



TERMOELEKTRARNA
ŠOŠTANJ

Skupina  hse



ANNUAL **REPORT**

2024

2022 ... 2023 ...

ANNUAL REPORT /

2024



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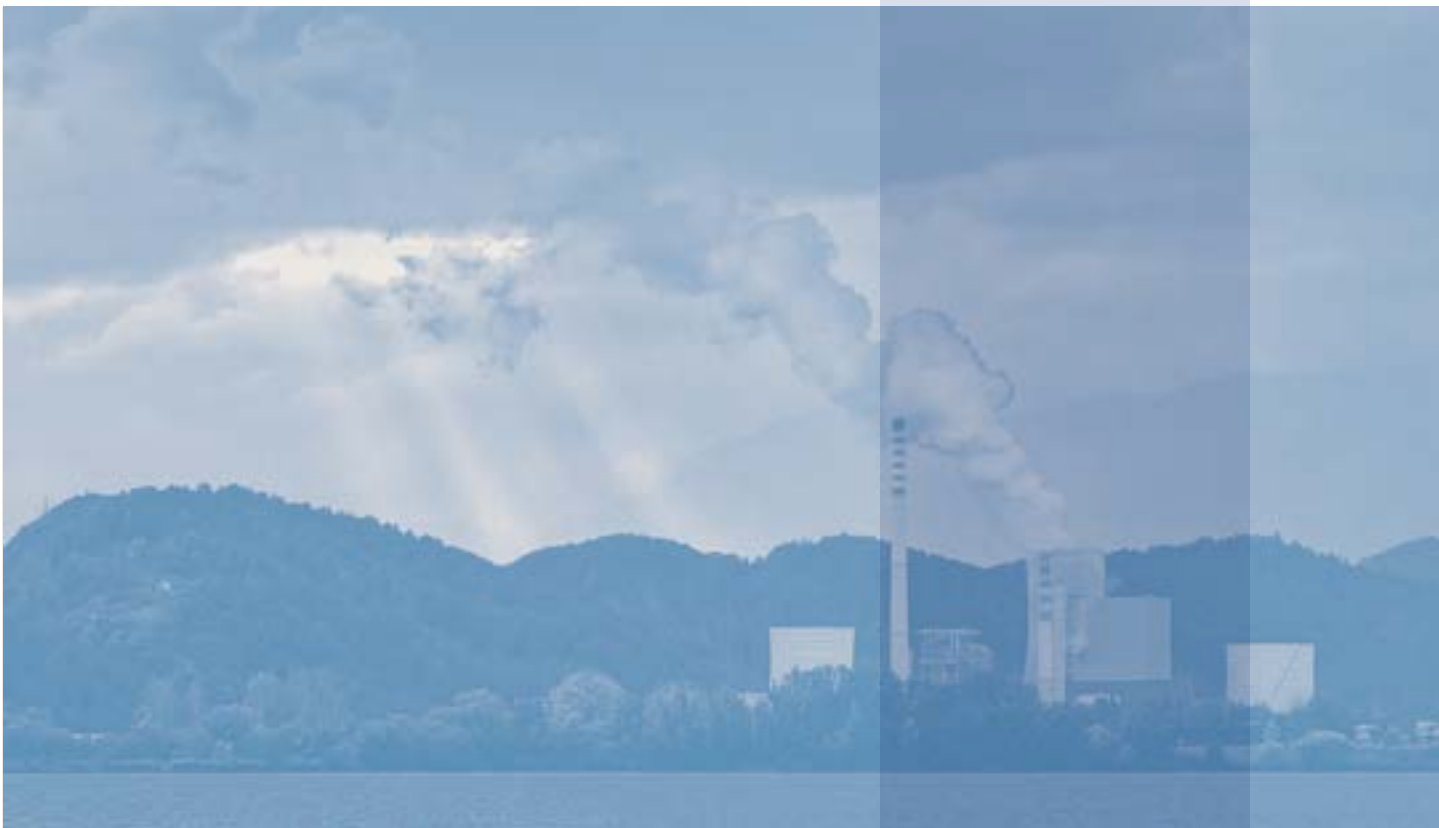


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report

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Introduction

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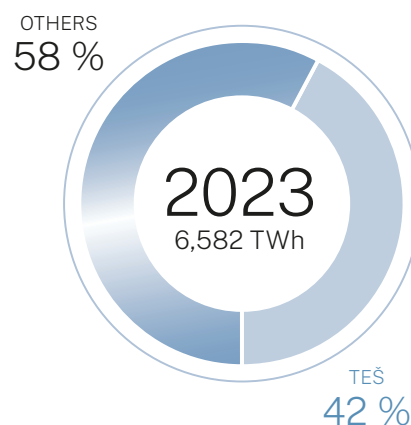
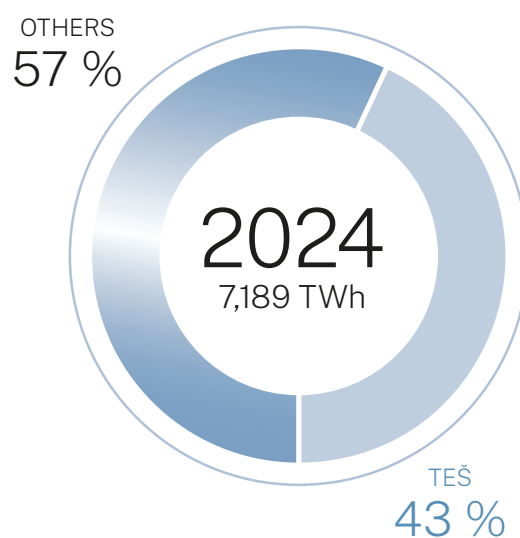
Electricity remains one of the most important forms of energy and a key foundation of modern life and technological progress. Slovenia covers more than half of its electricity needs with domestic sources, with fossil fuels still playing an important role. Nevertheless, the country is increasingly focusing on decarbonization, abandonment of fossil resources, electrification and digitalization, which will greatly transform the electrical power system in the coming years. Increased integration of volatile renewable energy sources poses additional challenges, so timely action and good preparedness are key to maintaining security of supply and reducing import dependence.

