The power of energy

The largest source of green energy in Slovenia.

Almost 60% of our electricity in 2024 will come from Slovenian rivers and the sun – from renewable sources that are the foundation of the Green Transition.

hse Group
LET'S ACCELERATE TO GREEN

ANNUAL REPORT

HSE GROUP AND HSE COMPANY

FOR YEAR 2024

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1 Introduction

The power of innovation

We are building the future of the Green Transition through investment in renawable energy sources.

We are pursuing a development path towards a green transition and meeting our climate and energy targets.

1.1 Operational highlights of the HSE Group and HSE Company

Revenue in EUR

HSE Group

2024 → 3,613,161,955

2023 → 5,118,949,790

HSE Company

2024 → 3,638,921,007

2023 → 5,172,712,244

EBITDA in EUR

HSE Group

2024 → 579,701,492

2023 → 642,917,063

HSE Company

2024 → 429,819,050

2023 → 455,158,339

Net profit or loss in EUR

HSE Group

2024 → 232,766,309

2023 → 390,831,261

HSE Company

2024 → 210,490,452

2023 → 366,447,674

Assets in EUR

HSE Group

2024 → 1,694,968,420

2023 → 2,393,294,417

HSE Company

2024 → 1,702,475,940

2023 → 1,964,160,650

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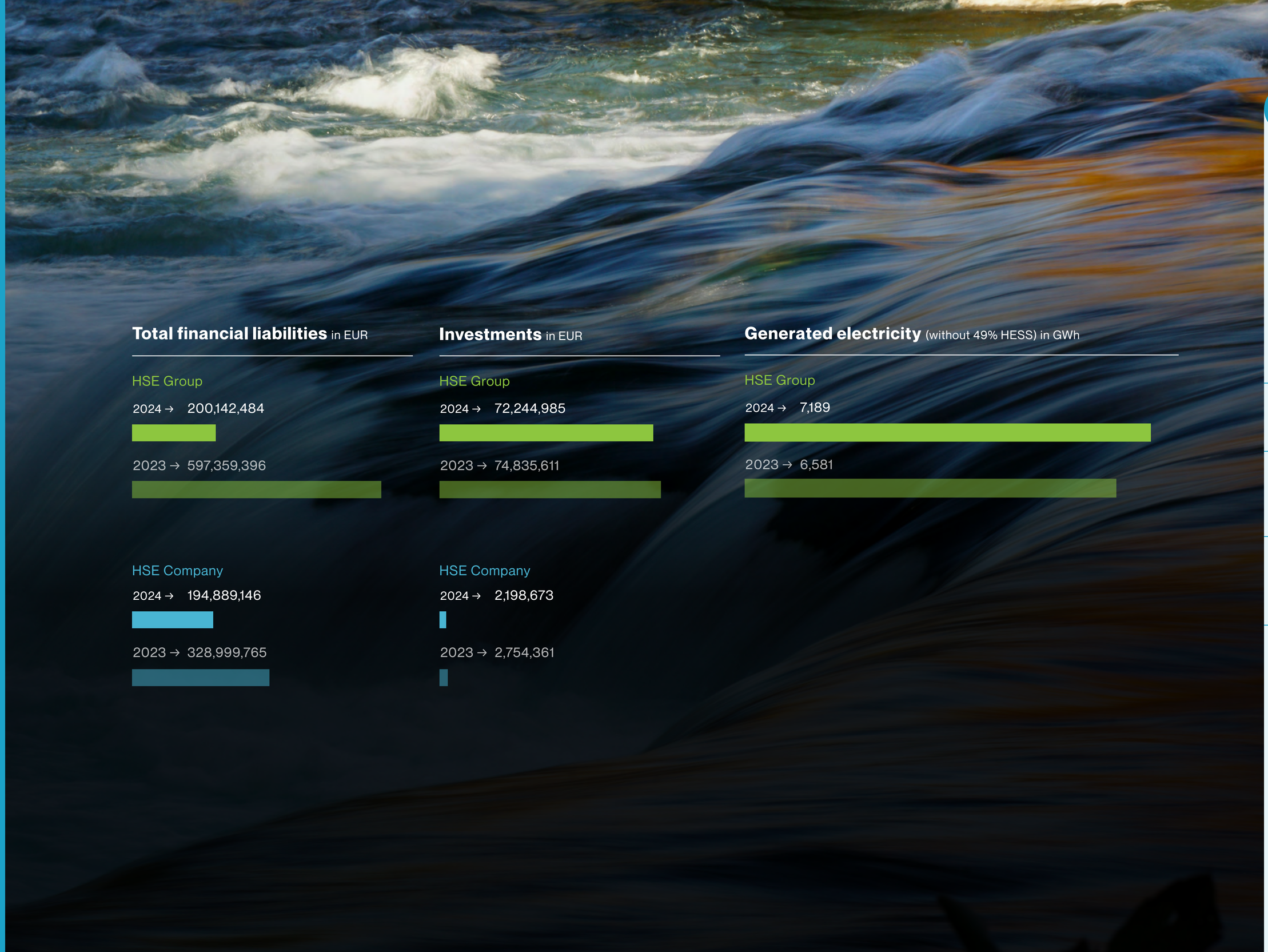

Total financial liabilities in EUR

HSE Group

2024 → 200,142,484

2023 → 597,359,396

HSE Company

2024 → 194,889,146

2023 → 328,999,765

Investments in EUR

HSE Group

2024 → 72,244,985

2023 → 74,835,611

HSE Company

2024 → 2,198,673

2023 → 2,754,361

Generated electricity (without 49% HESS) in GWh

HSE Group

2024 → 7,189

2023 → 6,581

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1.2 Statement from the Management Board

2024: A SOLID FOUNDATION FOR OVERCOMING NEW CHALLENGES

Tomaž Štokelj, Ph.D.
CEO of HSE

Uroš Podobnik
CBO of HSE

HSE Group, Slovenia's largest electricity group and the driving force behind Slovenia's green transition, has completed another successful financial year. Our balanced generation portfolio makes us a key pillar for reliable electricity supply in Slovenia for attaining Slovenia's national renewable energy objectives. In all major areas, we met or exceeded our targets. At 7,189 gigawatt hours, electricity generation from the HSE Group power plants exceeded the annual plan by 18% and is 9% higher than in 2023. More than 57%, or 4,118 gigawatt hours, were generated from renewable energy sources. The HSE Group's EBITDA for 2024 is EUR 580 million and net profit is EUR 233 million. The HSE Group's excellent performance is the result of several factors, from the successful optimisation of sales and operations of our own production to the continuous optimisation and improvement of business processes, as well as well-considered business decisions and sales and marketing strategies aimed at creating added value for all our key stakeholders. In addition, the HSE Group was also cost-efficient in 2024: almost all cost items were lower than planned.

We started a successful year 2024 with the signing of the agreement and the start of the supply of electricity from the Ugljevik Thermal Power Plant to Slovenia. This is a significant achievement of the successful conclusion of the arbitration proceedings in Belgrade and of the negotiations and all activities aimed at enforcing the EGS-RI rights, which have been led by HSE for more than a decade. HSE considers the signed agreements on the re-supply of one-third of the electricity generated at the Ugljevik thermal power plant and the payment of the principal of the compensation for the past non-delivered electricity in the amount of EUR 67 million as a remarkable success in the enforcement of the rights of the Slovenian electricity industry on the basis of past investments.

In May 2024, after only one and a half years, we returned to the owner the last EUR 75 million of the EUR 492 million capital injection made in 2022. We also paid another EUR 100 million in dividends to the state budget by the end of 2024.

In 2024, HSE Group continued to deliver reliable electricity to its customers. Our retail companies, ECE and Energija plus, which became wholly owned by HSE last year, already supply electricity to more than 270,000 households. The two companies are also already showing the first synergies in the expansion of the offer in the electricity and natural gas sales products and upgraded services within the energy solutions. We want to be not only the largest electricity producer in Slovenia, but also an important and reliable supplier with competitive prices and a wide range of products and solutions that will encourage customers to play an active role in the green transition. We therefore plan to further strengthen this area and expand the customer base for our energy products and services. It is worth noting here that in 2024, as in the year before, HSE covered the costs of price regulation for household customers of ECE and Energija plus.

The HSE Group also remains the largest producer of electricity from renewable sources

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in Slovenia. All our development plans are aimed at achieving our climate and energy targets and the green transition, and we will use all available renewable energy sources to do so.

We have already made some important progress on green projects and investments in 2024:

- In 2024, almost 60% of our generation will come from hydroelectric power plants on Slovenian rivers, which provide stability to our electricity system, and from photovoltaic power plants, where we have seen significant developments in recent years. If in 2020 we were still generating electricity from the sun for around three hundred households, by 2024 we will have generated electricity for more than two thousand. Last year, we also successfully completed the process to obtain a building permit for the upgrade of the Prapretno photovoltaic power plant in a degraded area above Trbovlje. The total power output of the Prapretno 1–3 photovoltaic power plant will be almost 10 megawatts, and the project will also include the installation of a battery storage, which will further improve the plant's operational capabilities and have a positive impact on the economics of the investment itself. The first kilowatt hours from the more powerful plant are expected this year.
- The procedures for the Dekani photovoltaic power plant in Primorska, a photovoltaic power plant on degraded land near Maribor, and photovoltaic power plants on the banks of the intake canals of our largest hydropower plants, Formin and Zlatoličje, are also nearing completion. The first kilowatt hours of electricity generated from the sun will arrive from the Kanalski vrh photovoltaic power plant already this year.
- We have continued with the siting of the lower three hydropower plants planned on the middle Sava River (Trbovlje HPP, Renke HPP and Suhadol HPP), where we are currently in the phase of assessing the acceptability of the environmental report.
- We have devoted considerable attention to the implementation of the Kozjak pumped-storage hydropower plant project, for which we have revised the technical documentation in 2024 and are currently in the process of carrying out various studies and field surveys.
- A particular challenge in 2024 was the planning of new energy projects to sustain the energy site in the Šalek Valley and its transformation following the implementation of the Act on Transitional Financing of Accelerated and Fair Coal Phase-out, which was also one of the key challenges in 2024. We founded HSE SaŠa and started planning the first floating solar power plant in Slovenia and the largest in this part of Europe, FSPP Družmirje. This unique power plant, which is the basis for most of our plans in the SaŠa region (hydrogen projects, heat pump heating, battery storage, etc.), is currently in the phase of preparation of the environmental report and the national spatial plan, and the construction could start as early as next year.
- There are also signs of significant developments in wind power generation, with last year's adoption of the regulation on the National Spatial Plan for the Ojstrica wind power plant and, at the time of issue of this report, the HSE Group's first wind power plant, Mali Log, already in operation.

The HSE Group's vision is to further strengthen our role as a leading Slovenian electricity producer and retailer, and as a pillar of the sustainable energy transition in Slovenia, which is also enabled by the transfer of the HSE Group's thermodivision to the State in 2024. We will therefore continue our transformation towards a sustainability-oriented Group by way of the carried-out investments. Only that will allow us to continue to provide stable and environment-friendly electricity and system services, aware that this is the only way to continue to provide stable and environment-friendly electricity.

The future we are entering in 2024 has therefore been given a solid foundation to meet the new challenges. The first and fundamental challenge is to accelerate the siting of new energy facilities. At HSE Group level, we are planning investments of around EUR 120 million in new production facilities and reconstruction of existing ones in 2025. As always, we will pay particular attention to cooperation and communication with local communities. We know that only through constructive cooperation, aimed at mutual satisfaction and benefit, can we add real value to the environment and to new energy facilities. We will also continue to focus on risk management, streamlining operations and adapting to IT trends. We will also pay special attention to expanding our operations beyond Slovenia's borders. We are already present as an electricity trader in more than 20 European countries and our portfolio of controllable electricity generation sources makes us one of the main intraday electricity traders in South-Eastern Europe. In the future, we want to further strengthen our presence in South-Eastern Europe and continue to build good relations with our partners in Slovenia and abroad through active participation in tenders for the purchase and sale of electricity in the region and the upgrading of bilateral partnerships. The focus of our activities is always on the satisfaction of all those who are connected to our business: employees, owner, business partners, local communities, and electricity consumers. Thank you all for making us proud of 2024 and the Annual Report that lies ahead.

Ljubljana, 30 May 2025

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

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1.3 Report of the Supervisory Board

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

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. (hereinafter the HSE Supervisory Board or SB) has prepared the Supervisory Board's Report for 2024.

Mode and scope of reviewing the management and operations of HSE in the 2024 financial year

In 2024, the Supervisory Board of HSE held eleven sessions in total, out of which nine 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. All sessions were attended by all members. On the proposal of the Audit Committee of the Supervisory Board of HSE (hereinafter referred to as the SB AC), the Supervisory Board of HSE approved the Annual Report of the HSE Group and the HSE for 2023. It approved the Statement on Corporate Governance and gave its consent to the HSE Group and Company Business Plan 2025, with an additional indicative plan for 2026 and 2027.

The HSE Supervisory Board was regularly updated on the HSE Group's and Company's ongoing performance. They 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. All decisions at the sessions of the HSE Supervisory Board were adopted unanimously, except for when there was or there could be a justified reason for a sustained vote of any Member of the HSE Supervisory Board or their exclusion from voting due to a conflict of interest.

The HSE Management Board regularly briefed the HSE Supervisory Board on indebtedness, reports on risk management in the HSE Group, liquidity, borrowings of the HSE Company and Group, and quarterly reports on the performance of the HSE Company and Group. They also regularly apprised of the decisions of the founder, important projects, important court/arbitration proceedings and other key events in HSE and the HSE Group.

In accordance with the Ordinance on State Assets Management Strategy (Official Gazette of the RS No. 59/24), the objective of HSE was to examine the possibility of restructuring the thermodivision of the HSE Group, i.e. restructuring the coal and lignite electricity generation activities, including the spin-off of the thermodivision (TEŠ d.o.o. and Premogovnik Velenje d.o.o.) from the HSE Group to the RS. Given the size and complexity of the task, the HSE Supervisory Board has devoted considerable attention to examining restructuring options and ways of implementing restructuring. In this respect, they were kept informed of and supervised management's activities to prepare the legal, financial, technical and other bases for selecting the optimal restructuring option for the HSE Group's thermodivision, including activities to establish the relevant legal bases (preparation, adoption and implementation of the Act on Transitional Financing of Accelerated and Fair Coal Phase-out (ZPFPPIP)), and was kept informed of the expert bases prepared. Given the challenging financial situation of the HSE Group's thermodivision companies, in particular TEŠ, the HSE Supervisory Board also supervised the activities of the HSE management in its role as the sole shareholder of these companies. Finding the right solutions for the thermodivision in line with the strategy required a significant commitment from the HSE Supervisory Board.

The HSE Supervisory Board has given the following major consents:

- consent to the investment programme “110 kV Zlatoličje hydro-electric power plant switchgear renewal”,
- consent to the acquisition of a 36.4195% stake in ECE d.o.o,
- consent to the acquisition of a 49% stake in Energija plus d.o.o,

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- consent to the establishment of HSE SaŠa, družba za razvoj obnovljivih virov energije d.o.o., with its registered office in Šoštanj.

The Supervisory Board of HSE gave its consent to the appointment of directors by the sole shareholder, namely HSE SaŠa d.o.o. and Premogovnik Velenje d.o.o.
The Supervisory Board of HSE gave its consent to the adoption of the articles of incorporation by the sole shareholder of DEM d.o.o., HSE SaŠa d.o.o., ECE d.o.o. and Energija plus d.o.o.

The HSE Supervisory Board has adopted:

- amendments to the Rules of Procedure of the HSE Supervisory Board,
- revised Rules of Procedure for the Audit Committee of HSE d.o.o,
- the revised Remuneration Policy for the management of Holding Slovenske elektrarne d.o.o., and
- gave its consent to amendments to the Rules of Procedure of the Management Board of HSE d.o.o.

The HSE Supervisory Board in the field of human resources:

- decided on the payment of the variable part of the remuneration of the members of the Management Board of HSE d.o.o. for 2023,
- adopted the Criteria for Determining the Variable Part of the Remuneration of the Members of the Management Board of HSE d.o.o. for 2024,
- set out the additional desired competences of the management member of HSE d.o.o., the Chief Operating Officer,
- reappointed Mr. Uroš Podobnik as Chief Operating Officer of HSE d.o.o. with effect from 4 November 2024 for a four-year term of office (commencing on 4 November 2024), and set out his scope of work,
- approved the Competence Profile for members of the Supervisory Board of HSE d.o.o.,
- reappointed Marko Hočevar, Ph.D. as an external member of the Audit Committee of the Supervisory Board of HSE d.o.o. for a four-year term of office (commencing on 27 November 2024),
- familiarised itself with the content of the Regulations on salaries and other remuneration from employment relationships, as well as monitoring, evaluation and rewarding of work performance in HSE d.o.o.,
- familiarised itself with the report on the implementation of the HSE Group succession policy in 2023.

The HSE Supervisory Board was also apprised of the quarterly report of the Compliance Department. It also took note of the HSE d.o.o. Internal Audit Department's annual internal audit report 2023 and was regularly informed of the internal audit reviews and the quarterly Internal Audit Department work reports through the reports. It also deliberated on the payment of a bonus to the Head of Internal Audit Department for 2023.

The Supervisory Board of the HSE has taken note of the following:

- the revised Governance Code for Companies with State Capital Investments (December 2023) and the updated Recommendations and Expectations of SDH (December 2023),
- an updated version of the Code of Ethics,
- the revised HSE Group Whistleblowing and Whistleblower Protection Policy,
- the Corporate Governance Code of the HSE Company and Group as an implementing act of the Corporate Governance Policy of the HSE Company and Group, to which the Supervisory Board of HSE has given its consent,
- a report on a cyber-attack, including the financial implications and the cyber-security measures implemented and planned,
- information on the progress of the North Adriatic Hydrogen Valley project,
- a report on the implementation of the HSE Company's and Group's strategic objectives,
- the investment programme for the investment “Prapretno 2 and 3 solar power plant and battery electricity storage”,
- information on the impact of retail price regulation on HSE,
- the recall on the basis of the resignation of Mr. Rok Rožman, member of the Supervisory Board, employee representative on the Works Council of HSE d.o.o., with effect from 23 August 2024 and, consequently, from the Trading and Investment Committee of the Supervisory Board of HSE d.o.o. (MIC), and the appointment of a new member of the SB and member of the MIC, the workers' representative Mr. Uroš Žibret,
- HSE d.o.o. Works Council's report on the implementation of ZSDU.

The Supervisory Board of HSE also attended (usually 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 (SDH Code, December 2023).

Operation of the Audit Committee of the Supervisory Board of HSE

In 2024, SB AC of HSE d.o.o. (SB AC) was in operation as shown in the table in the Governance Statement.

In 2024, the SB AC held eight ordinary sessions, two extraordinary sessions and one correspondence session, at which all members were present. The Members of the HSE Supervisory Board who are not Members of the SB AC were kept apprised of the work of the SB AC by being granted access to the minutes of its session. In addition, the President of the SB AC also regularly reported on the work and findings of the SB AC at the sessions of the Supervisory Board. The SB AC deliberated on issues in compliance with the Companies Act ZGD-1, Work Recommendations for SB AC, Rules of Procedure of the SB AC, the 2024 Work Plan of the Sb AC, and decisions of the Supervisory Board of HSE. The SB 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 regularly monitored periodic reports on risk management of the HSE Company and Group and was actively involved in the

upgrading of the risk reporting system. At each meeting, it paid particular attention to ongoing activities to implement sustainability reporting for HSE Group companies in line with the new legislation in this area. In 2024, the SB AC was apprised of the Annual Report of the Internal Audit Department for 2023, its planned activities for 2024, in addition to being regularly apprised of the quarterly reports of the work of the Internal Audit Department, individual internal audit transaction reports, and internal audit recommendation implementation reports throughout the year.

In 2024, the SB 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 the areas and the audit process itself. It reviewed the performance of the statutory auditor, was apprised of the course and key findings of the pre-audit and audit of the financial statements of the HSE Group and HSE for 2023. It reviewed the non-audited and audited 2023 Annual Report of the HSE Group and HSE including the opinion of the statutory auditor, and took a position on the Annual Report and made a proposal to the SB. It drew up a report on its work in 2023 including an assessment of the 2023 Annual Report of the HSE Group and HSE. The SB 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 SB AC. In 2024, Deloitte revizija d.o.o. only provided statutory non-audit services. The SB AC believes that its objectivity and autonomy were not at risk in 2024. The SB AC was also apprised of the 2025 Business Plan for the HSE Group and HSE. In 2024, it was involved in setting the criteria and benchmarks to start the process of selecting an auditor for the Sustainability Report, and HSE will use a public procurement process in 2025, in line with legislation. SB AC adopted a work plan of the Audit Committee for 2025 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.

The guidance on monitoring the independence and impartiality of the auditor of the Group's and HSE's annual financial statements sets out in detail the arrangements and procedures for monitoring the independence and impartiality of the auditor of the Group's and HSE's annual statements and the necessary safeguards. It sets out the procedure for the prior approval by the SB AC of the provision of all non-audit services by the auditor of the annual statements of the Group, HSE and all other HSE Group companies. HSE's professional services keep a running record of all audit and non-audit services provided by the auditor of the annual statements of all HSE Group companies. On the basis of the information and data received, the SB AC makes a preliminary assessment each time (except for the services of the statutory auditor, which are performed by the statutory auditor on the basis of legal requirements and which the SB AC has already considered in the context of the audit engagement) as to whether the service is a permitted non-audit service, whether the independence of the auditor of the annual statements of the Group and HSE would potentially be compromised by the performance of such a service, and whether there are any obstacles to the conclusion of the proposed transaction as a consequence of the service being provided. There were no such transactions in 2024.

Operation of the Human Resources Committee of the Supervisory Board of HSE

The permanent HR Committee of the Supervisory Board of HSE operated in 2024. It held five 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 took note of the report on the status and actions in the area of corporate culture in 2023, the report on the development of key talent in 2023, the report on the organisational climate in 2023 and the results of the measurement of organisational climate, commitment and satisfaction in HSE, and the report on the implementation of the succession policy in 2023. It deliberated on the proposal for a revised Remuneration Policy for management bodies in HSE and formulated a proposal to be adopted at the SB meeting. It also assessed the internal audit report on human resources. It approved the Report on the Work of the HSE Supervisory Board's Human Resources Committee for 2023 and informed the Supervisory Board thereof, and adopted the Work Plan of the HSE Supervisory Board's Human Resources Committee for 2024 and proposed it to the Supervisory Board for approval. It discussed amendments to the Rules of Procedure for the Management Board of HSE d.o.o. and proposed that the Supervisory Board give its consent to the amendments to the Rules of Procedure for the Management Board of HSE d.o.o. It discussed the proposal for a Competence Profile for the members of the Supervisory Board of HSE, proposed certain amendments, and proposed that the Supervisory Board approve it. In all the areas covered, it made its own proposals for improvement in comprehensive discussions.

It provided expert assistance to the SB in the area of human resources, for example in procedures concerning the extension of the mandate of a member of the Management 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 2024 and verified its eligibility for payment of the variable part of the Management Board remuneration for 2023.

Operation of the Trading and Investment Committee of the Supervisory Board of HSE

The Trading and Investment Committee of the Supervisory Board of HSE (TIC) operated in 2024. It held five ordinary sessions. TIC served as trading and investment expert support to the Supervisory Board of HSE. It deliberated on issues in compliance with its Rules of Procedure and the decisions of the Supervisory Board.

In the area of trading, TIC regularly monitored the sales and trading balance for the current year and for 2025 and 2026, as well as the strategies, limits and changes to the volume thresholds set for the trading of own production. For the reporting of the price variance (PV), the sales and trading balance was reconciled to the financial statements or any variances explained accordingly. In addition, TIC regularly monitored the performance and activities of the Committee for Self-Generation Sales and progress in the management of trading risks. TIC also took note of the trading and position closing

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strategy of ECE and Energija plus, and the management of trading risks in these companies. TIC monitored the status of reporting to the SB and SDH, IT and advanced analytics activities, and information security activities.

It monitored ongoing investments and the status of major investments in the HSE Group Business Plan 2024. It considered the investment programme for the investment "110 kV Zlatoličje hydro-electric power plant switchgear renewal" and proposed that the SB give its consent, and took note of the investment programme "Prapretno 2 and 3 solar power plant and battery electricity storage". It was familiarised with the new organisational regulation HSE Group R&D Projects and the development plan of the Mali Log wind power plant R&D project, as well as with the Completion Report on the investment optimisation of the ventilation of PV pits. In the area of investments, TIC took note of the content of the investments included in the HSE Group Business Plan 2025 with indicative estimates up to 2027.

In line with the SB's decisions, it took note of specific internal audit reviews in the areas of trading and investments, and followed up on the implementation of the recommendations. As pertaining to management and investments, it reviewed the audited 2023 HSE Group and HSE Annual Report. In all the areas covered, it made its own proposals for improvement in comprehensive discussions.

Opinion on the work of the Management Board in 2024

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 2024. 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. The Supervisory Board 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 with past operations and planned objectives. The HSE Supervisory Board assesses that the Management Board acted towards achieving the set optimal goals and optimal management in the HSE Group companies.

Opinion on the operations of the HSE Group and HSE Company

The HSE Group's performance in 2024 was above plan. HSE Group EBITDA exceeded the target by 107% and net profit by 70%. The successful operations are the result of favourable hydrology, optimised sales and the operation of our own production. Net profit is down 40% year-on-year, mainly due to high write-offs related to the gratuitous transfer of 100% of the shares in TEŠ and PV to the Republic of Slovenia under the Act on Transitional Financing of Accelerated and Fair Coal Phase-out.

The HSE Group's electricity generation in 2024 is 9% or 608 GWh more than in 2023. Hydro power plants produced 303 GWh more electricity, while thermal power plant production was also up by 337 GWh. Photovoltaic production was on a par with the previous year. Coal production in tonnes was 11% lower.

In 2024, HSE Group companies ensured an uninterrupted supply of electricity to their customers. HSE Group's net sales revenue was 28% lower compared to the previous year due to lower average selling prices of electricity. Electricity sales volumes were 4% higher and the value of derivatives transactions was 32% higher. Electricity sales continued to account for the bulk of net sales revenues in the period under review, accounting for 95% of total net sales revenues, down 3 percentage points compared to 2023. Gas sales were up 22% and sales of tradables (mainly emission allowances) were up 190%. The change in the value of inventories had a negative impact on the profit or loss as a result of the disposal of the coal landfill.

The gross margin achieved was 3% higher compared to 2023. The HSE Group's total costs of materials, services and labour were at the same level as in 2023, while other costs were 23% higher, mainly due to higher costs of emission allowances (higher volume and price). Provision costs were higher by EUR 18.3 million due to the provisioning for onerous contracts. In 2024, high write-downs of EUR 345.3 million are recorded, which is significantly higher than those recorded in 2023. This is due to the transfer of 100% of the shares in TEŠ and PV to the Republic of Slovenia.

The HSE Group closed 2024 with a net profit of EUR 232.8 million, down 40% on the previous year. The continued operations realised a profit of EUR 440.7 million, while the discontinued operations (thermodivision) realised a loss of EUR 208.0 million.

In compliance with the generation sales strategy of the HSE Group, the majority of the electricity generated by the HSE Group is sold by the HSE Company, which at the same time assumes all market and quantitative risks of the HSE Group. The HSE Company has an EBITDA target of EUR 429.8 million in 2024. HSE's EBITDA was 197% higher than planned due to higher gross margin on electricity sales and lower than planned costs of materials, services and labour.

As at 31 December 2024, HSE Group's assets were 29% and EUR 698.3 million lower than at the end of 2023, and of the Company they were 13% or EUR 261.7 million lower, mainly as a result of the transfer of 100% of the shares of TEŠ and PV to the Republic of Slovenia. The transfer resulted in a reduction of most of the asset items. The share of non-current assets experienced a decrease in the structure of assets, namely in the Group by 13 percentage points and in the Company by 6 percentage points.

In 2024, the HSE Company became 100% owner of ECE and Energija plus by acquiring 36.4% and 49% of ECE and Energija plus respectively. To further develop its activities in the SAŠA region, it established a new company, HSE SaŠa. Capital investment by HSE Group companies continues to lag behind depreciation and amortisation costs, while HSE slightly exceeds them.

Among the Group's current assets, short-term financial investments increased by EUR 4.1 million, driven by higher deposit balances

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due to an improved liquidity situation. HSE Group's cash flow from operating, investing and financing activities is higher in 2024 compared to 2023.

Although both the Group and HSE were profitable in 2024, the Group's and HSE's capital at 31 December 2024 was 3% and 4% lower than at the end of 2023, respectively, due to the repayment of subsequent contributions to the founder and the payment of HSE's share of profits. The HSE Company returned EUR 150 million of the subsequent capital contributions to the founder early in 2024. It has thus repaid all the EUR 492 million of subsequent capital injections received in 2022. In December 2024, it paid a profit share of EUR 100 million to the founder.

The HSE Group's debt to banks at 31 December 2024 was 67% lower than in 2023, and HSE's debt to banks was 31% lower. The lower indebtedness is due to loan repayments and the transfer of 100% of TEŠ's and PV's shares to the Republic of Slovenia. The Group and HSE had negative net indebtedness at the end of 2024.

The SB assesses that the Group and HSE performed very well in 2024 and significantly exceeded the planned results.

Establishing distributable profit and a report on reviewing the proposal of the Management Board on the appropriation thereof

The SB of HSE agrees with the proposal of the Management Board to have the balance sheet profit, which, as at 31 December 2024 amounts to EUR 210,490,451.60, remain undistributed in full.

Review and confirmation of the 2024 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

In accordance with Article 272(3) of the Companies Act (ZGD-1), the HSE Management Board, immediately following the preparation and issue of the auditor's report with an opinion on the financial statements and the auditor's limited assurance report on the sustainability report submitted to the HSE Supervisory Board the HSE Group's and HSE Company's Annual Report 2024 together with the auditor's report with an opinion and the auditor's limited assurance report for 2024 dated 30 May 2025, all of which were considered by the HSE Supervisory Board at its 35th meeting on 5 June 2025.

The audit of the Group and HSE financial statements and the provision of assurance services on the HSE Group Consolidated Sustainability Report for 2024 were carried out by Deloitte revizija d.o.o., which issued on 30 May 2025:

- the auditor's report, which contains 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 December 2024, and their financial performance and cash flows for 2024 in accordance with the International Financial Reporting Standards as adopted by the European Union. At its 30th regular meeting, held on 3 June 2025, the Audit Committee of the Supervisory Board deliberated on the audited 2024 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.), and
- the auditor's limited assurance report on the HSE Group's consolidated sustainability report, confirming that, based on the procedures performed and the evidence obtained, nothing has come to their attention that causes them to believe that the consolidated sustainability report is not prepared, in all material respects, in accordance with Articles 70(c) and 70(č) of ZGD-1, which implements Article 29(a) of EU Directive 2013/34/EU, including (i) compliance with the European Sustainability Reporting Standards (ESRS), including that the process undertaken by the information identification team is as described in the note "Dual Materiality Analysis"; (ii) the consistency of the disclosures in the "EU Taxonomy" section with the Article 8 of the EU Taxonomy Regulation; and (iii) compliance with the requirements for the preparation of the consolidated sustainability report in the format set out in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

The Audit Committee of the Supervisory Board 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 company following the completion of the 2024 audit process. The Audit Committee had no objections to the 2024 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 2024 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, and the auditor's report with limited assurance, the positions of the Audit Committee of the Supervisory Board, the data and disclosures in the 2024 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 December 2024, 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. With regard to the consolidated sustainability report, it assesses that it has been prepared in accordance with the European Sustainability Reporting Standards as adopted by the EU (ESRS), that a double materiality analysis process has been carried out as described in the note "Double Materiality Analysis", that the disclosures in the section "EU Taxonomy" are in line with Article 8 of the EU Regulation 2020/852, that it is drawn up in accordance

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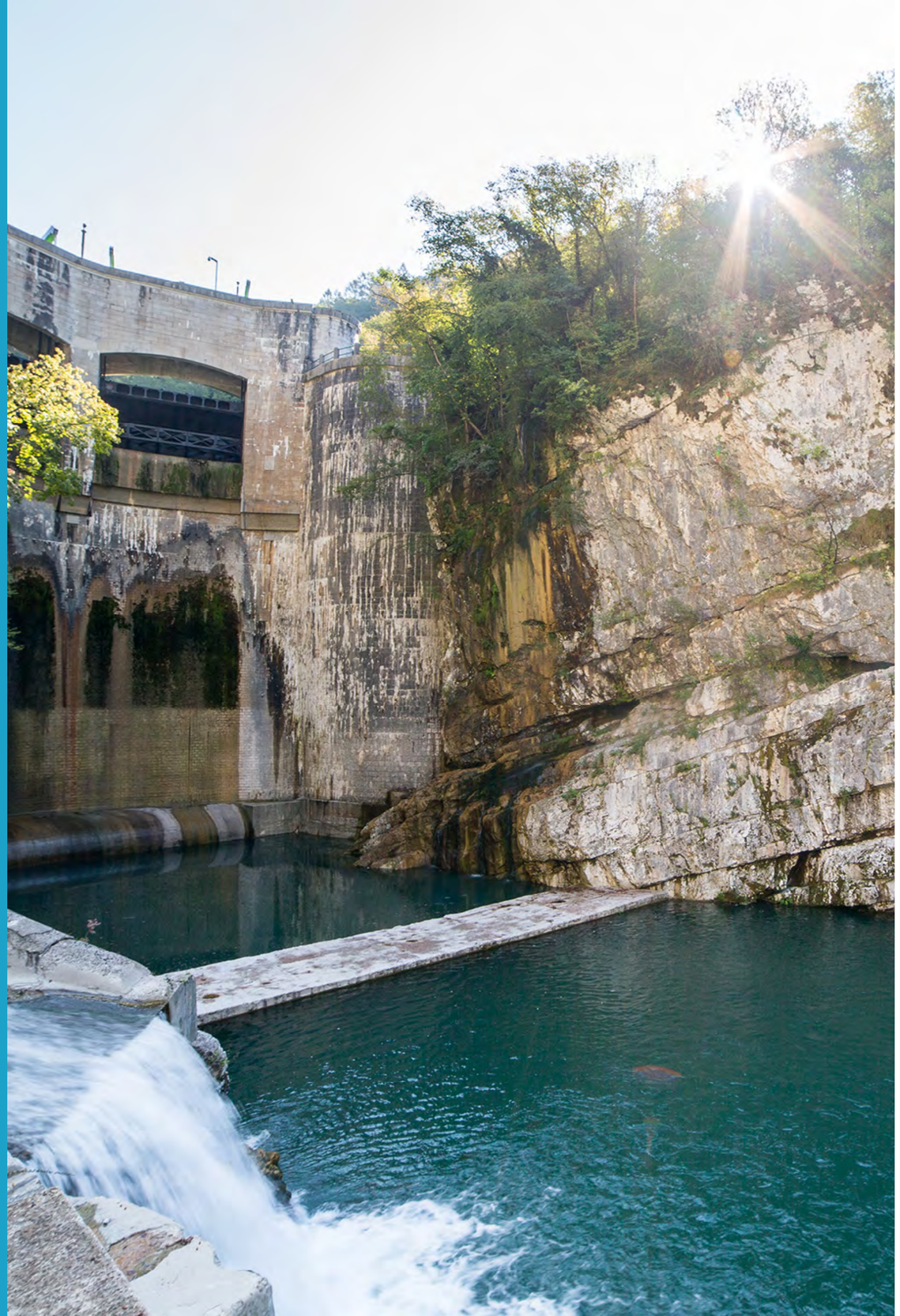

with the Companies Act (ZGD-1), and that it takes into account the natural constraints in the preparation of the consolidated sustainability report. The HSE Supervisory Board has no comments to make on any of the auditor's reports. The Supervisory Board of HSE also has no other objections to the 2024 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 2024 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 2024 Annual Report to the Supervisory Board of HSE.

Ljubljana, 5 June 2025

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

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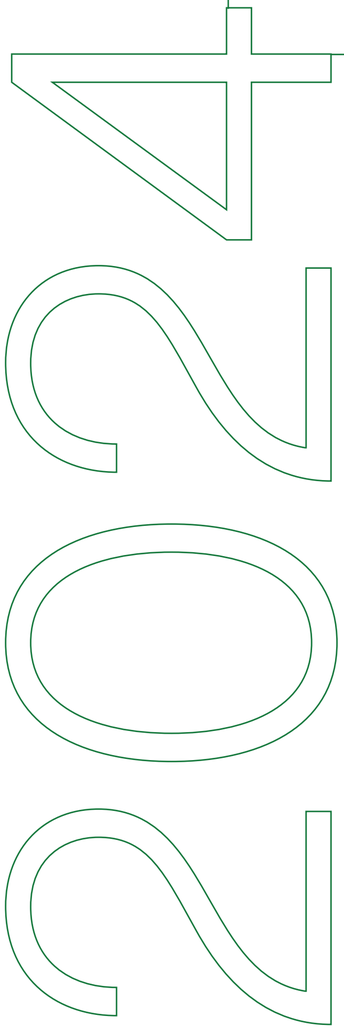
The power of collaboration

Together with the local environment for a sustainable future.

All our investments are implemented in close cooperation with local communities because we believe that sustainable development is based on dialogue, respect for space and the common good.

2 Business Report



2.1 Chronology of important events of the HSE Group in 2024

January

On **17 January**, the Kozjak pumped-storage hydropower plant Project Board was established. The Kozjak pumped-storage hydropower plants project, with a generating capacity of 2×220 MW and an associated 2×400 kV transmission line connection to the existing Maribor-Kainachtal international transmission line, has been spatialised in the National Spatial Plan. The project is included in the “Development Plan for the Transmission System of the Republic of Slovenia from 2023 to 2032” and in the National Energy and Climate Plan.

February

On **1 February**, HSE started taking over electricity from the Ugljevik thermal power plant in Bosnia and Herzegovina. The agreement foresees the supply of approximately 500 GWh of electricity per year, which represents 1/3 of the electricity produced at the Ugljevik thermal power plant. EGS-RI d.o.o., which was involved in the construction of the mine and the Ugljevik thermal power plant, is entitled to it, and we are taking it over into HSE d.o.o. under its mandate.

At the **end of February**, the first presentations of the Kozjak pumped-storage hydropower plant project were completed. The project activities continue with high intensity and public presentations for the local environment were held in Selnica ob Dravi, Gradišče, Zgornji Slemen, and Sveti Duh na Ostrem Vrhu. The project has also been presented to the Selnica ob Dravi municipal council.

March

On **14 March**, PV commissioned the new NOP II fan station, undoubtedly one of the greatest engineering, technical and construction achievements of this generation. The new fan station ensures safe ventilation of the cave and thus improves the safety of the employees in the PV cave.

On **19 March**, SENG obtained a construction permit for the Kanalski Vrh photovoltaic power plant (Phase 1).

On **21 March**, on the initiative of the Šoštanj Civic Initiative, together with the Municipality of Šoštanj, the companies TEŠ d.o.o. (TEŠ), PV and HSE d.o.o. (HSE) held a round table to present the conceptual design for the construction of a floating solar power plant (FSPP) on Lake Družmirje.

On **29 March**, the Ministry of Environment, Climate and Energy of the Republic of Slovenia (MOPE) published the result of the screening of applications submitted to the Call for Proposals for inclusion in the indicative list of investments to be co-financed by the Modernisation Fund in the period 2024–2030. Seven HSE Group projects were included in the priority list A, namely the Reconstruction of the 100 kV switchgear of Doblar hydro-electric power plant and Kanalski Vrh photovoltaic power plant of SENG d.o.o. (SENG), the Ojstrica wind power plant, the 110 kV Zlatoličje hydro-electric power plant switchgear renewal, the Formin, Zlatoličje photovoltaic power plant and Green renewal of existing projects (GREP) of DEM, and the Družmirje FSPP of HSE as well as four B-listed projects, namely the Reconstruction of the Formin hydro-electric power plant, the Battery Storage Facility (BSF) at the Mariborski otok hydro-electric power plant, DEM's Kanal II photovoltaic power plant, and HSE's NAVH Phase 2 (hydrogen production).

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April

On **16 and 17 April**, we took part in the traditional, this time 26th, event of the Finance newspaper Days of Energy Professionals, entitled “How to achieve a new breakthrough industrial strategy in Slovenia”, where Tomaž Štokelj, Ph.D., Director General of HSE, spoke about renewable energy sources and the price signals provided by the market for new investments.

May

On **9 May**, the contract for the construction of DEM's first wind power plant in Mali Log was signed with the selected contractor. It is the first wind power plant where the investor is state-owned by the Republic of Slovenia.

On **30 May**, the full EUR 492 million of the subsequent capital injections (received in December 2022) were returned to the State, namely EUR 75 million on 27 March and the remaining EUR 75 million on 30 May.

June

On **13 June**, the contract for the construction of SENG's Kanalski Vrh PP – Phase 1 was signed with the selected contractor.

On **17 June**, the Beričevo Technology Centre hosted the constitutive meeting of the partners of the consortium for the establishment of a low-carbon hydrogen ecosystem, formed in cooperation between the Japan Slovenia Business Council, Slovenian Academy of Engineering, and ELES d.o.o., which also includes the NAHV project North Adriatic Hydrogen Valley, where HSE is the lead partner.

July

On **4 July**, the HSE Supervisory Board approved the HSE Group and Company Annual Report for 2023.

On **10 July**, HSE became the sole shareholder of ECE d.o.o. by purchasing the remaining 36.42% stake from Elektro Celje d.o.o.

August

On **27 August**, SDH took note of the audited annual report of the HSE Group and Company for 2023 and decided that the balance profit as at 31 December 2023 amounting to EUR 104,134,942.28 shall be used for the payment of profit participation to the sole shareholder in the amount of EUR 100,000,000.00 and the remaining balance of EUR 4,137,942.28 shall be allocated to other profit reserves.

As a responsible actor in Slovenia's green transition, we are working to strengthen energy literacy and spread energy knowledge among young people. That's why we have again supported the Ekokviz project in 2024, now in its 17th year and involving more than 240 primary schools. On **28 August**, the project held its annual conference of all Ekošola project coordinators, at which we highlighted the importance of energy, which is set to become an increasingly common topic in schools, too, as awareness of its non-self-importance is so necessary.

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September

On **13 September**, as part of the HSE Day event, we financially supported the energy renovation project of the Ledine Mountain Hut, which included the installation of a photovoltaic power plant and an electricity storage. The investment will increase the energy efficiency and long-term self-sufficiency of the mountain hut, while contributing to reducing environmental impacts and promoting sustainable operations in a fragile mountain environment. The project reflects our commitment to developing renewable energy and supporting local communities.

On **23 and 24 September**, we met in Rijeka with the partners of the North Adriatic Hydrogen Valley (NAHV) project, where HSE is the project coordinator. We reviewed progress on key projects, assessed future risks, and focused on integration into social and industrial environments.

October

On **1 October**, the Act on the methodology for determining the regulatory framework for electricity system operators came into force, introducing a new tariff system for network charges. The aim of this change is to encourage users to adapt their electricity consumption. As higher network charges during the winter have increased household electricity bills, the government has reduced the regulated electricity price and extended the regulation measure until the end of February 2025. The cost of regulation for ECE and Energija plus is borne by HSE.

On **14 October**, at its 25th regular session, the HSE Supervisory Board gave its consent to the 2025 HSE Group and Company Business Plan with indicative estimates up to 2027.

On **13 and 17 October**, a nationwide energy conference entitled “The Energy Future and the Path to a Low Carbon Society” took place, with the participation of individuals from the HSE Group companies. They presented plans for the HSE Group's contribution to the development of the Slovenian energy sector and examples of good practices by the HSE Group that have marked the Slovenian energy landscape for more than twenty years (the Družmirje floating solar power plant, the pilot geothermal power plant at the Pg-8 borehole, etc.).

On **17 October,** HSE established HSE SaŠa – družba za razvoj obnovljivih virov energije d.o.o. in the SAŠA region (HSE SaŠa).

November

On **4 November**, the HSE Supervisory Board reappointed Uroš Podobnik as Chief Operating Officer for a four-year term of office.

On **22 November**, HSE CEO Tomaž Štokelj. Ph.D., participated in the Slovenian Association for Energy Economics (SAEE) conference with a plenary lecture in which he presented the HSE Group's and Company's development plans and, together with the presidents of the management boards of major energy companies, presented his views on the opportunities and adaptation of energy companies and consumers to the green transition at a roundtable discussion.

December

On **18 December**, HSE became the sole owner of Energija plus d.o.o. (Energija plus) by purchasing the remaining 49% stake from Elektro Maribor d.o.o.

On **21 December**, the Act on Transitional Financing of Accelerated and Fair Coal Phase-out (ZPFPPIP) entered into force. On 30 December, HSE transferred 100% of its ownership interest in TEŠ and PV directly to the RS, free of charge, and the management of both companies was transferred to SDH. The transfer of PV from the HSE Group also resulted in the divestment of SIPOTEH, PLP and HTZ, in which PV has a 100% shareholding, from the HSE Group.

On **24 December**, a subsequent capital injection of EUR 0.5 million was made into HSE SaŠa to further develop its activities in the SAŠA region.

On **30 December**, we made a profit-sharing payment of EUR 100 million to the sole shareholder.

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2.2 Important events after the end of the period considered

2025

January

On **30 January 2025**, an international team of students visited photovoltaic power plant Prapretno, hosted by the Faculty of Electrical Engineering and the Student Energy Club. The visit to the Prapretno photovoltaic power plant was an important part of the educational experience, giving students a first-hand insight into modern energy infrastructure based on renewable energy sources and future sustainable energy solutions. This continues the successful cooperation between HSE and the Faculty of Electrical Engineering, which has been facilitating the exchange of knowledge and experience between professionals and young people for many years.

February

In **February 2025**, construction of the new bridge in Vikrče began, with HSE Invest acting within the project supervision. The project was conceived as a donation from HSE Invest following the August 2023 floods. The new bridge will be safer in the event of another flood as it will be longer and higher, allowing the Sava River to flow more easily. It is a complex structure, which is why the project documentation was complex and extensive. It is expected to be open to pedestrians and cyclists by the end of the summer.

March

On **6 March 2025**, more than 230 employees from HSE Group companies, under the leadership of the Slovenia Forest Service, rolled up their sleeves, grabbed their pickaxes and planted 4,000 seedlings of native deciduous trees in the area of the Karst fire site, which was devastated by a devastating fire in the summer of 2022, completely destroying 3,700 hectares of nature.

On behalf of the Mayor of the Municipality of Miren-Kostanjevica, the participants were welcomed by the Director of the Public Institute Miren Kras, Ariana Durnik, MA. She thanked for the generosity shown by the financial support for the restoration of the destroyed forests, and especially for the heart shown by our presence and our intention to help nature recover through hands-on actions of planting tree seedlings.

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March

On **24 March 2025**, Moody's changed its outlook from “stable” to “positive”, upgraded its base rating from Ba3 to Ba2, and maintained its long-term issuer rating at Baa3.

On **25 March 2025**, the British-Slovenian Chamber of Commerce hosted a roundtable discussion, which was also attended by HSE Director General, Tomaž Štokelj, Ph.D. The focus was on the future of energy transformation and the role of small modular reactors (SMRs) and renewables in achieving the goals of decarbonisation, electrification of the country, and ensuring energy security and economic growth. The energy mix – from renewables to advanced technologies such as small modular reactors – is a key step towards achieving sustainable decarbonisation goals.

In March 2025, the new 1 MW Mali Log wind power plant started trial operation. The expected annual electricity production is around 2 GWh. The main investor is DEM.

April

Prapretno photovoltaic power plant celebrates its third anniversary on **8 April 2025**. Since its inauguration, it has operated reliably and generated 10,180 MWh of electricity according to its plans. In the next investment cycle, which is currently being carried out through a public procurement procedure, the expansion of the plant will increase its capacity by more than three times and, thanks to the addition of battery storage, it will also become a flexible link in the Slovenian electricity system. HSE will thus fully exploit Prapretno's potential for harnessing solar energy, and we look forward to continuing our excellent cooperation with the municipalities of Hrastnik and Trbovlje, across which the extended Prapretno photovoltaic power plant will stretch.

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2.3 Statement on HSE Corporate Governance

Pursuant to paragraph 6 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 2024 to 31 December 2024.

The Management and Supervisory Boards of HSE hereby declare that the company was governed in 2024 in accordance with laws and other regulations, the Articles of Association of the HSE Limited Liability Company, and the recommendations of 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 Sustainability Report as well as the reports on tax information regarding revenues, have been compiled and published in compliance with the Companies Act and the International Financial Reporting Standards as adopted by the EU, and the Sustainability 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 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE FOR COMPANIES WITH STATE CAPITAL INVESTMENTS (SDH CODE) AND RECOMMENDATIONS AND EXPECTATIONS OF THE SLOVENIAN SOVEREIGN HOLDING (SDH RECOMMENDATIONS)

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

HSE applied the Corporate Governance Code for Companies with State Capital Investments of the Slovenski državni holding, d.d., as its benchmark code in 2024. (SDH Code, December 2023, hereafter: the Code). The most recent version of the Code is publicly available on the website of Slovenski državni holding d.d. The Code was taken into account by HSE to a greater extent mutatis mutandis in its operation, by taking into consideration the activity and other special features thereof. In 2024, in accordance with the comply-or-explain principle, HSE 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 6.19: The procedure for selecting candidates for the Supervisory Board and the formulation of the General Meeting resolution on the appointment of the Supervisory Board members prior to the expiry of the term of office of the Supervisory Board member shall be transparent (decision-making at the HSE Supervisory Board meeting, the pre-defined Competence Profile for HSE d.o.o. Supervisory Board members published on the website is taken into account in the drafting of the specific competency profile for the missing Supervisory Board member), but it is not pre-defined, thus the recommendation is partially applied. No appointments were made in 2024, as none of the members of the SB representing capital had reached the end of their term of office.

Recommendation 6.20: The Supervisory Board is appointed by the owner so the recommendation is not relevant.

Recommendation 6.21: The remuneration structure of the members of the SB follows the recommendations, but the meeting attendance fees have not been aligned with the Recommendations and the expectations of SDH from May and December 2023.

Recommendation 6.5: For the reasons set out in the note to Recommendation 8.7, the Company did not have a financial calendar in 2024 and therefore we do not follow the recommendation in this part.

Recommendation 8.7: We consider that the publication of a financial calendar in a one-person limited liability company is pointless as financial calendars are primarily intended to provide equal disclosure or information to all members or 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.

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

During its operations in 2024, to a large extent, the Company took the recommendations of the Slovenian Sovereign Holding (December 2023) mutatis mutandis into account in the Company's 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: We do not follow the Recommendation insofar as it relates to transactions relating to the purchase and sale of electricity, emission allowances and their equivalents, gas, LPG and other energy products and transactions linked to these transactions (guarantees, bank guarantees, certificates of origin, financial shielding

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transactions, derivatives). These transactions are not reported publicly because they are commercially sensitive. 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 this part.

Recommendation 5.4: We have not formally measured corporate culture in the Company, but it is possible to draw conclusions about its nature and level from other measures, surveys, focus groups, exit interviews, etc. We monitor compliance with the targets through various measurements and reports. In 2025, we plan to set up a more comprehensive corporate culture monitoring system, initiated by the HR Committee of the SB. This recommendation is not fully applied.

Recommendation 5.5: In 2024, the objectives for executive remuneration included only some parts of the corporate culture related to HR matrices. In 2025, we have included the establishment of a corporate culture measurement among our objectives for rewarding HSE executives. We did not fully apply the Recommendation in 2024.

Recommendations 10.1. and 10.3: The remuneration structure of the members of the SB follows the recommendations, but the meeting attendance fees have not been aligned with the Recommendations and the expectations of SHD from May and December 2023.

2. INFORMATION ON THE FUNCTIONING OF THE GENERAL MEETING, THE COMPOSITION AND FUNCTIONING OF THE MANAGEMENT AND SUPERVISORY BODIES

In 2024, in accordance with the Act establishing HSE, HSE was managed by Slovenski državni holding, d.d., (SDH) as the sole shareholder. HSE's management and supervisory bodies are HSE's Management Board and Supervisory Board. The Management and Supervisory Board Diversity Policy of HSE (hereinafter: the Diversity Policy), applicable in 2024, was adopted on 27 February 2020. The revised Diversity Policy of 13 March 2025 is published on the website. The Diversity Policy aims to make the HSE Supervisory Board and management as a whole more effective. The Diversity Policy is mainly carried out by applying a suitable recruitment and selection procedure for candidates for membership of the HSE Supervisory and Management Board. It is important to use methods that allow us to attract a wide enough range of different candidates. Both the HSE Supervisory Board and the sole partner 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 HSE Management or Supervisory Boards at the same time. The complementarity of the members of the HSE Supervisory Board and the effort to ensure that the HSE Supervisory Board is composed of at least one representative each from the economic, legal and technical professions are also important, and this is taken into account in the current composition. In 2024, the Diversity Policy related to the new appointment of a member of the HSE Supervisory Board by the HSE Works Council was pursued and fully complied with in terms of the selection of candidates and objectives – a member of the HSE Supervisory Board was appointed who is complementary in terms of expertise to the members of the HSE Supervisory Board. The experience of the members was also taken into account, as demonstrated by their reputation and performance, personal integrity, and the independence of the HSE Supervisory Board member. With regard to the selection of the Chief Operating Officer, the Diversity Policy on the selection of candidates and objectives has been pursued in a way that takes into account continuity, professional profile in terms of complementarity with the professional profile of the Chief Executive Officer, experience, and personal integrity. Additional competences have been defined by the Supervisory Board in the Competence Profile. The gender diversity in the Supervisory Board was as follows: 66.67%: 33.33%, and in the Management Board: 100%: 0% in favour of male members, with the selection taking into account the objectives set out in the Diversity Policy in force at the time, in addition to the statutory conditions and core competences. In 2024, we aimed to achieve as equal a representation as possible within the given possibilities, in line with the objective set out in the Diversity Policy in force at the time.

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 2024, the Founder acted in compliance with the powers conferred thereto in the Articles of Association, which have been made publicly available (on the website of the 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 the repayment of subsequent capital contributions;
- 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

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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 the Articles of Association and applicable legislation.

Work of the HSE Supervisory Board

In 2024, the HSE Supervisory Board acted in accordance with the powers set out in the Companies Act, ZSDHk-1, the Act Establishing HSE, the HSE Supervisory Board Rules of Procedure, and the Code of Conduct as a reference code (according 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 HSE Supervisory Board. The Supervisory Board had nine members in 2024. 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 HSE Supervisory Board are presented in the report on the HSE Supervisory Board as well as the work of all HSE Supervisory Board committees providing professional assistance to the work of the HSE Supervisory Board (Audit Committee of the HSE Supervisory Board, the Trading and Investment Committee of the HSE Supervisory Board, and HR Committee of the HSE Supervisory Board).

Work of the Management Board

In accordance with the Articles of Association of HSE and a decision of the HSE Supervisory Board, the company is managed and represented by the Management Board at its own risk. For the period from 1 January 2024 to 31 December 2024, the Management Board consisted of two members, Tomaž Štokelj, Ph.D., Chief Executive Officer, and Uroš Podobnik, CBO. The CBO has been reappointed for a 4-year term starting on 4 November 2024.

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Composition of the Supervisory Board and its Committees in the financial year 2024

Name and surname	**Nevenka Hrovatin, Ph. D.**	**David Valentinčič**	**Barbara Gorjup, M. Sc.**	**Miha Šebenik**	**Boštjan Grešak**	**Denis Bele**	**Blanka Povh, M. Sc.**	**Matej Kovač**	**Uroš Žibret**	**Rok Rožman**
Function (president, deputy, SB member)	SB President	Deputy President of SB	SB Member	SB Member	SB Member	SB Member	SB Member	SB Member	SB member since 23/8/2024	SB member until 23/8/2024
First appointment	22/9/2022	22/9/2022	22/9/2022	22/9/2022	22/9/2022	2/9/2021	3/11/2023	3/11/2023	23/8/2024	3/11/2023
End of function/term of office	22/9/2026	22/9/2026	22/9/2026	22/9/2026	22/9/2026	2/9/2025	1/3/2025	1/3/2025	23/8/2028	23/8/2024
Capital/employee representative	Capital representative	Capital representative	Capital representative	Capital representative	Capital representative	Capital 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%	100%	100%	100%	100%	100%	100%
Gender	female	male	female	male	male	male	female	male	male	male
Nationality	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
Birth year	1960	1949	1973	1986	1981	1978	1975	1992	1981	1987
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	Master of Science in Economics and Business Sciences - International Economics	Bachelor of Economisc	Bachelor of Electrical Engineering	Bachelor of Physics
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, sustainability	management, finance, analyticity	attorney-at-law - corporate law	management, organization, leadership, control and environment	international economy, trading and sale of certificates of origin of electricity, energy savings and portfolio management	finance, controlling, analytics	trading of electrical energy and investment management	electricity and gas portfolio manager
Independence as per article 23 of the code (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Conflict of interest in business year (Yes/No)	No	No	No	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	TIC	AC, TIC	AC, TIC	PC	PC	PC	AC	TIC	TIC
Committee president/member	PC - president	TIC - member	AC - president, TIC - member	TIC - president, AC - member	PC - member	PC - member	PC - member	AC - member	TIC - member since 23/8/2024	TIC - member until 23/8/2024
Participation at committee meetings with regard to total number of meetings	PC - 100%	TIC - 100%	AC in TIC - 100%	AC in TIC - 100%	PC - 100%	PC - 100%	PC - 100%	AC - 100 %	TIC - 100 %	TIC - 100 %

SB - Supervisory Board, **AC** - Audit Committee, **PC** - Personnel Committee, **TIC** - Trading and Investment Committee

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External Committee Member in the financial year 2024

Name and surname	**Marko Hočevar, Ph.D.**
Committee	Audit committee
Participation at committee meetings with regard to total number of meetings	100%
Gender	male
Nationality	Slovenian
Education	Ph.D.
Birth year	1962
Professional profile	Business and financial accounting, audit
Membership in supervisory bodies in companies not connected to the company	Member of the SB of KZPS, d.o.o. and member of SN DUJPP, d.o.o.

Management Board composition in the financial year 2024

Name and surname	**Tomaž Štokelj, Ph.D.**	**Uroš Podobnik**
Function (president, memeber)	CEO	CBO
Area of work in managament	CEO	CBO
First appointment	8/11/2022	3/11/2020
End of function/term of office	8/11/2026	4/11/2028
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 sales of electricity and related products, portfolio management, leadership, management	law, corporate management, management
Membership in supervisory bodies in companies not connected to the company	/	/

3. DESCRIPTION OF MAIN CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT IN THE COMPANY IN RELATION TO THE FINANCIAL REPORTING PROCEDURE

With the aim of ensuring increased transparency, efficiency and responsible operations, HSE 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 assessors).

The internal control system is set up by pursuing the following 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 HSE 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 and was in the process of being revamped at the end of 2024 to reflect the new Global Internal Audit Standards. It pursues its purpose, which is to strengthen the ability of the Company and the HSE Group to achieve its objectives and to create, protect and preserve the value of the Company and the HSE Group, by systematically and methodically assessing and improving the effectiveness and efficiency of the HSE Group's and Company's risk management, control processes and governance. 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 2024, 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, 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, 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 IN ACCORDANCE WITH KKUDD AND THE RECOMMENDATIONS AND EXPECTATIONS OF SDH

The business compliance and integrity system fall under the auspices of the Business Compliance Department and is aligned with the recommendations of the Code and the Recommendations of SDH. The Compliance Department function is responsible for managing risks of corruption, unethical and illegal activities, and ensuring compliance with the law. The Compliance Department function is also involved in the management of the internal control system, the prevention of corruption and fraud, the implementation of the HSE Group Code of Ethics, the management of conflicts of interest, communication or reporting to external institutions and supervisory authorities in accordance with the internal delineation with other key and business functions within the HSE Group, the implementation of REMIT, EMIR and MiFID II tasks, and the implementation of collective activities to strengthen integrity.

Ljubljana, 30 May 2025

Tomaž Štokelj, Ph.D.
CEO of HSE

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

Uroš Podobnik
CBO of HSE

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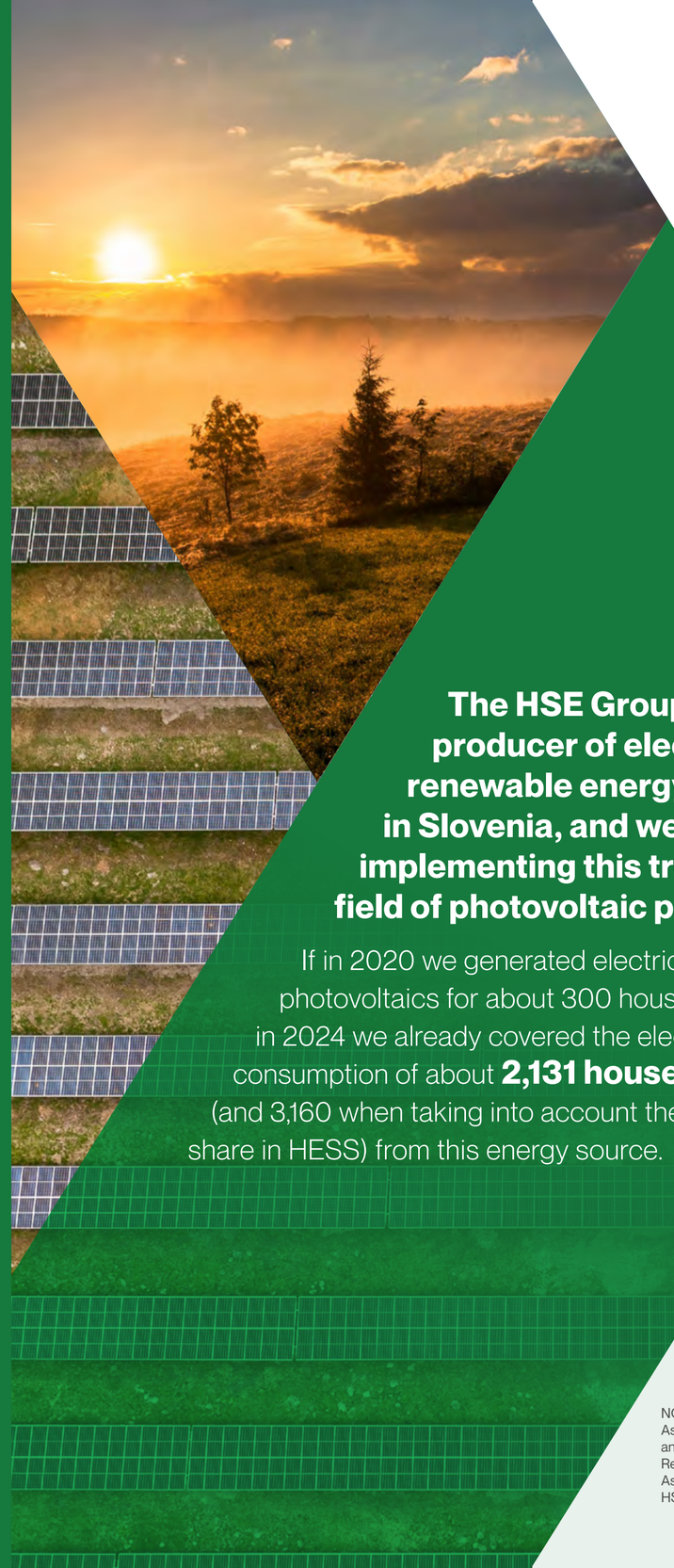

The HSE Group is the largest producer of electricity from renewable energy sources in Slovenia, and we are also implementing this trend in the field of photovoltaic power plants.

If in 2020 we generated electricity from photovoltaics for about 300 households, in 2024 we already covered the electricity consumption of about **2,131 households** (and 3,160 when taking into account the 49% share in HESS) from this energy source.

2.4 Presentation of the HSE Group

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.**

Other activities in 2024 included 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.

Holding Slovenske elektrarne d.o.o.

Production

HYDRO PRODUCTION

Dravske elektrarne Maribor d.o.o.
(HSE 100%)
→ MHE Lobnica d.o.o. (DEM 65.0%)

Soške elektrarne Nova Gorica d.o.o.
(HSE 100%)

Hidroelektrarne na spodnji Savi d.o.o.
(HSE 15.4%, DEM 30.8%, SENG 2.8%)

THERMO PRODUCTION

Termoelektrarna Šoštanj d.o.o.
(HSE 100%)

HSE - Energetska družba Trbovlje d.o.o.
(HSE 100%)

PRIMARY SOURCES

Premogovnik Velenje d.o.o.
(HSE 100%)

HTZ I.P. d.o.o.
(PV 100%)

Sipoteh d.o.o.
(PV 100%)

PLP d.o.o.
(PV 100%)

International network

HSE BE d.o.o.
(HSE 100%)

HSE BH d.o.o.
(HSE 100%)

HSE MAK ENERGY DOOEL
(HSE 100%)

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%)

Srednjesavske elektrarne d.o.o.
(HSE 60.0%)

HSE SaŠa d.o.o.
(HSE 100.0%)

Sales to end customers

ECE d.o.o.
(HSE 100,0%)

Energija plus d.o.o.
(HSE 100,0%)

NOTE:
As of 31 December 2024, 100% of the ownership interest in TEŠ and the PV Group is transferred to the direct ownership of the Republic of Slovenia. Management has been transferred to SDH. As of 31 December 2024, TEŠ and PV are no longer part of the HSE Group.

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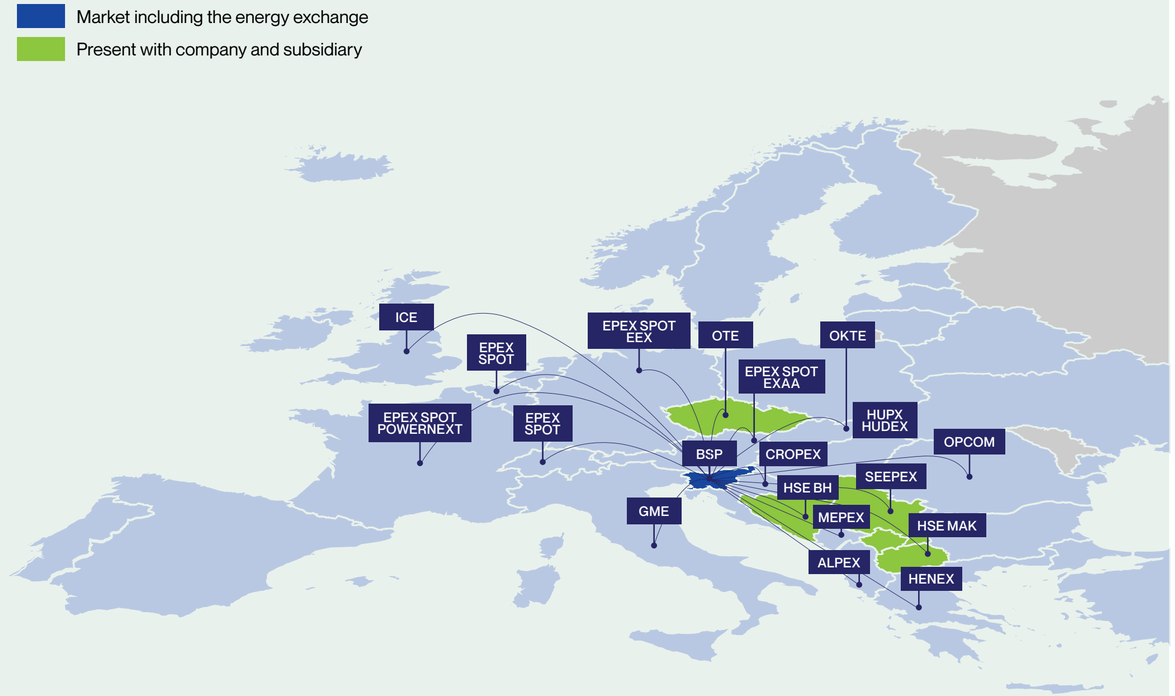
TRADING AND SALES

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 thus 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



450 +
partners

20 +
markets

24/7
trading

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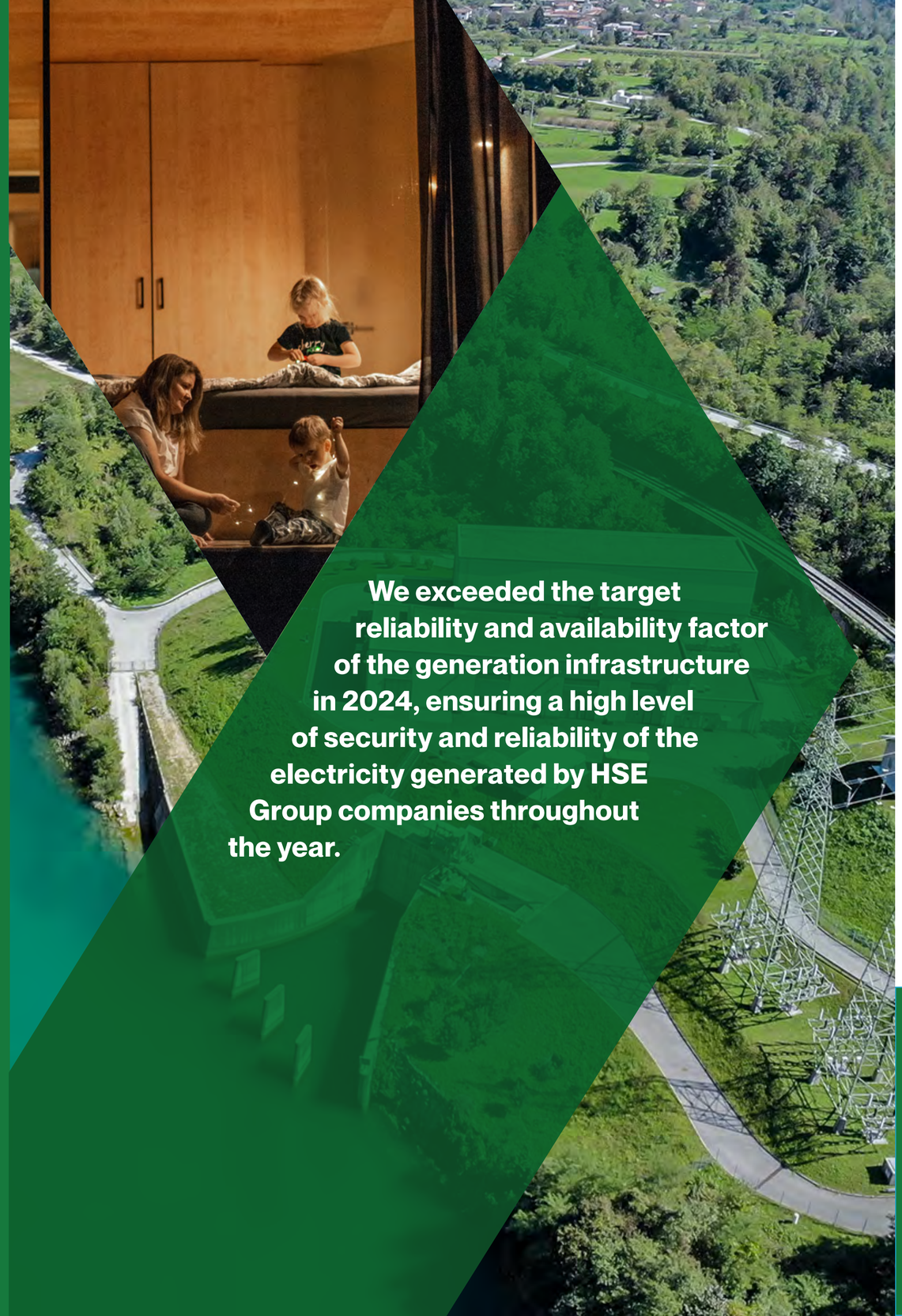

We exceeded the target reliability and availability factor of the generation infrastructure in 2024, ensuring a high level of security and reliability of the electricity generated by HSE Group companies throughout the year.

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 was in 2024 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.

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 HSE Group companies in the electricity market, also under the virtual power plant concept.

We are an important electricity generator who offers a frequency maintenance reserve and an automatic frequency restoration reserve in Slovenia.

Excluding thermodivision, we have a total generation capacity of 1,090 MW at the power plants' doorstep. Of this, HSE has 3 MW of capacity at the Prapretno photovoltaic power plant. DEM has 596 MW at system hydropower plants, 4 MW at small hydropower plants, and 2.5 MW at photovoltaic power plants. SENG has 136 MW of capacity at its system hydropower plants, 180 MW at the Avče pumped-storage plant, 20 MW at small hydropower plants, and 0.06 MW at photovoltaic plants. HSE EDT has two gas-fired units with a total capacity of 58 MW. The hydroelectric power plants on the Lower Sava River with a capacity of 79 MW also contribute to the HSE Group's total capacity.

sun

Photovoltaic power plants have overtaken coal power plants for the first time in EU countries, showing the rapid growth of renewables.

wind

Wind power has become the second largest source of electricity in the EU, after nuclear power.

water

Slovenia's electricity production was marked by an exceptionally hydrologically rich year in 2024.

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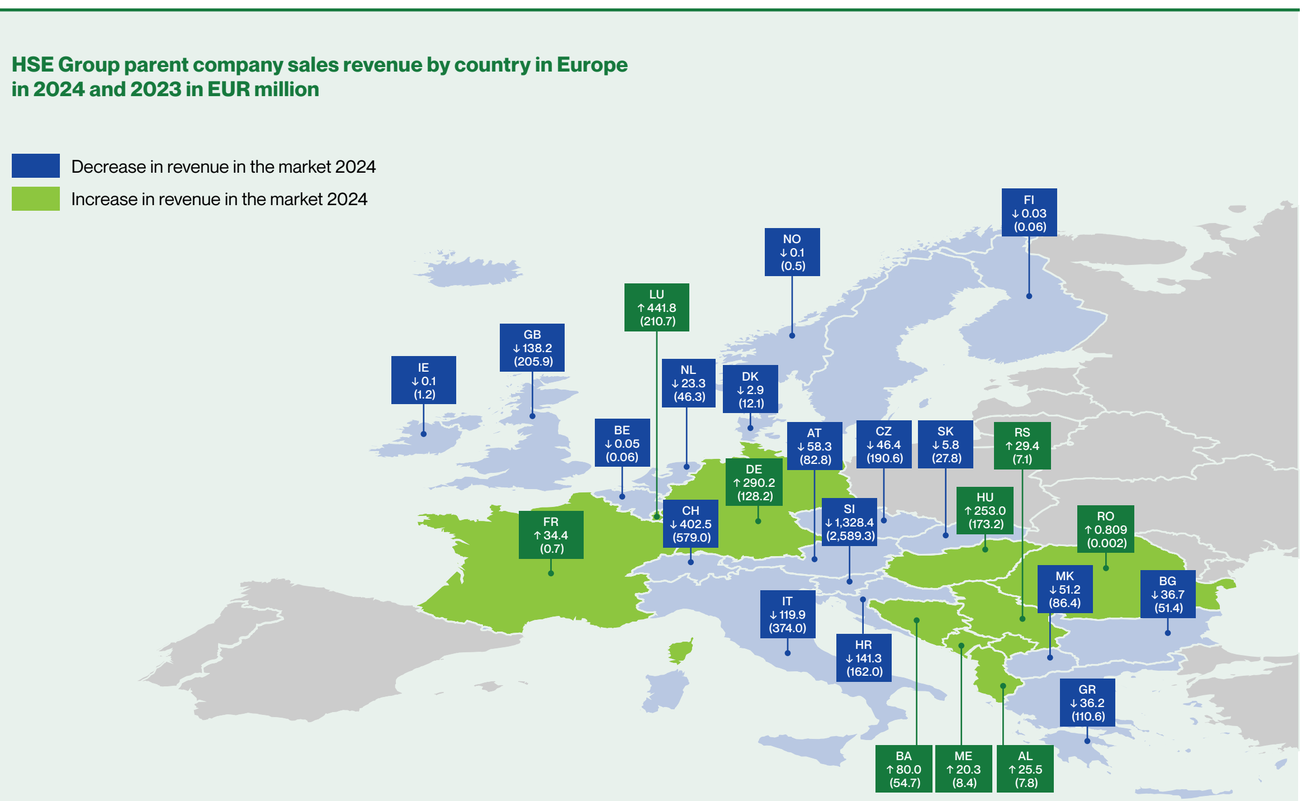
RETAIL

The HSE Group includes ECE and Energija plus, which are involved in the retail sale of electricity, natural gas, and other services. 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 merchandise. With its comprehensive portfolio of state-of-the-art energy solutions, Energija plus is a supplier of electricity and natural gas, and 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.

HSE Group parent company sales revenue by country in Europe in 2024 and 2023 in EUR million



NOTE:
Data by country - the first number refers to the year 2024, the figure in brackets refers to the year 2023.

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HSE Group's business model (excluding investments)

Activities of the HSE Group

PRODUCTION AND PURCHASE OF ELECTRICITY → hse Group → **SALE OF ELECTRICITY**

OWN PRODUCTION RESOURCES	2024	2023
Production of electricity in GWh*	7,189	6,581
Share of sell-generated sources	26%	24%
Average number of employees	1,831	1,890
Power in MW	1,939	1,939

OTHER SOURCES OF ELECTRICITY	2024	2023
Other purchase of electricity in GWh	20,807	20,383
Share of other sources	74%	76%

HESS	2024	2023
Production of electricity in GWh (49% share)	314	335

HSE	2024	2023
Average number of employees	252	241

E+	2024	2023
Average number of employees	72	74

ECE	2024	2023
Average number of employees	72	74

INTERNATIONAL NETWORK	2024	2023
Average number of employees	2	3

SALE OF ELECTRICITY ON THE DOMESTIC MARKET	2024	2023
Sales of electricity - retail v GWh	3,637	3,714
Sales of electricity - wholesale in GWh	7,225	9,194
Share of sale on the domestic market	39%	48%

SALE OF ELECTRICITY ON THE FOREIGN MARKET	2024	2023
Sale of electricity in GWh	17,134	14,056
Share of sale on the foreign market	61%	52%

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

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57%

HYDRO PRODUCTION AND OTHER RES

	2024	2023
Average number of employees	397	385
Production of electricity in GWh	4,118	3,847
Power in MW	953	953
Units	73 turbines 7 solar power plants	73 turbins 7 solar power plants

DEM	2024	2023
Average number of employees	265	257
Production of electricity in GWh	3,259	3,008
Power in MW	614	614
Units	32 turbines 5 solar power plants	32 turbines 5 solar power plants

MHE Lobnica	2024	2023
Average number of employees	0	0
Production of electricity in GWh	0.3	0.4
Power in MW	0.1	0.1
Units	2 turbines	2 turbines

SENG	2024	2023
Average number of employees	132	128
Production of electricity in GWh	856	835
Power in MW	336	336
Units	39 turbines 1 solar power plants	39 turbines 1 solar power plants

HSE (SPP Prapretno)	2024	2023
Average 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

43%

THERMO PRODUCTION

	2024	2023
Average number of employees*	2.869	2.955
Production of electricity in GWh	3,071	2,735
Power in MW	986	986
Units	2 blocks 4 gas turbines	2 blocks 4 gas turbines

HSE EDT	2024	2023
Average number of employees	0	0
Production of electricity in GWh	1	0
Power in MW	58	58
Units	2 gas turbines	2 gas turbines

TEŠ	2024	2023
Number of employees	304	313
Production of electricity in GWh	3.070	2,735
Power in MW	928	928
Units	2 blocks 2 gas turbines	2 blocks 2 gas turbines

PV Group	2024	2023
Average number of employees	2.566	2.642
Coal production in TJ	24.159	27.834

* As of 31 December 2024 the thermal division is excluded from the HSE Group.

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2.5 Market environment of the EU electricity industry

In 2024, we saw a gradual reduction in interest rates, with inflation still not within the expected or desired range. The EU economy is showing signs of a gradual recovery, but the fall in economic growth in Germany, Europe's leading economy, for the second year in a row is worrying. Overall, the electricity market environment in 2024 was dynamic and subject to a number of influences that required flexibility and monitoring of trends. In the first half of 2024, wholesale product prices were falling due to a mild winter, high gas stocks in gas storage, and high production from all generation sources. During periods of high wind and PV generation, there were a large number of hours with negative prices on the day-ahead market. In the second half of the year, prices rose due to transmission constraints, poorer hydrology, and generation from renewables, and towards the end of the year, higher consumption due to the cold start of winter.

ECONOMIC GROWTH IN EUROPE

2024	0.9% ↑
2023	0.6%

Annual economic growth in 2024 reflects the gradual recovery of the EU economy, but it remains subject to geopolitical risks. Economic growth is also affected by the uneven manner in which different EU countries are coping with economic difficulties. In this context, the impact of Germany's economic growth has been substantial.

Source: European Commission website

EURIBOR 12 M INTEREST RATE

2024	2.460% ↓
2023	3.513%

Interest rate spread in 2024: [minimum 2.348%; maximum 3.756%]

Based on falling inflation, the European Central Bank started cutting key interest rates in June. By the end of the year, the ECB had cut rates four times in total, each time by 25 basis points. With inflation still not within the 2% target, markets expect a gradual reduction in key interest rates also in 2025.

Source: Euribor-rates.eu

THE EUR/USD EXCHANGE RATE

2024	1.0350 ↓
2023	1.1056

Exchange rate range in 2024: [minimum 1.0350; maximum 1.1203]

In 2024, the euro weakened against the dollar, partly due to problems in the key European economy, Germany, and political instability in France. A comparison of the economic situation also reveals that the US economy grew at a higher rate than the EU. The dollar's higher value is also due to higher interest rates in the US, which in turn increase the currency's attractiveness for investors.

Source: Exchange-rates.org

BRENT OIL PRICE

2024	$75/Bbl ↓
2023	$77/Bbl

Price range in 2024: [minimum 69, maximum 92]

The oil price was most affected by year-on-year lower oil consumption in China, which contributed the most to global oil consumption growth in recent decades, and higher production in the US and some other non-OPEC countries. Conflicts in the Middle East and lower oil exports from Russia due to sanctions and infrastructure damage led to occasional price spikes. OPEC+ tried to raise prices by delaying the start of production releases, but weak consumption growth and Asia's price sensitivity prevailed.

Source: MarketWatch

TTF GAS PRICES

2024	EUR 47/MWh ↑
2023	EUR 33/MWh

Price range in 2024: [minimum 27, maximum 47]

In early 2024, gas prices fell to levels that triggered a stronger Asian demand, while geopolitical events extended the supply route from the Middle East to Europe. As a result, gas prices were on an upward trend since February, further fuelled in the second quarter by exceptionally high consumption from India and SE Asia due to the long hot spell, and by high consumption from NE Asia for most of the year. Low consumption in Europe and high supply from Norway only slightly dampened the upward trend.

