial statements of HSE Company

5.5.1 REPORTING COMPANY

Holding Slovenske elektrarne d.o.o. (hereinafter referred to as 'the Company') is registered in Slovenia and is the parent company of the HSE Group. The address of the registered office of the Company is Koprska ulica 92, 1000 Ljubljana, Slovenia. The Company's main activity is electricity trading.

The financial year of the Company shall correspond to the calendar year. Separate financial statements of the Company for the year ended on 31 December 2023 are presented below.

5.5.2 DRAWING UP BASIS

a) Statement of conformity

The Company drew up its financial statements as at 31 December 2023 by taking into account the following:

- International Financial Reporting Standards (IFRS), which include the International Accounting Standards (IAS), Interpretations from the Standing Interpretations Committee (SIC), the International Financial Reporting Standards and Interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union,
- Companies Act,
- Energy Act;
- Electricity Supply Act and Gas Supply Act,
- Corporate Income Tax Act,
- Rules on the implementation of the Corporation Tax Act and its bylaws,
- Company Corporate Accounting Rules; and
- other applicable laws.

b) Accounting assumptions and qualitative characteristics of financial statements

The financial statements were drawn up by taking into consideration the basic accounting assumptions:

- accrual and
- going concern.

The effects of transactions and other events are recognised when they actually occur, not when they are paid, and are recorded and reported for the periods to which they apply. Therefore, the consolidated financial statements also include information on liabilities regarding monetary payments in the future, as well as assets that will generate revenue in the future.

The financial statements of the Company were drawn up by taking into consideration the assumption that the Company would not significantly decrease the scope of its operations, or even cease its operations and that it shall continue with its operations in the foreseeable future.

The following qualitative characteristics of financial statements have been taken into account:

- **Fair presentation and compliance with the international financial reporting standards**: the financial statements fairly represent the financial position, financial performance and cash flows of the Company.
- **Presentation consistency**: the presentation and classification of items in financial statements is the same from period to period.
- **Materiality and aggregation**: each material group that comprises similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.
- **Offsetting**: assets and liabilities, and revenue and expenses, are not offset unless this is required or permitted by a standard or an interpretation.
- **Comparative information**: unless the standard or the interpretation permits or requires otherwise, for all of the presented amounts in the consolidated financial statements, comparative information is disclosed in respect of the previous period. Comparative information is included in the narrative and descriptive information when it is relevant for the understanding of financial statements for the relevant period.
- **Amendments to important accounting policies**: the same accounting bases, policies and valuation and recognition principles were observed while compiling the consolidated financial statements as for the year 2022, except for the amendments described below.

c) Measurement basis

The financial statements of the Company have been drawn up based on historical cost, except for derivatives held for trading which are shown at fair value.

d) Functional and reporting currency

The financial statements in this report are presented in euro (EUR) without cents; the euro is both the functional and reporting currency of the Company. When using addition, insignificant rounding errors in tables may occur.

e) Application of estimates and judgements

The preparation of financial statements requires the Company's management to form certain estimates and assumptions that affect the disclosed amounts of assets and liabilities, revenue and expenses and disclosures of contingent assets and liabilities in the reporting period. The formation of estimates and of accompanying assumptions and uncertainties are disclosed in notes to individual items.

Estimates and judgements are based on past experience and other factors that are considered reasonable in the given circumstances and on the basis of which the judgements on the carrying amount of assets and liabilities are expressed. These estimates and assumptions are based purely on subjective considerations and entail a degree of uncertainty, therefore, subsequent actual results may differ from them. These are reviewed on an ongoing basis. Modifications to accounting estimates shall be recognised in the period in which the estimates had been modified if the modification only affects that period; or in the period of modification and subsequent periods if the modification affects subsequent periods.

Estimates and assumptions are included in the following significant judgements:

- For estimating the useful life of depreciable assets

The useful life of assets is assessed by taking into account the expected physical use, technical and economic obsolescence and expected statutory as well as other restrictions on their use. In the case of major assets, the Company shall verify the useful life and determine whether there have been any changes in the circumstances that led to a change in the useful life.

- For the impairment testing of non-financial assets

Once a year, the Company reviews the existence of impairment indicators of individual cash-generating units on an annual basis, whereby the recoverable amount of non-financial assets is established on the basis of the present value of cash flows. This is based on both an estimate of expected cash flows from the cash generating unit and the determination of the appropriate discount rate. In assessing whether there is a need for an impairment of property, the Company takes into account that the individual property as a whole generates cash inflows depending on the rest of the property.

- In assessing the liquid amount of receivables and assets arising from contracts with buyers

When the financial statements are drawn up, the Company estimates the value adjustments based on the expected credit loss model, according to which the expected losses to be incurred in the future are estimated.

- When assessing provisions for post-employment and other non-current employee benefits (retirement allowances).

The current value of retirement benefits is recorded under employment benefit obligations. It is recognised based on an actuarial calculation based on the assumptions and estimates in force at the time of the calculation, which may differ from the actual assumptions that will apply at the time due to future changes. This primarily refers to the determination of the discount rate, estimates of employee fluctuations, mortality and wage growth. Due to the completeness of actuarial calculation and long-term character, the post-employment employee benefit liabilities are sensitive to changes in those estimates.

- In recognising provisions for lawsuits and contingent liabilities

Provisions are recognised when the Company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability. The management of the Company shall regularly check whether an outflow of funds allowing economic benefits is likely to be fulfilled in order to settle a contingent liability. If it becomes likely, the contingent liability shall be redistributed by setting up a provision in the financial statements at the time when the degree of certainty changes.

Further assessments and judgements applied by the management in drawing up the financial statements as at 31 December 2023 are as follows:

1. HSE holds the right to buy back 35.6% of the shareholding in HESS, which it has sold (redemption right), and the purchasers/acquirers are obliged to sell their share no later than 31 December 2028, whereby HSE may exercise this redemption right at any time between 30 June 2026 and 30 June 2028. The redemption right relates to the redemption of the total 35.6% shareholding, namely SEL's total shareholding amounting to 14.7% of the share capital in HESS and GEN's total shareholding amounting to 20.9% of the share capital in HESS. HSE shall exercise the redemption right towards both company members/acquirers at the same time. The estimated option value as at 31 December 2023 is EUR 0, as it is estimated that it shall be exercised at an above-market price.

2. HSE holds the right to redeem a 36.42% shareholding of the ECE share capital from Elektro Celje. HSE currently owns 63.58% of equity in ECE.

   There is a call option for the redemption of the remaining shareholding (36.42%) from Elektro Celje, namely:
   - The call option shall enter into force on 1 January 2025 and apply until 31 May 2025 and shall be exercised on 30 June 2025. HSE shall redeem the option by expressing to Elektro Celje its intention to exercise its call option right. The purchase price shall be laid down by an option agreement giving rise to the executable value of the option equalling its market value at the time of execution. Given the execution value specification method, the fair value of the financial instrument (option) is close to EUR 0.

3. In compliance with IFRS 9.2.6, the Company shall account for electricity, gas and emission allowance procurement and sales contracts for the purpose of trading as derivatives, as, for these contracts, the Company usually has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin (in compliance with the rules of IFRS 9 on contract settling net). In compliance with IFRS 9.2.4, the Company shall account for these contracts as derivatives and measure them at fair value through profit or loss.

   The contracts that the Company has concluded and that it continues to hold for the purpose of receipt or delivery of a non-financial item in compliance with the entity's expected procurement, sale or usage requirements, such as sales contracts for HSE Group self-generated electricity (so-called 'own-use' contracts), shall continue to be recognised in the financial statement in compliance with IFRS 15 on the effective date of the respective contract.

4. In the event of impairment testing for a cash-generating unit with assets with limited useful lives (TEŠ and PV), business projections for its entire useful life are used. The key assumptions are presented in the following disclosures on the implementation and results of impairment of investments in subsidiaries.

5.5.3 BRANCH AND REPRESENTATIVE OFFICE

The Company has a branch in the Czech Republic. No transactions were performed through it in 2023, because electricity trading was transferred to HSE. The operations of the branch are included in the financial statements of the Company.

5.5.4 MATERIAL ACCOUNTING POLICIES

The Company's financial statements were compiled based on the accounting policies outlined below. The mentioned accounting policies were applied for both reported years, unless specified otherwise Where necessary, the comparable data were adjusted to match the information presented for the current year.

Foreign currency conversion

Transactions in foreign currencies are translated into the applicable functional currency at the exchange rate on the date of the transaction.

Cash assets and liabilities denominated in foreign currency at the end of the period are translated into the functional currency at the then valid exchange rate.

Positive or negative exchange rate differences are the differences between the amortised cost in the functional currency at the beginning of the period, adjusted by the amount of the effective interest rate and the payments during the period, and the amortised cost in foreign currency, calculated at the exchange rate at the end of the period.

Foreign exchange differences are recognised in the income statement by applying the principle of net profit or loss.

Intangible assets

Intangible assets are non-current assets that enable the implementation of the Company's activity without physical substance. Among intangible assets, the Company primarily shows non-current property rights and emission allowances needed to generate electricity in the HSE Group. Emission allowances for trading (EUAs) are shown among inventories.

At initial recognition, an intangible asset is recognised at cost. This includes costs that may be directly attributed to the acquisition of the individual intangible asset. The Company did not finance the purchases of intangible assets with loans, therefore, cost does not include borrowing costs.

Intangible assets are subsequently measured using the cost model.

The Company has no intangible assets for which it would record the residual value upon acquisition.

Amortisation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the intangible asset. Amortisation is applied at cost when the asset is available for use. Emission coupons are not depreciated since they are procured for the individual periods in which they are used.

Estimated useful life in years - intangible assets	2023	2022
Software	2-20 years	2-20 years

Depreciation methods and the useful lives of groups of intangible assets are reviewed at the end of each financial year and are adjusted, where appropriate. If their useful life is extended, the depreciation costs in the financial year are decreased. If the useful life period is shortened, depreciation costs increase. The adjustment of the useful life period has to be restated to allow for the depreciation of the asset in the new foreseen useful life. A change in the useful life is considered a change of the accounting assessment and affects only the period in which the accounting assessment was changed and for each subsequent period in the remaining useful life.

Subsequent costs connected to intangible assets are capitalized only if they increase the future economic benefits derived from the assets to which the costs relate. All other costs are recognised in the income statement as expenses as soon as they are incurred.

Property, plant and equipment

Property, plant and equipment are non-current assets owned by the Company and used for the performance of its activities. Property, plant and equipment comprise buildings, production and other equipment and assets under construction.

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated losses from impairments. Purchase value includes costs that may be directly attributed to the acquisition of the individual asset. Parts of devices and equipment that have different usable life are accounted for as individual assets. Rental costs, directly attributable to the purchase, construction or production of a qualifying asset, i.e. to the activation of an asset for use, are recognised as part of the cost of such an asset. The Company had no loans for the acquisition of fixed assets, so loan costs and assets under construction are non-attributed.

For the subsequent measurement of property, plant and equipment, the cost model is used.

The Company has no property, plant and equipment, for which it would record the residual value upon acquisition.

Depreciation is calculated on a straight-line basis over the estimated useful life of each individual part (component) of the property, plant and equipment. Depreciation is applied at cost when property, plant and equipment is available for use. Property, plant and equipment under construction are not depreciated.

Estimated useful life - property, plant and equipment	2023	2022
Business premises	30-50 years	30-50 years
Solar power plant	25 years	25 years
Computer equipment	2-5 years	2-5 years
Furniture	10 years	10 years
Small tools	4-5 years	4-5 years
Cars	5 years	5 years
Other plant and equipment	5-10 years	5-10 years

Depreciation methods and the useful lives of groups of assets are reviewed at the end of each financial year and are adjusted, where appropriate. If their useful life is extended, the cost of amortisation within the current financial year is decreased. If the useful life period is shortened, depreciation costs increase. The adjustment of the useful life period has to be restated to allow for the depreciation of the asset in the new foreseen useful life. A change in the useful life is considered a change of the accounting assessment and affects only the period in which the accounting assessment was changed and for each subsequent period in the remaining useful life.

The replacement costs of items of property, plant and equipment are assigned to the carrying amount of this item, if it is probable that the future economic benefits embodied with this asset will flow to the company and the cost of the item can be measured reliably. All other costs (for example current maintenance costs) are recognised in the income statement as expenses as soon as they are incurred.

Gains and losses, arising at the disposal of property, plant and equipment, are established as the difference between the net sales value and the carrying amount of the written-off or disposed property, plant and equipment, and are recorded among other operating revenue or write-offs.

The Company verifies on a yearly basis whether there is an indication of impairment relating to property, plant and equipment being acquired. Significant indications of impairment include the following circumstances:

- adopting the decision on suspending a certain investment and
- a material deterioration of circumstances relating to the economic efficiency of an individual investment.

Right of use leased assets

On the basis of lease contracts, the lessees show leased assets under fixed assets as right of use assets, i.e. in connection with lease liabilities. Through depreciation, the value of leased assets is transferred under the costs and financing costs are debited to financial expenses. This standard provides two recognition exemptions, i.e. in the case of leases of low-value assets and short-term leases.

The Company has reviewed and analysed concluded lease contracts for a period greater than one year. On the basis of lease costs and the duration of lease contracts, the Company has assessed the value of the right to use leased assets and liabilities and recognised them in the financial position statement for a five-year period. In the case of lease contracts of an indefinite duration with the right to contract termination, the HSE Group estimates in accordance with item 18 of IFRS 16 that lease termination will not occur for at least 5 years, whereas the evaluations of longer leases cannot be made with reasonable certainty. Therefore, indefinite time contracts are determined for a duration of 5 years.

Interest rates, adopted at the conclusion of leases, have not been disclosed in contracts. Item 26 of standard IFRS 16 refers the lessee to use the incremental borrowing rate of interest, which HSE would pay if the asset was bought, and the purchase would be indebted. HSE has no such interest rates, since the analysis of financing sources shows that existing sources were used to finance current investments in subsidiaries, and, in part, working capital.

If the lessee cannot acquire data about the borrowing interest rate from the financial institution, the lessee uses the average interest rate of the concluded loan contracts with non-financial corporations in credit institutions in the month of the lease, published in the bulletin of the Bank of Slovenia.

The value of right to use lease assets and liabilities is estimated based on discounting future cash flows for the lease duration. For leases, the Company used an interest rate calculated as the average of interest rates, published in the bulletin of the Bank of Slovenia, i.e. for a 1-to-5-year-maturity, separately for amounts of up to EUR 1 million and for amounts higher than EUR 1 million.

Estimated useful life in years - Leases	2023	2022
Buildings	5 years	5 years
Cars	3-5 years	3-5 years

Non-current financial investments in subsidiaries

Investments in subsidiaries are those where the Company has the controlling influence and the group of companies for which the Company draws up consolidated financial statements.

In the financial statements, investments in subsidiaries are stated at acquisition cost.

The Company recognises revenue from investments in the period when the decision on the distribution of profits is adopted.

Any indications of impairment of investments in subsidiaries are determined on an annual basis. If there is objective evidence that an impairment loss has occurred, the loss is measured as the difference between the carrying amount of a financial investment and its recoverable amount (the higher of fair value less selling costs and value in use) and is recognised as a financial expense.

In the event of liquidation of a subsidiary, the difference between the carrying amount and the liquidation value of the investment is recorded under financial revenue or expenses.

In the event of divestment of participation in a subsidiary, the difference between the carrying amount and the liquidation value of the investment is recorded under financial revenue or expenses.

Non-current investments in associates and joint ventures

Investments in associates are those in which the Company has significant influence, although as a rule its shareholding in such companies ranges between 20–50%.

Investments in joint ventures are investments in which the Company, together with other owners, jointly controls the operations of these companies on the basis of a contractually agreed sharing of control.

In the Company's financial statements, investments in associates as well investments in joint ventures are carried at acquisition cost.

Financial resources

Financial resources include cash and cash equivalents, receivables and loans and investments (except for investments in subsidiaries, associates and joint ventures).

The Company initially recognises loans and receivables and deposits on the date of their formation. Other financial resources are initially recognised at the exchange date or when the Company becomes party to the instrument's contractual terms.

The Company de-recognises a financial asset when contractual rights of the cash flows from the asset expire or when the rights of contractual cash flows are transferred from a financial asset on the basis of a business transaction in which all risks and benefits of ownership of the financial asset are transferred.

Upon initial recognition, the Company's financial instruments are classified as follows:
- financial resources at amortised cost,
- financial resources at fair value through other comprehensive income, and
- financial resources at fair value through profit or loss.

The classification depends on the selected asset management business model and whether the Company collects contractual cash flows from financial instruments exclusively from principal payments and interest on the outstanding principal amount.

With the exception of operating receivables that do not contain significant financing components, the Company measures the financial asset during its initial recognition at fair value, which is increased by transaction costs. Operating receivables that do not contain significant components of financing are measured at the transaction price, determined in accordance with IFRS 15.

Financial resources at fair value through profit or loss are disclosed in the statement of financial position at their fair value, including the net change in the fair value recognised in the income statement. Financial resources at fair value through profit or loss primarily include unrealised and valued derivatives as at the reporting date.

a) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits with a maturity of up to three months, and other current, quickly redeemable investments with an original maturity of maximum three months.

The Company converts foreign currency cash using the reference rate of the European Central Bank (ECB) published by the Bank of Slovenia, derived from the exchange rate of the ECB, except for those currencies for which the ECB does not publish reference exchange rates on a daily basis and which are subject to a monthly exchange rate.

b) Financial resources at fair value through profit or loss

Financial resources at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss and financial assets that shall be measured at fair value.

Financial resources are classified as held for trading if they are acquired with the intention of selling or repurchasing them in the near future. Derivatives are classified as held for trading, except in the case of effective hedging instruments.

Financial resources that generate cash flows and are not solely principal and interest payments, are classified and measured at fair value through profit or loss regardless of the business model of choice.

Financial resources at fair value through profit or loss are disclosed in the statement of financial position at their fair value, including the net change in the fair value recognised in the income statement.

c) Financial resources at fair value through other comprehensive income (equity instruments)

Financial resources recognised at fair value through other comprehensive income with the nature of an equity instrument, are financial assets that meet the equity-related definition in accordance with IAS 32 - Financial Instruments, and for which the company irrevocably chooses to be classified as equity instruments at fair value through other comprehensive income and which are not held for trading. The classification is stipulated by an individual financial instrument.

Gains and losses on these financial assets shall never be reallocated to the income statement, excluding dividends received which shall be recognised in profit or loss.

d) Financial resources at amortised cost

Financial resources at amortised cost include financial assets held by the Company within the business model for collecting contractual cash flows and if these constitute exclusively payments of the principal and interest accrued on the outstanding principal balance. Financial resources at amortised cost also include loans and receivables. Given their maturity, they are classified as current financial resources (maturity of up to 12 months after the date of the statement of financial position) or non-current financial resources (maturity over 12 months after the date of the statement of financial position).

Financial resources at amortised cost are initially recognised at fair value increased by direct transaction costs. Upon initial recognition, they are measured at amortised cost using the effective interest rate method less any impairment losses. Gains and losses are recognised in profit or loss upon reversal, changes or impairment.

Financial liabilities

The Company's financial liabilities include loans received and trade payables. They are, upon initial recognition, classified as financial liabilities at fair value through profit or loss, loans received or operating liabilities. All other financial liabilities are initially recognised on the date of trading or when the Company becomes party to the instrument. With the exception of loans received, all financial liabilities are initially measured at fair value. Loans received are measured at amortised cost using the applicable interest rate. Given their maturity, they are classified as current financial liabilities (maturity of up to 12 months after the date of statement of financial position) or non-current financial liabilities (maturity over 12 months after the date of the statement of financial position). Gains and losses are recognised in the income statement upon de-recognising the financial liability and as part of the depreciation of the effective interest rate.

The Company de-recognises a financial liability when contractual obligations are discharged, cancelled, or expire.

Derivatives

Derivatives are used for hedging the Company's cash flow exposure to price and currency risks. As part of its hedging efforts, the Company concluded exchange rate swaps as well as futures contracts used for hedging self-generated electricity, emission allowances and gas in the following years.

These are financial instruments that do not require initial financial investment, while their value is changing due to changes in goods prices or foreign exchange rates.

Derivatives shall initially be recognised at fair value, namely by using the principle of net profit or loss, meaning that the actual value of the concluded transaction shall not be shown in the financial statements.

Following initial recognition, derivatives are measured at fair value, whilst the pertaining changes are considered differently with regard to whether or not the derivative qualifies for hedge accounting. Derivatives which do not qualify for hedge accounting shall be measured at value through profit or loss.

When a derivative is defined as hedging in the case of exposure to cash flow variability that may be attributed to an individual risk related to a recognised asset, liability or highly probable forecast transactions, which can affect the profit or loss, the effective portion of the fair value change of the derivative is recognised in the period's other comprehensive income and disclosed in the cash flow hedge reserve. The ineffective part of fair value changes of the financial instrument is directly recognised in the income statement. The Company shall prospectively discontinue hedge accounting if the hedge no longer meets the criteria for hedge accounting or if the hedging instrument is sold, terminated or exercised. The accumulated gain or loss recognised in the period's comprehensive income remains recorded in the cash flow hedge reserve until the hedged forecast transaction affects profit or loss. If the forecast transaction can no longer be expected, the amount shall be directly recognised in profit or loss in other comprehensive income. In other cases, the amount recognised as comprehensive income shall be transferred to profit or loss in the same period during which the hedged forecast transaction affects profit or loss.

The effects of other derivatives arising from physical contracts, not defined as hedges, in the case of cash flow variability exposure or failure of attribution to an individual risk, associated with a recognised asset or liability, shall be recognised in profit or loss among other operating revenue or other net operating expenses using the net principle, whereas the realisation of physical contracts among net revenue or expenses also using the net principle.

If forward purchases and sales related to the physical delivery of electricity, gas and emission allowances are considered contracts concluded in the ordinary course of business of the Group ("own use" contracts), they are not subject to the scope defined under IFRS 9. This applies when the following conditions are met:
- physical delivery forms part of all such contracts,
- the contractually purchased or sold energy volume corresponds to the operational needs of the Group and
- contracts cannot be considered an option, as defined in the standard. In the case of electricity sales contracts, the contract is equivalent to fixed forward sales or can be considered sales of capacity.

Impairment of assets

Financial resources

A financial asset is considered to be impaired if objective evidence exists indicating that one or more events have caused a decrease in the estimated future cash flows from this asset, which can be reliably measured.

Objective evidence on the impairment of financial assets can be: non-compliance or violation by the debtor, signs that the debtor will go bankrupt; restructuring the amount owed to the company by others and disappearance of active market for such an instrument.

Impairment of receivables and loans given

If the carrying amount of receivables is assessed to exceed their fair, i.e. recoverable, value, receivables are considered to be impaired.

Final write-offs of receivables require appropriate documents: a final arrangement with creditors, bankruptcy proceedings decisions, court decisions or other appropriate documents.

The impairment assessment is based on the expected credit losses associated with the probability of defaults on loans and receivables in the next 12 months, unless the credit risk significantly increased since the initial recognition. In these cases, the impairment assessment is based on the lifetime expected credit loss (LECL) of a financial asset. Expected credit losses are the difference between contractual cash flows that are due under contract and all cash flows which the Company expects to receive. Expected cash flows will include cash flows from the sale of collateral.

Impairments for expected credit losses are assessed in two stages. For credit exposures where no significant increase in credit risk was established after initial recognition, impairments for expected credit losses are recognised for credit losses arising from defaults possible within the following 12 months. For credit exposures, for which a significant increase in credit risk has occurred since the initial recognition, the Company recognises an allowance from losses expected in the remaining useful life of the exposure, regardless of the default period.

Doubtful receivables from others are not settled within 180 days after their due date.