At Termoelektrarna Šoštanj (TEŠ), we are actively co-creating the foundations of the energy future. We are focused on the preparation of professional starting points and projects for the restructuring of the coal field, while striving to preserve a strategically important energy location. It is already infrastructurally equipped for the production of electricity from gas, the development of technologies for the production of hydrogen and other energy solutions of the future.

The HSE Group, including TEŠ, plays a key role in ensuring a stable and secure supply of electricity to Slovenia and in providing thermal energy for district heating of the Šaleška Valley. In addition, we significantly contribute to the development of the local environment, the creation of jobs and the preservation of energy sources that are significantly cleaner compared to individual fireboxes.

TEŠ remains the central pillar of the development of the Šaleška Valley. Our goal is clear, i.e. to preserve the energy location, expertise and experience, and to introduce modern technologies that enable the further development of the local and wider social environment. With this, we ensure the efficient operation of existing systems and the introduction of new technologies and jobs with high added value.

With a 64 % share in the total Slovenian electricity production, the HSE Group is the leading producer at the national level. In 2024, power plants of the HSE Group produced 7.2 TWh of electricity (without 49 % share in HESS), of which TEŠ 3.1 TWh.



1.1

Esteemed recipients!

In 2024, TEŠ produced and supplied 3,070 GWh of electricity and 273 GWh of thermal energy with two coal and two gas production units. Total sales revenues reached EUR 562.2 million, the highest amount in the last five years. The EBITDA generated in the amount of EUR 56.1 million is within the expected range. Despite the good performance of the company, the net business outcome is negative, which is a result of the accounting impairment of the company's non-current assets in the amount of EUR 86.6 million, caused by factors beyond the company's control.

Slovenia is on the verge of significant changes. The National Strategy for Coal Exit and Restructuring of Coal Regions, in accordance with the principles of a just transition, stipulates that Slovenia will stop using coal for the production of electricity by 2033 at the latest. This strategy represents the basis for the transition to a carbon-free society, which means that we face a number of challenges, which, if successfully implemented, can bring many opportunities. These will include new jobs and projects also supported by EU funds.

The Šaleška Valley is a vital energy location, the local population is used to living in harmony with the energy sector, the employees are the bearers of rich knowledge and experience in the field of energy, and at the same time such an activity at the existing location also has all the necessary consent. This is a significant competitive advantage over other parts of Slovenia, as such locations will no longer be obtainable in the near and distant future. Therefore, it is necessary to take advantage of the possibilities and opportunities offered by the site.

For further operation, we need to think about new projects and advanced technologies that will ensure safe, reliable and environmentally friendly production of electricity and thermal energy in the future. I am convinced that this is achievable, but this will require good communication, the right transfer of information and cooperation with the local environment.

Šoštanj, 14 august 2025

Termoelektrarna Šoštanj, d. o. o.
CEO: MSc Branko Debeljak



1.2

Pursuant to the Companies Act (ZGD-1), the Act on the Establishment of the Limited Liability Company TEŠ d.o.o., the Rules of Procedure of the Supervisory Board of TEŠ d.o.o. (Rules of Procedure of the SB) and the Code of Corporate Governance of Companies with State Capital Investment (SDH d.d., December 2023), the Supervisory Board of the company Termoelektrarne Šoštanj d.o.o. (Supervisory Board of TEŠ) issues the "Report on the Work of the Supervisory Board of TEŠ d.o.o. in 2024".

The content of such a report is set out in the second paragraph of Article 9 of the Supervisory Board's Rules of Procedure, in such a way that the report should contain in particular: (i) an opinion on the work of the management; (ii) findings regarding the verification of the annual report, (iii) the auditor's letter to the management and the position of the supervisory board on the audit report, (iv) the position on the proposal of the management on the use of distributable profit; (v) an opinion on the company's operations, (vi) a report on the review of the report on relations with affiliated companies and the position on the results of the audit of this report.

Method and scope of supervision of management and operations of TEŠ during the business year 2024

In 2024, the TEŠ Supervisory Board met at seven (7) regular meetings and held one (1) correspondence session. There were no extraordinary meetings. All members of the TEŠ Supervisory Board were present at all meetings. The participation of the members of the TEŠ Supervisory Board in the meetings, which was always in full numbers, is evident from the table (Composition of the Supervisory Board in 2024) included in the Statement on Management (item 2.3.3. of the Annual Report). From the point of view of the independence of the members, the composition of the TEŠ Supervisory Board is also evident from the Management Statement. When discussing the agenda in the context of voting, there was no conflict of interest or the resulting exclusion from voting.

The TEŠ Supervisory Board was regularly informed about the operational activities and current business results of TEŠ (within the framework of quarterly business reports) and the implementation of the Supervisory Board's decisions and discussed the business and strategic areas of the company that significantly affect the interests of TEŠ. The management of TEŠ regularly informed the Supervisory Board about the operations of TEŠ, reports on the implementation of measures to optimize and rationalize operations, on solvency and capital adequacy, on liquidity, debt, receivables, fulfilment of commitments to banks, reports on risk management in the company. The Supervisory Board of TEŠ gave its consent to the long-term and annual work plan IAD for the company TEŠ for 2024 and regularly took note of the audit reviews of this department and the quarterly reports of the Internal Audit Department (IAD) and reports on the implementation of its recommendations.