Source: ICE

ARA COAL PRICES

2024	$112/t ↑
2023	$98/t

Price range in 2024: [minimum 89, maximum 131]

Coal prices were on an upward trend from February (until November). The higher price levels were mainly due to the adoption of additional international sanctions affecting the level of Russian coal exports, the heatwaves in India in May and June, and the resulting higher demand for coal and the higher level of coal imports from China.

Source: ICE

1 OPEC+ is a broader group of oil-exporting countries that includes additional countries that are not members of OPEC (the Organisation of the Petroleum Exporting Countries). According to OPEC itself, there are additionally Russia, Mexico, Kazakhstan, Oman, and a few smaller ones.

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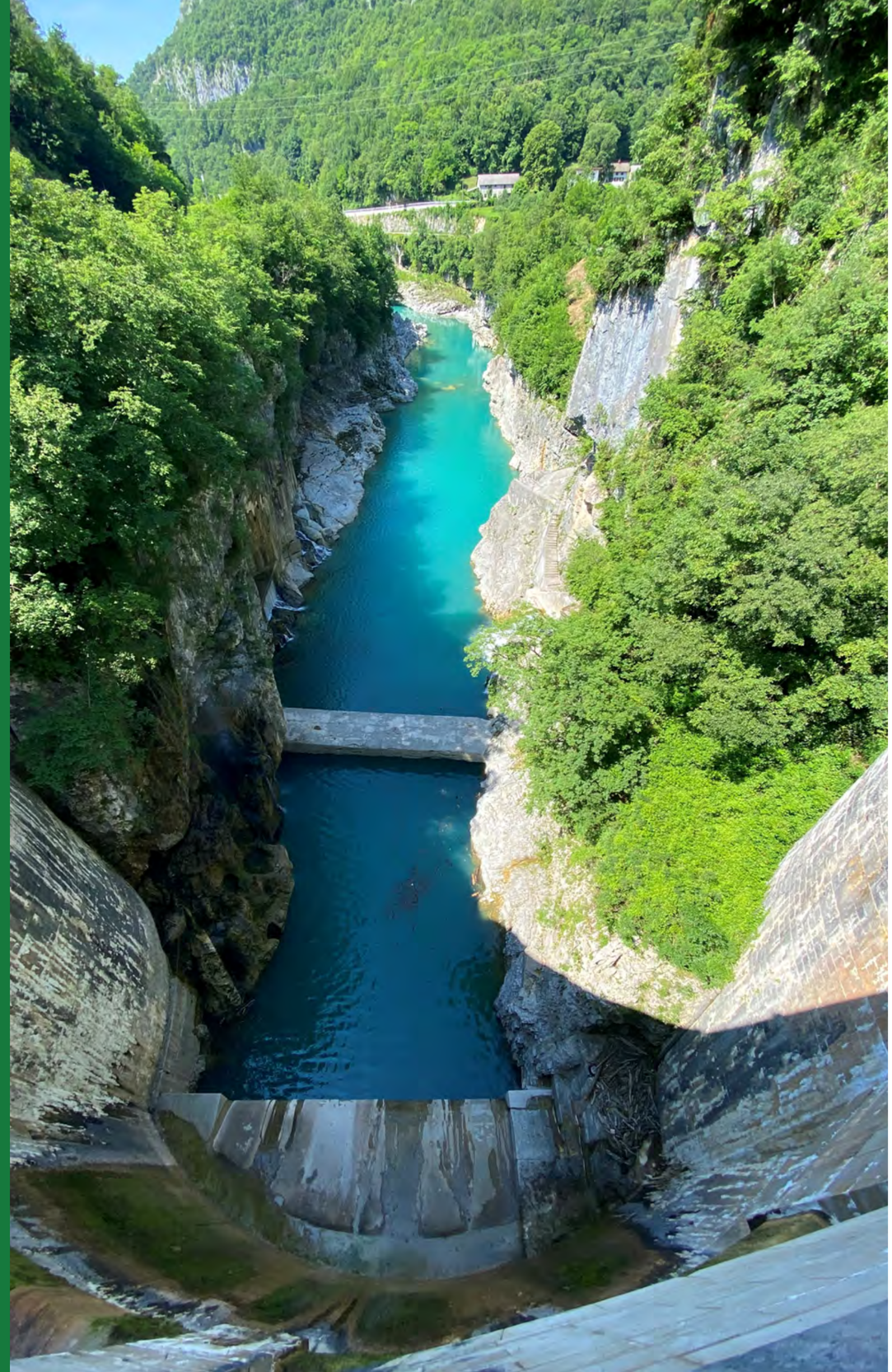

HYDROELECTRIC POWER GENERATION IN SE EUROPE

2024	45.0 TWh
2023	54.1 TWh

Hydropower generation in SE Europe in 2024 was 17% lower than the year before, with large differences between countries. Slovenia's production was higher than in 2023, while in most other SE Europe countries it was around 20% lower.

Otherwise, 2024 was a very favourable hydrological year for the countries of Central-Western Europe and the Iberian Peninsula, with almost 30% higher production compared to the previous year.

Source: ENTSO-E

RENEWABLE ENERGY IN GERMANY (wind and sun)

2024	201 TWh
2023	197 TWh

In Germany, the trend of increasing installed capacity (4.1 GW of wind and 9.9 GW of solar) and electricity generated from renewable sources continues.

In 2024, photovoltaic power plants produced 15% more electricity than the year before, while wind production was 3% lower, mainly in the last quarter of the year due to a longer period without wind, when it was 20% lower than in the same period a year earlier.

Source: ENTSO-E

CO_2 PRICES

2024	EUR 63.3/t
2023	EUR 69.1/t

Price range in 2024:
[minimum 52, maximum 77]

In 2024, there were new developments in the emissions trading market, including the inclusion of maritime transport in the EU ETS and the shifting of the deadline for the surrender of emission allowances to the end of September. Emission allowance prices fluctuated according to seasonal factors such as mild winters, full gas storage, and geopolitical tensions affecting energy demand. At the end of the year, prices decreased and ended at EUR 63.32/t.

Source: EEX

NOTE:
The prices, interest rates, and exchange rates on the last trading day of the year (29 December 2023 and 31 December 2024) are shown above, with the ranges showing the lowest and highest prices achieved in the last year.

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AVERAGE ELECTRICITY PRICES ON THE EXCHANGES FOR THE DAY AHEAD

Germany

2024	EUR 80/MWh	↓
2023	EUR 95/MWh	

Italy

2024	EUR 109/MWh	↓
2023	EUR 127/MWh	

Hungary

2024	EUR 101/MWh	↓
2023	EUR 107/MWh	

Greece

2024	EUR 101/MWh	↓
2023	EUR 119/MWh	

Slovenia

2024	EUR 91/MWh	↓
2023	EUR 105/MWh	

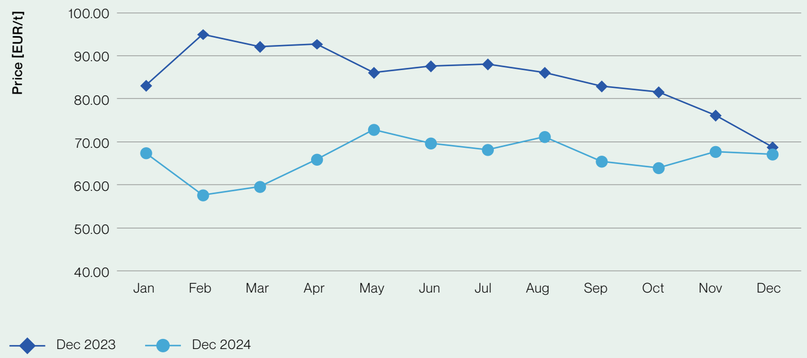
Romania

2024	EUR 104/MWh	=
2023	EUR 104/MWh	

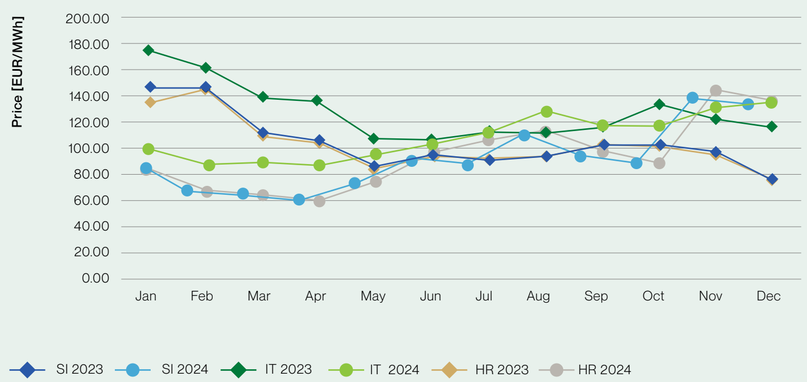
Source: Stock Exchange

In 2024, average electricity prices in European markets fell due to a combination of factors including a mild winter, high levels of gas in storage, favourable hydrological conditions, and increased generation from renewable sources, notably wind and solar. Despite the general downward trend in prices, there were periods of volatility, where prices temporarily rose due to increased demand, transmission capacity constraints, and occasionally poor weather conditions. Towards the end of the year, prices rose again due to higher demand, lower generation from renewables, and plant overhauls.

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



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



Source: Stock Exchange

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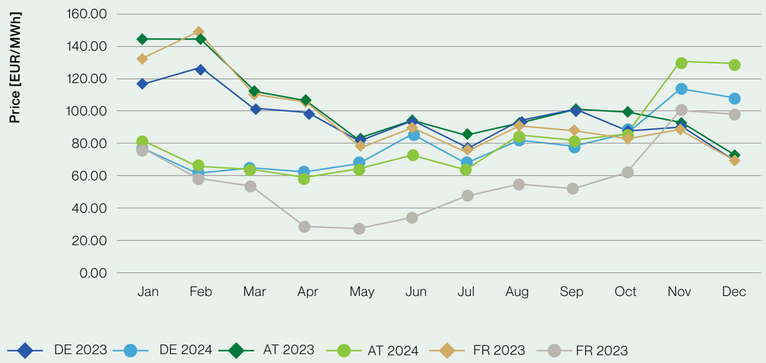
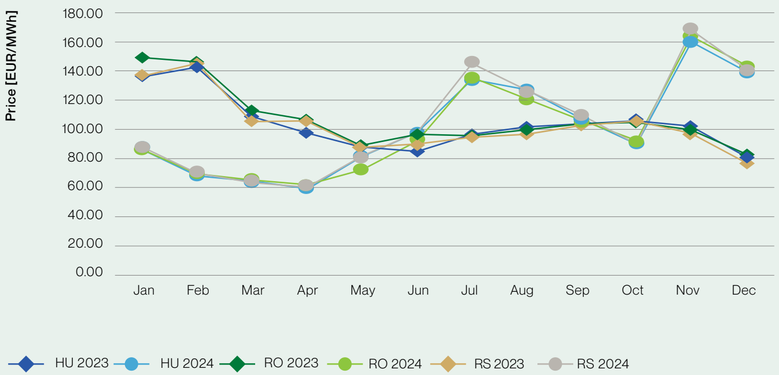
Average monthly electricity prices in Germany (DE), Austria (AT), and France (FR)



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



Source: Stock Exchange

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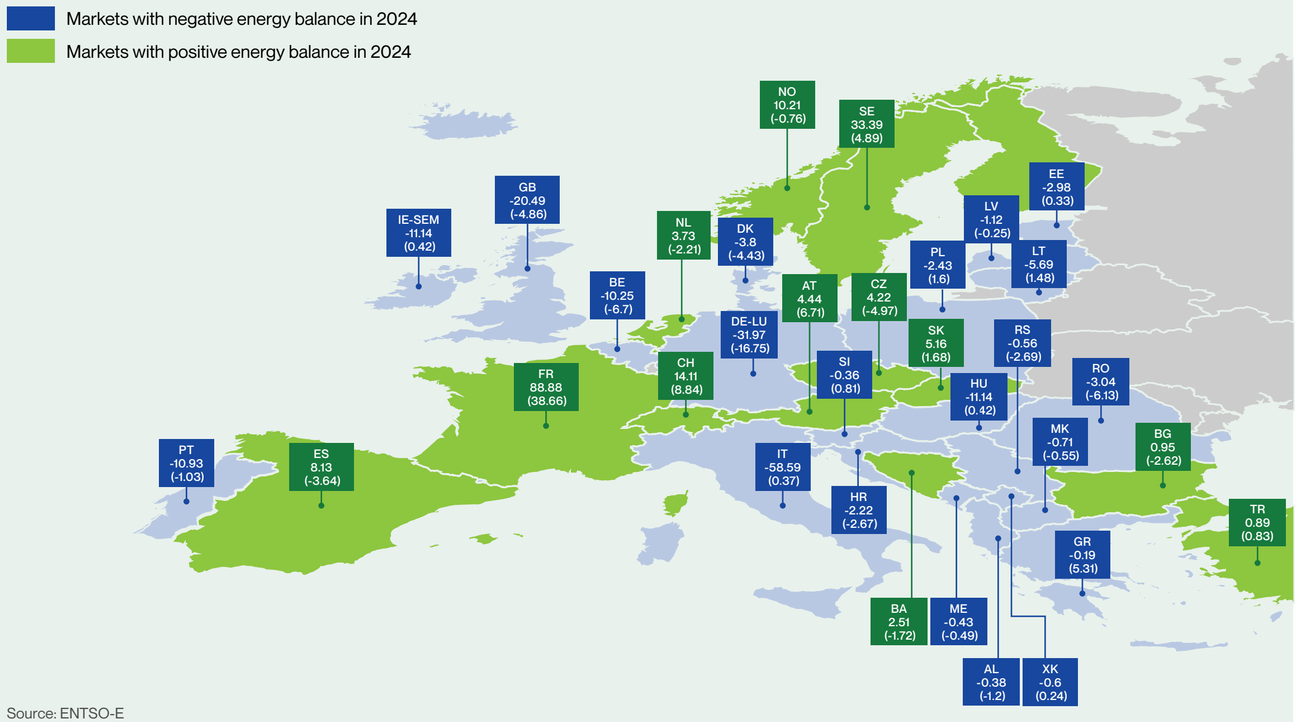
Balance of European electricity markets in 2024 and a change in the balance compared to 2023 in TWh



Source: ENTSO-E

In the first three quarters of 2024, it is mainly countries with strong nuclear or hydropower production that had a positive balance. France, Sweden, and Slovakia in particular recorded an improvement in their balances due to nuclear production. However, countries in the Iberian Peninsula, Scandinavia, and the Alps recorded a positive balance due to high hydro production. In Slovenia, good hydrology improved the balance, but the balance remained negative.

Most of the countries that had very low balances in the first three quarters (Germany, Italy, and most of SE Europe) saw their balances deteriorate sharply in the last quarter due to the cold start to the winter and extremely low generation from renewables.

Germany by far the most reduced balance in 2024 due to the closure of all nuclear and some coal plants, and the extremely low wind generation in the last quarter (down 20% y-o-y), especially in November (down 25% y-o-y).

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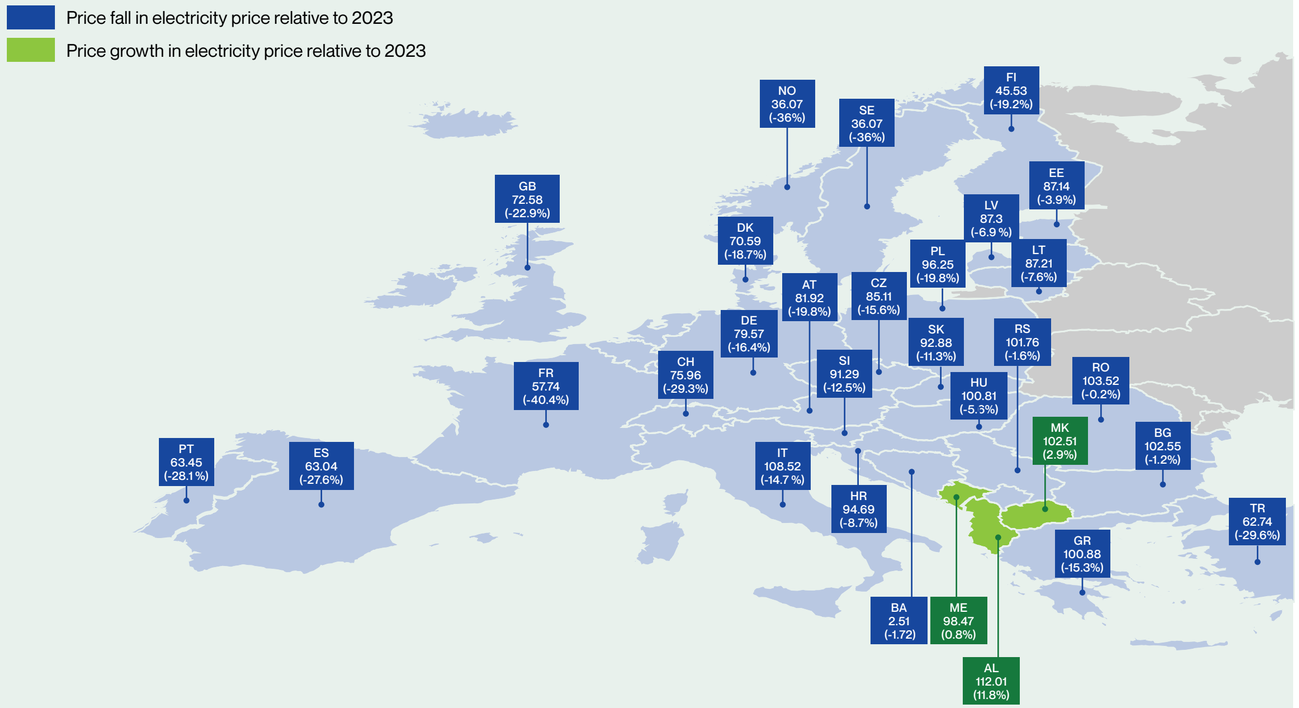
Day-ahead annual electricity price achieved on European power exchanges in 2024 (in EUR/MWh) and change in percentage compared to 2023



Source: Stock Exchange

Electricity prices in 2024 were lower than in 2023 almost everywhere in Europe. France recorded the biggest drop (just over 40%), followed by Norway and Sweden, while prices fell almost marginally in Romania and Bulgaria.

Prices were lowest in Norway and Sweden, and highest in Albania and Italy.

We see the main reasons for the drop in electricity prices in the first quarter of 2024 in the mild winter, and furthermore due to lower gas prices and full gas storage across Europe, above average hydrology and good production from both conventional and renewable sources.

Mainly due to the good production from wind and photovoltaic power plants, of which there was a record number in 2024, we saw a very high number of negative hourly prices in the second quarter of 2024, especially on weekends and holidays.

In the third quarter of 2024, prices jumped mainly in SE European and Italian markets due to higher off-take, additional reductions in cross-border transmission capacity, and slightly worse hydrology. In the markets of SE Europe, we had the lowest prices in Slovenia and Croatia, and the highest prices in Albania, Greece and Romania.

In the fourth quarter, we saw the highest prices in 2024. Higher demand and less generation from renewables, as well as the maintenance of some power plants pushed up prices, especially in November and the first half of December.

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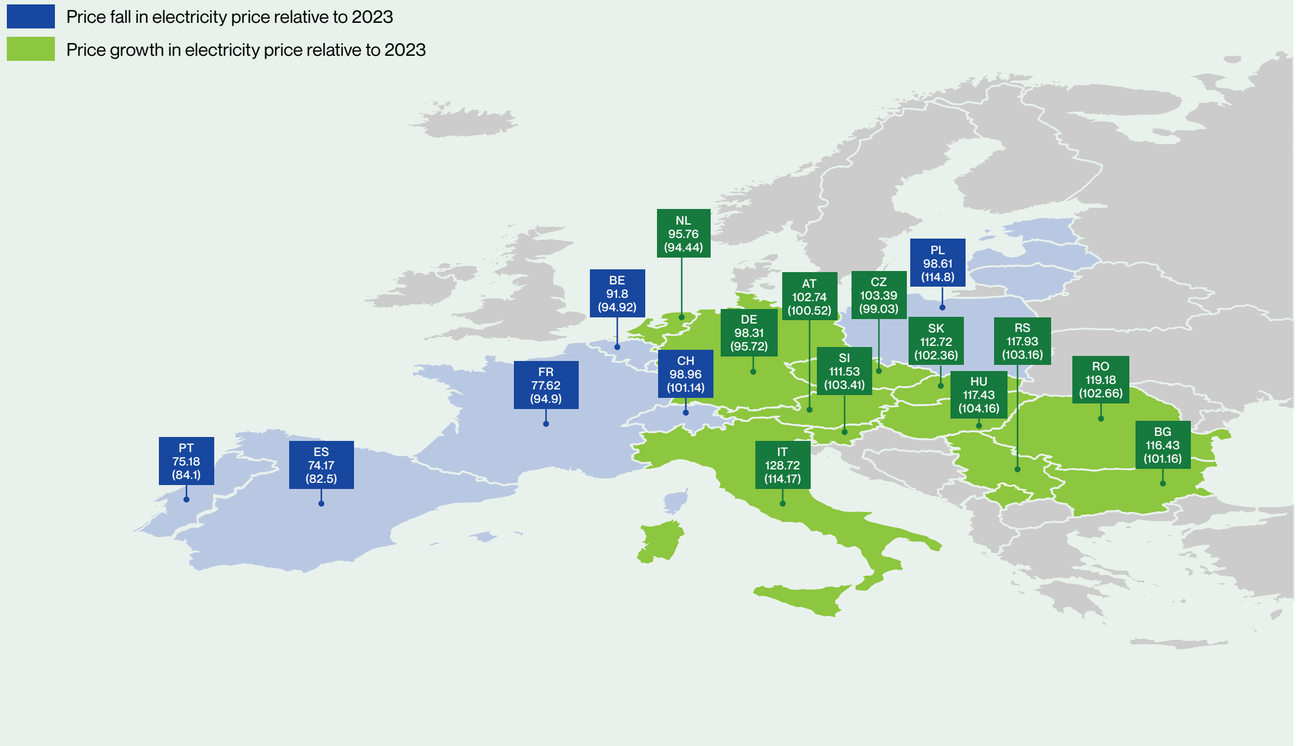
Forward prices of baseload electricity supply on key exchanges for delivery in 2025 at the end of 2024 and for delivery in 2024 at the end of 2023 (EUR/MWh)



Source: Stock Exchange

Electricity prices for baseload supply in 2025 continued their downward trend from 2023 in early 2024 due to seasonally high gas storage, as well as high and stable electricity generation from renewables (RES). High RES production continued in the second and third quarter of 2024, with the French nuclear plants making up for the shortfall of the closed German nuclear plants in the first three quarters. However, from March to June 2024, electricity prices for baseload supply in 2025 were rising due to the geopolitical situation in the Middle East and the additional closure of coal production in Germany. However, prices stabilised in the third quarter despite a number of price pressures (hot summer in Europe, strong liquefied natural gas (LNG) consumption in Asia, spreading conflicts in the Middle East and on the Ukraine-Russia border along the main gas pipeline from Russia to Europe, and uncertainty about the continuation of gas transmission through Ukraine after the current five-year contract expires at the end of 2024), as European gas storage capacity was already at 90% on 19 August, well ahead of the 1 November 2024 deadline. Emission allowance prices have also been falling due to lower CO_2 emissions and higher supply in auctions since September. However, the last quarter of 2024 was marked by extremely low RES generation. Much of the lower RES generation was replaced by gas-fired power plants, which, combined with low LNG supply, led to an extremely rapid depletion of gas in storage at the end of 2024, which was 15% lower year-on-year at the end of the year. Towards the end of the year, however, it was becoming increasingly likely that Russian gas could no longer be expected to flow through Ukraine in 2025. As a result, in most countries where RES and gas are the most important sources of electricity generation, baseload electricity prices ended 2024 higher
year-on-year.

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CO_2 emission allowance prices in EUR/allowance (Delivery: December 2024)

Source: EEX

In 2024, some new developments or changes were foreseen in the area of emission allowances. Maritime transport was included in the EU ETS, with an additional 78.4 million emission allowances (EUAs) foreseen for 2024 in the primary auctions. In addition, a new deadline for the surrender of emission allowances was set, moving it from the end of April to the end of September 2024.

At the beginning of the first quarter of 2024, the downward trend in the carbon market, which started in autumn 2023, continued. A mild winter and good filling levels of gas storage in Europe led to lower gas prices, which in turn reduced the competitiveness of coal-fired power plants, and lower demand for emission allowances. Towards the end of February, the fall in the EUA price for the Dec24 contract was halted at EUR 51.08/t, which also represents the lowest price level in the last two years. This was followed by a period of rising EUA prices or across the energy spectrum, as the market saw higher demand for LNG in Asia. By the end of May, the EUA price for the Dec24 contract had reached the level identical to the beginning of the year, i.e. EUR 78.00/t. June saw the start of a period of declining EUA prices due to lower demand, mainly on the back of higher RES volumes and good gas market conditions, among others, stable gas supplies to Europe, sufficient gas storage filling intensity in Europe, and lower global LNG demand.

Similar gas market conditions persisted throughout the third quarter of 2024, with volatility and uncertainty in the market caused by the heightened geopolitical situation in the Middle East and between Ukraine and Russia, which led to a sharp increase in energy prices at the end of July and beginning of August. The rise in energy prices only moderated as European gas storage reached 90% full. A downward trend followed until the beginning of October, when EUA Dec24 reached a local low of EUR 59.95/t. At the start of the winter season, energy prices increased slightly as a result of higher seasonal consumption and fears of gas flow disruptions via Ukraine, followed by EUA Dec24 prices, which closed at EUR 63.32/t.

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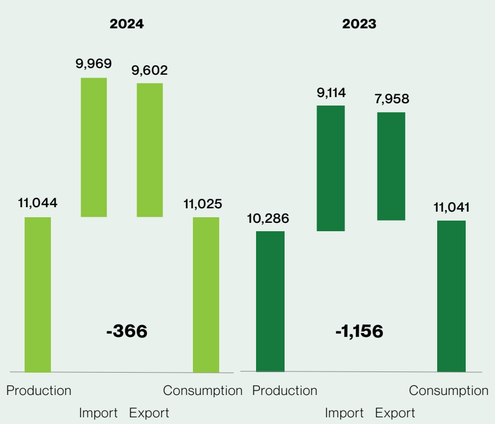
THE SLOVENIAN ELECTRICITY MARKET

In 2024, due to favourable hydrological conditions, electricity production on the Slovenian market was 9% higher than the previous year. The hydrological conditions were better both for the Drava basin, where production was 9% higher than the previous year, and for the Soča basin, where the increase was 8%. Consumption remained at the same level as in 2023. All of the above led to a significant increase in exports, which, together with a much smaller increase in imports, translates into a significantly better balance of the Slovenian electricity market.

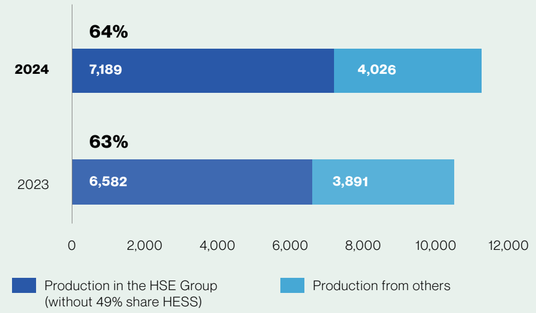
Slovenian electricity market in GWh



NOTE: The figure does not include transmission losses on the network.

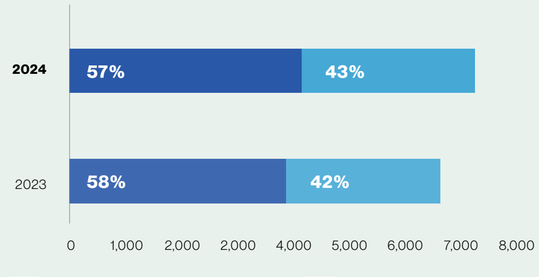
Source: ELES monthly report (includes electricity delivered and received to/from the transmission grid).

Generation (GWh) and share of the generation in the HSE Group (%) in total electricity generation in Slovenia in GWh



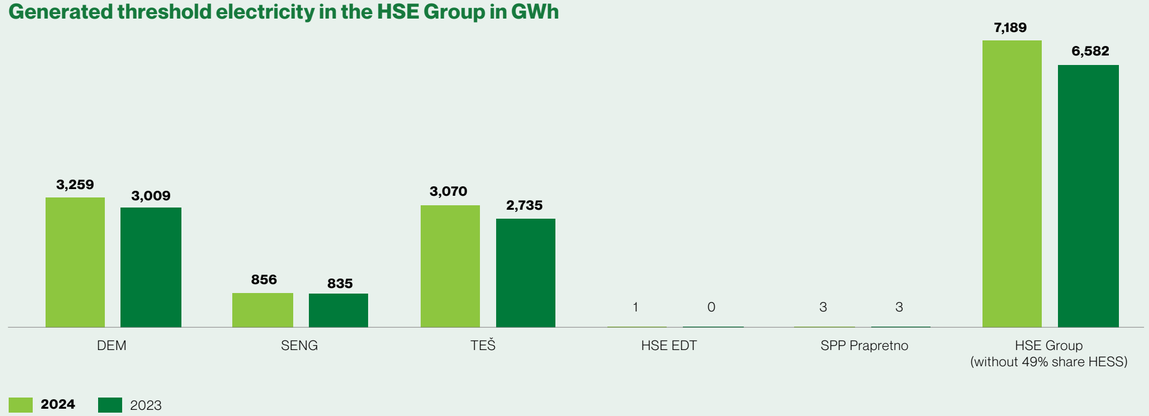
Source: ELES and HSE internal data

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



Source: ELES and HSE internal data

Generated threshold electricity in the HSE Group in GWh



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ADAPTATION OF THE HSE GROUP TO MARKET CONDITIONS

After years of predominantly unidirectional price trends, volatility and unpredictability in market prices began to return to the market in 2024, with geopolitical developments contributing significantly to this, alongside fundamental factors. Sales and trading strategies were adapted to the global situation, which often changed at relatively short notice on the basis of breaking news. In terms of fundamental factors, 2024 was the first year in which we experienced a strong impact of RES in the summer months in the form of large price differentials between different hours or parts of the day. In the context of short-term sales and trading of own generation, the HSE Group adapted to the situation mainly by exploiting the available portfolio flexibilities, both contractual and technical, including those that did not play a significant role in the past (e.g. downsizing or even switching off generating units, especially in hours with high generation from photovoltaic power plants).

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. As we work to grow electricity generation from RES, we will also develop new business models in sales and trading, with strengthened analytics, to upgrade our long-term and short-term generation management, while further enhancing our clean trading activities. In the future, we want to further strengthen our presence in SE Europe and continue to build good relations with partners in Slovenia and abroad by actively participating in tenders for the purchase/sale of electricity in the region and through bilateral partnerships. In addition to the above, the increasing installed capacity of RES across Europe will make us pay further attention to exploiting the flexibility of existing power plants and to building new sources of flexibility, such as battery storage and pumped storage. In this way, we will ensure the stability and reliability of the operation of the electricity system and, on the other hand, exploit market opportunities in intraday trading, which is an increasingly important segment of the HSE Group's trading activities and which we will continue to develop in the future. The activities of the HSE Group are also aimed at strengthening and expanding trading in the natural gas segment, which has become one of the key drivers of electricity market prices in recent years, alongside renewables.

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2.6 Business performance analysis of the HSE Group[2]

	HSE Group		HSE Company	
Key data	**2023**	**2024**	**2023**	**2024**
Net sales revenue in EUR	4,947,692,605	3,572,932,999	5,116,070,394	3,620,312,806
Net profit/loss in EUR	390,831,261	232,766,309	366,447,674	210,490,452
Revenue in EUR	5,118,949,790	3,613,161,955	5,172,712,244	3,638,921,007
EBIT = Operating profit or loss in EUR	467,642,705	234,402,448	452,763,593	417,359,036
EBITDA in EUR	642,917,063	579,701,492	455,158,339	429,819,050
Assets in EUR	2,393,294,417	1,694,968,420	1,964,160,650	1,702,475,940
Capital in EUR	1,173,324,581	1,143,641,966	946,724,777	906,890,816
Bank indebtedness in EUR	591,057,519	194,601,875	277,906,767	191,016,317
Total indebtedness in EUR	597,359,396	200,142,484	328,999,765	194,889,146
Investments in EUR	74,835,611	72,244,985	2,754,361	2,198,673
Electricity produced in GWh	6,581	7,189	6,581	7,189
Electricity sold (physical business) in GWh	26,964	27,996	27,853	28,113
Electricity sold (physical and finacial business) in GWh	80,441	98,491	81,330	98,608
Average number of emloyess*	3,340	3,266	241	252
Self-financing ratio	49.03	67.47	48.20	53.27
Non-current financing ratio	74.92	77.40	60.30	62.37
Operating fixed assets rate	51.64	34.73	19.13	16.31
Non-current investment ratio	59.89	44.10	62.13	53.97
Equity to operating fixed ration	0.95	1.94	2.52	3.27
Immediate solvency ration	0.19	0.98	0.04	0.38
Quick ratio	1.32	2.20	0.89	1.08
Current ratio	1.60	2.36	0.95	1.16
Operating efficientcy ratio	1.10	1.07	1.10	1.13
Net return on equity (ROE) indicator in %	35.6	20.1	41.5	22.7
Net return on assets (ROA) indicator in %	16.1	11.4	19.1	11.5
Added Value in EUR	812,981,008	758,956,612	473,958,421	451,080,657
Added value per employee in EUR	243,444	232,381	1,964,594	1,786,635
Debt-to-capital ratio	0.51	0.18	0.35	0.21
Total finacial liabilities/EBITDA	0.93	0.35	0.72	0.45
EBITDA/Financial expenses from received loans	26.14	27.86	31.49	35.91
Total fiancial liabilities/Assets	0.25	0.12	0.17	0.11
Nef financial liabilities in EUR	486,075,138	-171,581,687	297,315,667	-50,107,522

* Average number of employees calculated from the initial and final balance, including employees of discontinued operations as of 31 December 2024,

2 The chapter HSE and HSE Group performance analysis should be read in conjunction with the HSE Financial Report and the HSE Group Financial Report.

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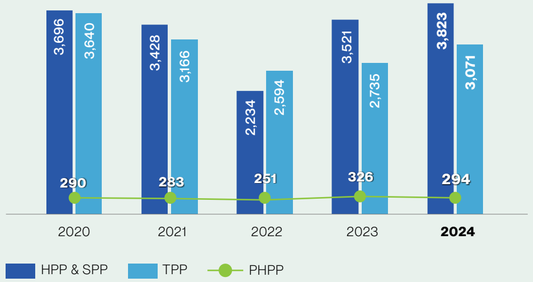
2.6.1 ANALYSIS OF THE PROFIT AND LOSS STATEMENT OF THE HSE GROUP AND COMPANY

The energy sector is constantly facing a number of uncertainties that affect our operations, including geopolitical risks, volatility in energy prices, and regulatory changes due to the transition to RES. It is the changes in the market and the fall in electricity prices significantly below the cost price of thermodivision that would prevent HSE from providing sufficient funds for the smooth operation of TEŠ and PV from 1 January 2025 onwards. To address this situation, the Act on Transitional Financing of Accelerated and Fair Coal Phase-out (ZPFPPIP) was adopted in December 2024, which provides for the transfer of the entire business shares of PV and TEŠ to the Republic of Slovenia gratuitously. As at 31 December 2024, the PV Group and TEŠ (hereinafter: “discontinued operations”) are no longer part of the HSE Group (“continued operations”). In the chapter Analysis of the HSE Group's operations, we compared the 2024 profit and loss statement for total continued and discontinued operations with the previous year 2023.

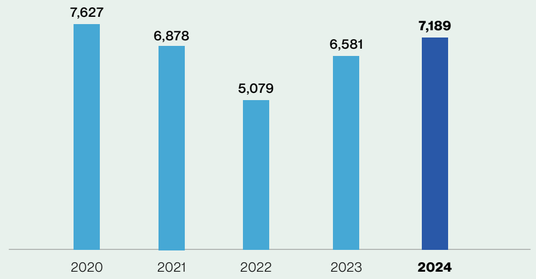
In 2024, the HSE Group continued to deliver reliable electricity to its customers and, together with good availability of generating units and efficient implementation of sales activities, performed well.

HSE Group production in 2024 was 18% higher than planned and 9% higher than in 2023.

Production of hydro-electric power plants, photovoltaic power plants, thermal power plants, and pumped-storage hydropower plants in GWh



Generated electricity in GWh



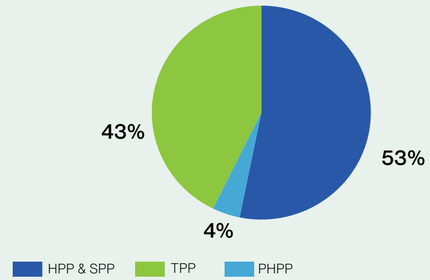
Hydro-electric power plants generated 303 GWh or 9% more electricity compared to 2023. Hydropower production was the highest in the last 5 years. PV generation was 8 GWh in both years, while pumped storage generation was 10% lower.

Premogovnik Velenje (PV) produced 24,159 TJ of coal, a 13% decrease compared to 2023, with better than expected coal heating value (3% above target coal production). Thermal electricity generation, which adjusts to coal production and supply and market conditions, was 337 GWh higher compared to 2023. Electricity generation at the Šoštanj Thermal Power Plant (TEŠ) was 12% higher than in 2023. Coal produced 3,033 GWh and gas 37 GWh of electricity. HSE EDT also operated gas-fired units in 2024, generating 1.3 GWh of electricity, while there were no major operational needs for this plant in 2023.

Hydro-electric and photovoltaic power plants accounted for 53% of the HSE Group's electricity generation, which is on a par with the previous year. 43% of electricity generation was thermal, up by 1 percentage point compared to 2023. Pumped-storage power plants accounted for 4%, a decrease of 1 percentage point compared to 2023.

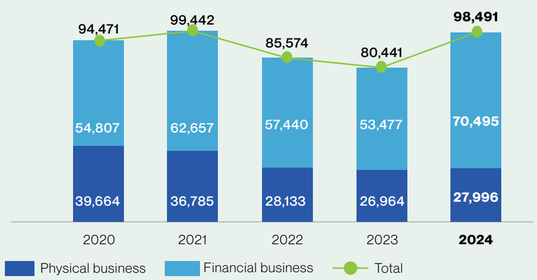
HSE Group's electricity generation volumes accounted for almost 26% of sales volumes in 2024, an increase of 1 percentage point compared to 2023.

Structure of electricity generated in 2024



HSE Group’s electricity generated and sold in GWh

HSE Group’s electricity sold in GWh



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In compliance with the generation sales strategy of the HSE Group, the majority of the electricity generated by the HSE Group is sold by the **HSE Company,** which at the same time assumes all market and quantitative risks of the HSE Group. HSE achieved 98% of its net sales revenue from **electricity** sales and related services. HSE's net sales revenue was 29% lower compared to 2023 due to lower average selling prices. Volume sales were 1% higher. There was also an increase in financial transactions, which were 32% higher than in 2023. HSE's **gas sales** of EUR 42 million almost doubled compared to 2023. The **sale of emission allowances** from trading, mainly on the foreign market, generated revenues of EUR 34.2 million. The strategy of selling own generation has been successful as a large part of the planned generation for 2024 was sold in previous years when electricity sales prices were at significantly higher levels. In the retail sector, the government's measures on electricity price regulation for household customers were still in force in 2024, with the entire price difference covered by the HSE Company, which had a negative impact on the operating result.

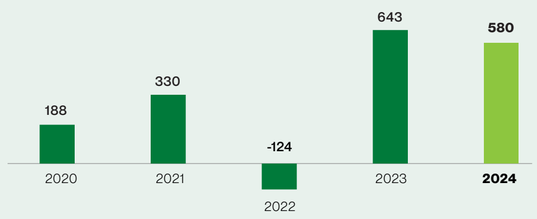
The company was profitable, with **EBITDA** of EUR 429.9 million and **EBIT** of EUR 417.4 million. Compared to previous years, the business performance was at a high level, but lower than in 2023 when the results were exceptional. This is mainly due to the lower average electricity selling prices achieved as a result of the fall in electricity prices on the European markets.

The EBIT and EBITDA of the HSE Company and Group were above plan as a result of favourable hydrology, optimisation of sales and operation of own production, and good availability of production units. In addition, the cost of materials, services and labour was lower than planned. The HSE Group and Company performed well in 2024.

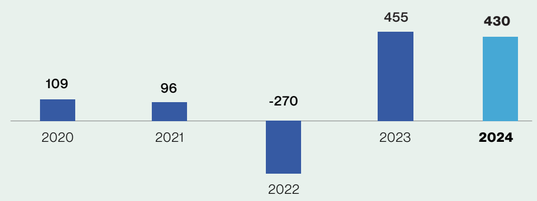
HSE Group's net sales revenue was 28% lower compared to 2023 due to lower average selling prices of electricity. Volume sales were 4% higher due to more volumes sold on foreign exchanges. **Revenue from electricity sales** of the HSE Group accounted for more than 95% of net sales revenue.

The bulk of the **revenues from the sale of thermal energy** were generated by TEŠ (EUR 12.8 million). Compared to 2023, these were 13% lower due to a lower sales price and 32 GWh lower volume production. Natural gas sales were 22% higher due to higher sales on the domestic market (EUR 43.1 million). **Revenue from the sale of merchandise** (EUR 43.1 million) was 190% higher, mainly due to the sale of emission allowances from trading on the foreign market. **Revenue from services** was 72% higher (EUR 66.6 million). The bulk of service revenues are related to the sale of electricity, and the provision of engineering and construction services.

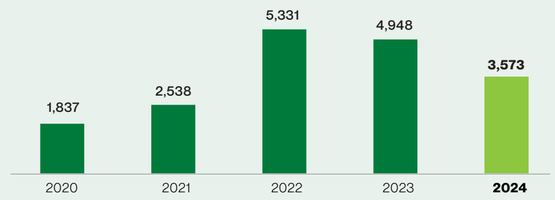
HSE Group EBITDA in EUR million



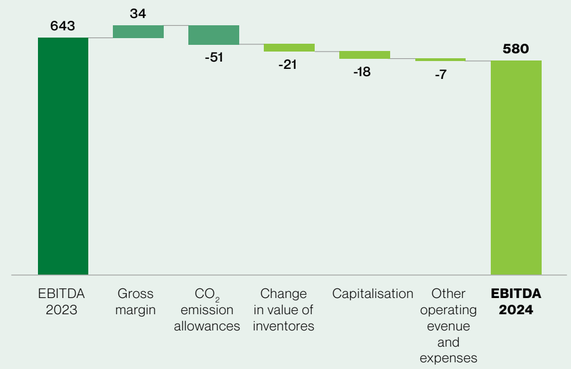
HSE Company EBITDA in EUR million



HSE Group net sales revenue in EUR million



Change in HSE Group EBITDA in 2024 compared to 2023 in EUR million



Higher consumption and prices led to a 25% increase in the cost of emission allowances compared to 2023. **The change in the value of inventories** had a negative impact on HSE Group EBITDA (impact of the disposal of the coal landfill). HSE Group companies made **provisions** for onerous contracts and other legacy liabilities (lawsuits), which reduced EBITDA.

Pursuant to the Transparency of Financial Relationships and Separate Recognition of Different Activities Act (ZPFOLERD-1), we disclose the funds received by HSE in 2024, namely for the LEONARDO project in the amount of EUR 115,183 and the TWIN EU project in the amount of EUR 70,875.

Pursuant to Article 70.b of ZGD-1, we disclose payments to governments. PV was delegated a mining concession fee for the extraction of the mineral resource coal – lignite, underground, at the Velenje extraction area in the amount of EUR 164,773. The payment was made to: the State's sub-account in the amount of 50% of the total concession fee of EUR 82,387, the Municipality of Šoštanj's sub-account in the amount of 51.65% of half of the total annual fee of EUR 42,553, and the Municipality of Velenje's sub-account in the amount of 48.35% of half of the total annual fee of EUR 39,834. RGP paid a concession fee of EUR 75,450, as follows: EUR 37,725 to the municipality of Velenje and EUR 37,725 to the Republic of Slovenia, and EUR 8,804 to the ECO Fund for the rehabilitation of the quarry.

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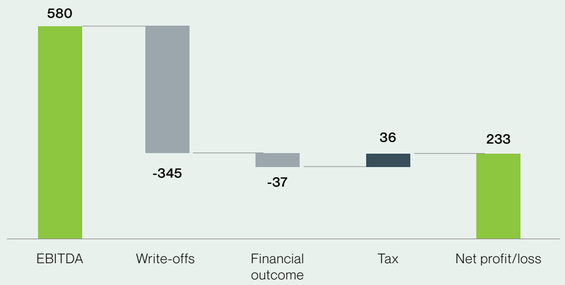
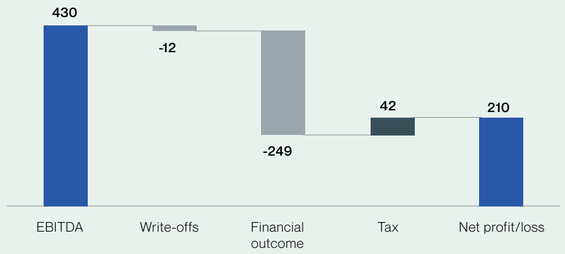
The HSE Group's overall **net result** from continued and discontinued operations combined, at EUR 232.8 million, was down 40% compared to 2023. This is mainly due to high write-downs recognised, mainly from discontinued operations. Deferred tax had a positive impact on the net profit or loss. Continued operations generated a profit of EUR 440.7 million. The net profit or loss of discontinued operations is a loss of EUR -208.0 million.

HSE Group's net profit or loss in 2024 in EUR million



HSE Company's achieved **net profit or loss** was 43% lower compared to 2023, mainly due to lower average electricity sales prices, an impairment of receivables of EUR 10.4 million, and the gratuitous transfer of shares in the thermodivision to the Republic of Slovenia of EUR 221.7 million. Deferred taxes had a positive impact on the net profit or loss.

HSE Company's net profit or loss in 2024 in EUR million



2.6.2 ANALYSIS OF THE DEFINITIVE FINANCIAL STATEMENT OF THE HSE GROUP AND COMPANY

As at 31 December 2024, the assets and liabilities of the thermodivision companies are no longer included in the consolidated statement of financial position of the HSE Group. The HSE Group's balance sheet total as at 31 December 2024 was EUR 698.3 million or 29% lower than as at 31 December 2023. Almost all HSE Group asset items are lower. The asset structure of the HSE Group also changed significantly.

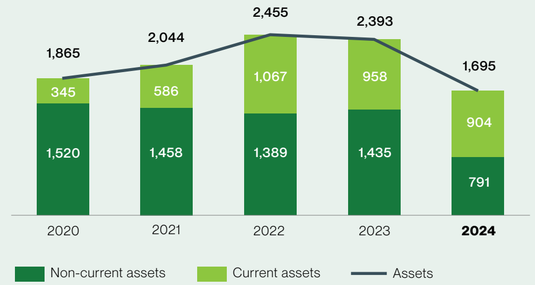
The transfer of the shares of the thermodivision companies to the RS also had a material impact on the HSE's statement of financial position. Assets of the **HSE Company** as at 31 December 2024 were 13% or EUR 261.7 million lower than at the end of 2023. Non-current assets represented 56% of HSE's assets, down 6 percentage points compared to the previous year, while current assets increased to 44%.

Intangible assets of the HSE Group were 85% lower as at 31 December 2024 compared to the previous year. At the end of 2023, the HSE Group held an inventory of emission allowances of EUR 157.2 million as intangible assets. At 31 December 2024, however, the HSE Group mainly recognises goodwill and property rights within intangible assets.

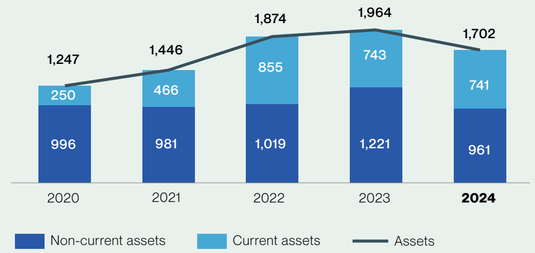
The bulk of HSE Company's **intangible fixed assets** as at 31 December 2024 is represented by the inventory of emission allowances, amounting to EUR 249.3 million, which TEŠ still needs for production in 2024. At the end of 2023, the HSE Company held an inventory of emission allowances of EUR 349.4 million as intangible assets. The inventory of emission allowances at the end of 2024 is 29% lower than at 31 December 2023.

Investment by the HSE Group and Company were at similar levels in 2023 and 2024. In both years, HSE Company's investments were slightly higher than depreciation, while the investments of the other HSE Group companies did not follow depreciation. The HSE Group plans to invest heavily in the coming years, particularly in RES. The HSE Group's **property, plant and equipment** balance at 31 December 2024 was 47% lower than the previous year, mainly due to the divestment of the thermodivision.

Assets of the HSE Group in EUR million



HSE Company's assets in EUR million



The transfer of the shares of the thermodivision companies to the RS resulted in a decrease in the value of **non-current financial investments in subsidiaries** in the HSE Company's statement of financial position. In 2024, HSE Company fully bought out its shares in the subsidiaries ECE and Energija plus and established a new company, HSE SaŠa, resulting in an increase in non-current financial investments of EUR 19.4 million.

Non-current trade receivables at the end of 2024 mainly represent financial cover receivables reported by HSE Company.

Deferred tax assets increased significantly due to the divestment of the thermodivision.

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The HSE Group has **stocks of** spare parts, products, and merchandise for the installation of PV plants.

Short-term financial investments of the HSE Group increased significantly compared to 31 December 2023 due to short-term deposits, reflecting a good liquidity position due to the strong performance of the operations.

The amount of **HSE Group's short-term trade receivables** was impacted by the divestment of the thermodivision operation and sales, which were lower compared to the same period of the previous year due to lower average electricity sales prices. The balance of **other assets** of the HSE Group was 38% lower because at 31 December 2023, the HSE Group among other assets recorded receivables for the reimbursement of revenue compensation on electricity sales – claims from Energija plus and ECE to Borzen for price regulation. Other HSE assets decreased due to lower VAT receivables.

Equity of the HSE Group and HSE Company at 31 December 2024 and 2023 was 3% and 4% lower respectively. The HSE Group and Company performed well in the 2024 fiscal year. The equity of the HSE Group and Company has been increased by the net profit of the current year 2024. In 2024, HSE returned a further EUR 150 million of subsequent capital injections to the owner (in total, it returned all the EUR 492 million received in 2022 in 2023 and 2024). Equity is also lower by the profit-sharing payment to the owner of EUR 100 million.

Other non-current liabilities of the HSE Group represent liabilities for funds received for the North Adriatic Hydrogen Valley (NAHV) project and other commitments for grants/ support received.

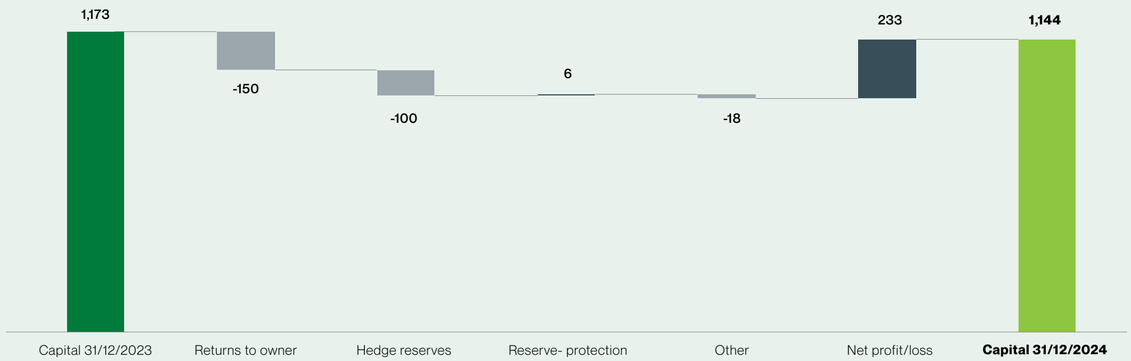
The divestment of the thermodivision reduced the **HSE Group's indebtedness to** banks. The HSE Group and Company have negative net indebtedness as at 31 December 2024. As at 31 December 2024, cash was higher than total financial liabilities. In 2024, the HSE Group companies repaid the principal of the loans in line with their amortisation plans.

Current trade payables to HSE Group suppliers were lower due to the divestment of the thermodivision and lower purchases, mainly of electricity, as a result of lower average purchase prices.

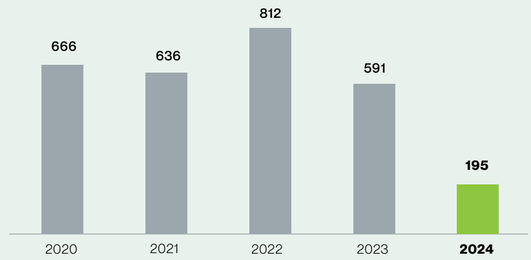
HSE Company has high **other payables** at the end of 2024 due to the accrued cost of electricity.

Compared to the previous year, the HSE Group achieved better operating cash flow in 2024, lower capital expenditure, and thus higher investing cash flow and higher financing cash flow.

Change in HSE Group equity at 31/12/2024 compared to 31/12/2023 in EUR million



HSE Group's indebtedness to banks in EUR million



Trend in HSE Group's indebtedness to banks in EUR million in 2024

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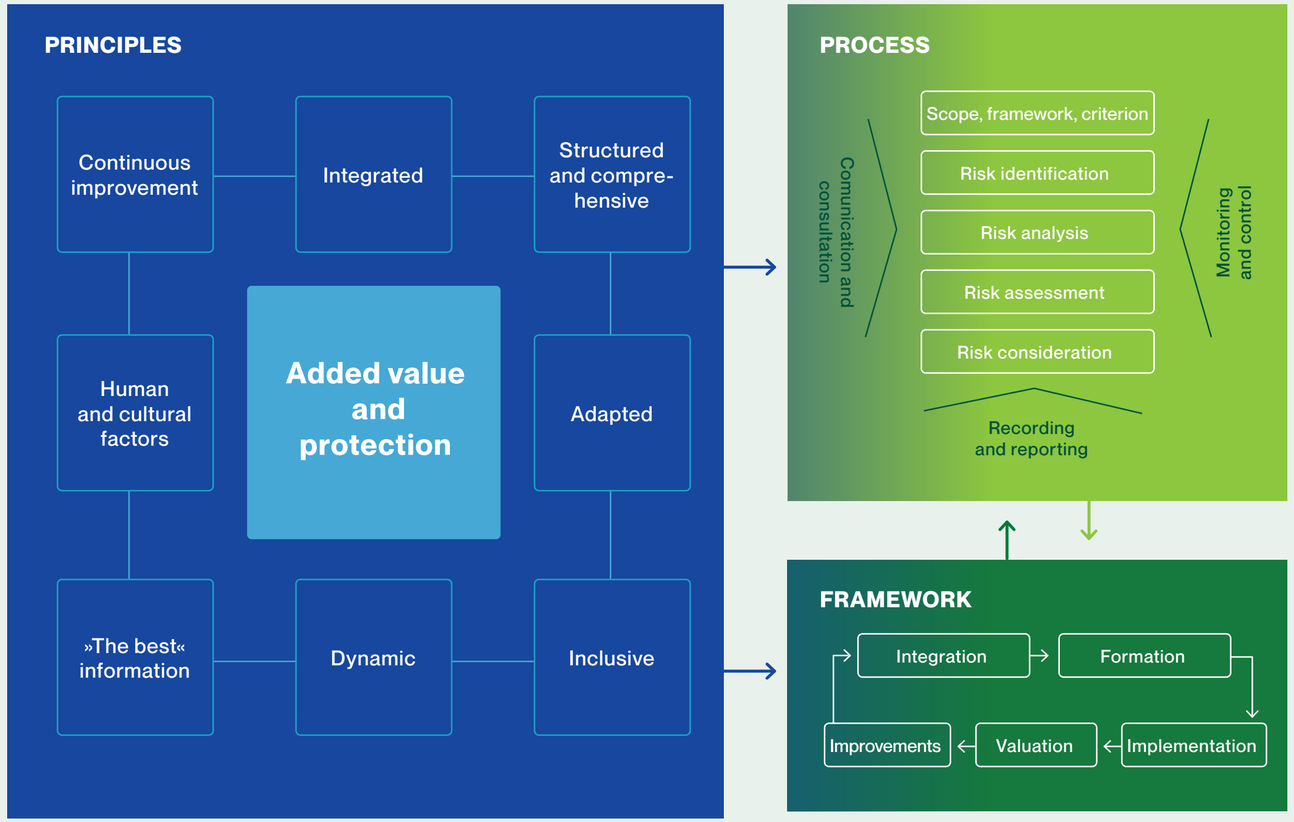
2.7 Management of risks and opportunities of the HSE Group

The management of risks and opportunities[3] in the HSE Group is carried out in a centralised manner at the level of the entire HSE Group, where we are constantly striving to standardise processes and tools for comprehensive risk management. Risk management is used to make informed decisions to achieve objectives, improve operational efficiency, protect people and assets, and ensure compliance with the HSE Group's internal rules (acts), applicable legislation and other regulatory requirements.

The HSE Group's risk management system includes sustainability due diligence processes and the identification and management of sustainability impacts, risks and opportunities in the context of the “dual materiality analysis”, which is carried out at HSE Group level in accordance with the CSRD[4]. The impacts and risks identified in this framework are integrated into the risk management process and are considered together with all other risks to which the HSE Group is exposed.

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 HSE Group.

HSE Group risk management principles, framework and process according to ISO 31000:2018



3 Further on, risks are used and understood to mean mutual impact.

4 CSRD – Corporate Sustainability Reporting Directive.

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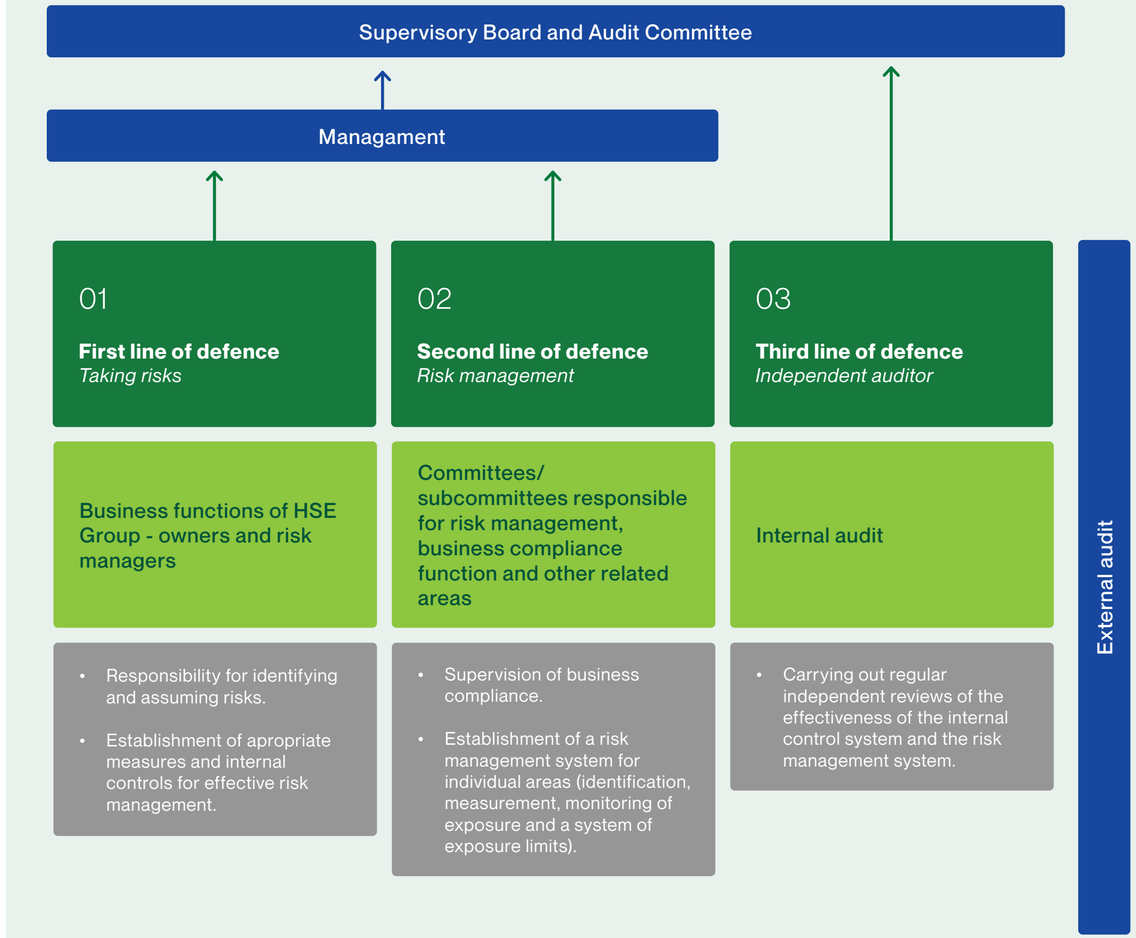
Principles provide guidelines for effective and efficient risk management, reporting on its added value and clarifying its purpose and objective. The process involves a systematic application of policies, procedures, and practices in risk communication and consultation, context establishment and evaluation, processing, monitoring, control, recording, and reporting activities. The risk management process itself is a multi-directional, continuous process in which any one element from any one phase can influence the other phases of the risk management process. The established key risk management system allows us to recognise positive and 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.

At Group level, we dynamically assess the exposure to key risks of each HSE Company and Group, which shows us the impact of each key risk on the overall exposure of each company or the Group. Valuation uses the business model of the HSE Group as its basis, whereby key uncertainties and assumptions 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 simulation includes risks that can be reasonably assessed, while the remaining risks are highlighted in the key assumptions or additional descriptions.

We identify HSE Group's most significant risks and opportunities in the areas of sales and trading of electricity and related energy products, ensuring safe, reliable and stable electricity generation and retail sales. The key risk identification and valuing process also includes defining risks that could affect other balance sheet items of the HSE Groups or which result from the realisation of other risks. The latter include the most important corporate governance risks of the HSE Company and Group, such as liquidity risk and solvency and capital adequacy risk, as well as risks related to HSE Group's major strategic decisions related to its operations.

Risk management



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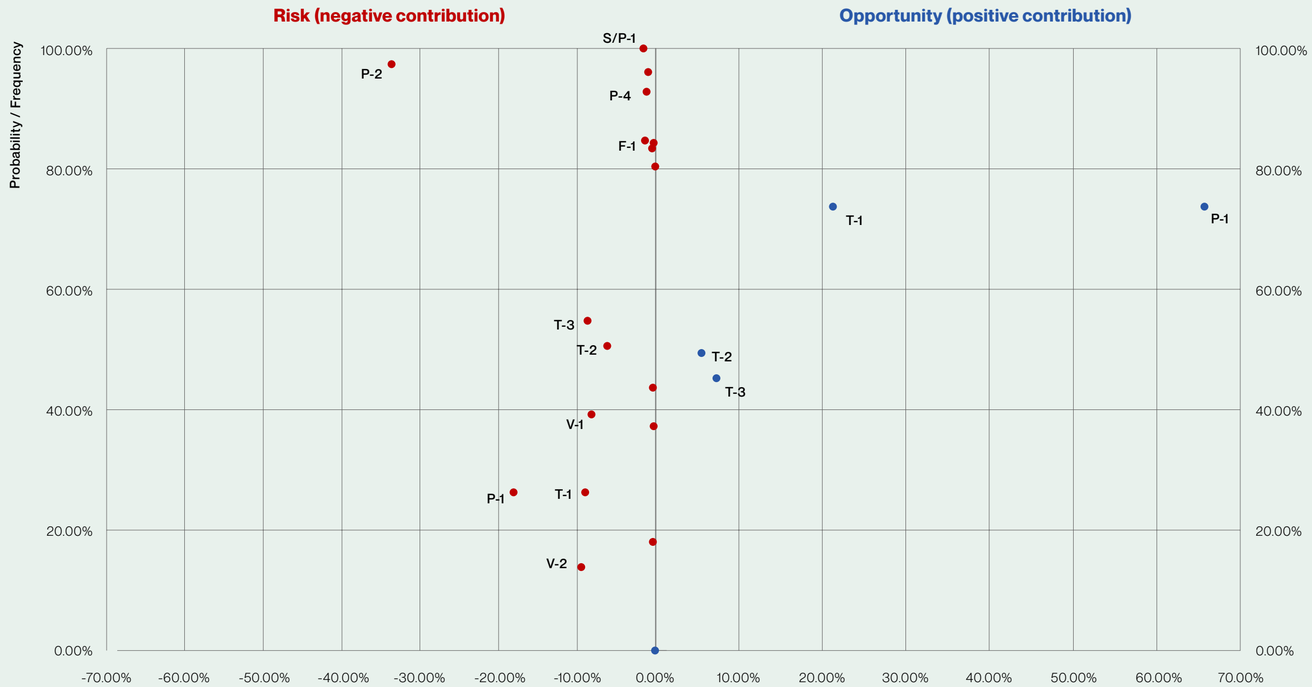
Presentation of Risks and Opportunities of the HSE Group



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

F-1	Interest rate risk
P-1	Hydrology risks
P-2	Risks of Production Facilites Outage (HPP)
P-4	Environmental risks
S/P-1	Regulatory risks
T-1	Price Risks for EE (Asset-Backed Trading)
T-2	Price risks - other trading
T-3	Price and quantity risks - retail
V-1	Information security risks
V-2	Risk of natural disasters, catastrophes and emergencies

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

P-1	Hydrology risks
T-1	Price Risks for EE (Asset-Backed Trading)
T-2	Price risks - other trading
T-3	Price and quantity risks - retail

Below, we outline the key risks, with a corresponding assessment of the impact on HSE Group's EBITDA and the expected trend.

The tables below are subject to the impact assessments and risk trends set out below:

Estimated impact on the Company/Group's projected EBITDA at year-end:

- ↑ significant positive impact in 2024 (over + EUR 10 million)
- ↗ positive impact in 2024 (over EUR +1 million to +10 million)
- ↔ neutral or insignificant impact in 2024 (between EUR -1 million and +1 million)
- ↘ negative impact in 2024 (from EUR -1 million to -10 million)
- ↓ significant negative impact in 2024 (over EUR -10 million)

Trend of key risk indicators (KRIs) – without thermodivision:

- ✓ strong positive trend (risk will reduce significantly)
- ✓ positive trend (risk will reduce slightly)
- ≈ no change (stable – neutral)
- × negative trend (risk will increase slightly)
- × strong downward trend (risk will increase significantly)

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2.7.1 RISKS MONITORED UNDER ZFPPIPP

Uncertainty	Assessment	Trend	Sustainability aspect	Brief explanation of the risk assessment and trend
Liquidity risk	↑	✓		Liquidity risk is defined as the risk of a mismatch of input assets and liabilities or the possibility of a lack of cash to repay outstanding liabilities. Because the liquidity risk is the common denominator for other risks, managing it is a key task of an individual company, which cannot be carried out individually, but rather together while managing other risks. A key factor for successful liquidity risk management is, first and foremost, cash flow control. Liquidity is managed by closely monitoring and planning daily, monthly and annual cash flow at company and consolidated level, by efficiently allocating surpluses within the Group, by ensuring adequate available credit lines with commercial banks, and by prudently and safely placing free cash.
Solvency and capital adequacy risk	↑	✓		Risks are managed through regular monitoring of solvency indicators under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act, and the implementation of appropriate corrective measures by 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.

2.7.2 KEY RISKS OF THE HSE GROUP

Uncertainty	Risk category	Assessment	Trend	Sustainability aspect	Brief explanation of the risk assessment and trend
Price risks of electricity and CO_2 emission allowances (self-generation)	Market	↑	✓	E1	Risks were managed in line with our strategy of selling our self-generated electricity and buying emission allowances for our own production. The key price risk stemming from the unsold share of own production has been adequately managed over the years through regular adjustments to expected production volumes and appropriate adjustments to sales volumes. The year 2024 was marked by above-plan generation outturn, with electricity supply prices stabilising at around EUR 100/MWh after the transitory effects of the energy crisis. As of 2025, the risk of CO_2 emission allowances due to the divestment of the thermodivision is no longer a key risk for the HSE Group.
Hydrology risk	Production/ Quantitative	↗	≈	E1	Risks are managed by planning production based on historical data of flows over several years and preparing a forecast of the probability of hydrological events. In 2024, hydro-power production was above plan, but in the second quarter of 2025, a negative hydrological trend is expected based on current snow conditions and the new Europe Seasonal Forecast. For this reason, an operational business plan is prepared during the year, which also takes into account the effects of seasonal variations in hydrology. Solutions are being sought to improve the prediction of long-term, medium-term, and short-term hydrological forecasts using models based on statistical data and machine learning.
Risks of failure of generation devices and plants (HPP and TPP)	Production/ Quantitative	↔	×	E1	The Company is most exposed to unplanned unavailability, which can be caused by equipment failures, resulting in lower electricity production. Measures to minimise the likelihood of breakdowns include regular monitoring of plant conditions, effective implementation of preventive routine (periodic and condition-based maintenance) and corrective maintenance of equipment, and monitoring of weather forecasts for timely emergency response. In assessing our exposure to these risks, we took into account the outages of key units of individual HSE Group companies and the costs of recovery. The trend assessment mainly takes into account the life cycle phase and the condition of the individual generating units of hydro-electric power plants, as well as the planned investment maintenance of these generating units in the coming period.

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Uncertainty	Risk category	Assessment	Trend	Sustainability aspect	Brief explanation of the risk assessment and trend
Risk of interruption of coal supplies to PV (external and internal factors)	Production/ Quantitative	↗		E5	The risk was managed by preparing long-term stope plans, monitoring and maintaining adequate volumes at coal landfills, replacing equipment, continuous equipment maintenance and operation monitoring, optimising material costs for the construction of mine roadways and, in case of problems, introducing additional working days to make up for lost production. During the year, we prepared a monthly operational business plan for coal production until the end of the year, which included the current status of the operating pits, the progress of the preparation sites, and the coal inventories in the landfill. As of 31 December 2024, PV's ownership interest was transferred from HSE to the RS, and with it the risk of interruption of PV's coal supply.
Environmental risks	Operational	↔	×	E2, E3, E4, E5	Risks are managed by strict adherence to the established sustainable environmental policy, which defines the important environmental management system objectives and the key guidelines for implementing measures for managing these risks. Given the importance of the sustainability aspect, more detailed information on the management of these risks is provided in the Sustainability Report section.
Human resources risks	Operational	↔	×	S1	Labour market conditions remain challenging, slightly increasing risks in the area of recruitment and retention. We are responding to these challenges by strengthening the HSE Group's brand as an attractive employer, through cooperation with educational institutions and student organisations, participation in career fairs and targeted communication with key audiences. Key risk management activities include targeted recruitment, regular annual interviews, measuring organisational climate, a range of professional and soft skills training, and staff development, rewarding and promotion. We encourage employee loyalty and commitment through teambuilding and other motivational measures. Although labour market conditions are a constant challenge, we keep risks at a manageable level through planned actions and flexibility.
Risk associated with the preparation of a sustainable coal exit strategy	Strategic/ operational	↑		E1	On 21 December 2024, the Act on Transitional Financing of Accelerated and Fair Coal Phase-out (ZPFPPIP) came into effect, under which 100% of the HSE's business shares in TEŠ and PV were transferred to the RS. As of 31 December 2024, HSE no longer owns companies in the coal or lignite electricity generation business. The development of a coal exit strategy for the HSE Group in 2025 is no longer relevant and is no longer identified as a risk for the HSE Group.
Price risks – other trading (excluding own production)	Market	↘	×		The key parameter for managing the exposure of the trading desk is Value-at-Risk (VaR, we monitor the 5-day VaR with 95% confidence interval), we also track the risk capital and the trailing profit loss limits. By actively managing portfolio positions, we ensure that parameter values are within limits. In cases where there was a risk of exceeding the parameter, we actively managed the portfolio to limit exposure. In the future, we expect the trend of price risks to worsen, due to the increasing complexity of energy markets, new technologies in trade execution and management (artificial intelligence), and the increasingly unpredictable impact of geostrategic events (war in Ukraine, US elections, global trade war, etc.).
Retail – price and quantity risk of electricity and other energy products	Market	↔	≈	S4	Risks are managed by entering into approved contract types and managing the portfolio on an ongoing basis. In 2024, the regulated price for household customers was still in place – at the beginning of the year for gas and electricity, and only for electricity thereafter. The price level of the regulated prices and the percentage of the regulated price will change in 2024 with the entry into force of the new regulations. Electricity price regulation is not expected to be extended in 2025. Also, the market price level was significantly lower than at the outbreak of the energy crisis, which essentially lowers the risk.
Credit risks	Financial	↔	≈		Risks are 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), where we deem it necessary and appropriate. We place great importance on getting up-to-date information from the market. Credit risks to banks and other financial institutions, to which we are exposed at HSE, are managed by regularly keeping up-to-date with operating information on the financial institutions we collaborate with. In 2024, the trend from 2023 continued. Market prices remained relatively stable, which, in a stable macroeconomic environment, reduced risks for partners and reduced the need for additional collateral in the business. This trend is expected to continue in the coming year.

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Uncertainty	Risk category	Assessment	Trend	Sustainability aspect	Brief explanation of the risk assessment and trend
Information security risks	Security	↔	×		Risks are managed through ISO 27001 guidelines and the Directive on security of network and information systems (NIS 2) with a single information security team for the entire HSE Group. The main mechanisms to manage this risk are: information security policies, an adequate and secure infrastructure, a quality network with adequate segmentation, firewalls, identity and access management systems, regular penetration testing, regular user education, and "phishing" campaigns. In 2024, we optimised the operation of the HSE Group's central security information and event management (SIEM) system, conducted a public procurement, and replaced the contractor for the security operations centre (SOC), refreshed internal policies on information security, established a regular management reporting system, introduced a tool to regularly run "phishing" scenarios, strengthened internal training, and developed a business continuity plan together with other HSE sectors and departments. However, we estimate that IT-related risks are slightly increasing as almost all services depend on IT solutions.
Compliance and fraud risks	Operational	↔	✓	G1	Risks are managed by prevention activities in the form of employee compliance and integrity training and seminars, in addition to 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 in addition to establish fraud prevention measures, and to protect whistleblowers in accordance with the law. A positive trend is expected based on the measures taken.
Regulatory risks	Strategic/ operational	↔	↗	E1	In 2024, our focus in the area of regulatory risk management was on the adoption of the revised National Energy and Climate Plan (NEPN), which, based on our efforts, adequately supports the HSE Group's planned projects in the areas of RES (photovoltaic power plants – PPP, hydroelectric power plants – HPP, wind power plants – WPP), energy storage (a moratorium on the payment of network charges is foreseen) and hydrogen. At the legislative level, the innovations adopted in 2024 were also positive in terms of regulatory risk management, as the maximum time frames for obtaining permits for RES projects are clearly defined, and a commitment is made to prepare a thematic action plan for the siting of hydro-electric power plants above 10 MW, the regulator is now obliged to promote storage and the achievement of the NEPN targets through the network charging policy, the required rate of return for RES projects is lower (3.5%, previously 4%), the TEŠ site is identified as the optimal location for an electrolyser in the framework of the pipeline network development plan. The adopted innovations will have an impact from 2025 onwards.
IT risks	Operational	↔	×		Risks are managed through ISO 27001 guidelines, with the ultimate goal of ensuring the secure operation of the HSE Group's IT system. We are audited every year, and regular internal and external reviews are carried out to make the necessary improvements. To ensure a high level of availability and business continuity, we have two data centres and adequate systems in place to provide on-call coverage for critical events. Together with other sectors and departments at HSE, we have developed a business continuity plan for 2024. We estimate that IT-related risks are slightly increasing as almost all services depend on technological (IT) solutions.
Risks of natural disasters, catastrophes and emergencies	Security	↔	≈	E1	No natural disasters, catastrophes or extraordinary events were recorded in 2024. Risks are managed. Records of incidents are kept. In 2025, it is planned to upgrade the operating systems in the Management Centres in two different locations, namely in Maribor at the Mariborski otok hydro-electric power plant (HSE/DEM) and in Nova Gorica at the SENG site, where it will be possible to run all the power plants of the HSE Group in two different locations on the same operating system. Incidents are regularly monitored/recorded and, where necessary, additional measures are put in place to manage the event.

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Uncertainty	Risk category	Assessment	Trend	Sustainability aspect	Brief explanation of the risk assessment and trend
Asset protection risks	Security	↔	✓		We manage risks by combining a property insurance strategy with the establishment and maintenance of advanced security systems and a security architecture. In 2024, we successfully completed the tender process for the upgrade of technical security systems equipment in HSE Group companies and implemented the HSE business continuity management system, providing us with a robust system for risk management and smooth operations in critical situations, as the system enables us to coordinate operational procedures more efficiently and to be more resilient to disruptions. In 2025, we will further strengthen our security strategies and upgrade our security processes and measures, with a particular focus on implementing the latest standards in technical and physical security, while further improving our security infrastructure and technology through the establishment of a common operational control system for HSE Group companies.
Investment risk in development projects and new buildings	Strategic/ operational	↔	×	E1	Risks are managed through regular monitoring of the HSE Group's investments in accordance with the normative regulations adopted at HSE Group level. In 2024, a revision of the internal rules on investments was launched, with the aim of bringing them into line with current legislation and market changes. Risks in the development and implementation of investments are constantly evolving and changing, as we depend on a wide range of external factors and stakeholders. We communicate professionally and constructively with all stakeholders in the investment development process. We are actively looking for new sites for new RES generation units, but unfortunately many sites have fallen through due to environmental and spatial inadequacy, inability to connect to the grid, impossible landowner requirements, opposition from local communities, etc. Most of the additional requirements from landowners, environmentalists, local authorities and the conditions for connecting the facility to the grid are reflected in the additional investment required by the investor, which in turn reduces the economic viability of the investment. That's why we are working hard on investments in the HSE Group by applying for grants in various public tenders.
Occupational health and safety and fire safety risks	Security	↔	≈	S1	The greatest occupational health and safety and fire safety risks in the HSE Group were related to the extraction of coal, generation of electricity and the performance of works at construction sites. Occupational health and safety and fire safety risks are managed by planning, controlling, implementing, and monitoring the efficiency of various preventive measures. The risks of work accidents and health impairments are monitored for all job positions and technologies. The occupational health and safety, fire safety and management system risks are periodically assessed, maintained at the acceptable level by way of suitable prevention safety measures, thus affecting the constant improvement of working conditions in the long term. In 2024, HSE Group companies undertook various training, competency tests and practical exercises in the field of occupational health and safety and fire safety.
Interest rate risks	Financial	↔	≈		Interest rate risk arises from financial liabilities that bear interest at either fixed or variable rates. The basic objective is that at least 50% of the loans should be fixed rate or fixed with an appropriate financial product to manage the interest rate risk. We regularly monitor forecasts for further movements in market interest rates, where current forecasts point to a gradual decline.

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

Additional information related to price risk management, as well as 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).

Further information related to the management of sustainability risks is set out in the Sustainability Report.

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2.8 Development strategy of the HSE Group

The HSE Group is entering a major investment cycle, mainly related to the green transition, in good financial shape. This means that we will be in line with the new vision, which was formulated in 2023 and reads:

“A responsible driver of the green transition and a pillar of energy security.”

We will seize new development and investment opportunities (photovoltaic power plants, wind power plants, small hydropower plants, pumped-storage hydropower plants, gas-steam power plants, hydrogen technology projects, and battery storage) as well as services for the active role of end-users in the green transition and e-mobility services. At the same time, we will not forget to properly maintain our existing generation portfolio, which means that we will prepare accordingly and start implementing major reconstructions of our system power plants, such as the Formin and Solkan HPP, and the overhaul of the Avče pumped-storage hydropower plant.

Based on this vision, new strategic objectives have been set for the HSE Group, both in the area of new RES and in the areas of flexibility, new energy product development, e-mobility and energy solutions.

HSE Group's strategic challenges

The HSE Group's efforts 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 trading and sales, we will continue to increase the added value of the HSE Group by further expanding our range of new energy products and solutions.

The HSE Group's strategic objectives are embedded in a framework of strategic objectives at the national and EU level, which means:

- **Accelerating the decarbonisation of society while ensuring a high level of self-sufficiency.** The EU's more ambitious 2030 climate targets and its commitment to climate neutrality by 2050 require accelerated investment in RES projects and energy efficiency measures. This also requires accelerated implementation of the HSE Group's RES projects in hydro, solar, wind and geothermal energy, with an appropriate return on investment.
- **EU-level integration of the system service market, an increase in volume of variable and decentralised generation**

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of renewable electricity, a more intense growth in energy efficiency, and a fast-tracked electrification of traffic and heating. This requires optimising the HSE Group's existing generation portfolio and improving the HSE Group's price competitiveness by adding more cost-effective, carbon-neutral, flexible and low-carbon generation units.

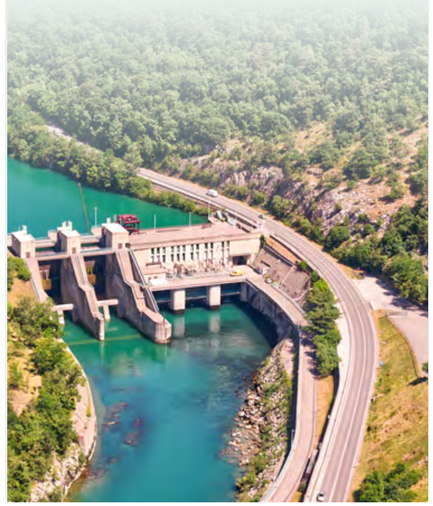
- **The introduction of new technologies,** related to the flexibility, digitalisation, and use of smart grids, accumulators, and virtual power plants. This requires adjusting the HSE Group's business model, adding new pumped-storage and battery storage plants to the product portfolio, implementing pilot projects in hydrogen and geothermal power plants, and further developing market-attractive services and products.
- **Sustainable development of the HSE Group through the implementation of HSE Group's sustainability strategy** to achieve climate neutrality, and the definition of HSE Group's strategic objectives and sustainability indicators. Strengthening the 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 sustainable operations of HSE Group companies.