Disputed receivables comply with one of the following conditions:
- judicial debt-collection proceedings to recover the receivables have been instituted, or
- an opening decision for receivership, liquidation or bankruptcy proceedings has been published.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. The Company creates groups of receivables on the basis of maturity of receivables. The Company estimates the total impairment by using past trends in the probability of default, the recovery period and the amount of incurred loss adjusted by the management's assessment as to whether the actual losses due to the current economic and credit conditions could be higher or lower than the losses as predicted by past development.

If all acts have been performed by exercising due diligence in order to achieve the repayment of a particular outstanding receivable, or if the amount of the receivable would make it uneconomic for the Group to have it recovered via judicial recovery proceedings, the receivable will be written-down in full on the basis of a management's decision.

The Company assesses the evidence of impairment for each important loan individually.

An impairment loss related to a financial asset shown at amortised cost is measured as the difference between its carrying amount and the expected future cash flows, discounted at an originally effective interest rate. Loss is recognised in the income statement among operating costs.

Non-financial resources

At each reporting date, the Company reviews the carrying value of its material non-financial assets to determine whether there is an indication of impairments. If any such indication exists, the asset's recoverable value is estimated via an impairment test.

The recoverable value of an asset or cash-generating unit is the higher value in use or fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of cash and the risks specific to the asset. For impairment testing purposes, assets that cannot be tested individually are placed into the smallest possible group of assets, which create cash flows from further use and that are largely independent of the inflow of other assets or groups of assets (cash-generating unit).

The impairment of an asset or cash-generating unit is recognised if its carrying amount exceeds its recoverable value. Loss is recognised in the income statement among operating costs.

The Company evaluates the impairment losses of previous periods at the end of the reporting period and thus determines whether the loss was reduced, or it no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable value. The loss due to the impairment of the asset is reversed only up to the amount that does not entail the increased carrying amount of an asset exceeding the carrying amount that would have been determined after the deduction of the depreciation write-off, if the impairment loss was not recognised as an asset in prior years.

Equity

The equity of the company is its liability to its owners, which becomes due if the company discontinues its operations, in which the capital volume is adjusted according to the currently attainable price of the total assets. It is defined by the amounts invested by the owners and the amounts incurred during operation and belong to the owners. It is decreased by operating loss and payments to owners and increased by the gain generated in the period.

Share capital and capital reserves include cash and non-cash consideration of the owner.

On 31 December 2002, the general adjustments from revaluation of capital (in accordance with the then applicable Slovenian Accounting Standards) included the revalorisation of the share capital before 2002. Subsequently, the aforementioned adjustment was transferred to capital reserves. This amount can only be used to increase share capital.

Other reserves from profit are purposely retained earnings from previous years and are primarily used to cover losses. They are established based on a decision by the relevant body.

The risk hedging reserve shall include the effect of the change to the fair value of derivatives established as successful hedging instruments in the event of exposure to cash flow variability related to hedging self-generated electricity and the hedging accounting related to emission allowance procurement cash flows.

The fair value reserve includes actual gains or losses related to provisions for post-employment and other non-current employee benefits (retirement allowances).

Provisions for post-employment and other non-current employee benefits

In accordance with statutory regulations, Collective Agreements and internal regulations, the Company shall make provisions for the mandatory payment of jubilee and retirement benefits to employees. There are no other pension liabilities.

Provisions are made in the amount of estimated future jubilee and retirement allowance payments, discounted at the end of the financial year. The calculation is made for each individual employee and includes the costs of retirement benefits and all expected jubilee benefits up to retirement. The calculation using a projected unit is drawn up by an actuary. Retirement and jubilee benefits during the current year decrease the provisions made.

Labour costs and interest costs are recognised in the income statement, while the restatement of post-employment benefits or of unrealised actuarial revenues or losses arising from retirement benefits are recognised in other comprehensive income (capital).

Employee benefits

Current employee benefit obligations are measured on an undiscounted basis and are expensed as the current benefit related service by the employee is provided. Liabilities are carried in the amount that is expected to be paid in the form of current remuneration, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the liability can be estimated reliably.

Other provisions

Provisions are recognised when the company has legal or constructive obligations arising from past events, which can be reliably assessed, and when it is likely that an outflow of resources embodying economic benefits will be required to settle the liability.

The provision value equals the present value of expenditure that is expected to be needed to settle a liability. Provisions are intended for covering probable, but not certain obligations. Therefore, the amount recognised as a provision is merely the best estimate of the expenditure needed for the settlement of obligation existing on the date of the statement of financial position. In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround the events and circumstances are taken into account.

Provisions are directly decreased by costs or expenses for which they were created to cover. This means that such costs or expenses no longer appear in the profit or loss of the financial year.

If the expected liabilities do not occur, the reversal of created provisions is carried out and shown under other operating revenue.

Other assets and liabilities

Other assets include advances given, receivables due from state and other institutions and current deferred costs and accrued revenue not related to sales contracts. Deferred costs are the amounts incurred not debited to the profit or loss of the Company upon their incurring as of yet.

Other liabilities include advances received, liabilities to employees, liabilities to the state and other institutions and non-current and current accrued costs and deferred income not related to liabilities arising from sales contracts. Accrued costs are amounts that have not been incurred as of yet, but they will incur the future and are already influencing profit or loss.

Contract assets and liabilities

With the introduction of IFRS 15, non-accrued revenue is no longer part of other assets but non-accrued revenue from sales contracts with customers is recognised under the Contract Assets item.

With the introduction of IFRS 15, deferred income is no longer part of other liabilities, although deferred income from sales contracts with customers is recognised under the Contract Liabilities item.

Accrued revenue is the revenue taken into account in the profit or loss even though it has not been invoiced yet. In compliance with IFRS 15, it is recognised in the statement of financial position as contract assets which is the right to consideration in exchange for goods or services that the entity has transferred to a customer.

Deferred income is presented in accordance with IFRS 15 as a contract liability and is recognised as income when the company meets its contractual performance obligation.

Contingent liabilities

Contingent liabilities are:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities include guarantees given and parent company guarantees.

Revenue

In accordance with IFRS 15, the Company uses a five-step model to establish when to recognise revenue and to what amount. The model determines that revenue is recognised at the transfer of control over goods or services to the buyer in an amount expected to be justified. In view of the satisfied criteria, revenue shall be recognised:

- as it occurs or
- through the period.

The Company recognises revenue from contracts with buyers based on contracts, thus the control over goods and services is transferred to the buyer in the amount that reflects the compensation that the Company expects to be entitled to. Any promised service or supply of goods is considered a separate performance obligation if different. The performance obligation is different when the buyer derives benefits from the services rendered or goods delivered. The performance obligation is the obligation to provide a service or goods to the buyer.

Revenue is recognised as soon as the Company satisfies its performance obligation, i.e. when control over the respective service and goods is transferred to the buyer. Control means that the buyer can direct the use of an asset and receives all material benefits from the asset. The buyer may also prevent others from using and receiving the benefits from the respective asset.

Discounts, approved upon the contract signing, are distributed among all performance obligations and deferred for the duration of the contract. All subsequently approved discounts are recognised in the period for which they are approved and reduce revenue.

Sale of goods

When selling goods, the performance obligation arises upon the provision of goods. Goods are invoiced within 14 days or on a monthly basis. The sale of electricity accounts for the largest share within the sale of goods structure, which is followed by the sale of secondary and tertiary energy and deviations from the sale of electricity. This part also includes the sale of emission allowances arising from trading and gas.

If the Company generates more foreign exchange gains than losses from operating activities, these are reported as net revenue from the sale of merchandise by applying the principle of net profit or loss.

Sale of services

The performance obligation in the sale of services arises while services are rendered. Invoicing is performed on a monthly basis. Services provided in connection with transmission capacities, services relating to guarantees of origin, services of negative electricity prices and advisory services provided in the accounting, legal, HR and financial sectors account for the largest share in the sale of services.

Accrued revenue is the revenue taken into account in the profit or loss even though it has not been invoiced yet. In compliance with IFRS 15, it is recognised in the statement of financial position as contract assets which is the right to consideration in exchange for goods or services that the entity has transferred to a customer.

Deferred income is presented in accordance with IFRS 15 as a contract liability and is recognised as income when the company meets its contractual performance obligation.

Other operating and financial income

Other operating revenue related to products and services is primarily accounted for by late interest revenue, profits from derivatives and the valuation of commodity contracts at fair value.

Revenue from accruing late interest and related receivables are recognised upon occurrence if it is probable that the future economic benefits embodied with the transaction will flow to the Company. Else, accruing late interest is recorded as contingent assets and recognised in the Company's accounts upon payment. Accrued late interest is recorded on a case-by-case basis.

Financial income comprises income from participating interest in investments (dividends), interest on deposits and loans given, income from parent company guarantees given and profits generated from hedging instruments recognised in the income statement.

Operating and financial costs

Expenses are recognised if the decrease in economic benefits in the reporting period is associated with decreases in assets or increases in debt and if this decrease can be reliably measured.

Operating expenses are recognised upon the sale of merchandise.

The cost of sold goods encompasses the recording of expenses, related to the sale of electricity, gas, emission allowances held for trading and their related costs. If the Company generates more foreign exchange gains than losses from operating activities, these are reported in the cost of sold goods.

Costs of materials are historical costs of procured materials, namely costs of safety equipment, small tools, whose useful life does not exceed a period of one year, energy products, stationery, specialist literature, and other materials.

Costs of services are historical costs of procured services, namely software, building and equipment maintenance services, advertising services, entertainment, insurance premiums, money transmission and other banking services (excluding interest rates), leases, advisory services, business trips, and similar services.

Write-downs in value include depreciation costs related to the consistent transfer of value of depreciable intangible assets and property, plant and equipment to the profit or loss. Write-downs in value also include write-offs and losses from the sales of intangible assets and property, plant and equipment, as well as impairments or write-offs of operating receivables.

Labour costs are historical costs that refer to gross salaries and other similar amounts to employees, as well as duties that are accounted for from this basis and are not an integral part of gross amounts.

Other operating expenses occur in connection with setting up provisions, donations and other duties, expenses arising from the valuation of commodity contracts at fair value as well as damages for un-supplied electricity.

Financial costs comprise loan costs, including related derivatives and losses from impairment of financial assets and liquidations of subsidiaries. Interest expenses are recognised upon their occurrence, in the amount of the agreed-upon interest rate.

Taxes

Taxes comprise current and deferred tax liabilities. Current tax is disclosed in the income statement. Deferred tax is recognised in the income statement and in the statement of the financial position.

Tax liabilities are based on the taxable base of the financial year. The taxable base differs from the profit or loss reported in the income statement, as it excludes items of revenue or expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible. Current tax liabilities of the Company are calculated using the tax rate applicable on the reporting date. Current tax liabilities decrease in the event of advance payments of corporate income tax during the year.

Deferred tax is shown in total by applying the financial position statement liability method to temporary differences, arising between tax bases of assets and liabilities and their carrying amounts in financial statements. Deferred tax is determined using the tax rate applicable as at the statement of financial position date, and which is expected to be used when the deferred tax assets are realised or the deferred tax liability is settled.

A deferred tax asset is recognised if future taxable gain that can be used for temporary differences is likely. It is the levied corporate income tax with regard to deductible temporary differences.

The deferred tax liability is corporate income tax levied with regard to taxable temporary differences, which means higher payment of tax in the future.

In 2023, the applicable tax rate for corporate income tax amounted to 19%, based on the currently applicable tax legislation.

Cash flow statement

The cash flow statement shows changes in balances of cash and cash equivalents for the financial year it is drawn up for. The cash flow statement is drawn up by using the indirect method and data from the statement of financial position and the income statement pursuant to International Financial Reporting Standards (IFRS) as adopted by the EU.

Cash and cash equivalents of the Company include cash, cash in bank accounts, deposits redeemable at notice and deposits for a period of up to three months.

Segment reporting

In the Annual Report, the Company does not disclose operations by segment. Segment reporting in the Annual Report is required for groups whose debt or equity securities are publicly traded, and companies that are in the process of issuing equity or debt securities on a public securities market.

New and amended IFRS standards applicable in the current year

In the current year, the Company applied several amendments to IFRSs issued by the International Accounting Standards Board (IASB) and which shall be mandatory for annual periods beginning on or after 1 January 2023. Their application did not have a material effect on the disclosures or amount stated in these financial statements.

In the current reporting period, the following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are applied:

- **IFRS 17 - New IFRS 17 standard - Insurance Contracts**, including amendments to IFRS 17, issued in June 2020 and December 2021 (effective for annual periods beginning on or after 1 January 2023). The new standard requires the measurement of performance obligations from insurance contracts at the present fulfilment value and provides a more uniform measurement and presentation method for all insurance contracts. The purpose of these requirements is to ensure diligent and principle-based accounting for insurance contracts. IFRS 17 replaces IFRS 4 - Insurance Contracts and its related notes. The amendments to IFRS 17 - Insurance Contracts, issued by the IASB on 25 June 2020, the effective date for IFRS 17 has been deferred for a period of two years and the standard shall be effective for annual reporting periods beginning on or after 1 January 2023. In addition, the amendments issued on 25 June 2020 provide simplifications and interpretations of some requirements of the standard and provide additional assistance for first adopters of IFRS 17.
- **Amendments to IAS 1 – Disclosure of Accounting Policies** – Disclosure of Accounting Policies, issued by the IASB on 12 February 2021 (effective for annual reporting periods beginning on or after 1 January 2023). **Disclosure of Accounting Policies** issued by the IASB on 12 February 2021. The amendments require entities to disclose their material accounting policies rather than their significant accounting policies. They contain advice and cases to help rapporteurs decide which accounting policies to disclose in their financial statements.

- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates**, issued by the IASB on 12 February 2021 (effective for annual reporting periods beginning on or after 1 January 2023). **Definition of accounting estimates**, issued by the IASB on 12 February 2021. These amendments focus on accounting estimates and provide advice how to differentiate between accounting policies and accounting estimates.
- **Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**, issued by the IASB on 6 May 2021 (effective for annual reporting periods beginning on or after 1 January 2023) **Deferred Tax related to Assets and Liabilities arising from a Single Transaction**, issued by the IASB on 6 May 2021. In compliance with the amendments to the initial recognition exemption, this shall not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.
- **Amendments to IAS 12 - International Tax Reform—Pillar Two Model Rules**, issued by the IASB on 23 May 2023 and applies immediately and retroactively in compliance with IAS 8. **International Tax Reform—Pillar Two Model Rules**, issued by the IASB on 23 May 2023. The amendments introduced a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for entities regarding an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

New and amended existing standards issued by the IASB and adopted by the EU that do not yet apply

At the date of approval of these financial statements, the Company does not apply the following amendments to existing standards made by the IASB and adopted by the EU that do not yet apply:

- **Amendments to IFRS 16 – Leases – Lease Liability in a Sale and Leaseback**, issued by the IASB on 22 September 2022. Amendments to IFRS 16 require a subsequent measurement of sale and leaseback transactions by the seller-lessee by having the seller-lessee not recognise any amount of any gain or loss relating to the right to use which they shall preserve. The new requirements, however, do not prevent the seller-lessee from recognising in gain or loss any gain or loss relating to the partial or full termination of the lease. The amendments are effective for annual periods beginning on or after 1 January 2024.

New standards and amendments of the existing standards issued by the IASB, but not yet adopted by the European Union

Currently, IFRSs as adopted by the EU do not differ significantly from those adopted by the International Accounting Standards Board (IASB) with the exception of the following new standards and amendments to existing standards (dates of entry into force below for IFRSs as issued by the IASB):

- **Amendments to IAS 1 - Presentation of Financial Statements - Classification of Liabilities as Current or Non-current**, issued by the IASB on 23 January 2020, and Amendments to IAS 1 - **Presentation of Financial Statements - Non-current Liabilities with Covenants**, issued by the IASB on 31 October 2022. The amendments issued in January 2020 provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments issued in October 2022 clarify how the conditions to be met by an entity within twelve months following the reporting period, affect the classification of liabilities and set out that both amendments shall be effective for annual periods beginning on or after 1 January 2024.
- **Amendments to IAS 7 - Statement of Cash Flows - and to IFRS 7 - Financial instruments: disclosures - Supplier Finance Arrangements**, issued by the IASB on 25 May 2023. These amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements (effective date as set out by the IASB: 1 January 2024).
- **Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability**, issued by the IASB on 15 August 2023. The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not (effective date as set out by the IASB: 1 January 2025).
- **IFRS 14 - Regulatory Deferral Accounts**, published by the IASB on 30 January 2014. The aim of the standard is to permit a first-time adopter within its scope to continue to account for regulatory deferral account balances in its IFRS financial statements in accordance with its previous GAAP when it adopts IFRS Standards (effective date as set out by the IASB: 1 January 2016).
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**, published by the IASB on 11 September 2014. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 and clarify that a full gain or loss relating to a transaction with an associate or joint venture depends on whether the sold or contributed assets involve a business (the IASB deferred the effective date indefinitely but early application shall be allowed).

The Company foresees that the introduction of these new standards and amendments to the existing standards during the period of initial application will not have a material effect on the financial statements of the Company.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

The Company estimates that calculating the exposure of its financial assets and liabilities to risks in accordance with **IAS 39 – Financial Instruments: Recognition and Measurement** would not materially affect the financial statements of the Company if it were to be performed as at the balance sheet date.

5.5.5 DETERMINING FAIR VALUE

With reference to reporting and disclosing the fair values of non-financial and financial assets and liabilities, fair value shall be determined either for measuring individual assets or due to additional fair value disclosures. Fair value is the amount for which an asset can be exchanged, or the liability can be settled between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments shall be determined considering the following hierarchy levels of determining fair value:
- Level one includes quoted prices in active markets for identical assets or liabilities;
- Level two includes inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level three includes inputs for the asset that are not based on observable market data.

Quoted prices are used as a basis for determining the fair value of financial instruments. If a financial instrument is not admitted to trading on a regulated market or the market is deemed non-functioning, inputs of Levels two and three are used to estimate the fair value of the financial instrument.

The fair value of foreign currency swaps is determined by using data provided to the Company by the bank with which a specific foreign currency swap has been concluded. Values are verified in the Company's financial department.

In order to determine the fair values of derivatives related to electricity and emission allowances, known exchange prices are used as at the end of the reporting period.

The fair value of commodity contracts shall be determined or calculated using market prices applicable to Levels one and two as at 31 December 2023. Not a single transaction was subject to the calculation of the fair value on the basis of the Level three criterion.

The fair value of options shall be determined by calculating it on the basis of the Level three criterion.

5.5.6 FINANCIAL RISK MANAGEMENT

Detection and management of financial risks is defined in the business section of the annual report. In the notes to financial statements, risks are presented in connection with items in the financial statements (Section 'Financial instruments and risks' note), namely:
- the credit risk,
- the liquidity risk,
- the currency risk,
- the interest rate risk, and
- the price risk.

5.5.7 DISCLOSURES TO THE SEPARATE CONSOLIDATED FINANCIAL STATEMENTS

5.5.7.1 Statement of financial position

Intangible assets (1)

The Company classifies emission allowances required for the HSE Group's self-generated electricity needs, as well as software, under intangible assets.

Among intangible assets, the Company also classifies emission coupons needed to cover self-generated electricity needs in its subsidiaries, under the Emission Coupons Portfolio Management Agreement, from which it derives that the Company manages emission coupons of its subsidiaries. The Company purchases the necessary number of emission allowances several years in advance (depending on the quantities of electricity sold for this period). The number of emission allowances needed by the subsidiaries for the current year is determined at the beginning of the following year, which is why allowances are divested and transferred during the following year. All effects from the sale are already included in the Company's profit or loss of the current year.

At the beginning of 2023, the Company held 3,127,177 emission allowances in order to satisfy the self-generated electricity needs of its subsidiaries. For this purpose, the Company procured 4,167,000 and sold 2,642,159 emission allowances in 2023. As at 31 December 2023, the Company thus has 4,652,018 emission allowances in stock. The sale of emission allowances to subsidiaries shows EUR 276,645 in profit for the Company in 2023.

A noteworthy value of non-current property rights consists of the SAP software, the eDMS document management system, the Endur software, the Management Centre software, the comprehensive generation optimisation introduction system and the Sistem IBM QRadar software.

An increase in intangible assets in 2023 consists of the comprehensive generation optimisation introduction system and the Sistem IBM QRadar software.

The useful lives of the most important software were reviewed in 2023. Useful lives were found to require no changes.

Intangible assets (in EUR)	31/12/2023	31/12/2022
Emission allowances	349,362,820	116,906,790
Other property rights	2,985,173	2,416,698
Intangible assets being acquired	0	290,091
Total	**352,347,993**	**119,613,579**

Movement of intangible assets (in EUR)	Emission allowances	Other property rights	Intangible assets being acquired	Total
Purchase cost as at 1/1/2023	**116,906,790**	**8,244,048**	**290,091**	**125,440,929**
Acquisition	331,851,650	0	123,238	331,974,888
Disposals - write-offs, sales	-99,395,620	0	0	-99,395,620
Transfers from investments	0	413,329	-413,329	0
Transfers - restatements	0	686,693	0	686,693
Purchase cost as at 31/12/2023	**349,362,820**	**9,344,070**	**0**	**358,706,890**
Written-off value as at 1/1/2023	**0**	**5,827,350**	**0**	**5,827,350**
Amortisation	0	531,547	0	531,547
Written-off value as at 31/12/2023	**0**	**6,358,897**	**0**	**6,358,897**
Book value as at 1/1/2023	**116,906,790**	**2,416,698**	**290,091**	**119,613,579**
Book value as at 31/12/2023	**349,362,820**	**2,985,173**	**0**	**352,347,993**
Purchase cost as at 1/1/2022	**88,723,467**	**7,861,692**	**322,451**	**96,907,610**
Acquisition	116,902,230	0	349,996	117,252,226
Disposals - write-offs, sales	-88,718,907	0	0	-88,718,907
Transfers from investments	0	382,356	-382,356	0
Purchase cost as at 31/12/2022	**116,906,790**	**8,244,048**	**290,091**	**125,440,929**
Written-off value as at 1/1/2022	**0**	**5,457,117**	**0**	**5,457,117**
Amortisation	0	370,233	0	370,233
Written-off value as at 31/12/2022	**0**	**5,827,350**	**0**	**5,827,350**
Book value as at 1/1/2022	**88,723,467**	**2,404,575**	**322,451**	**91,450,493**
Book value as at 31/12/2022	**116,906,790**	**2,416,698**	**290,091**	**119,613,579**

As at 31 December 2023, the Company has EUR 71,017 in liabilities for the upgrading of the Management Centre, the construction of a data analytics platform and the development of new functionalities on the HSE Group websites.

The Company has no pledges, leases or other ownership-related limitations referring to intangible assets.

Property, plant and equipment (2)

Property, plant and equipment (in EUR)	31/12/2023	31/12/2022
Land	230,764	44,661
Buildings	1,232,464	1,251,388
Production equipment	2,378,744	2,470,714
Other equipment	1,314,158	938,714
Property, plant and equipment being acquired	15,400,400	14,440,895
Total	**20,556,530**	**19,146,372**

Buildings include a portion of the Company's premises in Ljubljana. The remainder of the Company's premises in Ljubljana, Šoštanj, Maribor and Nova Gorica are leased by the Company. The Prapretno solar power plant is shown among production equipment. Software is accounted for the majority of other plant and equipment. The bulk of the Company's property, plant and equipment being acquired shows an investment in hydro-electric power plants on the Middle Sava River in the amount of EUR 14,903,714, referring to the compilation of pre-investment, investment and other documentation, required for the siting of hydro-electric power plants. In 2023, the investment in the Middle Sava hydro-electric power plants increased by EUR 1,523,358. All the documentation compiled so far in addition to scientific bases have been drawn up in a way that they are not time-barred and can be used as the basis for further activities. The above mentioned facts confirm that the investment is not jeopardised by current circumstances despite the delay. The Company also shows investments in the Prapretno 2 and 3 photovoltaic power plants as part of property, plant and equipment being acquired. A total of EUR 408,488 have been invested therein so far. No circumstances indicating signs of impairment occurred in 2023.