The TEŠ Supervisory Board verified and confirmed the audited annual report of TEŠ for 2023 with the opinion of the independent auditor and the audited Report on Relations with Related Companies for 2023, submitted by the management and confirmed the proposal for the use of





the accumulated profit submitted by the management.

The TEŠ Supervisory Board was informed about the activities in the field of implementation of sustainable reporting in accordance with the CSRD (EU 2022/2464) and European Sustainability Reporting Standards (ESRS).

The Supervisory Board of TEŠ further intensively focused its activities on the supervision of the liquidity position and capital adequacy of the company. The central topic discussed by the TEŠ Supervisory Board in the second half of 2024 was the issue of "the impending insolvency of TEŠ and the elimination of the thermal division". In a decision, the TEŠ SB instructed the management to carefully analyse the current and expected financial liabilities of TEŠ and provide an assessment of the impending insolvency; to prepare, together with HSE and the Velenje Coal Mine, a proposal for a new business model in view of the circumstances of the company's further operations so far known and to explain the measures that it has already implemented and will implement in the future to prevent the impending insolvency; to further inform the SB Audit Committee and the Supervisory Board about the activities. At the SB meeting held on 26 November 2024, the external rapporteurs joined the meeting as part of the relevant issue. It was pointed out that the situation was urgent, as in the event of non-acceptance of the intervention law, the insolvency of TEŠ would occur on 31 December 2024, and such a situation can only be prevented by the timely adoption of the intervention law. At the SB meeting held on 20 December 2024, the SB took note of the adoption of the intervention law, i.e. Of the Act on Transitional Financing of Accelerated and Fair Exit from Coal ("ZPFPPIP"), and the obligations arising for the company from the said Act.

Due to the priority treatment of the "impending insolvency of TEŠ and the elimination of the thermal division" in the second half of 2024 and the adoption of the ZPFPPIP, the self-assessment by the (previous) composition of the SB was not carried out in 2024.

Within the supervision function, the TEŠ Supervisory Board obtained answers to additional questions asked in addition to the other materials for the meetings of the Supervisory Board.

The Supervisory Board of TEŠ estimates that it acted for the benefit of the company on the basis of information and reports submitted to it by the management, within the framework of its powers and competencies defined by the Slovenian Sovereign Holding Act (" ZSDH-1") and the Act on the Establishment of the Company, and taking into account the reference Code of Corporate Governance of Companies with State Capital Investment (SDH d.d., December 2023). The management of the company regularly informed the TEŠ Supervisory Board about important projects and important events in the company TEŠ.

Operation of the Audit Committee of the Supervisory Board of TEŠ

In 2024, the Audit Committee of the Supervisory Board of TEŠ d.o.o. (Audit Committee) operated in its composition, as shown in the table in the management statement.

In 2024, the Audit Committee met at seven (7) regular meetings and



held one (1) correspondence session, where all the members of the Audit Committee were present or voted by submitting a ballot. The members of the Supervisory Board, who are not members of the Audit Committee, were informed about the work of the Audit Committee in such a way that they had access to the minutes of the meetings, and in addition, the President of the Audit Committee regularly reported on the work and findings of the Audit Committee at the meetings of the Supervisory Board. The Audit Committee considered the issues in accordance with the Companies Act (ZGD-1), the Audit Committee Recommendations, the Rules of Procedure of the Audit Committee, the work plan of the Audit Committee of TEŠ adopted for 2024 and the decisions of the TEŠ Supervisory Board. The audit committee was regularly informed about periodic and quarterly reports on operations, estimates of the company's interim operations, and paid special attention to financial and accounting data, liquidity, debt and fulfilment of commitments to banks. Furthermore, it regularly monitored periodic reports in the field of risk management of the company and reports of the Internal Audit Department ("IAD") and reports on the implementation of its recommendations. It was informed about the activities in the field of implementation of sustainable reporting in accordance with the CSRD (EU 2022/2464) and European Sustainability Reporting Standards (ESRS). In 2023, the Audit Committee conducted several meetings with the auditors of the audit company Deloitte revizija d.o.o., both in the pre-audit and audit phases of the financial statements, in which it actively participated in determining the areas and the course of auditing. It checked the quality of the work of the statutory auditor and became acquainted with the progress and key findings of the pre-audit and audit of the financial statements of TEŠ. It reviewed the company's unaudited and audited Annual Report for 2023 with the opinion of the statutory auditor. It prepared a report on its work in 2023 with an assessment of the Annual Report of TEŠ d.o.o. for 2023. The Audit Committee periodically monitored and verified the independence of the auditor of the financial statements, Deloitte revizija d.o.o., through the reporting system, as detailed in the Rules of Procedure of the Audit Committee. In the opinion of the Audit Committee, its objectivity and independence were not endangered in 2024. The Audit Committee also took note of the Business Plan of TEŠ d.o.o. for 2025. The central topic discussed by the Audit Committee in the second half of 2024 was the issue of *"the impending insolvency of TEŠ and the elimination of the thermal division"*, which is why the Audit Committee regularly monitored the related measures of the company and the timeline for the adoption of the intervention law, i.e. the Act on Transitional Financing of Accelerated and Fair Exit from Coal (»ZPFPIP«).

Opinion on the work of the management of TEŠ

In 2024, the Supervisory Board of TEŠ, in accordance with the legislation, supervised the management and operations of the company TEŠ within the scope of its competences. The management also attended the meetings of the TEŠ Supervisory Board, and its members also reported in detail at each point and, together with other reporters of the TEŠ departments, answered additional questions of the members of the TEŠ Supervisory Board. Professional services organized meetings, introduced ongoing technical improvements and provided administrative and organizational support to the work of the TEŠ Supervisory Board. The work of the management was monitored and evaluated by the TEŠ Supervisory Board on a regular basis when discussing periodic business results. The management worked carefully and committedly towards achieving the set business goals and optimal management in the company and cooperated well with the TEŠ Supervisory Board.