2.8.1 THE BUSINESS POLICY OF THE HSE GROUP

Mission

The largest Slovenian producer of electricity from renewable energy sources.

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

A responsible promoter of a sustainable energy transition (green transition), a pillar of energy security, a leading national RES producer and retailer, 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: active participation in shaping the HSE Group's 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.

Honesty 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.

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2.8.2 THE PROMISE: A GREEN FUTURE, PROTECTING THE ENVIRONMENT WE LIVE IN

At the HSE Group, we follow the main strategic guidelines of Slovenia and the European Union in the field of sustainable development. We are committed to continue our transformation towards a sustainability- and environmentally-oriented Group by way of the carried-out investments. Only that will allow us to continue to provide stable and environment-friendly electricity and system services, aware that this is the only way to continue to provide stable and environment-friendly electricity. Our activities are focused on making economically viable investments in new generating units that enable the use of renewable resources, significantly reduce CO_2 emissions per unit of electricity produced, and at the same time increase the added value of the HSE Group.

2.8.3 ANALYSIS OF OUR ENVIRONMENT AND COMPETITION

After several years of instability due to the COVID-19 pandemic and rising geopolitical tensions, the energy sector is intensively facing new challenges related to the accelerated green transition. Despite uncertainties about the future role of natural gas, energy companies are actively adapting their development strategies to meet ambitious national energy and climate targets.

In the area of the existing product portfolio, the focus is on improving environmental performance and cost optimisation. Meanwhile, new investment projects are focusing on wind, solar and energy storage systems – notably pumped-storage and battery systems – as key elements of the energy transition needed to support the growing share of RES in the electricity system. Despite this, certain companies are still planning to build gas-fired power plants that are ready for the possibility of using renewable hydrogen. In the field of hydro-energy, there are ongoing projects that were conceived in the past but have not yet been realised due to the challenging conditions and circumstances. At the same time, options are being explored to increase existing capacity by upgrading or reconstructing existing power plants.

Energy companies with a nuclear-based generation portfolio are actively investing in the modernisation of existing units and planning new ones – both to replace end-of-life capacity and to increase overall generation. Recently, small modular reactors (SMRs) have also emerged as an option, with several pilot projects underway around the world.

In 2024, activities intensified in the development and pilot projects on the production, use and storage of renewable hydrogen, which has also become recognised as a decarbonising industry.

Despite the fact that the rate of return on investment is one of the key factors in the decision given the need for large-scale investments, companies have committed to minimise the still acceptable return when making the investments needed to achieve the RES share.

On the end-user supply side, companies are focusing on developing new products that will contribute to the decarbonisation and electrification of the end consumption, taking into account the growth of e-mobility, electrification of heating and self-supply. There is also a strong focus on energy contracting. Long-term electricity supply contracts, including the possibility to share risks and opportunities, and the digitisation of customer-supplier processes also play an important role.

While there are no significant departures from the plans already set out in the domestic coal phase-out strategies, companies have become more cautious and allow the possibility of prolonging the operation of their production capacities only with public co-financing of the operation. Great importance is attached to the future use of existing energy sites that will become available once coal is no longer used. Their revitalisation is planned to meet the needs of new RES, gas/hydrogen and hydrogen production units, the installation of energy storage facilities, and the development of various industrial projects in line with the green transition. The principle of a just transition, including proactive engagement with the local community, is embedded in all of the above projects of the HSE Group companies.

The energy companies also highlight their role in reducing energy poverty and social responsibility, especially in the environments where their production capacities are located, emphasise their cooperation with the public sector and the local community in the preparation and implementation of energy efficiency projects, and point out that without a properly developed and digitised electricity grid, it will not be possible to implement all the tasks and measures required to realise the green transition.

In the segment of the legal framework, companies underline the desire for a stable legal framework and an effective transposition of the provisions of “Ready for 55” and REPowerEU into the national legal framework, which is acceptable to companies.

2.8.4 KEY FINDINGS OF THE REVIEW OF ENERGY POLICIES

At national level, the implementation of the adopted EU legislation from the Ready for 55 package (EU ETS Directive, RES Directive, EED Directive, etc.) and the REPowerEU Action Plan to accelerate the EU's transition to renewables and to end dependence on Russian fossil fuels was accelerated by preparing amendments to all key laws in the field of RES, EWED and the energy market.

At the strategic level, the updated National Energy and Climate Plan (NECP) was adopted as a key strategic document at the end of 2024, enabling the implementation of key HSE Group projects in the areas of increasing RES, storage (including pumped-storage hydropower plants) and hydrogen.

Individual Member States have taken a more pronounced approach to reforming their national energy and climate policies, drawing on a range of national circumstances, focusing on increasing self-sufficiency and security of supply, and reducing import dependency. The change is also reflected in the revised plans for replacing coal-fired capacity with natural gas, which is now defined primarily as an energy source to provide replacement capacity included in the security of supply capacity mechanisms (up to 15 GW in total at EU level), and to new gas-fired power plants already ready to use renewable gases.

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Decarbonisation

The accelerated de-carbonisation of electricity generation in countries with a significant share of coal in their portfolio requires a rethink in the light of the escalating conflict between Russia and Ukraine. 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 RES (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 RES and/or by extending the operation of coal-fired power plants. While the official coal phase-out years of individual Member States have not changed, individual countries allow for the possibility of extending the transitional period during which they keep coal capacity in reserve, in the interests of ensuring security of supply.

In addition to the phase-out of coal, the renewed decarbonisation strategies for the electricity sector are now based on plans to phase out and reduce the role of natural gas, and to accelerate the transition to renewables (notably photovoltaic power plants and wind power plants), nuclear power and the development of low-carbon gases. The most significant advances are the plans to develop hydrogen technologies, both on the production side as well as on the transport and end-use side, and to significantly increase storage capacity and grid flexibility.

This will enable the HSE Group, which is a beneficiary of the Just Transition Fund (JTF), under which funds totalling approximately EUR 250 million are available for RES projects, development projects, restructuring of the economy, and decommissioning/change of purpose of degraded areas in the SAŠA and Zasavje regions in the period 2021–2027, to draw down funds for HSE Group projects.

A fair transition is also supported by the Modernisation Fund, which is established under the EU Emissions Trading system, and with the active role of the HSE Group, we have succeeded in getting Slovenia included among the beneficiaries of this fund from 2024 (EUR 342 million available for the period 2024–2030), which will enable the HSE Group to access grants for investments in RES.

Coal

Most EU Member States have already taken the decision to phase out coal, although the use of fossil fuels remains part of energy strategies, especially in those countries that use domestic coal, regardless of the current geopolitical situation in Europe. More ambitious climate targets have further accelerated their coal phase-out intentions, which shall be sufficiently supported by the state. By 2030, the EU is to reduce the capacity of its coal-fired power plants by half. After 2030, the EU is expected to have around 38 GW of coal-fired power capacity, with further coal use foreseen in six member states (Bulgaria, the Czech Republic, Germany, Poland, Romania, and Slovenia). However, in the light of the climate targets adopted, coal use in the EU is gradually coming to an end.

In support of the coal phase-out process, many countries have adopted national strategies and specific laws on closures of coal mines and coal-fired power plants, which take into account aspects of restructuring according to the principles of a just transition, with financial support from the state. 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, i.e. 2033.

Non-EU countries (Bosnia and Herzegovina, North Macedonia and Serbia) are maintaining their coal production but are accelerating their preparations for the necessary environmental adjustments to installations and binding climate targets to avoid the carbon adjustment levy at EU borders – the so-called CBAM, which also applies to electricity imports into the EU.

Renewable energy sources

Although the national plans of individual Member States show a significant increase in the RES target, most countries are still reluctant to plan the necessary RES increment. This is partly due to the obstacles still posed by lengthy and complex siting procedures and the difficulties in connecting new capacity to the existing electricity grid.

In particular, Member States, supported by the updated EU regulatory framework, are planning to accelerate the deployment of solar and wind energy in conjunction with new energy storage capacity and in combination with electricity grid upgrades. In addition to large-scale installations (photovoltaic power plants and wind power plants), generation from self-supply and community installations also represents a significant share of planned RES (up to 30% of RES growth by 2030). Individual countries are focusing even more than before on measures to exploit national strengths in the deployment of RES. Hungary is betting heavily on geothermal energy and increasing energy storage capacity, as is Austria, which has already significantly increased investment in expanding hydropower storage (pumped-storage hydropower plant) capacity. It is also positive to see that, in addition to solar and wind energy, the importance of hydropower, both for generation and storage purposes, is being recognised, even in countries that otherwise rely on other carbon-free sources. France is also planning to upgrade its existing hydropower capacity by 2.8 GW, despite the massive increase in nuclear capacity.

Gas

The role of gas in the EU's energy supply has changed dramatically since the phase-out 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, but have adapted their gas supply plans by diversifying sources and supply routes and planning an accelerated transition to renewable gases, including hydrogen.

Nuclear energy

Nuclear energy has recently been identified by many EU countries as a key low-carbon energy source for the transition to climate neutrality by 2050. There is a strong acceleration towards nuclear power in countries with a high coal share (Romania, Poland and the Czech Republic) and in countries where nuclear power is already an important source of energy (Slovakia, Hungary, France, Sweden and Finland). Many countries have announced significant increases in generating capacity at the expense of extending the lifetime of existing nuclear power plants and the planned construction of new capacity over the next two decades. Nuclear power has also been classified as an economic activity in line with the EU's sustainability taxonomy, along with natural gas, which will allow future investors to access more favourable sustainable financing.

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2.8.5 INVESTMENTS OF THE HSE GROUP

The HSE Group's investments in its own production capacity have enabled us to maintain our position as the largest producer of electricity from RES in Slovenia. The portfolio of existing production capacities also requires regular maintenance to preserve a stable generation. Our investments in HSE Group companies involved in the sale of electricity to end customers further strengthen our position in this area.

In 2024, the total investment was EUR 72.2 million. The bulk of the funds was invested in production reliability (57%), followed by other investments (11%; corporate security, business information system, etc.) and investments in end-of-life refurbishments (9%).

Investments in the HSE Group in EUR

in EUR

Company	2024	2023
TEŠ	13,886,514	15,321,307
PV	21,131,013	22,767,318
HTZ	717,237	468,593
SIPOTEH	198,656	82,592
PLP	77,144	5,921
THERMAL POWER DIVISION	36,010,564	38,645,731
HSE	2,198,673	2,754,361
DEM	24,725,682	29,331,754
SENG	2,923,661	2,655,337
HSE EDT	320,809	27,683
RGP	4,008,444	452,799
HSE Invest	213,150	101,105
ECE	1,087,581	226,868
E+	756,140	639,973
HSE BH	281	0
OTHER COMPANIES IN THE HSE GROUP	36,234,421	36,189,880
TOTAL INVESTMENTS	**72,244,985**	**74,835,611**

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

HSE

The largest amounts were spent on the middle Sava hydro-electric power plant project and the upgrade of the management centre (together accounting for more than half of the company's investment realisation). Investments in the hydro-electric power plants on the middle Sava River are being carried out in accordance with the spatial planning procedures of the national spatial plan (NSP). For other development projects, investment activities are underway to speed up the preparation of investment and other necessary documentation for development projects and new buildings.

Hydro-electric power plants on the middle Sava River: in 2024, we coordinated the documentation for the environmental report (ER) with MOPE and the related expert basis acquisition. Public release is foreseen from October 2025, subject to a favourable opinion of the project group. Notwithstanding the above, we optimistically and ambitiously expect the adoption of the Decree on the most suitable alternatives (UNV) in 2026, after which the detailed planning phase starts. The study on the dispersement of the investments into infrastructure and energy components in accordance with the provisions of the Concession Agreement and the Agreement with the local communities has been finalised and will form the basis for the agreement with the concessionaire. For the design and other technical bases, we have started a dialogue with the Ministry of Natural Resources and Spatial Planning (MNVP) on the concrete division between the franchisor and the concessionaire on the basis of the study on the dispersement. The total capacity of the power plants (Suhadol hydro-electric power plant, Trbovlje hydro-electric power plant, Renke hydro-electric power plant) is 100 MW and the annual electricity production is expected to be 400 GWh. Given the complexity of planning, siting and impact assessment of hydro-electric power facilities and the availability of competent teams, we plan to start activities for siting of hydro-electric power plants on the Ljubljana-Litija section in 2025.

Upgrading of the HSE/DEM/SENG management centre: the investment aims at regular software updates, cyber security

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improvements, and implementation of new functionalities. In 2024, the investment documentation (PIZ) was prepared and a contract signed with the contractor for the upgrading and maintenance of the centre. In the last quarter, we prepared the technical documentation for the upgrade and started training system administrators. The investment will be completed in 2025 (delivery of hardware, software, etc.).

DEM

DEM invested mainly in investment maintenance or production reliability and new production capacity. Among others, it replaced the secondary systems of the Dravograd hydro-electric power plant, the Vuzenica hydro-electric power plant and the Mariborski otok hydro-electric power plant, and invested in preserving the energy potential of the storage reservoirs, the Kozjak pumped-storage hydropower plant and the Mali Log wind power plant.

Kozjak pumped-storage power plant: in 2024, DEM, together with the Slovenian Infrastructure Agency (DRSI), started coordinating activities on the design of the regional road to the reservoir. The expert basis for the environmental impact assessment, and the geological and geomechanical investigations at the reservoir site, where hydrological monitoring will also be set up, are under preparation. Communication activities are ongoing as the relaunch of the project has awakened several initiatives that, based on their interests, want to influence the project and/or become active participants in the processes. Data collection and valuation activities for land acquisition have also started. In 2024, a cooperation agreement was signed with the system operator ELES for the construction of a 2×400 kV transmission line. All proceedings pending the grant of a building permit in the integral procedure under this agreement shall be conducted by DEM. The plant has a capacity of 440 MW and a planned storage capacity of 5 GWh.

Mali Log wind power plant: in 2024, DEM obtained easement rights from the municipalities of Sodražica and Loški Potok for the access road and the right to build. The company successfully applied for and received a grant of EUR 627,823 from MOPE under the Climate Change Fund spending programme. The contract for the investment was signed in May following a public procurement procedure. The contractor completed the construction work on the access infrastructure in August. In December, the foundation of the wind turbine and the column ring was completed and the wind turbine and transformer were delivered to Slovenia. The investment is expected to be completed in 2025. The plant has a capacity of 1 MW and an expected annual production of 2 GWh.

Replacement of the secondary systems of the Dravograd HPP, the Vuzenica HPP and the Mariborski otok HPP: the purpose of the investment is to regularly update the management systems (regulation, control, protection, etc.). In 2024, the company completed work on three generators at the Vuzenica hydro-electric power plant (AG3), the Mariborski otok hydro-electric power plant (AG2), and the Dravograd hydro-electric power plant (AG1). With the completion of these works, the focus has shifted to the replacement of the main alternating own-use line of the Vuzenica HPP. This was followed by the establishment of the alternating own-use distribution system and the renovation of all flow fields at the Dravograd and Mariborski otok hydro-electric power plants.

SENG

The company invested mainly in investment maintenance (modernisation of the technical observation system of the barriers, upgrade of the HSE/DEM/SENG management centre, reconstruction of the 110-kV switching station of the Doblar hydro-electric power plant, etc.). The largest investment is in the photovoltaic power plant Kanalski Vrh (new production capacity). Investment maintenance accounts for two thirds of the company's total investments.

Photovoltaic power plant Kanalski Vrh: in 2024, the company obtained the construction permit for phase I of the photovoltaic power plant and completed the public tender process by selecting and signing the contract with the contractor. Work continues in 2025 and the investment enters its final phase with the start of operations. For phase II, the company obtained the opinions of the opinion-givers on the construction permit documentation, obtained the right to build, and submitted the application for the construction permit in 2024. It has also started the preparation of investment and project documentation for the connection of the photovoltaic power plant phase II to the 110-kV grid. MOPE has published an indicative list of projects for co-financing of investments from the Modernisation Fund, which also includes the photovoltaic power plant Kanalski Vrh investment (both phases) under priority project proposals. The company has also obtained support from the Energy Agency for the electricity generated for phase I of the photovoltaic power plant. The plant has a capacity of 8.2 MW and a projected annual production of 10.2 MWh (both phases).

Dekani photovoltaic power plant: in 2024, the company prepared a RES study, which was approved by MOPE. During the public hearing, it received public comments on the basis of which it prepared additional technical bases (landscape appearance, wildlife, erosion risk, fire safety). After the public hearing, the RES procedure is successfully closed. In the second half of the year, the company launched a preliminary environmental impact assessment process and selected the optimal option for connecting to the distribution network. In 2024, the company obtained all land easements and all opinions of the opinion-givers on the construction permit documentation. The power plant has a capacity of 7.8 MW and an estimated annual production of 9.0 MWh.

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RGP

With new management in 2023, RGP has a new vision for its operations, which will result in increased investment. During the period, the company won more business, both internally and externally, and entered into several longer-term contracts. The company's primary investment is in the expansion and development of the Paka quarry, mainly in the processing of rock aggregates, which will provide a larger share of revenues in the longer term, mainly due to the construction of the 3rd development axis by 2030. The amount invested in 2024 is EUR 4 million (of which EUR 1 million for the Paka quarry and EUR 1.3 million for the mobile concrete plant).

TEŠ

The largest share of investments was in equipment overhauls, investments under the long-term service contract (LTSA), and the purchase of a replacement boiler circulation pump (all for Block 6; all investments in production reliability). Investment maintenance accounts for 98% of the company's total investments.

Block 6 – Equipment overhaul: due to the long lead times for spare parts and materials needed to carry out the overhaul work, the Company has already started procurement in 2024. Major overhaul work to maintain the functionality of the equipment is planned for 2025.

Long-term maintenance – LTSA: as part of an out-of-court settlement with the GE Group, a long-term maintenance contract (LTSA) for Block 6 was concluded in 2021. It resulted in capital investments for the supply of long-term maintenance services (maintenance work including inspections, repairs, refurbishments, replacements, in accordance with the equipment manufacturer's operation and maintenance instructions) and the digitisation of Block 6, with the objective of advanced maintenance of the key technological equipment of Block 6 and also to achieve positive effects on the availability and efficiency of Block 6.

Purchase of a back-up boiler circulation pump: due to the current market situation and operation plans, several shutdowns of Block 6 are expected in the future. The higher number of starts of Block 6 means a significantly higher load and wear on the boiler circulation pump, which operates during the start-up of the block. In the event of a failure of the circulation pump of Block 6, it cannot be started up and a spare pump with associated spare parts is urgently needed. The investment is complete.

PV GROUP

Most of the investments (95% of the total) were in the area of investment maintenance. The largest investments were made in the hydraulic mining support (HMS), the directional and excavation conveyor, and spare parts for the front and directional conveyors (all PV; investments in production reliability). Other companies in the PV Group made several smaller investments (PLP, HTZ and SIPOTEH together account for 4% of PV Group investments).

Investments were also made in equipment for shunting trains, equipment for removing coal from preparation sites, power, signal and telephone cables, floor tracks, elements of the suspended conveyor line. Investments in other assets in production consisted mainly of works for own needs at Nove Preloge, works for own needs at Stari Jašek, and the purchase of portable gas meters. In the area of other investments, investments included the ODOS, Kopa and MAXIMO IT systems, as well as security equipment and investment maintenance of housing.

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2.9 Sustainability Report

2.9.1 GENERAL INFORMATION (ESRS 2)

Basis for preparation[5]

The Sustainability Report is an integral part of the Annual Report. It is based on the CSRD and ESRS standards and discloses the information required by the EU Taxonomy Regulation (Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852).

Level of consolidation of sustainability disclosures[6]

The level of consolidation of sustainability disclosures in the 2024 Sustainability Report differs for some disclosures from the scope of companies included in the HSE consolidated financial statements. It includes the parent company and its subsidiaries in the HSE Group, but not associates (HESS) and jointly controlled entities (Soenergetika). Excluded from the consolidation of sustainability disclosures are companies from the international electricity trading network (HSE MAK, HSE BH and HSE Balkan Energy) and SRESA, d.o.o., which have no employees except for one (Balkan Energy employs 2 people), and the sHPP Lobnica, and did not have any activities with significant environmental, social or governance aspects in 2024. Also not included in the consolidation of sustainability disclosures is HSE SaŠa, d.o.o., which was established at the end of 2024.

The same consolidation of sustainability disclosures as in the previous paragraph applies to the HSE Group's carbon footprint calculation, but with an associate (HESS) and a jointly controlled entity (Soenergetika) included in the consolidation of the Scope 3 carbon footprint calculation in category 3.15.

As at 31 December 2024, the PV Group and TEŠ (hereinafter: “discontinued operations”) are no longer part of the HSE Group (“continued operations”). In section 2.9.5 EU Taxonomy, in accordance with accounting standards, we have taken into account the revenues of continued operations in the calculation of turnover and the value of working capital (OPEX), and the revenues of continued and discontinued operations in the calculation of the value of fixed capital investments (CAPEX).

The disclosures arising from the requirements of ESRS are revised for 2024, but not for 2023 and earlier years. The results of the double materiality analysis process described in section 2.9.4 Double materiality analysis include the impacts, risks and opportunities arising from the performance of the activities of the companies in the HSE Group. If value chain upstream or downstream data is also involved, this is disclosed separately under the relevant sub-topic and/or data.

No information relating to intellectual property, know-how or innovation results has been omitted from the Sustainability Report. Nor have we exempted from disclosure any foreseeable event or matter that is the subject of ongoing negotiations.

The reporting period is from 01/01/2024 to 31/12/2024.

Time periods[7]

In defining the time periods for reporting purposes, we depart from the standard time frames set out in ESRS 1, Section 6.4, to align with the HSE Group's internal planning periods. The time periods used from the end of the reporting period are, except where explicitly stated otherwise, as follows: the short-term period covers one year in line with the financial reporting period (2024); the medium-term period covers a period of one to three years (2025–2027); and the long-term period covers a period longer than three years, typically up to ten years.

Sources of uncertainty in estimations and results[8]

The assessments and estimations for reporting some data points are based on indirect sources, including sectoral averages and approximations. This includes data from the

5 ESRS 2 BP-1 (5 a)

6 ESRS 2 BP-1 (5 a; 5 b i; 5 b ii; 5 c; 5 d)

7 ESRS 2 BP-2 (9 a; 9 b)

8 ESRS 2 BP-2 (11 a; 11 b)

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calculation of the HSE Group's carbon footprint as described in the methodology in section *2.9.5 HSE Group carbon footprint*, in particular for the calculation of the Scope 3 carbon footprint where we have applied the GHG Protocol guidance *»GHG Protocol guidance on uncertainty assessment in GHG inventories and calculating statistical parameter uncertainty"* to assess uncertainty. This section also details the sources of uncertainty and the results that have arisen in the calculation.

Value chain assessment[9]

The value chain data are based on available information from public sources or questionnaires, and are considered to have a lower level of reliability than the data from own activities. We have put in place additional mechanisms or action plans to ensure that we have the right information to actually assess the impacts, risks and opportunities, and to obtain data from our value chains in the future. For more information, see section *2.9.4 Impacts, risks and opportunities.*

Changes in the preparation or presentation of sustainability information

Sustainability reporting has been a long-standing practice in the HSE Group, but it underwent a significant transformation in 2024. In line with the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), we have put in place a renewed disclosure framework.

The Sustainability Report, which is an integral part of the HSE Group's Annual Report, is prepared in accordance with the provisions of the Companies Act (ZGD-1M) and is based on a structured set of ESRS requirements. As part of the preparation of the report, we carried out a comprehensive double materiality assessment process to systematically identify and evaluate the key impacts, risks and opportunities of our activities, as well as specific segments of the value chain.

An important innovation is the inclusion of more detailed content and quantitative indicators in areas where the ESRS prescribe mandatory disclosures. In addition to describing the policies and actions we are taking to manage impacts and risks, the report also includes benchmarks to monitor progress and identifies responsibilities for specific areas. This approach represents an important step forward in our sustainability disclosure and provides more transparent and more meaningful information for all key stakeholders.

2.9.2 SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM[10]

Management of HSE as controlling company

In accordance with the provisions of the Articles of Association of HSE and the resolutions of the HSE Supervisory Board, the controlling company of the HSE Group (HSE d.o.o. or HSE) is managed and represented by the management on its own responsibility. For the period from 1 January 2024 to 31 December 2024, the Management Board consisted of two members:

- **Tomaž ŠTOKELJ, Ph.D.,** CEO. Professional profile: power systems, generation, trading and sale of electricity and related products, portfolio management, leadership, management.
- **Uroš Podobnik,** CBO. Professional profile: law, corporate governance, management.

Supervision over the management of HSE's business is exercised by the Supervisory Board, which in 2024 acted in accordance with the powers set out in the Companies Act, ZSDHk-1, the Act establishing HSE and the Rules of Procedure for the Supervisory Board of HSE, as well as in accordance with the Corporate Governance Code for State Invested Enterprises (hereafter referred to: SDH Code) as a reference code (on a comply-or-explain basis).

Representatives of capital:

- **Nevenka Hrovatin, Ph.D.,** President of Supervisory Board. Professional profile: business economics, energy economics, public sector and environmental economics, management and economics of infrastructure activities.
- **David Valentinčič.** Professional profile: management, leadership, energy.
- **Barbara Gorjup, M.Sc.** Professional profile: corporate finance, controlling, accounting, valuation, corporate governance, sustainability.
- **Miha Šebenik.** Professional profile: management, finance, analytics.
- **Boštjan Grešak.** Professional profile: lawyer – commercial law.
- **Denis Bele.** Professional profile: management, organisation, leadership, control, environment.

Employee representatives:

- **Blanka Povh, M.Sc.** Professional profile: international economics, trading and sale of certificates of origin of electricity, energy savings and portfolio management.
- **Matej Kovač.** Professional profile: finance, controlling, analytics.
- **Uroš Žibret** (member since 23/08/2024). Professional profile: electricity trading, investment management.
- **Rok Rožman** (member until 23/08/2024). Professional profile: electricity and gas portfolio manager.

External member:

- **Marko Hočevar, Ph.D.** Professional profile: management and financial accounting, audit.

Year 2024	Women	Men
Number of members of the Management Board	**0**	**2**
Share by gender	0%	100%
Number of members of the Supervisory Board	**3**	**6**
Share by gender	33%	67%

9 ESRS 2 BP-2 (10 a; 10 b; 10 c; 10 d)

10 ESRS 2 GOV-1 (19; 21 a; 21 b; 21 c; AR 5; 21 d; 21 e)

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The composition and work of the HSE Supervisory Board are presented in the **Report on the HSE Supervisory Board** as well as the work of all HSE Supervisory Board committees providing professional assistance to the work of the HSE Supervisory Board. In 2024, the Supervisory Board had the following committees: Audit Committee of the HSE Supervisory Board, the Trading and Investment Committee of the HSE Supervisory Board, and HR Committee of the HSE Supervisory Board.

The management and supervisory bodies must meet standards of conduct and have the relevant skills – in accordance with the legislation (ZSDH-1, ZIntPK, ZGD-1). In doing so, they take into account the good corporate governance practices set out in the SDH reference Code (December 2023) and the SDH Recommendations and Expectations (December 2023). Continuing education is a duty of all members of the management and supervisory bodies.

By signing the Independence Declaration, the members of the Supervisory Board declared that they meet the criteria for conflict of interest. The proportion of independent members of the Supervisory Board is 100%.

For more detailed information, see *2.3. Statement on corporate governance of the HSE Group.* Information on the roles and responsibilities of the management and supervisory bodies in the field of sustainable development[11] is presented in more detail in section *2.9.2 Sustainable development management.*

Sustainable development management[12]

The HSE Group's sustainability system is set up in a way that ensures that all key activities are aligned with the Group's strategic objectives and that legislative obligations in the area of sustainability are effectively met. The system's organisational set-up allows for the control, direction and monitoring of sustainability initiatives at Group level, and their alignment with long-term business priorities.

The management of each company in the HSE Group, or the management of the controlling company, is responsible for the preparation and implementation of the Group's strategy, which also includes strategic directions in the area of sustainable development, and thus for the review and implementation of measures to address sustainability-related impacts, risks and opportunities. The Supervisory Board approves the strategy and monitors its implementation. Operational coordination and technical support in the area of sustainable development of the HSE Group is provided by **the Sustainable Development Department,** which operates as a department within the parent company HSE. The department ensures horizontal alignment of sustainability topics across the Group companies and monitors the implementation of policies, commitments and strategic objectives at Group level, as well as sustainability reporting. It reports directly to the management of the controlling company.

The **Sustainable Development Department** is actively involved in the HSE Group's risk management processes together with the **Risk Management Department;** the two departments are responsible for integrating sustainability-related impacts, risks and opportunities into a single HSE Group risk management system. This provides key information for a comprehensive risk management system at Group level. Both services regularly report to the **management** on findings and progress in this area and keep management informed of key impacts or risks within the HSE Group. They also report regularly to the **Supervisory Board and SDH** on their sustainability activities and key risks. The Management Board of the HSE controlling company also took note of the procedures and content of the HSE Group's double materiality analysis for 2024 and approved the result or list of impacts, risks and opportunities at the HSE Group level. In 2024, the Audit Committee of the Supervisory Board of the HSE controlling company monitored the implementation of sustainability reporting in the HSE Group on a regular and up-to-date basis (at each meeting) until the publication of the Annual Report.

The Sustainability Development Department informs the management on a weekly basis about ongoing activities, major initiatives and developments in sustainability matters, and provides expert support to the management and other organisational units in integrating sustainability considerations into their processes and decisions. Sustainability topics are integrated into the work of the entire Group through participation in internal colleges (environmental, HR, technical, etc.) and other forms of cross-sectoral coordination.

It is composed of experts with relevant knowledge and experience in the field of sustainability, who regularly monitor the level of competence and the additional skills needed in sustainability matters, and report to the management. The department also provides training to ensure appropriate competence and continuous improvement at HSE Group level, including recommendations for additional actions or activities to address key impacts, risks and opportunities relevant to the HSE Group.

Integrating sustainability-related performance into incentive schemes[13]

The HSE Group's Management Board Remuneration and Bonus Policy is regulated in accordance with statutory provisions. The starting points for determining the remuneration of the Management Board are set out in the Management Board Remuneration Policy for the of Holding Slovenske elektrarne, d.o.o. (hereinafter referred to as the Remuneration Policy), which is based on the Companies Act, the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities, the Regulation determining the maximum ratios for basic remuneration and the amount of variable remuneration of directors, and the Recommendations of SDH.

The proportion of the variable part of HSE Management Board remuneration that relates to the overall annual and long-term targets related to sustainability matters was 25% in 2024, compared to other financial and non-financial benchmarks. Of this, 10% were allocated to criteria related to environmental responsibility, 7.5% to criteria related to social responsibility, and 7.5% to criteria related to management responsibility. We have introduced specific additional sustainability-related criteria in our remuneration and bonus policies for the Management Board in 2024, which apply to the Management Board remuneration from 2025 onwards and are also included in the sustainability-related incentive schemes for the management boards of HSE Group subsidiaries. Environmental, social and management responsibility criteria are included, representing 7 of the 11 non-financial criteria for 2025. Criteria are approved by the Supervisory Board, the founder, or the General Meeting for

11 ESRS GOV-1 (22 a; 22 b; 22 c i-iii; 22 d; 23 a; 23 b)

12 GOV-1 (22 a; 22 b; 22 c; i-iii; 22 d; AR 5; 23 a; 23 b)

13 ESRS 2 GOV-3 (29 a; 29 b; 29 c; 29 d; 29 e)

members of the management in the HSE Group, which are then cascaded down to lower levels. In 2024, non-financial or sustainability-related criteria were not yet directly linked to the targets and metrics in this Sustainability Report.

Declaration of due diligence[14]

The year 2024 represents the first year of systematic implementation of sustainability due diligence as required by the ESRS standard. We recognise that building a comprehensive and efficient system is a process that requires gradual upgrading, so our approach is based on continuous improvement and the integration of best available practices.

Our due diligence system ensures that we meet the requirements of legislation, external commitments and internal acts. These are implemented through targeted compliance reviews, internal audits, risk management, recommendations, monitoring of corrective actions taken, and regular process-specific risk assessments.

We conduct due diligence in accordance with the principles of responsible business conduct and taking into account the *OECD Due Diligence Guidance for Responsible Business Conduct (2018)*. We are continuously upgrading the system in line with international best practices and stakeholder expectations to further strengthen integrated and sustainable risk management and respect for human rights and environmental protection throughout the value chain.

Due to the initial implementation phase, certain elements of the system may not yet have reached full maturity or standardisation across the group. In 2025, we plan to make further substantive and systemic improvements, in particular in the areas of value chain, impact monitoring and stakeholder engagement.

14 ESRS 2 GOV-4 (32, AR 8 – AR 11)

Key elements of due diligence	Chapters in the Sustainability Report and whether the disclosures relate to humans and/or the environment
a) Integrating due diligence into governance, strategy and business model	§ ESRS 2 GOV-2 – chapter 2.9.2 Sustainable development management (people and environment)
	§ ESRS2 GOV-3 – chapter 2.9.2 Integrating sustainability-related performance into incentive schemes (people and environment)
	§ ESRS 2 SBM-3 – chapter 2.9.4 (people and environment)
b) Engaging with affected stakeholders at all key stages of due diligence	§ ESRS 2 SBM-3 – chapter 2.9.4 (people and environment)
	§ E1 – chapter 2.9.5 (environment)
	§ E2 – chapter 2.9.6 (environment)
	§ E3 – chapter 2.9.7 (environment)
	§ E4 – chapter 2.9.8 (environment)
	§ E5 – chapter 2.9.9 (environment)
	§ S1 – chapter 2.9.10 (people)
	§ S3 – chapter 2.9.11 (people and environment)
	§ S4 – chapter 2.9.12 (people)
	§ G1 – chapter 2.9.13 (people)
c) Identification and assessment of adverse impacts	§ ESRS 2 IRO-1, chapter 2.9.4
	§ ESRS 2 SBM-3, chapter 2.9.4
d) Taking action to address adverse impacts	§ ESRS 2 MDR-A
	§ E1 – chapter 2.9.5 (environment)
	§ E2 – chapter 2.9.6 (people)
	§ E3 – chapter 2.9.7 (people)
	§ E4 – chapter 2.9.8 (people)
	§ E5 – chapter 2.9.9 (people)
	§ S1 – chapter 2.9.10 (people)
	§ S3 – chapter 2.9.11 (people and environment)
	§ S4 – chapter 2.9.12 (people)
	§ G1 – chapter 2.9.13 (people)
e) Monitoring performance and efforts, and communication	§ E1 – chapter 2.9.5 (environment)
	§ E2 – chapter 2.9.6 (people)
	§ E3 – chapter 2.9.7 (people)
	§ E4 – chapter 2.9.8 (people)
	§ E5 – chapter 2.9.9 (people)
	§ S1 – chapter 2.9.10 (people)
	§ S3 – chapter 2.9.11 (people and environment)
	§ S4 – chapter 2.9.12 (people)

Risk management and internal controls for sustainability reporting[15]

In the HSE Group, the preparation of sustainability information is integrated into existing internal control systems and risk management processes that apply to all Company's reporting. Key responsibilities are divided between the HSE Group companies' professional departments, which collect and verify data, and the Sustainable Development Department, which coordinates content and ensures compliance with legislative and regulatory requirements. The accuracy and integrity of sustainability data is ensured through internal verification, approval and validation processes by the responsible persons. A centralised system for collecting information related to sustainability aspects is in place, enabling uniform risk assessment, reporting and control at Group level. The Sustainability Development Department works closely with the companies' process managers and the Risk Management Department to jointly evaluate and upgrade the sustainability risk management system.

Despite the mechanisms in place, we recognise that the system of internal controls for sustainability reporting is not yet fully standardised at a level comparable to financial reporting in the first year. Certain data validation, consolidation and verification processes are under development, particularly in segments where new, complex or dispersed content is involved and where appropriate practices are in place. As a result, there is a possibility that certain inaccuracies, inconsistencies or omissions in the report have not been identified or corrected. We are aware of these challenges and are actively upgrading our existing system of internal controls in line with the transitional provisions and the expectations of the phasing-in of the CSRD and ESRS requirements. This includes the development of additional mechanisms to improve the reliability, traceability and integrity of the information reported, the strengthening of control activities, the clear definition of responsibilities, and the introduction of regular data quality checking procedures.

We are continuously upgrading our sustainability risk management system. In this context, the Sustainable Development Department plays a central role, which, in addition to monitoring legislative changes and international guidelines, also provides methodological support and advice to individual companies and departments within the HSE Group. The department regularly organises workshops, thematic training and consultancy to identify sustainability aspects and related risks at process level. We will also continue to adapt the system in line with the findings of internal and external reviews and good practices that will emerge in the coming reporting years.

15 ESRS-2 GOV-5 (36 a; AR 11; 36 b; 36 c; 36 d; 36 e)

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2.9.3 STRATEGY, BUSINESS MODEL AND VALUE CHAIN[16]

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** in Slovenia.

Other activities in 2024 included 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. TEŠ and the companies in the Premogovnik Velenje group (discontinued operations) generated net sales revenues of EUR 571,209,192 in 2024 from the activities of extraction and use of fossil fuels, and the other (continued operations) part of the HSE Group generated EUR 3,001,723,806.

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.

Development strategy of the HSE Group

With the spin-off of the thermodivision (TEŠ and PV) at the end of 2024, the HSE Group is entering a new era of development, primarily focused on low-carbon energy sources and modern sustainable solutions. To this end, we are preparing an **updated development plan** and a **new sustainable development strategy** in 2025, reflecting the renewed structure of our activities and strengthening the role of the HSE Group as an enabler of the sustainable transition in the Slovenian energy space, especially in the area of new renewable energy sources, as well as in the area of flexibility, development of new energy products, e-mobility and energy solutions.

The HSE Group is entering a major investment cycle in good financial shape, in line with the new vision set out in 2023, which reads: ***"A responsible enabler of the green transition and a pillar of energy security."*** New development and investment projects are planned (PPP – photovoltaic power plants, WE – wind power plants, sHPP – small hydropower plants, PSHPP – pumped-storage hydropower plants, GSPP – gas-steam power plants, hydrogen technology projects, and battery storage) as well as services for the active role of end-users in the green transition and e-mobility services. At the same time, we take care to properly maintain our existing generation portfolio, which means that we will prepare accordingly and start implementing major reconstructions of our system power plants, such as the Formin and Solkan HPP, and the overhaul of the Avče pumped-storage hydropower plant.

Key **strategic areas** include (i) increasing the cost-efficiency of the existing generation portfolio and making it more flexible, while **ensuring a secure and reliable supply of electricity;** (ii) **increasing the volume of sustainable generation** by investing in research and development, particularly in the area of renewable energy; and (iii) in the area of trading and sales, we will continue to increase the added value of the HSE Group by further expanding our range of new energy products and solutions.

The HSE Group's strategic objectives are embedded in a framework of strategic objectives at the national and EU level, among which we identify the following as crucial:

- The tightening of the EU's 2030 climate targets and the EU's commitment to climate neutrality by 2050 requires an intensive acceleration of investment in renewable energy (RES) projects and measures to improve energy efficiency. In this context, we plan to accelerate investment in hydropower, solar, wind and geothermal projects, while ensuring the long-term viability and stability of investments remains a key priority.
- EU-level integration of the system service market, an increase in volume of variable and decentralised generation of electricity from RES, a more intense growth in energy efficiency, and a fast-tracked electrification of traffic and heating. This requires optimising the HSE Group's existing generation portfolio and improving the HSE Group's price competitiveness by adding more cost-effective, carbon-neutral, flexible 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 requires adjusting the HSE Group's business model, adding new pumped-storage and battery storage plants to the product portfolio, implementing pilot projects in hydrogen and geothermal power plants, and further developing market-attractive services and products.
- Sustainable development of the HSE Group through the implementation of a new HSE Group's sustainability strategy, and the definition of HSE Group's strategic objectives and sustainability indicators. Strengthening the 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 and national regulation related to sustainable operations of HSE Group companies.

16 ESRS 2 SBM-1 (28; 40 a i; 40 a ii; 40 a iii; 40 d i; 40 e; 40 f; 40 g; 42; 42 a; 42 b; 42 c)

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Business model of the HSE Group

The table below provides an overview of the key aspects of the HSE Group's business model in terms of the major sustainability topics in 2024.

Key resources and dependencies	Key activities	Key results and benefits achieved
Natural resources The main sources of electricity generation are natural resources, namely lignite (for the part of thermal generation), water (for hydroelectric power), solar and wind (for generation from other renewable sources). The smooth running of activities requires sufficient availability and quality of these resources. Their management must also take into account regulatory requirements regarding the use of natural resources and impacts on the environment and biodiversity.	**Trading in electricity and related products** We actively manage generation and demand portfolios, and trade electricity, emission allowances and other related products on domestic and international markets. The aim is to ensure operational stability and competitive advantage in the market.	**Communities** We are contributing to the transition to a low-carbon society by investing strategically in renewable energy generation capacity and by reducing the use of fossil fuels. We work with local communities to develop projects and promote sustainable development at regional level.
Employees Employees are key to the reliability and quality of our operations, with a particular role for experts with technical, engineering, environmental and market knowledge. Effective training programmes, competence development, and ensuring a safe and healthy working environment also contribute to achieving business objectives.	**Generation of electricity** We generate electricity from a variety of sources, including renewable (water, solar, wind) and fossil (lignite), with a commitment to a gradual transition to a low-carbon society.	**Environment** We are committed to the careful use of natural resources, the protection of the environment and the long-term sustainability of land use. By reducing emissions and other environmental impacts, we make an important contribution to mitigating climate change and conserving biodiversity.
Financial resources Access to finance is key to maintaining operational stability and achieving investment objectives. Favourable funding conditions on the capital markets, support from owners and effective internal financial management play an important role.	**Sale of electricity to business and household customers** Our customers include both businesses and households. We provide them with reliable and affordable electricity supply and advice on how to improve energy efficiency.	**Shareholder, investors, financial institutions** Through transparent and accountable operations, we create long-term value for our owners and strengthen our stability and reputation in the market.
Relations with stakeholders Acceptance by local communities, regulators, customers, suppliers and other partners has a significant impact on the success of operations. Engaging with stakeholders at the early stages of project planning is key to reducing environmental, social and regulatory risks.		**Employees** We provide a safe, inclusive and supportive working environment for our employees. We actively promote competence development, professional development and ensure a high level of social protection and equal opportunities for all.
Consumers and end-users The stability of revenues and the viability of the business model are directly linked to a reliable and high-quality supply of energy to end-users. Market price trends, demand for sustainable energy solutions and digital services, and regulatory frameworks to protect consumers also contribute to our operational performance.		**Consumers and end-users** We provide end-users with affordable, reliable and sustainable energy supplies. In addition, we offer them advice, e-governance options and measures to reduce energy exclusion and promote energy efficiency.

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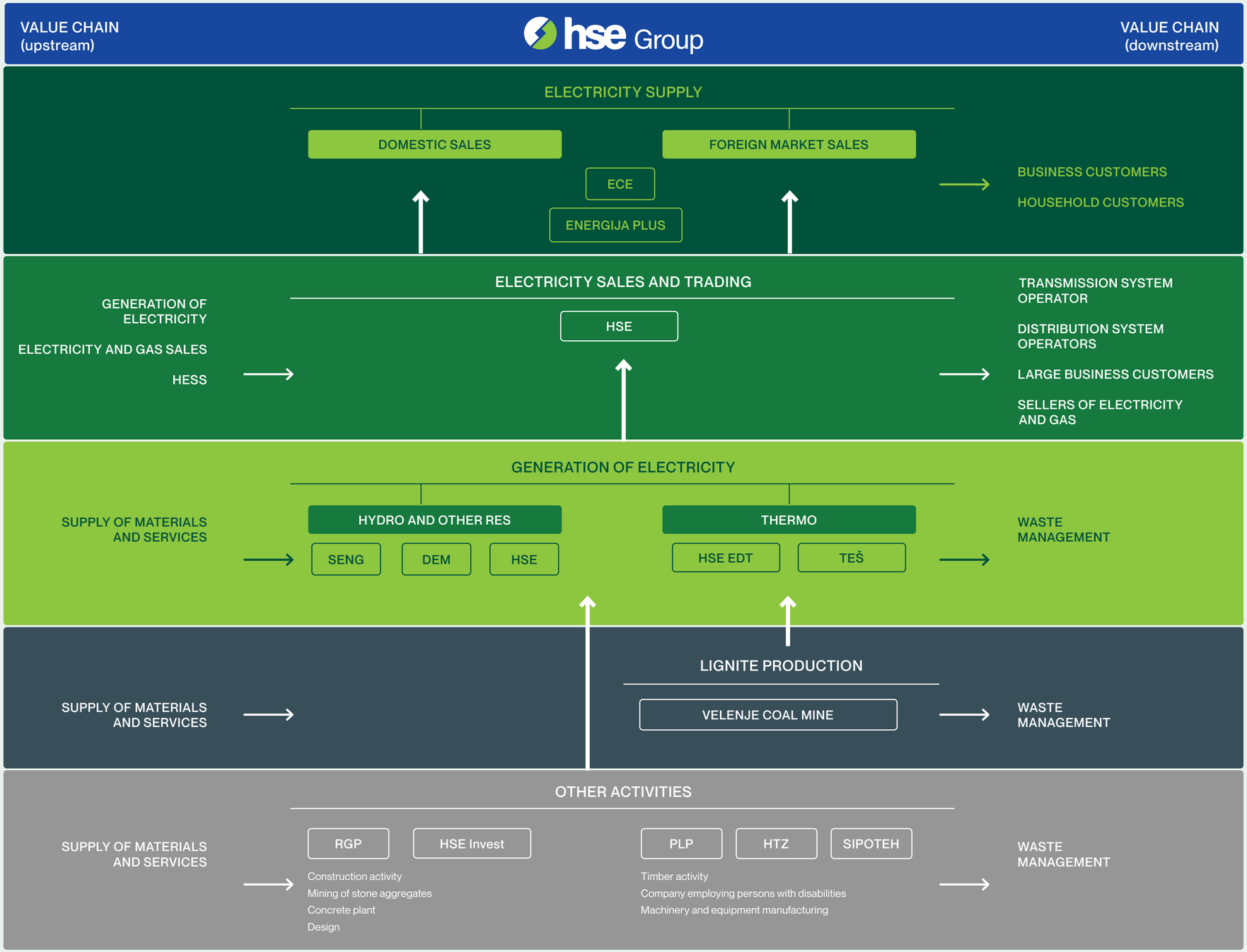
HSE Group's value chain



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Stakeholder interests and views[17]

The systematic review and ranking of the HSE Group's stakeholders was carried out on the basis of the internationally recognised *AA1000SES Stakeholder Engagement Standard,* taking into account best practice in the energy sector and the requirements of the CSRD.

Engagement with stakeholders is based on the principles of openness, transparency and inclusive dialogue. A key role in stakeholder engagement is played by a continuous exchange of views, which allows us to better understand the views, needs and expectations of different stakeholder groups – from employees, regulators, local communities and partners to consumers, investors and civil society. These insights are taken into account in the double materiality analysis, the assessment of sustainability impacts, risks and opportunities, as well as in the planning of individual projects and strategic orientations, as key sustainability aspects (decarbonisation, environmental protection, care for employees, corporate governance, etc.) are part of our strategic and business plans. Stakeholder views are also important in the context of due diligence processes, where they complement the analysis of internal experts and data from internal systems.

Responsibility for managing the dialogue and taking stakeholder views into account lies with the owners of the individual processes within the HSE Group companies, while the Sustainable Development Department provides horizontal coordination, support and upgrading of the stakeholder engagement system in the area of sustainable development. In the coming years, we plan to further strengthen our systematic approach to stakeholder engagement, in particular with local and wider communities, and to put in place structures to regularly evaluate the quality and effectiveness of engagement.

Information on key issues and stakeholder views is included in internal analyses, strategy documents and reports made available to the management and supervisory bodies of HSE Group companies. This gives authorities the opportunity to take stakeholders' views into account when taking decisions and formulating strategic orientations.

Stakeholders	Form of involvement	Key interests	Integration results
Management, supervisory bodies, owner (State and SDH as operator)	Regular reporting and coordination Meeting the strategic orientations Contributing to the preparation of strategic documents Application of corporate governance mechanisms Regular communication on key risks and opportunities Monitoring and meeting performance indicators Transparent asset management	Business strategy and its implementation Operations, situation and outlook The Group's position and plans Capital adequacy and risk management Growth and development Corporate governance and sustainable operations Cost-effectiveness	Strengthening transparency and accountability in operations Improved monitoring and achievement of key performance indicators Increased predictability and stability of business decisions Joint prioritisation of development projects Alignment with national strategic and energy objectives Support in shaping the Company's long-term development orientations Timely communication of key business risks and opportunities to the owner Increasing trust and credibility of the Company as the national energy pillar
Employees	Participation in governance Career and education system Internal print and online media Personal contacts E-mail Internal events, sports, recreational and cultural events Health and well-being measures	Rewarding performance Personal and professional development Reliable and transparent communication Health and safety at work Reconciling work and private life Equal treatment and access to opportunities Reasonable pay and job stability	Adoption of internal acts with the participation of staff Introduction of flexible working hours Developing in-house training and mentoring programmes Targeted filling of skills gaps Regular annual interviews and measurement of organisational climate Improvements in communicating strategic objectives to staff Agreed solutions in cooperation with trade unions and works councils

17 ESRS 2 SBM-2 (45 a; AR 16; 45 a i; 45 a ii; 45 a iii; 45 a iv; 45 a v; 45 b; 45 d)

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Stakeholders	Form of involvement	Key interests	Integration results
Local and wider communities	Consultations, public forums and showcase events Direct and transparent communication with local communities Support for sponsorships and donations Cooperation on joint projects Cooperation with NGOs and civic initiatives	Safety, health and quality of life Environmental protection and sustainable use of resources Developing local infrastructure and access to services Opportunities for cooperation and employment Supporting the education and development of young people	Support for environmental and social projects in the community Donations and sponsorships for humanitarian and cultural initiatives Implementing projects with a positive impact on the local environment Active participation in public consultations and strategic planning Promoting volunteering among employees Scholarships and student involvement Regular reporting on impacts and achievements in communities
Suppliers and business partners	Calls for tenders under the rules Compliance and quality assessment questionnaires Regular operational and implementation meetings Contractual arrangements and technical coordination Information exchange and monitoring of contracts	Clearly defined conditions of participation Fair and transparent selection procedures Financial stability and timely payments Stability and continuity of business relationships	Implementing the contractual provisions in accordance with the deadlines and to the required quality Effective monitoring of procurement and contract performance Increasing transparency in the delivery and performance of services Strengthening supply chain reliability and stability
National and supervisory authorities	Participation in legislative and regulatory processes Involvement in public debates and the preparation of proposals Expert meetings, sectoral forums and round tables Liaison with industry organisations Participation in the preparation of expert documents	Compliance with EU legislation and guidelines Stable, responsible and lawful business Integrating stakeholders' views into legislative processes Consistency with national objectives and policies Developing sector standards and sustainable solutions	Timely adaptation of operations to new regulations Drafting expert proposals and comments on legislation Implementing sustainable solutions in cooperation with public authorities Improved coherence with national development policies Reducing regulatory risks and increasing stability
Media	Regular communication and information Networking through events and conferences Using digital channels and responding to enquiries	Access to relevant, verified and timely information Clarity and intelligibility of messages Information on the Company's impact on the community, the environment and the economy Participation in content relevant to the public Access to persons responsible for comments and clarifications	Increased visibility of the Group and its projects Increasing transparency and public trust Increased involvement of employees and the wider public in sustainability initiatives Faster and more efficient information flow in times of crisis and at key moments
Commercial and household consumers	Regular communication across online platforms and applications Information on services, prices and sustainability initiatives Direct communication with customers Collection and analysis of feedback	Reliable care and quality service Competitive and transparent prices Choosing sustainable energy Clear and understandable communication Easy user experience	Introduction of e-invoicing and digital services Adaptation of the offer for households with greater environmental awareness (green energy) Improving customer satisfaction
Financial institutions, insurance companies, investors	Regular participation in ESG assessments and disclosures Answers to questionnaires and individual enquiries Face-to-face meetings and presentations Transparent reporting on performance and plans	Financial stability and repayment capacity Clear communication on risks, indicators and targets Integrating sustainability criteria into projects and investments Adaptability to trends and sustainable innovation Compliance with international standards (e.g. ESRS, GRI, TCFD)	Increasing access to concessional finance Classification of projects as sustainable investment opportunities Successful participation in ESG ratings (e.g. by external rating agencies) Getting funding for renewable energy and sustainable projects Strengthening the HSE Group's reputation as a responsible and stable partner on the financial market

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2.9.4 DOUBLE MATERIALITY ANALYSIS[18]

The table below shows a list of the significant impacts, risks and opportunities identified at HSE Group level based on a double materiality analysis. Their more detailed descriptions can be found in the individual chapters, namely for E1 in chapter 2.9.5; E2 in chapter 2.9.6; E3 in chapter 2.9.7; E4 in chapter 2.9.8; E5 in chapter 2.9.9; S1 in chapter 2.9.10; S3 in chapter 2.9.11; S4 in chapter 2.9.12 and G1 in chapter 2.9.13.

This chapter also describes the double materiality analysis process, the methodologies and assumptions used, the process for identifying and assessing impacts, risks and opportunities, the process and content of stakeholder engagement, and the involvement and oversight of the management and supervisory bodies.

Significant impacts, risks and opportunities

Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
E1 Climate change			
Scope 1 and 2 greenhouse gas emissions	Negative actual impact	Own activity	S
Scope 3 greenhouse gas emissions	Negative actual impact	Own activity	S, M, L
Impact on employees and local communities of the transition to a carbon-free economy	Negative actual impact	Own activity	S
Renewable resources as an opportunity for a sustainable transition	Positive actual impact Opportunity	Own activity	S, M, L
Promoting renewable energy and energy solutions for end-users	Positive actual impact	Value chain (customers)	S, M, L
Physical climate risks: the risk of hydrological variability	Actual risk	Own activity	S, M, L
Physical climate risks: risks of natural disasters, catastrophes and emergencies	Actual risk	Own activity	S, M, L
Transient climate risks: regulatory risks	Actual risk	Own activity	S, M, L
Transient climate risk: investment risk in development projects and new buildings	Actual risk	Own activity	S, M, L
Transient climate risks: price risks of fluctuating market prices of emission allowances	Actual risk	Own activity	S
E2 Pollution			
Potential environmental pollution and impacts on biota during regular and emergency operation	Negative potential impact Negative actual impact Actual risk	Own activity Value chain (local communities)	S

18 ESRS 2 SBM-3 (48 a; AR 17-18; 48 a; 48 b; 48 c i; 48 c ii; 48 c iii; 48 c iv; 48 d), ESRS 2 IRO-1 (53 a; 53 b; 53 b i; 53 b ii; 53 b iv; 53 c; 53 c i; 53 c ii; 53 c iii; 53 d; 53 e;), ESRS 2 SBM-2 (45 b); ESRS 2 IRO-2 (59); ESRS Gov-2 (26 c)

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Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
E3 Water and marine resources			
Water discharge	Negative actual impact	Own activity	S
Dependencies on water sources	Actual risk	Own activity	S
Using a closed water circuit	Actual risk	Own activity	S
E4 Biodiversity and ecosystems			
Biodiversity restoration and offsetting projects and innovation	Positive actual impact	Own activity	S, M, L
Land use change (land degradation due to subsidence and rehabilitation)	Negative actual impact	Own activity	S
Protecting ecological connectivity and ecosystems	Negative actual impact	Own activity	S, M, L
E5 Resource use and circular economy			
Impact on lignite stocks and availability	Negative actual impact	Own activity	S
Circular use of by-products and rehabilitation of degraded areas	Actual opportunity Positive actual impact	Own activity Value chain (local community, waste)	S
Total quantity and nature of waste generated	Negative actual impact	Own activity	S, M, L
S1 Employees			
Job security and social security	Positive actual impact Potential negative impact	Own activity	S, M, L M, L
Decent pay for work	Positive actual impact	Own activity	S, M, L
Social dialogue and freedom of association	Positive actual impact	Own activity	S, M, L
A well-developed and active system of collective bargaining and workers' collective participation	Positive actual impact	Own activity	S, M, L
Reconciling work and private life	Positive actual impact	Own activity	S, M, L
Professional development and staff competence building	Positive actual impact	Own activity	S, M, L
Safety and health impacts on employees in higher risk activities	Potential negative impact Actual risk	Own activity	S, M, L
Ensuring adequate staffing and staffing levels	Actual risk	Own activity	S, M, L

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S3 Cooperation with communities			
Promoting local development and quality of life	Positive actual impact	Own activity	S, M, L
The impact of a fair transition on local communities	Potential negative impact	Own activity	S
Involving local communities in planning and development	Positive actual impact	Own activity	S, M, L
Contributing to the safety of local communities	Positive actual impact	Own activity	S, M, L
S4 Consumers and end-users			
Equal access and information for end-users	Positive actual impact	Own activity	S, M, L
Ensuring affordable electricity and action to reduce energy poverty	Positive actual impact	Own activity	S, M, L
Providing heat energy for the inhabitants of the Šalek Valley	Positive actual impact	Value chain (customers)	S
Risks of electricity price regulation in energy inclusion measures	Actual risk	Own activity	S
G1 Business conduct			
A comprehensive system to prevent and detect corruption, bribery, fraud and abuse	Positive actual impact	Own activity	S, M, L
Comprehensive whistleblower protection system	Positive actual impact	Own activity	S, M, L
Promoting ethical operations and corporate culture	Positive actual impact	Own activity	S, M, L
Risks of corruption, fraud and insider dealing	Actual risk	Own activity	S, M, L

Period: S – Short term; M – Medium term; L – Long term

Double materiality assessment process

The HSE Group approached the CSRD and ESRS double materiality assessment process in 2023 by organising and delivering training workshops and appointing project teams in HSE Group companies that are responsible for, or at the level of individual companies, carrying out activities and data collection in preparation for sustainability reporting.

The process of double materiality analysis with assessment of *Impacts, Risks and Opportunities (IRO)* is carried out at the level of individual companies in the HSE Group, in coordination with the controlling company or the Sustainable Development Department, i.e. with the cooperation and consultation of subsidiaries, based on the EFRAG recommendations for controlling companies. Five key steps were followed to carry out the double materiality analysis: (A) establishing an appropriate organisational structure to manage the process, (B) understanding the ESRS framework and related requirements, (C) identifying actual and potential impacts, risks and opportunities related to sustainability matters, (D) assessing and prioritising these, and (E) consolidating the results at HSE Group level as a basis for sustainability reporting.

The double materiality analysis was carried out in almost all HSE Group companies, namely HSE d.o.o. (HSE), TEŠ d.o.o., Premogovnik Velenje d.o.o. (PV), HTZ I.P. d.o.o. (HTZ), PLP d.o.o. (PLP), Sipoteh d.o.o. (Sipoteh), Soške elektrarne Nova Gorica d.o.o. (SENG), Dravske elektrarne Maribor d.o.o. (DEM), Rudarsko gradbeno podjetje d.o.o. (RGP), ECE d.o.o. (ECE), Energija plus d.o.o. (E+), HSE Invest d.o.o. (HSE Invest), and HSE Energetska družba Trbovlje d.o.o. (HSE EDT).

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In 2024, the double materiality analysis was not carried out only for companies in the international network that carry out electricity trading activities and which, apart from one, have no employees. Their sustainability aspects have been taken into account in the context of the impact assessment of the activities or value chain of the parent company HSE d.o.o., depending on the activity. A double materiality analysis was also not carried out for SRESA d.o.o., which is the project company and the company of the sHPP Lobnica. Also in 2024, HSE SaŠa d.o.o., which was established at the end of 2024, was not included in the double materiality analysis. Also not included were an associate (HESS) and a jointly controlled company (Soenergetika).

The double materiality analysis process involved senior and professional staff from HSE Group companies and in-house experts. The set of relevant sustainability themes, the definition of IRO and the scoring were developed based on the content requirements of the themes, sub-themes and sub-sub-themes of the ESRS (ESRS 1, AR 16), established international sector-specific standards, good reporting practices in the European energy sector, identified risks and opportunities in the context of the HSE Group's ongoing risk management process, relevant external expert and internal sources, and the HSE Group's existing sustainability perspectives, strategies and policies.

The process is based on an initial assessment of materiality. Some of the requirements in ESRS 1 AR-16 have been interpreted using professional judgement, and it is possible that certain matters may be further incorporated or addressed differently in the future. Due to the early stage of the process, it is possible that certain specific topics have not yet been identified or properly evaluated. Further development of the methodology will allow for a more comprehensive treatment of these issues and other aspects of the dual relevance analysis in the next reporting cycles.

ORGANISATIONAL STRUCTURE

The implementation of the HSE Group's double materiality analysis was coordinated and guided by the **Sustainable Development Department,** which operates as a department within the controlling company of HSE.

In the above companies, heads and members of sustainability project teams were appointed to participate in or otherwise inform the implementation of the double materiality analysis in each company and the subsequent steps in the analysis and preparation of the HSE Group's consolidated sustainability report. For each ESRS area, at least one member with expertise in that area, or with the most expertise in that area, was appointed. During the process, other members or individuals within the internal structure were brought in to provide relevant information or perspectives on the business or to identify and assess sustainability impacts, risks and opportunities.

Members have been involved in the identification and evaluation of impacts, risks and opportunities and have contributed to the list and assessment of impacts, risks and opportunities as identified at the level of each company in the HSE Group. The identification and evaluation of risks or opportunities was also based on the evaluation of individual risks by process owners who are responsible or competent for their evaluation in accordance with the HSE Group risk management system.

In the process of preparing the double materiality analysis, the identification and evaluation of impacts and risks was refined several times, taking into account lessons learned, experience, expertise and developments in sustainability practices. The identification and evaluation of specific impacts, risks and opportunities for the 2024 reporting year has been further developed in the process of preparing the Sustainability Report for 2025. This is to ensure accurate, transparent and credible reporting, and we are continuously upgrading the system, recognising that this is a continuous process. In 2025, we will carry out a new assessment of the double materiality analysis.

The outcome of the materiality analysis process has been approved by the management of the parent company, HSE. The Audit Committee of the Supervisory Board of the HSE controlling company considered and noted the procedures and results of the double materiality analysis.[19]

Methodologies and assumptions

OWN ACTIVITIES AND BUSINESS MODEL

In identifying and assessing actual and potential (possible) impacts, risks and opportunities, we have considered activities and business relationships in accordance with ESRS 2 SBM-1. In including activities in the double materiality analysis, we have taken into account, based on an internal assessment, (i) key activities, resources, distribution channels and customer segments; (ii) key business relationships and their key characteristics, including customer and supplier relationships; the cost and revenue structure of the business segments; and (iii) the potential impacts, risks and opportunities in our material sectors and the potential link to its own business model or value chain. We have included all activities of the HSE Group except those that we have judged to be immaterial in accordance with the provisions of ESRS 2 AR 13 because they do not meet the criteria of (i) 10% of the sales revenue of an individual company, or (ii) not related to the actual significant or potentially significant adverse effects of the entity.

VALUE CHAIN

As part of the process of preparing the Sustainability Report, we carried out a value chain analysis for each company in the HSE Group. We took into account:

1. the key activities of each company, as defined in the preceding sections,
2. the products, services and contractual relationships that are essential to the operation of a company's business.

We identified the key actors in the value chain by key product and service processes and ranked them according to:

- activity (industry),
- geographical location,
- any specific features where increased sustainability impacts, risks or opportunities are perceived (e.g. increased environmental burdens, potential for human rights violations).

For entities in the first stage of the upstream value chain, we conducted a sustainability assessment using an ESG questionnaire based on the identification of key environmental, social and governance factors. The data were then evaluated using an internal evaluation tool and included in a double materiality analysis.

For the value chain analysis, we have focused on first-tier suppliers at this stage, based on available data and reasonable effort, and on the assessment of potential sustainability hotspots.

19 ESRS 2 GOV-2 (24; 26 a; 26 b; 26 c; AR 6)

The limitations in obtaining more detailed data on the lower levels of the value chain are due to:

- insufficient availability of data from suppliers – many entities in the value chain do not have adequate systems in place to monitor sustainability indicators and provide data, or we have not been able to obtain this data;
- limited systemic mechanisms for collecting information – currently available information systems do not allow for efficient data collection at all levels of the value chain;
- gradual implementation of the methodology – in line with EFRAG IG 2024: "Implementation guidance on value chain", we are gradually extending the information gathering and analysis to additional entities and levels of the value chain.

To further upgrade the value chain analysis, we have developed an action plan that includes improving data collection, extending the analysis to additional levels of the value chain and strengthening cooperation with suppliers to ensure greater transparency and accessibility of information.

SCOPE

In identifying impacts, risks and opportunities, we have taken into account all the sub-themes defined in ESRS 1. In identifying impacts, we have taken into account both the positive and negative impacts associated with sustainable development, both actual and potential. The assessment of financial risks and opportunities took into account actual and potential risks and opportunities.

The materiality analysis was carried out in accordance with ESRS 1 and EFRAG guidelines. First, we identified actual and potential impacts on people and the environment, assessed them against the relevant categories (as described below) and determined their significance. We then assessed whether these impacts are causing or are likely to cause financial risks or opportunities. In addition, we specifically analysed financial risks and opportunities that are not directly related to the impacts but could have a significant impact on our financial position, performance, cash flows or cost of capital.

All findings have been assessed against the ESRS materiality criteria and included in the subsequent disclosure on a topic-by-topic basis.

In preparing the disclosures related to the value chain, we took into account all available and reliable information available to us at the reporting date. In 2024, the methodology for value chain analysis was implemented in a phased manner, in line with the EFRAG IG 2024: "Implementation guidance on value chain". On this basis, we focused our analysis on those segments of the value chain where we have the greatest actual or potential impacts and where data were available to the greatest extent possible. We are committed to further upgrading the scope and quality of our value chain analysis. To this end, we have put in place a plan to improve data collection processes, extend the analysis to additional levels, and strengthen cooperation with stakeholders along the value chain. This will allow for greater transparency, reliability and compliance with ESRS requirements in future reporting periods.

Significance of impacts and financial significance

ASSESSING THE SIGNIFICANCE OF IMPACTS

For the assessment of individual impacts, the criteria of severity, magnitude, irreversibility and likelihood have been taken into account; according to the criteria relevant to each impact category according to the ESRS standards. In doing so, we have internally developed and used an impact materiality rating scale to set qualitative thresholds for assessing the significance of actual and potential impacts within individual companies and at HSE Group level. Where the thresholds thus set for individual impacts did not allow for a credible assessment, the assessment was based on the expert judgement of the members of the project teams. Criteria and thresholds will be upgraded and refined in line with recommendations, good practices and developments in the field, including the setting of quantitative criteria as much as possible in line with good practice examples and the upgrading of sustainability due diligence and reporting systems.

The impact assessment ratings have been developed on a scale of 1–5. On the basis of these parameters, an internal impact assessment (for the short term) was calculated on the basis of the methodology. For the medium and long term, a qualitative assessment was made based on the short term – the same, up or down from the short term.

STAKEHOLDER INVOLVEMENT

We have regular communication channels and long-term relationships with our key stakeholders, and we regularly monitor and take into account their views and keep them informed or updated on issues relevant to them. All the views of our stakeholders gathered in this way also served to inform the double materiality analysis, involving our in-house experts in various fields, who used their professional judgement in the double materiality analysis to identify and evaluate. In this way, we included regular stakeholder dialogues in the double materiality analysis.

In addition to the above, the assessments of key stakeholders on each of the key sustainability aspects were taken into account in the assessment of individual impacts. An online survey was used to assess the key impacts identified by our internal analysis. The results were used to complement the internal assessment of the materiality of individual impacts. The final cumulative impact assessment was ranked according to categories: 1, 2 = low, 3 = medium, 4, 5 = high). This final score was used to assess materiality.

The assessment of the materiality of impacts is thus supported by a due diligence process in line with international due diligence documents (OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGP)).

ASSESSING FINANCIAL MATERIALITY

Based on the process of identifying individual sustainability issues or individual sustainability risks and opportunities, we assessed them. The methodology for calculating financial materiality is based on the ESRS guidance, taking into account HSE Group's existing risk assessment and risk management methodology, and the determination of materiality thresholds at the HSE Group level.

The assessments are based to a large extent on quantitative or qualitative assessments of individual sustainability risks and opportunities or their financial impacts in the short, medium and long term. The quantitative or qualitative assessment of the magnitude of each risk or opportunity was combined with an assessment of the probability of the event occurring and the

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likelihood of the consequence of the event occurring. On this basis, their materiality was assessed on a 5-point scale, based on quantitatively defined materiality thresholds as applied in HSE Group's own risk management process.

Time periods

Impacts, risks and opportunities have been assessed for three time periods, namely one year (reporting period), 1–3 years, and 3–10 years.

Thresholds

Based on the identification of the materiality of impacts, risks and opportunities at the level of individual HSE Group companies, we prepared a consolidated list of significant impacts, risks and opportunities at the level of the HSE Group as a whole.

In assessing the significance of individual company impacts, we reviewed the impacts, risks and opportunities identified and assessed at individual company level and identified them as significant if the impact scores were “medium” or “high”. In consolidating the materiality of impacts at the HSE Group level, we reviewed impacts, risks and opportunities that were identified as significant at the individual company level and identified them as significant at the HSE Group level if they were (i) identified with a rating of “high” at the level of an individual major HSE Group company or (ii) rated “medium” at the level of a majority (more than 75%) of all or at least three major HSE Group companies.

In exceptional cases, we included or excluded an individual impact, risk or opportunity from the assessment of materiality at company or Group level based on additional qualitative judgement, where we assessed, in the light of the specific circumstances, that, despite the application of the methodological criteria, the matter is or is not material. This approach was taken to ensure credibility, transparency and a more realistic and contextually relevant representation of materiality.

2.9.5 CLIMATE CHANGE MITIGATION AND ADAPTATION (ESRS E1)

Policies related to climate change mitigation and adaptation[20]

The climate action policy is part of the HSE Group's strategic and business plans and is derived from the European legislative framework, in particular the European Green Deal, the EU Climate Law (Regulation (EU) 2021/1119), the legislation under the “Ready for 55” package, the sustainability reporting regulations (CSRD and ESRS), the European taxonomy of sustainable activities (Regulation (EU) 2020/852), and the EU Climate Change Adaptation Strategy, and is reflected in our development/strategy documents and business plans. In the area of climate change, commitments to a just energy transition are particularly relevant in this context.

The strategic or development plan is the basis for the preparation of business plans, and the managements of HSE Group companies are responsible for implementing the policies and commitments in these internal documents. The views of key external and internal stakeholders are taken into account in the preparation of these documents.

The HSE Group's strategic focus for climate change mitigation is primarily the design and construction of new renewable electricity generation facilities (hydro-electric power plants, photovoltaic power plants, wind power plants and others) and support for their operation (energy storage). At the same time, we are planning and implementing a number of mitigation measures or climate change adaptation investments at existing facilities for the generation from renewables. The investments also help to improve the energy efficiency of these generation facilities.

Impacts, risks and opportunities, and relationship to strategy and the business model[21]

The HSE Group operates in the strategically important energy supply sector and, as one of the largest Slovenian energy groups, plays a key role in achieving national and European climate goals. Our long-term strategy is based on phasing out fossil fuels in our own operations, switching to renewable electricity generation, energy storage solutions and integrated energy solutions for electricity end-users.

The significant impacts, risks and opportunities identified are closely linked to our business model, strategic orientations and planned investments. We recognise that despite strategic support for the energy transition in national and European policies, significant challenges remain, in particular in the siting of new buildings and in reconciling the requirements of different stakeholders. That is why we are working to proactively engage in policy-making processes, improve cooperation with local communities, and find solutions that enable sustainable energy projects to be implemented in the environment. We systematically identify and monitor the impacts and risks associated with climate change mitigation and adaptation. In this context, we conduct climate and resilience analyses and take and implement actions to reduce our impacts and manage physical and transient climate risks.

20 MDR-P (65 a; 65 b; 65 c; 65 e; 65 f); ESRS E1-2 (24; 25; AR16—AR 18)

21 ESRS 2 E1.SBM-3 (18; 19 a; 19 b; 19 c; AR 7; AR 8)

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Scope 1 and 2 greenhouse gas emissions The current negative environmental impact arises from Scope 1 and 2 greenhouse gas emissions. Scope 1 emissions are mainly due to the production of heat and electricity from fossil fuels at the TEŠ thermal power plant. Scope 2 emissions come from electricity and heat consumption. Emissions contribute to global warming and are therefore recognised as a significant impact in the current period. With the transfer of TEŠ and Premogovnik Velenje from the HSE Group at the end of 2024, we expect this impact of the HSE Group to be significantly reduced in 2025 and beyond.	Negative actual impact	Own activity	S
Scope 3 greenhouse gas emissions In addition to direct emissions, we also recognise the potentially significant impact of Scope 3 GHG emissions from activities along the wider value chain, such as energy procurement, transport, contractors and other support processes. Although we do not currently have a complete view of all emission sources in the value chain, we anticipate that these emissions may represent a significant proportion of the HSE Group's overall carbon picture.	Negative actual impact	Own activity	S, M, L
Impact on employees and local communities of the transition to a carbon-free economy The energy transition brings significant climate benefits, but at the same time creates social impacts, especially on employees and local communities associated with existing fossil-based activities, i.e. TEŠ and PV Group companies in the Savinja-Šalek region. This is an area where we paid particular attention in 2024 in the context of a just transition, which includes support for employees, dialogue with stakeholders and alignment with climate change mitigation objectives.	Negative actual impact	Own activity	S
Renewable resources as an opportunity for a sustainable transition The positive impact comes from our focus on renewable energy. The transformation of the energy system is also an opportunity for the HSE Group, as our vision and long-term strategic direction are closely aligned with this transition. The development and operation of energy generation capacity from renewables generates environmental and social benefits, as they are key technologies in the transition to renewable energy and in limiting global warming.	Positive actual impact Opportunity	Own activity	S, M, L
Promoting renewable energy and energy solutions for end-users Promoting the use of renewable energy sources and advanced energy solutions among business and household electricity consumers represents an important opportunity to accelerate the energy transition and empower consumers as active stakeholders in the energy system. We are working to develop services that enable more efficient use of energy, self-supply of electricity from renewable sources, and support digital and smart consumption management solutions.	Positive actual impact	Value chain (customers)	S, M, L
Physical climate risks: the risk of hydrological variability The risk of hydrological variability refers to the fluctuations in water levels and flows that affect the production of electricity from hydropower. Dry spells or other weather-related events can lead to a reduction in available hydropower, which affects the reliability of production and has potential implications for market performance and financial stability. Although the impact may be intermittent, we identify it as a significant risk in the HSE Group as it is directly linked to our core activities and the long-term resilience of our business model.	Actual risk	Own activity	S, M, L
Physical climate risks: risks of natural disasters, catastrophes and emergencies The risk of natural disasters, catastrophes and extraordinary events has been identified as important because of its potential impact on the reliability and continuity of production, especially in hydroelectric power plants. Events such as extremely high flows or other weather-related conditions may require adjustments or temporary production outages, affecting both operations and market results. Although these events are generally short-lived, they can have a cumulative impact and pose a significant risk from an emergency management perspective, and have therefore been classified as significant based on a qualitative assessment.	Actual risk	Own activity	S, M, L

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Transient climate risk: investment risk in development projects and new buildings We identified the risk of effective implementation of the planned investments as significant at the level of the HSE Group as a whole, as successful implementation is key to achieving our strategic objectives, in particular in the areas of transition to a low-carbon society, ensuring energy security and long-term financial stability. It includes aspects such as time delays, lack of resources, regulatory barriers, cost changes and project complexity. Due to the potential impact on the performance of the Group as a whole, the risk was considered significant, even if not specifically highlighted by quantitative indicators.	Actual risk	Own activity	S, M, L
Transient climate risks: price risks of fluctuating market prices of emission allowances The risk of fluctuations in the market prices of emission allowances is a transient risk associated with the cost of providing greenhouse gas emission allowances. Price changes depend on market conditions, regulatory changes, and the supply of and demand for vouchers.	Actual risk	Own activity	S

Period: S – Short term; M – Medium term; L – Long term

Climate change mitigation and transition plan for climate change mitigation[22]

Climate change mitigation actions are driven by our strategy and the business plans adopted on this basis. The HSE Group's strategic or development plan is adopted by the HSE Group's management and approved by the HSE Group's Supervisory Board.

In 2024, changes in the energy sector and the regulatory framework had a significant impact on our operations. At the end of 2024, in accordance with the Act on Transitional Financing of Accelerated and Fair Coal Phase-out (ZPFPPIP), the companies Termoelektrarna Šoštanj and the Premogovnik Velenje Group, whose activities in 2024 represented the main source of the HSE Group's Scope 1 and Scope 2 GHG emissions, were removed from the HSE Group. Their transfer to the Republic of Slovenia has had a significant impact on reducing the HSE Group's carbon footprint; based on currently available data, we estimate that the HSE Group's Scope 1 and 2 carbon footprint will therefore be almost 99% lower in 2025 compared to 2024.

As of 1 January 2025, the HSE Group has entered a **new development cycle** in which its electricity generation will be focused on renewable electricity. In this context, we are preparing a new strategic or development plan to replace the previous strategic orientations and reflect the new business reality. On this basis, we will **also progressively build on the sustainable development strategy** and, in this context, on the themes and objectives of mitigation and adaptation to climate change. The HSE Group will adopt a transition plan in accordance with ESRS in future reporting periods.

Climate change mitigation measures are already closely linked to the HSE Group's strategy and business plans. Key actions in this area in 2024 include:

- **Generating electricity from renewable sources.** In 2024, almost 57% of our electricity generation in Slovenia will come from renewable sources – system hydroelectric power plants, small hydroelectric power plants and photovoltaic power plants. The Avče pump-fed hydroelectric power station efficiently stores electricity and supplies it to the market whenever required. With the transfer of the TEŠ thermal power plant from the HSE Group at the end of 2024, this percentage will increase significantly in the future.
- **Developing and expanding electricity generation capacity from renewable sources.** In 2024, EUR 13 million of our investments in renewable energy were made in the form of investments in new buildings and the reconstruction of existing energy installations. We plan to invest around EUR 100 million in new production units and refurbishments in 2025, and a further EUR 1,300 million in such investments by 2030. The implementation of these projects is associated with risks to the implementation of investment projects, in particular in the areas of siting and project economics, as described in more detail in section *2.9.5 Transient climate risks*.

  With planned investment projects such as the hydroelectric power plants on the middle Sava River, photovoltaic power plants Prapretno 2 and 3, photovoltaic power plant Zlatoličje/Formin, photovoltaic power plant Kanalski Vrh, photovoltaic power plant Dekani, pumped-storage hydroelectric power plant Kozjak, and wind power plants Ojstrica, Rogatec and Paški Kozjak, the HSE Group is furthering the objectives of EU and national policies in the field of renewable energy sources.
- **Supporting innovative low-carbon solutions that go beyond traditional renewable energy investments.** The HSE Group plays a key role in the development of the North Adriatic Hydrogen Valley (NAHV), Europe's first cross-border hydrogen ecosystem, linking Slovenia, Croatia and the Italian region of Friuli-Venezia Giulia. As lead partner of the 34-member consortium, HSE is coordinating the project, which has received a EUR 25 million grant under Horizon Europe. The project envisages the production of green hydrogen from renewable energy sources and its use

22 ESRS E1-1 (14; 16 a; 16 b; 16 c; 16 d; 16 g; 16 h; 16 i; 16 j); ESRS E1-3 (26; 28; 29 a; 29 b; 29 c i; 29 c ii; 29 c iii; AR 21); MDR-A; ESRS E1-4, MDR-T (81 a)

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in industry and transport, with the aim of decarbonising key sectors such as steel and cement production. The NAHV project represents an important step towards establishing a complete chain of hydrogen production, storage and use, which will contribute to reducing greenhouse gas emissions and the transition to a low-carbon economy.

- **Promoting the transition to sustainable energy solutions.** Through the development and supply of solutions such as solar power plants, heat pumps, energy storage, electric vehicle charging stations and smart consumption management systems, our electricity supply business enables households and businesses to switch to cleaner energy sources and become more energy independent. Advice, technical support and access to finance further contribute to the wider adoption of sustainable technologies.

At present, individual measures are not yet linked to specific GHG emission reduction targets. The performance indicators for investments into fixed assets, the plans for investments into fixed assets, working capital investment and the reconciliation of economic activities (revenue, investments into fixed assets, working capital investment) in accordance with Commission Delegated Regulation (EU) 2021/20178 and Commission Delegated Regulation 2021/2139, can be found in section *2.9.5 EU Taxonomy.*

Due to its historical exposure to lignite and coal extraction and use activities, the HSE Group did not qualify for inclusion in the EU benchmarks aligned with the Paris Agreement targets in 2024 under Delegated Regulation (EU) 2020/1818, as more than 1% of the Group's revenues were derived from activities that are not consistent with the principle of transitioning to a zero carbon economy, in particular from mining and fossil fuel use. These activities were excluded from the HSE Group at the end of 2024, which will have locked in GHG emissions from electricity generation in HSE EDT's gas-fired boilers in future periods, but due to their small scale we do not estimate this to have a material impact on our emissions volumes.

Other measures to reduce our carbon footprint will be systematically addressed in the coming periods. We will extend our analysis of impacts, risks and opportunities to value chains, progressively strengthening the integrity of the low carbon transition effort. In this context, we will also set concrete objectives, define a more detailed methodology, scenarios for analysis, and check their consistency with national and EU policies. In future reporting periods, the HSE Group will focus on further improving transparency and gradually introducing scenario and methodological approaches to comply with the requirements of ESRS.

Procedures for assessing climate-related impacts, risks and opportunities[23]

ASSUMPTIONS

In 2024, we started a more detailed analysis of climate resilience in the context of our own activities, particularly in terms of electricity generation activities in the Republic of Slovenia. In the first year of reporting, we identified key aspects of the physical and transient risks associated with climate change.

The climate scenarios used in the physical risk analysis are described below. In analysing the transition risks due to uncertain or volatile energy markets, we did not use scenario analysis at this stage, but focused on identifying the key transition risks as they arise for our activities.