The useful lives of the most important equipment were reviewed in 2023. The useful lives were found to remain the same.

The Company has no registered mortgages for property, plant and equipment. As at 31 December 2023, the Company had EUR 278,483 in commitments for acquiring buildings and other equipment.

The Company reviewed the existence of signs of impairment in investments in premises and compared market values at the end of 2023 with the carrying amount. The Company found no significant differences between the carrying amount and market value that would indicate the need for reviewing the reasons for impairment.

There are no pledges, leases or other ownership-related limitations referring to property, plant and equipment.

Movement of property, plant and equipment (in EUR)	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 1/1/2023	**44,661**	**1,907,523**	**2,594,966**	**3,795,073**	**14,440,895**	**22,783,118**
Acquisition	0	0	0	0	2,631,124	2,631,124
Disposals	0	0	0	-57,322	0	-57,322
Transfers from investments	186,103	21,612	11,910	765,302	-984,926	0
Transfers - restatement	0	0	0	0	-686,693	-686,693
Write-offs	0	0	0	-61,127	0	-61,127
Purchase cost as at 31/12/2023	**230,764**	**1,929,135**	**2,606,876**	**4,441,926**	**15,400,400**	**24,609,101**
Written-off value as at 1/1/2023	**0**	**656,135**	**124,252**	**2,856,359**	**0**	**3,636,746**
Acquisition	0	0	0	-54,155	0	-54,155
Depreciation	0	40,536	103,880	386,157	0	530,573
Write-offs	0	0	0	-60,593	0	-60,593
Written-off value as at 31/12/2023	**0**	**696,671**	**228,132**	**3,127,768**	**0**	**4,052,571**
Book value as at 1/1/2023	**44,661**	**1,251,388**	**2,470,714**	**938,714**	**14,440,895**	**19,146,372**
Book value as at 31/12/2023	**230,764**	**1,232,464**	**2,378,744**	**1,314,158**	**15,400,400**	**20,556,530**
Purchase cost as at 1/1/2022	**44,661**	**1,817,468**	**127,009**	**3,484,106**	**12,745,481**	**18,218,725**
Acquisition	0	0	0	0	4,754,864	4,754,864
Disposals	0	0	0	-102,897	0	-102,897
Transfers from investments	0	90,055	2,467,957	501,437	-3,059,450	0
Write-offs	0	0	0	-87,573	0	-87,573
Purchase cost as at 31/12/2022	**44,661**	**1,907,523**	**2,594,966**	**3,795,073**	**14,440,895**	**22,783,118**
Written-off value as at 1/1/2022	**0**	**617,134**	**55,883**	**2,671,151**	**0**	**3,344,168**
Disposals	0	0	0	-99,140	0	-99,140
Depreciation	0	39,001	68,369	371,459	0	478,829
Write-offs	0	0	0	-87,111	0	-87,111
Written-off value as at 31/12/2022	**0**	**656,135**	**124,252**	**2,856,359**	**0**	**3,636,746**
Book value as at 1/1/2022	**44,661**	**1,200,334**	**71,126**	**812,955**	**12,745,481**	**14,874,557**
Book value as at 31/12/2022	**44,661**	**1,251,388**	**2,470,714**	**938,714**	**14,440,895**	**19,146,372**

Right of use assets (3)

Right of use assets (in EUR)	31/12/2023	31/12/2022
Right of use assets	2,862,139	1,354,758
Total	**2,862,139**	**1,354,758**

Movement of right of use assets (in EUR)	Buildings	Other equipment	Total
Purchase cost as at 1/1/2023	**2,657,168**	**419,296**	**3,076,464**
Acquisition	2,253,723	229,299	2,483,022
Disposals	-56,651	-117,245	-173,896
Purchase cost as at 31/12/2023	**4,854,240**	**531,350**	**5,385,590**
Written-off value as at 1/1/2023	**1,654,653**	**67,053**	**1,721,706**
Disposals	-44,224	-19,335	-63,559
Depreciation	723,792	141,512	865,304
Written-off value as at 31/12/2023	**2,334,221**	**189,230**	**2,523,451**
Book value as at 1/1/2023	**1,002,515**	**352,243**	**1,354,758**
Book value as at 31/12/2023	**2,520,019**	**342,120**	**2,862,139**
Purchase cost as at 1/1/2022	**2,581,411**	**0**	**2,581,411**
Acquisition	75,758	449,118	524,876
Disposals	0	-29,822	-29,822
Purchase cost as at 31/12/2022	**2,657,168**	**419,296**	**3,076,464**
Written-off value as at 1/1/2022	**1,158,233**	**0**	**1,158,233**
Disposals	-185,504	-11,038	-196,542
Depreciation	681,924	78,091	760,015
Written-off value as at 31/12/2022	**1,654,653**	**67,053**	**1,721,706**
Book value as at 1/1/2022	**1,423,178**	**0**	**1,423,178**
Book value as at 31/12/2022	**1,002,515**	**352,243**	**1,354,758**

Investments in subsidiaries (4)

A large part of the Company's assets is comprised of non-current investments in subsidiaries. They include investments in companies, in which the Company - directly or indirectly through other owners - owns a majority stake and the group of companies for which the Company draws up consolidated financial statements.

Investments in subsidiaries (in EUR)	31/12/2023	31/12/2022
DEM	387,058,979	387,058,979
SENG	152,692,250	152,692,250
TEŠ	195,291,316	224,667,000
HSE EDT	2,153,668	2,153,668
PV	26,449,937	30,935,000
HSE Invest	160,000	160,000
SRESA	60,000	60,000
ECE	13,833,815	13,833,816
Energija plus	11,400,000	11,400,000
HSE Balkan Energy	856,000	856,000
HSE MAK Energy	26,778	26,778
HSE BH	513,990	513,990
Total	**790,496,732**	**824,357,481**

Data on subsidiaries

Company	Address	Country	Activity	% of ownership	% of voting rights
DEM	Obrežna ulica 170, 2000 Maribor	Slovenia	Electricity production at hydro power plants	100.00%	100.00%
SENG	Erjavčeva 20, 5000 Nova Gorica	Slovenia	Electricity production at hydro power plants	100.00%	100.00%
TEŠ	Cesta Lole Ribarja 18, 3325 Šoštanj	Slovenia	Electricity production at thermal power plants	100.00%	100.00%
PV	Partizanska cesta 78, 3320 Velenje	Slovenia	Acquisition of brown coal and lignite	100.00%	100.00%
*HTZ I.P.	Partizanska cesta 78, 3320 Velenje	Slovenia	Repairs of machinery and devices	100.00%	100.00%
*SIPOTEH	Partizanska cesta 78, 3320 Velenje	Slovenia	Production of metal constructions	100.00%	100.00%
*RGP	Rudarska cesta 6, 3320 Velenje	Slovenia	Specialised construction works	100.00%	100.00%
*mHE Lobnica	Obrežna ulica 170, 2000 Maribor	Slovenia	Electricity production at hydro power plants	65.00%	65.00%
*PLP	Partizanska cesta 78, 3320 Velenje	Slovenia	Wood cutting, shaving and impregnation	100.00%	100.00%
HSE EDT	Ob železnici 27, 1420 Trbovlje	Slovenia	Electricity production at thermal power plants	100.00%	100.00%
ECE	Vrunčeva 2 a, 3000 Celje	Slovenia	Electricity trading	63.58%	63.58%
Energija plus	Vetrinjska ulica 2, 2000 Maribor	Slovenia	Electricity trading	51.00%	51.00%
SRESA	Ob železnici 27, 1420 Trbovlje	Slovenia	Electricity production at hydro power plants	60.00%	60.00%
HSE Invest	Obrežna ulica 170 a, 2000 Maribor	Slovenia	Other technical engineering and consulting	42.11%	42.11%
HSE Balkan Energy	Bulevar Mihaila Pupina 117, Beograd	Serbia	Electricity trading	100.00%	100.00%
HSE MAK Energy	Belasica no. 2, Skopje	North Macedonia	Electricity trading	100.00%	100.00%
HSE BH	Ul. Alije Isakovića br.1, Sarajevo	Bosnia and Herzegovina	Electricity trading	100.00%	100.00%

* * In these companies, HSE has indirect ownerhsip of these companise, which are directly owned by PV

Company (in EUR)	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
DEM	503,077,163	22,537,011	81,606,914	14,922,343	480,540,152
SENG	244,564,804	14,320,702	77,821,222	19,946,429	230,244,102
TEŠ	777,710,039	583,695,703	478,692,729	-45,912,845	194,014,336
PV	221,403,641	196,112,235	186,925,704	-5,744,913	25,291,406
HSE EDT	3,137,777	939,134	1,360,842	558,178	2,198,643
ECE	123,576,937	90,786,532	483,385,151	1,505,782	32,790,405
Energija plus	101,579,370	81,234,113	392,075,909	703,794	20,345,257
SRESA	37,801	0	0	-4,845	37,801
HSE Invest	3,735,616	2,607,286	7,668,604	159,456	1,128,330
HSE Balkan Energy	775,893	15,281	177,957	26,980	760,612
HSE MAK Energy	10,273,495	8,435,091	111,328,258	360,997	1,838,404
HSE BH	9,803,625	7,245,446	89,875,373	470,303	2,558,179
HTZ I.P.	15,031,399	14,207,753	36,602,170	66,580	823,646
SIPOTEH	3,422,215	1,445,699	4,540,232	399,136	1,976,516
RGP	15,608,790	11,158,334	27,482,231	2,085,058	4,450,456
mHE Lobnica	622,018	3,208	51,066	11,960	618,810
PLP	2,039,378	758,115	3,750,332	209,163	1,281,263

Changes in non-current financial investments in subsidiaries (in EUR)	2023	2022
Increase in capital in PV	0	30,000,000
Purchase of share in the company ECE	0	2,715,815
Purchase of share in the company Energija plus	0	17,462,000
Impairment of investment in Energija plus	0	-6,062,000
Impairment of investment in PV	-4,485,063	-38,796,000
Impairment of investment in TEŠ	-29,375,683	0
Total	**-33,860,746**	**5,319,815**

Movement of non-current financial investments in subsidiaries (in EUR)	2023	2022
Purchase cost as at 1/1/	**1,973,617,637**	**1,923,439,822**
Purchase of share in the company ECE	0	2,715,815
Purchase of share in the company Energija plus	0	17,462,000
Increase in capital in PV	0	30,000,000
Purchase cost as at 31/12/	**1,973,617,637**	**1,973,617,637**
Written-off value as at 1/1/	**-1,149,260,157**	**-1,104,402,157**
Impairment of Energija plus	0	-6,062,000
Impairment of investment in PV	-4,485,063	-38,796,000
Impairment of investment in TEŠ	-29,375,683	0
Written-off value as at 31/12/	**-1,183,120,903**	**-1,149,260,157**
Book value as at 1/1/	**824,357,480**	**819,037,665**
Book value as at 31/12/	**790,496,734**	**824,357,480**

None of the subsidiaries or comparable companies are listed; therefore, reasons for a potential impairment could not be determined on the basis of market prices. Potential reasons for impairment of non-current investments based on Company operating results were reviewed along with the comparison of differences between the carrying amount of the non-current investment of the Company and the proportional part of the carrying amount of the total capital of subsidiaries. Impairment tests of financial assets were carried out by authorised company valuers for companies operating at a loss or where the carrying amount of the non-current investment was found to be higher than the proportional part of the carrying amount of the total capital. Carrying amounts of the total capital of subsidiaries in all subsidiaries and after the impairment of the investments in TEŠ and PV were found to be lower or equal to the carrying amount of the non-current investment in the respective company. Authorised company valuers carried out impairment tests of non-current financial investments in TEŠ, Energija plus, ECE and PV as at 31 December 2023, on the basis of which management evaluations were performed and our investments in TEŠ and PV were impaired.

On 31 December 2023, the Company impaired its non-current investment in TEŠ by debiting it to financial expenses in the amount of EUR 29,375,683, and in PV by debiting it to financial expenses in the amount of EUR 4,485,063.

The table below presents the considered impairment test assumptions and results.

NON-CURRENT FINANCIAL INVESTMENTS IN THE ŠOŠTANJ THERMAL POWER PLANT	
2023	**2022**
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2023	31/12/2022
Important assumptions used in the performance of the impairment testing	
For valuation purposes, three scenarios have been compiled, the estimated value takes into account the average value of all three. The baseline scenario foresees the operation of the company until the end of 2033, as foreseen by the adopted National Coal Phase-Out and Coal Mining Region Restructuring Strategy. Operating projections in the intermediate scenario arise from the baseline scenario. However, they take into account lower generation of electricity hand in hand with a decrease in operating expenses. The projections include the expected effects of the operating and financial restructuring which the Company is already bound to as at the estimation date. Under the 'low scenario,' the operating period shall be shortened to the end of 2029 following lower generation of electricity and simultaneous reduction of operating expenses. Operating projections in all three scenarios have been compiled subject to a separate assumption that the foreseen loss arising from the difference between the market and cost price of electricity of TEŠ d.o.o. will be borne by the Republic of Slovenia.	The company's operations until 2033. The thermal power plant operating life has been shortened due to the shortened operating life of the PV coal mine providing the thermal power plant with coal. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The estimated free cash flow has been discounted using the required weighted average cost of capital (WACC). As the projections are subject to constant prices, the discount rate has also been adjusted in a way that it does not include the inflation rate. The inflation rate adjusted WACC thus amounts to 4.76% in 2024, 5.40% in 2025, 5.99% in 2026, 6.16% in 2027 and 2028 and 6.19% as of 2029.	The discount rate at a nominal amount of 7.30% adjusted to the real level of 4.79%, which was taken into account throughout the period until 2033.
The projection of revenue in all three scenarios is based on the so-called cost+5% method for 2024. For 2025 and 2026, the relevant market price published on EEX has been taken into account. As of 2027, the prices of an external advisor of the Company shall be taken into account.	The forecast revenue is based on the so-called cost +5% method, namely: the sales price of electricity by TEŠ is calculated as the sum of the cost price of electricity by TEŠ less thermal energy generation costs and plus cost uplift. The 5% uplift shall not be taken into account in CO_2 emission allowance costs.
The average purchase price of standardized futures contracts for CO_2 (EE) emission allowances (for quantities not yet purchased, the stock market price of standardized futures contracts on the EEX exchange is taken into account) for the year 2024 amounts to 86.51 EUR/t, and at the end of the forecast period (2033) it amounts to 89.07 EUR/t. In the low scenario, at the end of 2029, it amounts to 83.42 EUR/t.	The average purchase price of standardized futures contracts for CO_2 (EE) emission allowances (for quantities not yet purchased, the stock market price of standardized futures contracts on the EEX exchange is taken into account) for the year 2023 amounts to 77.96 EUR/t, and at the end of the forecast period (2033) it amounts to 89.38 EUR/t.
As of 2025, the market price of electricity no longer facilitates a sustainable procurement of electricity by HSE subject to the cost plus model. In compliance with SDH instructions, HSE has been performing thermal power plant division restructuring activities. As the manager of the investment of the Republic of Slovenia, SDH in its documents "SDH expectations towards HSE regarding the restructuring of the thermal power plant division restructuring of the HSE Group" of 06/06/2024, stated that it supported the HSE Group's activities pertaining to the just coal phase-out and that it shall actively participate in carrying out the required measured to obtain sufficient funds for a controlled and sustainable coal phase-out.	
Average annual generation of electricity amounting to 2.9 TWh in 2024 and to 2.2 TWh in 2033. In the intermediate scenario, generation shall gradually decrease to 802 GWh by the end of 2033 and, in the low scenario, to 692 GWh by the end of 2029.	Average annual generation of electricity from coal-fired power plants of 2.4 TWh over the period 2023 - 2033.
Government grants in the projections have been foreseen as of 2025. The exact amounts shall depend on the individual scenario (baseline: EUR 2.2 million; intermediate: EUR 1.8 million, low: EUR 1.0 million).	Value of other income (i.e. income on providing system services, thermal energy, revenue on sale of ash and gypsum) in the amount of EUR 15,636,000 in 2023 up to EUR 16,613,000 in 2033.
CAPEX over the projection period amounting to EUR 120.2 million in the baseline scenario, EUR 94.7 million in the intermediate scenario and EUR 79.0 million in the low scenario.	CAPEX over the projection period of EUR 156,808,000.
Results of impairment testing carried out	
The book value of financial investment before the impairment testing amounts to EUR 224,667,000.	The book value of financial investment before the impairment testing amounts to EUR 224,667,000.
Recoverable amount of non-current financial investments of EUR 195,291,316.	Recoverable amount of non-current financial investments of EUR 232,467,000.
Revaluation expenses due to impairment of EUR 29,375,684.	Revaluation expenses due to impairment of EUR 0.

NON-CURRENT FINANCIAL INVESTMENTS IN THE VELENJE COAL MINE	
2023	**2022**
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2023	31/12/2022
Important assumptions used in the performance of the impairment testing	
For valuation purposes, three scenarios have been compiled, the estimated value takes into account the average value of all three. The baseline scenario foresees operations of the company until the end of 2033 subject to the adopted company operating plan for the aforementioned period. After 2033, the extraction discontinuation of lignite is foreseen as foreseen by the National Coal Phase-Out and Coal Mining Region Restructuring Strategy. The operating projections in the "intermediate" scenario arise from the baseline scenario, whereby the projections take into account lower sold volumes of coal and a simultaneous reduction of operating expenses. Operating projections have been compiled for the 2024-2033 period, whereby the discontinuation of the coal mine's operations is foreseen in 2033. The low scenario takes into account not lower volumes of sold coal (simultaneously with a reduction in operating expenses) but also a shorter operating period (2024-2029). Operating projections in all three scenarios have been compiled subject to a separate assumption that the costs of mine closure works and termination benefits will be covered by the Republic of Slovenia after 2033 when the discontinuation of lignite extraction is foreseen. The separate assumption is based on the adopted National Coal Phase-Out and Coal Mining Region Restructuring Strategy which serves as the basis for adoption the Progressive Velenje Coal Mine Closure Act resulting in a controlled step-by-step closure and financially sustainable operations of the Velenje Coal Mine. All current rehabilitation costs until the closure are included in the projections. A separate assumption has also been taken into account. This basically refers to the operations of TEŠ d.o.o., namely that the planned loss arising from the difference between the market and cost price of electricity of TEŠ d.o.o. will be covered by the Republic of Slovenia.	The company's operations until 2033. At its session, held on 13 January 2022, the Government of the Republic of Slovenia adopted the National Coal Phase-Out and Coal Mining Region Restructuring in Compliance with Just Transition Principles Strategy. The Strategy lays down that Slovenia will discontinue generating electricity from coal no later than 2033. The adopted Strategy serves as the basis for adopting the Progressive Closure of PV Act which shall serve as the basis to obtain financial resources from the state to close the Velenje Coal Mine, rehabilitate the degraded areas and controlled progressive closure and financially sustainable operations of the Velenje Coal Mine. The Strategy lays down that the Progressive Closure of PV Act shall undergo public consultation within 6 months following the adoption of the Strategy. As at the reporting date, the Progressive Closure of PV Act is yet to be adopted.
The estimated free cash flow has been discounted using the required weighted average cost of capital (WACC). As the projections are subject to constant prices, the discount rate has also been adjusted in a way that it does not include the inflation rate. The adjusted for inflation WACC thus amounts to 4.98% in 2024, 5.62% in 2025, 6.21% in 2026 and 6.38% in the 2027-2033 period.	The discount rate at a nominal amount of 8.92% adjusted to the real level of 6.37%, which was taken into account throughout the period until 2033.
The average sales of coal in the baseline scenario in the 2024-2033 period amounts to EUR 6.62/GJ, in the intermediate scenario to EUR 7.5/GJ (2024-2033) and, in the low scenario, to EUR 7.5/GJ.	The average sale price of coal EUR 6.25/GJ in the period between 2023 and 2033.
Average annual coal sales of 22,459 GJ per year in the baseline scenario (2023–2033). The sales of coal in the first year of the horizon (2024) amounts to 25,615 GJ and to 20,935 GJ in the last year of the horizon. Average annual coal sales of 13,984 GJ per year in the intermediate scenario (2023–2033). The sales of coal in the first year of the horizon (2024) amounts to 25,607 GJ and to 5,307 GJ in the last year of the horizon. Average annual coal sales of 13,544 GJ per year in the low scenario (2023–2029). The sales of coal in the first year of the horizon (2024) amounts to 25,615 GJ and to 5,533 GJ in the last year of the horizon.	Average annual coal sales of 22,286 TJ per year in the 2023–2033 period.
CAPEX in over the projection period (2023-2033) amounting to EUR 161 million in the baseline scenario, EUR 107 million in the intermediate scenario and EUR 77 million in the low scenario.	CAPEX over the 2023–2033 projection period of EUR 183,928,000.
The recoverable value of financial investments in subsidiaries and other companies in the amount of EUR 4,055,000.	The recoverable value of financial investments in subsidiaries and other companies in the amount of EUR 4,160,000.
Recoverable amount of assets unnecessary for business (investments and investment property) in the amount of EUR 19,411,000.	Recoverable amount of assets unnecessary for business (investments and investment property) in the amount of EUR 22,717,000.
Results of impairment testing carried out	
The book value of financial investment before the impairment testing amounts to EUR 30,935,000.	The book value of financial investment before the impairment testing amounts to EUR 69,731,000.
Recoverable amount of non-current financial investments of EUR 26,449,937.	Recoverable amount of non-current financial investments of EUR 30,935,000.
Revaluation expenses due to impairment of EUR 4,485,063.	Revaluation expenses due to impairment of EUR 38,796,000.

NON-CURRENT FINANCIAL INVESTMENTS IN ENERGIJA PLUS	
2023	**2022**
Method used for the definition of the recoverable amount in the impairment testing	
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2023	30/9/2022
Important assumptions used in the performance of the impairment testing	
Going concern assumption.	Going concern assumption.
An 8.3% discount rate was taken into account between 2024 and 2029, and 8.3% after 2029.	An 8.5% discount rate was taken into account throughout the entire forecast horizon.
A 2 per cent specific risk premium was taken into account, reflecting the risks of the materialisation of the planned revenue and margins. The reason for this are the significantly changed circumstances on the energy product market in the recent 24 months.	A 2 per cent specific risk premium was taken into account, reflecting the risks of the materialisation of the planned revenue and margins. The reason for this are the significantly changed circumstances on the energy product market in the recent 12 months.
The valuation assessment represents an equal weighting of four business scenarios. The business scenarios assume lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, and higher prices/higher margins, for the period up to 2037, or 15 years.	The valuation assessment represents an equal weighting of four business scenarios. The business scenarios assume lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, and higher prices/higher margins, for the period up to 2037, or 15 years.
The average annual growth rate of normalized real free cash flow is 2%.	The average annual growth rate of normalized real free cash flow is 2%.
CAPEX over the projection period (2024–2037) of EUR 7,601,277.	CAPEX over the projection period (2023–2037) of EUR 5,710,000.
During the most recent forecast horizon year (2028), the EBITDA margin ranges between 1.6% (higher prices/lower margins) and 1.7% (lower prices/higher margins).	During the most recent forecast horizon year (2023), the EBITDA margin ranges between 1.3% (higher prices/lower margins) and 1.9% (lower prices/higher margins).
Results of impairment testing carried out	
The book value of the 51% equity in Energija plus prior to the impairment testing in the amount of EUR 11,400,000.	The book value of the 51% equity in Energija plus prior to the impairment testing in the amount of EUR 17,462,000.
Revaluation expenses due to impairment of EUR 6,062,000.	Revaluation expenses due to impairment of EUR 6,062,000.