Opinion on the operations of TEŠ in 2024

In 2024, TEŠ produced and sold 3,070 GWh of electricity, which is 12 % more than in 2023, or 4 % more than planned in the business plan for 2024.

According to the business plan, the operation of gas units in 2024 was planned in the amount of 43 GWh. Due to commercial operation, activation of the system reserve and operation to provide thermal energy for the needs of district heating, the gas units produced 37 GWh of electricity, which is 6 GWh or 14 % less than planned in the business plan in 2024.

The company closed its operations in 2024 with a negative business outcome - a loss of EUR 85.7 million, which is mainly due to the performed accounting impairment of the company's non-current assets.

EBITDA is positive and amounts to EUR 56 million and has worsened slightly compared to the previous year. Operating revenues of the company increased by 19 % in 2024, as well as operating expenses, the latter by 26 %, mainly due to impairments of non-current assets of the company.

Compared to 2023, the company's assets are lower due to lower non-current assets. Within the latter, property, plant and equipment from impairment decreased the most.

In the field of investments, investments in the reliability of production in the amount of EUR 12.1 million prevailed, through which the company extends the life of production units or eliminates technological and technical risks in ensuring production.

Indebtedness to banks amounts to EUR 276,279,070 and is 7 % lower than at the end of 2023. In 2024, regular principal amounts of a non-current loan with the EIB were repaid.

Due to the favourable liquidity situation in 2021, TEŠ granted a short-term loan of EUR 20 million to the company PV. At the end of 2022, the short-term loan was converted into a non-current loan, with a repayment period in the years from 2024 to 2027.

Determination of distributable profit / loss

At the end of the year, the company discloses a negative profit or loss, which consists of the net loss of the financial year 2024 in the amount of EUR 85,683,451 and the transferred loss of previous years in the amount of EUR 46,604,403. TEŠ thus closed the business year 2024 with a total balance sheet loss of EUR 132,287,854.

Verification and approval of the company's annual report for 2024 with the position on the audit report and the auditor's letter to the management

In accordance with paragraph 3 of Article 272 of the Companies Act (ZGD-I), the management of TEŠ, immediately after the preparation and issuance of the auditor's report with an opinion, submitted to the TEŠ Supervisory Board the Annual Report of TEŠ for 2024 together with the auditor's report for 2024, which was discussed by the Supervisory Board of TEŠ at the 10th regular session of the TEŠ SB on 21 August 2025

The audit of the company's financial statements for 2024 was carried out by the audit company Deloitte revizija d.o.o., which, on 14 August 2025, issued a written report of the independent auditor to the owner of the company TEŠ d.o.o. The Audit Committee of the Supervisory Board

of TEŠ, at the 8th regular meeting of the SB of TEŠ, on 21 August 2025, discussed the audited Annual Report of TEŠ for 2024 and found that the annual report was prepared in a timely manner and was prepared clearly, transparently and in accordance with the provisions of the ZGD-1, applicable International Financial Reporting Standards and International Valuation Standards as adopted by the European Union, the provisions of the Energy Act (EZ-2) and other relevant legislation (ZFPPIPP, ZRev, etc.).

The Audit Committee of the TEŠ Supervisory Board had no comments on the Annual Report of TEŠ for 2024, so it proposed to the TEŠ Supervisory Board that it, in accordance with Article 282 of the Companies Act (ZGD-1), adopt a decision on the approval of the Annual Report of TEŠ for 2024. Based on the auditor's report with an opinion, the position of the TEŠ Supervisory Board Audit Committee, data and disclosures in the TEŠ Annual Report for the year 2024 The TEŠ Supervisory Board estimates that the auditors performed their work independently and professionally, in accordance with the applicable legislation and business practice, that the annual report is prepared in accordance with the requirements of the Companies Act (ZGD-1) in all material respects and that the financial statements in all material respects fairly represent the financial position of TEŠ as at 31 December 2024, and the profit or loss and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The Supervisory Board of TEŠ has no comments on the auditor's report. The TEŠ Supervisory Board also has no comments on the Annual Report of TEŠ for 2024, which would in any way delay it from adopting a decision on its approval. Therefore, in accordance with paragraph 3 of Article 282 of the Companies Act (ZGD-1), the TEŠ Supervisory Board confirmed the Annual Report of TEŠ for 2024. The said report was adopted within the open deadline, i.e. before the expiration of one month from the day when the company's management submitted the annual report for 2024 to the TEŠ Supervisory Board.

Report on the review of the report on relations with affiliated companies for 2024

As part of the review of the Annual Report, the TEŠ Supervisory Board also checked the Report on relations with affiliated companies for 2024. The Supervisory Board has no comments on the statement of TEŠ in the Report on relations with affiliated companies for 2024 that during the reporting period, TEŠ, d.o.o., as a subsidiary and affiliated company, was not disadvantaged.

In accordance with Article 546a of the Companies Act (ZGD-1), the TEŠ Supervisory Board checked the Report of the independent auditor on the limited assurance. In the report in question, the auditor issued an opinion (within the framework of the decision) confirming that they had not identified any issues that would lead them to not believe that:

- the statements in the report on relations with affiliated companies for the year ended 31 December 2024 are accurate in all material respects;
- in the light of the circumstances which were known at the time of the conclusion of these transactions, the value of the company's fulfilment was not, in all material aspects, disproportionately high;
- there are no circumstances that would indicate a significantly different assessment of disadvantage in relation to other actions listed in the report than the one given by the management, all taking into account the defined judgments in the report in question.

The TEŠ Supervisory Board has no comments on the outcome of the audited Report on relations with affiliated companies for 2024.

Šoštanj, 21. 8. 2025

Chairman of the TEŠ SB d.o.o.