The key assumptions of the analysis are mainly based on the assumption of increased public and private spending on sustainable technologies, changes in the industrial structure and the adaptation of policies to reduce greenhouse gas emissions as foreseen by the European Green Deal. We took into account that the role of the renewable energy sector is set to grow in the coming decades, according to research by the International Energy Agency (IEA) (IEA Net Zero by 2050 Report), with a current estimate of almost 90% of global electricity generation coming from low-carbon sources by 2050. Energy requirements will be driven by climate targets and the adaptation of new sources, with energy consumption falling in many sectors and demand for electricity from renewable sources increasing. Both the International Energy Agency and the Intergovernmental Panel on Climate Change (IPCC) estimate that the global energy mix by 2050 will be based on decarbonisation, with a significant decline in fossil fuel consumption and a shift towards wind, solar and hydropower *(IPCC 6th Assessment Report).*

We are aware that this is the first year of the ESRS resilience analysis, so the system to identify all possible risk and impact scenarios is not yet fully in place. At present, it is not possible to determine with certainty whether potentially significant risks have been excluded from the analysis, as their significance has not yet been adequately identified or evaluated in line with the expectations of the standards. The analysis will be further developed in the coming years to include more scenarios, a broader look at the value chain, and an extension to other systemic risks affecting the long-term resilience of the business model.

RESILIENCE ANALYSIS

Analysing the resilience of our strategy and business model to the impacts of climate change is an important part of risk management in the energy sector, and therefore also for the HSE Group. Given the uncertainties associated with future climate and regulatory developments, we are developing resilience analysis as a dynamic process that is regularly updated and upgraded. We see climate change as a key strategic issue that has a direct impact on our business models, long-term sustainability and role in Slovenia's energy transition. Our strategic orientations have for many years been based on a commitment to decarbonisation, the development of renewable energy and investment in advanced technologies, which is implemented through day-to-day business decisions, investments and the management of our entire investment portfolio, thereby improving the conditions for ensuring continued access to financing.

The analysis is based on the activities and development plans of the individual companies in the HSE Group. Key impacts, risks and opportunities were identified in particular in the areas of fossil fuel electricity generation (Thermoelectric Power Plant Šoštanj – TEŠ), coal mining and energy generation from renewables, in particular hydropower and solar energy.

We recognise that despite strategic support for the energy transition in national and European policies, significant challenges remain, in particular in the siting of new buildings and in reconciling the requirements of different stakeholders. That is why we are working to proactively engage in policy-making processes, improve cooperation with local communities, and find solutions that enable sustainable energy projects to be implemented in

23 ESRS 2 SBM-3 (18; 19 a; AR 6; AR 13; 19 b; AR 7 a; AR 7 b; AR 13; 19 c; AR 8 a; AR 8 b; AR 13)

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the environment. We systematically identify and monitor the impacts and risks associated with climate change mitigation and adaptation, and put in place measures to reduce our impacts and manage the physical and transient risks of climate change.

Climate-related physical risks

As part of our risk management system, we regularly monitor and assess the physical risks associated with electricity generation, including acute and chronic hazards such as natural disasters, extreme weather events, outages of generating units, and changes in hydrology and other key natural factors. The management of these risks was already an integral part of our regular risk identification, evaluation and management processes before the reporting period. In 2024, we upgraded the system with additional physical risk impact assessments carried out in line with climate scenarios, allowing us to further understand and prepare for changing operating conditions and to strengthen the resilience of our business model.

- In 2024, we carried out an **additional physical climate risk assessment** covering 56 sites of HSE Group's production and business activities in Slovenia. The assessment was based on international climate change analyses, satellite information and emission scenarios consistent with IPCC guidelines. We analysed eleven climate-related hazards based on the Classification of climate-related hazards (Commission Delegated Regulation (EU) 2021/2139) that we considered relevant to the activities of HSE Group companies, based on our activities and plans. The assessment included three time periods (2030, 2040 and 2050) and three emissions scenarios: an orderly transition (SSP1 RCP2.6), a non-orderly transition (SSP2 RCP4.5) and a strong warming scenario (SSP5 RCP8.5), as well as an assessment of the exposure of production and business units to acute and chronic physical risks. The results of this study have been used to build on and refine the analysis of the identification and assessment of physical climate risks.
- Key climate-related physical risks are identified primarily in the area of electricity generation, which is why **an additional independent study, *Analysis of Climate Resilience and Physical Risks Associated with Electricity Generation of HSE Group Companies,*** was carried out in 2024 by the Elektroinštitut Milan Vidmar (EIMV). The study, to be completed in 2025, is based on methodologically sound climate scenarios and includes the use of interdisciplinary data sources, national and international climate models, and local project and geographical characteristics. The scenarios used, which are consistent with IPCC projections (SSP1 RCP2.6, SSP2 RCP4.5, SSP5 RCP8.5), allowed the evaluation of risks at different time periods up to 2050 and the assessment of potential impacts on the reliability of operation and the long-term stability of generation capacity. This scope assessed the exposure and vulnerability of our assets and business activities related to electricity generation to climate-related activities, taking into account the likelihood, magnitude and duration of the hazard and the geospatial coordinates of a sample of selected electricity generation units in the Republic of Slovenia.

In 2025 and beyond, the results of the studies will feed into the upgrading of the climate risk and opportunity management system and into the preparation of the transition plan and climate change adaptation strategies in the context of the HSE Group's sustainable development framework.

Managing climate-related physical risks[24]

Below, we present the most important physical risks related to climate change identified in 2024 and the actions we are taking to proactively address them and make our operations resilient.

- **The risks of hydrological variability (hydrology)** associated with fluctuations in water levels and flows can affect the production of electricity from hydropower. Dry spells and other weather-related events reduce available water energy, which can undermine production reliability and affect market performance and financial stability. Risks are managed on an ongoing basis or as part of regular operations by planning production based on several years of historical monthly flow data and by assessing the likelihood of different hydrological scenarios. During the year, we prepare operational business plans that incorporate the impact of seasonal fluctuations, while developing advanced models for long-term, medium-term and short-term forecasts based on statistical analysis and machine learning methods.
- **Risks of natural disasters, catastrophes and emergencies** that may affect the reliability and continuity of production, especially in hydroelectric power plants. Extremely high flows or other weather-related conditions may require adjustments of operations or temporary production outages, affecting both operations and market results. The risks of unplanned outages due to potential infrastructure or equipment failures are managed through measures to reduce exposure to hazards and vulnerability of people and property. Key approaches include sound land and environmental management, regular monitoring of weather forecasts, preventive maintenance, improving preparedness and setting up early warning systems. Clear instructions for action, staff training, regular monitoring and business continuity plans also play an important role. Incidents are consistently monitored and recorded, with additional measures put in place to improve response and resilience where necessary.

We recognise that physical climate risks evolve with climate change, so in future we will regularly build on the assessment and further integrate it with investment planning, adaptation measures and business continuity management.

Climate-related transition risks

Transition risks associated with the transition to a low-carbon economy are regularly monitored and assessed as part of our risk management system. We focus primarily on regulatory, market and other systemic risks that may affect our operations, investment decisions and the long-term sustainability of our business model. The management of these risks is embedded in standardised procedures for their identification, evaluation and management at Group level.

In 2024, the risk management system was upgraded by performing a baseline analysis of transition risks based on the classification of the project group on climate-related financial disclosures (TCFD), taking into account the key risks for the power sector as identified in the report *Climate Risks in the Power Generation Sector (IEA, 2023)*.

24 E1-3 (26; 28); MDR-A

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Below, we present the most important transient risks related to climate change identified in 2024 and the actions we are taking to proactively address them and make our operations resilient.

- **Regulatory risks** are closely linked to climate and energy policies and requirements relating to the transition to a low-carbon economy. Across all HSE Group activities, we recognise them as important in terms of their impact on the timing and feasibility of investments, particularly in renewable energy. Changes in legislation, complexity of administrative procedures and lack of clarity in the interpretation of requirements can affect the implementation of planned projects, their cost-effectiveness and the achievement of strategic objectives. We therefore consider this risk to be a key factor in planning our long-term development path. Risks are managed through regular monitoring of regulatory changes in domestic and foreign markets, training and awareness-raising on regulatory changes, active engagement with stakeholders and public hearings on changes to sectoral legislation at national and EU level.
- **The successful implementation of the planned investments in renewable energy sources** is key to achieving the HSE Group's strategic objectives in the area of electricity generation. This transition entails a number of risks, such as time delays due to lengthy procedures and approvals, lack of resources, regulatory barriers, changes in legislation, cost instability and the technical complexity of project implementation. To manage risks, we have a system of regular investment controls in line with HSE Group internal regulations. We actively engage in professional and constructive communication with all stakeholders involved in the investment development process.
- Among the important transition risks in electricity trading in 2024, we also identified **price risks from fluctuations in the market price of emission allowances.** Risks were managed through the use of available market instruments to hedge price risks, daily price monitoring, market analysis and the strategies adopted.
- In 2024, the HSE Group recognised that **the transition to a carbon-free economy** can have a significant impact on employees and local communities, especially in areas that have traditionally been linked to fossil fuel energy production (Savinja-Šalek region). We have been actively involved in processes to identify these impacts and in efforts to support a just transition, including participation in national and local initiatives.

In the coming period, we will further deepen the assessment of climate transition risks by developing structured methodologies, quantitative assessments and scenario analyses, which will allow us to link the identified risks even more closely to the transition plan, strategic and investment planning, and to strengthen the resilience of the HSE Group's business model.

Energy consumption and energy mix[25]

The table below shows the energy consumption and mix of energy sources in activities with a high climate impact, i.e. fossil fuel electricity generation (lignite, coal, natural gas, diesel) and lignite mining (coal mine).

In the HSE Group, the largest use of energy in TEŠ is for the production of electricity from lignite, which accounts for 86.6% of all energy consumed in 2024. This is followed by electricity and heat consumption for the HSE Group's operations. This is followed by natural gas consumption for power generation in the gas-fired power plants at TEŠ and diesel for power generation in HSE EDT's two blocks. In 2024, 98.46% of the energy consumed came from fossil fuels, compared to 97.90% in 2023.

Energy and resource consumption (in MWh)	2023	2024
Fuel consumption from coal and coal products	7,243,768	8,180,716
Fuel consumption from crude oil and petroleum products	10,335	13,244
Fuel consumption from natural gas	179,559	117,922
Fuel consumption from other non-renewable sources	0	0
Consumption of purchased or generated electricity, heat, steam and cooling	59,370	59,796
TOTAL NON-RENEWABLE SOURCES OF ENERGY CONSUMPTION	**7,485,137**	**8,364,503**
Share of non-renewable sources in total energy consumption (%)	97.90%	98.46%
Consumption and share of consumption from nuclear sources	8,352	8,103
Renewable fuel consumption (including biomass, biogas, non-fossil waste, renewable hydrogen, etc.)	152,207	123,016
Consumption of purchased or generated electricity, heat, steam and cooling from renewable sources	7,896	7,641
Consumption of energy from renewable sources other than own produced fuel	0	0
TOTAL RENEWABLE SOURCES OF ENERGY CONSUMPTION	**160,220**	**130,716**
RELATIONSHIP BETWEEN RENEWABLE AND NON-RENEWABLE SOURCES OF ENERGY CONSUMPTION	**2.10%**	**1.54%**

The table above shows that in 2024, the HSE Group's high climate impact activities have an energy intensity ratio of 0.018 MWh/EUR. In 2023, this ratio was 0.017 MWh/EUR.

25 ESRS E1-5 (37; AR 35; 37 a; AR 32; AR 33; 37 b; AR 34; 37 c; 37 c i; 37 c ii; 37 c iii; AR 33; 38 b; AR 33; 38 c; AR 33; 38 d; AR 33; 38 e; AR 33; 39; 40; AR 36; 41; 42; 43)

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		Energy intensity ratio (MWh/EUR)
TOTAL ENERGY CONSUMPTION FROM ACTIVITIES IN THE CLIMATE SECTORS WITH A HIGH IMPACT (MWh)	**8,364,612**	**0.015**
NET REVENUES FROM ACTIVITIES IN THE CLIMATE SECTORS WITH A HIGH IMPACT (EUR)	**571,209,192**	

The table above shows that in 2024, the HSE Group's high climate impact activities have an energy intensity ratio of 0.015 MWh/EUR. In 2023, this ratio was 0.014 MWh/EUR.

Energy intensity per net revenue	2024	2023	2024/2023 %
Total energy consumption of activities in sectors with a high impact on climate per net revenue from activities in sectors with a high impact on climate (MWh/EUR)	**0.015**	**0.014**	**101.42**

Carbon footprint of the HSE Group[26]

HSE GROUP'S CARBON FOOTPRINT BY SCOPE 1, 2 AND 3 CATEGORY

The carbon footprint of the HSE Group in Scopes 1, 2 and 3 is calculated based on the principles, requirements and guidelines of the GHG Protocol for Businesses. The methodology, data collection procedures and the calculation of the carbon footprint of Scopes 1 and 2 were verified by a certified external institution in accordance with the requirements of the GHG Protocol and ISO 14064-1:2018. The methodology, data collection and calculation of Scope 3 were developed together with an external certified institution in accordance with the GHG Protocol and ISO 14064-3:2019. We recognise that Scope 3 in particular is complex due to the dispersion and diversity of emission sources in the value chain. To this end, we regularly upgrade our methodology, data sources and calculations in line with data availability, best practices and developments in international standards, to ensure the highest possible reliability, transparency and comparability of the reported data.

GHG emissions are reported in the same organisational frameworks as described in section *2.9.1 Level of consolidation of sustainability disclosures*. In addition to CO_2 emissions, the calculation also takes into account emissions of CH_4, N_2O, HFC, PFC, SF_6 and NF_3, which are expressed as tonnes of CO_2 equivalent. When manually converting the emission factor into tonnes of CO_2 equivalent, we used the international Global Warming Potential (GWP) index, specifically its latest update AR 6, for the conversion. Otherwise, we used GWP values aligned with emission factor suppliers.

The vast majority of Scope 1 emissions are due to the extraction and mainly the use of lignite for electricity generation at TEŠ. Fuel consumption is measured continuously on rails, the lower heating value is determined daily according to ASTM D5865 and the carbon content according to ASTM D5373. CO_2 emissions are calculated from the fuel's lower heating value, carbon content and fuel consumption in accordance with EU Implementing Regulation 2018/2066. Significant emissions are also generated by lignite mining. Measurements are made annually based on nationally representative net calorific values and emission factors for each year. Measurements are carried out once a year at the Šoštanj, Pesje, NOP II and Škale shaft fan stations. GHG emissions from other energy products (e.g. natural gas, gas oil, LPG, ELKO) directly consumed for HSE Group activities (Scope 1) are also calculated according to nationally determined typical net calorific values and emission factors for each year.

In accordance with the GHG Protocol, we classify electricity and heat consumed from the grid in Scope 2 of the HSE Group. All emissions are calculated using both the location-based and market-based methods. The location-based method reflects the average emissions of the grids in which energy is consumed (emissions of energy produced in specific geographical areas) over specific time periods. For the location-based method, we use emission factors for purchased electricity and heat calculated by the Jožef Stefan Institute (IJS). We use the emission

26 ESRS E1-6 (44; AR 39; 50; AR 41; AR 46 d; AR 50; AR 52; 48 a; AR 43; 48 b; AR 44; 49 a; 52 a; AR 45; AR 47; 49 b; 52 b; AR 45; AR 47; 51; AR 46; 44; 52 a; AR 47; 52 b; AR 47, 47; AR 39 b; AR 42 a; AR 42 b; AR 42 c; AR 43 c; AR 43 d; AR 46 g; AR 46 i; 53; AR 53)

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factors for the most recently calculated year. The market-based method reflects the emissions from the electricity and heat consumed, so we use the emission factor from the electricity and heat suppliers for the calculation. In the rare cases where this emission factor is not available, the conservative approach or the Energy Agency's emission factor was used.

In calculating Scope 3, we used primary data where available and secondary data obtained from databases and scientific sources. Primary data includes data provided by suppliers or other partners in the reporting company's value chain. Such data may be in the form of primary activity data or emissions data calculated by suppliers and specific to the suppliers' activities. Secondary data include industry average data (e.g. from published databases, government statistics, literature studies and industry associations), financial data, brokerage data and other general data. In the HSE Group, we identified significant sources of emissions in the lower part of the value chain, while in the upper part it is mainly our investments where we have no operational control that are important.

METHODOLOGIES USED TO CALCULATE THE HSE GROUP'S CARBON FOOTPRINT

Scope 1 is presented in the table as the total gross emissions of the HSE Group, divided into the emissions of TEŠ and the Premogovnik Velenje Group and the rest of the HSE Group. This shows that almost all of the HSE Group's GHG emissions in 2024 are due to the use of fossil fuels for electricity generation. Around 96% of these emissions in 2024 were included in the EU ETS; the calculation of the latter was further verified in accordance with the EU ETS methodology by an independent or externally certified institution.

Scope 2 is presented in the table based on the location- and market-based method as the total gross emissions of the HSE Group, divided into the emissions of TEŠ and the Premogovnik Velenje Group and the rest of the HSE Group. The significant difference between the location- and the market-based methods is due to the substantial difference between the IJS emission factor (less grid losses reported in Scope 3, Category 3.3) and the supplier factor for the electricity consumed by the largest consumer, i.e. Premogovnik Velenje. Energija plus has proof of origin for all electricity purchased, which is a negligible proportion of contractual proof for carbon footprint reduction at the HSE Group level; it represents 0.25% of electricity consumed in the HSE Group.

We present **Scope 3** in the table at the HSE Group level. We identified emissions in the following categories:

- 3.1 Goods and services purchased
- 3.2 Investment goods
- 3.3 Fuel and energy-related activities not included in scope 1 or 2
- 3.4 Transport and distribution upstream the supply chain
- 3.5 Waste from activities
- 3.6 Business trips
- 3.7 Commuting
- 3.8 Assets leased up the value chain
- 3.9 Transport and distribution downstream the value chain
- 3.15 Investments

The bulk of HSE Group's Scope 3 emissions in 2024 are upstream the value chain (95.2%). The highest share of emissions in the higher part was generated in Categories 3.1 (purchased goods and services), 3.3 (fuel and energy-related activities), and 3.2 (investment goods). Of these, around two-thirds are due to the activities of TEŠ and the Premogovnik Velenje Group, while the rest are due to the activities of the rest of the HSE Group. Key emissions are from the use and transport of steel, lubricants, cement and other materials in the PV Group. In 2023 (and previous years), we reported the use of lime flour in Scope 3, which we have upgraded to Scope 1 with the carbon footprint calculation. Under Scope 3, we also reported on GHG emissions from transport to and from work. As we calculated Scope 3 emissions more comprehensively for the first time in 2024, the calculations will report these emissions more accurately in future periods. The HSE Group has no significant GHG emissions in Categories 3.10, 3.11 and 3.12 as it has no products with end-of-life emissions.

The calculation of the carbon footprint of Scope 3 includes the categories presented in the previous paragraphs. In setting the impact thresholds, we considered those categories where:

- we have a significant impact on the generation of GHG emissions,
- the most reliable data is available,
- emission factors can be identified,
- we have assessed the impact to be financially or operationally significant.

We did not consider other categories in 2024. The decision to include was also based on the availability of input data; we expect to improve the availability of the latter in the coming years and to include all Scope 3 categories.

LIMITATIONS AND UNCERTAINTIES

The calculation of Scope 3 emissions is therefore subject to a higher level of uncertainty, mainly due to:

- lack of accurate or locally adapted emission factors,
- diversity of supply chains,
- limited input data from individual companies' data systems,
- limited access to third-party data;
- internal assessments of financial or operational relevance.

In accordance with the GHG Protocol and ISO 14064-1, we used the most accurate and verifiable data available, and in the absence of accurate data we used a conservative approach that does not underestimate emissions.

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CO_2 emissions by scopes 1, 2 and 3, in retrospect

	Base year 2023 t eq CO_2	2024 t eq CO_2	Index 2024/2023 %
SCOPE 1 GREENHOUSE GAS EMISSIONS			
Scope 1 (gross emissions)	**3,091,400**	**3,234,769**	**104.64**
Of which TEŠ and PV Group	3,086,195	3,227,576	104.58
Of which the rest of the HSE Group	5,205	7,193	138.19
% of Scope 1 emissions per EU ETS	**87.73**	**95.55**	**108.91**
SCOPE 2 GREENHOUSE GAS EMISSIONS			
Scope 2 (gross emissions by location-based method)	**19,315**	**17,372**	**89.94**
Of which TEŠ and PV Group	17,425	15,813	90.75
Of which the rest of the HSE Group	1,890	1,559	82.49
Scope 2 (gross emissions by market-based method)	**30,177**	**29,655**	**98.27**
Of which TEŠ and PV Group	27,076	26,810	99.02
Of which the rest of the HSE Group	3,101	2,845	91.74
TOTAL (SCOPES 1 AND 2 BY LOCATION-BASED METHOD)	3,110,715	3,252,141	104.55
TOTAL (SCOPES 1 AND 2 BY MARKET-BASED METHOD)	3,121,577	3,264,424	104.58
SCOPE 3 (SIGNIFICANT GREENHOUSE GAS EMISSIONS)			
Scope 3 (total gross emissions)	**0**	**131,067**	**0**
3.1 Goods and services purchased	0	58,942	0
3.2 Investment goods	0	11,322	0
3.3 Fuel and energy-related activities not included in scope 1 or 2	0	50,250	0
3.4 Transport and distribution upstream the supply chain	0	1,585	0
3.5 Waste from activities	0	39	0
3.6 Business trips	0	937	0
3.7 Commuting	0	1,680	0
3.8 Assets leased up the value chain	0	29	0
3.9 Transport and distribution downstream the value chain	0	4,603	0
3.10 Processing of products sold	0	0	0
3.11 Use of products sold	0	0	0
3.12 Management of end-of-life products sold	0	0	0
3.13 Assets leased down the value chain	0	0	0
3.14 Franchises	0	0	0
3.15 Investments	0	1,681.60	0
TOTAL (LOCATION-BASED EMISSIONS)	3,110,715	3,383,208	108.76
TOTAL (MARKET-BASED EMISSIONS)	3,121,577	3,395,491	108.77

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GREENHOUSE GAS EMISSIONS REMOVALS AND INTERNAL CARBON PRICING

The HSE Group does not reduce its carbon footprint through removals of greenhouse gas emissions or carbon credit-financed projects to reduce these emissions. The HSE Group does not have an internal carbon price.[27]

30,072 tonnes of wood biomass were used to generate electricity at TEŠ in 2024. It met the sustainability criteria of the RED II Directive and was entirely certified in the SURE scheme, so we took into account zero emissions throughout the life cycle when calculating Scope 1. In line with the provisions of ESRS, we nevertheless further clarify the calculation of biogenic emissions, which we carried out using the factor used by Slovenia in its most recent national GHG inventory report. The biogenic CO_2 emissions of the biomass consumed are therefore 52,528 tonnes of CO_2 in 2024.

EMISSION INTENSITY OF THE HSE GROUP

The GHG emissions intensity relative to the HSE Group's net sales revenue under the location-based method in 2024 is 0.000947 t/EUR. The emission intensity relative to the HSE Group's net sales revenue in 2024 under the market-based method is 0.00095 t/EUR.

EU Taxonomy[28]

The EU Taxonomy data is prepared in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 (the EU Taxonomy Regulation). The purpose of the disclosures is to provide transparent information on the compliance of business activities with the sustainable investment criteria set out in the Regulation.

The Taxonomy Regulation is part of the broader EU legislative framework for sustainable financing, including Regulation (EU) 2019/2088 on sustainability disclosures in the financial sector (SFDR) and Regulation (EU) 2021/2178 on disclosures on the share of sustainable economic activities (Taxonomy Disclosure Delegated Act). Together, these acts form a legal framework aimed at channelling capital into sustainable activities and increasing transparency in the sustainable investment market.

ACTIVITIES ELIGIBLE UNDER THE EU TAXONOMY

We examined the economic activities carried out by HSE Group companies and compared them with those defined in the Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139), the Complementary Climate Delegated Act (Commission Delegated Regulation (EU) 2022/1214), Environmental Delegated Act (Commission Delegated Regulation (EU) 2023/2486), and amendments to the Climate Delegated Act (Commission Delegated Regulation (EU) 2023/2485), which together set out the *Technical Screening Criteria* in accordance with Regulation (EU) 2020/852 establishing a framework for the promotion of sustainable investments.

Based on the above review of delegated acts, we identified the following economic activities as eligible under the HSE Group's climate change mitigation and adaptation (taxonomy-eligible) activities in accordance with Article 10 of Regulation (EU) 2020/852:

BY NET SALES REVENUES:

- 4.1 – Photovoltaic (PV) power generation
- 4.10 – Electricity storage (BPS)
- 4.5 – Hydroelectric power generation (BPS)
- 7.3 – Installation, maintenance and repair of energy efficient equipment (BPS)
- 7.4 – Installation, maintenance and repair of charging stations for electric vehicles in buildings (BPS)

BY INVESTMENT IN FIXED ASSETS (CAPEX):

- 4.3 – Wind power generation (BPS) – this activity will start generating revenue from electricity sales in 2025.
- 6.5 – Transportation by motorcycles, passenger cars and light commercial vehicles (BPS)

ACTIVITIES ALIGNED WITH THE TAXONOMY

Article 3 of Regulation (EU) 2020/852 sets out the criteria that an economic activity must meet in order to qualify as aligned with the EU Taxonomy *(taxonomy-aligned activities):*

- it meets the technical screening criteria as set out in the Commission delegated acts for each environmental objective and activity *(so-called Technical Screening Criteria),*
- contributes significantly to one or more of the environmental objectives referred to in Article 9 of the Regulation,
- does not significantly harm the environmental (other) objectives referred to in Article 9 of the Regulation,
- is carried out in accordance with the minimum safeguards set out in Article 18 of the Regulation (including respect for human rights, ILO labour standards, OECD principles and UN guidelines).

The taxonomic consistency of our identified eligible activities was assessed on the basis of Annex I of the Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139), which sets out the technical criteria for assessing economic activities that make a significant contribution to climate change mitigation. The analysis was carried out for each activity and each site of operations, taking into account technical parameters such as emission limit values, operating conditions and documentation and data related to each installation. Compliance with the criteria of Do No Significant Harm (DNSH) was assessed for each of the environmental objectives set out in Article 9 of Regulation (EU) 2020/852, based on available environmental permits, monitoring results, internal environmental reports and environmental impact management practices. The assessment included both the legal requirements and the additional technical conditions laid down in the delegated acts. Compliance with the minimum safeguards as set out in Article 18 of Regulation (EU) 2020/852 was verified at the HSE Group level. The overall assessment of taxonomic coherence was carried out in accordance with a methodological framework based on the applicable delegated acts, European Commission guidelines and internal procedures for data collection and validation.

MINIMUM SAFEGUARDS

The HSE Group is committed to respecting, protecting and fulfilling human rights in all employment relationships, in accordance with international and European standards and Slovenian legislation. These commitments apply to all Group companies and to all forms of employment, including full-time

27 ESRS E1-7; ESRS E1-8

28 ESRS E1-1 (16 d; AR 3; 16 e; AR 4)

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employees, employees with special conditions (e.g. persons with disabilities) and other forms of employment.

Our commitment is defined in the HSE Group Code of Ethics and implemented through applicable labour legislation, collective agreements, participatory agreements and internal documents that systematically regulate specific aspects of human rights in the workplace. We refer to the UN Universal Declaration of Human Rights, the ILO Fundamental Principles, the UN Guiding Principles on Business and Human Rights (UNGP), the OECD Guidelines for Multinational Enterprises, the European Social Charter and the EU Charter of Fundamental Rights.

The HSE Group has zero tolerance of child labour, forced labour and human trafficking, in line with legislation and applicable international guidelines. We do not identify any such cases or risks in our own operations.

Ethical business conduct and corporate culture in the HSE Group are based on an integrated management system, which in turn is based on the HSE Group Code of Ethics, which sets out the key values and principles that guide the actions of all employees and business partners in accordance with moral, ethical and professional standards and generally accepted societal values. On this basis, a number of internal policies, procedures and the implementation of ISO standards have been developed to ensure a high level of compliance.

The procedures for dealing with whistleblowing are detailed in the Whistleblowing and Whistleblower Protection Policy, which applies to all companies in the HSE Group and to all business partners.

In 2024, no decisions were issued by the competent authorities in respect of breaches of corruption rules, breaches of tax rules or breaches of competition law in respect of HSE Group companies or members of management.

TAXONOMIC ACTIVITIES OF THE HSE GROUP

Based on a review of compliance with Regulation (EU) 2020/852 and the relevant delegated acts, we included among *taxonomy-aligned activities* those economic activities that:

- make a significant contribution to mitigating climate change (Article 10),
- meet the relevant technical criteria as laid down in the delegated acts,
- meet the criteria of Do No Significant Harm (DNSH) for the remaining environmental objectives, and
- meet the requirements of the minimum safeguards.

In 2024, we identified the following activities as EU taxonomy-aligned activities that qualify as **making a significant contribution to climate change mitigation (CCM)** and **adaptation (CCA).** Activities were assessed in terms of their significant contribution to climate change mitigation:

- **4.1 – Photovoltaic power generation**

  The activity of generating electricity from photovoltaic sources is one of the activities that are classified as environmentally sustainable by definition, in accordance with Commission Delegated Regulation (EU) 2021/2139 (activity 4.1). All our photovoltaic power plants meet the technical criteria for making a significant contribution to climate change mitigation. For all implementation sites, an assessment of the physical risks associated with climate change was carried out in accordance with the requirements of the EU Taxonomy and it has been confirmed that these risks are adequately managed. No impact on ecosystems and biodiversity has been identified, as the PV power plants are located exclusively on the roofs of existing buildings or in degraded areas (e.g. photovoltaic power plant Prapretno), which means minimal impact on soil and natural habitats. In line with the Do No Significant Harm (DNSH) condition of the transition to a circular economy, we also ensure compliance with producer responsibility requirements. At the end of the lifetime of the PV modules, their financed decommissioning and recycling will be ensured, including handing over to authorised collectors or recycling schemes, in accordance with the requirements of the legislation.

- **4.10 – Electricity storage**

  Electricity storage at the Avče pumped-storage hydroelectric power plant is one of the activities identified as environmentally sustainable under Commission Delegated Regulation (EU) 2021/2139, under activity 4.10. The project meets the technical criteria for making a significant contribution to climate change mitigation, as the calculated carbon footprint over the lifetime of the facility is significantly below the threshold of 100 g CO_2e/kWh. In line with the requirements of the Do No Significant Harm (DNSH) objective, regular monitoring of the ecological status of waters is carried out to confirm the good status of water bodies in accordance with the Water Framework Directive (2000/60/EC). Based on the available analysis and monitoring of impacts, no significant negative impacts on other environmental objectives such as the transition to a circular economy, pollution prevention, biodiversity and ecosystem protection have been identified.

- **4.5 – Hydroelectric power generation in hydropower plants**

  The electricity generation from the HSE Group's hydropower plants meets the technical criteria of the EU Taxonomy for a significant contribution to climate change mitigation, in accordance with Commission Delegated Regulation (EU) 2021/2139 (activity 4.5). Using the G-res Tool, recommended by the International Energy Agency (IEA) and the International Hydropower Centre for Assessment (IHCA), we estimated the lifetime GHG emissions of the facilities, which are significantly below the threshold of 100 g CO_2e/kWh. For all hydropower plants, we carried out an assessment of the physical risks associated with climate change and already put in place the appropriate resilience and adaptation measures, in line with the requirements of Do No Significant Harm (DNSH). The ecological status of water bodies is regularly checked at all sites and no significant negative impacts on water quality or quantity have been detected. Special emphasis is placed on ensuring and regulating minimum ecological flows adapted to local hydrological conditions and ecological requirements. Where it is reasonable and technically feasible, we have plans in place to build fish lanes to improve the passibility of watercourses. Until then, we are implementing alternative measures to allow fish migration, in cooperation with the Fisheries Research Institute of Slovenia and local fishing families, thus contributing to the conservation of fish populations and biodiversity.

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In addition to these activities, we also included activities among the EU *taxonomy-eligible activities* for which the criterion of a significant contribution to the objective of climate change mitigation is met, but we have not yet verified that all DNSH criteria are met at this stage:

- 4.3 – Wind power generation refers to our investments in wind farms. In 2024, we included this activity as an eligible activity under the EU Taxonomy Regulation, as the projects are still in the development or preparation phase. However, in the next reporting period, when the first wind power plants become operational, we plan to report them as compliant activities, assuming that all the technical criteria, the conditions for not causing significant harm (DNSH) and the minimum safeguards as set out in the applicable EU legislation are met.
- 6.5 – Transport by motorcycles, cars and light commercial vehicles refers to our investments in fixed assets, replacing internal combustion vehicles with electric ones.
- 7.3 – Installation, maintenance and repair of energy efficient equipment The activity of installation, maintenance and repair of energy efficient equipment, such as solar power plants, heat pumps and other energy efficiency solutions for end-users, is defined as environmentally sustainable in accordance with Commission Delegated Regulation (EU) 2021/2139 (activity 7.3). The activity meets the technical criteria for making a significant contribution to climate change mitigation, as it involves the installation of systems that are proven to reduce greenhouse gas emissions and increase energy efficiency of end-users. We did not examine the conditions of Do No Significant Harm (DNSH) at the level of individual projects in the context of this activity, as such an analysis would be logistically infeasible and financially disproportionate due to the scattered nature and small scale of the individual facilities.
- 7.4 – Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces connected to buildings) refers to our investment in fixed assets, where we are replacing internal combustion vehicles with electric vehicles, which require charging stations to operate.

TAXONOMY OF KEY PERFORMANCE INDICATORS

Our accounting policies for the calculation of taxonomic key performance indicators (KPIs) are based on the interpretation of the provisions set out in Annex I of Commission Delegated Regulation (EU) 2021/4987 on disclosures and on available guidance from the European Commission complementing the disclosure obligations under Regulation (EU) 2020/852.

We report **net sales revenue** and **investment in working capital** (OPEX) indicators at the level of continued operations, which include the companies:

- HSE d.o.o.,
- DEM d.o.o.,
- SENG d.o.o.,
- ECE d.o.o.,
- Energija plus d.o.o.,
- HSE Invest d.o.o.,
- RGP d.o.o., in
- HSE EDT d.o.o.

We report the **CAPEX** indicator together with discontinued operations, which includes the companies:

- TEŠ d.o.o.,
- Premogovnik Velenje d.o.o.,
- HTZ I.P. d.o.o.,
- Sipoteh d.o.o., in
- PLP d.o.o.

We report using International Financial Reporting Standards (IFRS).

Principle of coherence

We determined the net sales revenue, investments in fixed assets (CAPEX) and investments in working capital (OPEX) associated with our taxonomically aligned activities on the basis of the principle of coherence as defined in Annex I to Commission Delegated Regulation (EU) 2021/4987. This principle states that all revenues, investments and costs that are directly related to the activity, in line with the taxonomy, can be included and can therefore be included in the numerator of the corresponding KPI.

Avoiding double counting

In determining the shares of net sales revenues, CAPEX and OPEX to be included in the numerator, we avoided double counting by using appropriate activity-specific factors that allow the allocation of financial indicators to activities aligned with the taxonomy. The factors can be 0%, 100% or an intermediate value, and were determined on the basis of estimated shares directly related to the activity. The total factors did not exceed 100%, thus ruling out double counting.

KPI: net sales revenues

The share of net sales revenues related to activities aligned to the taxonomy is calculated as a proportion of the total net sales revenues of the HSE Group (continued operations). The revenue sources included in the 2024 numerator are:

- production and sale of electricity from hydroelectric power plants (HPPs),
- production and sale of electricity from pumped-storage hydropower plant (PSHPP),
- production and sale of electricity from photovoltaic (PV) power plants.

The KPI denominator for net sales revenues includes all net sales of the HSE Group, as reported in the financial statements.

KPI: Investments in fixed assets (CAPEX)

CAPEX related to assets or processes in taxonomically aligned activities is shown as a proportion of total investments in fixed assets calculated in accordance with the provisions:

- IAS 16 (paragraph 73(e)(i) and (iii)),
- IAS 38 (paragraph 118(e)(i)),
- IFRS 16 (paragraph 53(h)).

The main sources of CAPEX in 2024 included in the numerator are:

- reconstruction of existing hydropower plants,
- building and designing new renewable energy generation units.

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The denominator of the KPI includes all HSE Group investments in new fixed assets, investment maintenance and other capital investments.

KPI: Investments in working capital (OPEX)

OPEX for 2024 includes the share of operating costs related to activities aligned with the taxonomy. The numerator mainly includes the estimated maintenance and repair costs associated with renewable energy generation units.

The KPI denominator includes:

- costs of auxiliary material,
- costs of spare parts,
- maintenance costs,
- costs of services provided by private individuals.

Excludes labour and depreciation costs. The methodology used is based on the accounting policies set out in the financial reporting section.

KEY PERFORMANCE INDICATORS (KPIs) FOR THE HSE GROUP (CONTINUED OPERATIONS) FOR 2024:

- Share of net sales revenue from taxonomically aligned activities: 17.81%,
- Share of net sales revenue from acceptable activities: 0.17%,
- Share of capital expenditure (CAPEX: together with TEŠ and PV Group) for aligned activities: 27.59%,
- Share of capital expenditure (CAPEX: together with TEŠ and PV Group) for acceptable activities: 3.66%,
- Share of operating expenditure (OPEX) for aligned activities: 15.53%,
- OPEX share for acceptable activities: 0.06%.

Comparison with reported year 2023:

In 2023, the following activities were identified as aligned with the EU Taxonomy:

- 4.1 – Photovoltaic power generation,
- 4.10 – Electricity storage,
- 4.5 – Hydroelectric power generation.

The following shares were achieved during that year:

- Net sales revenue from aligned activities: 12.69%,
- CAPEX from aligned activities: 40.75%,
- OPEX from aligned activities: 34.45%.

NUCLEAR ENERGY AND NATURAL GAS ACTIVITIES

In line with Delegated Commission Regulation (EU) 2022/1214 and its Annex III, we are also clarifying our nuclear and natural gas activities for 2024.

The HSE Group had two gas-fired units at TEŠ in 2024, generating electricity and heat for heating the Šalek Valley, but their carbon footprint is higher than 270 g $eqCO_2$/kWh, so this activity is not taxonomically acceptable. The HSE Group has no nuclear-related activities.

Instead of tables as in Templates 2 to 5 in Annex III to Regulation 2022/1214 (Standard templates for disclosure referred to in Article 8(6) and (7)), we provide a statement explaining the actual situation in the natural gas sector.

For all natural gas KPIs (net sales revenues, capital expenditure, operating costs), we report an amount of EUR 0, and the proportion of eligibility, compliance and ineligibility is zero for the activities under points 4 and 5 for the climate change mitigation (CCM) and climate change adaptation (CCA) objectives, as they are not included in the taxonomic KPIs due to the discontinuation of activities or the separation of TEŠ and PV Group from the HSE Group. Although the HSE Group (including the discontinued operations) had net sales revenues of EUR 24,159 for activity **4** and EUR 821,522 in 2024 for activity **5**, these amounts are not included in the total consolidated net sales revenues due to the suspended or discontinued nature of these operations.

HSE Group's nuclear activities		
1.	Conducting or financing research, development, demonstration and deployment of innovative power generation facilities that produce energy from nuclear processes with minimal waste from the nuclear fuel cycle, or has exposure to the above.	NO
2.	Undertaking or financing the construction and safe operation of new nuclear facilities for the production of electricity or process heat, including for district heating or industrial processes such as hydrogen production, and their safety upgrades, using best available technologies or having exposure to the above.	NO
3.	Implementing or financing the safe operation of existing nuclear facilities for the production of electricity or process heat, including for district heating or industrial processes such as the production of hydrogen from nuclear energy, and their safety upgrades or exposures to the above.	NO
Natural gas activities		
4.	Undertaking or financing the construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels, or having exposure to the above.	YES
5.	Construction, renovation and operation of cogeneration facilities for heat/cooling and electricity using fossil gaseous fuels, or exposure to the above.	YES
6.	Carrying out or financing the construction, renovation and operation of heat production facilities that produce heat/cooling using fossil gaseous fuels, or exposure to the above.	NO

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Share of net sales revenue for the HSE Group (continued operations)

Proportion of revenue from products or services related to economic activities aligned with the taxonomy

Financial year N		2024		Criteria for substantial contribution						Criteria for non-material harm						Minimum safeguards	Taxonomy-adjusted revenue share, year N-1	Category (enabling activity)	Category (transitional activity)
Economic activities	Tag	Absolute revenue, EUR	Revenue share, year N	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
Text		Currency	%	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	%	O	P
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																			
A.1. Environmentally sustainable activities (aligned with the taxonomy)																			
4.1. Generating electricity using photovoltaic technology	BPS 4.1	1,450,202	0.05%	**YES**	**YES**	NO	NO	NO	NO	YES	YES	N/R	YES	N/R	YES	YES	0.10%		
4.10. Electricity storage	BPS 4.10	41,482,347	1.38%	**YES**	**YES**	NO	NO	NO	NO	YES	YES	YES	YES	N/R	YES	YES	0.93%	O	
4.5. Hydroelectric power generation	BPS 4.5	491,654,124	16.38%	**YES**	**YES**	NO	NO	NO	NO	YES	YES	YES	N/R	N/R	YES	YES	11.66%		
Revenue from environmentally sustainable activities (aligned with the taxonomy) (A.1)		**534,586,673**	**17.81%**	**17.81%**	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	12.69%		
Of which enabling		41,482,347	1.38%	1.38%						YES	YES	YES	YES	N/R	YES	YES	0.93%	O	
Of which transitional		0	0.00%	0%													%		P
A.2. Activities that are acceptable for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy)																			
				SP; NSP	SP; NSP	SP; NSP	SP; NSP	SP; NSP	SP; NSP										
7.3 Installation, maintenance and repair of energy efficient equipment	BPS 7,3	5,034,244	0.17%	**AC**	**AC**	NAC	NAC	NAC	NAC								%		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces connected to buildings)	BPS 7,4	20,069	0.00%	**AC**	**AC**	NAC	NAC	NAC	NAC								%		
Revenue from activities that are acceptable for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		**5,054,313**	**0.17%**	0.17%													%		
Revenue from activities acceptable for the taxonomy (A.1 + A.2)		**539,640,986**	**17.98%**	17.98%													%		
B. ACTIVITIES NOT ACCEPTABLE FOR THE TAXONOMY																			
Revenue from activities not acceptable for the taxonomy (B)		2,462,082,820	82.02%																
Total (A + B)		**3,001,723,806**	**100%**																

YES, the activity is aligned and acceptable for the taxonomy of the environmental objective concerned
NO, the activity is acceptable but not aligned with the taxonomy of the environmental objective concerned
AC, activity acceptable for the taxonomy for the objective concerned
NAC, activity not acceptable for the taxonomy for the objective concerned

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Share of investments in fixed assets for the HSE Group (continued and discontinued operations)

Share of capital expenditure (CAPEX) in products or services related to economic activities aligned with the taxonomy

Financial year N		2024		Criteria for substantial contribution						Criteria for non-material harm									
Economic activities	Tag	Investments in fixed assets, EUR	Share of investments in fixed assets, year N	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	biodiversity and ecosystems	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	biodiversity and ecosystems	Minimum safeguards	Share of capital expenditure aligned with or acceptable to the taxonomy, year N-1	Category (enabling activity)	Category (transitional activity)
Text		Currency	%	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	%	O	P
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																			
A.1. Environmentally sustainable activities (aligned with the taxonomy)																			
4.1. Generating electricity using photovoltaic technology	BPS 4.1	1,462,720	1.97%	**YES**	**YES**	NO	NO	NO	NO	YES	YES	N/R	YES	N/R	YES	YES	0.00%		
4.10. Electricity storage	BPS 4.10	94,553	0.13%	**YES**	**YES**	NO	NO	NO	NO	YES	YES	YES	YES	N/R	YES	YES	0.03%		
4.5. Hydroelectric power generation	BPS 4.5	18,910,877	25.49%	**YES**	**YES**	NO	NO	NO	NO	YES	YES	YES	N/R	N/R	YES	YES	40.72%		
Investments in fixed assets in sustainable activities (aligned with the taxonomy) (A.1)		**20,468,150**	**27.59%**	**27.59%**	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	40.75%		
Of which enabling		94,553	0.13%	0.13%						YES	YES	YES	YES	N/R	YES	YES	0.03%	O	
Of which transitional		0	0%	0%													%		P
A.2. Activities that are acceptable for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy)																			
				SP; NSP	SP; NSP	SP; NSP	SP; NSP	SP; NSP	SP; NSP										
4.3 Electricity generation from wind energy	BPS. 4.3	1,975,168	2.66%	**AC**	**AC**	NAC	NAC	NAC	NAC										
6.5 Transportation by motorcycles, passenger cars and light commercial vehicles	BPS 6.5	676,665	0.91%	**AC**	**AC**	NAC	NAC	NAC	NAC								%		
7.3 Installation, maintenance and repair of energy efficient equipment	BPS 7.3	38,961	0.05%	**AC**	**AC**	NAC	NAC	NAC	NAC								%		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces connected to buildings)	BPS 7.4	27,213	0.04%	**AC**	**AC**	NAC	NAC	NAC	NAC								%		
Investment in fixed assets in activities that are acceptable for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		**2,718,007**	**3.66%**	3.66%													%		
Investment in fixed assets in activities acceptable for the taxonomy (A.1 + A.2)		**23,186,157**	**31.25%**	31.25%													%		
B. ACTIVITIES NOT ACCEPTABLE FOR THE TAXONOMY																			
Investments in fixed assets not acceptable for the taxonomy (B)		51,012,533	**68.75%**																
Total (A + B)		**74,198,690**	**100%**																

YES, the activity is aligned and acceptable for the taxonomy of the environmental objective concerned

NO, the activity is acceptable but not aligned with the taxonomy of the environmental objective concerned

AC, activity acceptable for the taxonomy for the objective concerned

NAC, activity not acceptable for the taxonomy for the objective concerned

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Share of investments in working capital for the HSE Group (continued operations)

Share of operating expenses (OPEX) in products or services related to economic activities aligned with the taxonomy

Financial year N		2024		Merila za bistven prispevek						Merila za nebistveno škodovanje									
Economic activities	Tag	Absolute investments in working capital, EUR	Share of investment in working capital, year N	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Share of investments in working capital aligned with the taxonomy, year N-1	Category (enabling activity)	Category (transitional activity)
Text		Currency	%	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	%	O	P
A. ACTIVITIES ACCEPTABLE FOR THE TAXONOMY																			
A.1. Environmentally sustainable activities (aligned with the taxonomy)																			
4.1. Generating electricity using photovoltaic technology	BPS 4.1	7,003,00	0.03%	**YES**	**YES**	NO	NO	NO	NO	YES	YES	N/R	YES	N/R	YES	YES	0.00%		
4.10. Electricity storage	BPS 4.10	304,938,00	1.43%	**YES**	**YES**	NO	NO	NO	NO	YES	YES	YES	YES	N/R	YES	YES	11.16%		
4.5. Hydroelectric power generation	BPS 4.5	3,002,481,75	14.07%	**YES**	**YES**	NO	NO	NO	NO	YES	YES	YES	N/R	N/R	YES	YES	23.29%		
Investments in working capital in environmentally sustainable activities (aligned with the taxonomy) (A.1)		**3,314,423**	**15.53%**	**15.53%**	0%	0%	0%	0%	0%	YES	YES	YES	YES	YES	YES	YES	34.45%		
Of which enabling		304,938	1.43%	1.43%						YES	YES	YES	YES	N/R	YES	YES	11.16%	O	
Of which transitional		0	0%	0%													%		P
A.2. Activities that are acceptable for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy)																			
				AC; NAC	AC; NAC	AC; NAC	AC; NAC	AC; NAC	AC; NAC										
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces connected to buildings)	BPS 7.4	12,562.49	0.01 %	**AC**	**AC**	NAC	NAC	NAC	NAC								%		
Investments in working capital that are acceptable for the taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		**12,562.49**	**0.06%**	0.06%													%		
Investment in working capital acceptable for the taxonomy (A.1 + A.2)		**3,326,985.24**	**15.59%**	15.59%													%		
B. ACTIVITIES NOT ACCEPTABLE FOR THE TAXONOMY																			
Investments in working capital not acceptable for the taxonomy (B)		18,013,487.76	**84.41%**																
Total (A + B)		**21,340,473**	**100%**																

YES, the activity is aligned and acceptable for the taxonomy of the environmental objective concerned
NO, the activity is acceptable but not aligned with the taxonomy of the environmental objective concerned
AC, activity acceptable for the taxonomy for the objective concerned
NAC, activity not acceptable for the taxonomy for the objective concerned

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2.9.6 POLLUTION (ESRS E2)

Impacts, risks and opportunities[29]

We strive to minimise the impact of our activities on the environment. Our approach is based on compliance with legal requirements and continuous improvement of environmental performance through systematic measures, monitoring and stakeholder involvement.

Significant pollution impacts and risks in the HSE Group are associated with fossil fuel electricity generation (TEŠ) and coal mining (PV) activities respectively. Emissions to air, discharges to water and impacts on land are part of regular operational processes and managed in accordance with regulations.

That said, we recognise that in certain circumstances – for example, in the event of an emergency – there may be an increased likelihood of negative impacts on the environment and, consequently, financial impacts that may affect individual companies or the Group as a whole. That is why we are constantly monitoring these aspects, taking preventive and reactive measures and upgrading our management systems to mitigate the risks involved.

From the end of 2024, TEŠ and PV are no longer part of the HSE Group, so we only identify pollution impacts and risks at HSE Group level in the short term (2024).

The following table outlines our significant pollution-related impacts, risks and opportunities. A description of the process for identifying significant impacts, risks and opportunities, including stakeholder consultation, can be found in *ESRS 2 Double Materiality Analysis*. The analysis identified and assessed the impacts and risks for each company and business activity, the locations of direct assets and activities, and the locations where emissions to air, land and water occur. In doing so, we identified and evaluated impacts, risks and opportunities in three key phases – regular activities (operations), construction and refurbishment (investment), and contingency. We took the LEAP approach to look at the locations of interaction with nature. The analysis of potential impacts, risks and opportunities up and down the value chains has been carried out to a limited extent, as explained in more detail in ESRS 2 Impacts, Risks and Opportunities (2.9.4), and will be built upon in the future in line with the adopted action plan.

Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Potential environmental pollution and impacts on biota during regular and emergency operation The operation of the thermal power plant involves regulated discharges to air, water and soil, in accordance with the environmental permit. In the event of an emergency (e.g. accident, technical failure), limit values may be exceeded and the environment and biota may be adversely affected.	Negative potential impact	Own activity	S
The rehabilitation of mine subsidence at the Velenje Coal Mine uses filling material that includes by-products of fossil fuel combustion at the TEŠ thermal power plant. A key environmental aspect of this activity is the leaching of substances into surface waters, which affects the quality of water bodies. The extent of the impact depends on the composition of the material used.	Negative actual impact	Own activity Value chain (local community)	S
In an emergency, there is a risk of exceeding the permitted emissions to air, water or soil, which can lead to suspension of operations, withdrawal of the environmental permit, remediation costs and regulatory sanctions.	Actual risk	Own activity	S

* Period: S – Short term; M – Medium term; L – Long term

29 ESRS 2 SBM-3; ESRS E2 IRO-1 (11 a; 11 b; AR 1 a; AR 1 b; AR 1 c; AR 1 d; AR 3; AR 4 a; AR 4 b; AR 5 a; AR 5 b; AR 9 a; AR 9 b)

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Policies – systematic management of environmental aspects[30]

We deliver on our environmental commitments through **a comprehensive environmental management system,** underpinned by the **HSE Group Environmental Policy** and a **unified environmental management system** established across all Group companies. The Environmental Policy reflects the strategic orientations and commitment to sustainable development and includes the principles of environmental protection, responsible use of resources, pollution prevention, regulatory compliance and continuous improvement. The policy is implemented through internal systems that include clearly allocated responsibilities and authorities, identification of significant environmental aspects and risks, establishment and maintenance of an impact register, monitoring of compliance with environmental permits, concessions and other legal requirements. The system also includes internal controls, environmental risk management, monitoring of the effectiveness of measures and regular reporting to the competent authorities.

To manage environmental impacts and risks, a comprehensive system is in place, including a number of **preventive**, **maintenance and response measures,** both in normal operation and in the event of emergencies. These are key to reducing the impact of regular operational risks and to responding quickly and effectively in the event of emergencies, with the key objective of preventing or minimising the consequences of accidents, with appropriate safety measures and plans in place for possible remediation activities, and public information protocols (e.g. SEVESO).[31]

We comply with environmental legislation and strive to optimise the operation of production units, reduce specific energy consumption, use resources efficiently and prevent any environmental incidents.

The implementation of the policies of the environmental management systems and a number of internal acts **are monitored** through continuous activities in daily operations. **Procedures** are in place **to take immediate action** in the event of deviations and **activities are in place to continuously educate staff and raise awareness of external contractors.**

Environmental management policies are established at the level of all HSE Group's own activities, and are defined separately by individual companies according to their scope of influence in the Republic of Slovenia. In the case of TEŠ and PV, where we identify negative impacts in 2024, these include information on captured pollutants such as CO, NO_2, SO_2, Zn, dust, HCl and HF.[32]

More detailed environmental policies within the HSE Group's value chains were not yet established in 2024.

Responsibility for implementing systemic environmental protection activities and policies rests with **the respective companies' environmental departments and Group or company management.** These processes are certified to ISO 14001 and ISO 9001 standards in all HSE Group production companies, as well as in the controlling company, confirming the systematic and effective management of environmental aspects and the commitment to continuous improvement. **Stakeholders' views,** as obtained through public involvement, obtaining permissions and day-to-day management of environmental processes, are taken into account in the development and implementation of policies and in the assessment of environmental impacts and risks. In the future, we will work to further systematise stakeholder involvement in the development of environmental policies and targets.[33]

The Environmental Policy is publicly available on the HSE Group's website and is a key document for internal alignment and communication of our environmental commitments with external stakeholders. The environmental management system is supported by internal documents and procedures. These documents are an integral part of internal governance and are not made public, but are used within the HSE Group in line with the principle of continuous improvement and legislative requirements.[34]

Measures to prevent and manage environmental impacts and risks[35]

HSE Group companies have internal environmental management systems and a wide range of technical and organisational measures in place to prevent and reduce emissions to air, water and soil, thereby limiting impacts on living organisms.

The **key** pollution prevention and abatement **measures** for the production processes of Thermal Power Plant Šoštanj, where we identify significant pollution impacts and risks, include: capture of waste gases at source, recycling of materials and heat recovery, recirculation of waste air and other measures to reduce the amount of waste gases, maximising the use of raw materials and energy, other measures to optimise production processes, optimisation of start-up operating states, capacity changes and shutdowns and other exceptional conditions, regular maintenance of the plant to ensure good technical condition, measures to prevent and reduce the emission of total dust, and the continuous monitoring and control of combustion processes in such a way as to achieve the lowest achievable level of emissions under such conditions. The range of measures to prevent and reduce emissions of pollution into water includes the use of technologies with the lowest possible water consumption, water recirculation and the use of other water-saving methods and techniques, maintenance of sewage systems and wastewater treatment plants, the use of less harmful raw materials and materials in the technological process wherever possible, recycling of waste materials and heat recovery, and the economical use of raw materials and energy, priority treatment of partial flows of industrial waste water and the elimination of waste materials at source. All the measures are part of the continued regular operation of the thermal power plant in 2024.[36] In addition to the above, due diligence guidance is in place for external contractors working within our activities. Stakeholders' views are also taken into account in their design and implementation.

30 ESRS E2-1 (14; 15 a; 15 c; AR 11); ESRS 2 MDR-P (65 a; 65 b; 65 c; 65 d)

31 E2-1 (15 c)

32 AR 11

33 MDR-P (65 e; 65 f)

34 MDR-P (65 f)

35 ESRS E2-2 (16; 18; AR 13; AR 14); ESRS 2 MDR-A (68 a; 68 b; 68 c; 68 d)

36 E2.MDR-A (16)

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Environmental impacts are **monitored and controlled** through regular **systematic monitoring and reporting to the relevant regulatory authorities.** A comprehensive system is in place to manage all environmental risks, including preventive, maintenance and response measures. Appropriate **safety mechanisms,** contingency plans, public information protocols (including obligations under the SEVESO Directive) and procedures are in place to deal with any consequences.

Objectives[37]

Due to the nature of the activities, the objectives related to pollution control and prevention measures are set out in detail and in a comprehensive manner in the applicable legislation, environmental and other operating permits. These define permissible emission limit values for air, water and soil, conditions for the use of hazardous substances and obligations to control and manage environmental impacts. We comply with legislative and other regulatory requirements and strive to meet or exceed them wherever possible, including by using the best available technologies and technical solutions.

Our objectives are focused on three key areas. Regulatory objectives are derived from obligations under regulations and environmental permits, in particular on emission limit values for air, water and soil, and on the management of substances hazardous to the environment. Our activities are focused on strict compliance with legal emission limits for air, water and soil. Operational objectives include measures to operate facilities in a safe and environmentally sound manner, to reduce the risks of environmental incidents and to use natural resources efficiently. Improvement targets are part of internal management systems (e.g. ISO 14001), where regular audits, reviews and impact analyses look for opportunities to further reduce environmental burdens, taking into account stakeholders' views.

Overview of significant air emissions by pollutant[38]

The consolidation of each pollutant shall include only those pollutants and installations for which the reporting thresholds as set out in Annex II of Regulation (EC) No. 166/2006 concerning the establishment of a European Pollutant Release and Transfer Register (E-PRTR) have been exceeded. These thresholds relate solely to reporting obligations and do not represent permissible emission limit values set in environmental permits.

Reporting under this criterion covers only those sites and activities where reporting thresholds have been exceeded. In 2024, such emissions were only found for the thermal power plant (TEŠ) activity, which operated within the HSE Group until the end of 2024. In accordance with the legislation, TEŠ regularly reports its emissions to air and does not exceed the emission limit values set in the applicable environmental permit. The annual amount of pollutants varies according to the amount of electricity and heat produced.

Air pollutant	Unit	2024
Nitrogen oxides (NOx) as NO_2	kg/year	1,879,020
Carbon monoxide (CO)	kg/year	598,634
Sulphur oxides (SOx) as SO_2	kg/year	534,877
Zinc and compounds (as Zn)	kg/year	401.60
Chlorine and inorganic compounds (as HCl)	kg/year	18,057
Fluorine and inorganic compounds (as HF)	kg/year	7,177
Particulate matter (PM_{10})	kg/year	106,516

Pollutant reporting is based on a combination of continuous direct measurements (NO_2, total dust, CO and SO_2) and emission calculations from one direct measurement per year (HCl, HF and PM_{10}, metals) for each unit concerned by a particular pollutant. The measurements are carried out by TEŠ and the data are processed using OPTO SNAP PAC controllers running data capture, validation and processing software. Half-hourly data are recorded in the database of the TEŠ Ecological Information System and in the database of the Ecology Information System at the Elektroinštitut Milan Vidmar, which are used to perform monitoring and produce regular monthly and annual reports. The system provides a more detailed view of the data for later analysis. Measurements are monitored annually according to EN14181. All measurements are validated by an accredited independent external institution, which has verified and validated the measurements against the applicable standards.[39]

37 E2-3 (22; 23 a; 23 b; 23 c; 25); ESRS 2 MDR-T (81 a; 81 b)

38 ESRS E2-4 (28 a; 29; 30 a; 30 b; 30 c, 31; AR 21; AR 22; AR 24)

39 E2-4 (30 b; 30 c; 31, AR 26 a; AR 27 b)

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2.9.7 WATER RESOURCES (ESRS E3)

Impacts, risks and opportunities[40]

We strive to minimise the impact of our activities on the environment and to manage water and water resources responsibly. Our approach is based on compliance with legal requirements and continuous improvement of environmental performance through systematic measures, monitoring and stakeholder involvement.

Significant impacts and risks in the area of water and marine resources are related or specific to the thermal power plant activity. From the end of 2024, Šoštanj Thermal Power Plant is no longer part of the HSE Group, so we only identify pollution impacts and risks at HSE Group level in the short term (2024).

The table below outlines our significant impacts, risks and opportunities related to water discharge and consumption. A description of the process for identifying significant impacts, risks and opportunities, including stakeholder consultation, can be found in *2.9.4 Double Materiality Analysis*. The analysis identified and assessed the impacts and risks for each company and business activity, the locations of direct assets and activities, and the existence of areas of potential water risk, including areas of potential high water stress, and the sectors or business units that interact with water or marine resources at these locations. Based on the assessment carried out using the LEAP approach, none of the companies' activities are located in areas with identified water risks or areas of high water stress.

Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Water discharge The production of electricity and heat in the thermal power plant involves the use of large quantities of water, which vary in quality according to their intended use and degree of contamination. Before discharge, wastewater is either directed to a central wastewater treatment plant or, in accordance with an environmental permit, discharged in a controlled manner into nearby water bodies. Treatment and discharge processes are designed to minimise environmental impacts and ensure compliance with applicable regulations and the requirements of water resource managers.	Negative actual impact	Own activity	S
Dependencies on water sources Dependence on water resources for thermal power plant production processes poses a significant risk, as changes in water availability or quality can affect the smooth operation of plants, increase operating costs and make it more difficult to comply with environmental regulations. In addition, the risk is also reflected in the potential for exceeding emission limits in water, which is a key challenge for effective management of environmental impacts.	Actual risk	Own activity	S
Using a closed water circuit The use of closed-loop water in the production processes of the thermal power plant allows the reuse of process water and reduces the overall consumption and burden on water resources. Despite its environmental advantages, the system can be subject to risks, in particular in the event of leaks or malfunctions that could lead to discharges of contaminated water into the environment. If the competent authorities were to prohibit the use of such a system, this could affect the efficiency of processes, increase environmental risks and require additional adjustment measures.	Actual risk	Own activity	S

Period: S – Short term; M – Medium term; L – Long term

40 ESRS 2 SBM-3; ESRS E3 IRO-1 (8 a; 8 b; AR 1a; AR 1 b; AR 1 c; AR 1 d; AR 3; AR 5 a; AR 5 b; AR 5 c; AR 15 a)

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Policies – systematic management of environmental aspects[41]

For an explanation of the systematic management of environmental impacts and risks, see ESRS chapter E2-1.

Impacts on water resources are managed in accordance with environmental legislation, environmental permits, concession agreements and water licences, which set out the conditions for sourcing and discharge, monitoring and measures to prevent and minimise negative impacts. **Our internal environmental management system** and **standards (ISO 14001)** as well as environmental permits ensure compliance with regulations, monitoring of water quantity and quality, and continuous improvement of water use efficiency. Compliance is confirmed through **internal and external audits** in the context of ISO 14001 audits and regular reporting to the competent authorities of the ministry. Risks are managed in accordance with safety protocols and emergency management plans. Water sourcing for cooling and other technological processes is regulated by regulations based on the Water Act and other sectoral legislation, EU regulation (e.g. the Water Framework Directive) and the conditions of the **water right** (water permit, concession).

Responsible management and monitoring of water resources[42]

The production of electricity and heat from the TEŠ thermal power plant is recognised as a water-intensive activity, as it requires large amounts of water for its production processes. Water resource management in 2024 remains an integral part of the business model, with potential regulatory changes posing risks that could affect adjustments such as investments in alternative technologies, alternative water sources and increased water use efficiency. **None of the HSE Group's activities are located in water risk areas.**

The water needed for the production processes of the thermal power plant is drawn from surface water sources, mainly rivers and lakes, thus reducing the availability of water, which may pose a risk of restrictions or bans on its use in the production processes. Water sourcing volumes are therefore regularly monitored and planned to ensure that consumption is optimised and impacts on water resources are minimised. Internal guidelines ensure that we make the best use of stormwater peaks and protect reserves for dry periods or to reduce consumption from individual water sources when their levels fall below thresholds or set levels.

In accordance with **best available techniques (BAT), water recirculation systems** have been set up **in cooling systems, thus reusing process water.** To control and reduce water consumption, we regularly monitor hydrological data and water quality, and ensure that the flow of the Paka River is ecologically acceptable. We adapt our operations to minimise water losses. Water abstracted from water sources is thus continuously used in a closed system (reused) instead of being pumped out each time, thus significantly reducing the need for fresh water and the burden on natural water resources. If deviations in the balance between water use and return are detected, additional inflows are limited or reduced. The measures described above are carried out on an ongoing basis as part of regular operations. The programme also foresees minor investments in the partial treatment of a closed water circuit.

Water consumption and discharges are monitored in accordance with the environmental permit to prevent environmental accidents and exceeding the permitted values. For more details, see ESRS Chapter E2-2.

Objectives[43]

The HSE Group's environmental protection objectives are primarily set out in regulations and environmental permits, which define resource management and measures to prevent and minimise impacts on water resources. We ensure compliance with statutory targets and strive to meet and exceed them effectively, where feasible within the best available technologies.

Below, we show the water consumption of TEŠ. Water plays a key role in the production of electricity and heat in the thermal power plant. The HSE Group does not operate in water risk areas, including water stress areas.

Water consumption[44]

Water consumption (2024)	Unit	TEŠ d.o.o.
Drinking water consumption	m^3	31,166.00
Industrial/technical water consumption	m^3	7,094,086.00
Total water consumption in water risk areas, including water stress areas	m^3	0
Total amount of water recycled and reused	m^3	755,032.00
Total amount of water stored and changes in storage	m^3	0
Water intensity	**m^3/mio EUR net revenue**	**12,541.50**

The reported water volumes include TEŠ's volumes, as determined on the basis of a double materiality analysis and specificity of individual companies. Water consumption data are based on direct measurements taken at the relevant sourcing points.

41 ESRS E3-1 (11; 12 a; 12 a i-iii); ESRS 2 MDR-P (65 a; 65 b; 65 c)

42 ESRS E3-2 (19); ESRS 2 MDR-A (68 a; 68 b; 68 c)

43 ESRS E3-3 (22; 23 a; 23 c; 25); ESRS 2 MDR-T (81 a; 81 b)

44 ESRS E3-4 (28 a; 28 b; 28 c; 28 d; 28 e; 29; AR 29)

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2.9.8 BIODIVERSITY AND ECOSYSTEMS (ESRS E4)

We recognise that healthy and resilient ecosystems are key to climate stability, quality of life, good water status and the long-term sustainability of energy systems. Our aim is to not only reduce negative impacts through responsible impact management and a shift towards low-carbon and nature-friendly energy solutions, but also to actively contribute to restoring the natural environment where possible. **We integrate biodiversity principles into our strategic planning, investment and day-to-day operations.**

Certain activities within the HSE Group may have an impact on biodiversity, in particular through land-use changes in coal mining and temporary changes to the water regime in hydropower installations. At the same time, we make an important contribution to conserving and improving biodiversity through a range of activities. We implement concrete projects to restore the natural environment, mitigation measures and nature conservation initiatives. We monitor these through environmental monitoring and, where necessary, adjust our activities according to the effects we observe. This has real positive impacts – contributing to the long-term stability of ecosystems, protecting important species and introducing new solutions to improve the situation in affected areas.[45]

Transition plan and consideration of biodiversity and ecosystems in the strategy and business model[46]

Biodiversity management is an integral part of decision-making throughout the life cycle of our projects – from site selection and planning to design, construction, operation and final decommissioning. Biodiversity and ecosystem conservation are integral elements of the environmental impact assessment of the HSE Group's activities. Although a specific transition plan or separate resilience analysis has not yet been developed at HSE Group level, these aspects are systematically integrated into the siting processes of individual energy facilities to successfully manage potential risks or ensure the resilience of our business models. In the coming years, we will explore aspects of developing a transition plan at HSE Group level.

In expanding our renewable energy generation capacity, our fundamental guiding principle remains to preserve or improve the natural environment compared to the status before. By effectively managing impacts on biodiversity and ecosystems, the HSE Group aims to contribute to maintaining the natural balance while ensuring a long-term sustainable and responsible energy supply. **We take an integrated approach to managing environmental impacts at all stages of projects – from planning to operation and final remediation.** Involving stakeholders and ensuring transparent and open dialogue in decision-making is also a key part of the approach. We develop and implement appropriate mitigation measures through strategies and programmes to restore affected areas, such as habitat restoration and maintenance, monitoring, and adapted management of hydropower facilities.

To manage impacts, **we follow a hierarchy of mitigation measures:** first, we avoid potential negative impacts from the planning stage, then we reduce them by optimising processes, then we implement restoration measures where impacts cannot be fully avoided, and, where necessary, we take compensatory measures. We recognise that certain natural assets are irreplaceable, so we act with a high degree of responsibility.

Impacts, risks and opportunities[47]

Below are descriptions of our major sustainability impacts, risks and opportunities in the biodiversity and ecosystems area.

A description of the process for identifying significant impacts, risks and opportunities, including stakeholder consultation, can be found in ESRS 2 Double Materiality Analysis. As part of the analysis, we have identified and assessed the impacts and risks at our own sites. The assessment of materiality included an assessment of the contribution to the direct drivers of the impact on biodiversity loss, the impact on the status of species, the impact on the extent and condition of ecosystems through land degradation, desertification and land development, and the impacts and dependencies on ecosystem services. Our analysis has not identified any significant risks related to transient physical factors or systemic impacts. The assessment was based on the LEAP approach, which provided a list of locations of direct assets and activities that interact in locations of sensitive biodiversity areas. The analysis of potential impacts, risks and opportunities up and down the value chains has been carried out to a limited extent, as explained in more detail in 2.9.4, and will be built upon in the future in line with the adopted action plan.

45 ESRS E4 SBM-3 (16 a i)

46 ESRS E4-1

47 ESRS 2 IRO-1 (17 a; 17 b; 17 c; 17 d; 17 e i-iii; AR 4; AR 7)

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Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Biodiversity restoration and innovation projects At the HSE Group level, we are committed to conserving and enhancing biodiversity, which is reflected in concrete habitat restoration projects and innovative approaches to offsetting impacts on ecosystems. Positive real impacts result from our efforts to protect and restore supporting ecosystems and target species. We take action through both mandatory offsets and voluntary conservation initiatives. Projects systematically carry out environmental monitoring – before the start of interventions to establish a baseline and afterwards to monitor the effects of the measures taken. This approach allows for the timely identification of potential deviations and appropriate adaptation of management practices, while ensuring a long-term contribution to maintaining ecosystem stability and increasing biodiversity in the affected areas.	Positive actual impact	Own activity	S, M, L
Land use change (land degradation due to subsidence and rehabilitation) In the sourcing area of the Velenje Mine, environmental impacts are present as a result of underground coal mining, which are mainly manifested in the gradual subsidence of the terrain above the mine pits. These impacts are reflected in changes in land use, local degradation and reduced land stability. In accordance with the provisions of the Mining Act, Premogovnik Velenje systematically carries out ongoing and final remediation measures to restore the affected areas and prevent further negative effects on the environment.	Negative actual impact	Own activity	S
Protecting ecological connectivity and ecosystems In the context of hydropower generation, temporary changes in water flow can affect habitat connectivity and the movement of aquatic organisms. The HSE Group manages impacts through measures such as fish paths, ecologically acceptable flows and environmental monitoring to maintain biodiversity and the natural balance of aquatic ecosystems.	Negative actual impact	Own activity	S, M, L

Period: S – Short term; M – Medium term; L – Long term

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Policies – systematic management of environmental aspects[48]

For an explanation of the systematic management of environmental impacts and risks, see ESRS chapter E2-1. The HSE Group's policy on biodiversity and ecosystems is based on ensuring compliance with applicable legislation and meeting the requirements set out in the granted water concession rights, which also include nature protection obligations. In doing so, we comply with the Water Act, the Nature Conservation Act, the Environmental Protection Act and other relevant regulations.

The policy addresses interventions in water bodies, ensuring ecologically acceptable flows, pollution control, monitoring of water, organisms and habitats, land use requirements, and reporting and coordination obligations with water and nature managers. Impacts are subject to regular monitoring, reporting and, where necessary, mitigation measures. We work with nature conservation institutions and local stakeholders, including municipalities, fishing families and other users of the area, in planning, renovation and restoration processes. Social impacts on the natural environment are part of the impact assessment and coordination of the operating conditions.

Biodiversity and ecosystem-related actions and resources[49]

We take a holistic approach to managing the impacts of hydropower on aquatic and riparian ecosystems. We pay particular attention to **preserving biodiversity** and the **ecological connectivity of habitats.** We recognise that aquatic ecosystems are vulnerable to changes in water regimes and interference with the natural dynamics of rivers, and we are actively working to reduce their negative impacts. In the context of the operation and development of hydropower facilities, we take measures to improve the passage of watercourses and allow the natural migration of fish and other aquatic organisms, which makes an important contribution to maintaining the functionality of aquatic ecosystems and the natural balance. Our efforts are based on expert evidence, legislative requirements and the results of environmental monitoring, which allow us to plan targeted and effective actions. We do not use or buy biodiversity offsetting measures due to biodiversity losses (e.g. offset credits or biodiversity certificates).

The following **key actions** contribute to improving biodiversity:

- We are creating **longitudinal connectivity of watercourses by building crossings for aquatic organisms** on the Drava River, allowing fish and other aquatic species to migrate freely.
- **Implementation plans** are being prepared for **further improvements,** including rehabilitation and refurbishment of existing crossings in selected locations;
- In areas where technical constraints make passage not yet feasible, **alternative measures such as fish introduction** are implemented **in cooperation with fishing families.** In 2024, DEM, together with local fishermen, launched a project to rebuild the brown trout population, with the aim of establishing a stable population. For many years, SENG has been working with fishing families along the Soča River to maintain a clean population of Soča trout.
- **We adapt maintenance work and operation of hydropower plants to the time of fish spawning** to avoid negative impacts on fish life and to ensure the best possible conditions for fish reproduction.
- To improve the quality of spawning areas, **we dredge certain parts of the riverbed in reservoirs.**

Most of these measures, such as systematic fish introduction in the Soča and the Drava, are implemented almost every year, while the construction of the 7 fish lanes will take place in stages over the coming years until 2030.

ECOLOGICALLY ACCEPTABLE FLOW RATES (QES) AND HABITAT PROTECTION

When operating hydropower facilities, we regularly monitor and ensure the legal ecologically acceptable flow rate (Qes), which strikes a balance between renewable energy production and the protection of aquatic ecosystems.

SITING NEW RES FACILITIES

The design and operation of new hydropower facilities follows the **principle of multiple land use, combining energy, environmental and social benefits.** New renewable energy (RES) projects are preferentially located in degraded areas such as former landfills (e.g. Družmirje floating solar power plant, Prapretno and Dekani solar power plants), banks of canals (Zlatoličje solar power plant) and banks of reservoirs (Kanalski Vrh solar power plant). This helps to reduce impacts on natural habitats and conserve biodiversity.

The Dekani solar power plant project is currently undergoing preliminary environmental impact assessment procedures. As part of these procedures, technical bases for the assessment of individual impacts have been prepared, including an analysis of wildlife habitats in the area, which has shown no significant negative impacts on wildlife populations in the wider area. As part of the diversification of resources, we are also carrying out a pilot project to generate electricity from geothermal energy, using an existing borehole that was originally intended for another use. This approach further reduces the spatial and environmental burdens of new investments.

For major developments requiring more extensive spatial interventions, we carry out an environmental impact assessment to ensure that potential impacts on the environment, including biodiversity, are properly assessed and addressed. Stakeholders are also involved in the assessment process. If it is established that the proposed development could have a significant adverse effect on nature – in particular on protected areas or endangered species – appropriate mitigation or compensatory measures are identified in accordance with the Nature Conservation Act.

Compensatory measures are key to mitigating negative impacts on the natural environment, such as habitat restoration, species protection or compensation for lost ecosystem services. These measures ensure that interventions are carried out in a way that conserves biodiversity and ecosystem services as much as possible and minimises long-term environmental impacts. Mitigation and/or compensatory measures shall be determined in cooperation with the competent authorities, such as the Slovenian Nature Conservation Service, and shall be in accordance with applicable legislation and expert guidance. No compensatory measures were taken in 2024.

PILOT PROJECTS FOR BIODIVERSITY RESTORATION AND CONSERVATION

We have a number of pilot projects on the restoration and biodiversity conservation of individual areas, which aim to reduce the impact of energy installations on the natural environment and

48 ESRS E4-2 (23 a; 23 b; 23 c; 23 e; 23 f, 24 a); MDR-P (65 a; 65 b; 65 c; 65 d)

49 E4-3 (28 b; 28 c); MDR-A (68 a; 68 b; 68 c; 69 b)

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help improve habitats and species. One of the most important projects is the creation of artificial islands for nesting birds on Lake Ptuj, which is being carried out in cooperation with the Society for Observation and Study of Birds of Slovenia and ZRSVN. The measure makes an important contribution to the conservation of species such as the common tern, the river gull and the black-headed gull, with monitoring results confirming the effectiveness of the measures.

In the same area, we are also carrying out ecological restoration of the shores of Lake Ptuj with the aim of improving habitat conditions for migratory birds, including endangered and rare species. By moving and removing sediment from specific areas of the Lake Ptuj bed, we improve the ecological potential of the water body and ensure the depths needed for spawning of certain fish species and the growth of individual macrophytes.

Additional examples of good practice are the multifunctional use of hydropower facilities: the Tolmin small hydropower plant intake canal in combination with fish farming, the Zadlaščica small hydropower plant, which simultaneously provides a drinking water supply, the Klavžarica small hydropower plant in connection with the creation of habitat at the Kanomlje water barriers, and the creation of replacement habitat in the area of the Avče pumped-storage hydropower plant. These examples confirm the successful integration of energy and nature conservation objectives in a common space.

In 2024, DEM and SENG earmarked EUR 1,832,090 for the measures described above.

REHABILITATION AND RECLAMATION OF LAND DEGRADED BY MINING ACTIVITIES

Impacts associated with lignite mining are managed through the implementation of large-scale and planned rehabilitation and reclamation of land degraded by mining activities. These measures are a key part of responsible environmental management and are aimed at restoring the ecological stability of areas and re-establishing the conditions for sustainable land use. Restoration involves removing harmful materials, stabilising soils and replacing destroyed habitats with new ones that help to maintain and enhance biodiversity. Re-cultivation is carried out by planting native plant species, restoring natural ecosystems and creating functional habitats, allowing the land to be used again for agricultural, forestry or other economic purposes.

A significant part of the rehabilitated areas, which were flooded in the past, have been converted for tourism and recreational use, thus also contributing to the wider social and environmental development of the local area and to the long-term regeneration of the areas from a nature and community perspective.

Objectives[50]

We take a systematic approach to managing impacts on biodiversity and ecosystems, taking into account the local characteristics of the natural environment in which each company operates. Objectives in this area are therefore set at company level, according to the specific natural features and impacts of individual facilities. Our work is aligned with the main objectives of the Kunming-Montreal Biodiversity Framework, which include the protection and restoration of ecosystems, the sustainable use of natural resources, and the integration of biodiversity into the planning and management of energy facilities, and contributing to the implementation of the EU Biodiversity Strategy 2030.

The objectives are aimed at reducing the impacts of hydropower dams on the longitudinal connectivity of watercourses and the associated negative effects on the migration of fish and other aquatic organisms. These objectives also contribute to achieving the objectives of the Water Framework Directive and the National Water Management Plan. Examples of objectives include measures to establish longitudinal connectivity through the construction of aquatic organism crossings on the Drava River and the regular stocking of fish fauna in sections of the Drava River where longitudinal connectivity is not yet ensured, and the annual stocking of fish fauna in the Soča River where natural and spatial constraints make the establishment of aquatic organism crossings impracticable. At present, the targets are not yet linked to specific ecological thresholds, and we have not used biodiversity offsets to set the targets described above.

Target	Relationship to policy/ impacts/legislation	Indicator	Baseline value	Target value	Timeframe	Methodology/ Framework	Accountability/ Monitoring
Establishment of longitudinal connectivity on the Drava system hydro-electric power plants	Ecological connectivity (impact), Water Framework Directive and Water Management Plan	Number of fish passages	Partial connectivity (1/8)	Connectivity established at all main barriers	2030	Project documentation; project implemented	DEM
Regular introduction of fish fauna in places where passages are not feasible	Ecological connectivity (impact) Fish population conservation measure; Nature Conservation Act	Quantity and species composition of the fish introduced	Annual investment	Maintaining the optimal structure and size of fish populations	Annually	Number of fish or quantity of each fish species	DEM, SENG
Nesting sites on artificial islands (Ptuj)	Biodiversity restoration pilot project	Number of functional nesting sites, presence of target species	Existing islands in operation	Conservation/ enhancement of habitats with recorded breeding	Annually	Conservation monitoring, cooperation with DOPPS	DEM in cooperation with DOPPS

50 ESRS E4-4 (32 a; 32 b; 32 c; 32 d; 32 e); MDR-T (81 a; 81 b)

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Activities in areas with a protection regime[51]

The HSE Group's individual activities are located in areas with a protection regime. Most of the hydropower facilities in the list below, with the exception of the Doblar 2 HPP, the Plave 2 HPP and the Avče pumped-storage hydropower plant, were built and operated with the establishment of the protection regime areas in which they are currently located. The same applies to the mining area of the Velenje Coal Mine. No mitigation measures are required at any of the sites shown in the table that are located within the protection regime area. The HSE Group will coordinate any development within these areas with the land-use authorities to ensure that development does not degrade natural habitats and minimises temporary disturbance to species. Our activities do not threaten endangered or protected species, and we have not identified any significant negative impacts related to desertification and land development.

Locations of activities (21) in biodiversity-sensitive areas on 31 December 2024.