Sensitivity analysis of the non-current investment impairment test

Non-current financial investment	Recoverable value as of 31/12/2023	Sensitivity (change) of recoverable value in EUR	
		Change in discount rate (WACC) in % points	
		-0.5	0.5
TEŠ	195,291,316	10,077,808	-9,755,774
PV	26,449,937	365,264	-351,230

Other non-current investments and loans (5)

Other non-current financial investments and loans (in EUR)	31/12/2023	31/12/2022
Financial investments in associates	40,513,942	40,513,942
Investments in jointly-controlled companies	255,000	255,000
Financial assets available for sale	111,000	111,000
Other financial investments	500	500
Financial receivables and loans	190,000	496,000
Total	**41,070,442**	**41,376,442**

A non-current investment in an associate accounts for the biggest proportion of other non-current investments.

Movement of other non-current financial investments and loans (in EUR)	Financial investments in associates	Investments in jointly-controlled companies	Assets available for sale	Other financial investments	Financial loans to Group companies	Total
Balance as at 1/1/2023	**40,513,942**	**255,000**	**111,000**	**500**	**496,000**	**41,376,442**
Transfers to current receivables	0	0	0	0	-180,000	-180,000
Repayments	0	0	0	0	-126,000	-126,000
Balance as at 31/12/2023	**40,513,942**	**255,000**	**111,000**	**500**	**190,000**	**41,070,442**
Balance as at 1/1/2022	**40,513,942**	**255,000**	**111,000**	**500**	**820,000**	**41,700,442**
Transfers to current receivables	0	0	0	0	-324,000	-324,000
Balance as at 31/12/2022	**40,513,942**	**255,000**	**111,000**	**500**	**496,000**	**41,376,442**

a) Non-current investments in associate

In 2023, there were no changes in investments in associates and joint ventures. The Company carried out an impairment test upon investing in an associate. No impairment signs were detected.

Company (in EUR)	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
HESS	331,335,375	36,392,279	25,387,755	2,854,893	294,943,096

Company	Address	Activity	% of ownership
HESS	Cesta bratov Cerjakov 33a, 8250 Brežice	Electricity production at hydro power plants	15.4%

b) Non-current investments in joint ventures

Investments in joint ventures include a 25% or EUR 255,000 participating interest in Soenergetika. No changes were recorded in 2023.

Company (in EUR)	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
SOENERGETIKA	1,608,633	300,739	2,308,158	177,573	1,307,895

Company	Address	Activity	% of ownership	% of voting rights
SOENERGETIKA	Stara cesta 3, 4000 Kranj	Production of electricity and heat	25%	25%

c) Other non-current investments

Other non-current investments include an investment in Stelkom (12.13% participating interest) amounting to EUR 111,000 and an investment in Zavod CO NOT amounting to EUR 500. No changes were recorded for these investments in 2023.

d) Non-current financial loans to Group companies

Non-current financial receivables and loans (in EUR)	31/12/2023	31/12/2022
Financial loans to companies in the Group without interest	190,000	496,000
Skupaj	**190,000**	**496,000**

Movement of non-current financial receivables and loans (in EUR)	2023	2022
Balance as at 1/1/	**496,000**	**820,000**
Transfers to current receivables	-180,000	-324,000
Repayments	-126,000	0
Balance as at 31/12/	**190,000**	**496,000**

Non-current financial loans of the Company show non-current financial loans to Group companies. The values of non-current loan principals given due in 2023 are shown as EUR 180,000 in current loans given to Group companies. The interest rate accrued on non-current loans given is determined in accordance with the transfer pricing methodology and amounts to EURIBOR 6M + 2.5%. The loan given to RGP is collateralised with pledged immoveable and moveable property.

Non-current operating receivables (6)

Non-current operating receivables (in EUR)	31/12/2023	31/12/2022
Operating receivables from others	13,037,972	12,460,712
Total	**13,037,972**	**12,460,712**

The Company's non-current operating receivables due from others include financial coverages extended for electricity trading purposes.

Deferred tax receivables (7)

Deferred tax receivables (in EUR)	31/12/2023	31/12/2022
Provisions	109,093	132,775
Impairment of investments	18,597	16,061
Amortization	0	5
Write-offs receivables	239,867	207,159
Other	20,968	268,398
Total	**388,525**	**624,398**

Deferred tax receivables are translated using a 19% or 22% tax rate for deferred tax receivables whose mobilisation is expected within a period of 5 years. They were set up from the expenses that affect the profit or loss of each year, although they are not fully or partially tax deductible in this year (provisions for jubilee and allowances, business amortisation over the depreciation recognised for tax purposes, impairment of investments and receivables). They are also set up from the fair value of derivatives shown in the hedging reserve and do not affect profit or loss.

Movement of deferred tax receivables (in EUR)	Provisions	Impairments	Amortisation	Other	Total
Balance as at 1/1/2023	**132,775**	**207,158**	**5**	**284,460**	**624,398**
Added to/deducted from profit or loss statement	-23,683	32,709	-5	-244,894	-235,873
Balance as at 31/12/2023	**109,092**	**239,867**	**0**	**39,566**	**388,525**
Balance as at 1/1/2022	**168,289**	**390,697**	**10**	**287,270**	**846,266**
Added to/deducted from profit or loss statement	-35,514	-183,539	-5	-2,810	-221,868
Balance as at 31/12/2022	**132,775**	**207,158**	**5**	**284,460**	**624,398**

The major part of changes in deferred tax assets in 2023 refers to the remedy from the fair value of derivatives and from actuarial items.

Inventories (8)

The major part of inventories consists of 501,000 emission allowances and gas held for trading to be disbursed in the following year.

Inventories (in EUR)	31/12/2023	31/12/2022
Material	1,110	467,950
Gas	1,009,716	3,357,294
Emission allowances	40,352,308	8,119,218
Total	**41,363,134**	**11,944,462**

Current financial investments and loans (9)

Current financial investments and loans (in EUR)	31/12/2023	31/12/2022
Financial receivables from companies in the Group without interests	217,986	327,552
Loans to companies in the Group without interests	180,000	324,000
Financial receivables in the Group for interest	2,115	4,200
Total	**400,101**	**655,752**

Current financial receivables due from Group companies comprise receivables for repaying allowances for securities and guarantees to Group companies given and the value of the principal amount of the loans given to the subsidiary RGP that falls due in 2024.

Movement of current financial receivables and loans (in EUR)	2023	2022
Balance as at 1/1/	**655,752**	**1,334,459**
Acquisition	260,028	652,032
Transfers from non-current receivables	180,000	324,000
Repayments	-695,679	-1,654,739
Balance as at 31/12/	**400,101**	**655,752**

On 31 December 2023, there were no grounds for the impairment of current financial receivables and loans.

Current trade receivables (10)

Current trade receivables (in EUR)	31/12/2023	31/12/2022
Operating receivables from companies in the Group	153,316,300	116,502,057
Operating receivables from associates	9,855	2,376
Operating receivables from jointly controlled companies	329	73
Trade receivables	407,015,686	332,109,752
Total	**560,342,170**	**448,614,258**

Receivables from the sale of electricity in Slovenia and abroad account for the majority in EUR 407,015,686 in current trade receivables.

Current operating receivables from companies in the Group (in EUR)	Country	31/12/2023	31/12/2022
DEM	Slovenia	144,242	112,611
SENG	Slovenia	5,297,939	14,285,285
TEŠ	Slovenia	21,229,375	24,346,858
HSE EDT	Slovenia	57,846	36,451
PV	Slovenia	1,215,082	3,605,563
HTZ I.P.	Slovenia	288	0
RGP	Slovenia	61,590	22,039
HSE Invest	Slovenia	33,174	21,305
ECE	Slovenia	65,938,107	34,568,922
Energija plus	Slovenia	45,803,615	14,432,015
PLP	Slovenia	146	0
SIPOTEH	Slovenia	146	0
HSE Balkan Energy	Serbia	3,150	2,835
HSE MAK Energy	North Macedonia	7,995,566	10,030,007
HSE BH	Bosnia and Herzegovina	5,536,034	15,038,166
Total		**153,316,300**	**116,502,057**

Current operating receivables due from Group companies comprise receivables from the sale of electricity and various services provided for subsidiaries (e.g. trading, financial function, IT function, etc.).

The maturities of current operating receivables due from Group companies are presented in the Credit Risk section.

Contract assets (11)

Contract assets (in EUR)	31/12/2023	31/12/2022
Contract assets	2,678,758	3,166,911
Total	**2,678,758**	**3,166,911**

Accrued revenue is the revenue included in the profit or loss that has not yet been invoiced.

Tax receivables (12)

Tax receivables (in EUR)	31/12/2023	31/12/2022
Tax receivables	0	15,954,379
Total	**0**	**15,954,379**

In 2023, the Company did not make any advance payments of corporate income tax, as it had not shown any corporate income tax liabilities in 2022. No such tax overpayments are shown as a result in 2023.

Other current assets (13)

Other current assets (in EUR)	31/12/2023	31/12/2022
Advances given	732,295	3,878,748
Operating receivables from state and other institutions	53,249,432	28,636,086
Trade receivables due from others	48,592,640	31,758,470
Deferred costs and expenses	4,357,690	17,818,658
Total	**106,932,057**	**82,091,962**

Most of the other current assets comprise receivables due from state and other institutions, which primarily refer to input VAT.

Operating receivables due from others are the amounts committed to trading at receivables exchanges arising from the valuation of commodity contracts at fair value accounting for the majority of increase pertaining thereto compared to the previous year.

The majority of current deferred costs and expenses consist of transmission capacities of electricity for the first two months of 2024.

Cash and cash equivalents (14)

Cash and cash equivalents (in EUR)	31/12/2023	31/12/2022
Cash in banks	16,142,017	253,868,259
Call deposits	10,547,636	15,401,254
Deposits with up to 3 month maturity	4,994,445	23,782,206
Total	**31,684,098**	**293,051,719**

For the purposes of carrying out its activities, the Company holds bank accounts in Slovenia and abroad and discloses EUR 16,142,017 in cash and EUR 15,542,081 in deposits at the year-end.

On 31 December 2023, the Company had no approved overdraft on its bank accounts.

Equity (15)

Equity (in EUR)	31/12/2023	31/12/2022
Called-up capital	29,558,789	29,558,789
Capital reserves	711,243,185	1,053,243,185
Other reserves from profit	107,744,824	562,744,824
Risk hedging reserve	-5,575,521	-106,751,557
Fair value reserves	-384,441	-139,119
Retained profit/loss	104,137,942	-717,289,200
Total	**946,724,778**	**821,366,920**

Capital reserves (in EUR)	31/12/2023	31/12/2022
Paid-in capital surplus	561,243,072	561,243,072
Subsequent capital increases by shareholders	150,000,000	492,000,000
Amount on the basis of elimination of general revaluation capital adjustment	113	113
Total	**711,243,185**	**1,053,243,185**

Due to the repayment of EUR 342,000,000 in subsequent capital increases received from the state in 2022, capital reserves decreased in 2023.

Reserves from profit (in EUR)	31/12/2023	31/12/2022
Other reserves from profit	107,744,824	561,243,072
Total	**107,744,824**	**561,243,072**

Other reserved from profit decreased and were reallocated against retained profit amounting to EUR 455,000,000.

Risk hedging reserve movement (in EUR)	Standardised futures contracts for electricity	Standardised futures contracts for emission allowances	Standardized futures contracts for Gas	Currency swaps	Total
Balance as at 1/1/2023	**-106,116,074**	**508,740**	**0**	**-1,144,223**	**-106,751,557**
Net Effect of Increase/Decrease	263,960,296	-20,983,150	-716,542	1,069,881	243,330,485
Transfer to expenses	-141,423,319	-731,130	0	0	-142,154,449
Balance as at 31/12/2023	**16,420,903**	**-21,205,540**	**-716,542**	**-74,342**	**-5,575,521**
Balance as at 1/1/2022	**-222,220,018**	**134,484,720**	**0**	**-1,156,205**	**-88,891,503**
Net Effect of Increase/Decrease	-146,607,599	-133,975,980	0	11,982	-280,571,597
Transfer to expenses	262,711,543	0	0	0	262,711,543
Balance as at 31/12/2022	**-106,116,074**	**508,740**	**0**	**-1,144,223**	**-106,751,557**

The following hedge reserves in the total amount of EUR -5,575,521 are disclosed by the Company as at 31 December 2023:

- results of futures for electricity amounting to EUR 16,420,903,
- results of futures amounting to EUR -21,205,540 for emission allowances,
- results of futures amounting to EUR -716,542 for gas, and
- fair value of currency swaps in the amount of EUR -74,342.

The negative balance of the hedge reserve primarily arises from futures hedging emission allowances. In the case of futures for electricity, these refer to concluded transactions for the procurement and sales of electricity listed abroad for the period between 2024 and 2026, allowing the Company to hedge already concluded electricity sales transactions during the same period. In the case of futures for emission allowances, these refer to concluded transactions for the procurement and sales of emission allowances listed abroad for the period between 2024 and 2026. In the case of futures for gas, these refer to concluded transactions for the procurement and sales of gas listed abroad for the period between 2024 and 2025. No deferred taxes were accounted for by the Company in relation thereto, as the price agreed upon during the conclusion of the transaction will be paid upon its realisation.

In 2023, the Company did not conclude any new foreign exchange swaps. The negative fair value of open currency exchanges at the end of 2023 amounts to EUR 95,310, from which the Company accounted for EUR 20,968 in deferred tax liabilities. The final balance taking into consideration the deferred tax amounts to EUR 74,342.

The fair value reserve of EUR -384,441 in total, disclosed at the year-end of 2023, includes actuarial loss arising from accounted for allowances payable to employees. The actuarial loss in 2023 increased by EUR 245,322. According to the actuarial calculation, retained earnings or losses fell due to the reversal of retirement benefits by EUR 20,532.

Movement of fair value reserve (in EUR)	Actuarial profits/ losses on severance payments upon retirement	Total
Balance as at 1/1/2023	**-139,119**	**-139,119**
Formation, increase	-288,609	-288,609
Decrease	22,755	22,755
Transfer to retained net profit/loss	20,532	20,532
Balance as at 31/12/2023	**-384,441**	**-384,441**
Balance as at 1/1/2022	**-282,078**	**-282,078**
Formation, increase	120,590	120,590
Decrease	31,448	31,448
Transfer to retained net profit/loss	-9,079	-9,079
Balance as at 31/12/2022	**-139,119**	**-139,119**

Retained profit (in EUR)	2023	2022
Retained profit	104,137,942	-717,289,200
Total	**104,137,942**	**-717,289,200**

Balance sheet profit or loss (in EUR)	2023	2022
Net profit/loss for the year	366,447,674	-319,683,019
Retained profit/loss	-717,309,732	-397,606,181
Reduction (release) of profit reserves	455,000,000	0
Balance sheet profit or loss	**104,137,942**	**-717,289,200**

At year-end, the Company shows a balance sheet gain of EUR 104,137,942, consisting of a net gain or loss in 2023 of EUR 366,447,674 and a negative retained net loss of -717,309,732 from 2022, adjusted for EUR 20,532 in disbursement of allowances in 2023 and the release of retained gain of EUR 455,000,000.

In 2023, the total capital of the Company increased by EUR 125,357,857, namely by:

- EUR -342,000,000 in decrease of the subsequent capital increase of the owner in 2022,
- EUR 366,447,674 in increase of net profit or loss of the current year,
- EUR -20,532 in decrease of net profit or loss brought forward,
- EUR 101,176,036 in decrease of the negative change in the hedging reserve, and
- EUR -245,322 in increase of the negative change in the fair value reserve.

Provisions for retirement and jubilee allowances (16)

Provisions for retirement and jubilee allowances of employees consist of provisions for retirement and jubilee benefits. The provisions are set up in the amount of estimated future payments of retirement and jubilee benefits, discounted at the end of the reporting period. The calculation is made for each individual employee and includes the costs of retirement benefits, and all expected jubilee benefits up to retirement.

Provisions for severance pays upon retirement and anniversary bonuses (in EUR)	31/12/2023	31/12/2022
Provisions for severance pays upon retirement	1,926,751	1,556,300
Provisions for anniversary bonuses	168,477	142,392
Total	**2,095,228**	**1,698,692**

At year-end, the Company shows provisions for retirement and jubilee allowances set up on the basis of an actuarial calculation on 31 December 2023.

Provisions for retirement and jubilee allowances are calculated on the basis of an actuarial calculation using the following actuarial assumptions:

Demographic assumptions

- mortality tables,
- employee turnover,
- retirement.

Financial assumptions

- the average wage increase rates in the RS (monthly and annually) arises from the IMAD (The Institute of Macroeconomic Analysis and Development of the Republic of Slovenia) Autumn Projection (September 2023). It is foreseen that from 2026 average wage rates in the RS will be raised annually in relation to the inflation rate (IMF, October 2023) and their real growth shall amount to 1.4%.
- The wage increase rate in society is accounted for by the growth of basic gross wages and the variable part of wages amounting to the annual inflation rate increased by a 0.4% real wage growth but shall not be higher than the foreseen average growth of wages in the RS.
- The 3.2% discount rate laid down as at 31 December 2023 reflects the yield of premium euro-denominated corporate bonds as at 29 December 2023.

Movement of retirement benefit and anniversary bonuses provisions (in EUR)	Provisions for severance pay	Provisions for anniversary bonuses	Total
Balance as at 1/1/2023	**1,556,300**	**142,392**	**1,698,692**
Costs of interest	57,865	4,740	62,605
Current service cost	187,952	20,856	208,808
Past service cost	-7,229	-1,474	-8,703
Actuarial gains and losses – change in item	265,126	23,244	288,370
Actuarial gains – elimination	-22,755	-4,654	-27,409
Actuarial losses – formation and use	23,483	93	23,576
Payments in the year	-133,990	-16,720	-150,710
Balance as at 31/12/2023	**1,926,751**	**168,477**	**2,095,228**
Balance as at 1/1/2022	**1,620,629**	**150,835**	**1,771,464**
Costs of interest	13,541	1,187	14,728
Current service cost	168,268	20,204	188,472
Past service cost	-67,834	-4,183	-72,017
Actuarial gains and losses – change in item	-132,723	-13,691	-146,414
Actuarial gains – elimination	-31,448	-2,882	-34,330
Actuarial losses – formation and use	12,132	0	12,132
Payments in the year	-26,265	-9,078	-35,343
Balance as at 31/12/2022	**1,556,300**	**142,392**	**1,698,692**

The change in actuarial gains and losses in the amount of EUR 245,322 from retirement benefits is disclosed in the movement of the fair value reserves.

Sensitivity analysis for provisions for severance pay and anniversary bonuses (in EUR)	Discount rate		Salary growth	
	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%
Provisions for severance pays upon retirement	114,398	-104,309	-104,747	113,732
Provisions for anniversary bonuses	-47,481	-6,757	-7,043	7,465
Total in 2023	**66,917**	**-111,066**	**-111,790**	**121,197**
Provisions for severance pays upon retirement	89,083	-81,948	-82,530	89,700
Provisions for anniversary bonuses	5,755	-5,399	-5,689	6,026
Total in 2022	**94,838**	**-87,347**	**-88,219**	**95,726**

Other provisions (17)

Other provisions (in EUR)	31/12/2023	31/12/2022
For legal actions	49,418	404,475
Total	**49,418**	**404,475**

Movement of other provisions (in EUR)	For legal actions	Total
Balance as at 1/1/2023	**404,475**	**404,475**
Formation-increase	114,398	114,398
Decrease, drawing	-47,481	-47,481
Decrease, elimination	-421,974	-421,974
Balance as at 31/12/2023	**49,418**	**49,418**
Balance as at 1/1/2022	**507,127**	**507,127**
Formation-increase	23,200	23,200
Decrease, elimination	-125,852	-125,852
Balance as at 31/12/2022	**404,475**	**404,475**

Among other provisions, the Company accounts provisions set up, disbursed and remedied in 2023 for pending or completed lawsuits within this year.

Other non-current liabilities (18)

Other non-current liabilities (in EUR)	31/12/2023	31/12/2022
Other liabilities	2,292,367	772
Total	**2,292,367**	**772**

Movement of other non-current liabilities (in EUR)	Other	Total
Balance as at 1/1/2023	**772**	**772**
Acquisitions	8,748,889	8,748,889
Transfer to NAHV project participants	-6,372,083	-6,372,083
Decrease, drawing	-85,211	-85,211
Balance as at 31/12/2023	**2,292,367**	**2,292,367**
Balance as at 1/1/2022	**241,908**	**241,908**
Decrease, drawing	-241,136	-241,136
Balance as at 31/12/2022	**772**	**772**

Among other non-current liabilities, the Company includes the co-financing funds received from the European FARCROSS and NAHV projects.

As a leading partner in the North Adriatic Hydrogen Valley (NAHV) project, HSE received funds in the amount of EUR 8,748,889 in 2023, out of which HSE shall be entitled to EUR 1,678,912, and the remaining amount has or will be transferred via bank account to other project partners. The project will last 72 months.

Non-current financial liabilities (19)

Non-current financial liabilities (in EUR)	31/12/2023	31/12/2022
Financial liabilities to banks	231,016,317	237,780,886
Total	**231,016,317**	**237,780,886**

The Company reports EUR 231,016,317 in non-current financial loans under non-current financial liabilities to banks. The principal amounts of current loans maturing in 2024 are shown as EUR 46,764,569 under current liabilities to banks.

Bank commitments included therein are subject to non-current loan agreements, none of which were breached in 2023.

The Company has EUR 100,000,000 in revolving loans granted; out of which EUR 40,000,000 were drawn as at 31 December 2023. Acquisitions and repayments also include the taking up and repayment of revolving loans.

Movement of non-current financial liabilities (in EUR)	Financial liabilities to banks	Total
Balance as at 1/1/2023	**237,780,886**	**237,780,886**
Acquisitions	140,000,000	140,000,000
Transfers to current liabilities	-46,764,569	-46,764,569
Repayments	-100,000,000	-100,000,000
Balance as at 31/12/2023	**231,016,317**	**231,016,317**
Balance as at 1/1/2022	**157,045,455**	**157,045,455**
Acquisitions	595,000,000	595,000,000
Transfers to current liabilities	-46,764,569	-46,764,569
Repayments	-467,500,000	-467,500,000
Balance as at 31/12/2022	**237,780,886**	**237,780,886**

The loans bear fixed and variable interest rates, based on the 6-month Euribor which, in the case of a negative Euribor equals 0, and a margin ranging between 0.97% and 1.60%.

The Company settles instalments on principals that are due and attributable interest on time.

Non-current loans to banks are collateralised by bills of exchange and the participating interest.

Further details are provided in the Interest Rate Risk section.

Non-current liabilities from financial lease (20)

Non-current financial liabilities (in EUR)	31/12/2023	31/12/2022
Financial liabilities from leases to companies in the Group	692,452	269,765
Financial liabilities from leases to others	1,460,001	269,969
Total	**2,152,453**	**539,734**

Movement of non-current financial liabilities from leases (in EUR)	Financial liabilities from leases
Balance as at 1/1/2023	**539,735**
Acquisition	2,114,593
Transfers to current liabilities	-412,751
Disposal	-89,124
Balance as at 31/12/2023	**2,152,453**
Balance as at 1/1/2022	**856,765**
Acquisition	524,874
Transfers to current liabilities	-844,003
Other	2,098
Balance as at 31/12/2022	**539,734**

Among lease liabilities, the Company presents liabilities subject to agreements concluded for leased assets whose value was calculated in compliance with IFRS 16.

The Company has concluded lease contracts for business premises and cars. The lease duration is estimated subject to the lease type.

The majority of increase in the right to use of leased assets in 2023 is accounted for by taking into consideration a newly specified 5-year period and the lease of new cars.

In 2023, the Company also reviewed and analysed all lease contracts in compliance with IFRS 16 whereby it benefited from the exemptions for leases of low-value assets and short-term leases as allowed by the Standard.