Matej Pirc





1.3



The Šoštanj thermal power plant, which is powered mostly by domestic, Velenje coal, operated two steam production units and two gas units in 2024. It produced 3,070 GWh of electricity, which is 12 % more than in 2023, or 4 % more than planned in the business plan for 2024.

According to the business plan, the operation of gas units in 2024 was planned in the amount of 43 GWh. Due to commercial operation, activation of the system reserve and operation to provide thermal energy for the needs of district heating, the gas units produced 37 GWh of electricity, which is 6 GWh or 14 % less than planned in 2024.

In addition to the active energy that TEŠ offers to the electricity system, it offers many other system solutions. In 2023, it began offering Eles a new service called "black start". It is a solution that allows the power system to start up if it collapses. With this investment, TEŠ will be able to start one gas turbine from zero, then the other and power the 110-kilovolt system, but it will also be able to power both gas turbines through transformations enabled by Eles, back through the 400-kilovolt power supply system for starting the sixth block.

In 2024, TEŠ generated EUR 562,164,207 in net sales revenues, which is 19 % more than in 2023. The selling price of electricity is formed according to the calculation of the coverage of costs with an allowance of 2,875 % on eligible costs.

The net profit of the company is a loss in the amount of EUR -85,683,451, mainly due to impairments of non-current assets in the amount of EUR 86.6 million.

EBITDA is positive and amounts to EUR 56,143,763; it worsened by 12 % compared to the previous year. Operating revenues of the company increased by 19 %, as well as operating expenses, which increased by 26 %, mainly due to impairments of non-current assets.

Compared to 2023, the company's assets are lower due to lower non-current assets. Within the latter, property, plant and equipment from impairment decreased the most.

In the field of investments, investments in the reliability of production in the amount of EUR 12.1 million prevailed, through which the company extends the life of production units or eliminates technological and technical risks in ensuring production.

Indebtedness to banks amounts to EUR 276,279,070 and is 7 % lower than at the end of 2023. In 2024, regular principal amounts of a loan with the EIB were repaid.

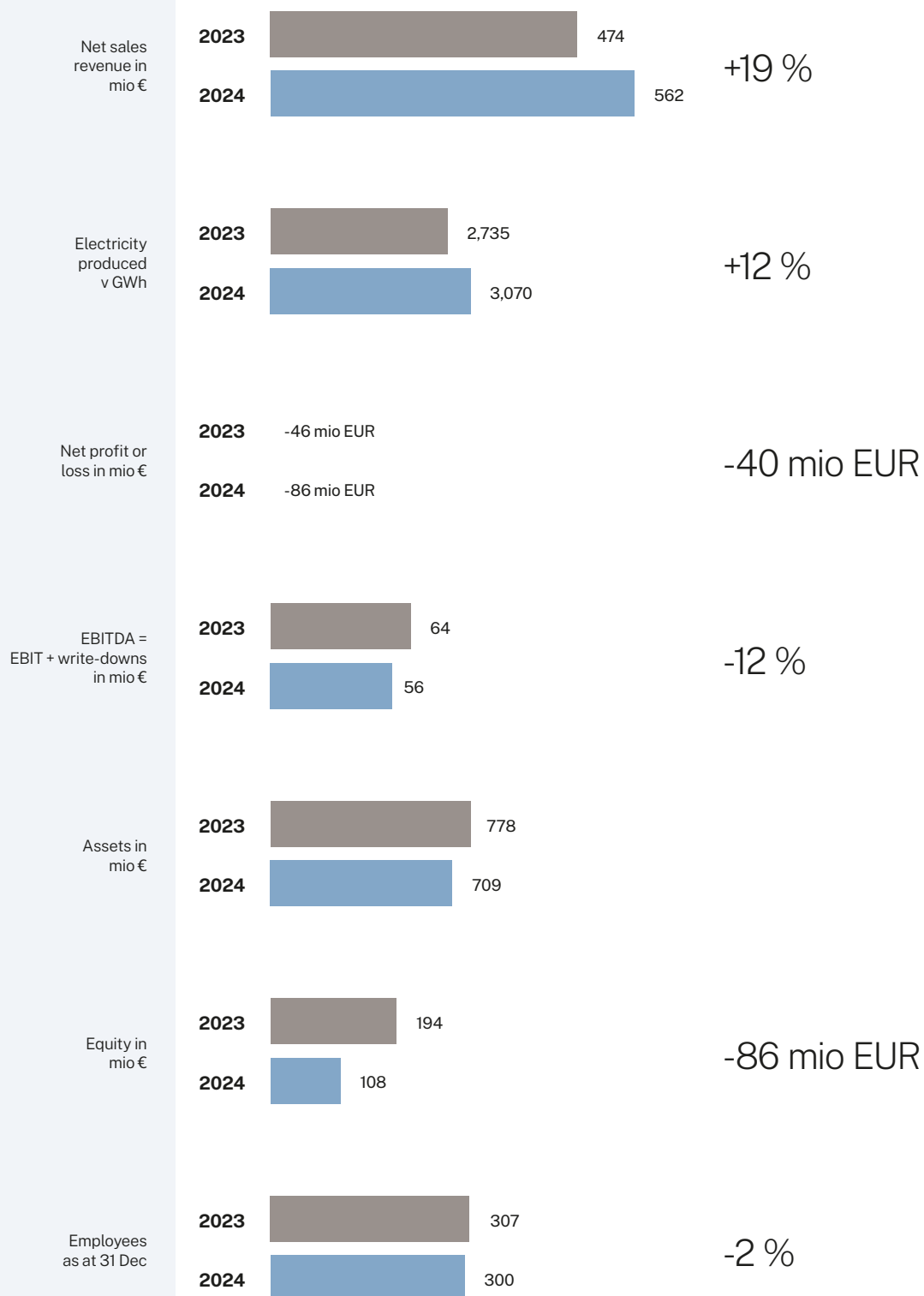


Due to the favourable liquidity situation, TEŠ granted a short-term loan of EUR 20 million to the company PV in 2021. At the end of 2022, the short-term loan was converted into a non-current loan, with a repayment period in the years from 2024 to 2027.