River/Area	Facility	Operational area (ha)	Areas with a protection regime	Distance I – in the area
Drava	Dravograd HPP	153.00	SI3000172 Upper Drava and its tributaries (SAC)	I
	Vuzenica HPP	180.00	ID: 4430 Upper Drava (EPO)	I
	Vuhred HPP	253.00		
	Ožbalt HPP	158.00		
	Fala HPP	103.00		
Drava	Mariborski otok HPP	239.00	SI5000011 Drava (SPA)	I
			ID: 4430 Upper Drava (EPO)	I
Drava	Zlatoličje HPP	90.00	SI5000011 Drava (SPA)	I
			SI3000220 Drava (SAC)	I
			ID: 41500 Drava – lower (EPO)	I
			ID: 42500 Dravsko polje (EPO)	I
Drava	Formin HPP	346.00	SI5000011 Drava (SPA)	I
	Rogoznica sHPP		SI3000220 Drava (SAC)	I
	Markovci sHPP		ID: 41500 Drava – lower (EPO)	I
Drava	Dravograd SPP	0.02	SI3000172 Upper Drava and its tributaries (SAC)	I
	Mariborski otok SPP	0.04	ID: 4430 Upper Drava (EPO)	I
	Zlatoličje SPP	0.49	SI5000011 Drava (SPA)	I
Mura	Ceršak sHPP	5.30	ID: 42100 Mura-Radmožanci (EPO)	I
Soča	Doblar 1 and 2 HPP (Podselo barrier)	82.00	ID: 5540 Soča (EPO)	I
	Podselo sHPP			
Soča	Avče PSHPP	15.00	SI3000024 Avče (SAC)	I
			ID: 58500 Avče (EPO)	I
Soča	Plave 1 and 2 HPP (Ajba barrier)	29.00	ID: 55400 Soča (EPO)	I
	Ajba 1 sHPP			
	Solkan HPP	75.00		
Velenje	Mining area of the Velenje Coal Mine	277.00	ID: 11500 Velenje – Konjice Hills (EPO)	I
		46.00	ID: Škale – mine subsidence flooded with water (EKOS)	I
	Total (ha)	**2,051.84**		

* SAC – Natura 2000 special area of conservation; SPA – Natura 2000 special protection area; EPO – ecologically important site; EKOS – ecosystem natural value

Calculation methods

The matrix contains areas of activities that have been identified through a double significance assessment as being located in protected areas and potentially affecting biodiversity. The key assumptions used in the data presented are:

- Any area of activity that overlaps with a biodiversity-sensitive area is reported as “in”.
- The area of the mining right or the part of the mining area that overlaps with the protection regime was used to calculate the size of the area. The proportions of ecologically important sites were obtained from the Slovenian INSPIRE metadata system – Ecologically Important Areas – ATOM online data download service at eprostor.gov.si. The areas of the sites were determined using GIS and CAD computer applications.
- For the calculation of the size of the area in the case of hydropower plants, the total surface area of the reservoir is taken into account (the surface areas are taken from internal documentation).
- The operational area required for the deployment of the technology was used to calculate the size of the area of other facilities (PV power plants).

51 ESRS E4 SBM-3 (16 a ii – iii; 16 b; 16 c); ESRS E4 IRO (19 a; 19 b; AR7 a; AR7 d; AR7 e); ESRS E4-5 (35)

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Land use change impact metrics[52]

The Velenje Coal Mine, Slovenia's largest lignite deposit, has had a significant impact on the landscape of the Šalek Valley for decades. Underground mining of lignite, which is located at depths of 200–500 m, causes extensive subsidence.

As the ground gradually settles after excavation, the surface above the cave spaces remains unstable for years or even decades. This means that the site is not suitable for construction or other permanent uses until the subsidence is complete. Subsidence has direct consequences for space – changing topography, changing land use, and the need to adapt infrastructure and planning.

One of the most visible consequences is the formation of the Šalek lakes, such as Lake Škale, Lake Velenje and Lake Družmirje, which were formed where the subsidence filled with water. Today, these lakes are an important landscape and recreational feature, but their creation was not planned. It was the result of irreversible geomorphological changes. It is estimated that the ground will continue to subside for some time after the excavations are completed, and the surface area of the lake will increase as a result.

Despite the significant spatial impacts, Premogovnik Velenje is also implementing measures to rehabilitate and stabilise the area in the long term, including backfilling, monitoring subsidence, monitoring lake areas and planning for land reuse where possible. In this way, the changing environment is gradually adapting to new functions, from recreation to natural habitats.

The selected metric did not take into account the ecological threshold, but the metric is monitored based on the requirements of the Mining Act and the concession agreement.[53] The area of lakes created by subsidence is reported, with land-use change being the most visible. The surface area of the lakes is measured annually as part of the geodetic monitoring of the surface impacts of mining and will be monitored after the mining operations have been completed.[54]

The total mining area of Premogovnik Velenje is 1,104 ha, of which the area of lakes in 2024 is 293.95 ha, representing 26.6% of the total mining area.

2024	Lake Velenje	Lake Družmirje	Lake Škale	Total
Area of lakes (ha)	146.72	130.76	16.48	293.95

Calculation method

The surface of the extraction area is determined by the mining right. The surface area of the lakes is measured by geodetic remote sensing with aerial photogrammetry and digitised with dedicated computer software. The aerial photogrammetry service is outsourced (AR 27g).

2.9.9 RESOURCE USE AND CIRCULAR ECONOMY (ESRS E5)

Impacts, risks and opportunities[55]

Significant impacts and risks in the area of resource use and circular economy are mainly related to fossil fuel heat and power generation (thermal power plant) and coal mine activities.

As of the end of 2024, Šoštanj Thermoelectric Power Plant and Velenje Coal Mine, for which we identify significant impacts, risks and opportunities in this area, are no longer part of the HSE Group; significant impacts, risks and opportunities are therefore identified at the level of the HSE Group only in the short term (in 2024). In the medium to long term, the impact of residual waste generated by the HSE Group companies can be identified in this area, especially the increased volumes during incidents, overhauls, new builds and decommissioning of facilities.

The table below outlines our significant impacts, risks and opportunities related to resource use and circular economy. A description of the process for identifying significant impacts, risks and opportunities, including stakeholder consultation (including affected communities), can be found in *2.9.4. Double Materiality Analysis.* As part of the analysis, we have identified and assessed the impacts and risks at our own sites. In assessing impacts, risks and opportunities, we took the LEAP approach to look at the locations of interaction with nature. The analysis of potential impacts, risks and opportunities up and down the value chains has been carried out to a limited extent, as explained in more detail in *2.9.4,* and will be built upon in the future in line with the adopted action plan.

52 E4-5 (38 a; AR 27b ii; AR 27e; AR 27 f; AR 27g; AR 27 h; AR 27 i; AR 28); MDR-M (77a; 77 b; 77 c)

53 AR 27 e; AR 27 i; AR 27 j

54 AR 27 f

55 ESRS 2 IRO-1 (11 a; 11 b; AR 1 a; AR 1 b; AR 1 c; AR 1 d; AR 4 a; AR 4 b; AR 4 c; AR 7 a; AR 7 b; AR 7 d; AR 7 f)

Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Impact on lignite stocks and availability The Šoštanj Thermal Power Plant uses lignite, a non-renewable natural resource, to produce heat and electricity.	Negative actual impact	Own activity	S
Circular use of by-products and rehabilitation of degraded areas The Šoštanj Thermal Power Plant actively contributes to the implementation of the principles of circular economy through the responsible use of coal combustion by-products such as gypsum and ash. Opportunities have been identified for their re-use and integration into other sectors, in particular construction, which can reduce waste and extend the life cycle of materials. Premogovnik Velenje recognises the positive impacts of this type of cooperation, particularly in filling cave spaces.	Actual opportunity Positive actual impact	Own activity Value chain (local community, waste management)	S
Total quantity and nature of waste generated All HSE Group companies generate mainly non-hazardous waste and a small amount of hazardous waste in their regular operations. Waste volumes may temporarily increase due to planned construction work, overhauls or new builds of individual energy facilities or as a result of extreme weather and natural events.	Negative actual impact	Own activity	S, M, L

Period: S – Short term; M – Medium term; L – Long term

Policies – systematic management of environmental aspects[56]

For an explanation of the systematic management of environmental impacts and risks, see ESRS chapter E2-1. The HSE Group's environmental policy addresses, among other things, the **efficient use of resources** and **responsible waste management,** primarily through waste prevention and minimisation, as defined in waste management plans, or, if this is not possible, through recycling or recovery into secondary building components.

The scope of the measures covers both the HSE Group companies' own activities and the supervision of external contractors in construction work. Actions also include interaction with stakeholders such as authorised waste collectors and research institutions. Some measures are a **continuous part of the operations** (e.g. separate waste collection, control of contractors, regular removal of alluvium), while others are **under development or are being phased in** (sediment composites are currently in the testing phase, reprocessing of alluvium to wood biomass will be introduced at the end of 2024).

Measures – responsible waste management[57]

Waste management follows the **waste hierarchy** as defined by European and national legislation: waste prevention, preparation for re-use, recycling, other recovery and final disposal. Under these principles, waste is classified into four basic categories: preparing for re-use, recycling, other uses and disposal. **Internal waste management instructions** or **site-specific waste management plans** are in place, setting out measures to prevent, reduce, separate and treat waste. By separating waste at source, we ensure that it can be treated or recycled by authorised collectors.

Waste management is adapted to the technical, spatial and economic possibilities of each site. We strive to maximise **recovery and re-use in line with the principles of circular economy.** Despite general efforts to reduce waste, major construction, renovation of production facilities and infrastructure in particular can occasionally generate large amounts of waste. In such cases, we consistently apply the principles of responsible waste management and separate collection at source, which allows for more efficient treatment by authorised collectors. The criteria for separate collection are set in accordance with the legislation in force and in cooperation with waste collectors or waste processors.

All waste is **handed over to selected and authorised concessionaires for further treatment or disposal.** In the construction phase, particular attention is also paid to monitoring the implementation of environmental requirements by external contractors. They are obliged to act in accordance with internal environmental instructions and contractual obligations. Their behaviour is regularly monitored through the competent professional services, the companies' on-site agents and site supervisors to ensure compliance with environmental requirements and reduce environmental risks.

56 ESRS E5-1 (15 a; 15 b, 16); ESRS 2 MDR-P (65 a; 65 b; 65 c; 65 d)

57 ESRS E5-2 (20 b; 20 f); ESRS 2 MDR-A (68 a; 68 b; 68 c)

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ALLUVIUM MANAGEMENT AS PART OF WASTE MANAGEMENT

As part of the HSE Group's hydropower operations, alluvium – driftwood, branches and other organic materials brought in by the water flow (logs, twigs, leaves, debris, etc.) – are regularly removed from alongside dams and water structures. In most cases, alluvium is classified as non-hazardous waste under the legislation. As the bulk of the alluvium consists of logs, branches and other types of wood, the possibility of processing it into biomass or biofuel is opened up. Therefore, all collected alluvium from the hydropower plant landfills on the Drava are transported to the Zlatoličje hydro-electric power plant landfill, where it is sorted between the woody part of the alluvium and other waste, in accordance with the environmental permit. The woody part of the alluvium is processed into biofuel (wood chips) using a shredder, while the rest is handed over as separately collected waste to the relevant waste treatment operator.

In 2024, DEM obtained an environmental permit for the processing of the woody part of alluvium into biofuel (wood chips) and an international SURE certificate, which ensures that the processed woody part into biofuel complies with the RED III Directive (Directive (EU) 2023/2413 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC with regard to the promotion of energy from renewable sources and repealing Council Directive (EU) 2015/652). Like quality certificates, it must be renewed once a year following a successful external audit.

SEDIMENT MANAGEMENT IN ACCORDANCE WITH THE CONCESSION AGREEMENT

In accordance with the provisions of the Concession Agreement for the preservation of the energy potential and other functions of the hydro-electric power plant reservoirs, sediments that have accumulated on the bottom of the reservoirs over the decades of operation of the hydro-electric power plants are being removed and relocated. Once removed from the water body, sediment is treated as a mineral or as waste, which must be managed in accordance with waste regulations. Coarse-grained sediments (debris such as gravel, sand and clay) are classified as mineral raw materials, while silty sediments, which make up the bulk of the sediment in reservoirs, are classified as waste.

Due to the large volumes of fine fractions of sediments disposed of, we are actively working to integrate them into circular economy. We are continuously investing in research and development to enable the processing of sediment into secondary construction products. In cooperation with the Slovenian National Building and Civil Engineering Institute and brickworks Goriške opekarne, bricks have already been made using a certain proportion of sediment, and Slovenian technical approval for sediment-based composite materials has been obtained. At the same time, measures are being implemented on the basis of a strategy and action plan for each individual reservoir on the Drava River to reduce sediment inflow and accumulation and to allow targeted sediment transport in the reservoirs.

This approach reduces environmental burdens, preserves the energy potential of the storage of the hydro-electric power plant and enables many other functions, promotes innovative use of natural resources and actively contributes to the development of solutions that support the principles of circular economy.

ECONOMIC MANAGEMENT OF LIGNITE COMBUSTION BY-PRODUCTS IN THE THERMAL POWER PLANT

In the context of efficient resource management, the thermal power plant recognises the potential of lignite combustion by-products such as ash, gypsum and slag, and is working towards their circular management. Instead of being permanently disposed of in landfills, these materials are being diverted into industrial processes and other sustainable solutions. Opportunities have been identified for the further use of by-products in various industries, thereby reducing the need for primary raw materials. Some of the materials are processed into coal mine subsidence rehabilitation material using a verified method, which not only reduces the need for other materials but also contributes to stabilising the affected areas.

Fly ash products are also used in the underground coal mining process – to fill cave spaces, make insulation linings and stabilise the surroundings of cave structures. Such use significantly reduces surface deformation, increases fire, explosion and geomechanical safety, and replaces the use of primary materials. At the same time, research is being carried out on the market potential of these materials, particularly in the construction, cement and other sectors, further contributing to the development of circular economy. By taking an integrated approach to the use of by-products, the thermal power plant contributes to greater resource efficiency and the sustainable regeneration of degraded areas.

Objectives[58]

We strive to reduce the environmental pressures associated with waste generation and to maximise the reuse, recycling and material recovery of materials to reduce the need for other raw materials. Targets in this area are developed at the level of individual companies, according to the specificities of activities, sites and available solutions for waste recovery and the integration of by-products into circular flows and regulations.

Currently, we do not have formally agreed, time-bound and quantified targets at HSE Group level that fully meet the ESRS reporting criteria. However, we are systematically implementing measures to reduce waste, improve segregation and promote material recovery in cooperation with certified waste collectors. Going forward, we will work to develop measurable and comparable targets based on reliable data, allowing for more structured monitoring of progress and reporting on the impact of the circular economy.

Inflow of resources[59]

Running a thermal power plant and a coal mine requires large amounts of raw materials. The main raw material for the power plant is lignite, supplied by the Velenje Coal Mine. As lignite is a non-renewable resource, its mining reduces natural reserves. In addition, lignite mining causes subsidence in the mining area. To rehabilitate these sinkholes, we need material to fill and consolidate them. Most of this material is obtained from the Šoštanj Thermal Power Plant, which processes the by-products of combustion into suitable substitute material.

58 ESRS E5-3 (24 c; 24 e; 25; 27); MDR-T (81 a)

59 ESRS E5-4 (30; 31 a; 31 b; 31 c; 32; AR 21; AR 23)

Fuel for electricity and heat generation is an important resource input for thermal power plants. In 2024, 2,489,837 tonnes of lignite from the Velenje Coal Mine, 110,426 tonnes of foreign coal, and 40,785 tonnes of biomass were used for production.

Quantitative data is obtained by weighing and consumption is monitored daily.

PV d.o.o.'s inflow of resources	Unit	2024
Total weight of materials used during the reporting period:	t	763,065
Material for mine subsidence filling and ground stabilisation		
Percentage of biological materials:	%	0
Combustion by-products are not biological materials, so this information is not relevant for this type of supply. The materials are not certified as sustainably sourced under any biological or cascade use because they are non-renewable mineral by-products.		
Absolute amount of secondary, reused or recycled materials:	t	522,900
In line with the principles of circular economy, we treat the material received as secondary material, as it is a re-use of an industrial by-product.		
Use of secondary material in the total weight of materials used to fill subsidence:	%	68.53

The data are derived from records of the quantities of material installed in the field of subsidence restoration.

Waste[60]

In 2024, the HSE Group generated 462,382.69 tonnes of waste. Most of the waste is the by-products of combustion at TEŠ (gypsum, slag, fly ash), which are recycled. The HSE Group's non-recycled waste represents 4.79% of the total waste generated. None of the HSE Group companies generates radioactive waste.

Hazardous waste	Unit	2024
Diverted away from disposal		
Preparation for re-use	t	0.00
Recycling	t	1.75
Other processing operations	t	174.80
Scheduled for disposal		
Incineration	t	14.53
Disposal in landfill	t	4.60
Other processing operations	t	270.75

Non-hazardous waste

Diverted away from disposal		
Preparation for re-use	t	17,687.05
Recycling	t	440,140.44
Other processing operations	t	2,448.35
Scheduled for disposal		
Incineration	t	1.30
Disposal in landfill	t	265.16
Other processing operations	t	234.45
Total amount of waste generated	**t**	**462,382.11**
Total amount of non-recycled waste	t	22,156.41
Total amount of non-recycled waste	%	4.79%
Total amount of hazardous waste generated	t	466.43

In accordance with Article 29 of the Waste Regulation (Official Journal of the Republic of Slovenia No. 77/22 of 31/05/2022), HSE Group companies (DEM, SENG, HSE EDT, PV, TEŠ, HTZ, SIPOTEH, RGP) are required to report to the Slovenian Environment Agency by 31/03 of the current year on the waste generated and its management for the previous calendar year. Each of the above companies has a Waste Management Plan, which includes a list of waste generated. The quantities of waste handed over were summarised from the record sheets of waste handed over to authorised waste collectors. The categories required by E5-5 Outflow of resources are not the same as those reported to the public agency. Some companies have also obtained additional information on the management of the waste after handover to the authorised collector and these quantities are reported by category; for 1,138.94 tonnes of waste, we have not obtained information on further management and they are reported in the total amount of waste generated. The following HSE Group companies are included in the reported volumes: DEM, SENG, PV, TEŠ, RGP, PLP, SIPOTEH, HTZ, HSE EDT, HSE, HSE Invest, ECE, Energija plus.

60 ESRS E5-5 (37 a; 37 b; 37 c; 37 d; 38 a; 38 b, 39; 40)

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2.9.10 EMPLOYEES (ESRS S1)[61]

Employees are the foundation of HSE Group's operations and development. Their commitment, knowledge and experience are key to achieving our strategic objectives, successfully implementing the Green Transition and ensuring a secure and sustainable energy supply. At the HSE Group, we focus on ensuring their professional development, progress and fostering a positive working environment, as well as looking after the health and safety of our employees.

Policies or systemic arrangements are in place to address key employee-related issues, including in the areas of occupational safety and health, equality, professional development and work-life balance, which apply to all employees while being designed to accommodate specific groups of employees where necessary (e.g. by nature of work, part-time employees, etc.). The following disclosures relate to all employees of HSE Group companies in Slovenia. The specific arrangements or impacts relate mainly to the specific nature of work in certain companies, e.g. in the coal mine (PV) and disability (HTZ) activities. More detailed information on the structure of the workforce can be found in the *Characteristics of employees* section.

Insights into employees' views on relevant sustainability topics are regularly reviewed and taken into account in the development of company strategies and business models, as detailed in *ESRS S1 Processes for engaging with own workers and workers' representatives,* and are systematically incorporated into the development of strategies and business models of HSE Group companies. The results of formal and informal forms of cooperation are taken into account in strategic planning, where topics such as health and safety, working conditions, competence development and human resources planning are included in objectives and priorities; in the development of business models, where the expressed skills and training needs of employees influence development plans and ensure business resilience; in the revision of internal policies, e.g. in the management of change, where employees are involved in reorganisation planning and the introduction of new technologies. Such cooperation makes an important contribution to sustainable development and to adapting business policies.

Impacts, risks and opportunities[62]

The table below outlines our significant impacts, risks and opportunities related to employees. A description of the process for identifying significant impacts, risks and opportunities can be found in the section *Double Materiality Analysis.*

Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Job security and social security In 2024, we provided employment for almost 3,000 employees, mostly permanent and full-time. Part-time jobs are tailored to individuals with disabilities or work-life balance needs. Employees are covered by compulsory and voluntary social protection schemes.	Positive actual impact	Own activity	S, M, L
The potential negative impact on employees associated with the phasing out of coal is recognised in TEŠ and PV Group companies, which are no longer part of the HSE's portfolio from the end of 2024. The impact relates to the medium and long term and includes a reduction in employment opportunities and social insecurity.	Potential negative impact	Own activity	S
Decent pay for work All HSE Group employees are paid a decent wage for their work, in accordance with applicable legislation, collective agreements and internal agreements. Wage-setting policies are based on the principles of fairness, transparency and respect for social dialogue. Pay levels are set on the basis of job classifications, job responsibilities, and sectoral and company collective agreements.	Positive actual impact	Own activity	S, M, L
Social dialogue and freedom of association We guarantee a high degree of freedom of association and the right of employees to information, consultation and participation in management through works councils, trade union representation, etc.	Positive actual impact	Own activity	S, M, L

Period: S – Short term; M – Medium term; L – Long term

61 ESRS 2 S1.SBM-2 (12; AR 4; AR 5); ESRS 2 S1.SBM-3 (13 a; 13 b; 14 a; 16)

62 ESRS 2 S1.SBM-3 (14 b; 14 e; 16)

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Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
A well-developed and active system of collective bargaining and workers' collective participation We ensure a high level of respect for the right to freedom of association, collective bargaining and workers' participation in management. Employees' rights to information, consultation and participation are enforced through works councils, trade union representatives and other forms of workers' representation. Regular social dialogue helps to involve employees' interests in decision-making processes, contributes to transparency in management, and builds trust between management and employees. Collective agreements and participatory arrangements further support fair and inclusive working conditions.	Positive actual impact	Own activity	S, M, L
Reconciling work and private life We promote work-life balance through various measures such as flexible working conditions and adjustments to working hours. Individual companies have been awarded the “Family Friendly Company” certificate, which confirms their commitment to social responsibility and the well-being of their employees. Regardless of the certification, we systematically implement these measures in all our companies, as caring for our employees is an integral part of the HSE Group's organisational culture.	Positive actual impact	Own activity	S, M, L
Professional development and staff competence building We recognise the importance of continuous professional development of our employees as a key factor for the success, flexibility and innovation of an organisation. Each company has in place relevant acts governing training and education and setting out rules and guidelines for the acquisition of additional skills. We provide our employees with various forms of training, in-house training and external development to strengthen their professional competences and contribute to their personal and professional development.	Positive actual impact	Own activity	S, M, L
Safety and health impacts on employees in higher risk activities In certain HSE Group activities, particularly in mining, construction and other operationally demanding environments, we recognise potential negative impacts on the safety and health of employees due to the nature of the work and the specific workloads. These impacts are linked to physical risks, working in hazardous conditions and exposure to environmental factors, which require continuous measures to prevent accidents and ensure a safe working environment.	Potential negative impact	Own activity	S, M, L
Due to the nature of individual activities within the HSE Group, particularly in areas with higher physical and operational risks, we recognise increased potential negative impacts on the health and safety of our employees. There are also significant business risks involved, as potential accidents or health complications can affect the well-being of individuals as well as the business continuity, operational efficiency and reputation of companies.	Actual risk	Own activity	S, M, L
Ensuring adequate staffing and staffing levels The HSE Group recognises the risks associated with ensuring adequate staffing and sufficient staffing levels. Key challenges include attracting suitably qualified staff, retaining key employees, managing prolonged sickness absence and addressing factors affecting employee satisfaction and engagement. Such risks can have a significant impact on operational effectiveness, the delivery of strategic objectives and the long-term resilience and adaptability of an organisation in a changing environment.	Actual risk	Own activity	S, M, L

Period: S – Short term; M – Medium term; L – Long term

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Policies[63]

The employment relations for all employees of the HSE Group are governed by a set of policies, all of which are derived from the **HSE Group Code of Ethics, applicable legislation of the Republic of Slovenia, collective and company agreements** and the **Recommendations and Guidelines of SDH.** The implementation of the policies is the responsibility of employees, relevant departments and the management of each company in the HSE Group.

COMMITMENT TO HUMAN RIGHTS IN EMPLOYMENT RELATIONS

We are committed to respecting, protecting and fulfilling human rights in employment relationships, in accordance with international and European standards and Slovenian legislation. These commitments apply to all Group companies and to all forms of employment, including full-time employees, employees with special conditions (e.g. persons with disabilities) and other forms of employment.

Our commitment is defined in the **HSE Group Code of Ethics,** which is public, and implemented through applicable **labour legislation, collective agreements, participatory agreements** and **internal documents** that systematically regulate specific aspects of human rights in the workplace.

HSE undertook to respect human rights in our operations and to implement important principles of the **National Action Plan of the Republic of Slovenia on Business and Human Rights** confirmed by HSE on 21 December 2020 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).

We respect the right to decent work, safety at work, equal pay for equal work, freedom of association and collective bargaining, and non-discrimination on any grounds. In this context, sectoral and company collective agreements and by-laws are in place, including provisions to protect against harassment, discrimination and retaliation. Through our compliance with relevant labour legislation, we respect and implement the relevant International Labour Organisation (ILO) Conventions, including Conventions 87, 98, 100, 111 and 155. We have put in place mechanisms to monitor and manage human rights risks in the working environment and provide employees with access to internal grievance channels. Human rights violations, including ill-treatment or discrimination, are dealt with in accordance with the internal policies in force in all Group companies.

There is zero tolerance of child labour, forced labour and human trafficking. We do not identify any such cases or risks in our own operations. We received four whistleblowing allegations for companies in the HSE Group, two of which concerned mobbing. In accordance with our internal rules and procedures, we referred them to the relevant authorities for resolution. After the procedures carried out, none of these applications were substantiated or could be confirmed, and the examination of the applications was closed. During this period, individual cases of labour disputes (9 cases) concerning employment rights were dealt with. These disputes were dealt with in accordance with legislation and internal procedures. None of the reports, incidents or disputes indicated systemic violations or impacts that would pose a serious risk to the human rights of employees. Three cases are still pending, the rest were concluded in 2024. The total amount of monetary compensation at HSE Group level in 2024 is EUR 53,831.81.

All employees or management of HSE Group companies are responsible for implementing the policy. Any corrective action shall follow the procedures described in *ESRS S1 Mechanisms for reporting breaches and implementing corrective action.*

EQUAL TREATMENT AND OPPORTUNITIES FOR ALL[64]

We strive to create an inclusive workplace where respect for diversity, equal opportunities and non-discrimination are fundamental operating principles. In all areas of activity – both within companies and with external stakeholders – the principle of equal treatment applies regardless of nationality, race, gender, language, religion, political or other opinion, social status, disability or any other personal circumstance. We consistently respect and protect internationally recognised human rights and fundamental freedoms, which are in line with the purposes and principles of the UN Universal Declaration of Human Rights, and the fundamental rights set out in the ILO Declaration on Fundamental Principles and Rights at Work. Our commitment to these values is also reflected in the **HSE Group Code of Ethics,** which builds on legislative requirements and promotes diversity, inclusion and respect for cultural differences in all the environments in which we operate, and is reflected in our internal organisation. HTZ is a company employing persons with disabilities. We have not adopted any other specific inclusion policies, as the policy covers all employees and all forms of discrimination.

To implement the principles of equal treatment and respect for diversity, **appropriate procedures** are in place **to prevent and deal with cases of discrimination, harassment or ill-treatment in the workplace.** All companies have internal policies that clearly define the prohibition of any form of discrimination, sexual and other harassment, and retaliation. All employees or management of HSE Group companies are responsible for implementing the policy. Procedures for reporting, investigating and sanctioning misconduct are set out, ensuring professionalism, confidentiality and whistleblower protection. Employees may also report a violation through other channels, e.g. to a supervisor, Human Resources or through whistleblower mechanisms as defined in *Business conduct G1.*

We have internal mechanisms in place to ensure that every case of unequal treatment – regardless of gender, race, age, religion, sexual orientation, disability or other personal circumstance – is dealt with in a timely, professional and lawful manner. We also pay special attention to protecting whistleblowers and preventing recurrences of unwanted conduct, thereby strengthening trust in the working environment and respect for human rights in practice.

63 S1-1 (17; 19); S1-1 (19; 20; 20 a; 20 b; 21, 22); MDR-P; S1-17 (100)

64 S1-1 (17; 19; 20 a; 20 b; 20 c; 21; 24 a; 24 b; 24 c; 24 d); MDR -P

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STRUCTURE OF EMPLOYEE REPRESENTATION BY AGE[65]

The average age in the HSE Group at the end of 2024 was 43.7 years, slightly higher than the average age at the end of 2023 of 43.5 years. 60% of HSE Group employees are aged between 31 and 50 (1,922 employees), 28% are aged over 51 (881 employees) and 12% are aged under 30 (399 employees).

	as at 31/12/2024	
Age group	**Number of employees**	**Share (%)**
up to 30 years	399	12
31 to 50 years	1,922	60
51 and over	881	28
Total	**3,202**	**100**
Men	2,709	85
Women	493	15
Total	**3,202**	**100**

GENDER BREAKDOWN OF MANAGEMENT STAFF

	as at 31/12/2024	
Gender representation	**Number of employees**	**Share (%)**
Number of employees at management level	19	11
Number and proportion of employees at B-1 level	32	18
Number and proportion of employees at B-2 level	126	71
Total	**177**	**100**
Men	125	71
Women	52	29
Total	**177**	**100**

Inclusion of people with disabilities[66]

POLICIES

The HSE Group is committed to an inclusive workplace where equal opportunities and social inclusion for employees, including those with different forms of disability, are a natural part of the way we operate. Our commitments in this area are based on **the HSE Group Code of Ethics, legislation, collective agreements, internal policies and the practices of individual companies, in particular HTZ, a company for people with disabilities,** which provides employment opportunities for people with reduced working capacity.

MEASURES

HTZ was set up to enable workers who, for health reasons, are no longer able to carry out heavy work to remain in employment, and to integrate people with disabilities into the workplace more broadly. Adapted workplaces and processes, social support and active cooperation with other companies within the Group enable the systematic inclusion and creation of decent work conditions for people with disabilities. This approach reflects our fundamental principle of equal treatment and non-discrimination and contributes to positive effects on the social inclusion and labour market participation of people with disabilities.

The HSE Group has a range of measures in place to support employees with disabilities and to create an inclusive working environment. We provide adapted jobs, adjustments to job tasks and support to help move on or move to a more suitable job. The HSE Group uses government incentives to employ people with disabilities and actively engages with institutions and experts in this field. We also work to raise awareness among employees about the importance of disability inclusion and to create an environment based on understanding, respect and non-discrimination.

Disabled people in the Premogovnik Velenje Group, including HTZ, are organised in the Workforce of Disabled Workers, at the inter-municipal level, which is organised into the Association of Disabled Workers of the Šalek Valley and, in the next stage, into the Federation of Disabled Workers of Slovenia at the national level. Although the associations are at different levels, their aims are fairly uniform: to provide, advocate and meet the specific needs of people with disabilities, to assist each other, to pursue and represent their interests and to preserve the protection of the rights of disabled workers. Within the Premogovnik Velenje Group, the Workforce of Disabled Workers also operates under the umbrella of the representative trade union, which enables them to use channels for networking, communication and obtaining answers to questions also through the meetings of the representative trade union, which are also attended by the management of the companies of the Premogovnik Velenje Group.

65 S1-9 (66 a; 66 b; AR 71)

66 ESRS S1-12 (77; 79; AR 76); S1-1 (17); MDR-P; MDR-A; MDR-T (81 b)

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OBJECTIVES

The HSE Group's long-term goal is to maintain and strengthen an inclusive workplace where people with disabilities have equal opportunities for employment, adapted work, and social and professional inclusion. Our approach is based on building on existing good practices. In the coming period, we will work to improve support mechanisms for the employment of people with disabilities, strengthen internal awareness-raising and develop a more structured system for monitoring the success of disability inclusion. The aim is also to have a better analytical basis for monitoring the proportion of employees with disabilities and for developing appropriate HR and organisational measures to ensure long-term equal inclusion.

In 2024, the HSE Group employed 419 people with a recognised disability, representing 13% of the HSE Group's total workforce.

Procedures for engaging with employees and their representatives[67]

We recognise the importance of **social dialogue** and the **active involvement of employees and their representatives in managing working conditions and business decisions** that may affect them. Through formal and informal channels, we maintain and strengthen an open, two-way and inclusive dialogue. Procedures are in place to regularly inform, consult and engage with staff, either directly or through their elected representatives. Regular information, consultation and cooperation with employees is systematically carried out at fixed intervals, in particular when internal acts concerning employees' rights and obligations are adopted, organisational changes are planned and other important decisions are taken. The information and joint consultations cover topics related to the impact on employees, changes in working conditions, organisational changes and other important issues affecting employees. Responsibility for implementing these procedures rests with the senior management and the relevant professional departments in each company, as well as with the companies' management.

Key institutionalised forms of participation include **works councils** and **trade union representation,** the effectiveness of which is reflected, inter alia, in the **numerous sectoral and company collective agreements** governing employees' rights at national level and **participatory agreements.** HSE Group companies have works councils and, at group level, the **Joint Works Council of the HSE Group,** which coordinates positions and discusses issues of importance to employees across the Group. All these forms of participation play an important role in shaping the organisation of work and employees' obligations, by giving their views on changes to rights at work. Executives regularly attend Works Council meetings and are regularly informed of the views of the Works Councils, and are responsible for ensuring that participation is implemented and that the views of employees and the results of participation are taken into account in business and strategic decisions. Consultations with workers' representatives shall also be duly recorded and documented through consultation minutes. Employees exercise their rights to **worker co-management** under the Workers Participation in Management Act. In the context of the above-mentioned forms of cooperation, consultations were also regularly held at the level of the companies and the HSE Group in 2024 in connection with the exit of PV and TEŠ from the HSE Group or issues related to the transition to a carbon-free economy. The forms of cooperation and integration with employees of HTZ are described in more detail in the section *Inclusion of people with disabilities.*

Collective bargaining coverage in the HSE Group is 98% of all employees, with almost all employees covered, with the exception of management and B-1 level employees and two employees in HSE Balkan Energy. This high level of involvement demonstrates an effective and trustworthy system of participation.

Participation also takes other direct forms, such as **regular satisfaction surveys, initiatives to improve the working environment and open discussions with management.** All these processes are integrated into the business models of the companies and the Group and contribute to the ongoing identification and management of impacts on employees.

We use the **organisational climate measurement survey** as a tool to identify employee satisfaction, potential risks and the effectiveness of forms of cooperation. The measurement of organisational climate is carried out every two years. Each company is required by the minimum standards to consider the survey reports and take appropriate action to improve the lower-rated categories.

Mechanisms for reporting breaches and implementing corrective action[68]

In all of the above forms of engagement with employees, HSE Group companies have **mechanisms** in place **for employees to communicate their concerns and needs, either directly or through their representatives,** and **reporting mechanisms** for appropriate follow-up action to be taken. This can be either through works council or trade union representatives, or in some companies through an anonymous Ask a question on the intranet form or directly with the relevant departments. Employees are informed about the relevant channels and the content of the cooperation through various channels, e.g. by informing works council and trade union representatives, by publishing relevant documents and minutes of the works councils and trade unions on websites, etc. In view of the above, we consider that staff are well and adequately informed about the structures and procedures for raising and addressing concerns.

Effective whistleblowing mechanisms and channels are in place to allow for a secure, anonymous and confidential way of reporting possible irregularities, in line with EU and national whistleblower protection legislation. All whistleblowers are protected from retaliation and complaints are dealt with impartially and in a timely manner. Details are contained in the Business conduct section (G1). In the case of complaints handled by the Compliance Department, complaints relating to employment relations or possible human rights violations in employment relations are referred to the Human Resources Department or to the relevant committee (e.g. mobbing committee). Based on the feedback, we take appropriate measures to improve. The Group does not have a formal

67 S1-2 (25; 27 a; 27 b; 27 c; 27 e; 28; AR 24 a; 24 b; 24 c; 24 e; 28)S1-8 (58; 60; 63 a; AR 66; AR 68; AR 69; AR 70)

68 ESRS S1-3 (32 a; 32 b; 32 c; 32 d; 32 e; 33; AR 31); S1.SBM-2 (15); S1-1 (20 c)

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system in place to systematically measure the effectiveness of its engagement with employees. Evaluation is carried out at a general level, mainly through managers' evaluations, experience of working with employees and their representatives, and monitoring of reactions and suggestions made through existing channels (works councils, trade unions, anonymous form). We strive to ensure that cooperation is continuously improved and adapted to the needs of our employees.

Characteristics of the Company's employees[69]

As at 31 December 2024, the HSE Group employed 3,202 people, including TEŠ and the Premogovnik Velenje Group, which are no longer part of the HSE Group as of that date. Of these, 3,047 were permanent (481 women (16%) and 2,566 men (84%)) and 155 were temporary, of whom 11 were women (7%) and 144 men (93%). 3,143 were full-time (467 women (15%) and 2,676 men (85%)) and 59 were part-time (25 women (42%) and 34 men (58%)). 3,200 were employed in Slovenia and 2 abroad.

	as at 31/12/2024	
Type of employment contracts	**Women**	**Men**
Number of permanent employees	481	2,566
Number of temporary employees	11	144
Total	**492**	**2,710**

Type of employment by working time	**Women**	**Men**
Number of full-time employees	467	2,676
Number of part-time employees	25	34
Total	**492**	**2,710**

Fluctuation rate

The fluctuation rate at HSE Group level is 9.4% in 2024, an increase of 0.2 percentage points compared to 9.2% in 2023. In 2024, 207 new staff members were recruited and 306 staff members were terminated. The most common reasons for termination of employment are retirement and amicable termination of employment in order to continue the career in other work environments.

Employee data are based on records from the HR information systems of individual HSE Group companies and are defined as the number of employees at the end of the reporting period. The number of employees represents the actual number of employees in the HSE Group, regardless of whether they work full-time or part-time, with 40 hours per week being taken as full-time. There are no employees in the HSE Group without a guaranteed number of working hours. To calculate the fluctuation rate, we have aggregated all departures of employees who voluntarily left a company in the HSE Group, were made redundant, had their employment terminated due to the expiry of a fixed-term contract, retired, died or were terminated as a result of suspension. To calculate the average number of employees, we used the following formula: (number of employees on the last day of the year + number of employees on the last day of the period)/2. To calculate the turnover rate, we used the following formula: (departures during the period/average number of employees during the period) × 100. The figure includes data for the following companies: SENG, DEM, HSE, RGP, ECE, Energija plus, HSE Invest, PV, TEŠ, HTZ, PLP, SIPOTEH.

Long-term employee inclusion and access to social rights[70]

POLICY

The HSE Group provides a high degree of job stability. The predominant form of employment is permanent and full-time, reflecting our commitment to long-term, quality working relationships. Fixed-term and part-time jobs are only available on a limited basis and are usually justified by special circumstances such as parental care, health constraints or temporary organisational needs. In all cases, compliance with the law and equal treatment of workers are ensured, regardless of the form of employment. This approach contributes to greater staff stability, organisational resilience and the maintenance of core competencies within the Group.

All employees are covered by social protection schemes provided by both public and internal systems in accordance with legislation, collective agreements, participatory agreements and internal acts. Social protection includes rights in the event of loss of income due to sickness, unemployment, injury or disability arising from work, maternity, paternity and parental leave, and on retirement. In addition to the legal obligations, additional forms of social security are provided within individual companies, such as supplementary insurance, solidarity funds, additional days of absence and other measures defined in collective agreements or internal acts. The HSE Group is committed to maintaining and progressively upgrading the level of social protection, in particular for vulnerable groups of employees, and to ensuring that workers are properly informed of their rights. Cooperation with employee representatives at company level allows measures to be tailored to the real needs of the workforce, contributing to greater social security, job satisfaction and stability in the working environment.

For the employees of TEŠ and the Premogovnik Velenje Group, which became directly linked to the implementation of the national fair transition strategy with the spin-off from the HSE Group at the end of 2024, challenges related to the gradual restructuring of the activities remain in the medium and long term. The focus is on keeping employees in work, including through support for continued employment in a changed work organisation, retraining and integration into new development programmes. The objective of all stakeholders remains a fair and as socially sustainable transition as possible.

MEASURES TO STRENGTHEN THE SOCIAL PROTECTION OF EMPLOYEES[71]

In addition to the compulsory forms of social protection, HSE Group companies provide employees with additional benefits that make an important contribution to the objectives of ensuring their maximum social security and overall quality of life. A number of Group companies have introduced supplementary pension schemes and supplementary health and accident insurance schemes that go beyond the statutory entitlements. In the event of sickness, employees have access to sickness absence benefits above the statutory level. In view of the growing need for holistic care for our employees, we specifically promote measures to maintain and strengthen mental health, including the possibility of free psychological support and counselling. Financial assistance mechanisms are available to employees in the event of social hardship or difficult life circumstances. We provide families and parents with support measures to help them reconcile work and private life, including when returning to work

69 ESRS S1-6 (48; 50 a; AR 55; 50 b; 51; 50 c; AR 59; 50 d; AR 60; 50 d i; 50 d ii; AR 58; AR 59; 50 f)

70 ESRS S1-6 (48; 50 a; AR 55; 50 b; 51; 50 c; AR 59; 50 d; AR 60; 50 d i; 50 d ii; AR 58; AR 59; 50 f)

71 ESRS S1-4 (35; 37; 38 a; 38 c; 38 d; AR 43); MDR-A; MDR-T (81b)

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after a long absence. These measures are implemented in close cooperation with employee representatives and are adapted on an ongoing basis to the needs of employees at company level. The measures are implemented on an ongoing basis or form part of the commitments made by HSE Group companies as employers in collective agreements, participatory agreements and internal acts, and are implemented in accordance with those commitments. Together, they form an important part of our commitment to creating a healthy, supportive and inclusive workplace.

OBJECTIVES

The HSE Group will continue its efforts to maintain and build on the high level of employee social protection as one of the key foundations of responsible employee relations management. Our aim is to contribute to higher work engagement, increased productivity, reduced absenteeism, improved organisational climate, reduced turnover and increased attractiveness of the Group as an employer by providing additional forms of social security in the long term, thereby also reducing the risks of adequate staffing. In the future, we will pay particular attention to the development of systematic monitoring of the impact of interventions and measurable performance indicators to better assess the results achieved and to provide an analytical basis for further policy development in the field of social protection. This is to ensure that our actions remain targeted and effective in supporting the long-term stability and well-being of our employees.[72]

Continuous development of knowledge and skills[73]

POLICIES

At the HSE Group, we are aware of the key importance of **continuous professional development of our employees' knowledge and skills** as a foundation for long-term success, safety at work and adaptability to changes in the energy sector, and thus strengthening our competitive position in the market. We believe that competent and motivated employees are the foundation for safe, efficient and sustainable operations. Training and education are regulated by internal company-level acts and supported by agreed practices that have been in place for many years. A Group-level **Training Organisation Agreement** was already adopted in 2008, defining the basic rules, responsibilities and modalities for joint training activities, and the system is regularly upgraded. Implementation is the responsibility of the relevant professional services or company management.

MEASURES[74]

All HSE Group companies systematically plan and implement **annual training programmes** for employees, including **professional training, certification, e-learning, workshops and mentoring.** We also use **digital platforms** to provide access to learning content on demand. In addition to professional skills, we place particular emphasis on developing **leadership competences, soft skills and knowledge transfer** between employees. Our approach is based on promoting lifelong learning and providing access to knowledge to all employees – regardless of their role or profile – in line with the needs of the business and their individual development goals.

We transfer knowledge through various forms of formal and informal learning, encouraging cooperation, peer support and the transfer of experience between employees. We place particular emphasis on intergenerational learning, involvement in educational processes and sharing knowledge in our daily work, through presentations, in-house training or other forms of cooperation. The **annual training plan** is based on interviews with employees, the needs of work processes and applicable regulatory requirements.

In 2024, particular emphasis was placed on **internal knowledge transfer** through the organisation of in-house training courses delivered by internal lecturers. In 2024, we had 50% more in-house lecturers than in 2023. We organised networking "Megawatt Hours" on various topical issues. In 2024, we focused on presentations of major projects in the HSE Group, such as the Podselo small hydro-electric power plant, wind farms in DEM and the North Adriatic Hydrogen Valley (NAHV). In an in-house AI event, "Connecting Knowledge and Innovation at HSE Group", we explored with experts how AI impacts our daily processes and shared concrete use cases that demonstrate its potential.

In autumn 2024, we implemented an **e-learning platform** at HSE Group company level with more than 500 up-to-date contents in various areas – managerial, professional, language, IT, statutory and other – which will make a significant contribution to the achievement of our objectives in the future. The portal will be updated monthly with new topical content, and a strong focus will be placed on developing our own content. With the education portal, we want to create a dynamic learning environment that adapts and grows according to our needs.

In 2024, the first activities were carried out to upgrade the integrated human resources development system. To ensure the **stable filling of key positions in the organisation and the long-term retention of key staff,** we have initiated processes to establish a formal **key staff management and succession** programme. This programme will provide individual career plans for key staff and coaching to develop future leaders. The main objectives of the programme are to ensure stability and continuity of management, to enable long-term career development of employees and to strengthen the resilience of HSE Group companies to sudden change.

We also looked at **corporate culture – a culture of virtues and values.** We already started the training at the end of 2023. In 2024, we continued to develop corporate culture guidelines, which we will pass on to all employees through training in the coming years.

The effectiveness of the measures is monitored through regular annual interviews.

Systematic management of staff competences and development[75]

We want our employees to be motivated and committed. That's why we have **a performance appraisal and promotion system with strict criteria.** Our reward system promotes individual and team successes. One of the important objectives of the remuneration system is to achieve good results, motivate and retain successful employees, and support their personal and professional development while achieving the Company's business objectives. Rewards are based on pre-defined or expected results and are based on an assessment of the level

72 MDR-T (81 b)

73 S1-13 (81; 82; 83; 84; 85; AR 78; AR 79); MDR-P

74 MDR-A; ESRS S1-4 (35; 37: 38 a; 38 c; 38 d; AR 43)

75 ESRS S1-13 (83 a; AR 77; 83 b; AR 78); MDR-A; ESRS S1-4 (35; 37; 38 a; 38 c; 38 d)

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Training and skills development (01/01–31/12/2024)	Women	Men	Total
Number of employees by gender on the stated date	493	2,709	3,202
Number of staff members interviewed at regular annual interviews	313	816	1,129
Proportion of female/male employees interviewed at regular annual interviews in relation to the total number of female/male employees	63%	30%	
Percentage of staff members interviewed at regular annual interviews (%) in relation to the total number of staff members	10%	25%	35%

Education (01/01–31/12/2024)	Women	Men	Total
Total number of training hours	11,426	93,232	104,658
Average number of training hours per employee by gender	23	34	
Average number of training hours per employee			33

The average number of training hours per employee by gender is calculated using the formula: the total number of training hours by gender for all employees in HSE Group companies divided by the total number of employees in HSE Group companies. The figure includes data for the following companies: SENG, DEM, HSE, RGP, ECE, Energija plus, HSE Invest, PV, TEŠ, HTZ, PLP, SIPOTEH.

of achievement or exceeding of the objectives set. In addition, our employees are rewarded through various stimulations and rewards for exceptional successes. Team rewards are based on pre-defined or expected results.

Regular annual interviews are one of the central tools for managing and developing staff and monitoring the effectiveness of actions taken. They enable managers to review the objectives achieved, plan future activities, and make proposals for the further professional and career development of the individual. They also make an important contribution to better communication, increased motivation and alignment of employees' personal goals with the organisation's strategic objectives, which in the long term also has an impact on productivity and job satisfaction. Based on annual discussions and the needs of work processes, **training plans** are drawn up annually.

In 2024, 1,129 annual employee interviews were held across the HSE Group. The number of women included was 313, representing 63% of the total number of female employees in the Group, and 816 men, representing 30% of the total number of male employees. In the companies of the Premogovnik Velenje group, the share of those involved was slightly lower, which is due to the specific nature of work in production and mining operations.

HSE Group employees in total trained 6% more compared to 2023. In 2024, HSE Group employees were trained for a total of 104,367 hours, compared to 98,296 hours in 2023. The average number of training hours per employee increased to 33 hours, an average of 3 hours more than in 2023 and 7 hours more than in 2022, when the average was 26 hours. The lower share of women in the average number of training hours in the HSE Group is attributed to the gender mix in the energy sector, which has traditionally been male-dominated, particularly in technical and operational occupations. We recognise the importance of inclusion and equal access to knowledge for all employees, and will continue to monitor disparities between employee groups and undertake further analysis and measures to ensure equitable access to education and training for all, regardless of gender or other personal circumstances.

Occupational health and safety[76]

Providing a safe and healthy working environment is our fundamental responsibility and a key factor in the health, safety and long-term performance and satisfaction of our employees. **The HSE Group's Occupational Health and Safety and Fire Safety Policy** is embedded in all key processes within the Group. All employees (100%) are covered by the occupational health and safety system in accordance with the Occupational Health and Safety Act (ZVZD-1) or the Mining Act (ZRud-1), where applicable. Most of the Group's companies also have an occupational health and safety management system in place in accordance with **the international standard ISO 45001.**

Responsibility for implementing the policy and managing the risks and impacts in the area of occupational safety and health lies with the professionally qualified staff in each company. They also participate in the regular HSE Group occupational health and safety and fire safety colleges, where they coordinate common policies, share best practices, and ensure uniform and coordinated management across the Group.

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Employee health and safety training and education are provided in accordance with legislation, collective and company agreements, and company bylaws. Occupational safety and health are actively promoted through internal communication channels, cooperation with employee representatives (works councils), and regular monitoring and assessment of working conditions.

We achieve our objectives in the area of occupational health and safety and fire safety for all employees in the HSE Group through **an integrated system of planning, implementation, monitoring and continuous improvement of measures to prevent accidents, injuries at work and other incidents.** Occupational health and safety are integrated into all key business processes, responsibilities are clearly defined, and a safety culture is part of the everyday working environment. **Key measures** include the **preparation of safety statements with risk assessments,** the production and use of safe work instructions, the **implementation of regular training and knowledge tests** – both theoretical and practical – and

76 ESRS S1-14 (86; 88 a; AR 80; AR 81; 88 b; AR 82; AR 89,;- AR 91; 88 c; 88 d; 88 e, AR 95) MDR-P

77 MDR-A; ESRS S1-4 (37; 38 a; AR 42; 38 b; 38 c; 38 d; 39; 40 a; AR 47; 40 b; 41; AR 37; AR 34)

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the regular monitoring of work processes. We place special emphasis on addressing all perceived hazards, incidents and accidents, involving all stakeholders and encouraging open dialogue with employees on issues related to the working environment, equipment, work procedures, personal protective equipment and suggestions for improvement. The competent occupational health and safety and fire safety departments draw up annual occupational **health and safety programmes,** setting out the measures to be taken, the persons responsible for implementation, the estimated costs and the deadlines for completion.

The greatest risks to the health and safety of employees are identified in the mining activities carried out by the Premogovnik Velenje Group. For workplaces with higher risk levels, additional measures are in place in accordance with mining legislation and the General Act on Occupational Health and Safety, adapted to the nature of the work and the specific conditions involved.

In the event of an emergency or other security incident, these shall be recorded in the relevant internal systems, providing for the necessary actions to address the cause or consequences, the persons responsible and the timeframe for implementation, and an assessment of the effectiveness of the actions. We monitor the effectiveness of all OSH measures against the achievement of targets by company.

Respect for the fundamental rights of employees, especially in the area of **health and safety at work,** always takes precedence over business objectives or other interests. All processes, from strategic planning to operational implementation, are designed to first ensure a **safe and healthy working environment** for all employees and external contractors. This commitment is a key part of the HSE Group's responsibility.

A central objective shared by all Group companies is the commitment to prevent all work-related accidents, work-related illnesses and other incidents that could jeopardise the safety of employees. Quantitative targets are also defined at company level, depending on the specific activities and perceived risks, such as preventing and reducing accidents, improving safety culture, increasing participation in training and reducing absenteeism due to work-related injuries. By setting these objectives and monitoring the results achieved, we ensure an effective risk management system and reinforce a culture of safety. Actions and indicators are regularly reviewed and adjusted where necessary, allowing responsive and accountable management of this key area.[78]

Occupational health and safety.[79]	Unit	HSE Group
% of persons in own workforce covered by the company's health and safety management system in accordance with legal requirements and/or recognised standards or guidelines	%	100
Number of deaths from work-related injuries and diseases	Number	0
Number of work-related injuries	Number	193
Rate of work-related injuries		33.98
Number of cases of occupational diseases	Number	1
Number of days lost due to work-related injuries, illness, death	Number	13,616.50

The work-related injury rate is calculated using the formula (annual number of injury cases in all HSE Group companies/total number of hours worked by all employees in HSE Group companies in 2024) × 1,000,000. The figure includes data for the following companies: SENG, DEM, HSE, RGP, ECE, Energija plus, HSE Invest, PV, TEŠ, HTZ, PLP, SIPOTEH.

Reconciling work and private life[80]

At the HSE Group, we are committed to supporting employees in balancing work and family life, as we believe that work-life balance is key to their wellbeing and success. Individual companies in the Group have been awarded the Family Friendly Company certificate or other certificates confirming their commitment to social responsibility and care for their employees. All our companies take measures to give employees flexible working conditions and to help them balance work and family commitments effectively. Caring for the well-being of our employees is a key guiding principle and an integral part of our organisational culture. All HSE Group employees are entitled to family leave.

Key measures to ensure reconciliation between work and family life include the introduction of **flexible working hours, the possibility of hybrid working** and **reduced working hours for parental responsibilities.** The right to **digital switch-off** is implemented in accordance with legislation and internal policies.

Employees are entitled to **additional days of paid leave** in cases of personal circumstances, such as caring for children or elderly family members. In emergencies, children can also be temporarily present at work. In 2024, we further strengthened our mental health activities – free psychological support is available to all employees, and we provided training on healthy lifestyles and stress management techniques. These measures promote employee well-being, long-term employee satisfaction and greater organisational resilience.

We recognise that this is an area that has a significant impact on employee satisfaction, productivity and long-term retention, and we are working to establish a systematic approach to setting measurable objectives, monitoring their achievement and integrating these objectives into the broader human resources management system. Our aim is to ensure that work-life balance continues to evolve as an integral part of organisational culture and to monitor the impact of existing and future measures to support employees through measurable indicators.

Decent pay for work[81]

All HSE Group employees are paid in line with or above the minimum standards set by law and the decent pay threshold as defined by industry and regional benchmarks. When setting pay policies, we take into account employees' ability to earn a decent living, the cost of living and equal treatment according to gender, job and form of employment. Salaries and allowances are set in a transparent and fair way, with regular consultation of workers' representatives through works councils, trade unions and other forms of social dialogue. This approach ensures stability, equity and long-term employee satisfaction.

78 MDR-T

79 ESRS S1-5 (47 a; 47 b; 47 c)

80 ESRS S1-15 (93 b; 94); MDR-A; ESRS S1-4 (35; 37 ; 38 a; 38 c; 38 d)

81 ESRS S1-10 (69, AR 72 – AR 74)

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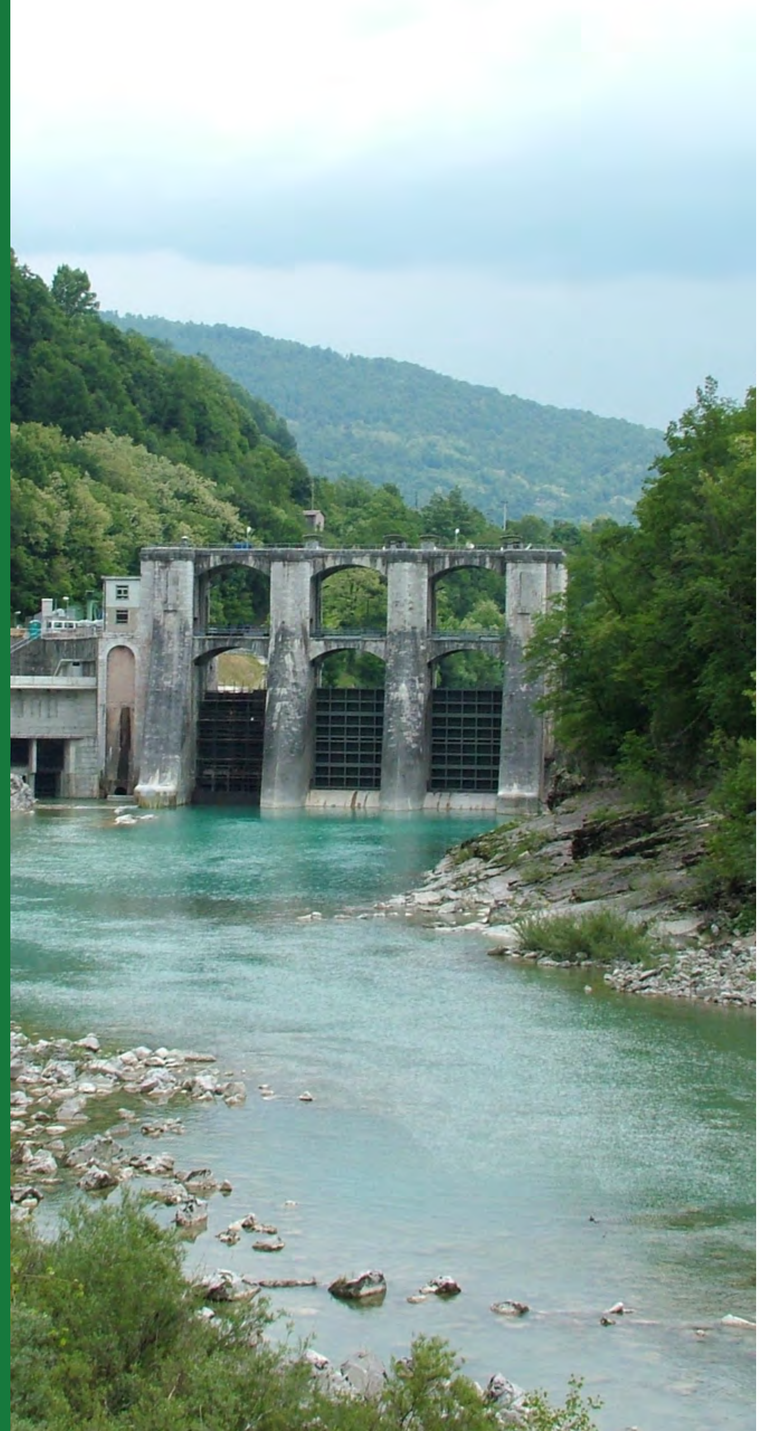

Key elements are sectoral and company collective agreements, participatory agreements and compliance with applicable Slovenian labour and social legislation, which together ensure respect for the right to decent pay for all employees. The principle of fair and equal pay is also included in the HSE Group Code of Ethics and supported by regular social dialogue with employee representatives. This approach allows wage policy to be coordinated, transparent, equitable and responsive to changes in living conditions and the labour market. In line with this commitment, we regularly coordinate with works councils, trade unions and other workers' representatives, comparing average wage benchmarks for the sector and the region. We systematically harmonise wages and benefits in cooperation with employees and social partners, taking into account both legislative requirements and industry best practice. Going forward, we will continue to strengthen monitoring and adjustment mechanisms to ensure fair and decent working conditions for all employees.

Issues related to pay, remuneration and pay structure are regularly discussed in the context of social dialogue. Within Group companies, we also work to monitor the fairness and competitiveness of pay and to address any imbalances, including monitoring gender pay gaps.

2.9.11 COOPERATION WITH COMMUNITIES (ESRS S3)

Stakeholder interests and views[82]

The activities of HSE Group companies have significant and long-term impacts on local communities and the wider environment in which we operate. We know that their trust is key to successful coexistence and sustainable development. That's why the HSE Group has a comprehensive set of engagement mechanisms and processes in place to enable open dialogue and constructive engagement of local and other communities and stakeholders in all phases of our projects and operations. For a more detailed description, see the section *Cooperation procedures* below. We pay particular attention to respecting the needs of the local and regional environment, protecting nature and creating the foundations for a long-term partnership with local people and wider society. The results of these collaborations inform our strategic orientations and business models, particularly in the siting of new energy facilities and the scope of our regular electricity generation operations. Impacts on local and wider communities related to the transition to a zero-carbon economy in the Savinja-Šalek region were also an important aspect in 2024. This approach is intended to build trust in our projects and contribute to sustainable development in the areas where we are present, while at the same time strengthening and spreading the trust and good voice of the HSE Group.

Impacts, risks and opportunities[83]

The following table describes our significant impacts related to the communities in which our companies operate, i.e. mainly the local communities in the vicinity of our existing and planned energy installations. A more detailed analysis of the impacts and risks within supply and value chains was not yet carried out in 2024 and will be further developed in subsequent reporting periods.

A description of the process for identifying significant impacts, risks and opportunities is described in more detail in section *2.9.4. Double Materiality Analysis*.

82 ESRS 2 S3.SBM-2 (7); ESRS 2 S3.SBM-3 (8 a; AR 3; AR 4; 9; AR 5-6)

83 ESRS 2 S3.SBM-3 (8 b; AR 3; AR 4; AR 5; 9 a i; 9 a ii; 9 a iii; 9 b; 9 c; 10; AR 7)

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Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Promoting local development and quality of life The HSE Group contributes to the sustainable development of the regions where it operates – by creating jobs, investing in cultural and sports infrastructure, working with local businesses and supporting socially vulnerable groups. This strengthens social inclusion, intergenerational cohesion and reduces regional disparities.	Positive actual impact	Own activity	S, M, L
The impact of a fair transition on local communities Coal phase-out and restructuring of the energy sector can lead to job losses, reduced economic activity and social and cultural changes in coal-dependent regions. The HSE Group addresses these risks in line with the principles of a just transition and works with stakeholders to support measures to maintain quality of life, develop new activities and ensure the long-term resilience of local communities.	Potential negative impact	Own activity	S
Involving local communities in planning and development We encourage open and inclusive dialogue with local communities, especially when planning energy projects and other activities with environmental impacts. Involvement at early stages allows a better understanding of local needs, reduces the risk of conflict and increases the social acceptability of projects. This approach builds trust and contributes to responsible development in the long term.	Positive actual impact	Own activity	S, M, L
Contributing to the safety of local communities We contribute to the protection of people, property and the environment through flood protection measures in the management of hydropower facilities and through the operation of the mining rescue service of the Velenje Coal Mine, which is also actively involved in accidents outside the industrial area. In doing so, we strengthen the resilience of local communities to natural and technical disasters and demonstrate a wider responsibility towards the environment in which we operate.	Positive actual impact	Own activity	S, M, L

Period: S – Short term; M – Medium term; L – Long term

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Policies[84]

Key aspects of our engagement with local and other communities are contained in the HSE Group Code of Ethics, which guides our daily conduct, supports the HSE Group's objectives, mission and vision, and forms the basis for long-term engagement with our colleagues and stakeholders. The Code is publicly available on our website and forms part of our general terms and conditions. This Code guides our efforts in promoting local development and quality of life for local communities, involving local communities in planning and development, contributing to the safety of individual local communities, and committing to a just transition to a zero-carbon economy. It binds all HSE Group employees, as do other documents such as the HSE Group Communication Policy and the HSE Group Sponsorship and Donation Awarding Strategy. All employees of HSE Group companies, or company management, are responsible for implementing these policies.

We also take into account and use a number of stakeholder engagement mechanisms in our work. Key aspects of the principles and forms of engagement as described in the previous paragraph have also been summarised in 2025 in the **HSE Group's** specific **Stakeholder Engagement and Cooperation Strategy,** which shows that the HSE Group is committed to a sustainable, accountable and transparent relationship with all stakeholders, including local communities, employees, suppliers, business partners, institutions and the wider public, government bodies, professional associations, research and educational institutions, NGOs and other stakeholders. Our policy is based on **respect for human rights, care for the environment and social responsibility,** and involves working with stakeholders in value chains, expecting suppliers and partners to follow our ethical and sustainability standards. Policies are aligned with national and international standards, including the UN Guiding Principles on Business and Human Rights, regulations, good practices and legislation governing engagement with affected communities or stakeholders.

Cooperation procedures[85]

We strive for **open, transparent and inclusive engagement with local communities and other stakeholders,** especially in the context of **planning, developing and implementing projects that may affect the environment, space or the lives of local people.** Cooperation takes place either directly or through local representatives (municipalities, associations, initiatives). All companies in the HSE Group conduct their communication activities in accordance with the common principles set out in the HSE Group Communication Policy and the guidelines of the applicable policies.

To build and maintain trust, we use **various forms of information and dialogue,** such as briefings, public presentations, local media announcements, digital communication platforms and information points. This ensures that residents are regularly informed in a timely and comprehensible manner about the content of our activities and planned interventions, and promotes two-way communication.

When planning major investment projects, we carry out comprehensive **spatial planning procedures**, including studies of alternatives, environmental and social impact assessments and the preparation of mitigation measures. The procedures allow for the active involvement of affected communities and NGOs from the early stages of decision-making. The comments and views received from stakeholders are documented and, where possible and appropriate, incorporated into further planning. In addition to the statutory procedures, we encourage additional, informal ways of involvement, such as individual discussions with interested residents, open debates in the local environment and cooperation with NGOs and professional organisations. We are committed to ensuring that the views and concerns of all relevant stakeholders are taken into account in decision-making processes, contributing to more acceptable and sustainable solutions. Our other regular activities also include methods and channels of engagement through which stakeholders can express their views and initiatives, either directly or through their representatives.

The channels for raising concerns are accessible to all interested communities and include public announcements by contact persons, information points at project sites, online forms and the possibility of direct dialogue at public hearings. In the event of potential negative impacts, a system is in place to deal with complaints or concerns in a responsive and transparent manner and, where warranted, to take corrective action. Whistleblower protection mechanisms are also available to all, as described in Section *2.9.13. Business conduct (ESRS G1)*.

We believe that this approach strengthens long-term relationships with the local environment, reduces the risk of conflict and contributes to a higher social acceptance of projects, as demonstrated by the number of successfully completed projects.

The responsibility for ensuring effective and transparent engagement with local communities and other affected stakeholders lies with the HSE Group's appointed project managers, company management and designated communicators. They keep affected communities regularly informed, gather their views and opinions, and involve them in decision-making processes.

The effectiveness of cooperation is currently assessed mainly on the basis of the projects implemented, the relationships established and maintained with local communities, regular meetings with stakeholders and the extended network of local partners. On selected projects, we additionally monitor stakeholder reactions (both positive and negative), which gives us better insight into perceived impacts and further build trust or improve communication approaches. In the future, we will build on the systematic monitoring of the effectiveness of participation processes, including the development of methods to measure the quality of integration and assess the perceived impact on communities. This will further strengthen our ability to respond to stakeholder expectations and ensure more inclusive, transparent and accountable impact management.

84 ESRS S3-1 (12; 14; 16; 16 a; 16 b; 16 c; 17; 18; AR 9; AR 10); MDR-P

85 ESRS S3-2 (19; 21, AR 16; 21 a; 21 b, AR 15; AR 14– AR 15; 21 d; 22; 23, AR 13); ESRS S3-3 (25; 27 a; AR 17; AR 22; 27 b; AR 18; 27 c; 27 d; AR 19; AR 20; AR 21; AR 28)

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Measures – acting responsibly in the social environment[86]

The HSE Group actively engages with local communities, stakeholders and organisations to manage impacts on local development. To this end, we have a number of measures in place, including **supporting local associations, initiatives and projects** that contribute to the development of the local environment, promoting stakeholder involvement in project design and decision-making, **awareness-raising and education measures, promoting the local economy and employment, providing access to information,** and **targeted sponsorships and donations.**

The management of these activities is based on the HSE Group Sponsorship and Donation Awarding Strategy, which sets out the criteria, procedures and priority objectives for such support. The objectives of the sponsorship activities include strengthening the visibility of the HSE Group, supporting positive projects in sport, culture, science and charity, and exercising social responsibility at local and regional level. Donations are primarily targeted at supporting the wider community and vulnerable groups, and at projects that contribute to improving the quality of life in the environment where the HSE Group operates. Both instruments – sponsorships and grants – help to increase visibility, trust and strengthen links with local communities and to increase the social acceptance of development projects. In 2024, the HSE Group awarded sponsorships of more than EUR 400,000 to individual communities and initiatives for these purposes.

In 2024, the work in this area was coordinated by the sponsorship and donations committee, which considered and approved a number of projects aimed at supporting local development, culture, youth, sport and vulnerable groups. In the future, we will strive for more structured monitoring of the impact of actions on affected communities and for further strengthening stakeholder involvement in the planning of activities related to the development of the regions and communities in which we operate.

Major projects in the area of engagement with local and wider communities in the HSE Group in 2024 include the following initiatives:

- **Setting up information points for major infrastructure projects.** Information points have been set up in major infrastructure projects to communicate directly, transparently and openly with local communities. Residents, associations, NGOs and other stakeholders can use these points to gain insight into the development of projects, raise questions or express concerns. The practice has proven to be effective and we plan to extend it to all future projects in the HSE Group.
- **Support for the Ekošola programme.** In 2024, we were actively involved in raising awareness and educating young people about the importance of sustainable development, renewable energy and energy efficiency. In cooperation with Ekošola, we run educational events in local communities, with the aim of running at least five such events a year.
- **Establishment of a project council for the Kozjak PSHPP project.** As part of the strategically important Kozjak PSHPP project, a project council was established, which includes the mayors of the local municipalities of Selnica ob Dravi, Pesnica and Maribor, as well as representatives of the investor. The purpose of the set-up is to collaborate, involve local stakeholders and strategically communicate the project to ensure correct and rapid transfer of information. In this context, the project has been presented to local communities in various ways, through information points as well as a number of public consultations.
- **Active role of Premogovnik Velenje in the transition from coal.** Premogovnik Velenje is actively contributing to a just transition in the region by participating in a number of national and European projects. As part of the commitment of the Velenje City Municipality, it has joined the European initiative “Mission 100 Climate Neutral and Smart Cities”, with the aim of supporting the city's climate neutrality by 2030. As a partner in REECOL (ecological restoration of mining areas) and CoalHeritage (preservation of mining heritage) projects, the company is involved in the development of solutions for the environmental restoration and preservation of the cultural identity of the coal region. An important step towards an open dialogue was the hosting of the coal regions in transition policy dialogue, which brought key European and national stakeholders to Velenje. By taking an active role in the Skills+ project, Premogovnik Velenje is addressing the challenges of the skills shortage and strengthening cooperation in the development of apprenticeship programmes, which are important for the future of the region.
- **Support for sustainable mobility among employees and communities.** 43.75% of all employees participated in ECE's Our Green Commute sustainability campaign from 13 May to 31 May 2024 (35 out of 80 employees at the time), with every employee using at least one form of sustainable mobility, and some also using several forms of transport (bike, walk, electric car, carpool) during the campaign period. As an e-Mobility partner, we supported the Poli Marathon, which took place in Ptuj on 1 June 2024. In cooperation with the University Sports Federation Maribor, the 19th edition of ZZrolano mesto took place in Maribor on 22 September 2024 as part of the European Mobility Week.
- In September 2024, in cooperation with the Centres for Social Work of North-Eastern Slovenia and partners Maribox, Marprom and Pekarna Hlebček, we organised **two cinema viewings for more than 200 children from socially disadvantaged families.**

We are committed to preventing and minimising negative impacts and taking appropriate remedial action in relation to potential impacts on affected communities. Our approach is based on the principles of responsible operations and social responsibility, with the aim of ensuring respect for the economic, social and cultural rights of the people in the communities where we operate.

Transition to a carbon-free economy

In 2022, Slovenia adopted a National Strategy for Coal Exit and Restructuring of Coal Regions in line with the principles of a just transition, which foresees the phase-out of coal by 2033. The strategy includes a series of measures to limit the socio-economic impact of coal phase-out on the affected regions, in particular the Savinja-Šalek region. At the end of 2024, the Act on Transitional Financing of Accelerated and Fair Coal Phase-out was adopted, which provides, among other things, that Thermoelectric Power Plant Šoštanj (TEŠ) shall continue to provide the public utility service of heat supply to the municipalities of Velenje and Šoštanj from 1 January 2025

86 ESRS S3-4 (32 a; 32 b; 32 c; AR 37; 32 d; AR 31; AR 32; 33 a; AR 25 a; AR 25 b; AR 25 c; AR 25 d; AR 28; 26; 35; 36; 38); MDR-A

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to 30 April 2027. The Act has a direct impact on the social and economic stability of the local environment by allowing a transition period to prepare for the changes and reducing the risks of sudden supply disruptions and job losses.

In 2024, the HSE Group was actively involved in drafting legislation, coordinating with government institutions and designing solutions that take into account impacts on local communities, employees and the wider environment. In this context, we worked towards a balanced approach that combines energy security, decarbonisation and social justice.

At the end of 2024, TEŠ and PV were separated from the HSE Group, so the HSE Group is no longer directly involved in the implementation of legislation or further restructuring processes in the coal region after that date. Nevertheless, the HSE Group remains an important system stakeholder in the Slovenian energy transition, with an awareness of its long-term impacts on local environments and affected communities.

Objectives[87]

In the area of community engagement, our objectives are focused on the successful coexistence of our companies and local and wider communities, which we assess and monitor through a number of successful community engagement projects and the support of local people, as well as the achievement of our spatial planning objectives. At the current stage of the development of reporting systems, such targets have not yet been formally defined at group level in line with the requirements of the ESRS standard. However, we are taking targeted action in specific areas to support local development, involve stakeholders and reduce negative impacts, which is already contributing to positive social impacts.

In the coming period, we will work to develop additional processes for systematic data collection, the use of best practices and the establishment of appropriate indicators to define and monitor the achievement of targets in this area, in line with the principles of sustainability reporting and responsible action.

2.9.12 CONSUMERS AND END-USERS (ESRS S4)

Impacts, risks and opportunities[88]

In the context of the activities carried out by the HSE Group companies, we identify significant impacts, risks and opportunities in the areas of distribution or supply of electricity to household customers through our retail companies (ECE and Energija plus) and supply of heat energy supplied by TEŠ to the Velenje Municipal Utility Company, which supplies heat to the inhabitants of the municipalities of Šoštanj, Velenje and Šmartno ob Paki. In the course of these activities, we take into account their interests, views and rights, including respect for their human rights, which is reflected in our strategy or efforts to ensure a reliable, affordable and secure supply of electricity and heat and to treat all customers equally and in a non-discriminatory manner.

A description of the process for identifying significant impacts, risks and opportunities can be found in section *2.9.4 Double Materiality Analysis*.

Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Equal access and information for end-users We ensure that all electricity end-users are treated equally in accessing services and are provided with transparent, understandable and timely information – regardless of their social, demographic or geographical situation. We provide customers with non-discriminatory access to care and ensure that the conditions and options for using the services are clearly communicated.	Positive actual impact	Own activity	S, M, L
Ensuring affordable electricity and action to reduce energy poverty Through programmes to improve and maintain access to electricity, we contribute to an affordable and reliable supply of electricity to households in Slovenia. We are taking action to ensure that vulnerable groups have access to energy, thereby supporting basic energy supply and preventing energy exclusion.	Positive actual impact	Own activity	S, M, L
Providing heat energy for the inhabitants of the Šalek Valley In 2024, we contributed to ensuring basic living conditions in the local environment by providing a reliable and uninterrupted supply of heat to the inhabitants of the Šalek valley.	Positive actual impact	Value chain (customers)	S
Risks of electricity price regulation in energy inclusion measures Measures to address the prevention of energy exclusion may entail regulatory risks, in particular in relation to the setting of sales prices, which may affect business conditions and the planning of future developments.	Actual risk	Own activity	S

Period: S – Short term; M – Medium term; L – Long term

87 MDR-T (81 a; 81 b)

88 S4.SBM-3 (9 a; 9 b; 10 a; 10 c; 10 d; 11; 12; AR 5-6; AR 7); ESRS 2 S4.SBM-2 (8)

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Policies[89]

Our policies on relations with electricity consumers in relation to ensuring access to safe, reliable and affordable energy, protecting consumers' rights and providing corrective measures are based directly on obligations under EU and Slovenian legislation governing electricity supply and consumer protection, which also implements commitments on respect for consumers' human rights, although we do not summarise them in separate or specific documents. These human rights policies include commitments to ensure affordable electricity, especially for household and vulnerable consumers; respect for consumer rights as set out in the Consumer Protection Act (ZVPot) and the Electricity Supply Act (ZOEE). This includes information and transparency obligations, which mean that customers receive clear, comprehensible and complete information on the conditions of supply; the prevention of energy poverty and compliance with measures to ensure uninterrupted access to electricity for vulnerable groups; and access to out-of-court dispute resolution (IRPS). Slovenian legislation in this area lays down detailed rules of operation. The policies apply to all our customers in Slovenia, where we carry out electricity supply activities. Because they are based on a legal framework, changes in legislation trigger changes in our practice. We regularly monitor legislative changes and adapt our internal procedures accordingly. The implementation of the policies is integrated into operational and sales processes, as well as customer relationship management (CRM) systems, complaints management, procedures for identifying vulnerable groups and meeting the requirements of the regulator (the Energy Agency). All procedures are aligned with legislation and internal guidance to ensure compliance. We plan to further strengthen our approaches and systems to ensure even more structured management of our relationships with household electricity customers.

No policies on thermal energy supply were adopted in 2024, as we have not yet extended them to customers within our value chains. From the end of 2024, TEŠ, whose activities we identify as having significant heat supply impacts, will no longer form part of the HSE Group.

Procedures for engaging with electricity consumers and procedures for corrective action[90]

Procedures for engaging with consumers, including mechanisms for enforcing corrective action, are in place as an ongoing practice, independent of the occurrence of any negative impacts. They are designed to regularly monitor the customer experience in the context of day-to-day business and to give customers the opportunity to express their views, opinions and any concerns they may have on any issues that affect them. Awareness of the available communication channels, including those for taking corrective action, is assessed by their accessibility and actual use by users – both through websites and face-to-face contact.

Engagement is based on the principles of transparency, timely information and responsiveness. Clear and accessible communication channels are available to customers to obtain information on terms, conditions, prices, services and any changes. A multi-channel communication system is in place, including web portals, telephone services, e-mail and conventional mail, information offices, energy solutions advice, a call centre and social networks. The information and feedback we receive in this way are taken into account to inform business decisions or activities that enhance positive impacts or avoid negative impacts. In electricity supply, these are available e.g. through regular publication of updated terms of supply and price lists, automated SMS/e-mail notification of changes to prices, terms, customer satisfaction surveys by call or e-mail, an established system to monitor average response time to customer calls/e-mails, in-house training programmes for employees to work with customers. Engagement is carried out either directly with electricity consumers or through their representatives or associations (e.g. the Slovenian Consumers' Association), on a regular and continuous basis or in the event of any requests.

It is the responsibility of the individual professional services or the management of the companies carrying out these activities to ensure that the Company's engagement is suitable and taken into account. The HSE Group's retail companies have an internal and external system in place to identify and ensure energy inclusion, which operates directly on the basis of monthly monitoring of the number of disconnections of customers for non-payment, arrangements with customers who have agreed to deferred or instalment payment, and the number of customer referrals to Social Work Centres and humanitarian organisations. It is also reported annually to the Energy Agency. This also gives us insight into the views of vulnerable customers. The effectiveness of cooperation is monitored and evaluated through successful examples of measures taken.

As well as providing information, we make it easy and efficient to submit complaints, questions or compliments to be dealt with by the relevant services. In line with the provisions of the Out-of-Court Resolution of Consumer Disputes Act, an out-of-court dispute resolution procedure with an external and impartial person is in place, which further strengthens the protection of users. In this context, whistleblower protection channels are also available to all, as can be seen in section *2.9.13 Business conduct (ESRS G1)*.

Measures relating to significant impacts on consumers and end-users

A number of actions and initiatives have been taken to address the identified significant impacts and risks related to the provision of electricity to households and end-users.

ENSURING AFFORDABLE ELECTRICITY AND PREVENTING ENERGY EXCLUSION[91]

The HSE Group is aware that an affordable and reliable supply of electricity is essential for ensuring the basic living conditions, health and social stability of household electricity consumers in the Republic of Slovenia. As electricity suppliers, we take steps to maintain affordability, in particular through government regulatory mechanisms. In 2024, at a time of energy crisis, we capped retail prices for households and small businesses in line with legislation and government measures, helping to protect vulnerable customer groups.

In implementing measures to reduce energy exclusion, we respect the principle of non-discrimination and ensure that all users are treated equally, regardless of their social or

89 ESRS S4-1 (15; 16, 16 a; 16 b; 16 c; 17; AR 9, AR 10; AR 11); MDR-P

90 ESRS S4-2 (20; 20 a, AR 14; 20 b; 20 c; 20 d; 21); ESRS S4-3 (25 a; 25 b; AR 19; 25 c; 25 d; 26)

91 ESRS S4-4 (32 a; AR 26; 33 a; AR 40); MDR-A

geographical situation. Alternative measures in the event of non-payment (e.g. additional reminders, instalment payment arrangements, cooperation with social work centres, humanitarian organisations and free counselling) are aimed at enabling access to basic energy services for all customers and are implemented in the context of regular business operations.

There are no specific action plans in this area, but we follow the regulatory requirements and the needs of our customers, and the actions are implemented in the context of our regular operations or end-user relations. The effectiveness of these measures shall be monitored as described in Section *2.9.12 Procedures for engaging with electricity consumers and procedures for corrective action*. No serious human rights issues or incidents related to end-users were reported in 2024.

ACT DETERMINING INTERVENTION MEASURES FOR THE PROVISION OF HEAT SUPPLY IN THE ŠALEK VALLEY[92]

In 2024, the HSE Group, through the Šoštanj Thermal Power Plant, will provide heat to the population of the Šalek Valley. As of 1 January 2025, TEŠ is no longer part of the HSE Group, so we do not record this impact at group level in the future.

The provision of heat during this transition period is crucial for the energy and social security of the region. In the meantime, the local community is working on long-term solutions and projects to switch to alternative, environmentally acceptable heat sources, which will contribute to a sustainable energy transformation in the Šalek Valley after 2027.

Managing the risks associated with price caps

In 2024, the legislation of suppliers to final customers defined a cap on the maximum allowable prices for specific vulnerable customer groups. The risk was identified in the preparation of the annual plan and appropriate provisions were made.

Objectives[93]

At present, we do not have formally agreed time-bound and measurable consumer and end-user relations objectives that fully meet the ESRS criteria. However, we recognise the importance of systematically managing impacts on users and the importance of equal access, non-discriminatory treatment and affordability of services. Our efforts are focused on maintaining a quality, reliable and affordable electricity supply, providing transparent information and treating all users in an inclusive and respectful manner. The effectiveness of these measures is monitored as described in *2.9.12 Procedures for engaging with electricity consumers and procedures for corrective action*.

We will strengthen our data collection and impact monitoring processes and develop measurable targets related to improving access, information and treatment of vulnerable user groups. This will ensure more structured management and reporting on the impact on consumers and end-users.

2.9.13 BUSINESS CONDUCT (ESRS G1)

At the HSE Group, we strive for the highest standards of integrity, ethical behaviour and transparency in all areas of our operations. We are aware of our responsibilities towards our stakeholders and society at large and have put in place appropriate mechanisms to ensure compliance with the law, prevent corruption and protect whistleblowers. Our operations are based on a code of business ethics, clear risk management systems and regular training for our employees.