Current financial liabilities (21)

Current loans received and the current part of principals of non-current loans from banks and HSE Group companies maturing in 2023 and amounting to EUR 46,764,569 account for the majority of current financial liabilities.

Current financial liabilities (in EUR)	31/12/2023	31/12/2022
Financial liabilities to companies in the Group without interest	48,000,000	35,000,000
Financial liabilities to companies in the Group for interest	91,521	96,024
Financial liabilities to banks without interest	46,764,569	231,764,569
Financial liabilities to banks for interest	125,881	952,060
Derivatives	95,310	1,412,621
Other financial liabilities	30,955	34,313
Total	**95,108,236**	**269,259,587**

Movement of current financial liabilities (in EUR)	Financial liabilities to companies in the Group without interest	Financial liabilities to companies in the Group for interest	Financial liabilities to banks without interest	Financial liabilities to banks for interest	Derivatives	Other financial liabilities	Total
Balance as at 1/1/2023	**35,000,000**	**96,024**	**231,764,569**	**952,060**	**1,412,621**	**34,313**	**269,259,587**
Increase	58,000,000	954,543	0	13,263,017	0	1,226,205	73,443,765
Transfers from non-current liabilities	0	0	46,764,569	0	0	0	46,764,569
Current repayments	-45,000,000	-959,046	-185,000,000	-14,089,196	0	-1,229,563	-246,277,805
Non-current repayments	0	0	-46,764,569	0	0	0	-46,764,569
Other	0	0	0	0	-1,317,311	0	-1,317,311
Balance as at 31/12/2023	**48,000,000**	**91,521**	**46,764,569**	**125,881**	**95,310**	**30,955**	**95,108,236**
Balance as at 1/1/2022	**74,941**	**6,245**	**103,303,030**	**43,111**	**1,427,414**	**89,846**	**104,944,587**
Increase	97,000,000	334,161	420,000,000	5,776,731	0	2,498,903	525,609,795
Transfers from non-current liabilities	0	0	46,764,569	0	0	0	46,764,569
Current repayments	-62,074,941	-244,382	-280,000,000	-4,867,782	0	-2,554,436	-349,741,541
Non-current repayments	0	0	-58,303,030	0	0	0	-58,303,030
Other	0	0	0	0	-14,793	0	-14,793
Balance as at 31/12/2022	**35,000,000**	**96,024**	**231,764,569**	**952,060**	**1,412,621**	**34,313**	**269,259,587**

Current financial liabilities from leases (22)

Current financial liabilities from leases (in EUR)	31/12/2023	31/12/2022
Financial liabilities from leases to companies in the Group	406,412	423,015
Financial liabilities from leases to others	316,346	496,498
Total	**722,758**	**919,513**

Movement of current financial liabilities (in EUR)	Financial liabilities from leases to companies in the Group	Financial liabilities from leases from others	Total
Balance as at 1/1/2023	**423,015**	**496,498**	**919,513**
Increase	26,888	36,548	63,436
Transfers from non-current liabilities	272,590	140,161	412,751
Non-current repayments	-303,096	-342,065	-645,161
Other	-12,986	-14,795	-27,781
Balance as at 31/12/2023	**406,411**	**316,347**	**722,758**
Balance as at 1/1/2022	**371,873**	**227,929**	**599,802**
Increase	0	75,510	75,510
Transfers from non-current liabilities	423,016	420,987	844,003
Non-current repayments	-371,874	-227,928	-599,802
Balance as at 31/12/2022	**423,015**	**496,498**	**919,513**

Current operating liabilities (23)

Current operating liabilities (in EUR)	31/12/2023	31/12/2022
Operating liabilities to companies in the Group	58,212,359	94,238,580
Operating liabilities to associates	1,261,213	1,048,791
Operating liabilities to suppliers	269,511,816	297,299,263
Total	**328,985,388**	**392,586,634**

Liabilities for procured electricity account for the majority of current operating liabilities of the Company.

Current operating liabilities to companies in the Group (in EUR)	31/12/2023	31/12/2022
DEM	11,779,837	8,783,633
mHE Lobnica	6,851	4,278
SENG	12,598,192	18,992,114
TEŠ	10,249,311	30,834,698
HSE EDT	130,142	435,919
PV	5,912	11,825
HTZ I.P.	534	1,277
Energija plus	5,355,333	1,040,078
ECE	7,271,688	8,466,226
HSE Invest	188,949	787,768
HSE Balkan Energy	29,484	27,690
HSE MAK Energy	6,158,733	10,601,133
HSE BH	4,437,393	14,251,941
Total	**58,212,359**	**94,238,580**

Contract liabilities (24)

Contract liabilities (in EUR)	31/12/2023	31/12/2022
Deferred revenue	21,946,564	0
Total	**21,946,564**	**0**

In compliance with the primary compensation effect measure resulting from the regulation of prices in the energy product market between contracting parties, the Company shows current deferred revenue.

Tax liabilities (25)

Tax liabilities (in EUR)	31/12/2023	31/12/2022
Tax liabilities	41,417,799	0
Obligation to pay withholding tax	0	22,928
Total	**41,417,799**	**22,928**

Other current liabilities (26)

Other current liabilities (in EUR)	31/12/2023	31/12/2022
Advance payables	8,014,627	11,334,441
Operating liabilities to employees	1,996,635	1,549,420
Operating liabilities to state and other institutions	43,139,679	13,149,802
Operating liabilities to others	12,472	25,312,005
Accrued costs or expenses	238,485,932	98,487,373
Total	**291,649,345**	**149,833,041**

Other current liabilities mostly consist of liabilities to the state and other institutions and current accrued costs and expenses.

Current liabilities to the state and other institutions include VAT liabilities, customs duty liabilities, liabilities for December contributions for salaries and contributions on other employment-related benefits payable by the employer.

At the end of 2022, the Company reported liabilities arising from the valuation of commodity contracts at fair value amounting to EUR 25,123,651 as part of operating liabilities to others, whereas, at the end of 2023, receivables are shown pertaining thereto.

Accrued expenses for 2023, included in the income statement, comprise costs for which the Company has not yet received invoices or accounts as of the reporting date. The majority of these expenses (EUR 238,485,932) pertain to electricity procurement for our subsidiaries. Other expenses include deviations from December 2023 schedules and interest on loans for which no accounts have been received for 2023 as of yet.

Contingent liabilities

Contingent liabilities (in EUR)	31/12/2023	31/12/2022
Guarantees and parent warranties for subsidiaries in Slovenia	176,195	31,771,120
Bank warranties for subsidiaries in Slovenia	166,114	1,742,559
Bank and parent warranties for subsidiaries abroad	1,022,584	1,022,584
Total	**1,364,893**	**34,536,263**

Contingent liabilities include guarantees given and parent company guarantees.

The warranty given for the EBRD loan ceased after the principal of the EBRD loan had been repaid by TEŠ.

Beneficiary (in EUR)	Debtor	Type of warranty	Validity	Contingent liability as 31/12/2023	Contingent liability as 31/12/2022
EBRD*	TEŠ	Warranty for EBRD loan	For credit contract validity period	0	23,500,000
Geoplin d.o.o.	TEŠ	Warranty statement	31/1/2024	176,195	8,271,120
Total				**176,195**	**31,771,120**

* The principal of the loan was disclosed as contingent liability.

5.5.7.2 Income statement

Revenue from contracts with customers (27)

Revenue from contracts with customers (in EUR)	2023	2022
On the domestic market	**2,589,291,533**	**1,816,777,875**
Electricity	2,577,207,586	1,805,074,640
Natural gas	6,884,792	2,738
Other goods and material	276,710	9,428,173
Other services	4,922,445	2,272,324
On foreign market	**2,526,778,861**	**3,728,471,046**
Electricity	2,492,181,453	3,691,597,684
Natural gas	14,443,843	5,665,973
Other goods and material	0	5,049,051
Other services	20,153,565	26,158,338
Total	**5,116,070,394**	**5,545,248,921**

Sales of electricity account for the majority of revenue generated by the Company from contracts with customers. The revenue from the sale of electricity accounts for 99.09% of all net revenue from sales. Compared to 2022, revenue from contracts with customers has decreased on account of lower electricity prices and lower volumes of sold electricity.

Revenue from services rendered was generated through electricity-sale related services (transmission capacities, contribution towards the allocation of transmission capacities, guarantees of origin) and services rendered by the Company for its subsidiaries.

Other operating revenue (28)

Other operating income (in EUR)	2023	2022
Revenue from withdrawal of provisions	445,583	126,405
Drawing deferred revenue	85,210	0
Elimination of impairment of receivables	0	965,993
Revenue from damages and contractual penalties	66,518	12,645
Default interest	1,499,941	124,174
Profit from the sale of fixed assets	10,640	21,297
Profit from derivatives due to trading with electricity, emission allowances and gas	17,667,741	39,919,442
Fair value measurement of commodity contracts	32,233,600	0
Other	64,580	142,123
Total	**52,073,813**	**41,312,079**

The majority of other operating revenue is accounted for by the profits derived from trading with electricity derivatives and emission coupons and gas and the valuation of commodity contracts at fair value. In 2022, the net effect of valuating commodity contracts at fair value was negative and was thus shown in the Other operating expenses section, whereas, in 2023, it is positive and is thus shown in the Other operating revenue section.

Costs of goods, materials and services (29)

Costs of goods, materials and services (in EUR)	2023	2022
Purchase value of sold goods	4,564,798,015	5,694,901,825
Contingent costs of sold goods	77,242,293	51,014,105
Total purchase value of sold goods	**4,642,040,308**	**5,745,915,930**
Costs of energy	66,627	67,412
Costs of small tools	5,306	14,202
Other	409,099	644,860
Total costs of material	**481,032**	**726,474**
Costs of transport services	57,334	59,591
Costs of maintenance	1,144,234	1,089,928
Costs of rents	266,965	256,252
Costs of reimbursements of work-related expenses to employees	99,235	91,654
Costs of insurance and bank services	1,484,256	1,959,823
Costs of intellectual and personal services	1,864,340	2,486,006
Costs of fairs, advertising and representation	460,941	482,710
Costs of services provided by individuals	337,300	314,837
Municipal services	40	469
Costs of protection and supervision	993	1,065
Membership contributions	54,754	48,159
Services charged to group companies	1,413,842	1,572,671
Maintenance services for leased premises and equipment	977,043	795,529
Other	378,875	66,739
Total costs of services	**8,540,152**	**9,225,433**
Total	**4,651,061,492**	**5,755,867,837**

The cost of goods sold, accounting for 99.81 % of all operating expenses, includes primarily the expenses related to the procurement of electricity and the accompanying expenses thereof.

The most important values of costs of materials include costs of professional literature, energy, and office supplies.

Costs of intellectual services, security, banking services, and software and computer equipment maintenance account for the majority of costs of services. Information-communication (IT) services account for the majority of other costs of services.

Rental costs (in EUR)	2023	2022
Depreciation of rights of use	865,304	760,015
Financing expenses	11,325	35,013
Rental costs	5,287	10,754
Total	**881,916**	**805,782**

Audit costs (in EUR)	2023	2022
Annual Report audit	49,000	49,000
Other certification services	2,000	2,000
Other non-audit services	34,500	0
Total	**85,500**	**51,000**

The contractual amount for the mandatory audit of the financial statements of HSE for 2023 amounts to EUR 42,000, for the audit of the consolidated statements of the Group to EUR 7,000 and for the review of the fulfilment of financial commitments to EUR 2,000. The Deloitte Group company also performed other allowed non-audit services amounting to EUR 34,500.

Labour costs (30)

Labour costs (in EUR)	2023	2022
Salaries	14,263,687	11,124,542
Pension insurance costs	1,601,832	1,420,047
Other insurance costs	1,239,687	834,117
Other labour costs	1,694,876	1,436,598
Total	**18,800,082**	**14,815,304**

Labour costs include the costs of salaries and other remuneration of employees, including the employer's contributions. Costs of allowances for leave not taken in 2023 that may be taken by employees until 30 June 2024 are also included. Labour costs increased compared to 2022 due to a higher average number of employees compared to the preceding year and the harmonization of wages with the enterprise and collective agreements.

Number of employees and average number of employees by educational structure	1/1/2023	31/12/2023	Average number of employees
1	0	0	0
2	0	0	0
3	0	0	0
4	4	3	4
5	18	16	17
6/1	18	21	20
6/2	69	70	70
7	97	103	100
8/1	21.5	27.5	24.5
8/2	6	7	7
Total	**233.5**	**247.5**	**240.5**

Value write-offs (31)

Value write-offs (in EUR)	2023	2022
Amortisation of intangible assets	531,547	370,233
Depreciation of property, plant and equipment	530,573	478,829
Depreciation of the right to use leased assets	865,304	760,015
Receivables impairments/write-offs	0	110
Inventories impairments/write-offs	466,764	0
Impairments in property, plant and equipment	534	462
Sales in property, plant and equipment and intangible assets	25	48
Total	**2,394,747**	**1,609,697**

Value write-offs refer to the amortisation of the Company's assets and the right to use of leased premises.

Other operating expenses (32)

Other operating expenses (in EUR)	2023	2022
Forming of provisions	138,007	23,200
Fee for the use of construction land	94,286	104,870
Donations	1,156,012	77,042
Valuation of commodity contracts at fair value	0	84,609,622
Other operating expenses	41,735,989	1,373,272
Total	**43,124,294**	**86,188,006**

The majority of other operating expenses consist of revenue arising from the reimbursement to PV, as the cost price of coal exceeded the contractually agreed price of EUR 13,851,276.38 for already delivered coal in 2023, and the value of compensation to PV arising from impairing the value of inventories of imported coal to the net realisable value. In compliance with the agreement, the PV is entitled to have these expenses covered and to obtain a compensation of EUR 21,870,436.23. In 2022, the net effect of valuating commodity contracts at fair value was negative and was thus shown in the Other operating expenses section, whereas, in 2023, it is positive and is thus shown in the Other operating revenue section.

Financial income (33)

Financial revenue (in EUR)	2023	2022
Financial revenue from dividends and other profit shares	931,389	3,964,210
Financial revenue from loans and deposits given	1,978,282	186,424
Other financial income	1,658,366	763,313
Total	**4,568,037**	**4,913,947**

Among financial income from equity interests, dividends paid by the jointly controlled company Soenergetika are disclosed. Additionally, among other financial income, the Company reports income from guarantees provided to subsidiaries within the Group.

Financial expenses (34)

Financial expenses (in EUR)	2023	2022
Financial expenses for interest	14,454,690	5,947,428
Impairment of investments in subsidiaries	33,860,746	44,858,000
Other financial expenses	1,137,682	1,617,624
Other financial expenses from leases	24,595	35,013
Total	**49,477,713**	**52,458,065**

Interest expenses consist of interest accrued on non-current and current loans received from banks (EUR 13,500,147), and interest accrued on current loans received from HSE Group companies (EUR 954,543).

The impairment of investments in subsidiaries consists of the impairment of the investment in TEŠ and PV.

Other financial expenses refer to withholding tax costs of foreign loans and costs related to taking out loans.

Tax (35)

Taxes (in EUR)	2023	2022
Current tax	41,417,799	0
Deferred tax	-11,557	219,057
Total tax from profit recognised in the income statement	**41,406,242**	**219,057**

The Company is liable to pay tax pursuant to the Value Added Tax Act, the Excise Duty Act, the Financial Services Tax Act and the Corporate Income Tax Act. The branch of the company in the Czech Republic is subject to corporation tax in the Czech Republic.

In accordance with the Corporate Income Tax Act, the tax was paid at a 19% rate in 2023 and, as of 2024, for a total duration of 5 years, will be paid at a 22% rate on the tax base in the Company's tax return.

In 2023, the Company levied EUR 41,417,799 in corporate income tax. Based on the 2022 tax return, the Company did not pay any advance payments of corporate income tax in 2023 and does not show any receivables for overpaid advance payments.

Deferred taxes include deferred tax assets. Their setting up and disbursement in terms of value are shown in the Deferred Tax Assets disclosure (explanatory note 7 in the Statement of the financial position).

The current tax base was established by revising revenue and expenses in relation to a tax base decrease and increase in compliance with the IFRSs, as shown in the table below.

Effective tax rate calculation (in EUR)	2023	2022
Profit (loss) before tax	407,853,916	-319,463,960
Calculated tax at the applicable tax rate	77,492,244	-60,744,761
Tax on revenues that lower the tax base	-177,868	946,605
Tax on tax deductions	-42,643,266	0
Tax on expenses that lower the tax base	-9,091	-2,116
Tax on non-deductible expenses	368,718	8,333,172
Tax from other changes in the tax balance sheet	-46,480	-45,262
Tax effects of unrecognised deferred assets arising from tax losses	6,433,542	51,329,939
Tax levied	**41,417,799**	**0**
Deferred tax	**-11,557**	**219,057**
Total taxes	**41,406,242**	**219,057**
Effective tax rate	**10.15%**	**0%**

As at 31 December 2023, temporary deductible differences for which deferred tax assets were not set up are shown to amount to EUR 1,149,091,094 due to impairments of investments in subsidiaries. In compliance with IAS 12 - Income Taxes, deferred tax assets shall be recognised only if the temporary difference is likely to reverse in the foreseeable future.

Net profit or loss (36)

Net profit/loss (in EUR)	2023	2022
Gross operating return	5,168,144,207	5,586,561,000
Operating profit/loss	452,763,592	-271,919,844
Financial outcome	-44,909,676	-47,544,118
Profit (loss) before tax	407,853,916	-319,463,962
Net profit/loss for the year	**366,447,674**	**-319,683,019**

The Company ended 2023 with a EUR 366,447,674 positive net result. Hadn't it been for the impairment of its investments in TEŠ and PV, the Company would have ended the year with a higher positive result of EUR 400,308,420.

5.5.7.3 Related parties

Related parties are subsidiaries, associates and joint ventures either directly or indirectly controlled by the Company through its subsidiaries.

Related parties also include companies that are majority state-owned.

The sales and procurement columns show the turnover of all transactions (excluding VAT) between the Company and its associates in 2023. Loans given and received show the balance as at the end of 2023 (principal plus interest). Revenue from parent company guarantees given in 2023 are disclosed separately in net terms (excluding VAT). The values of parent company guarantees are disclosed in the Contingent Assets and Liabilities section (Note 20 to the Statement of financial position).

Outstanding receivables due from related parties are disclosed in the Current operating receivables section; and outstanding liabilities in the Current trade payables section.

Company (in EUR)	Sales	Purchases	Loans, guarantees and warranties given with interest	Received loans with interest	Revenue for given parent guarantees
DEM	516,528	76,149,524	0	28,055,425	0
mHE Lobnica	0	51,065	0	0	0
SENG	29,121,916	77,056,563	0	20,036,096	0
TEŠ	737,099	457,356,130	217,986	0	1,653,969
HSE EDT	31,022	881,803	0	0	0
PV	5,121,987	35,775,021	0	0	0
HTZ I.P.	0	19,478	0	0	0
RGP	148,530	0	372,115	0	3,701
HSE Invest	81,947	1,757,002	0	0	0
HSE Balkan Energy	6,300	176,904	0	0	0
HSE MAK Energy	82,885,178	103,295,125	0	0	0
HSE BH	52,761,297	70,668,665	0	0	0
Energija plus	277,828,950	54,280,638	0	0	0
ECE	427,526,783	79,246,049	0	0	0
Total 2023	**876,767,537**	**956,713,967**	**590,101**	**48,091,521**	**1,657,670**

Sales and procurement prices for services are defined based on the applicable internal price list of HSE Group companies and leases on the Comparable Uncontrolled Price method . Electricity sales prices are determined based on the cost plus method, electricity procurement prices on the cost plus, CUP methods or a combination of both.

The Company is 100% owned by the Republic of Slovenia. In 2023, the Company concluded no transactions with the Government of the Republic of Slovenia. No dividends were disbursed by the Company to its owner in 2023. However, it repaid EUR 342 million in subsequent capital increases received in December 2022.

Company (in EUR)	Sales	Purchases	Loans, guarantees and warranties given with interest	Received loans with interest	Revenue for given parent guarantees
HESS	28,152	11,929,184	0	0	0
Total 2023	**28,152**	**11,929,184**	**0**	**0**	**0**

Company (in EUR)	Sales	Purchases	Loans, guarantees and warranties given with interest	Received loans with interest	Revenue for given parent guarantees
Soenergetika	270	0	0	0	0
Total 2023	**270**	**0**	**0**	**0**	**0**

Business partner (in EUR)	Outstanding receivables as at 31/12/2023	Outstanding receivables as at 31/12/2023	Revenue 1-12/2023	Expenses 1-12/2023
BORZEN	1,317,433	3,148,565	37,425,919	41,601,689
BSP	420,509	218,902	237,416,265	169,968,842
DRAVSKE ELEKTRARNE MARIBOR	88,818	11,779,837	516,528	76,251,447
ECE	65,938,107	7,271,688	427,526,783	79,257,436
ENERGIJA PLUS	45,803,615	5,355,333	277,956,041	54,278,694
ELES	10,918,622	233,848	56,873,430	1,341,764
GEN ENERGIJA	6,088,683	457	9,909,081	1,593,078
HIDROELEKTRARNE NA SPODNJI SAVI	9,855	1,261,214	28,152	11,929,184
PREMOGOVNIK VELENJE	1,215,082	5,912	5,121,987	53,308
SOŠKE ELEKTRARNE NOVA GORICA	5,261,843	12,598,192	29,121,916	77,070,607
TERMOELEKTRARNA ŠOŠTANJ	1,349,726	10,249,311	2,391,068	456,148,663
Energy companies – total	**138,412,293**	**52,123,259**	**1,084,287,170**	**969,494,712**
SID	0	53,538,462	0	2,935,065
Banks – total	**0**	**53,538,462**	**0**	**2,935,065**
Total	**138,412,293**	**105,661,721**	**1,084,287,170**	**972,429,777**

The table shows transactions with companies directly or indirectly in majority owned by the Republic of Slovenia (its participating interest therein exceeding 50%) and are important for the HSE Group using the transaction size criterion (revenue or expenses in 2023 exceeding EUR 2 million), except banks where all transactions are disclosed. Other transactions with companies, ministries, agencies and other legal entities, where the Republic of Slovenia is a majority or minority owner, are irrelevant in terms of reporting.

5.5.7.4 Remuneration

The revenue shown below by recipient category refer to remuneration in 2023.

The remuneration of the Members of the Supervisory Board includes the gross attendance fees of all members with travel expenses for the performance of their duties in the Supervisory Board and Supervisory Board committees.

In 2023, the Company approved no advances, loans and guarantees to these groups of persons. At the end of 2023, no receivables were due from Members of the Management and Supervisory Boards to the Company.

Current operating liabilities include liabilities for December salaries payable to Members of the Management Board and employees for whom the tariff part of the collective agreement does not apply and for December attendance fees payable to Members of the Supervisory Board and Members of the committees of the Supervisory Board.