On 31 December 2024, TEŠ employed 300 workers, which is seven fewer than at the end of 2023.

ITEM	2024	2023	2024/2023
Net sales revenue (EUR)	562,164,207	473,906,554	119
Net profit or loss (EUR)	(85,683,451)	(45,912,846)	/
Revenue (EUR)	565,646,761	478,692,728	118
Expenses (EUR)	651,330,212	524,605,574	124
EBIT = operating profit or loss (EUR)	(75,492,252)	(33,949,938)	222
EBITDA = EBIT + write-downs (EUR)	56,143,763	63,660,589	88
Assets (EUR)	708,884,242	777,710,038	91
Equity (EUR)	108,285,902	194,014,336	56
Bank indebtedness (EUR)	276,279,070	296,744,186	93
Indebtedness to companies in the group (EUR)	0	217,986	0
Investments (EUR)*	13,886,514	15,321,307	91
Number of employees at the end of the period	300	307	98
Electricity sold (GWh)	3,070	2,735	112
Added value (EUR)	72,881,631	79,376,696	92
Added value per employee (EUR)	240,137	253,600	95

Graphic representation of the movement of key categories for 2024 and 2023



Onset of impending insolvency in 2024

Changes in electricity prices on the market indicate a drop in the price of electricity significantly below the cost price, which has been rising over the years mainly due to higher prices of emission coupons and increasingly demanding excavation conditions in the Velenje Coal Mine, which are reflected in the increasing price of energy product-lignite. The internal projections of the HSE Company showed the unprofitable future operations of TEŠ and, consequently, the PV. Since HSE, as a partner of TEŠ (and also PV), is state-owned and, due to EU state aid rules, as well as due to its financial position, it has neither the legal nor financial possibility to finance the further operation of thermodivision (TEŠ and PV), on the 6 November 2024, it unilaterally withdrew from the "cost plus" business model with effect from 1 Jan. 2025 onwards. As a result, TEŠ's operations were jeopardized, as TEŠ went into a state of long-term insolvency and a position of impending insolvency under the ZFPPIPI. In the event of insolvency, which would occur on 1 January 2025, the management should, without delay, but no later than one month after the occurrence of insolvency, file a proposal for the initiation of bankruptcy proceedings of TEŠ.

However, since TEŠ is the only producer and supplier of thermal energy in the Šaleška Valley, the bankruptcy of the company would mean the interruption of the supply of thermal energy to all households, public institutions and economic entities in the Šaleška Valley. There are no alternative solutions in the short and medium term nor can they be established.

In order to ensure the further operation of TEŠ to the extent that it would ensure the production and supply of thermal energy, the cost price of thermal energy, which is regulated and determined on the basis of the Act on the methodology for determining the price of heat for district heating (on a cost basis), which would enable TEŠ to operate, should be taken into account. In this case, the thermal energy consumer, Komunalno podjetje Velenje, should provide TEŠ with about EUR 150 million per year more than it is paying now, which would lead to unsustainably high heating costs for end users. Neither the local communities nor the Velenje Utility Company, nor the final consumers, could take over the increase in the price to ensure the coverage of the costs of TEŠ.

It turned out that the only option for ensuring the supply of heat is the temporary intervention of the state until the provision of alternative sources of thermal energy. This can be done by the state, through the imposition of public service obligations, enabling TEŠ to continue to produce heat while the state covers TEŠ's excess costs.

This led to the adoption of the Act on Transitional Financing of Accelerated and Fair Exit from Coal (Official Gazette of the Republic of Slovenia, no. 109/24) with a validity date of 21 December 2024, on the basis of which the company TEŠ, d. o. o., became a public service provider whose main activities are the production and supply of heat to the heat distributor in the areas of the Municipality of Velenje and the Municipality of Šoštanj and is valid for the period from 1 Jan. 2025 to 30.4. 2027. During the validity of the law, TEŠ will receive compensation to cover excess costs.

The ownership of TEŠ, as of 31 December 2024, transferred to the Republic of Slovenia, which is represented by law by the Management Board of the Slovenian Sovereign Holding, d.d.