Impacts, risks and opportunities[94]

The table below describes our significant impacts, risks and opportunities related to business conduct. A description of the process for identifying significant impacts, risks and opportunities can be found in section *2.9.4 Double Materiality Analysis*.

92 ESRS 2-IRO 2 (62)

93 MDR-T (81 a; 81 b)

94 ESRS G1.IRO-1 (6)

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Significant sustainability impacts, risks and opportunities for the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
A comprehensive system to prevent and detect corruption, bribery, fraud and abuse A systematic approach to preventing and detecting corruption, bribery, fraud and other abuses is in place, based on internal policies, control mechanisms and a culture of zero tolerance of unethical behaviour. This approach contributes to transparent and lawful business operations, reduces regulatory and financial risks, and builds the confidence of employees, business partners and other stakeholders in the Group's operations.	Positive actual impact	Own activity	S, M, L
Comprehensive whistleblower protection system A comprehensive system is in place to protect whistleblowers, including confidential reporting channels, safeguards against retaliation and clear procedures for dealing with reports. The system promotes the detection and prevention of unethical behaviour, strengthens the culture of integrity, increases employee and stakeholder confidence, and helps to reduce legal and financial risks.	Positive actual impact	Own activity	S, M, L
Promoting ethical operations and corporate culture We strive for a high level of ethical business conduct and the development of a corporate culture based on integrity, accountability and legal compliance. This approach builds stakeholder trust, promotes employee engagement, reduces the risk of unethical behaviour and contributes to the long-term stability and reputation of the Group.	Positive actual impact	Own activity	S, M, L
Risks of corruption, fraud and insider dealing The HSE Group recognises the systemic risks of corruption, fraud and insider abuse that are present in every major business system. Despite the mechanisms in place to prevent and detect these practices, such risks can affect the legality and integrity of the operations, lead to significant financial consequences (e.g. fines under REMIT or other legislation), and have a negative impact on the reputation and trust of stakeholders.	Actual risk	Own activity	S, M, L

Period: S – Short term; M – Medium term; L – Long term

Business conduct policies and corporate culture[95]

Ethical business conduct and corporate culture in the HSE Group are based on an integrated management system, which in turn is based on the HSE Group Code of Ethics, which sets out the key values and principles that guide the actions of all employees and business partners in accordance with moral, ethical and professional standards and generally accepted societal values. On this basis, a number of internal policies, procedures and the implementation of ISO standards have been developed to ensure a high level of compliance. The policies on business conduct and corporate culture are binding on all employees of the HSE Group, including company management, who are responsible for the implementation of the policies, and the supervisory bodies that oversee the implementation of the policies. Acts are available to all staff on the intranet and some of the more important overarching acts are also available on the website.

The procedures for dealing with whistleblowing are detailed in the Whistleblowing and Whistleblower Protection Policy, which applies to all companies in the HSE Group and to all business partners. The objectives include reducing the risk of fraud, raising awareness among employees, training on how to identify fraud, and protecting reputation and assets.

The business compliance and integrity system falls under the umbrella of the HSE's Business Compliance Department, which is made up of subject matter experts who have the required expertise and receive regular training and development in this area. The functioning of the internal control system is defined by internal acts and the main task is to manage the risks arising from non-compliance with legislation and internal acts at HSE Group level. The main areas of activity of the Compliance Department include participation in the management of the internal control system, prevention and detection of corruption and fraud, implementation of the HSE Group Code of Ethics, management of conflicts of interest, communication or reporting to external institutions and supervisory authorities, implementation of REMIT, EMIR and MiFID II, and implementation of collective activities to strengthen compliance and integrity, including education that emphasises the importance of compliance, ethics and responsible behaviour.

HSE Group companies' managements support zero tolerance to misconduct by example, which, together with regular (annual) training on ethical conduct, corruption and bribery

95 ESRS G1-1 (7; 9; 10 a; 10 c; 10 e; 10 g; 10 h); MDR-P (65 a; 65 b; 65 c); G1-3 (16; 18 a; 18 b; 18 c; 20; 21 a; 21 b; 21 c)

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for all employees, management and supervisory bodies, as well as more in-depth and targeted training for specific groups of employees on specific risks (e.g. misuse of inside information) conducted by the Compliance Department, strengthens employees' awareness of the importance of timely identification and reporting of misconduct issues. This protects the Group's reputation and assets.

All employees, regardless of their organisational level or function, are aware of and receive regular training and awareness-raising on measures to prevent corruption. This approach is based on the principle of a comprehensive preventive culture of zero tolerance of all forms of corrupt, unethical or illegal behaviour, which is why measures to prevent corruption and bribery are applied equally to all functions (treating everything as an equal risk). We currently carry out separate corruption risk assessments for each process, and will look at ways to build on our internal assessment of these risks in the coming years.

Trustees are appointed in each HSE Group company to deal with allegations of wrongdoing. The Compliance Department or other trustee to whom the report is assigned shall handle the report with due care, confidentiality and independence from the management chain involved in the case and shall not be bound by any instructions in the case.

In their activities in the areas of compliance, corporate culture, prevention and detection of corruption, fraud and whistleblower protection, HSE Group companies also comply with the Slovenian State Holding Code of Ethics and the Recommendations and Expectations of Slovenian State Holding.

Handling whistleblowing in the HSE Group[96]

We deal with allegations of irregularities of all kinds efficiently, impartially and with the highest degree of integrity. The Compliance Department is responsible for setting up, implementing and monitoring the procedures, acting independently and ensuring objectivity and confidentiality at all stages of the process. The procedures are designed to prevent any influence from the decision-making chain or from potentially implicated executives.

A secure and accessible internal reporting channel is in place for whistleblowers – both internal and external stakeholders – to report irregularities in a number of ways: in person, by phone, in writing, by e-mail or via an online form. If the whistleblower considers that an internal notification does not allow for effective treatment or risks retaliation, they may also use external notification channels.

All reports received, regardless of the manner or form, are received and verified by the HSE Compliance Department, which manages the entire process carefully, confidentially and independently of the chain of command when dealing with reports relating to HSE, Management or the Supervisory Board. If the report relates to employees of HSE Group subsidiaries, the Compliance Department assigns it to the confidential persons in those companies for consideration.

The escalation process follows the following steps:

- receipt of a claim – recording the received report in the secure system;
- examination of the claim – initial assessment of merits and competence;
- handling the claim – carrying out an investigation or taking further action;
- preparing a report – with findings and proposals for action;
- informing the whistleblower and the competent authorities of the outcome of the procedure.

Based on the findings, the trustee or the Compliance Department prepares a draft report and submits it to HSE Group management with appropriate actions and recommendations. If necessary, the report is forwarded to other relevant departments within the company for consideration. All procedures are also spelled out in the internal HSE Group Whistleblowing and Whistleblower Protection Policy, which provides clear rules for the protection of whistleblowers, the confidentiality of the process and the efficient handling of irregularities. An online HSE Group whistleblowing form is also available to all potential whistleblowers to enable anyone who is aware of any form of wrongdoing in any HSE Group company to report it appropriately, and contains information on how to report, the procedures for reporting and how whistleblowing is dealt with, the conditions for exercising the right to protection, the measures to protect identity and confidentiality, the safeguards and support measures, and the options for external reporting.

Reporting and monitoring[97]

In the HSE Group, reporting and monitoring are key elements of an effective compliance and risk management system. Trustees meet quarterly with the Compliance Department to report on any allegations of irregularities that are being dealt with.

The Compliance Department prepares regular reports for the HSE Management Board at least once a quarter, presenting the reported breaches and the actions taken, and reports quarterly to the Audit Committee of the HSE Supervisory Board and, where necessary, to the Audit Committees of the HSE Group companies or their Supervisory Boards. These reports include an overview of the systems and procedures in place to prevent and detect fraud and a summary of the findings of the regular reports. The competent trustee of each company is involved in the preparation of the reports to the Audit Committee of the HSE Group companies. The expertise of the administrative, management and supervisory bodies on issues of business conduct is essential for the effective, lawful and ethical functioning of the organisation. The management and supervisory bodies must meet standards of conduct and have the relevant skills – in accordance with the legislation (ZSDH-1, ZIntPK, ZGD-1). In doing so, they take into account the good corporate governance practices set out in the SDH reference Code and the SDH Recommendations and Expectations. Continuing education is a duty of all members of the management and supervisory body.

In addition to monitoring claims, the Compliance Department regularly informs the risk management board of the risks identified, proposed improvements to internal controls and progress in implementing recommendations. Particular emphasis is placed on identifying systemic risks and suggestions for process optimisation.

By 1 February of the current year, the CD, in cooperation with the trustees, prepares an annual report for the previous year, including the number of reports received, the number

96 ESRS G1-3 (18 a; AR 5 – AR 6; 18 b; 18 c); G1-1 (10 c ii); G1-4

97 ESRS 2 GOV-1 (5 a; 5 b); ESRS G1-3 (18 a; AR 5 – AR 6; 18 b; 18 c; 20), G1-4 (22; 24 a; 24 b)

of anonymous and substantiated reports, and the number of retaliatory measures dealt with. This report is submitted to the Commission for the Prevention of Corruption (KPK) in accordance with legal obligations. Such a reporting and control system provides a comprehensive overview of the functioning of the mechanisms for detecting irregularities and ensures the transparency, effectiveness and reliability of internal control procedures across the HSE Group.

Prevention and detection of corruption and bribery[98]

The HSE Group has a zero-tolerance approach to all forms of bribery and corruption. To ensure compliance with this commitment, we have put in place a number of measures that enable us to successfully prevent, detect and address any suspicions or cases of corruption and bribery. The procedures for handling whistleblowing are detailed in *ESRS G1 Handling Whistleblowing in the HSE Group*.

Risks are also effectively identified and managed within our business activities through a thorough due diligence process, which includes know-your-counterparty (KYC) checks. This process includes assessing suppliers and other business partners for compliance with anti-bribery and corruption laws, sanctions, government watch lists and negative media reports.

As part of our risk management, procurement and purchasing systems, we carry out thorough checks on all potential business partners, including business due diligence, credit screening and risk indicator assessments. The aim of the comprehensive screening is to identify and manage potential risks in business cooperation and to prevent cooperation with high-risk partners or those suspected of being involved in illegal activities such as fraud, corruption, financial fraud, money laundering and terrorist financing, among others. The partner business review is based on a questionnaire for the initiator/trustee and a KYC analysis, which assesses risk based on factors such as ownership, geographic area, length of business and reputation in the market. The credit screening is based on financial statements and credit reports and allows the partner to be classified in the appropriate internal rating class. The assessment of risk indicators includes the verification of questionnaire and KYC data, the analysis of publicly available and credible sources, the identification of suspicious transactions, the screening of beneficial owners, the assessment of the partner's reputation, and the verification of sanctions and legal restrictions. In case of doubt, an additional expert opinion may also be obtained, and cooperation with the partner is unconditionally refused if it is on the list of sanctioned entities.

Incidents of corruption and bribery[99]

In 2024, the Compliance Department investigated 11 whistleblowing cases. There were no confirmed cases of corruption and bribery up to the date of the Annual Report, and there were no final convictions or sanctions of employees for corruption and bribery in 2024.

In a criminal case involving allegations of abuse of position or trust at TEŠ, in which the defendants include persons who were employees of HSE Group companies during the relevant period, a part of the proceedings was excluded so that the content relating to the measurement and analysis system and the reconstruction of the Block 5 boiler is being dealt with in its own criminal proceedings, while the content relating to the purchase of the main technological equipment for Block 6 is being dealt with in the original criminal proceedings, both of which are still pending at first instance.

Separately, in the framework of another procedure, a pre-trial case led by the Investigation Department of the District Court in Celje, several house searches were carried out in 2023 on suspicion of abuse of position or trust in the economic activity of Premogovnik Velenje, Termoelektrarna Šoštanj and RGP. The house searches concerned transactions concluded in 2017 and 2018. To our knowledge, no indictment was filed in this case in 2024.

Whistleblower protection[100]

All companies in the HSE Group implement the UN Convention against Corruption and comply with the Whistleblower Protection Act (ZZPri), which transposes Directive (EU) 2019/1937 into Slovenian law. The HSE Group Whistleblowing and Whistleblower Protection Policy applies to all companies in the HSE Group and to all business partners. The objectives include reducing the risk of fraud, raising awareness among employees, training on how to identify fraud, and protecting reputation and assets.

HSE Group employees, including company management, are made aware of the importance of whistleblowing and the legal basis for it through training. Reporting suspected wrongdoing is not an activity with a negative connotation (snitching, gossiping, spreading rumours, etc.), but an act of loyalty to a particular company. Information on how to report it is set out in the internal rules and published on the website.

Whistleblowers have the right to protection against retaliation if they had reasonable grounds to believe that the information about the infringement reported was true at the time of reporting. The whistleblower is no longer entitled to protection if the claim is filed two years or more after the cessation of the infringement.

The following safeguards and support measures are available to the whistleblower:

- judicial protection and interim injunctions in the event of retaliatory measures;
- free legal aid;
- unemployment benefit;
- psychological support.

Safeguards and support measures are set out in the HSE Group Whistleblowing and Whistleblower Protection Policy.

98 ESRS G1-3 (18 a; AR 5 – AR 6; 18 b; 18 c)

99 ESRS G1-4 (22; 24 a; 24 b)

100 ESRS G1-1 (10 c i, 10 c ii; 10 e)

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2.9.14 AUDITOR'S OPINION ON THE SUSTAINABILITY REPORT

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INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY REPORT
to the owners of Holding Slovenske elektrarne d. o. o.

We have conducted a limited assurance engagement on the Consolidated Sustainability Report included in section *'Sustainability report'* of the Management Report of Holding Slovenske elektrarne – HSE Group (hereafter the "Group") as at December 31, 2024, and for the period from January 1, 2024, to December 31, 2024 (the "Consolidated Sustainability Report").

Identification of Applicable Criteria
The Consolidated Sustainability Report was prepared by the management of the Group in order to satisfy the requirements of 70(c) and 70(č) of the Companies Act (ZGD-1) implementing 29(a) of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards introduced by Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards ("ESRS"), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Report (the "Process") is in accordance with the description set out in note *'Double materiality assessment'*;
- Compliance of the disclosures in the *'EU Taxonomy'* subsection of the Consolidated Sustainability Report with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation"); and
- Compliance with the requirement to prepare the Consolidated Sustainability Report in accordance with Article 58 of ZGD-1 which requires the Group to prepare Consolidated Sustainability Report in single electronic format as defined in Article 3 of Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation").

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Inherent Limitations in Preparing the Consolidated Sustainability Report
The criteria, nature of the Consolidated Sustainability Report, and absence of long-standing established authoritative guidance, standard applications and reporting practices allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact the comparability of sustainability matters reported by different organizations and from year to year within an organization as methodologies evolve.

In reporting forward looking information in accordance with ESRS, management of the Group is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcome is likely to be different since anticipated events frequently do not occur as expected.

In determining the disclosures in the Consolidated Sustainability Report, management of the Group interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

We draw your attention to the following specific limitations discussed in the Consolidated Sustainability Report:

- Environmental reporting as applied by all companies includes information based on climate-related scenarios that are subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing, or effect of possible future physical and transitional climate-related impacts. For the avoidance of doubt, the scope of our engagement and our responsibilities did not include performing work necessary for any assurance on the reliability, proper compilation, or accuracy of the prospective information.
- Any supply chain emissions metrics listed in the Consolidated Sustainability Report may include information provided by suppliers and third-party sources. Our procedures did not include obtaining assurance over the information provided by suppliers or third parties.
- The Consolidated Sustainability Report may include metrics that are derived from reported events relating to employees and subcontractors. As such, our testing may not identify misstatements relating to completeness, for example in instances where events may have occurred but have not been reported.

Responsibility of the Management Board of the Group
Management of the Group is responsible for designing and implementing a process to identify the information reported in the Consolidated Sustainability Report in accordance with the ESRS and for disclosing this process in note *'Double materiality assessment'* of the Consolidated Sustainability Report. This responsibility includes:

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- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected
- to affect, the entity's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management of the Group is further responsible for the preparation of the Consolidated Sustainability Report, in accordance with 70(c) and 70(č) of the ZGD-1 implementing 29(a) of the EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- preparing the disclosures in the *'EU Taxonomy'* subsection of the Consolidated Sustainability Report, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal controls that management determines are necessary to enable the preparation of the Consolidated Sustainability Report that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

Management of the Group is also responsible for the preparation of the Consolidated Sustainability Report in line with the technical requirements related to the single electronic format as determined in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation. This responsibility also includes the design, implementation and maintenance of internal controls to enable the preparation of the Consolidated Sustainability Report that is free from material non-compliance with the requirements of Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

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

Practitioner's Responsibility

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)").

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Consolidated Sustainability Report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Consolidated Sustainability Report as a whole.

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As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgment and maintain professional skepticism throughout the engagement.

Our responsibilities in respect of the Consolidated Sustainability Report, in relation to the Process, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in note *'Double materiality assessment'*.

Our other responsibilities in respect of the Consolidated Sustainability Report include:

- Obtaining an understanding of the entity's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Report but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error;
- Designing and performing procedures responsive to disclosures in the Consolidated Sustainability Report where material misstatements are likely to arise. 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;
- Assess whether the Consolidated Sustainability Report has been prepared, in all material respects, in the format specified in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

Our Independence and Quality Management

We complied with the applicable independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "Code"). The Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We applied International Standard on Quality Management ("ISQM 1"), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Consolidated Sustainability Report.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Consolidated Sustainability Report.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Group's internal documentation of its Process; and

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- Evaluated whether the evidence obtained from our procedures about the Process implemented by the Group was consistent with the description of the Process set out in note *'Double materiality assessment'*.

In conducting our limited assurance engagement, with respect to the Consolidated Sustainability Report, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its Consolidated Sustainability Report by:
  - performing inquiries to understand the Group's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Report;
- Evaluated whether material information identified by the Process is included in the Consolidated Sustainability Report;
- Evaluated whether the structure and the presentation of the Consolidated Sustainability Report is in accordance with the ESRS;
- Performed inquires of relevant personnel and analytical procedures on selected disclosures in the Consolidated Sustainability Report;
- Performed substantive assurance procedures based on a sample basis on selected disclosures in the Consolidated Sustainability Report;
- Obtained evidence on the methods for developing material estimates and forward-looking information and on how these methods were applied;
- Obtained an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Report;
- Evaluated whether the Consolidated Sustainability Report has been prepared in the format specified in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Consolidated Sustainability Report is not prepared, in all material respects, in accordance with 70(c) and 70(č) of the ZGD-1 implementing 29(a) of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Report is in accordance with the description set out in note *'Double materiality assessment'*;
- Compliance of the disclosures in the *'EU Taxonomy'* subsection of the Consolidated Sustainability Report with Article 8 of Taxonomy Regulation; and
- Compliance with the requirement to prepare the Consolidated Sustainability Report in the format specified in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

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Other Matter

Our limited assurance engagement does not extend to information in respect of earlier periods.

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Tina Kolenc Praznik
Key sustainability partner

For signature please refer to the original Slovenian version.

Ljubljana, May 30, 2025

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Ljubljana, Slovenija 3

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2.10 Corporate security

The HSE Group has comprehensive measures in place to manage and implement security activities across all its companies. The central task is to identify and implement appropriate security and system measures to manage security risks and ensure the safety of people and property.

The main objective is to establish and maintain a comprehensive security system comprising physical and technical security, organisational and functional measures for operational and internal security, security subsystems such as video surveillance, physical and technical security, fire safety, and a modern information security system. The HSE Group actively promotes a safety culture among its employees by implementing concrete safety measures. Effective management of security risks is a key factor for the smooth and uninterrupted operation and production of electricity and heat.

In order to achieve a high level of security, the HSE Group cooperates closely with external institutions such as the Police, the Slovenian Intelligence and Security Service (SOVA), the Ministry of Defence of the Republic of Slovenia (MORS), the Slovenian Protection and Rescue Administration (URSZR) and other relevant organisations. The technical security system in HSE Group companies is continuously updated and upgraded in cooperation with or in coordination with the Corporate Security Department and in accordance with legislative requirements (Private Security Act, Regulation on Mandatory Organisation of Security Services, Critical Infrastructure Act).

Information/cyber/digital security

The HSE Group ensures the stability of the operation of technical security systems, which enables continuous visual surveillance and monitoring of protected areas through control systems linked to physical controls of individual facilities and areas. The functioning of IT solutions in 2024 was at an exceptionally high level, with no incidents that had a significant impact on operations throughout the year.

In 2024, the HSE Group continued to strengthen the cyber resilience of its IT environment. We increased the size of our information security team, which provides a solid foundation for effective security risk management and the performance of our key functions in this area. The Safety Event Monitoring System (SIEM) was regularly upgraded and the anomaly detection rules were improved. An important milestone was the establishment of the Security Operations Centre (SOC) at the beginning of the year, which provides comprehensive control of security incidents. SOC enables 24/7 monitoring of the IT environment and ensures rapid response to security incidents.

As a result of all these activities, 2024 was a year without any major security incidents. In addition, we have put in place a system of regular reporting on cybersecurity at different levels, including to the Risk Committee, the Management Board and the Supervisory Board. This has increased transparency and ensured better awareness of key security risks among management and supervisory bodies.

Protecting production resources

The HSE Group has taken a systematic approach to improving the safety of production resources. Our comprehensive approach includes a number of measures, such as upgrading technical security equipment and increasing the level of information security in HSE Group companies. As part of our integration strategy in the area of physical and technical security, we have established close partnerships with other companies in the electricity sector and with government authorities to implement and upgrade security risk management measures to help ensure and improve business continuity processes and the production of electricity and thermal energy across all HSE Group companies.

A look ahead

The HSE Group will continue its active efforts to establish and maintain a high level of security in 2025. Our commitment to this objective remains critical to ensuring the stability and functionality of HSE Group companies, which focus on the safe, smooth and uninterrupted operation and generation of electricity and heat.

In 2025, we will further strengthen our security strategies and upgrade our security processes and measures. Key activities will include integrated planning and implementation of security processes, strengthening preventive measures to reduce the risk of adverse events and financial losses, further building an integrated safety system in companies, and promoting a safety culture at all levels of society.

We will place particular emphasis on implementing the latest standards in technical and physical security, further improving security infrastructure and technologies by establishing a common operational control system for HSE Group companies. The establishment of a common operational control system for the HSE Group companies will contribute to better transparency of the (non)functioning of the technical protection systems themselves, their preparedness and responsiveness to potential security challenges.

We will continue to carry out detailed vulnerability, threat and security risk assessments and, based on these analyses, systematically plan and implement measures to address them. Through this integrated and proactive approach, we will continue to ensure a sustainable and stable safety environment within the HSE Group and strive to achieve the highest standards in security and business resilience.

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The power of reliability

We are a pillar of Slovenia's reliable electricity supply.

The acquisition of the retail companies in 2024 represents an important step towards a comprehensive entry into the energy market.

3 Accounting Report of the HSE Group

3.1 Auditor's Report on the HSE Group

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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 2024, and the consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated 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.

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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 2024. 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.

Discontinued operations

Key audit matter	*How our audit addressed the key audit matter*
Based on the Act on Transitional Financing of the Accelerated and Just Coal Phase-Out (ZPFPPIP dated 21 December 2024), the HSE Group, as of 30 December 2024, transferred its 100% ownership interests in subsidiaries TEŠ d.o.o. and PV d.o.o. to the direct ownership of the Republic of Slovenia free of charge. With this transfer, the companies SIPOTEH d.o.o., PLP d.o.o., and HTZ d.o.o., which are 100% owned by PV d.o.o., also ceased to be part of the HSE Group as of 31 December 2024. In the consolidated financial statements for the year ended 31 December 2024, the HSE Group recognized an impairment of non-current assets of the companies included in discontinued operations in the total amount of EUR 133,029 thousand. In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Group separately presented discontinued operations in the consolidated income statement for the year 2024 and the comparative year 2023. Given that this transaction significantly impacts both the structure of the HSE Group and the presentation of discontinued operations in the consolidated financial statements of the HSE Group as of 31 December 2024, we identified this area as a key audit matter.	As part of our audit procedures, we assessed: • the appropriateness of the Company's accounting policies related to the identification and presentation of discontinued operations and their compliance with IFRS; • whether the Company appropriately allocated individual income statement items to discontinued operations for the years 2024 and 2023, in accordance with the requirements of IFRS 5; • the eliminations of intercompany transactions and balances between continuing and discontinued operations that the Company eliminated during the consolidation process. We also assessed the adequacy of the disclosures provided in Section 3.5.6 *Changes in 2024 – Discontinued Operations of the Thermal Division*, which describes the transaction and its impact on the HSE Group's consolidated financial statements for the financial year 2024.

Revenue from the sale of electricity

Key audit matter	*How our audit addressed the key audit matter*
In the consolidated income statement for the year ended 31 December 2024, the Group recognized revenue from contracts with customers from continuing operations in the amount of EUR 3,001,724 thousand, of which EUR 2,851,230 thousand relates to the sale of electricity. More	As part of our audit procedures, we assessed the appropriateness of the accounting policies related to revenue recognition from contracts with customers and their compliance with IFRS 15, and we performed the following audit procedures:

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detailed disclosures are provided in the chapter *Revenue from Contracts with Customers* under *Significant Accounting Policies* and in Note 3.5.3 *Significant Accounting Policies*. As explained in the chapter *Revenue from Contracts with Customers* under *Significant Accounting Policies*, revenue from the sale of electricity is recognized at the point in time when the Group satisfies a performance obligation, i.e., when the electricity is transferred to the customer. Revenue from contracts with customers is one of the key indicators of the Group's business performance. Due to the materiality of this item in the financial statements, we identified this area as a key audit matter.	• evaluated the design and implementation of internal controls related to revenue recognition, focusing on the appropriateness of revenue recording; • tested the operating effectiveness of identified internal controls in the area of electricity trading revenue, which we considered significant from an audit perspective; • performed detailed testing, based on a selected sample, to assess the appropriateness of recognized revenue; at the consolidated financial statement level, this included testing revenue from electricity trading and revenue from the sale of electricity to end customers. We also reviewed the information disclosed in the financial statements to assess whether the disclosures related to revenue from contracts with customers are appropriate.

Other information

Management is responsible for the other information. The other information comprises the information included in Annual report, other than the separate financial statements and our auditor's report thereon. Other information was obtained before the date of the auditor's report, except for the report of the supervisory board, which will be available later.

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, except for the information relating to the sustainability report, for which a separate limited assurance report has been issued, 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, except for the sustainability report, for which we issued a separate limited assurance report on 30 May 2025, has been prepared in accordance with the applicable laws and regulations; 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.

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

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

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

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

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

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

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.

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Deloitte.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

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.

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Deloitte.

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 X 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, 30 May 2025

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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

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3.2 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 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 HSE 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 2024 financial year consolidated 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 2024 were adopted by the management on 30 May 2025.

Ljubljana, 30 May 2025

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

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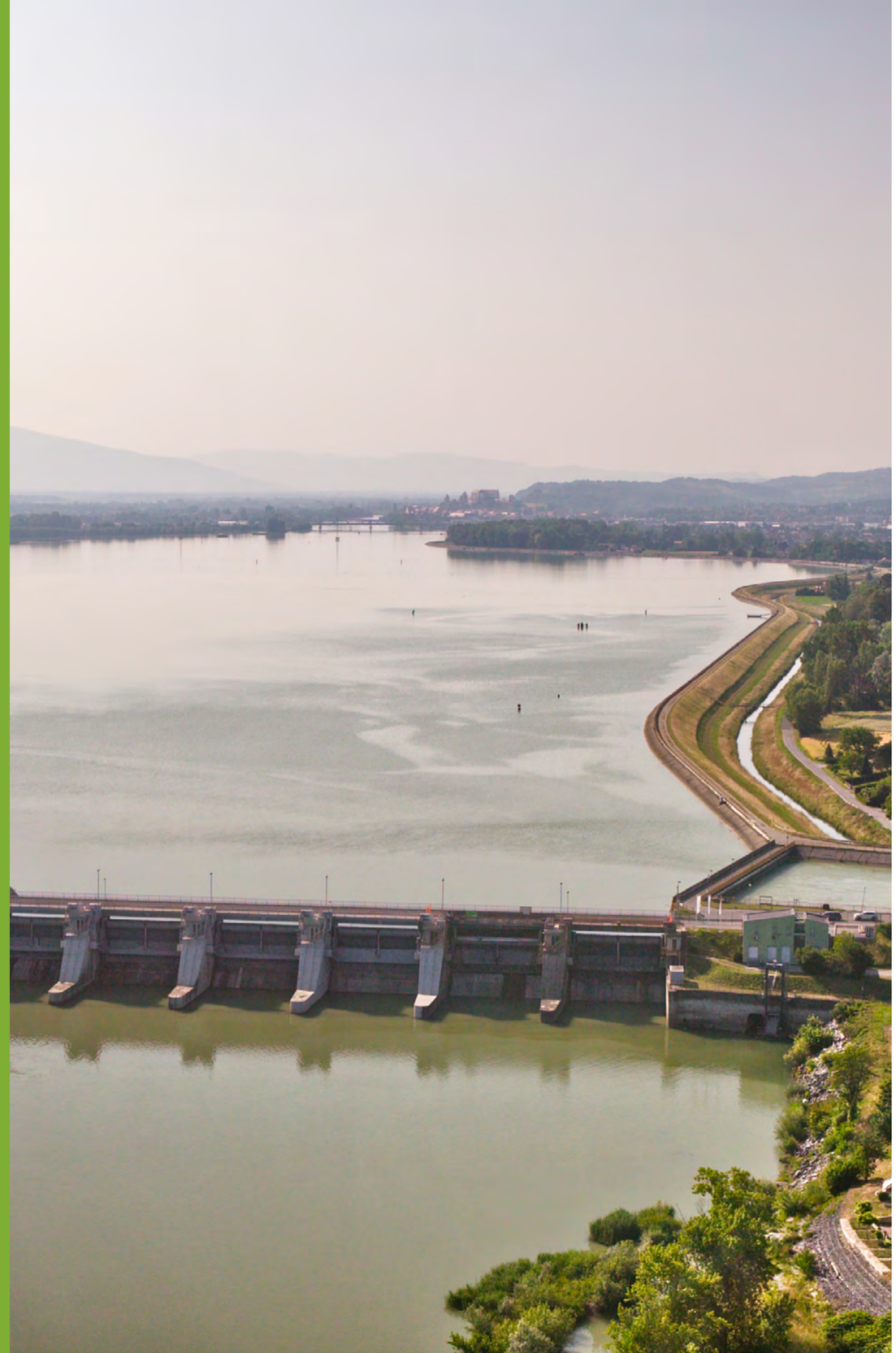

3.3 Introductory explanatory notes to the consolidated financial statements

The financial report of the HSE Group represents the consolidated 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 consolidated financial statements and notes thereto in accordance with the International Financial Reporting Standards, as adopted by the European Union, since 1 January 2011.

The Deloitte 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.

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3.4 Consolidated financial statements

3.4.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position (in EUR)		Explanatory note	31/12/2024	31/12/2023
ASSETS			**1,694,968,420**	**2,393,294,417**
A. NON-CURRENT ASSETS			**790,645,536**	**1,435,028,274**
I.	Intangible assets	1	28,428,516	185,343,505
II.	Property, plant and equipment	2	554,255,622	1,044,212,254
III.	Right of use assets	3	5,973,220	6,412,679
IV.	Investment property	4	122,397	17,796,115
VI.	Other financial investments and loans	5	146,222,972	144,790,150
VII.	Operating receivables	6	12,372,122	33,314,029
VIII.	Other assets		185,753	1,447,465
IX.	Deferred tax receivables	7	43,084,934	1,712,077
B. CURRENT ASSETS			**904,322,884**	**958,266,143**
I.	Assets included in the disposal groups		0	7,400
II.	Inventories	9	3,215,954	118,979,546
III.	Financial investments and loans	10	4,501,460	384,922
IV.	Current trade receivables	11	365,806,705	546,282,957
V.	Contract assets	12	663,305	737,907
VI.	Tax receivables	33	47,942,974	3,030,136
VII.	Other assets	13	110,468,315	177,559,016
VIII.	Cash and cash equivalents	14	371,724,171	111,284,259
EQUITY AND LIABILITIES			**1,694,968,420**	**2,393,294,417**
A. EQUITY		15	**1,143,641,965**	**1,173,324,579**
I.	Called-up capital		29,558,788	29,558,788

Consolidated statement of financial position (in EUR)		Explanatory note	31/12/2024	31/12/2023
II.	Capital reserves		561,243,182	711,243,182
III.	Profit reserves		7,152,384	0
IV.	Risk hedging reserve		-6,014,837	-5,575,521
V.	Fair value reserves		-6,490,475	-12,924,886
VI.	Retained profit/loss		557,346,439	428,859,934
VII.	Translation reserve		-100,981	-153,249
VIII.	Capital of owners of non-controlling shares		947,465	22,316,331
B. NON-CURENT LIABILITIES			**168,220,262**	**619,822,377**
I.	Provisions for severance pays and anniversary bonuses	16	8,654,975	28,342,987
II.	Other provisions	17	2,250,417	68,322,694
III.	Other liabilities	18	3,303,788	10,493,712
IV.	Financial liabilities	19	149,844,930	508,230,148
V.	Financial liabilities from leases	19	4,056,441	4,257,640
VI.	Operating liabilities		101,526	150,751
VII.	Deferred tax liabilities	8	8,185	24,445
C. CURRENT LIABILITIES			**383,106,193**	**600,147,461**
II.	Financial liabilities	20	44,824,285	82,959,803
III.	Financial liabilities from leases	20	1,416,828	1,911,807
IV.	Operating liabilities	21	245,910,439	356,635,343
V.	Contract liabilities		115,026	130,120
VI.	Tax liabilities	33	1,158,987	45,401,780
VII.	Other liabilities	22	89,680,628	113,108,608

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

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3.4.2 CONSOLIDATED INCOME STATEMENT

Consolidated income statement (in EUR)		Explanatory note	2024	2023
1.	Net sales revenues	24	3,001,723,806	4,429,265,964
2.	Change in value of inventories and work in progress		121,446	535,979
3.	Other operating income	25	22,450,750	156,746,446
GROSS OPERATING INCOME			**3,024,296,002**	**4,586,548,389**
4.	Costs of goods, materials and services	26	2,373,992,370	3,979,923,828
5.	Labour costs	27	66,125,394	59,414,850
6.	Value write-offs	28	43,637,024	33,338,898
7.	Capitalised own products and services	29	-10,357,107	-11,056,673
8.	Other operating expenses	30	123,100,527	35,014,872
OPERATING PROFIT/LOSS			**427,797,794**	**489,912,614**
9.	Financial revenue		5,921,941	2,610,684
a)	Financial revenue from equity interests		6,734	9,620
b)	Financial revenue from loans and deposits given		5,915,207	2,601,064
10.	Financial expenses		30,504,663	13,895,480
a)	Financial expenses from financial liabilities		11,784,507	12,504,066
b)	Financial expenses from other liabilities		18,720,156	1,391,414
FINANCIAL OUTCOME		31	**-24,582,722**	**-11,284,796**
11.	Shares in affiliated and jointly-controlled companies	32	1,471,550	1,443,290

Consolidated income statement (in EUR)	Explanatory note	2024	2023
PROFIT (LOSS) BEFORE TAX		**404,686,622**	**480,071,108**
TAX	33	**-36,049,872**	**49,270,949**
12. Current tax		5,370,013	49,156,059
13. Deferred tax		-41,419,885	114,890
NET PROFIT/LOSS OF CONTINUING OPERATIONS		**440,736,494**	**430,800,159**
NET PROFIT/LOSS OF DISCONTINUED OPERATIONS		**-207,970,186**	**-39,968,898**
TOTAL NET PROFIT/LOSS FOR THE YEAR		**232,766,308**	**390,831,261**
Owner of parent company		232,633,719	389,908,697
Non-controlling interest		132,589	922,564

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3.4.3 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated statement of other comprehensive income (in EUR)	Explanatory note	2024	2023
Net profit/loss for the year		**232,766,308**	**390,831,261**
Change in fair value reserves for real property, plant and equipment		-19,122	-82,317
- continuing operations		0	-52,337
- discontinued operations		-19,122	-29,980
Actuarial profits and losses of programmes with certain income of employees		-338,274	-1,736,415
- continuing operations		47,867	-1,114,893
- discontinued operations		-386,141	-621,522
Profits and losses from currency translation differences for financial statements of companies abroad		39,940	419,855
Items that will subsequently not be included in the income statement	15	**-317,456**	**-1,398,877**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss		-513,636	1,069,881
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows		74,320	100,106,155
Change in reserve for fair value of financial assets via other comprehensive income		14,739	621
Items that will subsequently be included in the income statement	15	**-424,577**	**101,176,657**
Total comprehensive income for the reporting period		**232,024,275**	**490,609,041**
Owner of parent company		231,891,664	489,765,868
Non-controlling interest		132,611	843,173

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3.4.4 CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement (in EUR)	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss	232,766,308	390,831,261
Adjustments for:		
Depreciation of property, plant and equipment, investment property, rights to use assets and amortisation of intangible assets	98,502,024	97,095,185
Impairments/write-offs, sales of real property, plant and equipment, intangible assets and investment property	232,493,793	55,932,921
Inventories write-offs	2,959,572	21,309,466
Operating receivables write-offs	11,343,655	936,787
Elimination of write-off/impairment of operating receivables	-472,217	-593,497
Financial revenue	-5,933,753	-2,611,690
Financial expenses	44,607,836	31,454,654
Shares in affiliated and jointly-controlled companies	-1,471,550	-1,443,290
Profit from sale of property, plant and equipment	-1,881,624	-1,124,310
Taxes	-35,566,394	49,411,771
Operating profit before changes in net current assets and taxes	**577,347,650**	**641,199,257**
Changes in net current assets and provisions		
Change in:		
Inventories	113,170,186	-52,724,178
Trade receivables and other assets	316,836,277	-102,892,065
Operating liabilities to suppliers and other liabilities	65,493,597	256,394,035
Assets held for sale	7,400	6,599
Provisions	-90,950,234	3,307,458
Profit tax paid	-95,009,122	3,361,422
Cash from operations	**886,895,754**	**748,652,529**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	5,926,464	2,601,229
Remuneration from other financing	267	841

Consolidated cash flow statement (in EUR)	2024	2023
Dividends received	6,734	9,620
Proceeds from sale of real property, plant and equipment	2,379,870	1,281,895
Proceeds from sales of investment property	898,605	37,817
Proceeds from reduction of current loans given	14,901,050	5,133,642
Acquisitions of property, plant and equipment	-68,326,608	-69,800,216
Acquisitions of intangible assets	-95,093,646	-336,789,528
Acquisitions of investment property	-148,859	-97,417
Purchase of subsidiaries net of cash acquired	-10,925,074	0
Lease payments	-2,639,226	-3,569,133
Increase of current loans given	-19,127,585	-669
Increase of non-current loans given	-686	-659
Cash from investment	**-172,148,694**	**-401,192,578**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from leases	2,502,272	3,308,676
Proceeds from non-current loans received	1,150,000	141,250,000
Proceeds from current loans received	52,000,000	33,500,000
Returns of capital reserves	-150,000,000	-342,000,001
Payments of loan interest	-20,972,853	-25,074,762
Payments of other financial liabilities	-23,767,921	-6,866,288
Payments of non-current loans	-107,653,686	-191,178,685
Payments of current loans	-65,500,000	-203,820,000
Payment of current financial liabilities	-2,283,900	-2,001,895
Dividends payout expenses	-100,000,000	0
Cash from financing	**-414,526,088**	**-592,882,955**
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	**111,284,259**	**356,707,263**
Profit or loss for the period	**300,220,972**	**-245,423,004**
Cash from discontinued operations	**-39,781,059**	**-21,551,445**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**371,724,172**	**89,732,814**

3.4.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity (in EUR)	CALLED-UP CAPITAL	CAPITAL RESERVES	PROFIT RESERVES	RISK HEDGING RESERVE	FAIR VALUE RESERVES	RETAINED PROFIT/LOSS		TRANSLATION RESERVE	CAPITAL OF MINORITY OWNERS	Total
	Share capital		Other profit reserves			Retained net earnings	Net profit/loss for the year			
Balance as at 1/1/2023	**29,558,788**	**1,053,243,185**	**413,501,342**	**-106,751,557**	**-11,582,513**	**-93,682,414**	**-280,477,133**	**-573,104**	**21,503,138**	**1,024,739,729**
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	100,106,155	0	0	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	0	0	1,069,881
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**	**493,742,438**	**-80,265,288**	**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
Settlement of a loss as a deductible capital expense	0	0	0	0	0	360,742,422	-360,742,422	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	**29,558,788**	**711,243,182**	**0**	**-5,575,521**	**-12,924,886**	**399,693,658**	**29,166,276**	**-153,249**	**22,316,331**	**1,173,324,578**

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Consolidated statement of changes in equity (in EUR)	CALLED-UP CAPITAL		PROFIT RESERVES			RETAINED PROFIT/LOSS			CAPITAL OF MINORITY OWNERS	
	Share capital	CAPITAL RESERVES	Other profit reserves	RISK HEDGING RESERVE	FAIR VALUE RESERVES	Retained net earnings	Net profit/loss for the year	TRANSLATION RESERVE		Total
Balance as at 1/1/2024	**29,558,788**	**711,243,182**	**0**	**-5,575,521**	**-12,924,886**	**399,693,658**	**29,166,276**	**-153,249**	**22,316,331**	**1,173,324,578**
B.1. Transactions with owners	**0**	**-150,000,000**	**3,014,442**	**0**	**0**	**-100,000,000**	**0**	**0**	**0**	**-246,985,558**
Disbursement of dividends	0	0	0	0	0	-100,000,000	0		0	-100,000,000
Additional capital returned	0	-150,000,000	0	0	0	0	0	0	0	-150,000,000
Other changes in equity	0	0	3,014,442	0	0	0	0	0		3,014,442
B.2. Changes in comprehensive income	**0**	**0**	**0**	**-439,316**	**-342,657**	**0**	**232,633,719**	**39,940**	**132,610**	**232,024,296**
Entry of net profit for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**232,633,719**	**0**	**132,589**	**232,766,308**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**-357,396**	**0**	**0**	**39,940**	**21**	**-317,435**
Change in surplus from revaluation of real property, plant and equipment	0	0	0	0	-19,122	0	0	0	0	-19,122
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	-338,274	0	0	0	21	-338,253
Profits and losses from currency translation differences for financial statements of companies abroad	0	0	0	0	0	0	0	39,940	0	39,940
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**-439,316**	**14,739**	**0**	**0**	**0**	**0**	**-424,577**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	74,320	0	0	0	0	0	74,320
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	-513,636	0	0	0	0	0	-513,636
Change in reserve for fair value of financial assets via other comprehensive income	0	0	0	0	14,739	0	0	0	0	14,739
B.3. Changes in equity	**0**	**0**	**4,137,942**	**0**	**6,777,068**	**25,019,062**	**-29,166,276**	**12,328**	**-21,501,476**	**-14,721,352**
Allocation of the remainder of net profit of the comparative reporting period to other components of capital	0	0	0	0	0	29,166,276	-29,166,276	0	0	0
Other changes in equity	0	0	4,137,942	0	6,777,068	-4,147,214	0	12,328	-21,501,476	-14,721,352
Balance as at 31/12/2024	**29,558,788**	**561,243,182**	**7,152,384**	**-6,014,837**	**-6,490,475**	**324,712,720**	**232,633,719**	**-100,981**	**947,465**	**1,143,641,965**

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3.5 Notes to the consolidated financial statements of the HSE Group

3.5.1 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 the HSE Group are available.

Consolidated financial statements as of 31 December 2024 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 as well as retail markets in Slovenia and Europe.

The financial year of the Group shall correspond to the calendar year.

The HSE Group as at 31 December 2024

Company	% ownership 31/12/2024	% ownership 31/12/2023	Country of the company's registered office
HSE	100%	100%	Slovenia
DEM	100%	100%	Slovenia
SENG	100%	100%	Slovenia
TEŠ	0%	100%	Slovenia
PV	0%	100%	Slovenia
HTZ I.P.	0%	100%	Slovenia
RGP	90.90%	100%	Slovenia
SIPOTEH	0%	100%	Slovenia
PLP	0%	100%	Slovenia
HSE EDT	100%	100%	Slovenia
HSE Invest	84.21%	86.84%	Slovenia
SRESA	60%	60%	Slovenia
mHE LOBNICA	65%	65%	Slovenia
ECE	100%	63.58%	Slovenia
Energija plus	100%	51%	Slovenia
HSE SaŠa	100%	0%	Slovenia
HSE MAK Energy	100%	100%	North Macedonia
HSE BH	100%	100%	Bosnia and Herzegovina
HSE Balkan Energy	100%	100%	Serbia

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

in EUR

Company	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
HSE	1,702,475,940	795,585,123	3,638,921,007	210,490,452	906,890,817
DEM	514,710,924	24,073,207	81,651,632	10,087,240	490,637,717
SENG	252,856,162	16,205,732	56,652,537	6,494,423	236,650,430
TEŠ *	708,857,451	600,598,338	565,646,761	-85,710,239	108,259,113
PV *	148,090,296	123,911,506	193,466,424	-816,055	24,178,790
HTZ I.P. *	15,701,233	14,912,197	38,182,294	593	789,036
RGP	17,780,997	12,079,987	27,339,012	1,219,928	5,701,010
SIPOTEH *	3,611,169	1,163,196	5,033,321	492,789	2,447,973
PLP *	2,136,752	709,202	3,575,580	153,470	1,427,550
HSE EDT	3,433,570	1,252,680	1,121,237	-17,753	2,180,890
HSE Invest	3,958,027	2,682,583	7,904,352	164,624	1,275,444
SRESA	34,202	0	0	-3,600	34,202
mHE Lobnica	611,933	1,628	30,456	-8,505	610,305
ECE	96,276,889	62,467,293	301,997,979	988,499	33,809,596
Energija plus	76,927,421	56,165,338	262,706,105	435,142	20,762,083
HSE SaŠa	507,439	0	0	-61	507,439
HSE MAK Energy	12,855,653	10,772,435	62,120,450	244,016	2,083,218
HSE BH	22,566,428	19,598,458	99,990,098	409,787	2,967,970
HSE Balkan Energy	811,396	15,364	186,685	32,429	796,032

As at 31 December 2024, the assets and liabilities were not included in the consolidated financial statements of HSE Group, as the Republic of Slovenia held 100% ownership.

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Associates

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 2024 (in EUR)	Assets	Liabilities (without capital)	Revenue	Net profit/ loss for the year	Amount of total capital
HESS	327,871,812	30,287,707	26,545,947	2,911,083	297,584,105

Total 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 companies in 2024 (in EUR)	Assets	Liabilities (without capital)	Revenue	Net profit/ loss for the year	Amount of total capital
SOENERGETIKA	2,082,209	771,405	2,992,007	180,482	1,310,804

Branch

The Group has a branch in the Czech Republic. In 2024, it did not trade in electricity as this was transferred to HSE. The operations of the branch are included in the financial statements of HSE.

3.5.2 PREPARATION BASIS

a) Statement of conformity

The Group drew up its consolidated financial statements as at 31 December 2024 by taking into account the following:

- International Financial Reporting Standards, which include the International Accounting Standards, Interpretations from the Standing Interpretations Committee, the International Financial Reporting Standards and Interpretations from the International Financial Reporting Interpretations Committee, as adopted by the European Union,
- Companies Act,
- HSE Corporate Accounting Rules.

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:

- occurrence of a business event and
- taking into account the indefinite nature of the operation.

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 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, except for the amendments described below.

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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 company's 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. 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 on-going 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:

- for estimating the useful life of depreciable assets,
- impairment testing of non-current assets, including goodwill,
- identifying lease contracts,
- assessment of the liquid amount of receivables,
- estimating the net realisable value of the inventory,
- estimating provisions for post-employment benefits and other non-current employee benefits,
- estimating other provisions, and
- estimating contingent liabilities.

Further assessments and judgements applied by the management in drawing up the financial statements as at 31 December 2024 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 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. The Group must exercise the right of redemption from both partners/acquirers simultaneously. The estimated option value as at 31 December 2024 is EUR 0, as it is estimated that it shall be exercised at an above-market price.
2. The power plant decommissioning obligation relates solely to the replacement of Block 6 of TEŠ, 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 (e.g. 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 commitments have been included in the consolidated accounts as at 31/12/2023 and in the 2024 turnover. As at 31 December 2024, the commitments were no longer included in the consolidated accounts.
3. The assessment of the decommissioning costs is made based on the quantity. The obligation to form provisions for closing works of the remaining excavation in Velenje is formed on the basis of the discounted cost estimate for the closing works as laid down in the study Evaluations of activities relating to closing the caves 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. The HSE Group reassessed the closing work activities in 2024 as derived from the study and formed additional provisions on this basis. The calculation takes into consideration current market values of product and service costs for carrying out the defined activities based on the monitoring and environmental rehabilitation quotes received as well as the assessed cost of the necessary material and work 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 the assessment of provisions. As a result, baselines related to the statutory basis, HR, and financial projections and the TEŠ operating regime are regularly monitored. The estimated decommissioning costs were included in the consolidated accounts as at 31 December 2023 and in the 2024 turnover. As at 31 December 2024, the valuation was no longer included in the consolidated accounts due to the disposal of the thermodivision.
4. 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.

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3.5.3 SIGNIFICANT INFORMATION ON ACCOUNTING POLICIES

The Group financial statements are prepared on the basis of the significant information on accounting policies disclosed below. This information is used for both years unless otherwise stated. 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 controlling 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 the control 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 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. 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 include non-current property rights and emission allowances 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. 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, are included in it. Borrowing 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.

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 any 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 amortised since they are procured for the individual periods in which they are used. Goodwill is also not amortised but revalued for impairment.

Estimated useful life of intangible assets	2024
Software	2-20 years
Licences	2-10 years
Other non-current property rights	2-30 years
Other intangible assets	2-10 years

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, amortisation costs increase. The adjustment of the useful life period has to be restated to allow for the amortisation 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. There are no changes in useful life in 2024 compared to the previous year.

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.

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.

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 and 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 borrowing 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 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 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 constructed or manufactured within the Group consists of the cost of constructing or manufacturing the property, plant and equipment and the indirect costs attributable to it.

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

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	2024
Buildings	10–80 years
Parts of buildings	17–50 years
Production equipment	5–65 years
Parts of production equipment	2-4 years
Computer equipment	2–20 years
Furniture	4–33 years
Small tools	2–16 years
Cars	5–8 years
Other vehicles	5–20 years
Other plant and equipment	3–35 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. There are no changes in useful life in 2024 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 Group 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

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or disposed property, plant and equipment, and are recorded among other operating revenue or write-offs.

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 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.

Leases

The Group leases real property (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 has shown 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 non-current capital appreciation or both.

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. As a rule, shareholding in such companies ranges between 20 and 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.

Investments in associates and in joint ventures are at acquisition carried at cost in consolidated financial statements. Later on, their carrying amount changes due to write-ups as the result of using the equity method.

Financial resources

Financial assets 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 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.

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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 assets 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 assets 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 assets 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 assets recognised at fair value through other comprehensive income with the nature of an equity instrument, are financial assets 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 (capital 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 Group 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 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 Group's financial liabilities include loans received and liabilities to suppliers. 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 long-term 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 Group concluded exchange rate swaps as well as futures contracts for the acquisition of electricity 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. This means 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 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 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 and goods 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 goods 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, e.g. 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 (materials, services, labour costs 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

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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

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 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.

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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.

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. 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 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.

Equity

Called-up 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 were set up from profits of preceding years and are primarily used to cover losses.

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, 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 benefits 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 anniversary and retirement benefits to employees. There are no other pension liabilities.

Provisions are made in the amount of estimated future anniversary 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

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benefits and all expected anniversary benefits up to retirement. The calculation using a projected unit is drawn up by an actuary for all Group companies. Retirement and anniversary 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 capital income.

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. 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 consolidated 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 consolidated profit or loss of 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 in the consolidated statements 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 consolidated profit or loss.

The Group recognises a current provision for onerous contracts within other current liabilities when market conditions cause the cost of meeting contractual commitments to exceed the expected economic benefits of the contracts. The Group has made short-term provisions for onerous contracts for the household customer segment for the period from March 2025 to December 2025, i.e. for the period when the retail price of energy is no longer regulated. By definition, a contract is classified as onerous when the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected from the contract.

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 represents the right to consideration in exchange for goods or services that is transferred to the customer.

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

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 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 because the amount of the obligation cannot be measured with sufficient reliability.

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

Revenue from contracts with customers

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

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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. Such 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 Group satisfies its performance obligation. That is 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 consolidated 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 income 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 anniversary 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 income from participating interest in investments (dividends), interest on deposits and loans given, profits from associated companies, 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 are 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, services related to trade fairs, advertising and maintenance, costs of insurance premiums, payment transactions and other banking services (except interest), rents, advisory services, business travels and similar services.

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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-offs 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-off 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 the costs of received loans and the impairment of financial assets. Interest expenses are recognised when they arise and amount to the agreed-upon interest rate.

Taxes

Taxes include liabilities for estimated tax, deferred tax and minimum tax or top-up tax.

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 profit 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.

For those subject to the Minimum Tax Act, a value threshold of consolidated annual revenue applies. The Act provides that the top-up tax regime applies to constituent entities located in Slovenia and abroad, which are part of an international group of companies or are a large domestic group, whose annual revenue, including the revenue of excluded entities reported in the consolidated financial statements of the umbrella parent entity in at least two financial years out of the four financial years immediately preceding the test financial year, amounts to EUR 750 million or more.

The Group will take advantage of the legal basis that sets out the conditions for the application of the temporary safe harbour, i.e. the reduction of tax to zero over a transitional period of five years. The purpose of the regime set out in Article 17 of the Minimum Tax Act is to allow multinational groups in the start-up phase of their operations to reduce the amount of the top-up tax liability to zero during the first five years of the start-up phase of the multinational group of companies.

The rules for determining whether an international group of companies is in the "start-up phase" are set out in Article 17(3) of the Minimum Tax Act, namely that an international group is deemed to be in the start-up phase of its activities if, for a financial year, the following applies:

- has constituent entities in no more than six jurisdictions; and
- the sum of the carrying amounts of the tangible assets of all the entities comprising the international group of companies located in all jurisdictions other than the reference jurisdiction does not exceed EUR 50,000,000.

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 by using the indirect method and data from the consolidated statement of financial position and the consolidated income statement pursuant to International Financial Reporting Standards 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.

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 are applied, and are mandatory for reporting periods beginning on or after 1 January 2024:

- **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 Commitments,** 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.

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- **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.
- **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 adoption of amendments to existing standards did not have a material impact on the disclosures or amounts presented in the Group financial statements.

New 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 made by the IASB and adopted by the EU that do not yet apply:

- **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.

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 not effective as of the date of issue of the financial statements (dates of entry into force below for IFRSs as issued by the IASB):

- **Amendments to IFRS 9 and IFRS 7 – Changes to Classification and Measurement of Financial Instruments,** issued by the IASB on 30 May 2024. The amendments clarify the classification of financial assets that have characteristics related to environmental, social and governance (ESG) aspects. The amendments also clarify the date of derecognition of a financial asset or financial liability and introduce additional disclosure requirements for investments in equity instruments designated as at fair value through other comprehensive income and for disclosures about financial instruments with contingent features (the effective date specified by the IASB: 1 January 2026).
- **Amendments to IFRS 9 and IFRS 7 Nature-Dependent Electricity Contracts** issued by the IASB on 18 December 2024. The own-use requirements in IFRS 9 are amended to include factors that an entity should consider when applying IFRS 9.2.4 to contracts for the purchase and assumption of electricity from renewable sources whose generation depends on nature. The hedge accounting requirements in IFRS 9 are amended to permit an entity that uses a nature-dependent renewable electricity contract with specified characteristics as a hedging instrument to designate a variable volume of forecast electricity transactions as the hedged item if certain criteria are met and to measure the hedged item using the same volume assumptions as those used for the hedging instrument. The amendments to IFRS 7 and IFRS 19 introduce disclosure requirements for nature-dependent electricity contracts that have certain characteristics (effective date specified by the IASB: 1 January 2026).
- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 – Annual Improvements to IFRS Accounting Standards – 11th Edition,** issued by the IASB on 18 July 2024. They include clarifications, simplifications, corrections and amendments in the following areas: (a) hedge accounting for first-time adopters (IFRS 1); (b) derecognition gain or loss (IFRS 7); (c) disclosure of the deferred difference between fair value and transaction price (IFRS 7); (d) introductory and credit risk disclosures (IFRS 7); (e) lessee derecognition of a lease liability (IFRS 9); (f) transaction price (IFRS 9); (g) designation of a "de facto agent" (IFRS 10); (h) cost method (IAS 7) (effective date determined by the IASB: 1 January 2026).
- **IFRS 18 Presentation and Disclosures in Financial Statements,** issued by the IASB on 9 April 2024, will replace IAS 1 Presentation of Financial Statements. The standard introduces three sets of new requirements to improve companies' financial performance reporting and give investors a better basis for analysing and comparing companies. The main changes in the new standard compared to IAS 1 include: (a) the introduction of categories (operating, investing, financing, income taxes and discontinued operations) and the inclusion of subtotals in the income statement; (b) the introduction of requirements to improve aggregation and disaggregation; (c) the introduction of disclosures about performance measures determined by management in the notes to the financial statements (effective date set by the IASB: 1 January 2027).
- **IFRS 19 Subsidiaries without Public Accountability,** disclosures, issued by the IASB on 9 May 2024. The standard reduces the disclosure requirements for subsidiaries when applying IFRS accounting standards in their financial statements. IFRS 19 is optional for subsidiaries that meet certain conditions and sets out disclosure requirements for subsidiaries that elect to apply it (effective date set by the IASB: 1 January 2027).
- **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

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business (the IASB deferred the effective date indefinitely but early application shall be allowed).

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 statement of financial position date.

3.5.4 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.

3.5.5 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 (section "Financial instruments and risks management"), namely:

- credit risk,
- liquidity risk,
- currency risk,
- interest rate risk, and
- price risk.

3.5.6 CHANGES TO THE GROUP IN 2024

Inclusion of the Company in the Group

On 17 October 2024, HSE established HSE SaŠa d.o.o. – a company for the development of renewable energy sources in the Savinja-Šalek region. On 24 December 2024, a subsequent capital injection was made into the newly established company in order to further develop its activities in the Savinja-Šalek region.

Acquisition of ECE's shareholding

On 10 July 2024, following the exercise of the put option, the HSE Group purchased a 36.42% ownership interest in ECE, d.o.o. from Elektro Celje, d.d., and the Group is now the sole owner of ECE. The purchase price for the acquisition of the additional 36.42% stake amounted to EUR 9,897,000.

Acquisition of Energy plus's shareholding

With effect from 18 December 2024, the HSE Group became 100% owner of Energija plus, d.o.o. by purchasing the remaining 49% share from Elektro Maribor, d.o.o. The purchase price for the purchase of the remaining 49% share was EUR 9,000,000.

Thermodivision discontinued operations

On the basis of the Act on Transitional Financing of Accelerated and Fair Coal Phase-out (ZPFPPIP of 21 December 2024), the HSE Group transferred 100% of its ownership interest in TEŠ and PV to the direct ownership of the Republic of Slovenia free of charge on 30 December 2024, and the management of both companies was transferred to SDH. The transfer of PV from the HSE Group also resulted in the divestment of SIPOTEH, PLP and HTZ, in which PV has a 100% shareholding, from the HSE Group.

The 2024 consolidated financial statements are prepared in accordance with IFRS 5.

The following shows the assets and liabilities of discontinued operations as at 31/12/2024, the income statement of discontinued operations for 2024 and comparatively for 2023, and the cash flow of discontinued operations.

In preparing the income statement of the discontinued operations, account has been taken of the fact that the HSE Group will no longer buy and sell electricity generated by the thermodivision, and the related revenues and costs have been transferred to the discontinued operation.

Statement of financial position – discontinued operations (in EUR)	31/12/2024
ASSETS	**849,024,904**
Intangible assets	616,948
Goodwill	436,198
Property, plant and equipment	371,325,893
Right of use assets	1,021,016
Investment property	17,013,786
Financial investments and loans	381,580
Operating receivables	362,495,872
Other assets	3,867,254
Inventories	52,085,298
Cash and cash equivalents	39,781,059
LIABILITIES	**715,996,297**
Provisions	100,978,861
Financial liabilities	277,315,257
Operating liabilities	74,040,088
Other liabilities	263,662,091
NET ASSETS	**133,028,607**

Income statement of thermodivision – discontinued operations (in EUR)	2024	2023
1. Net sales revenues	571,209,192	518,426,642
2. Change in value of inventories and work in progress	-4,295,444	16,400,946
3. Other operating income	10,372,903	10,455,758
GROSS OPERATING INCOME	**577,286,651**	**545,283,346**
4. Costs of goods, materials and services	83,755,181	104,062,356
5. Labour costs	113,129,726	110,649,095
6. Value write-offs	301,662,020	141,935,461
of which:		
* impairment of assets due to the disposal of thermodivision	133,028,607	0
* loss on disposal of thermodivision	0	0
7. Capitalised own products and services	-4,441,863	-4,082,786
8. Other operating expenses	276,576,934	214,989,129
OPERATING PROFIT/LOSS	**-193,395,347**	**-22,269,909**
9. Financial revenue	11,812	1,006
a) Financial income from loans granted and deposits	11,548	861
b) Other financial revenues	264	145
10. Financial expenses	14,103,173	17,559,173
a) Financial expenses from financial liabilities	9,025,217	12,086,441
b) Financial expenses from other liabilities	5,077,956	5,472,732
FINANCIAL OUTCOME	**-14,091,361**	**-17,558,167**
PROFIT (LOSS) BEFORE TAX	**-207,486,708**	**-39,828,076**
TAX	**483,478**	**140,822**
NET PROFIT/LOSS FOT THE YEAR	**-207,970,186**	**-39,968,898**

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Cash flow statement of thermodivision – discontinued operations (in EUR)	2024
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from operations	87,451,859
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash from investment	-33,992,555
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash from financing	-35,229,690
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	**21,551,445**
Profit or loss for the period	18,229,614
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**39,781,059**

The HSE Group recognised a loss of EUR 133,028,607 on the disposal of the thermodivision companies.

3.5.7 DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.5.7.1 Consolidated statement of financial position

INTANGIBLE ASSETS (1)

Intangible assets (in EUR)	31/12/2024	31/12/2023
Emission allowances	0	157,207,525
Other property rights	8,781,437	9,648,897
Goodwill	17,938,690	18,374,888
Intangible assets being acquired	1,708,389	112,195
Total	**28,428,516**	**185,343,505**

The majority of intangible assets are goodwill and property rights relating to software.

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Movement of intangible assets (in EUR)	Emission allowances	Non-current property rights	Goodwill	Other intangible assets	Intangible assets being acquired	Total
Purchase cost as at 1/1/2024	**157,207,525**	**31,875,788**	**18,374,888**	**24,078**	**112,195**	**207,594,474**
Acquisition	92,100,125	0	0	0	2,993,527	95,093,652
Disposals – write-offs, sales	-249,173,085	0	0	0	0	-249,173,085
Transfer from investments	0	1,642,385	0	0	-1,642,385	0
Transfers – restatements	0	-6,880	0	0	257,426	250,546
Write-offs	0	-966,704	0	0	-12,370	-979,074
Divestment/exclusion of companies	-134,565	-5,149,050	-436,198	-24,078	0	-5,743,891
Purchase cost as at 31/12/2024	**0**	**27,395,539**	**17,938,690**	**0**	**1,708,393**	**47,042,622**
Written-off value as at 1/1/2024	**0**	**22,226,891**	**0**	**24,078**	**0**	**22,250,969**
Amortisation	0	2,027,463	0	0	0	2,027,463
Write-offs	0	-966,704	0	0	0	-966,704
Transfers – restatements	0	-6,880	0	0	0	-6,880
Divestment/exclusion of companies	0	-4,666,667	0	-24,078	0	-4,690,745
Written-off value as at 31/12/2024	**0**	**18,614,106**	**0**	**0**	**0**	**18,614,106**
Book value as at 1/1/2024	**157,207,525**	**9,648,897**	**18,374,888**	**0**	**112,195**	**185,343,505**
Book value as at 31/12/2024	**0**	**8,781,433**	**17,938,690**	**0**	**1,708,393**	**28,428,516**
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**

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Licensed software used by the Group as IT support to the performance of its activities has the highest value among all non-current property rights. In 2024, new acquisitions amounted to EUR 2,993,527.

The increase in intangible assets in 2024 relates to the extension and upgrade of SAP software, HSE Group central fire barrier system software and other software.

The useful lives of the most important software were reviewed in 2024. 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.

The Group did not charge borrowing costs (interest) to the cost of intangible assets in 2024 because they were available for use for a significant period of time.

The Group has no pledged intangible assets.

As at 31 December 2024, the Group has contractual commitments of EUR 830,766 for the acquisition of intangible assets in future years.

Goodwill relates to SENG for EUR 12,387,056 and Energija plus for EUR 5,551,634.

As at 31 December 2024, the recoverable amount was tested subject to a goodwill-impairment test of the cash-generating unit SENG and Energija plus. Based on the estimated value of the cash-generating units, there was no indication of impairment.

The assumptions, considered in the impairment testing of the goodwill, and relevant results are outlined below.

GOODWILL - SENG	
2024	**2023**
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	
31/12/2024	31/12/2023
Important assumptions used in the performance of the impairment testing	
Going concern assumption.	Going concern assumption.
The discount rate at a nominal amount of 6.89% adjusted to the real level of 4.80%, which was taken into account throughout the forecast horizon.	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 price of electricity is projected subject to the »futures« forecast (2025–2027) and a combination of forecasts by the ICIS and AFRY consulting companies for the Slovenian market (from 2028 on).	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 annual growth rate of normalized real free cash flow is 0.0%. Expectations regarding inflation are taken into consideration via the WACC adaptation.	The annual growth rate of normalized real free cash flow is 2.0% (on the expected inflation rate level).
The average generation of 711 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. 80% probability is taken into account. In 2027 (667 GWh) and 2028 (635 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 (2025–2034) of EUR 135,082,028. As of 2035, at a level of EUR 13,486,443.	CAPEX over the projection period (2024–2033) of EUR 103,329,175. As of 2034, at a level of EUR 10,955,385.
Results of impairment testing carried out	
The book value of fixed assets and goodwill before the impairment testing amounts to EUR 178,489,011.	The book value of fixed assets and goodwill before the impairment testing amounts to EUR 186,135,992.
Recoverable amount of CGU of EUR 287,398,571.	Recoverable amount of CGU of EUR 442,457,859.
Revaluation expenses due to impairment of EUR 0.	Revaluation expenses due to impairment of EUR 0.

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Sensitivity analysis – goodwill impairment test

		Sensitivity (change) of recoverable value in EUR	
		Change in discount rate (WACC) in % points	
Goodwill	Recoverable value in EUR	-0.5	0.5
in SENG	287,398,571	32,462,595	-26,451,092

The HSE Group completed the acquisition of a 49% stake in Energija plus. d.o.o. at the end of December 2024 (18 December). As part of the purchase process, the Group obtained an estimate of the value of the 49% stake, which was the basis for the purchase. The Company's performance in 2024 was within or above the forecasts used in the value assessment and the Group considers that the performance forecasts (2025–2034) used in the value assessment for the acquisition of the remaining 49% are appropriate. No negative performance indicators (fall in revenues, loss of key customers or sharply reduced market value of the Company) were detected in the last period, nor was there any significant deterioration in economic indicators affecting the Company's cash flows. The Group assesses that there is no indication that goodwill would be impaired immediately after the acquisition of the remaining interest.

PROPERTY, PLANT AND EQUIPMENT (2)

Property, plant and equipment (in EUR)	31/12/2024	31/12/2023
Land	17,162,497	25,194,818
Buildings	274,325,983	343,072,920
Production equipment	193,410,436	591,465,869
Other equipment	4,725,747	9,301,069
Property, plant and equipment being acquired	64,630,959	75,177,578
Total	**554,255,622**	**1,044,212,254**

The largest part of the Group's assets is property, plant and equipment used to generate electricity.

The most important investments in property, plant and equipment of Group companies in 2024 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 68,326,608.

Group's property, plant and equipment being acquired primarily comprise investments in reliable production and equipment modernisation in addition to investments in the middle Sava River hydro-electric power plant, the Kozjak pumped-storage hydropower plant and the Mura River hydro-electric power plant, investments in wind and photovoltaic power plants and investments in the preparation of pre-investment, investment and other documentation required for the siting procedures.

Transfers – accounting transfers refer to transfer between property, plant and equipment and intangible assets, and the right to use leased assets.

Write-offs of the outdated production equipment due to its modernisation.

Based on a review of the remaining useful lives of the major fixed assets, the Group considers these to be appropriate.

The Group has pledged property, plant and equipment with a carrying amount of EUR 829,224 as collateral for the loans.

At the end of 2024, the Group's concluded contractual commitments for the procurement of property, plant and equipment amounted to EUR 38,925,090.

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 1/1/2024	**30,180,523**	**1,303,387,166**	**3,286,264,035**	**69,669,916**	**83,194,868**	**4,772,696,508**
Acquisition	0	0	0	0	68,326,608	68,326,608
Disposals	-537,115	-61,935	-495,484	-269,719	-44,590	-1,408,843
Transfer from investments	485,478	15,014,493	57,057,252	3,145,637	-75,702,860	0
Transfers – restatements	33,391	-68,091	55,192	74,971	-257,426	-161,963
Change in the discount on assets under construction	0	7,203,000	287,688	0	0	7,490,688
Foreign currency differences	0	0	-1	101	-1	99
Write-offs	-125,620	-335,367	-14,442,072	-812,953	-27,953	-15,743,965
Divestment/exclusion of companies	-12,633,314	-579,502,522	-2,673,584,380	-24,977,845	-10,857,686	-3,301,555,747
Purchase cost as at 31/12/2024	**17,403,343**	**745,636,744**	**655,142,230**	**46,830,108**	**64,630,960**	**1,529,643,385**
Written-off value as at 1/1/2024	**4,985,704**	**960,314,246**	**2,694,798,166**	**60,368,849**	**8,017,289**	**3,728,484,254**
Disposals	-183,475	-21,793	-450,441	-254,888	0	-910,597
Transfers – restatements	0	-20,087	55,192	27,369	0	62,474
Depreciation	5,955	17,364,674	74,693,097	2,238,965	0	94,302,691
Foreign currency differences	0	0	1	94	0	95
Impairments	0	29,374,827	77,606,327	0	-8,017,289	98,963,865
Write-offs	-19,521	-219,131	-14,235,311	-811,203	0	-15,285,166
Divestment/exclusion of companies	-4,547,818	-535,481,975	-2,370,735,237	-19,464,823	0	-2,930,229,853
Written-off value as at 31/12/2024	**240,845**	**471,310,761**	**461,731,794**	**42,104,363**	**0**	**975,387,763**
Book value as at 1/1/2024	**25,194,819**	**343,072,920**	**591,465,869**	**9,301,067**	**75,177,579**	**1,044,212,254**
Book value as at 31/12/2024	**17,162,498**	**274,325,983**	**193,410,436**	**4,725,745**	**64,630,960**	**554,255,622**
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**

RIGHT OF USE ASSETS (3)

Right of use assets (in EUR)	31/12/2024	31/12/2023
Right of use assets	5,973,220	6,412,679
Total	**5,973,220**	**6,412,679**

The Group has lease agreements for office premises, cars and other equipment. The lease duration is estimated subject to the lease type. The value of right to use lease assets and liabilities is estimated based on discounting future cash flows for the lease duration.

The Group does not sublet leased assets.

Movement of right of use assets (in EUR)	Land	Buildings	Production equipment	Other equipment	Total
Purchase cost as at 1/1/2024	**2,682,657**	**4,916,444**	**1,998,209**	**1,676,070**	**11,273,380**
Acquisition	0	1,086,653	926,558	716,485	2,729,696
Transfers - restatements	0	0	-53,205	0	-53,205
Exclusions	0	-827,769	-22,832	-759,153	-1,609,754
Change of group perspective	0	793,944	0	0	793,944
Divestment/exclusion of companies	-2,682,657	-248,455	-309,876	-292,827	-3,533,815
Purchase cost as at 31/12/2024	**0**	**5,720,817**	**2,538,854**	**1,340,575**	**9,600,246**
Written-off value as at 1/1/2024	**1,572,586**	**1,611,214**	**813,676**	**863,225**	**4,860,701**
Depreciation	555,035	804,214	413,372	399,249	2,171,870
Transfers - restatements	0	13,770	-53,205	-13,770	-53,205
Exclusions	0	-439,798	0	-720,745	-1,160,543
Change of group perspective	0	321,000	0	0	321,000
Divestment/exclusion of companies	-2,127,621	-44,444	-253,480	-87,252	-2,512,797
Written-off value as at 31/12/2024	**0**	**2,265,956**	**920,363**	**440,707**	**3,627,026**
Book value as at 1/1/2024	**1,110,071**	**3,305,230**	**1,184,533**	**812,845**	**6,412,679**
Book value as at 31/12/2024	**0**	**3,454,861**	**1,618,491**	**899,868**	**5,973,220**
Purchase cost as at 1/1/2023	**2,520,946**	**3,361,028**	**2,098,933**	**1,362,290**	**9,343,197**
Acquisitions through a business merger	161,711	2,631,811	160,750	614,861	3,569,133
Acquisition	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**
Acquisitions through a business merger	564,209	769,705	335,099	425,826	2,094,839
Exclusions	0	10,992	-261,474	-10,992	-261,474
Depreciation	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**

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INVESTMENT PROPERTY (4)

Book value of investment property (in EUR)	31/12/2024	31/12/2023
Land	12,945	1,744,564
Buildings	109,452	16,051,551
Total	**122,397**	**17,796,115**

In 2024, the Group generated revenue of EUR 7,854 from leasing investment property. In 2024, there were no costs related to the maintenance of investment property.

Movement of investment property (in EUR)	Land	Buildings	Total
Fair value as at 1/1/2024	**1,744,564**	**16,051,551**	**17,796,115**
Acquisition	0	148,859	148,859
Disposals	-898,605	0	-898,605
Revaluation to fair value	47,393	42,421	89,814
Divestment/exclusion of companies	-880,406	-16,133,380	-17,013,786
Fair value as at 31/12/2024	**12,946**	**109,451**	**122,397**
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
Revaluation to fair value	7,746	933,262	941,008
Fair value as at 31/12/2023	**1,744,564**	**16,051,551**	**17,796,115**

OTHER NON-CURRENT INVESTMENTS AND LOANS (5)

Other non-current financial investments and loans (in EUR)	31/12/2024	31/12/2023
Financial investments in associates	145,621,403	144,194,973
Investments in jointly-controlled companies	312,570	311,843
Financial assets at fair value through other comprehensive income	172,482	165,615
Other financial investments	113,583	98,631
Financial receivables and loans	2,934	19,088
Total	**146,222,972**	**144,790,150**

a) Investment in an associate

Investmensts in an associate (in EUR)	31/12/2024	31/12/2023
HESS	145,621,403	144,194,973
Total	**145,621,403**	**144,194,973**

Movement of non-current financial investments in an associate (in EUR)	2024	2023
Balance as at 1/1/	**144,194,973**	**142,796,076**
Profits as per capital method	1,426,430	1,398,897
Balance as at 31/12/	**145,621,403**	**144,194,973**

b) Investment in a joint venture

Investment in a jointly-controlled company (in EUR)	31/12/2024	31/12/2023
SOENERGETIKA	312,570	311,843
Total	**312,570**	**311,843**

Movement of investment in jointly-controlled company (in EUR)	2024	2023
Balance as at 1/1	**311,843**	**1,198,839**
Payment of profit	-44,393	-931,389
Profits as per capital method	45,120	44,393
Balance as at 31/12	**312,570**	**311,843**

NON-CURRENT OPERATING RECEIVABLES (6)

Non-current operating receivables (in EUR)	31/12/2024	31/12/2023
Trade receivables	186,414	20,265,062
Advances given	0	9,146
Operating receivables from others	12,185,708	13,039,821
Total	**12,372,122**	**33,314,029**

The Group'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)	31/12/2024	31/12/2023
Provisions	378,655	449,344
Impairments	3,242,373	1,223,167
Other	39,463,906	39,566
Total	**43,084,934**	**1,712,077**

Deferred tax receivables are translated using a 19% or 22% tax rate for deferred tax receivables whose mobilisation is expected within a period of 4 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 anniversary and allowances, impairment of investments and receivables, and 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.

The main changes in deferred tax assets in 2024 are the creation of a receivable for the divestment of long-term investments in the subsidiaries TEŠ and PV, which were transferred to the Republic of Slovenia free of charge at the end of 2024 and which the Group estimates that it will be able to utilise within the next three years after the statement of financial position date in the amount of EUR 39,469,138, and the creation of an impairment of trade receivables in the amount of EUR 2,290,810.

Movement of deferred tax receivables (in EUR)	Provisions	Impairments	Amortisation	Other	Total
Balance as at 1/1/2024	**449,344**	**1,223,167**	**0**	**39,566**	**1,712,077**
Added to/deducted from profit or loss statement	-70,689	2,019,206	0	39,424,340	41,372,857
Balance as at 31/12/2024	**378,655**	**3,242,373**	**0**	**39,463,906**	**43,084,934**
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**

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INVENTORIES (9)

Inventories (in EUR)	31/12/2024	31/12/2023
Material	1,404,933	38,742,434
Work in progress	0	2,495
Emission allowances	0	40,352,308
Products and merchandise	1,811,021	39,882,309
Total	**3,215,954**	**118,979,546**

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.

The reduction in inventories in 2024 is almost entirely related to the disposal of the thermodivision companies.

The Group has no pledged inventories.

The team found during the inventory that there was an inventory surplus of EUR 6,269 and an inventory deficit of EUR 13,217.

CURRENT FINANCIAL INVESTMENTS AND LOANS (10)

Current financial investments and loans (in EUR)	31/12/2024	31/12/2023
Financial receivables and loans given to others without interest	51	51
Financial receivables and loans given to others for interest	288	0
Deposits to others	4,501,121	384,871
Total	**4,501,460**	**384,922**

The Group has a short-term deposit facility with a commercial bank with a maturity date of 2 April 2025.

CURRENT TRADE RECEIVABLES (11)

Current trade receivables (in EUR)	31/12/2024	31/12/2023
Operating receivables from associates	98,301	96,733
Operating receivables from jointly controlled companies	0	329
Trade receivables	365,708,403	546,185,895
Total	**365,806,704**	**546,282,957**

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 section Financial instruments and risks management herein.

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CONTRACT ASSETS (12)

Contract assets (in EUR)	31/12/2024	31/12/2023
Accrued revenues	663,305	737,907
Total	**663,305**	**737,907**

Accrued revenue is the revenue that is taken into account in the profit or loss but 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)	31/12/2024	31/12/2023
Advances given	5,053,814	5,423,222
Operating receivables from state and other institutions	53,386,519	78,247,074
Trade receivables due from others	43,911,613	48,889,710
Deferred costs and expenses	8,116,369	44,999,010
Total	**110,468,315**	**177,559,016**

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 amounts committed to trading at receivables exchanges arising from the valuation of contracts at fair value.

Current deferred costs and expenses primarily relate to transactions arising from trading or sale of electricity.

CASH AND CASH EQUIVALENTS (14)

Cash and cash equivalents (in EUR)	31/12/2024	31/12/2023
Cash in hand and received cheques	507,772	10,081
Cash in banks	102,668,253	75,732,097
Call deposits	20,745,482	30,547,636
Deposits with up to 3 month maturity	247,802,664	4,994,445
Total	**371,724,171**	**111,284,259**

EQUITY (15)

Equity (in EUR)	31/12/2024	31/12/2023
Called-up capital	29,558,788	29,558,788
Capital reserves	561,243,182	711,243,182
Other profit reserves	7,152,384	0
Risk hedging reserve	-6,014,837	-5,575,521
Fair value reserves	-6,490,475	-12,924,886
Retained profit/loss	557,346,439	428,859,934
Translation reserve	-100,981	-153,249
Capital of owners of non-controlling shares	947,465	22,316,331
Total	**1,143,641,965**	**1,173,324,579**

Capital reserves (in EUR)	31/12/2024	31/12/2023
Paid-in capital surplus	561,243,070	561,243,070
Subsequent capital increases by shareholders	0	150,000,000
Amount on the basis of elimination of general revaluation capital adjustment	113	113
Total	**561,243,182**	**711,243,183**

Due to the repayment of EUR 150,000,000 in subsequent capital increases received from the state in 2022, capital reserves decreased in 2024.

The hedging reserves of EUR -6,014,837 are detailed in the table below.

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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 as at 1/1/2024	**16,420,903**	**-21,205,540**	**-716,542**	**-74,342**	**-5,575,521**
Net effect of increase/decrease	-36,590,382	39,618,950	2,369,222	74,320	5,472,110
Transfer to expenses	13,166,975	-18,413,410	-664,991	0	-5,911,426
Balance as at 31/12/2024	**-7,002,504**	**0**	**987,689**	**-22**	**-6,014,837**
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**

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 1/1/2024	**105,215**	**71,076**	**-6,339,612**	**-6,761,565**	**-12,924,886**
Formation, increase	0	14,739	-699,265	0	-684,526
Decrease, elimination	-19,122	0	365,522	6,724,200	7,070,600
Divestment/exclusion of companies	-86,093	0	134,430	0	48,337
Balance as at 31/12/2024	**0**	**85,815**	**-6,538,925**	**-37,365**	**-6,490,475**
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**

The other fair value reserves as at 31 December 2024 refer almost entirely to the option to acquire a 36.42% stake in ECE d.o.o. (EUR 6,759,992), which was cashed in 2024.

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Retained profit (in EUR)	2024	2023
Net profit/loss for the year	232,633,719	389,908,698
Retained profit/loss	324,712,720	38,951,236
Total	**557,346,439**	**428,859,934**

The non-controlling shareholders' equity decreased by EUR 21,368,866 in 2024, mainly as a result of the acquisition of the remaining – 49% non-controlling interest of Energija plus and 36.42% non-controlling interest of ECE, and amounted to EUR 947,465 at the end of 2024.