Remuneration of Management Board Members

Remuneration of Management Board Members (in EUR)	Function	Fixed remuneration - gross (1)	Variable remuneration - gross		Bonuses (5)	Total (1+2+3+4+5)
			Based on quantitative criteria	Total (2)		
Štokelj Tomaž	CEO	166,959	0	0	2,191	169,150
Podobnik Uroš	Business director	150,100	526	526	1,683	152,309
Total		**317,059**	**526**	**526**	**3,874**	**321,459**

Remuneration of Supervisory Board Members

Remuneration of Supervisory Board Members (in EUR)	Function	Function performance remuneration - gross		Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Additional function performance remuneration	Total (1)			
Hrovatin Nevenka	President of SB	6,500	19,500	2,200	21,700	67
Valentinčič David	Deputy President of SB	1,300	14,300	2,200	16,500	984
Bele Denis	Member of SB	0	13,000	2,200	15,200	591
Gorjup Barbara	Member of SB	0	13,000	2,200	15,200	55
Šebenik Miha	Member of SB	0	13,000	2,200	15,200	43
Grešak Boštjan	Member of SB	0	13,000	2,200	15,200	57
Otič Jernej	Representative of employees of SB until 3/11/2023	0	12,025	2,200	14,225	168
Cerkvenik Peter	Representative of employees of SB until 3/11/2023	0	12,025	2,200	14,225	0
Kolarič Dejan	Representative of employees of SB until 3/11/2023	0	12,025	1,925	13,950	0
Rožman Rok	Representative of employees since 4/11/2023	0	975	0	975	0
Kovač Matej	Representative of employees since 4/11/2023	0	975	0	975	0
Povh Blanka	Representative of employees since 4/11/2023	0	975	0	975	0
Total		**7,800**	**124,800**	**19,525**	**144,325**	**1,965**

Remuneration of Members of the Audit Committee

Remuneration of members of the Audit Committee (in EUR)	Function	Function performance remuneration - gross		Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Additional function performance remuneration	Total (1)			
Gorjup Barbara	President of the Audit Committee	4,875	4,875	2,332	7,207	48
Hočevar Marko	Independent member of the Audit Committee	13,000	13,000	2,915	15,915	0
Šebenik Miha	Member of the Audit Committee	3,250	3,250	2,332	5,582	37
Otič Jernej	Member of the Audit Committee until 3/11/2023	3,006	3,006	2,332	5,338	504
Kovač Matej	Member of the Audit Committee since 4/11/2023	244	244	0	244	0
Total		**24,375**	**24,375**	**9,911**	**34,286**	**589**

Remuneration of Members of the Personnel Committee

Remuneration of members of the Personnel committee (in EUR)	Function	Function performance remuneration - gross		Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Additional function performance remuneration	Total (1)			
Nevenka Hrovatin	President of the Personnel Committee	4,875	4,875	440	5,315	8
Denis Bele	Member of the Personnel Committee	2,979	2,979	440	3,419	0
Boštjan Grešak	Member of the Personnel Committee	3,250	3,250	440	3,690	7
Kolarič Dejan	Member of the Personnel Committee until 3/11/2023	3,006	3,006	220	3,226	0
Blanka Povh	Member of the Personnel Committee since 4/11/2023	244	244	0	244	0
Total		**14,354**	**14,354**	**1,540**	**15,894**	**15**

Remuneration of Members of the Restructuring Committee

Remuneration of the Members of the Restructuring Committee (in EUR)	Function	Function performance remuneration - gross		Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Additional function performance remuneration	Total (1)			
Grešak Boštjan	President of the Restructuring Committee until 12/5/2023	2,189	2,189	220	2,409	7
Denis Bele	Member of the Restructuring Committee until 12/5/2023	1,188	1,188	220	1,408	0
Cerkvenik Peter	Member of the Restructuring Committee until 12/5/2023	1,459	1,459	220	1,679	0
Valentinčič David	Member of the Restructuring Committee until 12/5/2023	1,459	1,459	220	1,679	123
Total		**6,295**	**6,295**	**880**	**7,175**	**130**

Remuneration of the Members of the Marketing and Investment Committee

Remuneration of the members of the Marketing and Investment Committee (in EUR)	Function	Function performance remuneration - gross		Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
		Additional function performance remuneration	Total (1)			
Miha Šebenik	President of the Marketing and Investment Committee	4,875	4,875	1,320	6,195	11
David Valentinčič	Member of the Marketing and Investment Committee	3,250	3,250	1,320	4,570	369
Barbara Gorjup	Member of the Marketing and Investment Committee	3,250	3,250	1,320	4,570	7
Cerkvenik Peter	Member of the Marketing and Investment Committee until 3/11/2023	3,006	3,006	1,320	4,326	0
Rok Rožman	Member of the Marketing and Investment Committee since 4/11/2023	244	244	0	244	0
Total		**14,625**	**14,625**	**5,280**	**19,905**	**387**

5.5.7.5 Financial instruments and Risk Management

This section is related to the Financial Risk Management section in the accounting report and the Financial Risk section in the business part of the annual report.

Credit risk

The majority of activities where the Company is faced with the credit risk is primarily related to electricity trading. The majority of our portfolio of partners with which electricity sales and trading contractual relations are established, are companies with a high creditworthiness and payment discipline. All activities aimed at managing credit risks are subject to the Company's adopted internal acts that clearly prescribe the procedures and due diligence applied while selecting and monitoring business partners. The type of business relation with partners is decided based on previous analyses of the partner's creditworthiness, which subsequently determine the potential extent and time horizon of operations, elements of our contractual relation and the required extent of additional securities, that the Company deems acceptable, in the form of bank and corporate guarantees and advances received.

The Company monitors its exposure to individual partners on a daily basis. An important measure of credit risk mitigation is the conclusion of contractual frameworks, i.e. general and umbrella agreements (e.g. EFET), which determine, inter alia, the monthly financial netting of receivables and liabilities as well as the netting of a wide range of mutual receivables and liabilities in the event of early termination of the agreement due to possible insolvency of the partner.

The Company's maximum exposure to credit risk from current operating receivables is the carrying amount of current operating receivables less financial collateral and financial off-set of receivables and liabilities with those partners where it is legally and contractually possible. Receivables from partners are secured by means of bank and corporate guarantees, a pledge of receivables based on bank account management contracts, advance payments, deposits, enforcement drafts, and bills of exchange.

The unsecured part of receivables is the sum of sales to partners made via the open account within the approved credit limits, in line with the applicable internal act, i.e. given their financial strength and risk to which we are exposed to in doing business with individual partners. The most frequent among unsecured receivables are primarily receivables due from partners with a good credit rating and from partners who belong to a highly-regulated activity and are frequently state-owned (e.g. providers of system services, etc.). Current receivables due from Group companies are managed in view of their liquidity and solvency. They are eliminated from the following analysis of receivables, in respect of IFRS 9, and additionally required value adjustments of allowances.

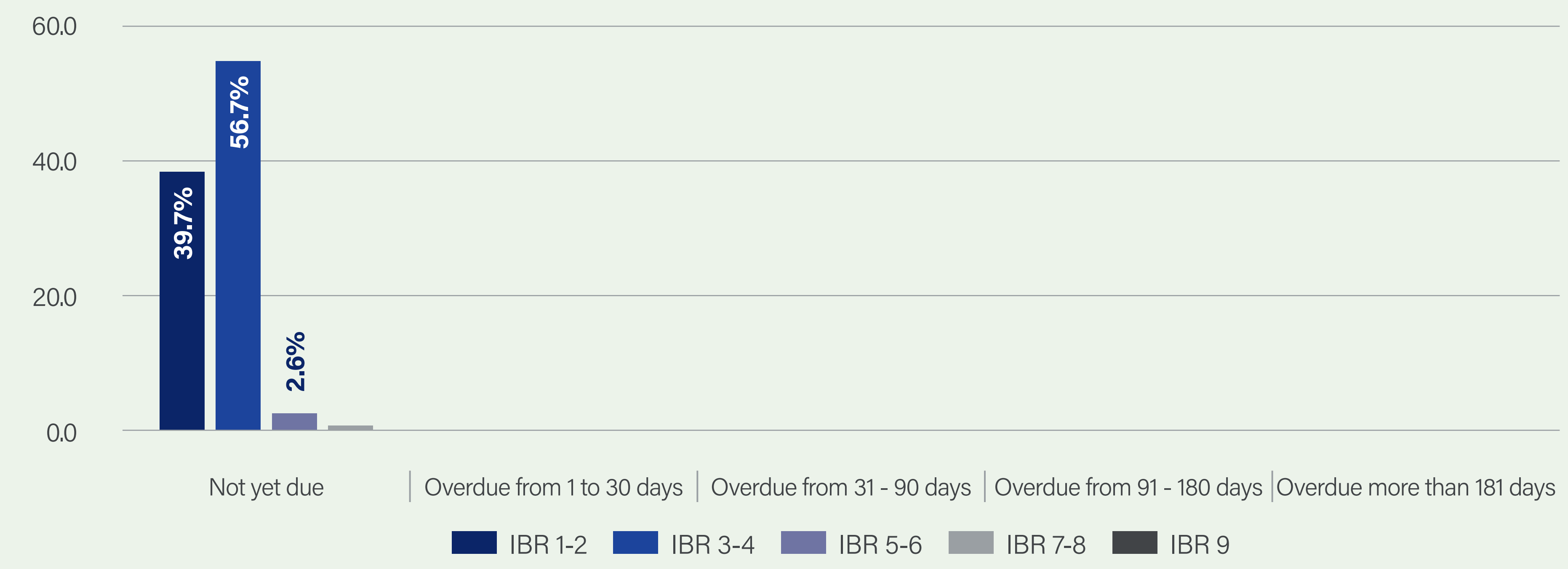
The following analysis shows unsecured current trade receivables as at 31 December 2023 in respect of the internal customer classification by credit rating, the age structure of unsecured receivables and the structure of receivables by country.

Based on granting an internal credit rating to individual partners (IBR) and their guarantors (in the case of financial collateral), defined on the basis of a combination of theoretical financial models and the credit rating agencies' transition matrices, the Company regularly monitors the risk of default by the partner or the guarantor, and accordingly adjusts the structure of collateral and approved limits. In line with internal methodology, this affects the quality and structure of the Company's operating receivables.

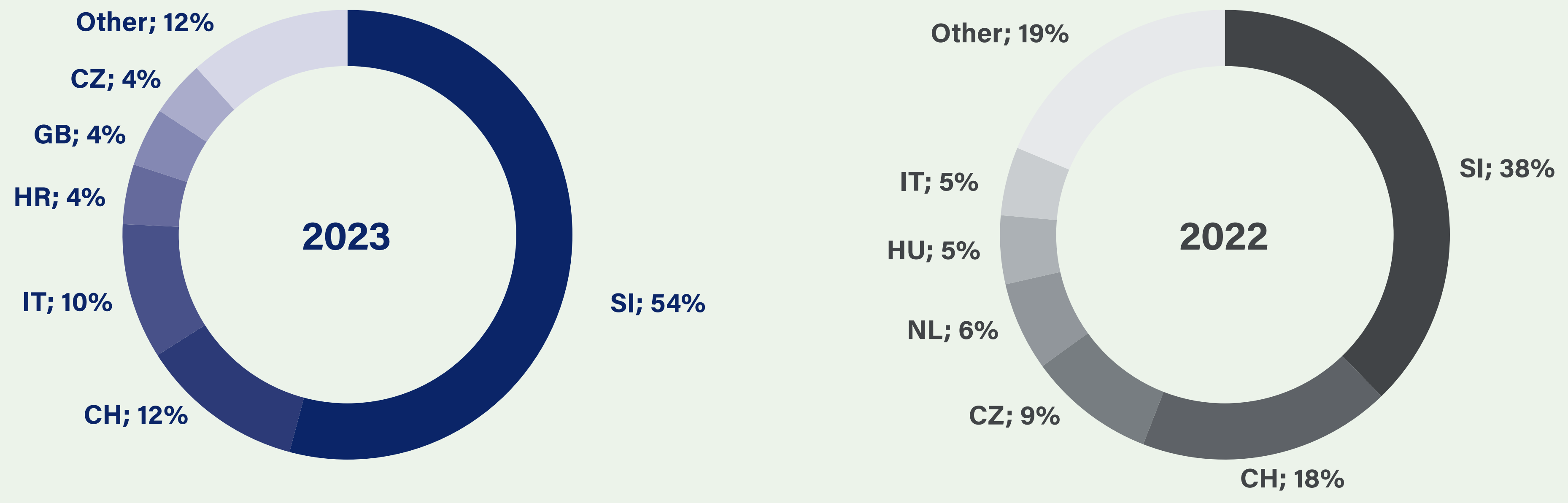
Operating receivables as at 31/12/2023	Receivables (in EUR)	Hedged receivables (in EUR)	%	Non-hedged receivables (in EUR)	%
Current receivables due from group companies	133,218,665	114,820,058	86%	18,398,607	14%
Current receivables due from affiliated companies	9,855	9,855	100%	0	0%
Current receivables due from jointly-controlled companies	329	0	0%	329	0%
Current trade receivables	407,015,686	310,278,324	76%	96,737,362	24%
Total	**540,244,536**	**425,108,237**	**79%**	**115,136,299**	**21%**

Operating receivables as at 31/12/2022	Receivables (in EUR)	Hedged receivables (in EUR)	%	Non-hedged receivables (in EUR)	%
Current receivables due from group companies	92,893,472	92,107,246	99%	786,225	1%
Current receivables due from affiliated companies	2,376	2,376	100%	0	0%
Current receivables due from jointly-controlled companies	73	0	0%	73	0%
Current trade receivables	332,109,752	274,923,225	83%	57,186,528	17%
Total	**425,005,673**	**367,032,847**	**86%**	**57,972,826**	**14%**

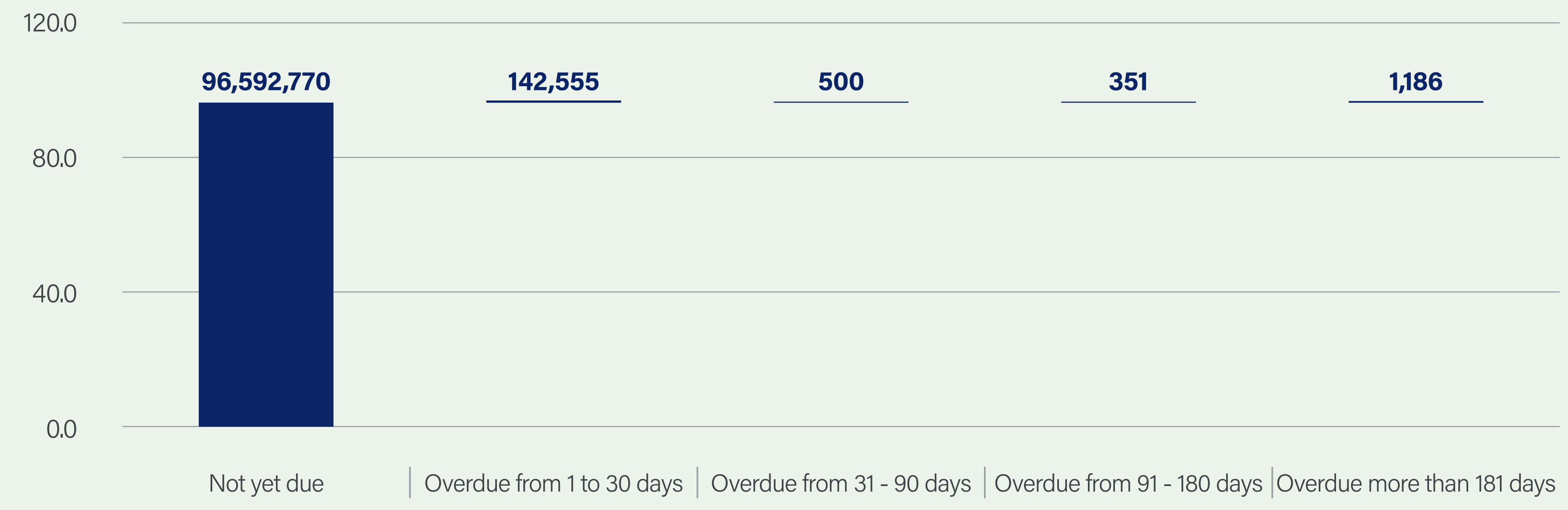
Unsecured trade receivables by age structure and IBR as at 31 December 2023



Trade receivables by country as at 31 December 2023 and 2022



Unsecured trade receivables by age structure as at 31 December 2023

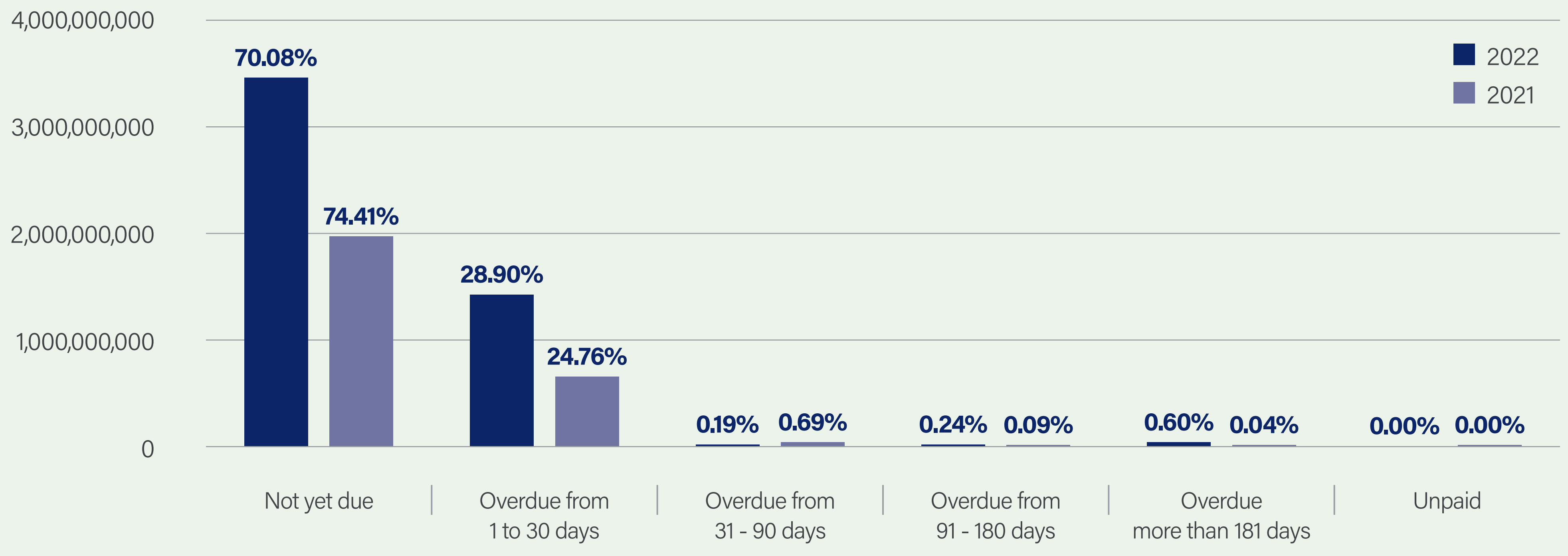


Compared to the balance at the end of 2022, the total value of trade receivables and unsecured trade receivables increased. As at 31 December 2023, operating receivables in Slovenia account for 54% of all trade receivables or 16% more than the year before.

The analysis of the partners' settlement dynamics and payment discipline in 2023 and 2022 (shown in the figure below) shows that partners regularly settled their liabilities in the past.

Defaulting debtors are charged with contractually agreed default interest.

Dynamics of settlement of receivables in terms of total invoiced receivables in 2021 and 2022



The Company establishes that the current internal policy of setting up allowances and impairing operating receivables is appropriate and that the application of the disclosure- related policies under IFRS 9 in view of the expected credit loss (ECL) on trade receivables has no significant effect on a fair view of the Company's assets. Based on the policies of the said standards and the findings of the analysis of past settlement patterns of the Company's customers by age structure, no loss from trade receivables for the Company as at 31 December 2023 is expected.

This allows for the conclusion that, given the total value of the operating receivables, the calculated ECL has no effect on a fair view of assets, as the Company already properly disclosed and set up allowances for current operating receivables in the past. The potential credit loss estimate took into account operating receivables as at 31 December 2023, the Company's ownership-related connection with the business partner, the past settlement dynamics of invoices issued, the risk of default of partners in view of their financial situation, the type of security received and the age structure of operating receivables as at 31 December 2023.

As at 31 December 2023, the Company shows EUR 1,090,307 in doubtful receivables. Receivables from the sale of electricity to foreign companies account for the majority of doubtful receivables.

Non-current operating and financial receivables by maturity dates (in EUR)	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Financial receivables and loans given to companies in the Group	180,000	10,000	0	190,000
Operating receivables from others	0	0	13,037,972	13,037,972
Total as at 31/12/2023	**180,000**	**10,000**	**13,037,972**	**13,227,972**
Financial receivables and loans given to companies in the Group	306,000	190,000	0	496,000
Operating receivables from others	0	0	12,460,712	12,460,712
Total as at 31/12/2022	**306,000**	**190,000**	**12,460,712**	**12,956,712**

Current operating and financial receivables by maturity date (in EUR)	Due for payment				Total
	Not past due	Up to 3 months past due (up to 90 days)	From 3 to 6 months past due (from 91 to 180 days)	Over a year past due (from 361 days onwards)	
Financial receivables and loans given to companies in the Group	397,986	0	0	0	397,986
Financial receivables and loans given to companies in the Group for interest	2,115	0	0	0	2,115
Operating receivables from companies in the Group	127,753,148	25,563,151	0	0	153,316,299
Operating receivables from affiliated companies	9,856	0	0	0	9,856
Operating receivables from jointly controlled companies	329	0	0	0	329
Operating receivables from buyers	388,205,152	19,899,643	88	1,186	408,106,069
Advances given	732,295	0	0	0	732,295
Operating receivables from state and other institutions	53,249,432	0	0	0	53,249,432
Operating receivables from others	48,592,640	0	0	0	48,592,640
Total as at 31/12/2023	**618,942,953**	**45,462,794**	**88**	**1,186**	**664,407,021**
Financial receivables and loans given to companies in the Group	651,552	0	0	0	651,552
Financial receivables and loans given to companies in the Group for interest	4,200	0	0	0	4,200
Operating receivables from companies in the Group	113,339,039	1,237,391	1,427,031	498,596	116,502,057
Operating receivables from affiliated companies	2,376	0	0	0	2,376
Operating receivables from jointly controlled companies	73	0	0	0	73
Operating receivables from buyers	327,811,535	4,345,938	0	1,042,662	333,200,135
Advances given	3,878,748	0	0	0	3,878,748
Operating receivables from state and other institutions	28,636,086	0	0	0	28,636,086
Operating receivables from others	31,758,470	0	0	0	31,758,470
Total as at 31/12/2022	**506,082,079**	**5,583,329**	**1,427,031**	**1,541,258**	**514,633,697**

Liquidity risk

The liquidity risk is managed by planning the daily, monthly and annual cash flows and then, using this, by effectively distributing surpluses within the Group and ensuring suitable available credit lines from commercial banks. In 2023, HSE successfully managed the current solvency risk with continuous reconciliation of maturity of receivables and liabilities and the timely recovery of outstanding receivables.

At the end of 2023, the liquidity reserve of the Company consisting of undrawn granted non-current revolving loans and available cash amounted to EUR 60,000,000 in a revolving loan and EUR 29,358,745 in cash. The liquidity reserve of the Company is intended for regulating cash flows and it significantly reduces the Company's and HSE Group's liquidity risk.

As at 31 December 2023, all outstanding current liabilities of the Company had already been settled.

The maturity of non-current operating and financial liabilities of the Company in the following years is presented in the tables below. A part of non-current loans due within a period of one year is shown under current financial liabilities.

The liquidity risk exposure from financial liabilities to banks on 31 December 2023 is illustrated in the table below. The amounts in the table are not discounted and include contractually envisaged interest rates and the costs of collateral.

At the end of 2023, HSE had drawn EUR 40,000,000 in revolving loans from banks and EUR 48,000,000 in revolving loans from subsidiaries as part of the so-called cash management.

Through centralised cash flow planning, implemented debt restructuring and maturity optimisation measures, a provided proper liquidity reserve, and an active attitude towards financial market, the Company managed to control and manage its liquidity in 2023 and to adequately manage the liquidity risk.