02 Business report

2.1

- On 24 January 2024, a press release was sent to the public that TEŠ, from thermal energy, does not generate profits.
- 31 January 2024, a meeting of the Council of the Municipality of Šoštanj was held at the premises of the Municipality of Šoštanj, at which representatives of HSE, TEŠ and HSE Invest presented a proposal for spatial planning and implementation of a floating solar power plant on Družmir Lake.
- 13 February 2024, the Purchase Agreement was signed, no. 02/24/HSE CO₂, Sale, purchase and transfer of emission coupons to cover liabilities due to electricity production in 2023.
- 22. February 2024, Sonja Anadolli became a member of the Audit Committee of the Supervisory Board of the company of TEŠ. She was appointed for a term of office of four years. 4. January 2024, Rado Sodin resigned from the position of a member of the Audit Committee of the Supervisory Board of TEŠ.
- 23. February 2024, a press release was sent to the public that, as of January 1, TEŠ further reduced the price of thermal energy.
- 26. February 2024, a response was given to the requests of the Velenje People's Initiative and an explanation that steam used by TEŠ for the production of heat for the Utility Company Velenje (KPV) is not a waste product and thus cannot be used for the production of electricity.
- At the initiative of the Civil Initiative Šoštanj, on the 21 March 2024, a round table was held at the Šoštanj Cultural Center, together with the Municipality of Šoštanj, the Šoštanj Thermal Power Plant (TEŠ), the Velenje Coal Mine (PV) and the Holding of Slovenian Power Plants (HSE), at which the conceptual design of the construction of the floating solar power plant (PSE) on Družmir Lake was presented.
- 28. March 2024, the Annex no. 2, for the purchase of coal with which the contracting parties agreed to change the maximum purchase price of coal and editorial changes.
- Based on the signed Long-Term Agreement on the Purchase of Coal, Power Lease and Purchase of Electricity dated 12 March 2015, Annex, no. 1, of 23 November 2022, Annex, no. 2, of 28. March 2024 and on the basis of the Contract on the regulation of mutual relations in the field of appearance on the electricity market, a single contract was concluded on April 11, 2023, which defines in more detail the obligations and rights of individual parties in the purchase of coal, lease of system services and in the purchase of electricity produced from coal, gas, fuel oil and biomass in 2024.
- In March 2024, the Purchase Agreement on the sale, purchase, transfer and takeover of emission coupons, which are valid in the fourth period of the European trading scheme (2021-2030), was harmonized between the professional services of TEŠ and HSE, and the payment of the contractually agreed price was made. The subject of the contract was the purchase of 2,674,150 CO₂ emission coupons, which TEŠ needs to fulfill its obligations from the produced GHG emissions in 2023. The contract was signed on 13 February 2024.
- 29. March 2024, the Annex no. 4, was signed, to the Agreement, no. 1/17/PV-TEŠ, with which the contracting parties agreed to change the purchase price of coal supplied from PV, namely that from 1 January 2024, the supply of coal is charged at a price of EUR 6.00/GJ.
- At the end of March 2024, an application was submitted to the Energy Agency to change the price of thermal energy (reduction of the variable part of the price). The new selling price for heat enters into force on 1 April 2024 and amounts to 47,76076 EUR/MWh.
- In April, TEŠ submitted 2,745,945 emission coupons, which corresponds to the total amount of GHG emissions for 2023.
- 27. April 2024, Unit 6 was planned to be stopped due to regular maintenance works; after the completion of the works, Unit 6 was stopped for a good two weeks due to the favourable energy situation on the market.
- 22. May 2024, Unit 6 was again synchronized with the electricity network of Slovenia.

- 27. June 2024 saw the withdrawal from function of the president and member of the SB of TEŠ, Dr. Tomaž Štokelj, a new member of the SB was appointed on the 27 June 2024, MSc. Urška Gašperlin, for a term of office of 4 years.
 - In connection with the request for repayment of the difference between the already paid and regulated price of natural gas for the production of thermal energy in the period from 1 November 2022 to 31 December 2022, Geoplin complied with TEŠ's request for a credit note in the amount of EUR 1,582,583.96. The stated amount was received by TEŠ on the 1 July 2024 onto the current account.
 - 6. November 2024, the HSE Company unilaterally withdrew from the cost+ business model on 1. 2025 The management of TEŠ ordered the calculation of capital adequacy and long-term (in) ability to pay after the cancellation of the cost+ price model for the sale of electricity, as TEŠ is at risk of insolvency if the law is not adopted.
 - At the meetings of the TEŠ Audit Committee and the TEŠ SB, held on 19 September 2024, the members of the TEŠ Audit Committee and the TEŠ SB took detailed note of the elimination of thermodivision and the issue of impending insolvency. In a decision, the TEŠ SB instructed the management to carefully analyse the current and expected financial liabilities of TEŠ and provide an assessment of the impending insolvency;
- to prepare, together with HSE and the Velenje Coal Mine, a proposal for a new business model in view of the circumstances of the company's further operations so far known and to explain the measures that it has already implemented and will implement in the future to prevent the impending insolvency; to further inform the SB Audit Committee and the Supervisory Board about the activities.
- 21. December 2024, the Act on Transitional Financing of Accelerated and Fair Exit from Coal (Official Gazette of the Republic of Slovenia, no. 109/24), on the basis of which the company TEŠ, d. o. o., became a public service provider whose main activities are the production and supply of heat to the heat distributor in the areas of the Municipality of Velenje and the Municipality of Šoštanj.
 - 31 December 2024, the Republic of Slovenia (represented by law by the Management Board of the Slovenian Sovereign Holding, d.d.) adopted the Articles of Association of Termoelektrarna Šoštanj, d. o. o., by which the Republic of Slovenia became the founder and sole shareholder. The change was entered into the court register on the same day. The ownership of the company TEŠ, d.o.o., thus transferred from the company Holding Slovenske elektrarne, d.o.o., to the Republic of Slovenia, which is represented by law by the Management Board of the Slovenian Sovereign Holding, d.d.

2.2

As the sole shareholder of TEŠ, SDH adopted a decision to recall the existing members of the Supervisory Board and appointed new members, namely the new members were appointed on 15 Feb. 2025: Jurij Klančnik, Matej Pirc, Mojca Potecin, Mojca Veljkovič, Marko Vertačnik, Aljaž Stropnik. The Supervisory Board on 3 March 2025, at the constitutive session of the new Supervisory Board, appointed Matej Pirc as the President of the Supervisory Board of TEŠ.

28. March 2025, a new act establishing TEŠ entered into force with the following changes:

- in Article 5: activities necessary for the performance of the public utility service in accordance with the ZPFPPIP have been added, namely: 35,110 Production of electricity from non-renewable sources, 35,120 Production of electricity from renewable sources, 35,140 Distribution of electricity, 35,150 Trading in electricity, 35,160 Storage of electricity;
- in Article 19, the last paragraph is added, which provides for an exception to the timeline of the reference and submission of materials for cases where there is a correspondence or an extraordinary meeting of the Supervisory Board;
- article 24 amends the composition of the audit committee, which, according to the amendment proposal, consists of four members, two of whom are representatives of the founder.