	31/12/2024	1-12/2024	31/12/2023	1-12/2023
Non-controlling interests (in EUR)	Non-controlling interests' equity	Share in profit/loss	Non-controlling interests' equity	Share in profit/loss
SRESA	13,681	-1,440	15,120	-1,938
mHE LOBNICA	213,606	-2,977	216,584	4,186
HSE Invest	201,387	25,993	148,467	20,984
RGP	518,791	111,013	0	0
ECE	0	0	11,966,984	554,476
Energija plus	0	0	9,969,176	344,859
Total	**947,465**	**132,589**	**22,316,331**	**922,567**

PROVISIONS FOR SEVERANCE PAY AND ANNIVERSARY BONUSES (16)

Provisions for severance pay and anniversary bonuses (in EUR)	31/12/2024	31/12/2023
Provisions for severance pays upon retirement	7,324,348	24,542,013
Provisions for anniversary bonusese	1,330,627	3,800,974
Total	**8,654,975**	**28,342,987**

The Group reports provisions for severance pay and anniversary bonuses set up on the basis of the actuarial calculation as at 31 December 2024. Termination benefits refer to severance payments on retirement.

Movement of provisions for severance pay and anniversary bonuses (in EUR)	Provisions for severance pay	Provisions for anniversary bonuses	Total
Balance as at 1/1/2024	**24,542,013**	**3,800,974**	**28,342,987**
Formation, increase	3,495,852	819,447	4,315,299
Decrease, drawing	-3,045,755	-374,454	-3,420,209
Decrease, elimination	-579,264	-140,780	-720,044
Divestment/exclusion of companies	-17,088,497	-2,774,561	-19,863,058
Balance as at 31/12/2024	**7,324,349**	**1,330,626**	**8,654,975**
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**

Actuarial calculation bases taken into account:

- 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 2024, 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, and retirement rates),
- rates of increase in average wages in the RS in the range of 4.5% to 5.5% from 2025 to 2027 are taken from the Bank of Slovenia Review of macroeconomic developments and projections (December 2024). It is foreseen that from 2028 average wage rates in the RS will be raised annually in relation to the inflation rate and their real growth shall amount to 1.4%,
- the wage increase rate in the 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 3.2–3.4% discount rate laid down as at 31 December 2024 reflects the yield of premium euro-denominated corporate bonds as at 31 December 2024,
- provisions of the new corporate collective agreement which define anniversary and retirement benefits and their amounts.

The sensitivity analysis of the change in the discounted interest rate and salary growth to provisions for anniversary and retirement benefits in 2024:

	Discount rate		Salary growth	
Sensitivity analysis for provisions for severance pay and anniversary bonuses (in EUR)	**Decrease by 0.5%**	**Increase by 0.5%**	**Decrease by 0.5%**	**Increase by 0.5%**
Provisions for severance pays upon retirement	432,771	-442,486	-363,293	393,615
Provisions for anniversary bonuses	69,131	-68,199	-54,437	57,936
Total in year 2024	**501,902**	**-510,685**	**-417,730**	**451,551**
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 year 2023	**1,233,930**	**-1,728,952**	**-1,024,316**	**1,155,770**

OTHER PROVISIONS (17)

Other provisions (in EUR)	31/12/2024	31/12/2023
For legal actions	44,205	1,010,823
For closing works of coal mine caves	0	47,917,052
For decommissioning	0	14,640,986
For damages	20,493	2,070,320
Other provisions	2,185,719	2,683,513
Total	**2,250,417**	**68,322,694**

The decrease in provisions compared to 2023 relates to the divestment of the thermodivision companies, as most of these provisions related to provisions for coal pit closure works and provisions for the decommissioning of Block 6.

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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 1/1/2024	**1,010,823**	**47,917,052**	**14,640,986**	**2,070,320**	**2,683,513**	**68,322,694**
Formation, increase	7,095,920	7,690,000	436,587	304,705	501	15,527,713
Decrease, drawing	-80,000	0	0	-195,835	-82,048	-357,883
Decrease, elimination	-117,418	0	0	0	-8,886	-126,304
Divestment/exclusion of companies	-7,865,121	-55,607,052	-15,077,573	-2,158,697	-407,360	-81,115,803
Balance as at 31/12/2024	**44,204**	**0**	**0**	**20,493**	**2,185,720**	**2,250,417**
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**

The main part of the other provisions relates to expected losses on electricity purchase contracts.

OTHER NON-CURRENT LIABILITIES (18)

Other non-current liabilities (in EUR)	31/12/2024	31/12/2023
Emission allowances	0	26,705
Other received government grants	1,475,427	1,257,803
Other liabilities	1,828,361	9,209,204
Total	**3,303,788**	**10,493,712**

Other non-current liabilities decreased compared to 2023 due to the exercise of the option to purchase the remaining 36.42% equity interest in the share capital of ECE d.o.o. The option value was recognised in the amount of the estimated liability for the redemption of the call option as at 31 December 2024 and amounted to EUR 6,759,992.

Movement of other non-current liabilities (in EUR)	Emission allowances	Other received government grants	Other	Total
Balance as at 1/1/2024	**26,705**	**1,257,803**	**9,209,204**	**10,493,712**
Acquisition	0	9,397,944	406,843	9,804,787
Divestment/elimination	-13,541	-8,583,831	-7,546,075	-16,143,447
Divestment/exclusion of companies	-13,164	-596,489	-241,611	-851,264
Balance as at 31/12/2024	**0**	**1,475,427**	**1,828,361**	**3,303,788**
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
Divestment/elimination	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**

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NON-CURRENT FINANCIAL LIABILITIES AND LIABILITIES FROM LEASES (19)

Non-current financial liabilities (in EUR)	31/12/2024	31/12/2023
Financial liabilities to banks	149,844,930	508,230,148
Financial liabilities from leases	4,056,441	4,257,640
Total	**153,901,371**	**512,487,788**

The Group reports non-current financial loans under non-current financial liabilities to banks. The principal amounts of current loans maturing in 2025 are shown under current liabilities to banks.

Bank commitments included therein are subject to non-current loan agreements, none of which were breached in 2024 in the Group.

The Group has EUR 186,000,000 in revolving loans granted; out of which EUR 1,500,000 were drawn as at 31 December 2024. Acquisitions and repayments also include the taking up and repayment of revolving loans.

The loans bear interest at a variable rate based on the market Euribor rate, which is 0 in the case of a negative Euribor, plus a margin ranging from 0.97% to 1.60%.

The Group 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 of the associate HESS.

Movement of non-current financial liabilities (in EUR)	Financial liabilities to banks	Financial liabilities from leases	Total
Balance as at 1/1/2024	**508,230,148**	**4,257,640**	**512,487,788**
Acquisition	1,150,000	2,416,829	3,566,829
Transfers to current liabilities	-63,421,265	-1,769,923	-65,191,188
Repayments	-40,300,000	-548,543	-40,848,543
Other	0	-392,558	-392,558
Change of group perspective	0	385,548	385,548
Divestment/exclusion of companies	-255,813,953	-292,552	-256,106,505
Balance as at 31/12/2024	**149,844,930**	**4,056,441**	**153,901,371**
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**

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CURRENT FINANCIAL LIABILITIES (20)

Current financial liabilities (in EUR)	31/12/2024	31/12/2023
Financial liabilities to banks without interest	44,746,387	82,353,685
Financial liabilities to banks for interest	10,558	473,687
Derivatives	28	95,310
Other financial liabilities	67,312	37,121
Financial liabilities from leases	1,416,828	1,911,807
Total	**46,241,113**	**84,871,610**

The majority of current financial liabilities are current loans received and the current part of the Group's non-current loans repayable in 2025.

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 1/1/2024	**82,353,685**	**473,687**	**95,310**	**37,121**	**1,911,807**	**84,871,610**
Increase	52,300,000	20,756,163	0	4,876,002	85,443	78,017,608
Transfers from non-current liabilities	63,421,265	0	0	0	1,769,923	65,191,188
Current repayments	-65,500,000	-21,206,171	0	-4,840,862	-1,046,400	-92,593,433
Non-current repayments	-67,353,686	-120,553	0	0	-688,957	-68,163,196
Other	0	107,559	-95,282	-4,949	4,949	12,277
Change of group perspective	0	0	0	0	113,811	113,811
Divestment/exclusion of companies	-20,474,877	-127	0	0	-733,748	-21,208,752
Balance as at 31/12/2024	**44,746,387**	**10,558**	**28**	**67,312**	**1,416,828**	**46,241,113**
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**

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CURRENT TRADE PAYABLES (21)

Current operating liabilities (in EUR)	31/12/2024	31/12/2023
Operating liabilities to associates	1,145,733	1,261,214
Operating liabilities to suppliers	244,764,706	355,374,129
Total	**245,910,439**	**356,635,343**

Disclosures relating to the maturity of trade payables are presented in the section Financial instruments and risk management.

OTHER CURRENT LIABILITIES (22)

Other current liabilities (in EUR)	31/12/2024	31/12/2023
Operating advance payables	10,942,212	10,404,247
Operating liabilities to employees	6,289,047	16,117,860
Operating liabilities to state and other institutions	31,807,685	53,499,893
Current operating liabilities to others	14,723,480	2,540,252
Current accrued costs or expenses	25,918,204	30,546,356
Total	**89,680,628**	**113,108,608**

Other current liabilities mostly consist of liabilities to the state and other institutions and current accrued costs and expenses.

Other current liabilities to employees represent liabilities to employees relating to December benefits paid in January 2025. Among them, the Group also discloses liabilities related to leave unexpended.

At the end of the year, the Company reported liabilities arising from the valuation of commodity contracts at fair value amounting to EUR 13,910,835 as part of operating liabilities to others, whereas, at the end of 2023, receivables are shown pertaining thereto.

Current accrued costs largely refer to costs of accrued interest and bank guarantees, and costs related to the procurement of electricity.

In 2024, the Group made a short-term provision for onerous contracts in accordance with IAS 37 of EUR 11,676,714 for expected losses on contracts entered into. The amount of the provision is based on the calculation of the contracts concluded in 2022, 2023 and 2024 for the purchase of electricity in 2025.

CONTINGENT LIABILITIES (23)

Contingent liabilities (in EUR)	31/12/2024	31/12/2023
Performance bonds/warranties for the rectification of defects	4,169,144	2,609,064
Total	**4,169,144**	**2,609,064**

3.5.7.2 Consolidated income statement

REVENUE FROM CONTRACTS WITH CUSTOMERS (24)

Revenue from contracts with customers (in EUR)	2024	2023
On the domestic market	**765,578,809**	**2,007,848,237**
Electricity	710,449,039	1,957,495,262
Heat energy	19,323	292,483
Natural gas	29,416,386	20,816,384
Other products	7,328,873	5,155,297
Other goods and material	6,281,378	10,867,676
Other services	12,083,810	13,221,135
On foreign market	**2,236,144,997**	**2,421,417,728**
Electricity	2,140,781,080	2,387,230,690
Natural gas	13,683,684	14,443,843
Other goods and material	33,921,100	0
Other services	47,759,133	19,743,195
Total	**3,001,723,806**	**4,429,265,964**

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 95% of all net revenue from sales. Compared to 2023, revenue from contracts with customers decreased on account of lower electricity prices.

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.

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OTHER OPERATING REVENUE (25)

Other operating revenue (in EUR)	2024	2023
Revenue from withdrawal of provisions	194,742	472,079
Drawing deferred revenue	4,830	91,113
Elimination of impairment of receivables	406,297	576,599
Revenue from damages and contractual penalties	7,780,409	102,675,416
Default interest	1,126,306	938,996
Profit from the sale of fixed assets	962,598	790,439
Profit from derivatives due to trading with electricity, emission allowances and gas	9,394,202	17,667,742
Fair value measurement of commodity contracts	0	32,233,600
Other	2,581,366	1,300,462
Total	**22,450,750**	**156,746,446**

COSTS OF GOODS, MATERIALS AND SERVICES (26)

Costs of goods, materials and services (in EUR)	2024	2023
Purchase value of sold goods	2,274,185,900	3,862,328,529
Contingent costs of sold goods	56,784,085	77,142,328
Total purchase value of sold goods	**2,330,969,985**	**3,939,470,857**
Costs of material	4,042,016	3,210,678
Cost of supplementary material	126,829	193,332
Costs of energy	3,144,875	2,377,161
Costs of spare parts	957,621	684,782
Costs of small tools	233,956	226,112
Other	1,071,731	970,247
Total costs of material	**9,577,028**	**7,662,312**
Costs of services from product generation	8,788,475	9,242,890
Costs of transport services	2,525,170	2,896,376
Costs of maintenance	5,807,339	3,952,668
Costs of rents	2,387,772	2,364,396
Costs of reimbursements of work-related expenses to employees	307,593	259,477
Costs of insurance and bank services	3,751,800	4,027,879
Costs of intellectual and personal services	4,898,016	3,656,067
Costs of fairs, advertising and representation	2,289,066	1,747,167

Costs of goods, materials and services (in EUR)	2024	2023
Costs of services provided by individuals	856,178	819,147
Municipal services	1,082,313	1,000,604
Other	751,637	2,823,988
Total costs of services	**33,445,359**	**32,790,658**
Total	**2,373,992,370**	**3,979,923,828**

The cost of goods sold, which represents the bulk of all operating expenses, includes the purchase of electricity and its related costs.

Audit costs (in EUR)	2024	2023
Annual report audit	228,476	198,275
Other services of providing guarantees	123,000	18,000
Other non-audit services	0	34,500
Total	**351,476**	**250,775**

The 2024 financial statements of Group companies based in Slovenia were audited by the audit firm Deloitte revizija d.o.o., which also simultaneously reviewed financial information of its foreign subsidiaries included in the consolidated financial statements. The audit firm Deloitte revizija, d.o.o., also provided other assurance services, namely a review of the report on relations with affiliates for an amount of EUR 18,000 and a review of the sustainability report for an amount of EUR 105,000.

Two companies, registered abroad, were audited by audit companies from the Deloitte network in their respective countries.

LABOUR COSTS (27)

Labour costs (in EUR)	2024	2023
Salaries	49,238,909	43,965,326
Pension insurance costs	6,503,724	5,936,154
Other insurance costs	3,483,820	3,005,354
Other labour costs	6,898,941	6,508,016
Total	**66,125,394**	**59,414,850**

Labour costs comprise salaries and allowances, social insurance contributions, supplementary pension insurance and other labour costs (meal allowance, commuting allowance, optional personal insurances, annual leave allowance, solidarity, provisions for anniversary and retirement benefits, etc.). Costs of allowances actually paid for leave not taken in 2024 that may be taken until 30 June 2025 are also included. The increase in labour costs is due to the increase in base salaries in accordance with the sectoral collective agreement and the accrual of the variable performance component for 2024 in accordance with the provisions of the company collective agreements.

Average number of employees by educational structure	31/12/2024	31/12/2023
1	165	178
2	96	100
3	52	53
4	987	1,036
5	837	868
6/1	351	354
6/2	304	294
7	366	349
8/1	88	89
8/2	22	20
Total	**3,266**	**3,340**

Average number of employees calculated from the opening and closing balances, including employees of discontinued operations also at 31 December 2024.

VALUE WRITE-OFFS (28)

Value write-offs (in EUR)	2024	2023
Amortisation of intangible assets	1,743,511	1,865,794
Depreciation of property, plant and equipment	29,004,153	27,844,647
Depreciation of leased assets	1,426,632	1,389,633
Receivables impairments/write-offs	11,080,354	361,625
Inventories impairments/write-offs	71,538	489,929
Impairments in real property, plant and equipment	310,310	1,375,396
Loss on sale property, plant and equipment and investment property	526	11,874
Total	**43,637,024**	**33,338,898**

CAPITALISED OWN PRODUCTS (29)

Capitalised own products (in EUR)	2024	2023
Capitalised own products and services	-10,357,107	-11,056,673
Total	**-10,357,107**	**-11,056,673**

Capitalised own products and services relate to:

- engineering services rendered during the construction and reconstruction of hydro-electric power plants and
- construction works on facilities.

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OTHER OPERATING EXPENSES (30)

Other operating expenses (in EUR)	2024	2023
Forming of provisions	12,055,982	151,488
Fee for the use of construction land	2,459,168	2,389,936
Concessions	16,469,283	15,032,096
Environmental protection expenses	9,550,490	9,263,493
Donations	560,879	1,540,386
Valuation of commodity contracts at fair value	79,056,022	0
Other operating expenses	2,948,703	6,637,473
Total	**123,100,527**	**35,014,872**

The income from the fair valuation of commodity contracts represents the net effect of the fair valuation of these contracts, which is negative in 2024 and thus recorded in other operating expenses.

FINANCIAL RESULT (31)

In 2024 the Group generated a negative financial result in the amount of EUR 24,582,722.

Financial revenue (in EUR)	2024	2023
Financial revenue from dividends and other profit shares	6,734	9,620
Financial revenue from loans and deposits given	5,915,207	2,601,064
Total	**5,921,941**	**2,610,684**

Financial expenses (in EUR)	2024	2023
Financial expenses for interest	11,784,507	12,504,069
Other financial expenses	18,509,026	1,294,689
Other financial expenses from leases	211,130	96,723
Total	**30,504,663**	**13,895,480**

The main other financial expenses are withholding tax costs on foreign loans and borrowing-related costs and losses on the sale of derivatives amounting to EUR 17,859,940.

FINANCIAL REVENUE FROM PARTICIPATING INTERESTS IN ASSOCIATES AND JOINT VENTURES (32)

Share of the profit of investments using the equity method (in EUR)	2024	2023
HESS	1,426,430	1,398,897
Soenergetika	45,120	44,393
Total	**1,471,550**	**1,443,290**

TAX (33)

Taxes (in EUR)	2024	2023
Current tax	5,370,013	49,156,059
Deferred tax	-41,419,885	114,890
Total tax from profit recognised in the income statement	**-36,049,872**	**49,270,949**
Deferred tax recognised in capital	-1,304	-46

Group companies are subject to corporate income tax.

In 2024, nine companies in Slovenia were subject to corporate income tax, as well as all our three companies abroad. The remaining two companies did not identify a basis for its payment due to the negative operating results.

Current tax of Group companies in 2024 amounted to EUR 5,370,013. Based on current tax at the end of 2024, Group companies disclose EUR 47,942,974 of current tax assets and EUR 1,158,987 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 43,084,934 in deferred tax assets and EUR 8,185 in deferred tax liabilities. For more detailed disclosures of deferred tax assets, see Note 7 of the consolidated statement of financial position.

At the end of 2024, Group companies have EUR 996,957,645 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 following table.

In 2024, the applicable tax rate for corporate income tax amounted to 22%, based on the currently applicable tax legislation.

Effective tax rate calculation (in EUR)	2024	2023
Profit (loss) before tax	404,686,622	480,071,108
Calculated tax at the applicable tax rate	89,031,057	91,213,511
Tax on revenues that lower the tax base	-60,296	-58,129
Tax on tax deductions	-1,602,871	-44,299,892
Tax on expenses that lower the tax base	-282,995,603	-389,238
Tax on non-deductible expenses	6,572,918	-3,633,747
Tax from other changes in the tax balance sheet	10,724	-6,579
Tax effects of unrecognised deferred assets arising from tax losses	194,503,637	6,414,449
Effect of higher/lower tax rate of companies abroad	-89,865	-84,317
Tax levied	**5,369,701**	**49,156,059**
Deferred tax	**-41,419,885**	**114,890**
Total taxes	**-36,050,184**	**49,270,949**
Effective tax rate	**1.33%**	**10.24%**

PROFIT AND LOSS STATEMENT (34)

Income statemente of continuing and discontinued operations (in EUR)	2024	2023
1. Net sales revenues	3,572,932,998	4,947,692,606
2. Change in value of inventories and work in progress	-4,173,998	16,936,925
3. Other operating income	32,823,653	167,202,204
GROSS OPERATING INCOME	**3,601,582,653**	**5,131,831,735**
4. Costs of goods, materials and services	2,457,747,551	4,083,986,184
5. Labour costs	179,255,120	170,063,945
6. Value write-offs	345,299,044	175,274,359
a) amortisation/depreciation	98,502,024	97,108,781
b) impairments/write-offs/disposal of intangible assets and investments, property, plant and equipment	232,493,793	55,919,325
c) receivables impairments-write-offs	11,343,655	787,112
d) inventories impairments/write-offs	2,959,572	21,459,141
7. Capitalised own products and services	-14,798,970	-15,139,459
8. Other operating expenses	399,677,461	250,004,001
OPERATING PROFIT/LOSS	**234,402,447**	**467,642,705**
9. Financial revenue	5,933,753	2,611,690
a) Financial revenue from shares	6,734	9,620
b) Financial revenue from loans and deposits given	5,927,019	2,602,070
10. Financial expenses	44,607,836	31,454,653
a) Financial expenses from financial liabilities	20,809,724	24,590,507
b) Financial expenses from other liabilities	23,798,112	6,864,146
FINANCIAL OUTCOME	**-38,674,083**	**-28,842,963**
12. Shares in affiliated and jointly-controlled companies	1,471,550	1,443,290
PROFIT (LOSS) BEFORE TAX	**197,199,914**	**440,243,032**
TAX	**-35,566,394**	**49,411,771**
13. Current tax	5,853,491	49,296,881
14. Deferred tax	-41,419,885	114,890
TOTAL NET PROFIT/LOSS FOR THE YEAR	**232,766,308**	**390,831,261**
Owner of parent company	232,633,719	389,908,697
Non-controlling interest	132,589	922,564

The table above shows the combined profit and loss statement of the continued and discontinued operations.

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3.5.7.3 Related persons

Related persons 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 persons based on purchase contracts. The turnover of all transactions (excluding VAT) including financial revenues is recorded among 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%) and are important for the HSE Group with regard to the level of materiality of the transactions (revenue or expenses in 2024 exceed EUR 2,000,000), except banks where all transactions are disclosed. Most of the transactions relate to electricity trading or financing of the HSE Group.

The parent company is 100% owned by the Republic of Slovenia. Dividends of EUR 100,000,000 were paid in 2024.

Transactions with associated companies (in EUR)	Sales	Purchases	Receivables as at 31/12/2024	Liabilities as at 31/12/2024
Associates	1,661,163	12,105,307	98,301	1,145,733
Total jointly-controlled company	45,120	0	0	0
Total	**1,706,283**	**12,105,307**	**98,301**	**1,145,733**

Transactions with the Republic of Slovenia and legal entities directly owned by the Republic of Slovenia (in EUR)	Outstanding receivables as at 31/12/2024	Outstanding liabilities as at 31/12/2024	Revenue 1-12/2024	Expenses 1-12/2024
BORZEN	3,510,704	2,703,966	8,329,254	11,456,822
BSP	0	15,707	54,005,744	18,422,067
ELES	1,469,201	9,796,914	1,952,115	8,040,837
GEN ENERGIJA	691,227	2,535,740	2,283,637	26,226,895
GEN-I	7,146,165	2,994,495	64,723,330	10,506,451
ELEKTROGOSPODARSTVO SLOVENIJE	1,469,201	9,796,914	1,952,115	8,040,837
TERMOELEKTRARNA ŠOŠTANJ *	1,402,316	52,059,269	/	/
PREMOGOVNIK VELENJE *	1,392,496	10,787	/	/
Energy companies – total	**17,081,310**	**79,913,792**	**133,246,195**	**82,693,909**
TALUM	768,372	273,217	6,210,789	1,557,930
Aluminium production	**768,372**	**273,217**	**6,210,789**	**1,557,930**
ZAVAROVALNICA TRIGLAV	615	18,467	43,615	2,128,765
Other – total	**615**	**18,467**	**43,615**	**2,128,765**
SID	0	43,554,779	0	2,275,175
Banks – total	**0**	**43,554,779**	**0**	**2,275,175**
Total	**17,850,297**	**123,760,255**	**139,500,599**	**88,655,779**

Revenues/expenses in 2024 included in the consolidated financial statements of the HSE Group_transfer of HSE's 100% ownership stake in the companies to the Republic of Slovenia as of 31 December 2024.

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3.5.7.4 Remuneration

The revenue shown below by recipient category refer to remuneration in 2024.

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, new loans or guarantees in 2024.

REMUNERATION OF MANAGEMENT BOARD

Management remuneration (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.		CEO of HSE	189,520	12,522	0	0	1,842	203,884
Uroš Podobnik		CBO of HSE	170,568	11,258	10,206	0	1,410	193,442
Damjan Seme, M.Sc.		CEO of DEM	151,613	10,018	0	0	780	162,411
Mitja Gorjan		CEO of SENG	151,370	9,177	9,177	0	699	170,423
Mitja Tašler		Business director of TEŠ	114,639	23,255	0	0	1,024	138,918
Branko Debeljak		CEO of TEŠ	151,616	6,599	0	0	241	158,456
Marko Mavec, M.Sc.		CEO of PV	150,950	8,978	0	0	492	160,420
Janez Rošer, Ph.D.		Director PV	136,526	7,825	0	0	3,791	148,142
Maja Gazvoda, M.Sc.	from 2/4/2024	Director PV	91,036	0	0	0	664	91,700
Jure Šimic, M.Sc.		Director of HSE Invest	97,185	6,121	0	0	2,321	105,627
Aleksandar Erkić, M.Sc.		CEO of RGP	127,086	6,650	0	0	1,479	135,215
Sebastijan Roudi, M.Sc.		Director of ECE	136,427	7,355	0	0	3,938	147,720
Alan Perc, M.Sc.		Director of Energija plus	130,453	6,966	6,966	0	7,034	151,419
Damijan Kanduti, M.Sc.		CEO of HTZ	122,874	5,176	0	0	856	128,906
Damjan Lesnjak, M.Sc.		Director of PLP	79,883	3,376	0	0	773	84,032
Iztok Kikec		Director of Sipoteh	94,582	5,551	0	0	121	100,254

NOTE: The function period is stated only if it differs from the reporting period.

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REMUNERATION OF SUPERVISORY BOARD MEMBERS

Income of Supervisory Board Members (in EUR)	Period of function	Function	Function performance remuneration - gross			Gross annual remuneration of the SB and Committees (2)	Total Gross (1+2)	Travel expenses
			Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Nevenka Hrovatin, Pd.D.		President of SB of HSE	13,000	6,500	19,500	3,025	22,525	101
David Valentinčič		Deputy President of SB of HSE	13,000	1,300	14,300	2,750	17,050	1,398
Barbara Gorjup, M.Sc.		Member of SB of HSE	12,052	0	12,052	3,025	15,077	82
Denis Bele		Member of SB of HSE	13,000	0	13,000	2,750	15,750	974
Boštjan Grešak		Member of SB of HSE	13,000	0	13,000	3,025	16,025	319
Miha Šebenik		Member of SB of HSE	12,052	0	12,052	2,750	14,802	194
Blanka Povh		Representative of employees of SB of HSE	13,000	0	13,000	3,025	16,025	0
Matej Kovač		Representative of employees of SB of HSE	13,000	0	13,000	3,025	16,025	0
Rok Rožman	until 22/8/2024	Representative of employees of SB of HSE	9,470	0	9,470	2,200	11,670	0
Uroš Žibret	since 23/8/2024	Representative of employees of SB of HSE	3,565	0	3,565	825	4,390	265
Tomaž Štokelj, Ph.D.		President of SB of DEM	7,108	3,554	10,662	692	11,354	0
Urška Gašperlin, M.Sc.		Deputy President of SB of DEM	7,108	710	7,818	692	8,510	0
Marjan Kribiš		Member of SB of DEM	7,108	0	7,108	692	7,800	0
Tomaž Štokelj, Ph.D.		President of SB of SENG	6,543	3,271	9,814	923	10,737	0
Kristina Rovšek		Deputy President of SB of SENG	6,543	654	7,197	923	8,120	0
Boštjan Čopi		Member of SB of SENG	6,543	0	6,543	923	7,466	0
Tomaž Štokelj, Ph.D.	until 27/6/2024	President of SB of TEŠ	4,246	2,123	6,369	1,144	7,513	0
Urška Gašperlin, M.Sc.	since 19/9/2024	President of SB of TEŠ	1,477	739	2,216	394	2,610	0
Matej Čufer		Deputy President of SB of TEŠ	7,385	739	8,124	1,538	9,662	0
Urška Gašperlin, M.Sc.	since 28/6/2024 until 18/9/2024	Member of SB of TEŠ	1,662	0	1,662	0	1,662	0
Aleš Radnjak		Member of SB of TEŠ	7,385	0	7,385	1,538	8,923	0
Uroš Podobnik	until 26/6/2024	President of SB of PV	4,246	2,123	6,369	947	7,316	0

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Income of Supervisory Board Members (in EUR)	Period of function	Function	Function performance remuneration - gross			Gross annual remuneration of the SB and Committees (2)	Total Gross (1+2)	Travel expenses
			Basic function performance remuneration	Additional function performance remuneration	Total (1)			
Drago Skornšek		Deputy President of SB PV / President of SB PV	8,226	1,827	10,053	2,002	12,055	0
Danilo Rednjak		Member of SB PV	8,805	0	8,805	2,045	10,850	0
Romana Jontes		External member of SB PV	1,420	0	1,420	680	2,100	0
Kristina Rovšek	since 27/6/2024	Member of SB PV / Deputy President of SB PV	3,736	246	3,982	832	4,814	0
Aleksander Brunčko	since 10/5/2024	President of SB RGP	4,030	2,016	6,046	1,496	7,542	0
Miha Pečovnik	until 10/5/2024	President of SB RGP	1,744	873	2,617	918	3,535	0
Urh Šuštar	since 1/2/2024	Deputy President of SB RGP	5,775	578	6,353	2,414	8,767	0
Miha Pohar	since 1/2/2024 until 11/12/2024	Member of SB RGP	5,436	0	5,436	2,414	7,850	0
Matej Bračič	since 12/12/2024	Member of SB RGP	339	0	339	0	339	0
Boris Kupec, M.Sc.	until 10/7/2024	President of SB ECE	6,895	689	7,584	2,145	9,729	0
Tomaž Štokelj, Ph.D.	since 10/7/2024	President of SB ECE	4,602	2,217	6,819	495	7,314	0
Jana Pogačnik, M.Sc.	until 23/12/2024	Member of SB of ECE	11,300	3,989	15,289	2,640	17,929	0
Andrej Kerk		Member of SB of ECE	11,300	0	11,300	2,365	13,665	0
Jana Pogačnik, M.Sc.		President of SB Energija plus	8,475	4,237	12,712	1,815	14,527	0
Andreja Žinkovič		Member of SB of Energija plus	8,475	873	9,348	1,815	11,163	0
Boštjan Majč		Member of SB of Energija plus	8,500	0	8,500	1,815	10,315	0

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REMUNERATION OF MEMBERS OF THE AUDIT COMMITTEE

Remuneration of Members of the Audit Committee of SB (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.		President of AC of HSE	0	4,063	4,063	2,596	6,659	41
Marko Hočevar, Ph.D.		External member of AC of HSE	0	13,000	13,000	3,300	16,300	0
Miha Šebenik		Member of AC of HSE	0	2,708	2,708	2,376	5,084	27
Matej Kovač		Member of AC of HSE	0	3,250	3,250	2,596	5,846	0
Urška Gašperlin, M.Sc.		President of AC of DEM	0	2,665	2,665	554	3,219	0
Marjan Kribiš		Member of AC of DEM	0	1,777	1,777	554	2,331	0
Rado Sodin		Member of AC of DEM	0	76	76	0	76	0
Sonja Anadolli	since 21/3/2024	External member of AC of DEM	0	5,541	5,541	692	6,233	376
Kristina Rovšek		President of AC of SENG	0	2,454	2,454	993	3,447	0
Boštjan Čopi		Member of AC of SENG	0	1,636	1,636	993	2,629	0
Romana Jontes		External member of AC of SENG	6,543	0	6,543	1,242	7,785	290
Matej Čufer		President of AC of TEŠ	0	2,769	2,769	1,231	4,000	0
Rado Sodin	until 4/1/2024	External member of AC of TEŠ	722	0	722	197	919	40
Aleš Radnjak		Member of AC of TEŠ	0	1,846	1,846	1,231	3,077	0
Sonja Anadolli	since 22/2/2024	External member of AC of TEŠ	5,714	0	5,714	1,341	7,055	684
Drago Skornšek	until 16/7/2024	President of AC of PV	0	1,735	1,735	1,073	2,808	0
Kristina Rovšek	since 17/7/2024	President of AC of PV	0	953	953	473	1,426	0
Romana Jontes		External member of AC of PV	7,385	0	7,385	1,538	8,923	392
Danilo Rednjak		Member of AC of PV / Representative of employees of AC of PV	0	1,846	1,846	1,546	3,392	0
Urh Šuštar	since 1/2/2024	President of AC of RGP	0	1,759	1,759	408	2,167	674
Sonja Anadolli	since 1/2/2024	External member of AC of RGP	0	4,690	4,690	510	5,200	254
Miha Pohar	since 1/2/2024 until 11/12/2024	Member of AC of RGP	0	1,088	1,088	408	1,496	0
Matej Bračič	since 12/12/2024	Member of AC of RGP	0	85	85	0	85	0
Jana Pogačnik, M.Sc.		President of AC of ECE	0	4,488	4,488	1,540	6,028	0
Darinka Virant		External member of AC of ECE	3,390	0	3,390	1,540	4,930	0
Boris Kuper, M.Sc.	until 10/7/2024	Member of AC of ECE	0	4,310	4,310	1,320	5,630	0
Andrej Kerk		Member of AC of ECE	0	2,825	2,825	1,320	4,145	0
Andreja Žinkovič		President of AC of Energija plus	0	3,178	3,178	1,100	4,278	0
Jana Pogačnik, M.Sc.		Member of AC of Energija plus	0	2,119	2,119	1,100	3,219	0
Daniel Zdolšek, Ph.D.		Member of AC of Energija plus	8,475	0	8,475	1,100	9,575	0

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REMUNERATION OF MEMBERS OF THE PERSONNEL COMMITTEE

Remuneration of Members of the Personnel Committee of SB (in EUR)	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.	President of PC of SB of HSE	0	4,875	4,875	1,100	5,975	25
Denis Bele	Member of PC of SB of HSE	0	3,250	3,250	1,100	4,350	237
Boštjan Grešak	Member of PC of SB of HSE	0	3,250	3,250	1,100	4,350	21
Blanka Povh	Member of PC of SB of HSE	0	3,250	3,250	1,100	4,350	0

NOTE: The function period is stated only if it differs from the reporting period.

REMUNERATION OF THE MEMBERS OF THE TRADING AND INVESTMENT COMMITTEE

Remuneration of Members of the Trading and Investment Committee of SB (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		President of TIC of SB of HSE	0	3,792	3,792	880	4,672	5
David Valentinčič		Memeber of TIC of SB of HSE	0	3,250	3,250	880	4,130	246
Barbara Gorjup, M.Sc.		Memeber of TIC of SB of HSE	0	2,437	2,437	880	3,317	14
Rok Rožman	until 23/8/2024	Memeber of TIC of SB of HSE	0	2,368	2,368	660	3,028	0
Uroš Žibret	since 23/8/2024	Memeber of TIC of SB of HSE	0	891	891	220	1,111	91

NOTE: The function period is stated only if it differs from the reporting period.

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3.5.7.5 Financial instruments and Risk Management

This section is linked to the Risk management section in the business part of the report.

CREDIT RISK

As 97% 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 production units, settles its liabilities pursuant to the provisions of electricity procurement contracts concluded by HSE 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 55% of current trade receivables or the majority of all Group receivables.

Defaulting debtors in Slovenia and abroad are charged with contractually agreed default interest.

	Due for payment			
Non-current operating and financial receivables by maturity dates (in EUR)	**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**	**Total**
Deposits to others	0	2,934	0	2,934
Operating receivables from buyers	181,524	4,890	0	186,414
Operating receivables from others	12,185,708	0	0	12,185,708
Total as at 31/12/2024	**12,367,232**	**7,824**	**0**	**12,375,056**
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**

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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 270 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 to others	51	0	0	0	0	0	51
Financial receivables and loans to others for interest	288	0	0	0	0	0	288
Deposits to others	4,501,121	0	0	0	0	0	4,501,121
Operating receivables from affiliated companies	98,301	0	0	0	0	0	98,301
Operating receivables from buyers	354,795,597	15,945,907	178,015	111,029	57,462	9,596,891	380,684,901
Advances given	5,053,814	0	0	0	0	0	5,053,814
Operating receivables from state and other institutions	53,386,519	0	0	0	0	0	53,386,519
Operating receivables from others	43,903,265	8,348	0	0	0	0	43,911,613
Total as at 31/12/2024	**461,738,956**	**15,954,255**	**178,015**	**111,029**	**57,462**	**9,596,891**	**487,636,608**
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**

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Movement of value adjustments of current operating receivables (in EUR)	2024	2023
Balance as at 1/1	**8,610,168**	**10,505,017**
Recovered written-off receivables	-509,676	-415,399
Allowances set up for receivables	11,520,564	736,217
Final write-offs of receivables	-870,047	-2,215,667
Divestment/exclusion of companies	-3,774,512	0
Balance as at 31/12	**14,976,497**	**8,610,168**

At the end of 2024, the Group has a total of EUR 14,976,497 of value allowances for doubtful and disputed current operating receivables.

In 2024, 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, with the largest impairments being individually recorded and thus not recurring in the impairment model.

Credit risks were properly managed in 2024.

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. We also actively monitor developments in the financial markets, which helps us to better control and manage 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 2024.

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 2024.

Liquidity risk management from funding is the risk associated with securing sufficient financial resources. This 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 is outlined in the tables below.

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Non-current operating and financial liabilities by maturity dates (in EUR)	Due for payment			
	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	Total
Financial liabilities to banks	86,492,777	106,023,540	575,000	193,091,317
Financial liabilities from leases	2,827,128	1,229,313	0	4,056,441
Operating liabilities to suppliers	4,813	0	0	4,813
Other operating liabilities from leases	96,713	0	0	96,713
Total as at 31/12/2024	**89,421,431**	**107,252,853**	**575,000**	**197,249,284**
Financial liabilities to banks	171,137,359	209,915,281	194,831,106	575,883,746
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	**174,119,959**	**211,341,072**	**194,831,106**	**580,292,137**

As at 31 December 2024, all outstanding current liabilities of the Group had already been settled.

The liquidity risk exposure from financial liabilities to banks on 31 December 2024 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 371,724,171 in cash liquidity reserves and EUR 180,000,000 in granted but undrawn non-current revolving loans.

Exposure to liquidity risk arising on financial liabilities to banks (in EUR)	Estimated cash flows					
	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	Total
Financial liabilities to banks without interest rate hedging						
Non-current loans	-19,280,769	-23,965,619	-43,246,389	-106,023,540	-575,000	-193,091,317
Total as at 31/12/2024	**-19,280,769**	**-23,965,619**	**-43,246,389**	**-106,023,540**	**-575,000**	**-193,091,317**
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**

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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, which is the EUR.

The currency risk of the group was properly managed in 2024. 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.

As other currencies in transactions are present to a lesser extent, 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 2024 were converted using the following exchange rates:

Country	Currency code	Final exchange rate in EUR for 2024	Final exchange rate in EUR for 2023
Czech Republic	CZK	25.1850	24.7240
Hungary	HUF	411.3500	382.8000
Romania	RON	4.9743	4.9756
USA	USD	1.0389	1.1050
Great Britain	GBP	0.8292	0.8691
Bulgaria	BGN	1.9558	1.9558
Turkey	TRY	36.7372	32.6531
Serbia	RSD	116.9600	117.4100
North Macedonia	MKD	61.5860	61.6110
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	2,934	0	0	0	2,934
Non-current operating receivables	11,069,742	0	0	1,302,380	12,372,122
Current financial receivables and loans	4,500,288	0	51	1,121	4,501,460
Current operating receivables	454,412,988	0	13,528,153	217,512	468,158,653
Non-current financial liabilities	-153,901,371	0	0	0	-153,901,371
Non-current operating liabilities	-101,526	0	0	0	-101,526
Current financial liabilities	-46,241,112	0	0	0	-46,241,112
Current operating liabilities	-302,779,863	-120,643	-3,544,488	-1,277,303	-307,722,297
Net exposure of the SFP as at 31/12/2024	**-33,037,920**	**-120,643**	**9,983,716**	**243,710**	**-22,931,137**
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**

Concluded contracts for currency swaps (in EUR)	31/12/2024	31/12/2023
Concluded contracts for currency swaps – purchase hedging	120,512	3,236,346
Concluded contracts for currency swaps – sale hedging	0	0
Total	**120,512**	**3,236,346**

Currency swap effect (in EUR)	2024	2023
Unrealized loss of effective transactions	22	74,342
Realised loss of effective transactions	-69,781	-4,244

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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 properly managed in 2024 by limiting and reducing risks associated with interest rate changes, resulting in stabilised cash flows.

Developments on the money market and interest rate oscillations are monitored regularly. In relation thereto, appropriate interest rate hedging measures are adopted. In 2024, 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.

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 2024, namely the VaR (value-at-risk) parameter, the floating stop-loss limit and the venture capital limit.

	Net profit or loss 2024		Net profit or loss 2023	
Financial instruments (in EUR)	**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	**-1,183,580**	**1,183,580**	**-1,597,951**	**1,597,951**
Financial liabilities	-1,183,580	1,183,580	-1,597,951	1,597,951

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 profit 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 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 2,250,954,880 in concluded futures. Related disclosures are provided in the Equity section.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2024	31/12/2023
For electricity - to hedge procurement	1,173,331,812	986,481,817
For electricity - to hedge sales	1,077,623,068	949,383,989

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 Capital section. At the end of the year, the Group recorded EUR 161,733,764 of open future contracts held for trading.

Concluded standardised forward contracts for trading (in EUR)	31/12/2024	31/12/2023
For electricity - trading - purpose of purchase	74,764,002	81,116,740
For electricity - trading - purpose of sale	86,969,762	101,806,351

Emission coupons

The Group concluded futures in 2024 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 2024, there were no outstanding contracts to secure the purchase and sale of emission allowances or to buy and sell for the purpose of trading. Related disclosures are provided in the Equity section.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2024	31/12/2023
For emission allowances - futures for hedging procurement	0	339,165,210
For emission allowances - futures for hedging sales	0	189,823,950

Concluded standardised forward contracts for trading (in EUR)	31/12/2024	31/12/2023
For emission allowances - trading - intended for procurement	0	0
For emission allowances - trading - intended of sale	0	43,999,760

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Gas

In 2024, the Group entered into futures for the purchase and sale of natural gas in order to manage natural gas portfolios for supply to end-users and, to a limited extent, the Group also entered into futures for the purchase and sale of natural gas as part of its trading activities. At the end of 2024, it held EUR 6,495,527 of natural gas purchase and sale hedging contracts for hedging purposes and EUR 3,246,529 of purchase and sale hedging contracts for trading purposes. Related disclosures are provided in the Equity section.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2024	31/12/2023
For gas - futures for hedging procurement	5,961,424	1,711,737
For gas - futures for hedging sales	534,103	0

Concluded standardised forward contracts for trading (in EUR)	31/12/2024	31/12/2023
For gas - trading - intended for procurement	1,730,590	1,252,001
For gas - trading - intended of sale	1,515,939	1,583,124

CAPITAL MANAGEMENT

Capital management (in EUR)	31/12/2024	31/12/2023
Non-current financial liabilities	149,844,930	508,230,148
Non-current financial liabilities from leases	4,056,441	4,257,640
Current financial liabilities	44,824,285	82,959,803
Current financial liabilities from leases	1,416,828	1,911,807
Total financial liabilities	200,142,484	597,359,398
Capital	1,143,641,965	1,173,324,579
Financial liabilities/Capital	**0.18**	**0.51**
Cash and cash equivalents	371,724,171	111,284,259
Net financial liability	-171,581,687	486,075,139
Net debt/Capital	**-0.15**	**0.41**

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 the lower at the end of 2024 compared to the previous year, suggesting lower indebtedness, whereas the leverage ratio reduced compared to 2024, caused by the increase of net debt compared to the previous year and a higher cash balance.

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CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Carrying amounts and fair values of financial instruments (in EUR)	31/12/2024		31/12/2023	
	Book value	Fair value	Book value	Fair value
Non-derivative financial assets at fair value	**408,462**	**408,462**	**18,060,361**	**18,060,361**
Financial assets available for sale	408,462	408,462	18,060,361	18,060,361
Derivative financial assets at fair value	**0**	**0**	**11,511,982**	**11,511,982**
Derivatives (receivables)	0	0	11,511,982	11,511,982
Non-derivative financial assets at amortised cost	**956,752,673**	**956,752,673**	**864,259,874**	**864,259,874**
Financial receivables	4,504,394	4,504,394	404,010	404,010
Operating and other receivables	580,524,108	580,524,108	752,571,605	752,571,605
Cash and cash equivalents	371,724,171	371,724,171	111,284,259	111,284,259
Total	**957,161,135**	**957,161,135**	**893,832,217**	**893,832,217**
Derivative financial liabilities at amortised cost	**13,910,835**	**13,910,835**	**0**	**0**
Derivatives (liabilities)	13,910,835	13,910,835	0	0
Non-derivative financial liabilities at amortised cost	**520,740,407**	**520,740,407**	**1,123,304,157**	**1,123,304,157**
Bank loans	194,601,875	194,601,875	591,057,520	591,057,520
Other financial liabilities	5,540,609	5,540,609	6,301,878	6,301,878
Operating and other liabilities	320,597,923	320,597,923	525,944,759	525,944,759
Total	**534,651,242**	**534,651,242**	**1,123,304,157**	**1,123,304,157**

Illustration of financial assets and liabilities disclosed at fair value subject to the fair value determination hierarchy.

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Carrying amounts and fair values of financial instruments (in EUR)	31/12/2024				31/12/2023			
	1. Level	2. Level	3. Level	Total	1. Level	2. Level	3. Level	Total
Non-derivative financial assets at fair value	**155,844**	**0**	**252,618**	**408,462**	**133,526**	**0**	**17,926,835**	**18,060,361**
Financial assets at fair value through other comprehensive income	155,844	0	252,618	408,462	133,526	0	17,926,835	18,060,361
Derivatives financial assets at fair value	**0**	**0**	**0**	**0**	**15,427,311**	**-3,915,329**	**0**	**11,511,982**
Derivatives (receivables)	0	0	0	0	15,427,311	-3,915,329	0	11,511,982
Non-derivative financial assets at amortised cost	**0**	**956,752,673**	**0**	**956,752,673**	**0**	**864,259,874**	**0**	**864,259,874**
Financial receivables	0	4,504,394	0	4,504,394	0	404,010	0	404,010
Operating and other receivables	0	580,524,108	0	580,524,108	0	752,571,605	0	752,571,605
Cash and cash equivalents	0	371,724,171	0	371,724,171	0	111,284,259	0	111,284,259
Total	**155,844**	**956,752,673**	**252,618**	**957,161,135**	**15,560,837**	**860,344,545**	**17,926,835**	**893,832,217**
Derivative financial liabilities at amortised cost	**8,663,985**	**5,246,850**	**0**	**13,910,835**	**0**	**0**	**0**	**0**
Derivatives (liabilities)	8,663,985	5,246,850	0	13,910,835	0	0	0	0
Non-derivative financial liabilities at amortised cost	**0**	**520,740,407**	**0**	**520,740,407**	**0**	**1,123,304,157**	**0**	**1,123,304,157**
Bank loans	0	194,601,875	0	194,601,875	0	591,057,520	0	591,057,520
Other financial liabilities	0	5,540,609	0	5,540,609	0	6,301,878	0	6,301,878
Operating and other liabilities	0	320,597,923	0	320,597,923	0	525,944,759	0	525,944,759
Total	**8,663,985**	**525,987,257**	**0**	**534,651,242**	**0**	**1,123,304,157**	**0**	**1,123,304,157**

3.5.8 EVENTS AFTER THE REPORTING DATE

There were no other significant events in the Group's financial position subsequent to the statement of financial position date that may have an impact on the 2024 financial statements or require additional disclosures.

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The power of nature

Water, sun, wind

Nature obliges us to develop responsibly. We design our projects in dialogue with the environment, respecting the nature and working together with the people who live there.

4 Accounting Report of HSE Company

4.1 Auditor's Report on the HSE Company

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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 2024, and the separate profit or loss statement, the separate statement of other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2024, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing 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

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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 2024. 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.

Revenues from sale of electricity

Key audit matter	*How our audit addressed the key audit matter*
The Company recognized revenue from contracts with customers in the amount of EUR 3,620,313 thousand in the separate income statement for the year ended 31 December 2024, of which EUR 3,491,003 thousand relates to the sale of electricity. More detailed disclosures on this matter are provided in the chapter *Revenue from Contracts with Customers* under *Significant Accounting Policies* and in Note 4.5.4 *Significant Accounting Policies*. As explained in the chapter *Revenue from Contracts with Customers* under *Significant Accounting Policies*, revenue from the sale of electricity is recognized at the point in time when the Company satisfies a performance obligation, i.e., when the electricity is transferred to the customer. Revenue from contracts with customers is one of the key indicators of the Company's business performance. Due to the materiality of this item in the financial statements, we have identified this area as a key audit matter.	As part of our audit procedures, we assessed the appropriateness of the accounting policies related to revenue recognition from contracts with customers and their compliance with IFRS 15. We performed the following audit procedures: • evaluated the design and implementation of internal controls related to revenue recognition in terms of the appropriateness of their recording; • tested the operating effectiveness of those identified internal controls that we deemed relevant for audit purposes; • performed detailed testing, based on a selected sample, to assess the appropriateness of revenue recognition; • for revenue from transactions with related parties presented in the separate income statement, we obtained confirmations of transactions from the related parties. We also reviewed the disclosures in the financial statements to assess whether the information related to revenue from contracts with customers is appropriate.

Other information
Management is responsible for the other information. The other information comprises the information included in Annual report, other than the separate financial statements and our auditor's report thereon. Other information was obtained before the date of the auditor's report, except for the report of the supervisory board, which will be available later.

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, except for the information relating to the sustainability

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report, for which a separate limited assurance report has been issued, 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, except for the sustainability report, for which we issued a separate limited assurance report on 30 May 2025, has been prepared in accordance with the applicable laws and regulations; 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.

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.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

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.

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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 X 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.

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

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activities, and which were used in the preparation of the disclosure 4.5.9 "Additional disclosures on the basis of the Electricity and Gas Supply Act" for the financial year that ended on 31 December 2024, 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.
- 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.

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- 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.

Ljubljana, 30 May 2025

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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

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4.2 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 Holding Slovenske elektrarne, d.o.o.

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 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 confirms that the financial statements have been prepared in accordance with International Financial Reporting Standards without qualifying their application.

The financial statements of Holding Slovenske elektrarne, d.o.o. for the financial year ended on 31 December 2024 were adopted by the management on 30 May 2025.

Ljubljana, 30 May 2025

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

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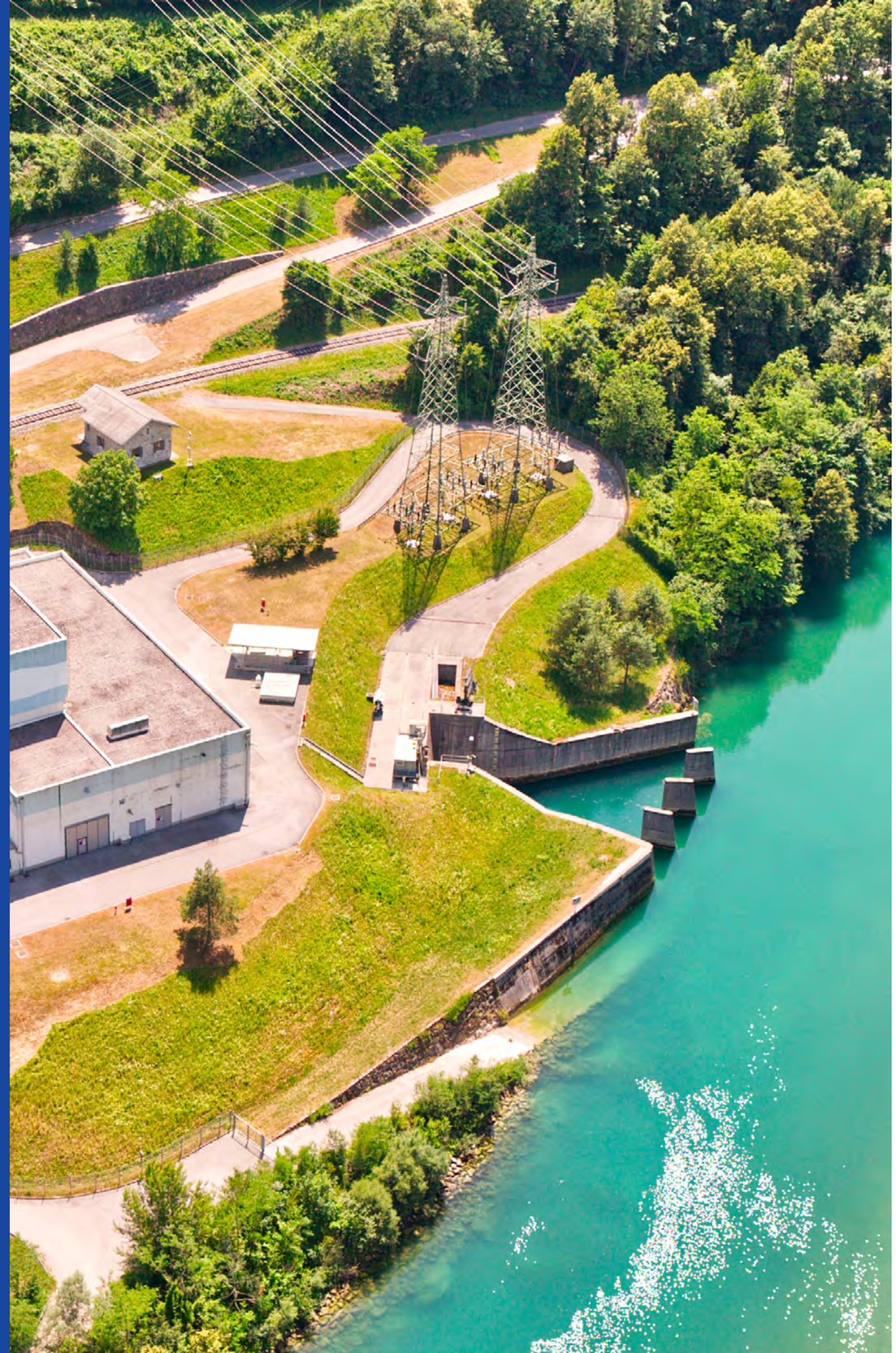

4.3 Introductory explanatory notes to the financial statements

The financial report of Holding Slovenske elektrarne, d.o.o., presents 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.

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

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4.4 Separate financial statements of HSE Company

4.4.1 SEPARATE STATEMENT OF FINANCIAL POSITION OF HSE COMPANY

Statement of financial position (in EUR)		Explanatory note	31/12/2024	31/12/2023
ASSETS			**1,702,475,940**	**1,964,160,651**
A. NON-CURRENT ASSETS			**960,952,096**	**1,220,760,333**
I.	Intangible assets	1	252,037,539	352,347,993
II.	Property, plant and equipment	2	21,862,109	20,556,530
III.	Right of use assets	3	3,740,807	2,862,139
V.	Financial investments in subsidiaries	4	588,159,980	790,496,732
VI.	Other financial investments and loans	5	40,880,442	41,070,442
VII.	Operating receivables	6	12,181,091	13,037,972
IX.	Deferred tax receivables	7	42,090,128	388,525
B. CURRENT ASSETS			**741,523,844**	**743,400,318**
II.	Inventories	8	3,916	41,363,134
III.	Financial investments and loans	9	190,898	400,101
IV.	Trade receivables	10	361,294,012	560,342,170
V.	Contract assets	11	1,589,832	2,678,758
VI.	Tax receivables	12	43,960,997	0
VII.	Other assets	13	89,487,522	106,932,057
VIII.	Cash and cash equivalents	14	244,996,667	31,684,098
EQUITY AND LIABILITIES			**1,702,475,940**	**1,964,160,651**
A. EQUITY		15	**906,890,817**	**946,724,778**
I.	Called-up capital		29,558,789	29,558,789
II.	Capital reserves		561,243,185	711,243,185
III.	Profit reserves		111,882,766	107,744,824
IV.	Risk hedging reserve		-6,014,837	-5,575,521
V.	Fair value reserves		-269,538	-384,441
VI.	Retained profit/loss		210,490,452	104,137,942
B. NON-CURENT LIABILITIES			**154,925,773**	**237,605,783**
I.	Provisions for severance pays and anniversary bonuses	16	2,104,136	2,095,228
II.	Other provisions	17	44,205	49,418
III.	Other liabilities	18	1,786,979	2,292,367
IV.	Financial liabilities	19	148,069,930	231,016,317
V.	Financial liabilities from leases	20	2,920,523	2,152,453
C. CURRENT LIABILITIES			**640,659,350**	**779,830,090**
II.	Financial liabilities	21	43,013,028	95,108,236
III.	Financial liabilities from leases	22	885,666	722,758
IV.	Operating liabilities	23	260,603,313	328,985,389
V.	Contract liabilities	24	31,585,393	21,946,564
VI.	Tax liabilities	25	0	41,417,799
VII.	Other liabilities	26	304,571,950	291,649,344

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

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4.4.2 SEPARATE PROFIT AND LOSS STATEMENT OF HSE COMPANY

Income statement (in EUR)		Explanatory note	2024	2023
1.	Net sales revenues	27	3,620,312,806	5,116,070,394
3.	Other operating income	28	14,741,185	52,073,813
GROSS OPERATING INCOME			**3,635,053,991**	**5,168,144,207**
4.	Costs of goods, materials and services	29	3,103,256,884	4,651,061,492
5.	Labour costs	30	21,261,608	18,800,082
6.	Value write-offs	31	12,460,014	2,394,747
8.	Other operating expenses	32	80,716,449	43,124,294
OPERATING PROFIT/LOSS			**417,359,036**	**452,763,592**
9.	Financial revenue	33	3,867,016	4,568,037
a)	financial income from dividends and other shares in profit		44,393	931,389
b)	financial revenue from loans and deposits given		3,548,129	1,978,282
c)	other financial revenues		274,494	1,658,366
10.	Financial expenses	34	252,458,164	49,477,713
a)	financial expenses fot interest		11,967,830	14,454,690
b)	impairment of investment in subsidiaries		221,741,253	33,860,746
c)	other financial expenses		18,749,081	1,162,277
FINANCIAL OUTCOME			**-248,591,148**	**-44,909,676**
PROFIT (LOSS) BEFORE TAX			**168,767,888**	**407,853,916**
TAX		35	**-41,722,564**	**41,406,242**
12.	Current tax		0	41,417,799
13.	Deferred tax		-41,722,564	-11,557
NET PROFIT/LOSS FOR THE YEAR		36	**210,490,452**	**366,447,674**

'* 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 SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME OF HSE COMPANY

Items (in EUR)	Explanatory note	2024	2023
Net profit/loss for the year	36	**210,490,452**	**366,447,674**
Actuarial profits and losses of programmes with certain income of employees		114,903	-265,854
Items that will subsequently not be included in the income statement	15	**114,903**	**-265,854**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows		74,320	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		-513,636	1,069,881
Items that will subsequently be included in the income statement	15	**-439,316**	**101,176,036**
Total comprehensive income for the reporting period		**210,166,039**	**467,357,856**

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

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4.4.4 SEPARATE CASH FLOW STATEMENT OF HSE COMPANY

Cash flow statement (in EUR)	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss	210,490,452	366,447,674
Adjustments for:		
Amortisation of intangible assets	580,455	531,547
Depreciation of property, plant and equipment	555,304	530,573
Depreciation of right of use assets	911,005	865,304
Inventories write-off	0	466,764
Write-off of property, plant and equipment	466	534
Operating receivables write-offs	10,412,775	0
Loss from sale of real property, plant and equipment	8	25
Financial revenue	-3,867,026	-4,568,037
Financial expenses	252,458,164	49,477,712
Profit from sale of property, plant and equipment	-18,782	-10,640
Profit on lease disposals	-451	0
Taxes	-41,722,564	41,406,241
Operating profit before changes in net current assets and taxes	**429,799,806**	**455,147,697**
Changes in net current assets and provisions		
Change in:		
Inventories	41,359,217	-29,418,672
Trade receivables and other assets	207,681,942	-136,779,997
Operating liabilities to suppliers and other liabilities	-46,495,885	202,215,593
Provisions	118,598	-224,375
Profit tax paid	-85,378,796	15,931,450
Cash from operations	**547,084,882**	**506,871,696**

Cash flow statement (in EUR)	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	237,352	38,453
Dividends received	44,393	3,709,747
Remuneration from other financing	3,804,474	931,389
Proceeds from sale of property, plant and equipment	31,391	13,782
Proceeds from disposal of intangible assets	297,329,475	99,395,619
Proceeds from reduction of current loans given	180,000	450,000
Acquisitions of property, plant and equipment	-1,873,502	-2,631,124
Acquisitions of intangible assets	-197,599,476	-331,974,888
Acquisitions of leases	-1,789,674	-2,372,685
Purchase of subsidiaries	-19,404,500	0
Cash from investment	**80,959,933**	**-232,439,707**
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity changes	-150,000,000	-342,000,000
Proceeds from leases	1,670,830	2,061,125
Proceeds from non-current loans received	0	140,000,000
Proceeds from current loans received	79,000,000	58,000,000
Payments of loan interest	-12,059,352	-15,285,371
Payments of other financial liabilities	-18,839,303	-1,165,636
Payments of non-current loans	-86,764,569	-146,764,569
Payments of current loans	-127,000,000	-230,000,000
Lease payments	-739,851	-645,161
Paid dividends	-100,000,000	0
Cash from financing	**-414,732,245**	**-535,799,612**
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	**31,684,098**	**293,051,719**
Financial result in the period	213,312,569	-261,367,621
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**244,996,667**	**31,684,098**

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4.4.5 SEPARATE STATEMENT OF CHANGES IN EQUITY OF HSE COMPANY

	CALLED-UP CAPITAL		PROFIT RESERVES			RETAINED PROFIT/LOSS		
Statement of changes in equity (in EUR)	Share capital	**CAPITAL RESERVES**	Other profit reserves	**RISK HEDGING RESERVE**	**FAIR VALUE RESERVES**	Retained net earnings	Net profit/loss for the year	**Total**
Balance as at 1/1/2023	**29,558,789**	**1,053,243,185**	**562,744,824**	**-106,751,557**	**-139,119**	**-397,606,181**	**-319,683,017**	**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**	**267,145,546**
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**	**-99,036,274**
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	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	100,106,155
B.3. Changes in equity	**0**	**0**	**-455,000,000**	**0**	**0**	**501,764,657**	**-46,764,657**	**0**
Allocation of the remainder of net profit of the comparative reporting period to other components of capital	0	0	0	0	0	-319,683,017	319,683,017	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**	**-384,441**	**104,137,944**	**0**	**746,512,468**
Balance as at 1/1/2024	**29,558,789**	**711,243,185**	**107,744,824**	**-5,575,521**	**-384,441**	**104,137,942**	**0**	**946,724,778**
B.1. Transactions with owners	**0**	**-150,000,000**	**0**	**0**	**0**	**-100,000,000**	**0**	**-250,000,000**
Additional capital returned	0	-150,000,000	0	0	0	0	0	-150,000,000
Disbursement of dividends	0	0	0	0	0	-100,000,000	0	-100,000,000
B.2. Changes in comprehensive income	**0**	**0**	**0**	**-439,316**	**114,903**	**0**	**210,490,452**	**210,166,039**
Entry of net profit for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**210,490,452**	**210,490,452**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**114,903**	**0**	**0**	**114,903**
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	114,903	0	0	114,903
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**-439,316**	**0**	**0**	**0**	**-439,316**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	74,320	0	0	0	74,320
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	-513,636	0	0	0	-513,636
B.3. Changes in equity	**0**	**0**	**4,137,942**	**0**	**0**	**-4,137,942**	**0**	**0**
Other changes	0	0	4,137,942	0	0	-4,137,942	0	0
Balance as at 31/12/2024	**29,558,789**	**561,243,185**	**111,882,766**	**-6,014,837**	**-269,538**	**0**	**210,490,452**	**906,890,817**

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4.5 Notes to the separate financial statements of HSE Company

4.5.1 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 2024 are presented below.

4.5.2 PREPARATION BASIS

a) Statement of conformity

The Company drew up its financial statements as at 31 December 2024 by taking into account the following:

- International Financial Reporting Standards, which include the International Accounting Standards, Interpretations from the Standing Interpretations Committee, the International Financial Reporting Standards and Interpretations from the International Financial Reporting Interpretations Committee, 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,
- Corporate Accounting Rules,
- Minimum Tax Act and
- other relevant legislation in force.

b) Accounting assumptions and qualitative characteristics of financial statements

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

- occurrence of a business event and
- taking into account the indefinite nature of the operation.

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 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 financial statements as for the year 2023, except for the amendments described below. The Company's financial statements take into account the following in respect of the elimination of non-current financial investments.

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 also the Company’s reporting currency. 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.

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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 on-going 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 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 estimating the recoverable amount of receivables and assets under contracts with customers**

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 2024 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 2024 is EUR 0, as it is estimated that it shall be exercised at an above-market price.

   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.
2. 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.

4.5.3 SUBSIDIARY AND REPRESENTATION

The Company has a branch in the Czech Republic. No transactions were performed through it in 2024, because electricity trading was transferred to HSE. The operations of the branch are included in the financial statements of the Company.

4.5.4 SIGNIFICANT INFORMATION ON 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 amortised since they are procured for the individual periods in which they are used.

Amortisation 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 amortisation costs in the financial year are decreased. If the useful life period is shortened, amortisation costs increase. The adjustment of the useful life period has to be restated to allow for the amortisation 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.

Estimated useful life in years - intangible assets	2024	2023
Software	2-20 years	2-20 years

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. Cost 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 property, plant and equipment, 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 of property, plant and equipment	2024	2023
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 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.

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The replacement costs of items of property, plant and equipment are assigned to the carrying amount of this property, plant and equipment, if it is probable that the future economic benefits embodied with this property, plant and equipment 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 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.

Estimated useful life in years - Leases	2024	2023
Buildings	5 years	5 years
Cars	3-5 years	3-5 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.

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 in accordance with IFRS 5.

NON-CURRENT INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates are those in which the Company has significant influence. 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

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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 measured 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 assets 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 assets 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 (capital 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 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 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 long-term 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

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efforts, the Company concluded exchange rate swaps as well as futures hedging contracts for the acquisition of electricity and gas in the coming 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. This means 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 on open physical contracts that are not designated as hedges of exposure to variability in cash flows or are not attributable to a specific risk associated with a recognised asset or liability are recognised in profit or loss in other operating income or other operating expenses on a net basis, and the realisation of the physical contracts is recognised in net income or expense, also on a net basis.

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. 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 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. Impairment 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 equity 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.

Called-up 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 profit reserves 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 and gas 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 BENEFITS 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 anniversary and retirement benefits to employees. There are no other pension liabilities.

Provisions are made in the amount of estimated future anniversary 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 anniversary benefits up to retirement. The calculation using a projected unit is drawn up by an actuary. Retirement and anniversary 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 capital income.

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.

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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 Company, 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 FROM CONTRACTS WITH CUSTOMERS

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. Such 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. That is 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 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 Company. Else, accruing late interest is recorded as contingent

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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 non-supplied electricity.

Financial costs comprise loan costs, including related derivatives and losses from impairment of financial assets and liquidations of subsidiaries, and losses on hedging instruments recognised in the profit and loss statement. Interest expenses are recognised upon their occurrence, in the amount of the agreed-upon interest rate.

TAXES

Taxes include liabilities for estimated tax, deferred tax and minimum tax or top-up tax.

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 profit 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.

For those subject to the Minimum Tax Act, a value threshold of consolidated annual revenue applies. The Act provides that the top-up tax regime applies to constituent entities located in Slovenia, which are part of an international group of companies or are a large domestic group, whose annual revenue, including the revenue of excluded entities reported in the consolidated financial statements of the umbrella parent entity in at least two financial years out of the four financial years immediately preceding the test financial year, amounts to EUR 750 million or more.

HSE will take advantage of the legal basis that sets out the conditions for the application of the temporary safe harbour, i.e. the reduction of tax to zero over a transitional period of five years. The purpose of the regime set out in Article 17 of the Minimum Tax Act is to allow multinational groups in the start-up phase of their operations to reduce the amount of the top-up tax liability to zero during the first five years of the start-up phase of the multinational group of companies.

The rules for determining whether an international group of companies is in the "start-up phase" are set out in Article 17(3) of the Minimum Tax Act, namely that an international group is deemed to be in the start-up phase of its activities if, for a financial year, the following applies:

1. has constituent entities in no more than six jurisdictions; and
2. the sum of the carrying amounts of the tangible assets of all the entities comprising the international group of companies located in all jurisdictions other than the reference jurisdiction does not exceed EUR 50,000,000.

In 2024, the applicable tax rate for corporate income tax amounted to 22%, 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.

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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.

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 are applied, and are mandatory for reporting periods beginning on or after 1 January 2024:

- **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 Commitments,** 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.
- **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 adoption of amendments to existing standards did not have a material impact on the disclosures or amounts presented in these financial statements.

NEW AND AMENDED ACCOUNTING STANDARDS ISSUED BY THE IASB AND ADOPTED BY THE EU BUT NOT YET EFFECTIVE

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 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.

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 IFRS 9 and IFRS 7 – Changes to Classification and Measurement of Financial Instruments,** issued by the IASB on 30 May 2024. The amendments clarify the classification of financial assets that have characteristics related to environmental, social and governance (ESG) aspects. The amendments also clarify the date of derecognition of a financial asset or financial liability and introduce additional disclosure requirements for investments in equity instruments designated as at fair value through other comprehensive income and for disclosures about financial instruments with contingent features (the effective date specified by the IASB: 1 January 2026).
- **Amendments to IFRS 9 and IFRS 7 Nature-Dependent Electricity Contracts** issued by the IASB on 18 December 2024. The own-use requirements in IFRS 9 are amended to include factors that an entity should consider when applying IFRS 9.2.4 to contracts for the purchase and assumption of electricity from renewable sources whose generation depends on nature. The hedge accounting requirements in IFRS 9 are amended to permit an entity that uses a nature-dependent renewable electricity contract with specified characteristics as a hedging instrument to designate a variable volume of forecast electricity transactions as the hedged item if certain criteria are met and to measure the hedged item using the same volume assumptions as those used for the hedging instrument. The amendments to IFRS 7 and IFRS 19 introduce disclosure requirements for nature-dependent electricity contracts that have certain characteristics (effective date specified by the IASB: 1 January 2026).
- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 – Annual Improvements to IFRS Accounting Standards – 11th Edition,** issued by the IASB on 18 July 2024. They include clarifications, simplifications, corrections and amendments in the following areas: (a) hedge accounting for first-time adopters (IFRS 1); (b) derecognition gain or loss (IFRS 7); (c) disclosure of the deferred difference between fair value and transaction price (IFRS 7); (d) introductory and credit risk disclosures (IFRS 7); (e) lessee derecognition of a lease liability (IFRS 9); (f) transaction price (IFRS 9); (g) designation of a "de facto agent" (IFRS 10); (h) cost method (IAS 7) (effective date determined by the IASB: 1 January 2026).
- **IFRS 18 Presentation and Disclosures in Financial Statements,** issued by the IASB on 9 April 2024, will replace IAS 1 Presentation of Financial Statements. The standard introduces three sets of new requirements to improve companies' financial performance reporting and give investors a better basis for analysing and comparing companies. The main changes in the new standard compared to IAS 1 include: (a) the introduction of categories (operating, investing, financing, income taxes and discontinued operations) and the inclusion of subtotals in the

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income statement; (b) the introduction of requirements to improve aggregation and disaggregation; (c) the introduction of disclosures about performance measures determined by management in the notes to the financial statements (effective date set by the IASB: 1 January 2027),

- **IFRS 19 Subsidiaries without Public Accountability:** disclosures, issued by the IASB on 9 May 2024. The standard reduces the disclosure requirements for subsidiaries when applying IFRS accounting standards in their financial statements. IFRS 19 is optional for subsidiaries that meet certain conditions and sets out disclosure requirements for subsidiaries that elect to apply it (effective date set by the IASB: 1 January 2027).
- **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 the use of 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.

4.5.5 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 2024. 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.

4.5.6 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:

- credit risk,
- liquidity risk,
- currency risk,
- interest rate risk, and
- price risk.

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4.5.7 DISCLOSURES TO THE SEPARATE FINANCIAL STATEMENTS

4.5.7.1 Statement of financial position

INTANGIBLE ASSETS (1)

Intangible assets (in EUR)	31/12/2024	31/12/2023
Emission allowances	249,307,651	349,362,821
Other property rights	2,445,433	2,985,173
Intangible assets being acquired	284,455	0
Total	**252,037,539**	**352,347,994**

The Company classifies emission allowances required for the HSE Group's self-generated electricity needs, as well as software, under intangible assets.

Movement of intangible assets (in EUR)	Emission allowances	Other property rights	Intangible assets being acquired	Total
Purchase cost as at 1/1/2024	**349,362,821**	**9,344,069**	**0**	**358,706,890**
Acquisition	197,274,305	0	325,171	197,599,476
Disposals - write-offs, sales	-297,329,475	0	0	-297,329,475
Transfers from investments	0	40,716	-40,716	0
Purchase cost as at 31/12/2024	**249,307,651**	**9,384,785**	**284,455**	**258,976,891**
Written-off value as at 1/1/2024	**0**	**6,358,897**	**0**	**6,358,897**
Amortisation	0	580,455	0	580,455
Written-off value as at 31/12/2024	**0**	**6,939,352**	**0**	**6,939,352**
Book value as at 1/1/2024	**349,362,821**	**2,985,172**	**0**	**352,347,993**
Book value as at 31/12/2024	**249,307,651**	**2,445,433**	**284,455**	**252,037,539**
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	-99,395,619	0	0	-99,395,619
Transfers from investments	0	413,329	-413,329	0
Transfers – restatements	0	686,693	0	686,693
Purchase cost as at 31/12/2023	**349,362,821**	**9,344,069**	**0**	**358,706,891**
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**	**6,358,896**	**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**	**352,347,994**

Among intangible assets, the Company also classifies emission coupons needed to cover self-generated electricity needs in TEŠ and HSE EDT, under the Emission Coupons Portfolio Management Agreement, from which it derives that the Company manages emission coupons of its subsidiaries. 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 2024, the Company held 4,652,018 emission allowances in order to satisfy the self-generated electricity needs of its subsidiaries. The sale of emission allowances to subsidiaries shows EUR 301,557 in profit for the Company in 2024.

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.

The increase in intangible assets in 2024 represents the acquisition of additional access to the Tagetik computer programme.

The useful lives of the most important software were reviewed in 2024. Useful lives were found to require no changes.

As at 31 December 2024, the Company has liabilities of EUR 612,090 for the upgrade of the Management Centre.

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)	31/12/2024	31/12/2023
Land	230,764	230,764
Buildings	1,191,456	1,232,464
Production equipment	2,286,353	2,378,744
Other equipment	1,421,588	1,314,158
Property, plant and equipment being acquired	16,731,948	15,400,400
Total	**21,862,109**	**20,556,530**

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 photovoltaic 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 15,870,091, referring to the compilation of pre-investment, investment and other documentation, required for the siting of hydro-electric power plants. In 2024, the investment in the Middle Sava hydro-electric power plants increased by EUR 966,377. 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, in which EUR 518,829 have been invested so far. No circumstances indicating signs of impairment occurred in 2024.

The useful lives of the most important equipment were reviewed in 2024. The useful lives were found to remain the same.

The Company has no registered mortgages for property, plant and equipment. As at 31 December 2024, the Company had EUR 127,255 in commitments for acquiring buildings and other equipment.

The Company reviewed the existence of signs of impairment in investments in premises and compared their market values at the end of 2024 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.

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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 1/1/2024	**230,764**	**1,929,134**	**2,606,875**	**4,441,926**	**15,400,401**	**24,609,100**
Acquisition	0	0	0	0	1,873,502	1,873,502
Disposals	0	0	0	-157,804	0	-157,804
Transfers from investments	0	0	12,544	529,411	-541,955	0
Write-offs	0	0	-988	-101,796	0	-102,784
Purchase cost as at 31/12/2024	**230,764**	**1,929,134**	**2,618,431**	**4,711,737**	**16,731,948**	**26,222,014**
Written-off value as at 1/1/2024	**0**	**696,671**	**228,132**	**3,127,768**	**0**	**4,052,571**
Acquisition	0	0	0	-145,652	0	-145,652
Depreciation	0	41,008	104,493	409,804	0	555,305
Write-offs	0	0	-547	-101,771	0	-102,318
Written-off value as at 31/12/2024	**0**	**737,679**	**332,078**	**3,290,149**	**0**	**4,359,906**
Book value as at 1/1/2024	**230,764**	**1,232,463**	**2,378,743**	**1,314,158**	**15,400,401**	**20,556,529**
Book value as at 31/12/2024	**230,764**	**1,191,455**	**2,286,353**	**1,421,588**	**16,731,948**	**21,862,108**
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	21,611	11,909	765,302	-984,925	0
Transfers – restatements	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**	**1,929,134**	**2,606,875**	**4,441,926**	**15,400,401**	**24,609,100**
Written-off value as at 1/1/2023	**0**	**656,135**	**124,252**	**2,856,359**	**0**	**3,636,746**
Disposals	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**	**1,232,463**	**2,378,743**	**1,314,158**	**15,400,401**	**20,556,529**

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RIGHT OF USE ASSETS (3)

Right of use assets (in EUR)	31/12/2024	31/12/2023
Right of use assets	3,740,807	2,862,139
Total	**3,740,807**	**2,862,139**

Movement of right of use assets (in EUR)	Buildings	Other equipment	Total
Purchase cost as at 1/1/2024	**4,854,240**	**531,350**	**5,385,590**
Acquisition	1,595,124	210,332	1,805,456
Purchase cost as at 31/12/2024	**6,449,364**	**741,682**	**7,191,046**
Written-off value as at 1/1/2024	**2,334,221**	**189,230**	**2,523,451**
Exclusions (extension)	15,782	0	15,782
Depreciation	740,024	170,982	911,006
Written-off value as at 31/12/2024	**3,090,027**	**360,212**	**3,450,239**
Book value as at 1/1/2024	**2,520,019**	**342,120**	**2,862,139**
Book value as at 31/12/2024	**3,359,337**	**381,470**	**3,740,807**
Purchase cost as at 1/1/2023	**2,657,168**	**419,296**	**3,076,464**
Acquisition	2,253,723	229,299	2,483,022
Exclusions (extension)	-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**
Exclusions (extension)	-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**

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INVESTMENTS IN SUBSIDIARIES (4)

Investments in subsidiaries (in EUR)	31/12/2024	31/12/2023
DEM	387,058,980	387,058,980
SENG	152,692,250	152,692,250
TEŠ	0	195,291,315
PV	0	26,449,936
HSE EDT	2,153,668	2,153,668
HSE Invest	160,000	160,000
ECE	23,730,815	13,833,815
Energija plus	20,400,000	11,400,000
SRESA	60,000	60,000
HSE SaŠa	507,500	0
HSE Balkan Energy	856,000	856,000
HSE MAK Energy	26,778	26,778
HSE BH	513,990	513,990
Total	**588,159,981**	**790,496,732**

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. As of 31 December 2024, TEŠ and PV are eliminated from the Group and transferred to the Republic of Slovenia free of charge in accordance with the Act on Transitional Financing of Accelerated and Fair Coal Phase-out.

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	100.0%	100.0%
SENG	Erjavčeva 20, 5000 Nova Gorica	Slovenia	Electricity production at hydro power plants	100.0%	100.0%
HSE EDT	Ob železnici 27, 1420 Trbovlje	Slovenia	Electricity production at thermal power plants	100.0%	100.0%
HSE Invest	Obrežna ulica 170a, 2000 Maribor	Slovenia	Other technical engineering and consulting	42.1%	42.1%
ECE	Vrunčeva 2a, 3000 Celje	Slovenia	Electricity trading	100.0%	100.0%
Energija plus	Vetrinjska ulica 2, 2000 Maribor	Slovenia	Electricity trading	100.0%	100.0%
SRESA	Ob železnici 27, 1420 Trbovlje	Slovenia	Electricity production at hydro power plants	60.0%	60.0%
HSE SaŠa	Cesta Lole Ribarja 18, 3325 Šoštanj	Slovenia	Renewable Energy Development Company	100.0%	100.0%
HSE Balkan Energy	Bulevar Mihaila Pupina 117, Beograd	Serbia	Electricity trading	100.0%	100.0%
HSE MAK Energy	Belasica no. 2, Skopje	North Macedonia	Electricity trading	100.0%	100.0%
HSE BH	Ul. Alije Isakovića br.1, Sarajevo	Bosnia and Herzegovina	Electricity trading	100.0%	100.0%

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Significant amounts from statements of subsidiaries (in EUR)	Assets	Liabilities (without capital)	Revenue	Net profit/loss for the year	Amount of total capital
DEM	514,710,924	24,073,207	81,651,632	10,087,240	490,637,717
SENG	252,856,162	16,205,732	56,652,537	6,494,423	236,650,430
TEŠ *	708,857,451	600,598,338	565,646,761	-85,710,239	108,259,113
PV *	148,090,296	123,911,506	193,466,424	-816,055	24,178,790
HTZ I.P. *	15,701,233	14,912,197	38,182,294	593	789,036
RGP	17,780,997	12,079,987	27,339,012	1,219,928	5,701,010
SIPOTEH *	3,611,169	1,163,196	5,033,321	492,789	2,447,973
PLP *	2,136,752	709,202	3,575,580	153,470	1,427,550
HSE EDT	3,433,570	1,252,680	1,121,237	-17,753	2,180,890
HSE Invest	3,958,027	2,682,583	7,904,352	164,624	1,275,444
SRESA	34,202	0	0	-3,600	34,202
mHE Lobnica	611,933	1,628	30,456	-8,505	610,305
ECE	96,276,889	62,467,293	301,997,979	988,499	33,809,596
Energija plus	76,927,421	56,165,338	262,706,105	435,142	20,762,083
HSE SaŠa	507,439	0	0	-61	507,439
HSE MAK Energy	12,855,653	10,772,435	62,120,450	244,016	2,083,218
HSE BH	22,566,428	19,598,458	99,990,098	409,787	2,967,970
HSE Balkan Energy	811,396	15,364	186,685	32,429	796,032

* Assets and liabilities as of 31 December 2024 are not included in the consolidated financial statements of HSE Group due to the transfer of HSE's 100% ownership stake in the companies to the Republic of Slovenia as of 31 December 2024.