Non-current operating and financial liabilities by maturity dates (in EUR)	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Financial liabilities to banks	129,710,957	148,069,925	0	277,780,882
Financial liabilities from leases to companies in the Group	692,452	0	0	692,452
Financial liabilities from leases from others	1,460,001	0	0	1,460,001
Total as at 31/12/2023	**131,863,410**	**148,069,925**	**0**	**279,933,335**
Financial liabilities to banks	46,764,569	128,839,161	62,177,156	237,780,886
Financial liabilities from leases to companies in the Group	256,399	13,367	0	269,766
Financial liabilities from leases from others	116,180	153,788	0	269,968
Total as at 31/12/2022	**47,137,148**	**129,006,316**	**62,177,156**	**238,320,620**

Exposure to liquidity risk arising on financial liabilities to banks (in EUR)	Estimated cash flows					Total
	Up to 2 months after the date of SFP	From 2 to 12 months after the date of SFP	From 1 to 2 years after the date of SFP	From 2 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Financial liabilities to banks						
Non-current loans	-20,230,769	-26,533,800	-82,946,387	-85,892,774	-62,177,158	-277,780,888
Total as at 31/12/2023	**-20,230,769**	**-26,533,800**	**-82,946,387**	**-85,892,774**	**-62,177,158**	**-277,780,888**
Financial liabilities to banks						
Non-current loans	-20,230,769	-26,533,800	-46,764,569	-128,839,161	-62,177,158	-284,545,457
Total as at 31/12/2022	**-20,230,769**	**-26,533,800**	**-46,764,569**	**-128,839,161**	**-62,177,158**	**-284,545,457**

Currency risk

Currency risk is a risk associated with transactions involving foreign currencies and is subject to changes in exchange rates. The operating currency risk is minimal, since the majority of inflows and outflows are pegged to the domestic currency - the EUR. In 2023, the Company was exposed to the currency risk at a negligible level in the context of electricity trading, where, if required, the exposure was hedged by using derivatives.

As most transactions are carried out in the EUR currency, the Company does not perform sensitivity analysis for the change in foreign exchange rates, since that would not significantly affect its profit or loss.

Additionally, the Company continuously follows developments on the money market, changes in prices and the values of currency hedging contracts.

The Company's assets and liabilities as at 31 December 2023 were restated using the following exchange rates:

Country	Currency code	Final exchange rate in EUR for 2023	Final exchange rate in EUR for 2022
Czech Republic	CZK	24.7240	24.1160
Hungary	HUF	382.8000	400.8700
Romania	RON	4.9756	4.9495
USA	USD	1.1050	1.0666
Great Britain	GBP	0.8691	0.8869
Bulgaria	BGN	1.9558	1.9558
Turkey	TRY	32.6531	19.9649
Serbia	RSD	117.4100	117.2900
North Macedonia	MKD	61.6110	61.6000
Bosnia and Herzegovina	BAM	1.9558	1.9558

Concluded contracts for currency swaps (in EUR)	31/12/2023	31/12/2022
Concluded contracts for currency swaps – purchase hedging	0	13,274,749
Concluded contracts for currency swaps – sale hedging	0	0

Currency swap effect (in EUR)	2023	2022
Unrealized loss of effective transactions	74,342	1,144,223
Realised loss of effective transactions	-4,244	-1,129,286

Exposure to risk of change of exchange rates (in EUR)	EUR	USD	HRK	HUF	CZK	Other currencies	Total
Non-current financial receivables and loans	190,000	0	0	0	0	0	190,000
Non-current operating receivables	13,037,972	0	0	0	0	0	13,037,972
Current financial receivables and loans	400,101	0	0	0	0	0	400,101
Current operating receivables	662,753,891	0	0	0	0	162,646	662,916,537
Non-current financial liabilities	-231,016,317	0	0	0	0	0	-231,016,317
Non-current financial liabilities from leases to companies in the Group	-692,452	0	0	0	0	0	-692,452
Non-current financial liabilities from leases from others	-1,460,001	0	0	0	0	0	-1,460,001
Current financial liabilities	-95,108,236	0	0	0	0	0	-95,108,236
Current financial liabilities from leases to companies in the Group	-406,412	0	0	0	0	0	-406,412
Current financial liabilities from leases from others	-316,346	0	0	0	0	0	-316,346
Current operating liabilities	-380,151,306	-1,018	0	-438,481	-4,651	-922,494	-381,517,950
Net exposure of the SFP as at 31/12/2023	**-32,769,106**	**-1,018**	**0**	**-438,481**	**-4,651**	**-759,848**	**-33,973,104**
Non-current financial receivables and loans	496,000	0	0	0	0	0	496,000
Non-current operating receivables	11,674,207	0	118,092	322,833	345,580	0	12,460,712
Current financial receivables and loans	655,752	0	0	0	0	0	655,752
Current operating receivables	508,559,612	0	0	0	5,475	4,322,475	512,887,562
Non-current financial liabilities	-237,780,886	0	0	0	0	0	-237,780,886
Non-current financial liabilities from leases to companies in the Group	-269,766	0	0	0	0	0	-269,766
Non-current financial liabilities from leases from others	-269,968	0	0	0	0	0	-269,968
Current financial liabilities	-269,259,587	0	0	0	0	0	-269,259,587
Current financial liabilities from leases to companies in the Group	-423,016	0	0	0	0	0	-423,016
Current financial liabilities from leases from others	-496,497	0	0	0	0	0	-496,497
Current operating liabilities	-442,723,107	-820	-49,019	-443,140	-798	-173,436	-443,390,320
Net exposure of the SFP as at 31/12/2022	**-429,837,256**	**-820**	**69,073**	**-120,307**	**350,257**	**4,149,039**	**-425,390,014**

Interest rate risk

The extent of exposure to the interest rate risk is usually dependent on the share of financial liabilities and investments in the Company at a variable interest rate. By monitoring the developments in financial markets and subject to medium- and long-term projections for the development of market interest rates, the Company deliberated on further risk management steps arising from changes in market interest rates.

Interest-bearing and non-interest bearing financial assets and liabilities are outlined in the table below:

Financial instruments with variable interest rates (in EUR)	2023	2022
Financial liabilities	-325,780,886	-469,545,456
Financial receivables	370,000	820,000
Net financial instruments with variable interest rate	**-325,410,886**	**-468,725,456**

Cash flow sensitivity analysis with variable interest rate instruments

This analysis was carried out by taking into account the increase/decrease of the reference Euribor interest rate by +/- 50 basis points and would, on the reporting date, increase/decrease the net profit or loss by the values indicated below.

Financial instruments with variable interest rates (in EUR)	Net profit or loss 2023		Net profit or loss 2022	
	Increase by 50 basis points	Decrease by 50 basis points	Increase by 50 basis points	Decrease by 50 basis points
Financial receivables	2,624	-2,624	n/a	n/a
Financial liabilities	-1,631,089	-1,631,089	-832,531	429,217

Price risk

Future contracts for electricity

The Company sells and procures futures with the purpose of securing long-term positions from self-generated electricity against price risks and with the purpose of position trading.

In the event of securing the price, the Company shall, upon concluding a physical delivery of electricity transaction, also simultaneously conclude a future of an offset volume and the same maturity or a future with the maturity complying with the planned volumes of self-generated electricity. In doing so, the Company shall financially fix its price differences, meaning that, for example, that price difference loss generated from the procurement of futures is set off by the price difference generated from the physical quantity of procured/sold or generated physical volume of electricity. The planned volumes of generated electricity shall serve as the basis used for implementing the Price Securing Strategy of Planned Volumes of Self-Generated Electricity. Thus, the Company is already selling electricity of subsidiaries during the current year for several years in advance, whereas the main objective of the strategy is to maximise profit and provide stable revenue from the sale of electricity.

At year-end, the Company had EUR 1,935,865,806 in concluded futures. Related disclosures are provided in the Equity section.

The procurement or sales of futures with the purpose of position trading at the time a position is opened increases the price exposure of the Company since the future is concluded with the intention of generating revenue on the account of changes in the prices of electricity. The price exposure is reduced only in the case of concluding futures or physical contracts with an offset position. At the end of the year, the Company recorded EUR 182,923,091 in open future contracts held for trading.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2023	31/12/2022
For electricity - to hedge procurement	986,481,817	905,197,519
For electricity - to hedge sales	949,383,989	882,370,393

Concluded standardised forward contracts for trading (in EUR)	31/12/2023	31/12/2022
For electricity - trading - purpose of purchase	81,116,740	316,348,232
For electricity - trading - purpose of sale	101,806,351	318,376,282

Emission coupons

The Group concluded futures in 2023 for the procurement and sale of emission allowances in order to secure the price of volumes of emission allowances arising from self-generated electricity requirements; to a limited extent, the Company also concluded futures for the procurement and sales of trading activities not related to its self-generated electricity. At the end of 2023, the Company held EUR 528,989,160 in open contracts securing the procurement and sale of emission allowances and EUR 43,999,760 in futures for the procurement and sales of trading activities. Related disclosures are provided in the Equity section.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2023	31/12/2022
For emission allowances - futures for hedging procurement	339,165,210	250,544,010
For emission allowances - futures for hedging sales	189,823,950	206,662,850

Concluded standardised forward contracts for trading (in EUR)	31/12/2023	31/12/2022
For emission allowances - trading - intended for procurement	0	0
For emission allowances - trading - intended of sale	43,999,760	9,004,990

Gas

The Company concluded futures in 2023 for the procurement and sale of natural gas in order to manage the procured natural gas storage facility; to a limited extent, the Company also concluded futures for the procurement and sales of trading activities. At the end of 2023, the Company held EUR 1,711,737 in open contracts securing the procurement and sale of emission allowances and EUR 2,835,125 in futures for the procurement and sales of trading activities. Related disclosures are provided in the Equity section.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2023	31/12/2022
For gas - futures for hedging procurement	1,711,737	0
For gas - futures for hedging sales	0	0

Concluded standardised forward contracts for trading (in EUR)	31/12/2023	31/12/2022
For gas - trading - intended for procurement	1,252,001	0
For gas - trading - intended of sale	1,583,124	0

Capital management

Capital management (in EUR)	31/12/2023	31/12/2022
Non-current financial liabilities	231,016,317	237,780,886
Non-current financial liabilities from leases	2,152,453	539,734
Current financial liabilities	95,108,236	269,259,587
Current financial liabilities from leases	722,758	919,513
Total financial liabilities	328,999,764	508,499,720
Capital	946,724,778	821,366,920
Financial liabilities/Capital	**0.35**	**0.62**
Cash and cash equivalents	31,684,098	293,051,719
Net financial liability	297,315,666	215,448,001
Net debt/Capital	**0.31**	**0.26**

The main purpose of capital management is to ensure the best possible credit rating and capital adequacy of the Company for the purposes of financing operations and investments. An adequate volume of capital guarantees the Company the trust of creditors, partners and potential investors while also maintaining the future development of activities.

The Company monitors changes in capital using the leverage ratio calculated by dividing total net liabilities by total capital. Net liabilities of the Company include loans received and other financial liabilities less cash.

The debt to equity (gearing) shows the ratio between the Company's debt and equity. The ratio was the lower at the end of 2023 compared to the previous year, suggesting lower indebtedness, whereas the leverage ratio increased compared to 2022, caused by the increase of net debt compared to the previous year and a lower cash balance.

Carrying amounts and fair values of financial instruments

Carrying amounts and fair values of financial instruments (in EUR)	31/12/2023		31/12/2022	
	Book value	Fair value	Book value	Fair value
Non-derivative financial assets at fair value	**111,500**	**111,500**	**111,500**	**111,500**
Financial assets available for sale	111,500	111,500	111,500	111,500
Derivative financial assets at fair value	**11,511,982**	**11,511,982**	**0**	**0**
Derivatives (receivables)	11,511,982	11,511,982	0	0
Non-derivative financial assets at amortised cost	**703,409,393**	**703,409,393**	**828,076,601**	**828,076,601**
Financial receivables	590,101	590,101	1,151,752	1,151,752
Operating and other receivables	671,135,194	671,135,194	533,873,130	533,873,130
Cash and cash equivalents	31,684,098	31,684,098	293,051,719	293,051,719
Total	**715,032,875**	**715,032,875**	**828,188,101**	**828,188,101**
Derivative financial liabilities at fair value	**0**	**0**	**25,123,651**	**25,123,651**
Derivatives (liabilities)	0	0	25,123,651	25,123,651
Non-derivative financial liabilities at amortised cost	**1,012,655,081**	**1,012,655,082**	**1,025,795,745**	**1,025,795,745**
Bank loans	277,906,767	277,906,767	470,497,515	470,497,515
Other financial liabilities	51,092,997	51,092,997	38,002,205	38,002,205
Operating and other liabilities	683,655,318	683,655,318	517,296,025	517,296,025
Total	**1,012,655,081**	**1,012,655,082**	**1,050,919,396**	**1,050,919,396**

The Company estimates that the carrying amount is a sufficient approximation for the fair value of its financial instruments, except for derivatives, which are recorded at fair value.

Carrying amounts and fair values of financial instruments (in EUR)	31/12/2023		Financial assets and liabilities at fair value by hierarchy as at 31/12/2023		
	Book value	Fair value	Level 1	Level 2	Level 3
Non-derivative financial assets at fair value	**111,500**	**111,500**	**0**	**0**	**111,500**
Financial assets available for sale	111,500	111,500			111,500
Derivative financial assets at fair value	**11,511,982**	**11,511,982**	**15,427,311**	**-3,915,329**	**0**
Derivatives (receivables)	11,511,982	11,511,982	15,427,311	-3,915,329	0
Non-derivative financial assets at amortised cost	**703,409,393**	**703,409,393**	**0**	**703,409,393**	**0**
Financial receivables	590,101	590,101		590,101	0
Operating and other receivables	671,135,194	671,135,194		671,135,194	0
Cash and cash equivalents	31,684,098	31,684,098		31,684,098	0
Total	**715,032,875**	**715,032,875**	**15,427,311**	**699,494,064**	**111,500**
Non-derivative financial liabilities at amortised cost	**1,012,655,082**	**1,012,655,082**	**0**	**1,012,655,082**	**0**
Bank loans	277,906,767	277,906,767		277,906,767	0
Other financial liabilities	51,092,997	51,092,997		51,092,997	0
Operating and other liabilities	683,655,318	683,655,318		683,655,318	0
Total	**1,012,655,082**	**1,012,655,082**	**0**	**1,012,655,082**	**0**

5.5.8 EVENTS AFTER THE REPORTING DATE

After the date of the statement of financial position, the following important events happened which did not have any effect on the 2023 financial statements:

In February 2024, the Company concluded loan agreements with commercial banks for an additional EUR 80,000,000 in revolving loans with a three-year maturity following the signing of the agreements.

In March and May 2024, the Company repaid to the owner an additional EUR 150,000,000 from the subsequent capital increases, received as a result of the decision of the SDH in December 2022. The Company repaid the total EUR 492,000,000 in subsequent capital increases to the state.

5.5.9 ADDITIONAL DISCLOSURES ON THE BASIS OF THE ELECTRICITY AND GAS SUPPLY ACTS

In 2011, the Company began generating electricity at a solar power plant in Velenje, and, in 2023, at the Prapretno solar plant and trading in gas. In relation to the Electricity Supply Act, the Gas Supply Act and the Rules on the Keys Used to Allocate Revenue, Expenses, Assets and Liabilities by Activity, the Company shall separately monitor the generation of electricity activity and the gas trading activity.

Indication of keys used to classify general revenue and costs and expenses to individual business segments

Holding Slovenske elektrarne records the revenue and expenses of the Company via payment orders, cost centres and profit centres. The Company records assets and liability primarily in business segments, intangible assets, property, plant and equipment and cost centres. Most cost centres and profit centres have been classified directly under individual activities or business segments, whereas a part of cost centres is general or indirect. The Company applies the distribution keys defined below to classify revenue, expenses and costs generated as part of the operation of the Company as a whole or by performing two or more activities and which cannot be classified directly. These distribution keys are reviewed on an annual basis and corrected in line with new facts.

The allocation of costs by cost centre and expenses by profit centre and establishing operating profit or loss by activity is based on the direct allocation of costs and expenses method which is a simple distribution calculation and the allocation of costs arising from empirical analyses, experiential knowledge and objectives of the Company.

The costs of general business functions belonging to indirect cost centres are allocated subject to the agreed keys. These are calculated on an annual basis, namely by establishing the proportion of net revenue generated from gas and electricity generated from solar shown in the total net revenue. The same percentage is used to reallocate general costs to the gas and photovoltaic power plant profit centres.

Statement of the financial position by business segment

Data used to compile the Statement of financial position by business segment - activity are drawn from the general ledger and subsidiary accounts subject to reconciled balances as at the balancing date. All documents recorded as accounting documents shall contain a designation of their respective cost or profit centre. Only documents completed in such a way are deemed complete accounting documents. The operating profit or loss shall be established using the income statement by profit centre and it shall either increase or debit capital items by activity.

The financial position statement of the electricity generated at the solar power plant and gas was drawn up in accordance with the following rules:

- the property, plant and equipment in the disclosure of production equipment shows the carrying amount of the solar power plant and the gas trading software,
- the value of gas is posted in inventories,
- current operating receivables show receivables from the buyers of electricity and gas and the input value added tax,
- profit or loss of individual activities and the difference between assets and liabilities in the statement of financial position are disclosed in capital,
- current operating liabilities show trade payables for the operation and maintenance of the solar power plant and gas and the output value-added tax and liabilities related to corporate tax.

5.5.9.1 Financial position statement as at 31 December 2023

Statement of financial position as at 31/12/2023 (in EUR)	Trading with electricity	SPP production	Trading with gas	2023
ASSETS	**1,953,981,891**	**3,522,870**	**6,655,889**	**1,964,160,650**
A. NON-CURRENT ASSETS	**1,217,756,347**	**2,819,961**	**184,025**	**1,220,760,333**
I. Intangible assets	352,347,993	0	0	352,347,993
II. Property, plant and equipment	17,552,544	2,819,961	184,025	20,556,530
III. Right of use assets	2,862,139	0	0	2,862,139
IV. Financial investments in subsidiaries	790,496,732	0	0	790,496,732
V. Other financial investments and loans	41,070,442	0	0	41,070,442
VI. Operating receivables	13,037,972	0	0	13,037,972
VIII. Deferred tax receivables	388,525	0	0	388,525
B. CURRENT ASSETS	**736,225,545**	**702,909**	**6,471,864**	**743,400,318**
II. Inventories	40,353,419	0	1,009,715	41,363,134
III. Financial investments	400,101	0	0	400,101
IV. Trade receivables	557,872,909	1,855	2,467,406	560,342,170
V. Contract assets	2,678,758	0	0	2,678,758
VI. Tax receivables	-180,485	0	180,485	0
VII. Other assets	106,832,469	0	99,588	106,932,057
VIII. Cash and cash equivalents	28,268,374	701,054	2,714,670	31,684,098

Statement of financial position as at 31/12/2023 (in EUR)	Trading with electricity	SPP production	Trading with gas	2023
EQUITY AND LIABILITIES	**1,953,981,892**	**3,522,870**	**6,655,889**	**1,964,160,651**
A. EQUITY	**939,246,072**	**3,281,591**	**4,197,115**	**946,724,778**
I. Called-up capital	29,558,789	0	0	29,558,789
II. Capital reserves	704,416,075	2,653,738	4,173,372	711,243,185
III. Reserves from profit	107,744,824	0	0	107,744,824
IV. Risk hedging reserve	-4,858,979	0	-716,542	-5,575,521
V. Fair value reserves	-384,441	0	0	-384,441
VI. Retained profit/loss	102,769,804	627,853	740,285	104,137,942
B. NON-CURENT LIABILITIES	**237,410,428**	**195,355**	**0**	**237,605,783**
I. Provisions for severance pays and anniversary bonuses	2,095,228	0	0	2,095,228
II. Other provisions	49,418	0	0	49,418
III. Other liabilities	2,292,367	0	0	2,292,367
IV. Financial liabilities	231,016,317	0	0	231,016,317
V. Financial liabilities from leases	2,152,453	0	0	2,152,453
C. CURRENT LIABILITIES	**777,325,392**	**45,924**	**2,458,774**	**779,830,090**
II. Financial liabilities	95,108,236	0	0	95,108,236
III. Financial liabilities from leases	722,758	0	0	722,758
IV. Operating liabilities	326,790,227	335	2,194,826	328,985,388
V. Pogodbene obveznosti	21,946,564	0	0	21,946,564
VI. Tax liabilities	41,372,210	45,589	0	41,417,799
VII. Other liabilities	291,385,397	0	263,948	291,649,345

Income statement by profit centre

Revenue
Revenue shall be established on a monthly and on a cumulative basis by profit centre. By issuing an invoice, the Back Office defines the profit centre that the charged revenue belongs to. Revenue shall be established and allocated into operating and financial revenue. As a rule, revenue is direct.

Operating revenue
Operating revenue shall be allocated directly to the profit centre subject to the chart of accounts of the general ledger and shall be combined into types of revenue by purpose and profit centre.

Financial income
Due to negligible values of generated income, financial income shall be allocated to individual profit centres of the electricity trading business segments.

Expenses
Expenses are divided into operating and financial expenses.

The Company shall divide costs by type and centre. By classifying costs by nature, these shall be divided into costs of materials, costs of services, depreciation costs, labour costs and other operating and financial expenses. Costs of materials, services, depreciation, labour and other operating expenses shall be handled separately as either direct or indirect costs.

A cost centre is a purposefully, spatially or physically complete part of a Company where or in relation to costs are generated during operations which can be allocated to various cost centres and who is responsible for them. Realised costs shall be allocated by cost centre subject to accounting documents on their generation. All accounting documents shall indicate the respective cost centre or profit centre (expenses) that the cost/expense refers to. Specific costs/expenses may be directly allocated to cost centres/profit centres, whereas others may be allocated on the basis of cost allocators. Cost allocation methods are discussed below by cost type.

Overview of costs and expenses and their respective allocations:

All costs entered into the books at indirect cost centres shall be allocated subject to relevant distribution keys. These shall be calculated on an annual basis subject to the established key calculated from the proportion of revenue for generated electricity from generation units and the proportion of generated revenue from gas trading in the total net revenue.

Financial costs shall be allocated to individual profit centres of the business segments of electricity trading.

The income statement of electricity generated at the solar power plant and gas trading was thus drawn up in accordance with the following rules:
- the value of invoices issued to buyers of electricity generated by the solar power plant and gas trading is shown among net operating revenue,
- costs of materials and services show costs related to the maintenance and operation of the solar power plant and gas trading,
- labour costs refer to the wages of employees in individual activities,
- depreciation costs refer to the depreciation of the SPP and the software, and
- the current tax is calculated as corporate income tax based on the operating result of the activity.