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Changes in non-current financial investments in subsidiaries (in EUR)	2024	2023
Purchase of share in the company ECE	9,897,000	0
Purchase of share in the company Energija plus	9,000,000	0
Establishment of the company HSE SaŠa	507,500	0
Impairment of investment in PV	-26,449,937	-4,485,063
Impairment of investment in TEŠ	-195,291,316	-29,375,683
The effect of the sale of company PV	0	0
The effect of the sale of company TEŠ	0	0
Total	**-202,336,753**	**-33,860,746**

Movement of non-current financial investments in subsidiaries (in EUR)	2024	2023
Purchase cost as at 1/1/	**1,973,617,636**	**1,973,617,636**
Purchase of share in the company ECE	9,897,000	0
Purchase of share in the company Energija plus	9,000,000	0
Establishment of the company HSE SaŠa	507,500	0
Sale of share in TEŠ	-1,048,185,777	0
Sale of share in PV	-241,140,086	0
Purchase cost as at 31/12/	**703,696,273**	**1,973,617,636**
Written-off value as at 1/1/	**-1,183,120,904**	**-1,149,260,156**
Impairment of investment in PV	0	-4,485,063
Impairment of investment in TEŠ	0	-29,375,683
Sale of share in TEŠ	852,894,461	0
Sale of share in PV	214,690,149	0
Written-off value as at 31/12/	**-115,536,294**	**-1,183,120,902**
Book value as at 1/1/	**790,496,732**	**824,357,480**
Book value as at 31/12/	**588,159,981**	**790,496,734**

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.

As at 31 December 2024, the Company has impaired and derecognised its long-term financial investment in TEŠ of EUR 195,291,316 and PV of EUR 26,449,937 under the Act on Transitional Financing of Accelerated and Fair Coal Phase-out.

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OTHER NON-CURRENT INVESTMENTS AND LOANS (5)

Other non-current financial investments and loans (in EUR)	31/12/2024	31/12/2023
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 loans to Group companies	0	190,000
Total	**40,880,442**	**41,070,442**

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 1/1/2024	**40,513,942**	**255,000**	**111,000**	**500**	**190,000**	**41,070,442**
Transfers to current receivables	0	0	0	0	-190,000	-190,000
Balance as at 31/12/2024	**40,513,942**	**255,000**	**111,000**	**500**	**0**	**40,880,442**
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**

A non-current investment in an associate accounts for the biggest proportion of other non-current investments.

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a) Non-current investments in associates

In 2024, there were no changes in investments in associates and joint ventures. HSE carried out an impairment test upon investing in an associate. No impairment signs were detected.

Significant amounts from statements of associates (in EUR)	Assets	Liabilities (without capital)	Revenue	Net profit/ loss for the year	Amount of total capital
HESS	327,871,812	30,287,707	26,545,947	2,911,083	297,584,105

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 2024.

Significant amounts from statements of jointly-controlled company in 2024	Assets	Liabilities (without capital)	Revenue	Net profit/ loss for the year	Amount of total capital
SOENERGETIKA	2,082,209	771,405	2,992,007	180,482	1,310,804

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 the CO NOT Institute amounting to EUR 500. No changes were recorded for these investments in 2024.

d) Non-current financial loans to Group companies

Non-current financial receivables and loans (in EUR)	31/12/2024	31/12/2023
Financial loans to companies in the Group without interest	0	190,000
Total	**0**	**190,000**

Movement of non-current financial receivables and loans (in EUR)	2024	2023
Balance as at 1/1/	**190,000**	**496,000**
Transfers to current receivables	-190,000	-180,000
Repayments	0	-126,000
Balance as at 31/12/	**0**	**190,000**

Under non-current financial loans, the Company recognises non-current loans to Group companies. The values of non-current loan principals given due in 2024 are shown as EUR 90,000 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)	31/12/2024	31/12/2023
Operating receivables from others	12,181,091	13,037,972
Total	**12,181,091**	**13,037,972**

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)	31/12/2024	31/12/2023
Provisions	71,709	109,093
Impairment of investments	39,487,735	18,597
Write-offs receivables	2,530,678	239,867
Other	6	20,968
Total	**42,090,128**	**388,525**

Deferred tax receivables are translated using a 19% or 22% tax rate for deferred tax receivables whose mobilisation is expected within a period of 3–5 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 anniversary 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 1/1/2024	**109,092**	**239,867**	**0**	**39,566**	**388,525**
Added to/deducted from profit or loss statement	-37,384	41,759,948	0	-20,962	41,701,602
Balance as at 31/12/2024	**71,708**	**41,999,815**	**0**	**18,604**	**42,090,127**
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**

The main changes in deferred tax assets in 2024 are the creation of a receivable for the divestment of investments in the subsidiaries TEŠ and PV, which were transferred to the Republic of Slovenia free of charge in 2024, and the estimates that it will be able to utilise within the next three years after the statement of financial position date in the amount of EUR 39,469,138, and the creation of an impairment of trade receivables in the amount of EUR 2,290,810.

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INVENTORIES (8)

Inventories (in EUR)	31/12/2024	31/12/2023
Material	3,916	1,110
Gas	0	1,009,716
Emission allowances	0	40,352,308
Total	**3,916**	**41,363,134**

The value of inventories is represented by the stock of small inventories and protective equipment.

CURRENT FINANCIAL INVESTMENTS AND LOANS (9)

Current financial investments and loans (in EUR)	31/12/2024	31/12/2023
Financial receivables from companies in the Group without interests	0	217,986
Loans to companies in the Group without interests	190,000	180,000
Financial receivables in the Group for interest	898	2,115
Total	**190,898**	**400,101**

Current financial receivables to Group companies represents the value of the principal amount of the loans given to the subsidiary RGP that falls due in 2025.

Current financial investments and loans (in EUR)	2024	2023
Balance as at 1/1/	**400,101**	**655,752**
Acquisition	18,149	260,028
Transfers from non-current receivables	190,000	180,000
Repayments	-417,352	-695,679
Balance as at 31/12/	**190,898**	**400,101**

On 31 December 2024, there were no grounds for the impairment of current financial receivables and loans.

CURRENT TRADE RECEIVABLES (10)

Current trade receivables (in EUR)	31/12/2024	31/12/2023
Operating receivables from companies in the Group	110,781,848	153,316,299
Operating receivables from associates	4,428	9,856
Operating receivables from jointly controlled companies	0	329
Trade receivables	250,507,736	407,015,686
Total	**361,294,012**	**560,342,170**

Receivables from the sale of electricity in Slovenia and abroad account for the majority in EUR 250,507,736 in current trade receivables.

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Current operating receivables from companies in the Group (in EUR)	Country	31/12/2024	31/12/2023
DEM	Slovenia	240,944	144,242
SENG	Slovenia	9,499,467	5,297,939
TEŠ	Slovenia	0	21,229,375
HSE EDT	Slovenia	67,328	57,846
PV	Slovenia	0	1,215,082
HTZ I.P.	Slovenia	0	288
RGP	Slovenia	62,504	61,590
HSE Invest	Slovenia	46,895	33,174
ECE	Slovenia	42,014,846	65,938,107
Energija plus	Slovenia	33,310,996	45,803,615
HSE Balkan Energy	Serbia	3,308	3,150
HSE MAK Energy	North Macedonia	9,537,726	7,995,565
HSE BH	Bosnia and Herzegovina	15,997,833	5,536,034
SIPOTEH	Slovenia	0	146
PLP	Slovenia	0	146
Total		**110,781,847**	**153,316,007**

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)	31/12/2024	31/12/2023
Contract assets to Group companies	1,026,959	2,402,113
Contract assets	562,873	276,645
Total	**1,589,832**	**2,678,758**

Accrued revenue is the revenue included in the profit or loss that has not yet been invoiced.

TAX RECEIVABLES (12)

Tax receivables (in EUR)	31/12/2024	31/12/2023
Tax receivables	43,960,997	0
Total	**43,960,997**	**0**

The Company paid corporate tax advances in 2024, based on the 2023 tax return, and thus paid EUR 43,960,997 in corporate tax advances.

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OTHER CURRENT ASSETS (13)

Other current assets (in EUR)	31/12/2024	31/12/2023
Advances given	2,007,559	732,295
Operating receivables from state and other institutions	38,107,478	53,249,432
Trade receivables due from others	42,559,117	48,592,640
Deferred costs and expenses from others	6,813,368	4,357,690
Total	**89,487,522**	**106,932,057**

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.

The majority of current deferred costs and expenses consist of transmission capacity costs of electricity for the first two months of 2025.

CASH AND CASH EQUIVALENTS (14)

Cash and cash equivalents (in EUR)	31/12/2024	31/12/2023
Cash in banks	70,448,521	16,142,017
Call deposits	745,482	10,547,636
Deposits with up to 3 month maturity	173,802,664	4,994,445
Total	**244,996,667**	**31,684,098**

For the purposes of carrying out its activities, the Company holds bank accounts in Slovenia and abroad and discloses EUR 70,448,521 in cash and EUR 174,548,146 in deposits at the year-end.

On 31 December 2024, the Company had no approved overdraft on its bank accounts.

EQUITY (15)

Equity (in EUR)	31/12/2024	31/12/2023
Called-up capital	29,558,789	29,558,789
Capital reserves	561,243,185	711,243,185
Other profit reserves	111,882,766	107,744,824
Risk hedging reserve	-6,014,837	-5,575,521
Fair value reserves	-269,538	-384,441
Retained profit/loss	210,490,452	104,137,942
Total	**906,890,817**	**946,724,778**

Capital reserves (in EUR)	31/12/2024	31/12/2023
Paid-in capital surplus	561,243,072	561,243,072
Subsequent capital increases by shareholders	0	150,000,000
Amount on the basis of elimination of general revaluation capital adjustment	113	113
Total	**561,243,185**	**711,243,185**

Due to the repayment of EUR 150,000,000 in subsequent capital increases received from the state in 2022, capital reserves decreased in 2024.

Profit reserves (in EUR)	31/12/2024	31/12/2023
Other profit reserves	111,882,766	107,744,824
Total	**111,882,766**	**107,744,824**

Other profit reserves increased due to the reallocation of capital items.

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Risk hedging reserve movement (in EUR)	Standardised futures contracts for electricity	Future contracts for carbon emission allowances	Standardized futures contracts for gas	Currency swaps	Total
Balance as at 1/1/2024	**16,420,903**	**-21,205,540**	**-716,542**	**-74,342**	**-5,575,521**
Net Effect of Increase/Decrease	-36,590,382	39,618,950	2,369,222	74,320	5,472,110
Transfer to expenses	13,166,975	-18,413,410	-664,991	0	-5,911,426
Balance as at 31/12/2024	**-7,002,504**	**0**	**987,689**	**-22**	**-6,014,837**
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**

The Company recognises in hedging reserves totalling EUR -6,014,837 at 31 December 2024 the effects and results of futures contracts for electricity, emission allowances and gas, and the fair value of currency swaps.

Movement of fair value reserve (in EUR)	Actuarial profits/losses on severance payments upon retirement	Total
Balance as at 1/1/2024	**-384,440**	**-384,440**
Formation, increase	114,902	114,902
Balance as at 31/12/2024	**-269,538**	**-269,538**
Balance as at 1/1/2023	**-139,119**	**-139,119**
Formation, increase	-288,609	-288,609
Decrease	22,756	22,756
Transfer to retained net profit/loss	20,532	20,532
Balance as at 31/12/2023	**-384,440**	**-384,440**

The fair value reserve of EUR -269,538 in total, disclosed at the year-end of 2024, includes actuarial loss arising from accounted for allowances payable to employees. The actuarial loss in 2024 is reduced by EUR 144,902 compared to 2023.

Retained profit (in EUR)	2024	2023
Retained profit	210,490,452	104,137,942
Total	**210,490,452**	**104,137,942**

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Balance sheet profit or loss (in EUR)	2024	2023
Net profit/loss for the year	210,490,452	366,447,674
Retained profit/loss	104,137,942	-717,309,732
Transfer of retained earnings to profit reserves	4,137,942	0
Reduction (release) of profit reserves	0	455,000,000
Dividend payment from retained earnings	100,000,000	0
Balance sheet profit or loss	**210,490,452**	**104,137,942**

The Company reports a balance sheet profit of EUR 210,490,452 at the end of the year, which is made up of the net profit for the year 2024.

The Company's total capital is reduced by EUR 39,833,961 in 2024 due to:

- EUR 150,000,000 in decrease of the subsequent capital increase of the owner in 2022,
- an increase in net profit for the year of EUR 210,490,452,
- a reduction for dividend payments of EUR 100,000,000,
- an increase in the negative change in the hedging reserve of EUR -439,316; and
- EUR 114,903 in decrease of the negative change in the fair value reserve.

PROVISIONS FOR RETIREMENT AND ANNIVERSARY BONUSES (16)

Provisions for retirement and anniversary bonuses of employees consist of provisions for retirement and anniversary benefits. The provisions are set up in the amount of estimated future payments of retirement and anniversary 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 anniversary benefits up to retirement.

Provisions for severance pays upon retirement and anniversary bonuses (in EUR)	31/12/2024	31/12/2023
Provisions for severance pays upon retirement	1,908,318	1,926,751
Provisions for anniversary bonuses	195,818	168,477
Total	**2,104,136**	**2,095,228**

At year-end, the Company shows provisions for retirement and anniversary bonuses set up on the basis of an actuarial calculation on 31 December 2024.

Provisions for retirement and anniversary bonuses are calculated on the basis of an actuarial calculation using the following actuarial assumptions:

Demographic assumptions

- mortality tables,
- employee turnover, and
- retirement.

Financial assumptions

- The rate of increase in average wages in the RS (monthly and annual) is derived from the Review of macroeconomic developments and projections, December 2024. It is foreseen that from 2028 average wage rates in the RS will be raised annually in relation to the inflation rate (IMF, October 2024) 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 3.4% discount rate laid down as at 31 December 2024 reflects the yield of premium euro-denominated corporate bonds as at 31 December 2024.

Movement of provisions for severance pay and anniversary bonuses (in EUR)	Provisions for severance pay	Provisions for anniversary bonuses	Total
Balance as at 1/1/2024	**1,926,751**	**168,477**	**2,095,228**
Costs of interest	54,019	4,753	58,772
Current service cost	208,965	27,586	236,551
Past service cost	-35,294	-1,307	-36,601
Actuarial gains and losses – change in item	9,398	16,478	25,876
Actuarial gains – elimination	-146,457	-8,873	-155,330
Actuarial losses – formation and use	22,156	196	22,352
Payments in the year	-131,219	-11,493	-142,712
Balance as at 31/12/2024	**1,908,319**	**195,817**	**2,104,136**
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	**1,926,752**	**168,477**	**2,095,229**

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The change in actuarial gains and losses in the amount of EUR 114,902 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	116,072	-106,572	-107,715	116,771
Provisions for anniversary bonuses	7,744	-7,247	-7,595	8,039
Total in 2024	**123,816**	**-113,819**	**-115,310**	**124,810**
Provisions for severance pays upon retirement	113,538	-104,309	-104,747	113,732
Provisions for anniversary bonuses	7,211	-6,757	-7,043	7,465
Total in 2023	**120,749**	**-111,066**	**-111,790**	**121,197**

OTHER PROVISIONS (17)

Other provisions (in EUR)	31/12/2024	31/12/2023
For legal actions	44,205	49,418
Total	**44,205**	**49,418**

Movement of other provisions (in EUR)	For legal actions	Total
Balance as at 1/1/2024	**49,418**	**49,418**
Formation-increase	44,205	44,205
Decrease, elimination	-49,418	-49,418
Balance as at 31/12/2024	**44,205**	**44,205**
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**

Among other provisions, the Company accounts provisions set up, disbursed and remedied in 2024 for pending or completed lawsuits within this year.

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OTHER NON-CURRENT LIABILITIES (18)

Other non-current liabilities (in EUR)	31/12/2024	31/12/2023
Other liabilities	1,786,979	2,292,367
Total	**1,786,979**	**2,292,367**

Among other non-current liabilities, the Company includes the co-financing funds received from European projects. The main part of other non-current liabilities relates to funds received for the North Adriatic Hydrogen Valley (NAHV) project.

Movement of other non-current liabilities (in EUR)	Other	Total
Balance as at 1/1/2024	**2,292,367**	**2,292,367**
Formation, increase	186,058	186,058
Drawing	-691,446	-691,446
Balance as at 31/12/2024	**1,786,979**	**1,786,979**
Balance as at 1/1/2023	**772**	**772**
Formation, increase	8,748,889	8,748,889
Transfer to NAHV project participants	-6,372,083	-6,372,083
Drawing	-85,211	-85,211
Balance as at 31/12/2023	**2,292,367**	**2,292,367**

NON-CURRENT FINANCIAL LIABILITIES (19)

Non-current financial liabilities (in EUR)	31/12/2024	31/12/2023
Financial liabilities to banks	148,069,930	231,016,317
Total	**148,069,930**	**231,016,317**

The Company reports non-current financial loans under non-current financial liabilities to banks. The principal amounts of current loans maturing in 2025 are shown under current liabilities to banks.

Bank commitments included are subject to non-current loan agreements, none of which were breached in 2024.

Movement of non-current financial liabilities (in EUR)	Non-current financial liabilities to banks	Total
Balance as at 1/1/2024	**231,016,317**	**231,016,317**
Transfers to current liabilities	-42,946,387	-42,946,387
Balance as at 31/12/2024	**148,069,930**	**148,069,930**
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**

The Company has EUR 180,000,000 in revolving loans granted; which were not drawn as at 31 December 2024. Acquisitions and repayments also include the taking up and repayment of revolving loans.

The loans bear interest at a variable rate based on the market Euribor rate, which is 0 in the case of a negative Euribor, plus a margin ranging from 0.97% to 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.

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NON-CURRENT LIABILITIES FROM FINANCIAL LEASE (20)

Non-current financial liabilities (in EUR)	31/12/2024	31/12/2023
Financial liabilities from leases to companies in the Group	1,395,046	692,452
Financial liabilities from leases to others	1,525,477	1,460,001
Total	**2,920,523**	**2,152,453**

Movement of non-current financial liabilities from leases (in EUR)	Financial liabilities from leases
Balance as at 1/1/2024	**2,152,453**
Acquisition	1,433,178
Transfers to current liabilities	-675,604
Exclusion/divestment	10,496
Balance as at 31/12/2024	**2,920,523**
Balance as at 1/1/2023	**539,734**
Acquisition	2,114,594
Transfers to current liabilities	-412,751
Exclusion/divestment	-89,124
Balance as at 31/12/2023	**2,152,453**

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 2024 is accounted for by taking into consideration a newly specified 5-year period and the lease of new cars.

In 2024, 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 financial liabilities (in EUR)	31/12/2024	31/12/2023
Financial liabilities to companies in the Group without interest	0	48,000,000
Financial liabilities to companies in the Group for interest	0	91,521
Financial liabilities to banks without interest	42,946,387	46,764,569
Financial liabilities to banks for interest	0	125,881
Derivatives	28	95,310
Other financial liabilities	66,613	30,955
Total	**43,013,028**	**95,108,236**

Current financial liabilities represent the current portion of the principal amounts of non-current loans maturing in 2024 amounting to EUR 42,946,387 and other financial liabilities for borrowing costs.

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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 1/1/2024	**48,000,000**	**91,521**	**46,764,569**	**125,881**	**95,310**	**30,955**	**95,108,236**
Increase	79,000,000	463,532	0	11,699,734	0	1,262,076	92,425,342
Transfers from non-current liabilities	0	0	42,946,387	0	0	0	42,946,387
Current repayments	-127,000,000	-555,053	0	-11,825,615	0	-1,226,418	-140,607,086
Non-current repayments	0	0	-46,764,569	0	0	0	-46,764,569
Other	0	0	0	0	-95,282	0	-95,282
Balance as at 31/12/2024	**0**	**0**	**42,946,387**	**0**	**28**	**66,613**	**43,013,028**
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**

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CURRENT FINANCIAL LIABILITIES FROM LEASES (22)

Current financial liabilities from leases (in EUR)	31/12/2024	31/12/2023
Financial liabilities from leases to companies in the Group	338,369	406,412
Financial liabilities from leases to others	547,297	316,346
Total	**885,666**	**722,758**

Movement of current financial liabilities from leases (in EUR)	Financial liabilities from leases to companies in the Group	Financial liabilities from leases from others	Total
Balance as at 1/1/2024	**406,411**	**316,347**	**722,758**
Increase	230,023	0	230,023
Disposal of TEŠ	-58,313	58,313	0
Transfers from non-current liabilities	172,120	503,484	675,604
Non-current repayments	-409,006	-330,846	-739,852
Disposal	-2,867	0	-2,867
Balance as at 31/12/2024	**338,368**	**547,298**	**885,666**
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
Disposal	-12,986	-14,795	-27,781
Balance as at 31/12/2023	**406,411**	**316,347**	**722,758**

CURRENT OPERATING LIABILITIES (23)

Current operating liabilities (in EUR)	31/12/2024	31/12/2023
Operating liabilities to companies in the Group	50,546,013	58,212,359
Operating liabilities to associates	1,145,733	1,261,214
Operating liabilities to suppliers	208,911,567	269,511,816
Total	**260,603,313**	**328,985,389**

Liabilities for procured electricity account for the majority of current operating liabilities of the Company. As at 31/12/2024, the Company no longer recognises as part of its trade payables to Group companies the outstanding payables to TEŠ and PV, as they are no longer Group companies at that date. Their outstanding payables are recorded in trade payables.

Current operating liabilities to companies in the Group (in EUR)	Country	31/12/2024	31/12/2023
DEM	Slovenia	9,954,668	11,779,837
mHE Lobnica	Slovenia	2,495	6,851
SENG	Slovenia	14,573,729	12,598,192
TEŠ	Slovenia	0	10,249,311
HSE EDT	Slovenia	145,598	130,142
PV	Slovenia	0	5,912
HTZ I.P.	Slovenia	0	534
ECE	Slovenia	10,554,592	7,271,688
Energija plus	Slovenia	9,147,180	5,355,333
HSE Invest	Slovenia	367,880	188,949
HSE Balkan Energy	Serbia	15,444	29,484
HSE MAK Energy	North Macedonia	1,985,381	6,158,733
HSE BH	Bosnia and Herzegovina	3,799,046	4,437,393
Total		**50,546,013**	**58,212,359**

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CONTRACT LIABILITIES (24)

Contract liabilities (in EUR)	31/12/2024	31/12/2023
Deferred revenue to others	31,585,393	21,946,564
Total	**31,585,393**	**21,946,564**

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)	31/12/2024	31/12/2023
Tax liabilities	0	41,417,799
Total	**0**	**41,417,799**

OTHER CURRENT LIABILITIES (26)

Other current liabilities (in EUR)	31/12/2024	31/12/2023
Current operating liabilities based on advance payables	8,843,820	8,014,627
Current operating liabilities to employees	1,354,172	1,996,635
Current operating liabilities to state and other institutions	24,761,268	43,139,679
Current operating liabilities to others	13,925,865	12,472
Current accrued costs or expenses to companies in the Group	351,284	0
Current accrued costs or expenses to others	255,335,541	238,485,931
Total	**304,571,950**	**291,649,344**

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 the year, the Company reported liabilities arising from the valuation of commodity contracts at fair value amounting to EUR 13,910,835 as part of operating liabilities to others, whereas, at the end of 2023, receivables are shown pertaining thereto.

Accrued expenses for 2024, included in the income statement, comprise costs for which the Company has not yet received invoices or accounts as of the reporting date in 2024. The majority pertain to electricity procurement for 2024. Other expenses include deviations from December 2024 schedules and interest on loans for which no accounts have been received for 2024 as of yet.

Contingent liabilities

Contingent liabilities (in EUR)	31/12/2024	31/12/2023
Guarantees and parent warranties for subsidiaries in Slovenia	0	176,195
Bank warranties for subsidiaries in Slovenia	155,950	166,114
Bank and parent warranties for subsidiaries abroad	4,184,222	1,022,584
Total	**4,340,172**	**1,364,893**

Contingent liabilities include bank guarantees given and parent company guarantees.

Beneficiary (in EUR)	Debtor	Type of warranty	Validity	Contingent liability as at 31/12/2024	Contingent liability as at 31/12/2023
Geoplin d.o.o.	TEŠ	Warranty statement	31/1/2024	0	176,195
Total				**0**	**176,195**

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4.5.7.2 Income statement

REVENUE FROM CONTRACTS WITH CUSTOMERS (27)

Revenue from contracts with customers (in EUR)	2024	2023
On the domestic market	**1,328,502,865**	**2,589,291,533**
Electricity	1,294,853,614	2,577,207,586
Natural gas	28,351,115	6,884,792
Other goods and material	302,142	276,710
Other services	4,995,994	4,922,445
On foreign market	**2,291,809,941**	**2,526,778,861**
Electricity	2,196,149,184	2,492,181,453
Natural gas	13,683,684	14,443,843
Emission allowances	33,921,100	0
Other services	48,055,973	20,153,565
Total	**3,620,312,806**	**5,116,070,394**

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 96.42% of all net revenue from sales. Compared to 2023, revenue from contracts with customers has decreased on account of lower electricity prices and higher 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)	2024	2023
Revenue from withdrawal of provisions	37,125	445,583
Drawing deferred revenue	0	85,210
Revenue from damages and contractual penalties	3,913,886	66,518
Default interest	904,709	1,499,941
Profit from the sale of fixed assets	18,782	10,640
Profit from derivatives due to trading with electricity, emission allowances and gas	9,394,202	17,667,741
Fair value measurement of commodity contracts	0	32,233,600
Other	472,481	64,580
Total	**14,741,185**	**52,073,813**

The majority of other operating revenue is accounted for by the profits derived from trading with electricity derivatives and emission coupons and gas, and income from damages for breach of contract. In 2024, the net effect of the fair value measurement of commodity contracts is negative and is therefore recorded in other operating expenses.

COSTS OF GOODS, MATERIALS AND SERVICES (29)

Costs of goods, materials and services (in EUR)	2024	2023
Purchase value of sold goods	3,034,867,505	4,564,798,015
Contingent costs of sold goods	57,458,250	77,242,293
Total purchase value of sold goods	**3,092,325,755**	**4,642,040,308**
Costs of energy	61,351	66,627
Costs of small tools	9,999	5,306
Other	524,476	409,099
Total costs of material	**595,826**	**481,032**
Costs of transport services	55,809	57,334
Costs of maintenance	1,333,206	1,144,234
Costs of rents	312,855	266,965
Costs of reimbursements of work-related expenses to employees	134,927	99,235
Costs of insurance and bank services	1,288,109	1,484,256
Costs of intellectual and personal services	3,444,448	1,864,340
Costs of fairs, advertising and representation	551,884	460,941
Costs of services provided by individuals	319,944	337,300
Costs of protection and supervision	978	993
Membership contributions	58,058	54,754
Services charged to group companies	1,509,228	1,413,842
Maintenance services for leased premises and equipment	954,168	977,043
Other	371,690	378,875
Total costs of services	**10,335,304**	**8,540,152**
Total	**3,103,256,885**	**4,651,061,492**

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The cost of goods sold, accounting for 99.64 % of the cost of goods, materials and services, includes primarily the expenses related to the procurement of electricity and the accompanying expenses thereof.

The most significant costs in terms of material costs are the cost of access to trading platforms, professional literature and electricity, and fuel for transport vehicles.

Costs of intellectual services, security, banking services, and software and computer equipment maintenance account for the majority of costs of services, and services charged to Group companies.

LABOUR COSTS (30)

Labour costs (in EUR)	2024	2023
Salaries	16,032,714	14,263,687
Pension insurance costs	1,752,706	1,601,832
Other insurance costs	1,468,783	1,239,687
Other labour costs	2,007,405	1,694,876
Total	**21,261,608**	**18,800,082**

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 2024 that may be taken by employees until 30 June 2025 are also included. Labour costs increased compared to 2023 due to a higher average number of employees compared to the preceding year and the harmonization of wages with the collective agreements.

Rental costs (in EUR)	2024	2023
Depreciation of rights of use	911,006	865,304
Financing expenses	49,209	11,325
Rental costs	7,467	5,287
Total	**967,682**	**881,916**

Audit costs (in EUR)	2024	2023
Annual report audit	68,200	49,000
Other certification services	80,000	2,000
Other non-audit services	0	34,500
Total	**148,200**	**85,500**

The contractual amount for the mandatory audit of the financial statements of HSE for 2024 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. In 2024, the audit firm Deloitte revizija, d.o.o. carried out additional work in the framework of the audit of the Annual Report for an amount of EUR 19,200.

Number of employees and average number of employees by educational structure	1/1/2024	31/12/2024	Average number of employees
1	0	0	0.0
2	0	0	0.0
3	0	0	0.0
4	3	3	3.0
5	17	16	16.5
6/1	21	21	21.0
6/2	70	70	70.0
7	104	117	110.5
8/1	25	22	23.5
8/2	6	8	7.0
Total	**246**	**257**	**251.5**

VALUE WRITE-OFFS (31)

Value write-offs (in EUR)	2024	2023
Amortisation of intangible assets	580,455	531,547
Depreciation of property, plant and equipment	555,305	530,573
Depreciatoin of leased assets	911,005	865,304
Receivables impairments/write-offs	10,412,775	0
Inventories impairments/write-offs	0	466,764
Impairments in property, plant and equipment	466	534
Sales in property, plant and equipment and intangible assets	8	25
Total	**12,460,014**	**2,394,747**

The largest write-offs refer to the creation of disputed receivables for which court recovery proceedings have been initiated, the depreciation of the Company's assets and the right to use leased premises.

OTHER OPERATING EXPENSES (32)

Other operating expenses (in EUR)	2024	2023
Forming of provisions	44,205	138,007
Fee for the use of construction land	98,252	94,286
Donations	77,700	1,156,012
Valuation of commodity contracts at fair value	79,056,022	0
Other operating expenses	1,440,270	41,735,989
Total	**80,716,449**	**43,124,294**

Other operating expenses are mainly represented by the net effect of the fair value measurement of commodity contracts, which is negative in 2024 and thus recorded in other operating expenses,

FINANCIAL INCOME (33)

Financial revenue (in EUR)	2024	2023
Financial revenue from dividends and other profit shares	44,393	931,389
Financial revenue from loans and deposits given	3,548,129	1,978,282
Other financial income	274,494	1,658,366
Total	**3,867,016**	**4,568,037**

Among financial income from equity interests, dividends paid by the jointly controlled company Soenergetika are disclosed, The Company also recognises interest on advances as other financial income,

FINANCIAL EXPENSES (34)

Financial expenses (in EUR)	2024	2023
Financial expenses for interest	11,967,830	14,454,690
Impairment of investments in subsidiaries	221,741,253	33,860,746
Financial expenses from the sale of financial investments	0	0
Other financial expenses	18,600,981	1,137,682
Other financial expenses from leases	148,100	24,595
Total	**252,458,164**	**49,477,713**

Interest expenses consist of interest accrued on non-current and current loans received from banks of EUR 11,504,290, and interest accrued on current loans received from HSE Group companies of EUR 463,532.

The main financial expenses are impairments in subsidiaries, which the Company transferred to the Republic of Slovenia at the end of 2024.

Other financial expenses are withholding tax costs on foreign loans and borrowing-related costs and losses on the sale of derivatives amounting to EUR 17,859,940.

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TAX (35)

Taxes (in EUR)	2024	2023
Current tax	0	41,417,799
Deferred tax	-41,722,564	-11,557
Total tax from profit recognised in the income statement	**-41,722,564**	**41,406,242**

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 for 2024 is paid at a rate of 22%.

In 2024, the Company paid EUR 43,960,997 in advance payments of corporate income tax.

Deferred taxes include deferred tax assets for impairment of trade receivables and tax losses recognised in the 2024 corporate income tax return. 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)	2024	2023
Profit (loss) before tax	168,767,888	407,853,916
Calculated tax at the applicable tax rate	37,128,935	77,492,244
Tax on revenues that lower the tax base	12,308	-177,868
Tax on tax deductions	0	-42,643,266
Tax on expenses that lower the tax base	-282,936,771	-9,091
Tax on non-deductible expenses	51,288,667	368,718
Tax from other changes in the tax balance sheet	9,422	-46,480
Tax effects of unrecognised deferred assets arising from tax losses	194,497,439	6,433,542
Tax levied	**0**	**41,417,799**
Deferred tax	**-41,722,564**	**-11,557**
Total taxes	**-41,722,564**	**41,406,242**
Effective tax rate	**0.00%**	**10.15%**

As at 31 December 2024, temporary deductible differences amount to EUR 189,819,948, for which the Company has created deferred tax assets of EUR 41,722,564, in respect of impairments of investments in subsidiaries and impairments of trade receivables. 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)	2024	2023
Gross operating return	3,635,053,991	5,168,144,207
Operating profit/loss	417,359,036	452,763,592
Financial outcome	-248,591,148	-44,909,676
Profit (loss) before tax	168,767,888	407,853,916
Net profit/loss for the year	**210,490,452**	**366,447,674**

The Company ended 2024 with a EUR 210,490,452 positive net result.

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4.5.7.3 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 2024. Loans given and received show the balance as at the end of 2023 (principal plus interest). Revenue from parent company guarantees given in 2024 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.

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 2024, the Company concluded no transactions with the Government of the Republic of Slovenia. The Company paid a dividend of EUR 100,000,000 to the owner in 2024.

in EUR

Company	Sales	Purchases	Loans, guarantees and warranties given with interest	Revenue for given parent guarantees
DEM	592,833	72,181,618	0	0
mHE Lobnica	19	30,456	0	0
SENG	21,394,868	54,903,570	0	0
TEŠ	4,981,838	547,288,500	0	274,491
HSE EDT	22,084	1,313,532	0	0
PV	4,973,793	50,005	0	0
HTZ I.P.	116	13,678	0	0
RGP	156,161	0	190,898	0
HSE Invest	95,048	1,741,737	0	0
HSE Balkan Energy	6,615	186,858	0	0
HSE MAK Energy	51,167,516	39,835,490	0	0
HSE BH	79,988,628	48,543,436	0	0
Energija plus	218,869,393	34,490,596	0	0
ECE	265,071,506	42,072,373	0	0
Total 2024	**428,451,025**	**808,161,253**	**190,898**	**274,491**

in EUR

Company	Sales	Purchases	Loans, guarantees and warranties given with interest	Received loans with interest	Revenue for given parent guarantees
HESS	23,373	12,105,307	0	0	0
Total 2024	**23,373**	**12,105,307**	**0**	**0**	**0**

Data on associated companies – Jointly-controlled companies (in EUR)	Sales	Purchases	Loans, guarantees and warranties given with interest	Received loans with interest	Dividend income
Soenergetika	0	0	0	0	45,120
Total 2024	**0**	**0**	**0**	**0**	**45,120**

Business partner (in EUR)	Outstanding receivables as at 31/12/2024	Outstanding liabilities as at 31/12/2024	Revenue 1-12/2024	Expenses 1-12/2024
BORZEN	3,507,049	2,645,823	8,246,685	11,242,006
BSP	0	15,707	54,005,744	18,422,067
DRAVSKE ELEKTRARNE MARIBOR	240,944	9,954,668	592,833	72,212,179
ECE	42,014,846	10,554,592	265,288,507	41,864,818
ELEKTROGOSPODARSTVO SLOVENIJE-razvoj in inženiring	1,469,201	9,796,914	1,945,049	8,040,837
ENERGIJA PLUS	33,310,996	9,147,180	218,869,393	34,490,596
ELES	4,618,785	165,441	22,874,415	5,265
GEN ENERGIJA	691,227	2,535,740	2,144,389	25,828,395
GEN-I	7,146,165	2,993,929	64,723,330	10,463,535
HIDROELEKTRARNE NA SPODNJI SAVI	4,429	1,145,733	23,373	12,105,307
PREMOGOVNIK VELENJE	661,196	1,120	4,973,794	73,340
SOŠKE ELEKTRARNE NOVA GORICA	9,499,467	14,573,729	2,139,868	54,917,461
TALUM	761,488	273,217	6,204,673	1,557,930
TERMOELEKTRARNA ŠOŠTANJ	447,391	52,023,324	5,283,241	547,941,531
Energy companies – total	**104,373,184**	**115,827,117**	**657,315,294**	**839,165,267**
SID	0	43,554,779	0	2,275,175
Banks – total	**0**	**43,554,779**	**0**	**2,275,175**
Total	**104,373,184**	**159,381,896**	**657,315,294**	**841,440,442**

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 2024 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.

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4.5.7.4 Remuneration

The revenue shown below by recipient category refer to remuneration in 2024.

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 2024, the Company approved no advances, loans and guarantees to these groups of persons. At the end of 2024, 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

			Variable remuneration - gross				
Remuneration of Management Board Members (in EUR)	Function	Fixed remuneration - gross (1)	Based on quantitative criteria	Total (2)	Deferred remuneration (3)	Bonunes (5)	Total (1+2+3+4+5)
Štokelj Tomaž	CEO	189,520	12,522	12,522	0	1,842	203,884
Podobnik Uroš	CBO	170,568	11,258	11,258	10,206	1,410	193,442
Total		**360,088**	**23,780**	**23,780**	**10,206**	**3,252**	**397,326**

REMUNERATION OF SUPERVISORY BOARD MEMBERS

		Function performance remuneration - gross					
Remuneration of Supervisory Board Members (in EUR)	Function	Basic function performance remuneration	Additional function performance remuneration	Total (1)	Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
Hrovatin Nevenka	President of SB	13,000	6,500	19,500	3,025	22,525	101
Valentinčič David	Deputy President of SB	13,000	1,300	14,300	2,750	17,050	1,398
Gorjup Barbara	Member of SB	12,052	0	12,052	3,025	15,077	82
Bele Denis	Member of SB	13,000	0	13,000	2,750	15,750	974
Šebenik Miha	Member of SB	12,052	0	12,052	2,750	14,802	194
Grešak Boštjan	Member of SB	13,000	0	13,000	3,025	16,025	319
Povh Blanka	Representative of employees of SB	13,000	0	13,000	3,025	16,025	0
Žibret Uroš	Representative of employees of SB from 23/8/2024	3,565	0	3,565	825	4,390	265
Rožman Rok	Representative of employees of SB until 22/8/2024	9,470	0	9,470	2,200	11,670	0
Kovač Matej	Representative of employees of SB	13,000	0	13,000	3,025	16,025	0
Total		**76,104**	**7,800**	**83,904**	**17,325**	**101,229**	**3,069**

REMUNERATION OF MEMBERS OF THE AUDIT COMMITTEE

Remuneration of Members of the Audit Committee (in EUR)	Function	Function performance remuneration - gross: Additional function performance remuneration	Function performance remuneration - gross: Total (1)	Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
Gorjup Barbara	President of the Audit Committee	4,063	4,063	2,596	6,659	41
Hočevar Marko	Independent member of the Audit Committee	13,000	13,000	3,300	16,300	0
Šebenik Miha	Member of the Audit Committee	2,708	2,708	2,376	5,084	27
Kovač Matej	Member of the Audit Committee	3,250	3,250	2,596	5,846	0
Total		**15,708**	**15,708**	**5,676**	**21,384**	**27**

REMUNERATION OF MEMBERS OF THE PERSONNEL COMMITTEE

Remuneration of Members of the Personnel Committee (in EUR)	Function	Function performance remuneration - gross: Additional function performance remuneration	Function performance remuneration - gross: Total (1)	Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
Nevenka Hrovatin	President of the Personnel Committee	4,875	4,875	1,100	5,975	25
Denis Bele	Member of the Personnel Committee	3,250	3,250	1,100	4,350	237
Boštjan Grešak	Member of the Personnel Committee	3,250	3,250	1,100	4,350	21
Blanka Povh	Member of the Personnel Committee	3,250	3,250	1,100	4,350	0
Total		**14,625**	**14,625**	**4,400**	**19,025**	**283**

REMUNERATION OF THE MEMBERS OF THE TRADING AND INVESTMENT COMMITTEE

Remuneration of the Members of the Trading and Investment Committee (in EUR)	Function	Function performance remuneration - gross: Additional function performance remuneration	Function performance remuneration - gross: Total (1)	Gross meeting fee (2)	Total Gross (1+2)	Travel expenses
Miha Šebenik	President of the Trading and Investment Committee	3,792	3,792	880	4,672	5
David Valentinčič	Member of the Trading and Investment Committee	3,250	3,250	880	4,130	246
Barbara Gorjup	Member of the Trading and Investment Committee	2,437	2,437	880	3,317	14
Rok Rožman	Member of the Trading and Investment Committee until 23/8/2024	2,368	2,368	660	3,028	0
Žibret Uroš	Member of the Trading and Investment Committee since 23/8/2024	891	891	220	1,111	91
Total		**12,738**	**12,738**	**3,520**	**16,258**	**356**

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4.5.7.5 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). These 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.

Operating receivables as at 31/12/2024 (in EUR)	Receivables	Hedged receivables	%	Non-hedged receivables	%
Current receivables due from group companies	110,781,846	66,804,396	60%	43,977,451	40%
Current receivables due from affiliated companies	4,429	4,429	100%	0	0%
Current receivables due from jointly-controlled companies	0	0	0%	0	0%
Current trade receivables	250,507,735	175,217,372	70%	75,290,364	30%
Total	**361,294,011**	**242,026,196**	**67%**	**119,267,815**	**33%**

Operating receivables as at 31/12/2023 (in EUR)	Receivables	Hedged receivables	%	Non-hedged receivables	%
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%**

The unsecured part of receivables is the sum of sales to partners made via the open account within the approved credit limits, in accordance 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 2024 in respect of the internal customer classification by credit rating, the age structure of unsecured receivables and the structure of receivables by country.

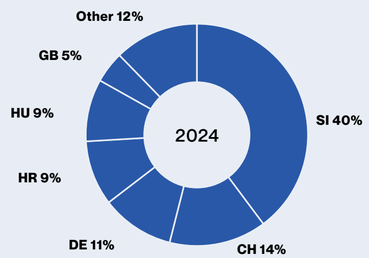
Based on granting an internal credit rating to individual partners (IBR) and their guarantors (in the case of financial collateral), defined on the basis of a combination of theoretical financial models and the credit rating agencies' transition matrices, the Company regularly monitors the risk of default 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.

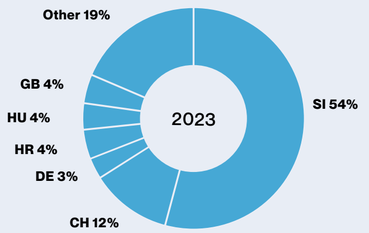
Compared to the balance at the end of 2023, the total value of trade receivables and unsecured trade receivables decreased. As at 31 December 2024, operating receivables in Slovenia account for 40% of all trade receivables or 14% less than the year before.

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.

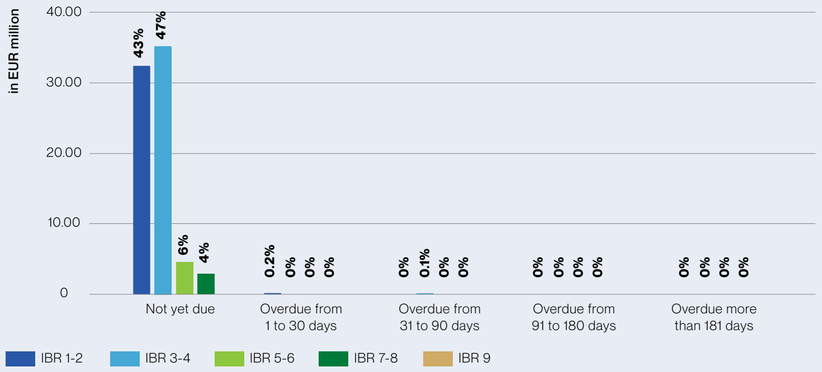
Defaulting debtors are charged with contractually agreed default interest.

Trade receivables by country as at 31 December 2024 and 2023

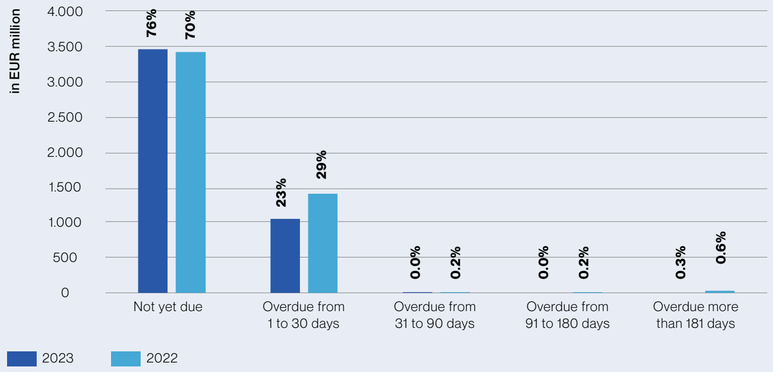




Unsecured trade receivables by age structure and IBR at 31 December 2024



Payment dynamics of receivables in total invoices issued in 2022 and 2023



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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 2024 is expected, where the largest allowances for receivables have been individually provided for and are therefore not again included in the impairment calculation model.

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 2024, 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 2024.

As at 31 December 2024, the Company shows EUR 11,503,081.46 in doubtful receivables. Receivables from the sale of electricity account for the majority of doubtful receivables. Most of the doubtful receivables are brought before a court of competent jurisdiction.

Movement of value adjustmenst of current operating receivables (in EUR)	2024	2023
Balance as at 1/1	**1,090,383**	**1,090,383**
Allowances set up for receivables	10,411,589	0
Balance as at 31/12	**11,501,972**	**1,090,383**

Non-current operating and financial receivables by maturity dates (in EUR)	Due for payment			
	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	Total
Operating receivables from others	0	0	12,181,091	12,181,091
Total as at 31/12/2024	**0**	**0**	**12,181,091**	**12,181,091**
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**

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Current operating and financial liabilities by maturity dates (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	0	45,000	145,000	0	190,000
Financial receivables and loans given to companies in the Group for interest	898	0	0	0	898
Operating receivables from companies in the Group	110,781,848	0	0	0	110,781,848
Operating receivables from affiliated companies	4,428	0	0	0	4,428
Operating receivables from buyers	249,258,476	5,672,305	81	7,079,956	262,010,818
Advances given	2,007,559	0	0	0	2,007,559
Operating receivables from state and other institutions	38,107,478	0	0	0	38,107,478
Operating receivables from others	42,559,117	0	0	0	42,559,117
Total as at 31/12/2024	**442,719,804**	**5,717,305**	**145,081**	**7,079,956**	**455,662,146**
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**

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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 2024, 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 2024, the Company's liquidity reserve, consisting of undrawn granted long-term revolving credit facilities and available cash, amounted to EUR 180,000,000 in revolving credit facilities, EUR 170,000,000 in short-term deposits and EUR 74,749,822 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 2024, 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 2024 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.

	Due for payment		
Non-current operating and financial liabilities by maturity dates (in EUR)	**Up to 2 years after the date of SFP**	**From 3 to 5 years after the date of SFP**	**Total**
Financial liabilities to banks	85,892,777	105,123,540	191,016,317
Financial liabilities from leases to companies in the Group	669,432	725,614	1,395,046
Financial liabilities from leases from others	805,815	719,662	1,525,477
Total as at 31/12/2024	**87,368,024**	**106,568,816**	**193,936,840**
Financial liabilities to banks	129,710,957	148,069,925	277,780,882
Financial liabilities from leases to companies in the Group	692,452	0	692,452
Financial liabilities from leases from others	1,460,001	0	1,460,001
Total as at 31/12/2023	**131,863,410**	**148,069,925**	**279,933,335**

	Estimated cash flows					
Exposure to liquidity risk arising on financial liabilities to banks (in EUR)	**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**	**Total**
Financial liabilities to banks						
Non-current loans	19,230,769	23,715,619	42,946,389	105,123,540	0	191,016,317
Total as at 31/12/2024	**19,230,769**	**23,715,619**	**42,946,389**	**105,123,540**	**0**	**191,016,317**
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**

The Company's liquidity in 2024 was managed through centralised cash flow planning, the provision of an adequate liquidity reserve and an active relationship with financial markets.

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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 2024, the Company was exposed to the currency risk at a negligible level in the context of electricity trading.

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 2024 were restated using the following exchange rates:

Country	Currency code	Final exchange rate in EUR for 2024	Final exchange rate in EUR for 2023
Czech Republic	CZK	25.1850	24.7200
Hungary	HUF	411.3500	382.8000
Romania	RON	4.9743	4.9800
USA	USD	1.0389	1.1100
Great Britain	GBP	0.8292	0.8700
Bulgaria	BGN	1.9558	1.9600
Turkey	TRY	36.7372	32.6500
Serbia	RSD	116.9600	117.1800
North Macedonia	MKD	61.5860	61.6100
Bosnia and Herzegovina	BAM	1.9558	1.9600

Concluded contracts for currency swaps (in EUR)	31/12/2024	31/12/2023
Concluded contracts for currency swaps – purchase hedging	120,512	3,236,346
Concluded contracts for currency swaps – sale hedging	0	0

Currency swap effect (in EUR)	2024	2023
Unrealized loss of effective transactions	22	74,342
Realised loss of effective transactions	-69,781	-4,244

Exposure to risk of change of exchange rates (in EUR)	EUR	USD	HUF	CZK	Other currencies	Total
Non-current financial receivables and loans	100,000	0	0	0	0	100,000
Non-current operating receivables	10,878,711	0	0	330,911	971,469	12,181,091
Current financial receivables and loans	90,898	0	0	0	0	90,898
Current operating receivables	443,968,166	0	0	0	0	443,968,166
Non-current financial liabilities	-148,069,930	0	0	0	0	-148,069,930
Non-current financial liabilities from leases to companies in the Group	-1,592,544	0	0	0	0	-1,592,544
Non-current financial liabilities from leases from others	-1,327,979	0	0	0	0	-1,327,979
Current financial liabilities	-43,013,028	0	0	0	0	-43,013,028
Current financial liabilities from leases to companies in the Group	-396,682	0	0	0	0	-396,682
Current financial liabilities from leases from others	-488,984	0	0	0	0	-488,984
Current operating liabilities	-309,344,211	-6,873	-120,643	-722	-15,989	-309,488,438
Net exposure of the SFP as at 31/12/2024	**-49,195,583**	**-6,873**	**-120,643**	**330,189**	**955,480**	**-48,037,430**
Non-current financial receivables and loans	190,000	0	0	0	0	190,000
Non-current operating receivables	13,037,972	0	0	0	0	13,037,972
Current financial receivables and loans	400,101	0	0	0	0	400,101
Current operating receivables	662,753,891	0	0	0	162,646	662,916,537
Non-current financial liabilities	-231,016,317	0	0	0	0	-231,016,317
Non-current financial liabilities from leases to companies in the Group	-692,452	0	0	0	0	-692,452
Non-current financial liabilities from leases from others	-1,460,001	0	0	0	0	-1,460,001
Current financial liabilities	-95,108,236	0	0	0	0	-95,108,236
Current financial liabilities from leases to companies in the Group	-406,412	0	0	0	0	-406,412
Current financial liabilities from leases from others	-316,346	0	0	0	0	-316,346
Current operating liabilities	-380,151,306	-1,018	-438,481	-4,651	-922,494	-381,517,950
Net exposure of the SFP as at 31/12/2023	**-32,769,106**	**-1,018**	**-438,481**	**-4,651**	**-759,848**	**-33,973,104**

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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)	2024	2023
Financial liabilities	-191,016,317	-325,780,886
Financial receivables	190,000	370,000
Net financial instruments with variable interest rate	**-190,826,317**	**-325,410,886**

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.

	Net profit or loss 2024		Net profit or loss 2023	
Financial instruments (in EUR)	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	-1,153,310	1,153,310	-1,628,465	1,628,465
Financial receivables	1,843	-1,843	2,624	-2,624
Financial liabilities	-1,155,153	1,155,153	-1,631,089	1,631,089

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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 2,250,954,880 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 161,733,764 in open future contracts held for trading.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2024	31/12/2023
For electricity - to hedge procurement	1,173,331,812	986,481,817
For electricity - to hedge sales	1,077,623,068	949,383,989

Concluded standardised forward contracts for trading (in EUR)	31/12/2024	31/12/2023
For electricity - trading - purpose of purchase	74,764,002	81,116,740
For electricity - trading - purpose of sale	86,969,762	101,806,351

Emission coupons

The Group concluded futures in 2024 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 2024, there were no outstanding contracts to secure the purchase and sale of emission allowances or contracts to buy and sell for the purpose of trading. Related disclosures are provided in the Equity section.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2024	31/12/2023
For emission allowances - futures for hedging procurement	0	339,165,210
For emission allowances - futures for hedging sales	0	189,823,950

Concluded standardised forward contracts for trading (in EUR)	31/12/2024	31/12/2023
For emission allowances - trading - intended for procurement	0	0
For emission allowances - trading - intended of sale	0	43,999,760

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Gas

In 2024, the Company entered into futures for the purchase and sale of natural gas in order to manage natural gas portfolios for supply to end-users and, to a limited extent, the Company also entered into futures for the purchase and sale of natural gas as part of its trading activities. At the end of 2024, it held EUR 6,495,527 of gas purchase and sale hedging contracts for hedging purposes and EUR 3,246,529 of purchase and sale hedging contracts for trading purposes. Related disclosures are provided in the Equity section.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2024	31/12/2023
For gas - futures for hedging procurement	5,961,424	1,711,737
For gas - futures for hedging sales	534,103	0

Concluded standardised forward contracts for trading (in EUR)	31/12/2024	31/12/2023
For gas - trading - intended for procurement	1,730,590	1,252,001
For gas - trading - intended of sale	1,515,939	1,583,124

CAPITAL MANAGEMENT

Capital management (in EUR)	31/12/2024	31/12/2023
Non-current financial liabilities	148,069,930	231,016,317
Non-current financial liabilities from leases	2,920,523	2,152,453
Current financial liabilities	43,013,028	95,108,236
Current financial liabilities from leases	885,666	722,758
Total financial liabilities	194,889,147	328,999,764
Capital	906,890,816	946,724,778
Financial liabilities/Capital	**0.21**	**0.35**
Cash and cash equivalents	244,996,667	31,684,098
Net financial liability	-50,107,520	297,315,666
Net debt/Capital	**-0.06**	**0.31**

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 2024 compared to the previous year, suggesting lower indebtedness, the leverage ratio reduced compared to the year before and is negative, caused by the increase of net debt compared to the previous year and a higher cash balance.

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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)	31/12/2024		31/12/2023	
	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	0	0	11,511,982	11,511,982
Derivatives (receivables)	0	0	11,511,982	11,511,982
Non-derivative financial assets at amortised cost	**753,701,019**	**753,701,019**	**703,409,393**	**703,409,393**
Financial receivables	190,898	190,898	590,101	590,101
Operating and other receivables	508,513,454	508,513,454	671,135,194	671,135,194
Cash and cash equivalents	244,996,667	244,996,667	31,684,098	31,684,098
Total	**753,812,519**	**753,812,519**	**703,520,893**	**703,520,893**
Derivative financial liabilities at fair value	**13,910,835**	**13,910,835**	**0**	**0**
Derivatives (liabilities)	13,910,835	13,910,835	0	0
Non-derivative financial liabilities at amortised cost	**777,738,969**	**777,738,969**	**1,012,655,082**	**1,012,655,082**
Bank loans	191,016,317	191,016,317	277,906,767	277,906,767
Other financial liabilities	3,872,830	3,872,830	51,092,997	51,092,997
Operating and other liabilities	582,849,822	582,849,822	683,655,318	683,655,318
Total	**791,649,804**	**791,649,804**	**1,012,655,082**	**1,012,655,082**

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Carrying amounts and fair values of financial instruments (in EUR)	31/12/2024	Financial assets and liabilities at fair value by hierarchy as at 31/12/2024			
	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	0	0	111,500
Non-derivative financial assets at amortised cost	**753,701,019**	**753,701,019**	**0**	**753,701,019**	**0**
Financial receivables	190,898	190,898	0	190,898	0
Operating and other receivables	508,513,454	508,513,454	0	508,513,454	0
Cash and cash equivalents	244,996,667	244,996,667	0	244,996,667	0
Total	**753,812,519**	**753,812,519**	**0**	**753,701,019**	**111,500**
Derivative financial assets at fair value	**13,910,835**	**13,910,835**	**8,663,985**	**5,246,850**	**0**
Derivatives (liabilities)	13,910,835	13,910,835	8,663,985	5,246,850	0
Non-derivative financial liabilities at amortised cost	**777,738,969**	**777,738,969**	**0**	**777,738,969**	**0**
Bank loans	191,016,317	191,016,317	0	191,016,317	0
Other financial liabilities	3,872,830	3,872,830	0	3,872,830	0
Operating and other liabilities	582,849,822	582,849,822	0	582,849,822	0
Total	**791,649,804**	**791,649,804**	**8,663,985**	**782,985,819**	**0**

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4.5.8 Events after the reporting date

There were no other significant events in the Company's financial position subsequent to the statement of financial position date that may have an impact on the 2024 financial statements.

4.5.9 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

HSE 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 statement of financial position 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.

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4.5.9.1 STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT AT 31 DECEMBER 2024

Statement of financial position (in EUR)		Trading with electricity	SPP production	Trading with gas	31/12/2024
ASSETS		**1,692,172,892**	**3,423,567**	**6,879,481**	**1,702,475,940**
A. NON-CURRENT ASSETS		**957,993,643**	**2,794,935**	**163,517**	**960,952,096**
I.	Intangible assets	251,851,437	186,102	0	252,037,539
II.	Property, plant and equipment	19,089,758	2,608,833	163,517	21,862,109
III.	Right of use assets	3,740,807	0	0	3,740,807
IV.	Financial investments in subsidiaries	588,159,980	0	0	588,159,980
V.	Other financial investments and loans	40,880,442	0	0	40,880,442
VI.	Operating receivables	12,181,091	0	0	12,181,091
VIII.	Deferred tax receivables	42,090,128	0	0	42,090,128
B. CURRENT ASSETS		**734,179,249**	**628,631**	**6,715,964**	**741,523,844**
II.	Inventories	3,916	0	0	3,916
III.	Financial investments	190,898	0	0	190,898
IV.	Trade receivables	360,212,795	753	1,080,464	361,294,012
V.	Contract assets	1,589,832	0	0	1,589,832
VI.	Tax receivables	43,960,997	0	0	43,960,997
VII.	Other assets	89,487,522	0	0	89,487,522
VIII.	Cash and cash equivalents	238,733,289	627,878	5,635,500	244,996,667

Statement of financial position (in EUR)		Trading with electricity	SPP production	Trading with gas	31/12/2024
EQUITY AND LIABILITIES		**1,692,172,892**	**3,423,567**	**6,879,481**	**1,702,475,940**
A. EQUITY		**902,298,264**	**3,224,667**	**1,367,886**	**906,890,817**
I.	Called-up capital	29,558,789	0	0	29,558,789
II.	Capital reserves	558,756,600	2,486,585	0	561,243,185
III.	Profit reserves	111,882,766	0	0	111,882,766
IV.	Risk hedging reserve	-7,002,527	0	987,690	-6,014,837
V.	Fair value reserves	-269,538	0	0	-269,538
VI.	Retained profit/loss	209,372,174	738,082	380,196	210,490,452
B. NON-CURENT LIABILITIES		**154,730,418**	**195,355**	**0**	**154,925,773**
I.	Provisions for severance pays and anniversary bonuses	2,104,136	0	0	2,104,136
II.	Other provisions	44,205	0	0	44,205
III.	Other liabilities	1,786,979	0	0	1,786,979
IV.	Financial liabilities	148,069,930	0	0	148,069,930
V.	Financial liabilities from leases	2,920,523	0	0	2,920,523
C. CURRENT LIABILITIES		**635,144,210**	**3,545**	**5,511,595**	**640,659,350**
II.	Financial liabilities	43,013,028	0	0	43,013,028
III.	Financial liabilities from leases	885,666	0	0	885,666
IV.	Operating liabilities	255,091,582	136	5,511,595	260,603,313
V.	Contract liabilities	31,585,393	0	0	31,585,393
VII.	Other liabilities	304,568,541	3,409	0	304,571,950

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PROFIT AND LOSS STATEMENT BY BUSINESS SEGMENT

Revenues

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 document on their occurrence. Each accounting document must indicate the cost centre or profit centre (expenditure) to which the cost/expenditure relates. 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.

4.5.9.2 PROFIT AND LOSS STATEMENT BY BUSINESS SEGMENT FOR 2024

Income statement (in EUR)		Trading with electricity	SPP production	Trading with gas	2024
1.	Net sales revenues	3,578,045,866	232,142	42,034,798	3,620,312,806
2.	Other operating income	14,741,185	0	0	14,741,185
GROSS OPERATING INCOME		**3,592,787,051**	**232,142**	**42,034,798**	**3,635,053,991**
5.	Costs of goods, materials and services	3,061,616,111	11,870	41,628,903	3,103,256,884
6.	Labour costs	21,064,733	1,683	195,192	21,261,608
7.	Value write-offs	12,314,278	106,230	39,507	12,460,014
8.	Other operating expenses	80,183,033	2,131	531,284	80,716,449
OPERATING PROFIT/LOSS		**417,608,896**	**110,229**	**-360,089**	**417,359,036**
9.	Financial revenue	3,867,016	0	0	3,867,016
10.	Financial expenses	252,458,164	0	0	252,458,164
FINANCIAL OUTCOME		**-248,591,148**	**0**	**0**	**-248,591,148**
PROFIT (LOSS) BEFORE TAX		**169,017,748**	**110,229**	**-360,089**	**168,767,888**
TAX		**-41,722,564**	**0**	**0**	**-41,722,564**
11.	Current tax	0	0	0	0
12.	Deferred tax	-41,722,564	0	0	-41,722,564
NET PROFIT/LOSS FOR THE YEAR		**210,740,312**	**110,229**	**-360,089**	**210,490,452**

SIGNING THE 2024 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 2024 and thereby also with the entire annual report of HSE and the HSE Group for 2024. It is agreed therewith as duly confirmed by our signatures.

Ljubljana, 30 May 2025

Uroš Podobnik
CBO of HSE

Tomaž Štokelj, Ph.D.
CEO of HSE

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ESRS 2 IRO-1 – Description of the procedures for identifying and assessing significant impacts, risks and opportunities related to biodiversity and ecosystems	2.9.8
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5.2 Disclosures arising from other legislation relating to sustainability reporting

Disclosure requirement and associated data point	Reference to SFDR	Pillar 3 reference	Reference to the benchmark regulation	Reference to EU climate rules	Important/not important	Section
ESRS 2 GOV-1 Board's gender diversity, paragraph 21(d)	Indicator No. 13 of Annex I, Table 1		Commission Delegated Regulation (EU) 2020/1816(5), Annex II			General information (ESRS 2)
ESRS 2 GOV-1 Percentage of independent board members, paragraph 21(e)			Delegated Regulation (EU) 2020/1816, Annex II			General information (ESRS 2)
ESRS 2 GOV-4 Due diligence statement, paragraph 30	Indicator No. 10 of Annex I, Table 3					General information (ESRS 2)
ESRS 2 SBM-1 Involvement in activities related to chemical production, paragraph 40(d)(i)	Indicator No. 4 of Annex I, Table 1	Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453(6), Table 1 Qualitative information on environmental risk and Table 2 Qualitative information on social risk	Delegated Regulation (EU) 2020/1816, Annex II			General information (ESRS 2)
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities, paragraph 40(d)(ii)	Indicator No. 9 of Annex I, Table 2		Delegated Regulation (EU) 2020/1816, Annex II		Not relevant	/
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities, paragraph 40(d)(ii)	Indicator No. 9 of Annex I, Table 2		Delegated Regulation (EU) 2020/1816, Annex II		Not relevant	/
ESRS 2 SBM-1 Involvement in activities related to controversial weapons, paragraph 40(d)(iii)	Indicator No. 14 of Annex I, Table 1		Delegated Regulation (EU) 2020/1818(7), Article 12(1) of Delegated Regulation (EU) 2020/1816, Annex II		Not relevant	/
ESRS 2 SBM-1 Involvement in activities related to tobacco cultivation and production, paragraph 40(d)(iv)			Delegated Regulation (EU) 2020/1818, Article 12(1), Delegated Regulation (EU) 2020/1816, Annex II		Not relevant	/

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Disclosure requirement and associated data point	Reference to SFDR	Pillar 3 reference	Reference to the benchmark regulation	Reference to EU climate rules	Important/not important	Section
ESRS E1-1 Roadmap to climate neutrality by 2050, paragraph 14				Regulation (EU)2021/1119, Article 2(1)		Climate change mitigation and adaptation (ESRS E1)
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks, paragraph 16(g)		Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Banking book – Climate change transition risk: credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12(1), points (d) to (g), and Article 12(2)			Climate change mitigation and adaptation (ESRS E1)
ESRS E1-4 GHG emission reduction targets, paragraph 34	Indicator No. 4 of Annex I, Table 2	Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU)2020/1818, Article 6			Climate change mitigation and adaptation (ESRS E1)
ESRS E1-5 Fossil energy consumption broken down by source (high environmental impact sectors only), paragraph 38	Indicator No. 5 of Table 1 and Indicator No. 5 of Table 2, Annex I					Climate change mitigation and adaptation (ESRS E1)
ESRS E1-5 Energy consumption and energy mix, paragraph 37	Indicator No. 5 of Annex I, Table 1					Climate change mitigation and adaptation (ESRS E1)
ESRS E1-5 Energy intensity associated with activities in high impact climate sectors, paragraphs 40 to 43	Indicator No. 6 of Annex I, Table 1					Climate change mitigation and adaptation (ESRS E1)
ESRS E1-6 Scope 1, 2 and 3 gross GHG emissions and total GHG emissions, paragraph 44	Indicators No. 1 and 2 of Annex I, Table 1	Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Banking book – Climate change transition risk: credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Articles 5(1), 6 and 8(1)			Climate change mitigation and adaptation (ESRS E1)

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Disclosure requirement and associated data point	Reference to SFDR	Pillar 3 reference	Reference to the benchmark regulation	Reference to EU climate rules	Important/not important	Section
ESRS E1-6 Gross GHG emission intensity, paragraphs 53 to 55	Indicator No. 3 of Annex I, Table 1	Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU)2020/1818, Article 8(1)			Climate change mitigation and adaptation (ESRS E1)
ESRS E1-7 GHG removals and carbon credits, paragraph 56				Regulation (EU)2021/1119, Article 2(1)	Not relevant	Climate change mitigation and adaptation (ESRS E1)
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks, paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II; Delegated Regulation (EU) 2020/1816, Annex II		/	/
ESRS E1-9 Breakdown of monetary amounts by acute and chronic physical risks, paragraph 66(a) ESRS E1-9 Location of significant assets with significant physical risk, paragraph 66(C)		Article 449a of Regulation (EU) No. 575/2013; Commission Implementing Regulation (EU) 2022/2453, paragraphs 46 and 47; Template 5: Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk			/	/
ESRS E1-9 Breakdown of the carrying amount of its property assets by energy efficiency class, paragraph 67(C)		Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, paragraph 34; Template 2: Banking book – Climate change transition risk: credit secured by real estate – energy efficiency of collateral			/	/
ESRS E1-9 Portfolio exposure to climate opportunities, paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		/	/
ESRS E2-4 Amount of each pollutant listed in Annex II to the Regulation on the European Pollutant Release and Transfer Register (European Pollutant Release and Transfer Register) discharged into air, water and land, paragraph 28	Indicator No. 8 of Annex I, Table 1, Indicator No. 2 of Annex I, Table 2, Indicator No. 1 of Annex I, Table 2, Indicator No. 3 of Annex I, Table 2				Important	Pollution (ESRS E2)
ESRS E3-1 Water and marine resources, paragraph 9	Indicator No. 7 of Annex I, Table 2				Important	Water and water resources (ESRS E3)

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Disclosure requirement and associated data point	Reference to SFDR	Pillar 3 reference	Reference to the benchmark regulation	Reference to EU climate rules	Important/not important	Section
ESRS E3-1 Dedicated policy, paragraph 13	Indicator No. 8 of Annex I, Table 2				Important	Water and water resources (ESRS E3)
ESRS E3-1 Sustainable oceans and seas, paragraph 14	Indicator No. 12 of Annex I, Table 2				Not relevant	/
ESRS E3-4 Total amount of water recycled and reused, paragraph 28 C	Indicator No. 6.2 of Annex I, Table 2				Important	Water and water resources (ESRS E3)
ESRS E3-4 Total water consumption in m^3 per net revenue on own operations, paragraph 29	Indicator No. 6.1 of Annex I, Table 2				Important	Water and water resources (ESRS E3)
ESRS 2 – IRO-1 – E4, paragraph 16(a)(i)	Indicator No. 7 of Annex I, Table 1				Important	Ecosystems and biodiversity (ESRS E4)
ESRS 2 – IRO-1 – E4, paragraph 16(b)	Indicator No. 10 of Annex I, Table 2				Important	Ecosystems and biodiversity (ESRS E4)
ESRS 2 – IRO-1 – E4, paragraph 16 C	Indicator No. 14 of Annex I, Table 2				Not relevant	/
ESRS E4-2 Sustainable land/ agriculture practices or policies, paragraph 24(b)	Indicator No. 11 of Annex I, Table 2				Not relevant	/
ESRS E4-2 Sustainable oceans/seas practices or policies, paragraph 24c	Indicator No. 12 of Annex I, Table 2				Not relevant	/
ESRS E4-2 Policies to address deforestation, paragraph 24(d)	Indicator No. 15 of Annex I, Table 2					/
ESRS E5-5 Non-recycled waste, paragraph 37(d)	ESRS E5-5 Non-recycled waste, paragraph 37(d)					Circular economy (ESRS E5)
ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39	ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39					Circular economy (ESRS E5)
ESRS 2 – SBM-3 – S1 Risk of incidents of forced labour, paragraph 14(f)	Indicator No. 13 of Annex I, Table 3				Not relevant	Employees (ESRS S1)
ESRS 2 – SBM-3 – S1 Risk of incidents of child labour, paragraph 14(g)	Indicator No. 12 of Annex I, Table 3				Not relevant	Employees (ESRS S1)

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Disclosure requirement and associated data point	Reference to SFDR	Pillar 3 reference	Reference to the benchmark regulation	Reference to EU climate rules	Important/not important	Section
ESRS S1-1 Human rights policy commitments, paragraph 20	Indicator No. 9 of Table 3 and Indicator No. 11 of Table 1, Annex I					Employees (ESRS S1)
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II			Employees (ESRS S1)
ESRS S1-1 Procedures and measures to prevent trafficking in human beings, paragraph 22	Indicator No. 11 of Annex I, Table 3				Not relevant	/
ESRS S1-1 Workplace accident prevention policy or management system, paragraph 23	Indicator No. 1 of Annex I, Table 3					Employees (ESRS S1)
ESRS S1-3 Grievance or complaints handling mechanisms, paragraph 32c	Indicator No. 5 of Annex I, Table 3					Employees (ESRS S1)
ESRS S1-14 Number of fatalities and number and rate of work-related accidents, paragraph 88(b) and c	Indicator No. 2 of Annex I, Table 3		Delegated Regulation (EU) 2020/1816, Annex II			Employees (ESRS S1)
ESRS S1-14 Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health, paragraph 88e	Indicator No. 3 of Annex I, Table 3					Employees (ESRS S1)
ESRS S1-16 Unadjusted pay gap paragraph 97(a)	Indicator No. 12 of Annex I, Table 1		Delegated Regulation (EU) 2020/1816, Annex II		Not relevant	/
ESRS S1-16 Excessive CEO pay, paragraph 97(b)	Indicator No. 8 of Annex I, Table 3				Not relevant	/
ESRS S1-17 Discrimination incidents, paragraph 103(a)	ESRS S1-17 Discrimination incidents, paragraph 103(a)				Important	Employees (ESRS S1)
ESRS S1-17 Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD, paragraph 104(a)	ESRS S1-17 Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD, paragraph 104(a)		ESRS S1-17 Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD, paragraph 104(a)		Not relevant	/

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Disclosure requirement and associated data point	Reference to SFDR	Pillar 3 reference	Reference to the benchmark regulation	Reference to EU climate rules	Important/not important	Section
ESRS 2 – SBM-3 – S2 Significant risk of child labour or forced labour in the value chain, paragraph 11(b)	Indicators No. 12 and 13 of Annex I, Table 3				Not important	/
ESRS S2-1 Human rights policy commitments, paragraph 17	Indicator No. 9 of Table 3 and Indicator No. 11 of Table 1, Annex I				Not relevant	/
ESRS S2-1 Policies relating to workers in the value chain, paragraph 18	Indicators No. 11 and 4 of Annex I, Table 3				Not relevant	/
ESRS S2-1 Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD guidelines, paragraph 19	Indicator No. 10 of Annex I, Table 1		Delegated Regulation (EU) 2020/1816, Annex II; Delegated Regulation (EU) 2020/1818, Article 12(1)		Not relevant	/
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Not important	/
ESRS S2-4 Human rights issues and incidents connected to upstream and downstream value chain, paragraph 36	Indicator No. 14 of Annex I, Table 3				Not relevant	/
ESRS S3-1 Human rights policy commitments, paragraph 16	Indicator No. 9 of Table 3, Annex I, and Indicator No. 11 of Table 1, Annex I					Cooperation with communities (ESRS S3)
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines, paragraph 17	Indicator No. 10 of Annex I, Table 1		Delegated Regulation (EU) 2020/1816, Annex II; Delegated Regulation (EU) 2020/1818, Article 12(1)			/
ESRS S3-4 Human rights issues and incidents, paragraph 36	Indicator No. 14 of Annex I, Table 3					/
ESRS S4-1 – Policies relating to consumers and end-users, paragraph 16	Indicator No. 9 of Table 3 and Indicator No. 11 of Table 1, Annex I					Consumers and end-users (ESRS S4)

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Disclosure requirement and associated data point	Reference to SFDR	Pillar 3 reference	Reference to the benchmark regulation	Reference to EU climate rules	Important/not important	Section
ESRS S4-1 Failure to comply with the UN Guiding Principles on Business and Human Rights and OECD guidelines, paragraph 17	Indicator No. 10 of Annex I, Table 1		Delegated Regulation (EU) 2020/1816, Annex II; Delegated Regulation (EU) 2020/1818, Article 12(1)			/
ESRS S4-4 Human rights issues and incidents, paragraph 35	Indicator No. 14 of Annex I, Table 3				Not relevant	/
ESRS G1-1 United Nations Convention against Corruption, paragraph 10(b)	Indicator No. 15 of Annex I, Table 3					Business conduct (ESRS G1)
ESRS G1-1 Whistleblower protection, paragraph 10(d)	Indicator No. 6 of Annex I, Table 3					Business conduct (ESRS G1)
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws, paragraph 24(a)	Indicator No. 17 of Annex I, Table 3		Delegated Regulation (EU) 2020/1816, Annex II		Not relevant	/
ESRS G1-4 Standards of anti-corruption and anti-bribery, paragraph 24(b)	Indicator No. 16 of Annex I, Table 3					Business conduct (ESRS G1)

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5.3 Abbreviations

AA1000SES	AccountAbility 1000 Stakeholder Engagement Standard
AC	Audit Committee
AJPES	Agency of the Republic of Slovenia for Public and Legal Records and Services
ARRS	Slovenian Research Agency
ARSO	Slovenian Environment Agency
AU	Administrative unit
BAT	Best Available Techniques
BHEE	Battery storage
CAPEX	Capital Expenditures
CBAM	Carbon Border Adjustment Mechanism
CCS	Carbon Capture and Storage
CD	Compliance Department
CoO	Certificates of Origin
COS	Conceptual solution
CSRD	Corporate Sustainability Reporting Directive
CV	Management Centre
DARS	Motorway Company in the Republic of Slovenia
DEM	Dravske elektrarne Maribor d.o.o.
DGD	Documentation for obtaining a building permit
DIIP	Investment Project Identification Document
DNSH	Do No Significant Harm
DRSI	Infrastructure Directorate of the Republic of Slovenia

EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EC	European Commission
ECB	European Central Bank
ECE	ECE d.o.o.
ECL	Expected Credit Loss
EDNC	Electricity distribution network codes
EDSO	Electricity distribution system operator
EE	Electricity
EES	Electricity system
EEX	European Energy Exchange
EFRAG	European Financial Reporting Advisory Group
EGS-RI	Slovenia's electricity economy
EIA	Environmental impact assessment
EIB	European Investment Bank
ELES	ELES d.o.o., transmission system operator (TSO)
EMIR	European Market Infrastructure Regulation
	Regulation on OTC derivatives, central counterparties and trade repositories
Energija plus	Energija plus d.o.o.
ER	Environmental Report
ESRS	European Sustainability Reporting Standards
EU	European Union

EU ETS	European Union Emissions Trading System
	Greenhouse gas emission allowance trading scheme in the European Union
EUA	European University Association
EUE	Efficient use of energy
EUR/€	Euro
EZ	Energy Act
FED	Federal Reserve System
	US Federal Reserve
FFC	Family-friendly company
FSPP	Floating solar power plant
FSRU	Floating Storage Regasification Unit
GDP	Gross domestic product
GE	Geothermal power plant
GEN-I Sonce	GEN-I Sonce d.o.o.
GHG	Greenhouse gases
GREP	Green renewal of existing projects
GRI	Global Reporting Initiative
	International standard on non-financial reporting
GSPP	Gas-steam power plant
GZS	Chamber of Commerce and Industry of Slovenia
HES	Hydraulic excavation support
HESS	Hidroelektrarne na Spodnji Sava d.o.o.

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HPP	Hydroelectric power plant
HRC	Human Resources Committee
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
HSE SAŠA	HSE SaŠa, družba za razvoj obnovljivih virov energije d.o.o.
HTZ	HTZ harmonija tehnologije in znanja invalidsko podjetje d.o.o. Velenje
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and communication technology
IEA	International Energy Agency
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIC	International Interpretations Committee
ILO	International Labour Organisation
IP	Investment programme
IPCC	Intergovernmental Panel on Climate Change
IRENA	International Renewable Energy Agency
IRO	Investment Recovery Opportunities
IS	Information system
ISDA	International Swaps and Derivatives Association
ISMS	Information security management system
ISO	International Organisation for Standardisation
ISO/IEC	Information Security Management System
IT	Information technology
JROS	“Joint Resource Optimisation and Scheduler” project
JTF	Just Transition Fund
KPI	Key Performance Indicator
KPK	Commission for the Prevention of Corruption
KTI	Trading and investment committee
KUDD	Corporate Governance Code for Companies with State Capital Investments
KYC	Know-your-counterparty
LEAP	Locate, Evaluate, Asses, Prepare
LECL	Lifetime Expected Credit Losses
LNG	Liquefied natural gas
LoW	European List of Waste
LRF	Linear Reduction Factor
LTSA	Long-Term Service Agreement
MC	Monte Carlo
MDG	Macroeconomic development guidelines
MF	Ministry of Finance
MiFID	Markets in Financial Instruments Directive
MNVP	Ministry of Natural Resources and Spatial Planning
MOPE	Ministry for the Environment, Climate and Energy
MORS	Ministry of Defence
MSR	Market Stability Reserve
MtM	Mark-to-Market
MZI	Ministry of Infrastructure
NAHV	North Adriatic Hydrogen Valley
NCKU	National Crisis Management Centre
NECP	National Energy Climate Plan of the Republic of Slovenia
NEK	Nuklearna elektrarna Krško d.o.o.
NIS 2	Directive on measures for a high common level of cybersecurity throughout the Union
NSP	National Spatial Plan
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational health and safety
OHSAS	Occupational Health and Safety Management System
OMM	Operation and Maintenance Manual
OPEC	Organization of the Petroleum Exporting Countries
OPEX	Operating Expenditures
OPPN	Municipal detailed spatial plan
PDP	Project development plan
PLP	PLP Lesna industrija d.o.o. Velenje
PPP	Photovoltaic power plant
PSHPP	Pumped-storage hydroelectric power plant
PV	Premogovnik Velenje d.o.o.
PV	Price variance
Qes	Ecological Acceptable Flow
RC	Restructuring committee

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RCP	Representative Concentration Pathways
	Representative concentration pathway scenarios
REMIT	Regulation on Energy Market Integrity and Transparency
RES	Renewable energy sources
RGP	RGP Rudarski gradbeni program d.o.o.
ROA	Return on Assets
ROE	Return on Equity
RS	Republic of Slovenia
SASB	Sustainability Accounting Standards Board
SAŠA	Savinja-Šalek region
SB	Supervisory Board
SDH	Slovenski državni holding d.d.
SEL	Savske elektrarne Ljubljana d.o.o.
SENG	Soške elektrarne Nova Gorica d.o.o.
SFP	Statement of financial position
sHEPP	Small hydroelectric power plant
SI-CERT	National Cyber Security Response Centre
SIEM	Security Information and Event Management
SIPOTEH	SIPOTEH Strojna in proizvodna oprema d.o.o.
SMR	Small modular reactor
SOC	Security and Operations Centre
SOVA	Slovenian Intelligence and Security Agency
SRESA	Srednjesavske elektrarne d.o.o.
SRF	Solid Recovered Fuels
	Non-hazardous waste recovered fuels
SSRN	Standard Setting and Regulatory Norms
STA	Slovenian Technical Approval
SV	Study of variants
TCFD	Task Force on Climate-related Financial Disclosures
TD	Thermodivision
TEŠ	Termoelektrarna Šoštanj d.o.o.
TPP	Thermal power plant
TSO	Transmission system operator
UN	United Nations
UNGPs	United Nations Guiding Principles on Business and Human Rights
UNV	Decree on most suitable alternatives
URSHR	Slovenian Administration for Civil Protection and Disaster Relief
USA	United States of America
USD	US dollar
VaR	Value-at-Risk
VAT	Value added tax
WPP	Wind power plant
ZFPPIPP	Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act
ZGD	Companies Act
ZIUPRPK	Act on intervention measures to prevent adverse effects from extending mining rights and concessions
ZOEE	Electricity Supply Act
ZOP	Gas Supply Act
ZOTDS	Act on the supply of heat from distribution systems
ZPFOLERD	Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act
ZPFPPIPP	Act on Transitional Financing of Accelerated and Fair Coal Phase-out
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
ZRud	Mining Act
ZSDH	Slovenian Sovereign Holding Act
ZSDU	Workers Participation in Management Act
ZSROVE	Act on the Promotion of the Use of Renewable Energy Sources
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	Occupational Safety and Health Act
ZZPri	Whistleblower Protection Act

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hse Group
LET'S ACCELERATE TO GREEN

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Registration number:	1662970000
Entry in the court register:	District Court of Ljubljana under number 1/35036/00
Share capital:	29,558,789.00
VAT ID number:	SI99666189
EIC code:	11XHSE-SLOVENIAG
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