5.5.9.2 Income Statement for 2023

Income Statement for 2023 (in EUR)	Trading with electricity	SPP production	Trading with gas	2023
1. Net sales revenues	5,094,218,049	358,350	21,493,995	5,116,070,394
2. Other operating income	52,038,752	0	35,061	52,073,813
GROSS OPERATING INCOME	**5,146,256,801**	**358,350**	**21,529,056**	**5,168,144,207**
5. Costs of goods, materials and services	4,629,578,895	9,489	21,473,108	4,651,061,492
6. Labour costs	18,735,710	1,497	62,875	18,800,082
7. Value write-offs	2,269,238	105,062	20,447	2,394,747
8. Other operating expenses	43,119,066	3,452	1,776	43,124,294
OPERATING PROFIT/LOSS	**452,553,892**	**238,850**	**-29,150**	**452,763,592**
9. Financial revenue	4,568,037	0	0	4,568,037
10. Financial expenses	49,477,713	0	0	49,477,713
FINANCIAL OUTCOME	**-44,909,676**	**0**	**0**	**-44,909,676**
PROFIT (LOSS) BEFORE TAX	**407,644,216**	**238,850**	**-29,150**	**407,853,916**
TAX	**41,360,861**	**45,381**	**0**	**41,406,242**
11. Current tax	41,372,418	45,381	0	41,417,799
12. Deferred tax	-11,557	0	0	-11,557
NET PROFIT/LOSS FOR THE YEAR	**366,283,355**	**193,469**	**-29,150**	**366,447,674**

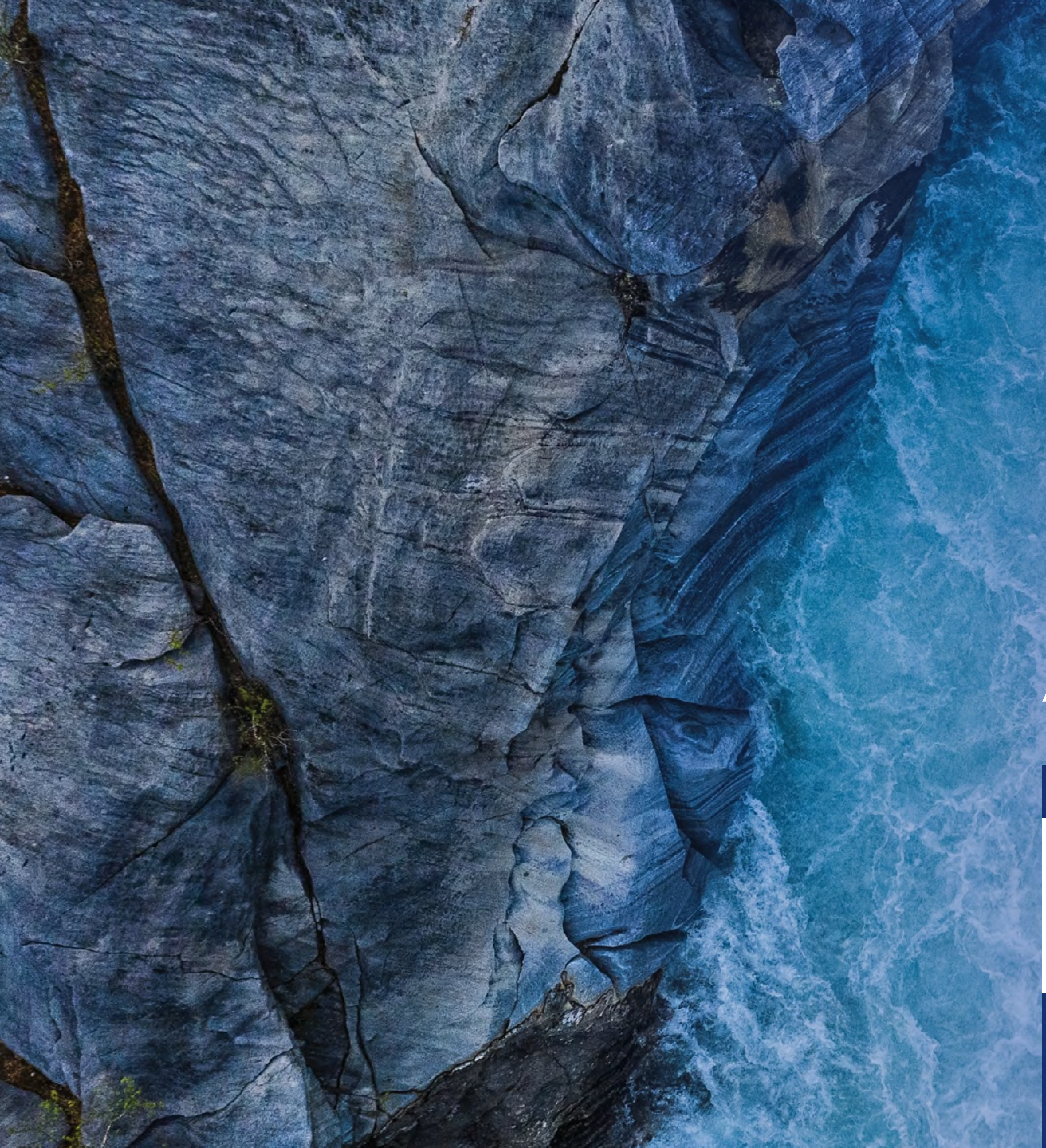
SIGNING THE 2023 ANNUAL REPORT AND ITS INTEGRAL PARTS

The Management Board of HSE hereby declares to be acquainted with the content of the integral parts of the Annual Report of HSE and the HSE Group for 2023 and thereby also with the entire annual report of HSE and the HSE Group for 2023. It is agreed therewith as duly confirmed by our signatures.

In Ljubljana, on 21 June 2024

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE



APPENDIX

"Strength does not come from physical capacity. It comes from an indomitable will."
Gandhi

06

6.1 GRI Index[14]

INDICATOR	DISCLOSURE	CHAPTER
GRI 100: STANDARD DISCLOSURES		
GRI 101: Basis 2018		
GRI 102: General disclosures		
Organisational profile		
102-1	Organisation name	About the Company
102-2	Primary activities, trademarks, products and services	Presentation of the HSE Group
102-3	Organisation head office	About the Company
102-4	Countries where the organisation operates	Presentation of the HSE Group
102-5	Ownership and legal form	About the Company
102-6	Markets where organisation is present	Presentation of the HSE Group
102-7	Size of organisation (the number of employees, the number of activities, sales revenue, liabilities/capital, and the number of products or services)	Operating highlights of the HSE Group and HSE Presentation of the HSE Group Sustainable development of the HSE Group
102-8	Data on employees (Type of employee, gender, region)	Presentation of the HSE Group Sustainable development of the HSE Group
102-9	Supplier chain management	Sustainable development of the HSE Group
102-10	Significant changes during reporting period	Chronology of important events of the HSE Group in 2023 Business performance analysis of the HSE Group
102-11	Disclosure whether and how the organisation applies the precautionary principle	Sustainable development of the HSE Group
102-13	Membership in organisations and associations	Sustainable development of the HSE Group
102-14	Statement from the management board	Statement from the management board

INDICATOR	DISCLOSURE	CHAPTER
Ethics and integrity		
102-15	Key impacts, risks, and opportunities	Market environment of the electricity industry Risk management of the HSE Group
102-16	Values, principles, standards and rules of conduct, such as ethical code, compliance of operations and corporate integrity	The business policy of the HSE Group
102-17	Education about ethical operation and mechanisms of reporting unethical conduct	Sustainable development of the HSE Group
Management		
102-18	Management structure	About the Company Statement on corporate governance of HSE
102-20	Management's responsibility for economic, environmental and social topics	Statement on corporate governance of HSE Sustainable development of the HSE Group
102-22	Management and committee structure	About the Company
102-23	Highest management body	About the Company
102-24	Method of appointment and selection for the highest management body	Statement on corporate governance of HSE
102-25	Prevention of conflict of interest	Statement on corporate governance of HSE Risk management of the HSE Group Sustainable development of the HSE Group
102-28	Evaluation of management performance	Report of the Supervisory Board of HSE Sustainable development of the HSE Group
102-30	Efficiency of managing economic, environmental and social risks	Risk management of the HSE Group Development strategy of the HSE Group Sustainable development of the HSE Group

14 GRI: 102-55.

the text continues on the next page

INDICATOR	DISCLOSURE	CHAPTER
The inclusion of stakeholders		
102-40	The list of groups of stakeholders cooperating with the organisation	Sustainable development of the HSE Group
102-41	Collective contracts in Group	Sustainable development of the HSE Group
102-42	The basis for identifying and selecting stakeholders with whom to engage	Sustainable development of the HSE Group
102-43	Approach to stakeholder engagement, including frequency of engagement	Sustainable development of the HSE Group
Data about the report		
102-45	List of entities included in the consolidated financial statements	Business performance analysis of the HSE Group
102-46	Defining report content and topic boundaries	Statement on corporate governance of HSE Sustainable development of the HSE Group
102-48	The effects of changes of data from preliminary reports and reasons for changes	Operating highlights of the HSE Group Business performance analysis of the HSE Group Sustainable development of the HSE Group
102-49	Significant changes compared to previous reporting period with regard to the delimitation of scope and aspects	Operating highlights of the HSE Group and HSE Presentation of the HSE Group Sustainable development of the HSE Group
102-50	Reporting period	About the Company
102-51	Date of the most recent report	About the Company
102-52	Reporting cycle	About the Company
102-53	Contact information for questions regarding the report	Sustainable development of the HSE Group
102-54	Statement of conformity with the GRI Standard	Sustainable development of the HSE Group
102-55	Index according to GRI guidelines	GRI index

INDICATOR	DISCLOSURE	CHAPTER
GRI 103: Topic management		
Managerial approach		
103-1 **103-2** **103-3**	Key topics and their limits, management's approach and approach evaluation	Statement on corporate governance of HSE Market environment of the electricity industry Business performance analysis of the HSE Group Risk management of the HSE Group Development strategy of the HSE Group Sustainable development of the HSE Group
GRI 200: ECONOMIC EFFECTS		
GRI 201: Economic aspects		
Economic performance		
201-1	Direct economic value generated and distributed (revenues, operating costs, employee wages and benefits, payments to providers of capital, taxes, donations, and other community investments)	Operating highlights of the HSE Group and HSE Business performance analysis of the HSE Group Financial statement
201-2	Financial consequences and other risks due to climate change	Market environment of the electricity industry Risk management of the HSE Group Development strategy of the HSE Group Sustainable development of the HSE Group
201-4	Financial assistance received from government (subsidies, tax relief, guarantees)	Transparency of financial relations
GRI 203: Indirect economic effects		
203-1	Infrastructure investments and services supported (impact on local communities)	
GRI 205: Anti-corruption		
205-1	Number of identified corruption risks	Sustainable development of the HSE Group
205-2	Communication and training about anti-corruption policies and procedures	Sustainable development of the HSE Group

the text continues on the next page

INDICATOR	DISCLOSURE	CHAPTER
GRI 300: ENVIRONMENTAL IMPACTS		
GRI 301: Materials		
301-1	Materials used by weight and volume	Sustainable development of the HSE Group
GRI 302: Energy		
302-1	Energy consumption within the organisation	Sustainable development of the HSE Group
302-2	Energy consumption outside the organisation	Sustainable development of the HSE Group
302-3	Energy intensity	Sustainable development of the HSE Group
302-4	Reduction of energy consumption	Sustainable development of the HSE Group
GRI 303: Water		
303-1	Interactions with water as a shared resource (surface water, groundwater, waste…)	Sustainable development of the HSE Group
303-2	Sources of water withdrawal	Sustainable development of the HSE Group
303-4	Wastewater	Sustainable development of the HSE Group
303-5	Water consumption	Sustainable development of the HSE Group
GRI 304: Biodiversity		
304-1	Operational sites in protected areas and areas of high biodiversity value	Sustainable development of the HSE Group
304-2	Impacts of activities on biodiversity in protected areas	Sustainable development of the HSE Group
304-3	Protected and restored habitats	Sustainable development of the HSE Group
GRI 305: Emissions		
305-1	Direct greenhouse gas emissions	Sustainable development of the HSE Group
305-2	Indirect greenhouse gas emissions	Sustainable development of the HSE Group
305-3	Other indirect greenhouse gas emissions	Sustainable development of the HSE Group
305-4	Intensity of greenhouse emissions	Sustainable development of the HSE Group
305-5	Reduction of greenhouse emissions	Sustainable development of the HSE Group

INDICATOR	DISCLOSURE	CHAPTER
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_2), and other significant air emissions	Sustainable development of the HSE Group
GRI 305: Sewage and waste		
306-3	Waste by type and disposal method by weight	Sustainable development of the HSE Group
306-5	Waste for removal	Sustainable development of the HSE Group
GRI 307: Environmental compliance		
307-1	Financial value of fines and the number of non-financial sanctions due to nonconformity with environmental legislation	Sustainable development of the HSE Group
GRI 400: SOCIAL EFFECTS		
GRI 401: Employment		
401-1	New recruitment and fluctuation of employees	Sustainable development of the HSE Group
401-3	Number of employees that utilised parental leave (by gender)	Sustainable development of the HSE Group
GRI 403: Occupational health and safety		
403-1	Occupational Health and Safety Management System	Sustainable development of the HSE Group
403-2	Hazard identification, risk assessment, and incident investigation	Sustainable development of the HSE Group
403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainable development of the HSE Group
403-5	Worker training on occupational health and safety	Sustainable development of the HSE Group
403-6	Promotion of employee health	Sustainable development of the HSE Group
403-9	Work-related injuries (number, causes, and rate of work-related injuries)	Sustainable development of the HSE Group
403-10	Occupational diseases (number, reasons, and type of diseases)	Sustainable development of the HSE Group

the text continues on the next page

INDICATOR	DISCLOSURE	CHAPTER
GRI 404: Emissions		
404-1	Average number of training hours per year per employee by gender and employee category	Sustainable development of the HSE Group
404-2	Programmes for upgrading skills and knowledge transfer programmes	Sustainable development of the HSE Group
404-3	Percentage of total employees receiving regular performance and career development reviews by gender and employee category	Sustainable development of the HSE Group
404-4	Training and education	Sustainable development of the HSE Group
GRI 405: Diversity and equal opportunities		
405-1	Structure of management bodies and employee structure by categories (age, gender, other relevant indicators)	Statement on corporate governance Sustainable development of the HSE Group
GRI 406: Non-discrimination		
406-1	Total number of incidents of discrimination and corrective actions taken	Sustainable development of the HSE Group

INDICATOR	DISCLOSURE	CHAPTER
GRI 412: Human rights		
412-1	Number of cases, reviewed due to violation of human rights	Sustainable development of the HSE Group
412-2	Employee training on human rights policies and procedures and abuse reporting methods	Sustainable development of the HSE Group
GRI 413: Cooperation with local communities		
413-1	Cooperation with local communities, impact assessment and development programmes	Sustainable development of the HSE Group
413-2	Activities with actual and potentially negative impacts on the local community	Sustainable development of the HSE Group
GRI 415: Public policies		
415-1	Contributions to public policies	Sustainable development of the HSE Group
GRI 419: Socio-economic conformity		
419-1	Non-conformity with laws and rules in the social and economic field (penalties, fines, and pending procedures)	Sustainable development of the HSE Group

6.2 Abbreviations

AJPES	Agency of the Republic of Slovenia for Public and Legal Records and Services
ARRS	Slovenian Research Agency
ARSO	Slovenian Environment Agency
BDP	Gross Domestic Product (GDP)
BHEE	Battery storage
CBAM	Carbon Border Ajustment Mechanism
CSRD	Corporate Sustainability Reporting Directive
CV	Management centre
ČHE	Pumped-storage hydropower plant
DARS	Motorway Company in the Republic of Slovenia
DDV	Value Added Tax (VAT)
DEM	Dravske elektrarne Maribor d.o.o.
DGD	Documentation for obtaining a construction permit
DIIP	Investment Project Identification Document
DPN	National Spatial Plan
DPP	Family Friendly Company
E+	Energija plus d.o.o.
EBIT	Operating profit/loss
EBITDA	Operating profit/loss with value write-offs
ECB	European Central Bank
EE	Electricity
EES	Electricity system
EGS-RI	Electricity economy of Slovenia

EIB	European Investment Bank
EK	European Commission
ELES	ELES d. o. o., transmission system operator (TSO)
EMIR	Regulation on OTC derivatives, central counterparties and trade repositories
ESRS	European Sustainability Reporting Standards
EU	European Union
EU ETS	European Union Emissions Trading System
EUR/€	Euro
FE	Photovoltaic power plant
FED	Federal Reserve System
FSRU	Floating Storage Regasification unit
GE	Geothermal power plant
GRI	Global Reporting Initiative
GZS	Chamber of Commerce and Industry of Slovenia
HE	Hydro-electric power plant
HESS	Hidroelektrarne na Spodnji Savi d.o.o.
HSE	Holding Slovenske elektrarne d.o.o.
HSE BE	HSE Balkan Energy d.o.o.
HSE BH	HSE Bosna in Hercegovina d.o.o.
HSE EDT	HSE Energetska družba Trbovlje d.o.o.
HSE MAK	HSE Mak Energy DOOEL
HTZ	HTZ harmonija tehnologije in znanja invalidsko podjetje d.o.o. Velenje
IKT	Information-communications technology

the text continues on the next page

IP	Investment programme
IPCC	The Intergovernmental Panel on Climate Change
IS	Information system
ISDA	International Swaps and Derivatives Association
ISO	International Organization for Standardization
ISO/IEC	Information Security Management System
IT	Information technology
JROS	"Joint Resource Optimization and Scheduler" project
JTF	Just Transition Fund
LNG	Liquefied natural gas
LRF	Linear Reduction Factor
MF	Ministry of Finance
mHE	Small-scale hydroelectric power station
MiFID	The Markets and Financial Instruments Directive
MNVP	Ministry of Natural Resources and Spatial Planning
MOPE	Ministry of the Environment, Climate and Energy
MORS	Ministry of Defence
MRS	International Accounting Standards (IAS)
MSR	Market Stability reserve
MSRP	International Financial Reporting Standards (IFRS)
MZI	Ministry of Infrastructure
NAHV	North Adriatic Hydrogen Valley
NCKU	National Crisis Management Centre
NEK	Nuklearna elektrarna Krško d.o.o.
NEPN	National Energy and Climate Plan (NECP) of the Republic of Slovenia
OHSAS	Occupational Health and Safety Management System

OP	Environmental Report
OPEC	The Organization of the Petroleum Exporting Countries
OPMSRP	IFRS International Interpretations Committee
OPPN	Municipal detailed spatial plan
OVE - RES	Renewable energy sources
OZN	United Nations (UN)
PLP	PLP Lesna industrija d.o.o. Velenje
PoI	Certificates of Origin
PPE	COGAS power plant
PV	Premogovnik Velenje d.o.o.
PVO	Environmental Impact Assessment (EIA)
REMIT	The Regulation on Wholesale Energy Market Integrity and Transparency
RGP	RGP Rudarski gradbeni program d.o.o.
RS	Republic of Slovenia
SDH	Slovenski državni holding d.d.
SEL	Savske elektrarne Ljubljana d. o. o.
SENG	Soške elektrarne Nova Gorica d.o.o.
SI-CERT	National computer security incident response team
SIPOTEH	SIPOTEH Strojna in proizvodna oprema d.o.o.
SODO	Electricity distribution system operator
SONDO	Electricity distribution network codes
SOPO	Transmission system operator (TSO)
SOVA	Slovenian Intelligence and Security Agency
SRESA	Srednjesavske elektrarne d.o.o.
SRF	Solid Recovered Fuels Non-hazardous waste recovered fuels

the text continues on the next page

STS	Slovenian Technical Approval
SUVI	IT security management system
ŠV	Variant study
TE	Thermal power plant
TEŠ	Termoelektrarna Šoštanj d.o.o.
UE	Administrative Unit
UNV	Regulation on the most appropriate variant
URE	Energy efficiency
URSZR	The Administration for Civil Protection and Disaster Relief of the Republic of Slovenia
USD	US Dollar
VE	Wind farm
VOC	Security Operating Centre
VZD	Occupational health and safety
USA	United States of America (USA)
ZFPPIPP	Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act
ZGD	Companies Act
ZIUPRPK	Act on intervention measures to prevent harmful consequences in the extension of mining rights and concessions
ZOEE	Electricity Supply Act
ZPFOLERD	Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act
ZPIZ	Pension and Disability Insurance Institute of Slovenia
ZPKEEKP	Act on the Guarantee of the Republic of Slovenia for the Obligations from Credits Taken Out to Ensure Liquidity on the Organized Electricity Markets and Emission Coupons and Obligations from the Purchase Additional Quantities of Natural Gas Outside the European Union Market
ZSDH	Slovenian Sovereign Holding Act
ZUOKPOE	Act on Measures for Management of Crisis Conditions in the Field of Energy Supply
ZURE	Act on Energy Efficiency
ZUREP	Spatial Planning Act
ZVZD	Health and Safety at Work Act

6.3 About us in brief

Holding Slovenske elektrarne d.o.o.

Tomaž Štokelj, CEO
Uroš Podobnik, CBO

Koprska ulica 92
1000 Ljubljana, Slovenia
+ 386 1 47 04 100

info@hse.si
www.hse.si

Dravske elektrarne Maribor d.o.o.

Damjan SEME, CEO

Obrežna ulica 170
2000 Maribor, Slovenia
+ 386 2 30 05 000

info@dem.si
www.dem.si

Soške elektrarne Nova Gorica d.o.o.

Mitja GORJAN, CEO

Erjavčeva ulica 20
5000 Nova Gorica, Slovenia
+ 386 5 33 96 310

seng@seng.si
www.seng.si

Srednjesavske elektrarne d.o.o.

Matjaž EBERLINC, CEO

Ob železnici 27
1420 Trbovlje, Slovenia

Termoelektrarna Šoštanj d.o.o.

Branko DEBELJAK, CEO

Cesta Lole Ribarja 18
3325 Šoštanj, Slovenia
+ 386 3 89 93 100

info@te-sostanj.si
www.te-sostanj.si

HSE – Energetska družba Trbovlje d.o.o.

Ervin RENKO, CEO

Ob železnici 27
1420 Trbovlje, Slovenia
+ 386 47 04 400

info@hse-edt.si
www.hse-edt.si

Premogovnik Velenje d.o.o.

Marko MAVEC, CEO
Janez ROŠER, CEO

Partizanska cesta 78
3320 Velenje, Slovenia
+ 386 3 89 96 100

info@rlv.si
www.rlv.si

HTZ Velenje I.P. d.o.o.

Damijan KANDUTI, CEO

Partizanska cesta 78
3320 Velenje, Slovenia
+ 386 3 89 84 000

htz@rlv.si
www.htz.si

SIPOTEH d.o.o.

Iztok KIKEC, CEO

Partizanska cesta 78
3320 Velenje, Slovenia
+ 386 3 89 96 419

info@sipoteh.si
www.sipoteh.si

PLP d.o.o.

Damjan LESNJAK, CEO

Partizanska cesta 78
3320 Velenje, Slovenia
+ 386 3 89 96 200

info-plp@rlv.si
www.plp.si

RGP d.o.o.

Aleksander ERKIĆ, CEO

Rudarska cesta 6
3320 Velenje, Slovenia
+ 386 2 30 05 855

info@rgp.si
www.rgp.si

HSE Invest d.o.o.

Jure ŠIMIC, CEO

Obrežna ulica 170
2000 Maribor, Slovenia
+ 386 2 30 05 992

info@hse-invest.si
www.hse-invest.si

the text continues on the next page

ECE d.o.o.

Sebastijan ROUDI, CEO

Vrunčeva ulica 2a
3000 Celje, Slovenia
+ 386 80 22 04

info@ece.si
www.ece.si

ENERGIJA PLUS d.o.o.

Alan PERC, CEO

Vetrinjska ulica 2
2000 Maribor, Slovenia
+386 80 21 15

info@energijaplus.si
www.energijaplus.si

SOENERGETIKA d.o.o.

Aleš AŽMAN, CEO

Stara cesta 3
4000 Kranj, Slovenia
+ 386 4 20 83 531

HSE BH d.o.o.

Zlatko SAHADŽIĆ, CEO

Ulica Alije Isakovića br. 1
71000 Sarajevo, Bosnia and Herzegovina
+ 387 33 26 64 95

hse.bh@hse.si

HSE BE d.o.o.

Irena STARE, CEO
Drago SKORNŠEK, CEO

Milutina Milankovića 27
11070 Novi Beograd, Serbia
+ 381 11 31 15 586

balkan.energy@hse.si

HSE MAK ENERGY DOOEL

Drago SKORNŠEK, CEO
Matej Erik WAGNER, CEO

Blvd. »Ilinden« No. 47/1-2
1000 Skopje, North Macedonia

info@hse.si

Podružnica HSE Praga

Drago SKORNŠEK, branch manager

Pražská 636
252 41 Dolni Břežany Czech Republic
+ 42 60 32 52 259

hse.praha@hse.si