In accordance with the Act on Transitional Financing of Accelerated and Fair Exit from Coal (Official Gazette of the Republic of Slovenia, no. 109/24), which entered into force on 21 December 2024, the company receives compensation in 2025 to cover the costs that are not covered by the model of market prices of electricity and is intended to ensure the transaction ability and solvency of TEŠ. The amount of the annual compensation is estimated at €164 million. The company receives compensation monthly according to a predetermined schedule.



2.3

2.3.1

Company identity card
as at 31. 12. 2024

The Šoštanj Thermal Power Plant is a limited liability company in which, until 30 December 2024, the sole shareholder was Holding Slovenske elektrarne, d. o. o. On the 31 December 2024, there was a change in ownership; the sole shareholder of the company TEŠ, d. o. o., from 31. 12. 2024, is the Republic of Slovenia.

GENERAL INFORMATION

Full company name	Termoelektrarna Šoštanj d.o.o.
Legal organisational form	Limited liability company with a sole shareholder
Address	Cesta Lole Ribarja 18, 3325 Šoštanj
Telephone	03 8993 200
Fax	03 8993 485
Companies register entry no.	10051100 - District Court of Celje
Share capital in EUR	195,579,850
Size	Large
Year of establishment	1956
Tax number	92189903
VAT ID no.	SI92189903
Company registration no.	5040388
Website	www.te-sostanj.si
E-mail	info@te-sostanj.si
Activity code	35,112

DATA ON TRANSACTION ACCOUNTS

BANK	Transaction account
Sanpaolo, d. d.	101000038312861
NLB, d. d.	024260017217937
OTP banka, d. d.	045150001707126
UNICREDIT BANKA SLOVENIJA, d. d.	2900000003080383
BKS BANK, A. G.	350010001650464

MANAGEMENT

	Name and surname	Mandate from	Mandate until
Director	BRANKO DEBELJAK	4. 4. 2023	4. 4. 2027

SUPERVISORY BOARD

	Name and surname	Mandate from	Mandate until
chairwoman of the Supervisory Board	URŠKA GAŠPERLIN	27. 6. 2024	27. 6. 2028
deputy chairman of the Supervisory	MATEJ ČUFER	18. 5. 2023	18. 5. 2027
member of the Supervisory Board, employee representative	ALEŠ REDNJAK	18. 6. 2021	18. 6. 2025

AUDIT COMMITTEE

	Name and surname	Mandate from	Mandate until
Chairman	MATEJ ČUFER	25. 5. 2023	24. 5. 2027
member, employee representative	ALEŠ REDNJAK	18. 6. 2021	17. 6. 2025
external member	SONJA ANADOLI	22. 2. 2024	21. 2. 2028

OWNERSHIP STRUCTURE

Shareholder	Share in EUR as at 31. 12. 2024	Share in % on the 31.12. 2024
Republic of Slovenia through SDH, d. d.	195,579,850	100



2.3.2 Company business activities

The company has several registered activities. The main activity is the production of electricity from non-renewable sources.

2.3.3 Corporate Governance Statement

Company Termoelektrarna Šoštanj, d. o. o., Cesta Lole Ribarja 18, 3325 Šoštanj (TEŠ) in accordance with paragraph 5 of Article 70 of the Companies Act (hereinafter: ZGD-1) for the period from 1 January 2024 to 31 December 2024 declares as follows.

The management declares that the management of the company in 2024 was in accordance with the laws, regulations and administrative provisions, the Act on the Establishment of the TEŠ Limited Liability Company and the recommendations set out in the Code of Corporate Governance of Companies with State Capital Investment. In accordance with Article 60 of the Companies Act, the Management and the Supervisory Board of TEŠ declare that the annual report with all components, including the statement on the management of the company and the statement on non-financial operations, is prepared

and published in accordance with the Companies Act-1 and International Financial Reporting Standards.

The corporate governance statement is an integral part of the annual report and is available on the website of the company TEŠ, d. o. o., i.e. www.te-sostanj.si.

Statement of compliance with the Code of Corporate Governance of Companies with State Capital Investment (SDH Code) and with the Recommendations and Expectations of the Slovenian Sovereign Holding (SDH Recommendations)

Report on the implementation of the SDH Code

The company TEŠ uses the Code of Corporate Governance of Companies with Capital Investment of the State of the Slovenian Sovereign Holding, d.d. (SDH Code, December 2023, hereinafter: the Code) as its reference code. The last valid one is publicly available on the website of the Slovenian Sovereign Holding. To a greater extent, the company has taken into account the Code in its operations, taking into account the activities and other specifics of the company. In 2024,

the Company fully complied with the majority of the recommendations of the Code relating to 100 % state-owned companies according to the principle of Respect or Explain. The deviations are explained below:

- Recommendation, no. 3.1: The recommendation is partially applied - the company also pursues non-financial objectives.
- Recommendation, no. 3.4: The company has not adopted the corporate governance policy - the corporate governance is ongoing in accordance with the Articles of Association, the business plan and the applicable normative framework.
- Recommendation, no. 4.2: We do not implement it because the company is a subsidiary, 100 % owned by one partner. The company's management reports to the founder on the company's operations on the basis of the Articles of Association.
- Recommendation, no. 6.2 and 6.2.1: The recommendation is partially applied - in accordance with the Articles of Association, the TEŠ Supervisory Board was not competent to appoint and recall members of the management and to decide on the issuance of consent to certain mayor types of transactions, these were the powers of the founder.
- Recommendation, no. 6.9: We do not implement it. The members of the Supervisory Board are appointed by the sole shareholder. When appointing members, the founder pursues the goal that members of supervisory bodies have the appropriate competence to perform the function.
- Recommendation, no. 7.10: We do not implement it because the Supervisory Board, in accordance with the Articles of Association, is not competent to prepare the succession policy in cooperation with the management.
- Recommendation, no. 6.20 (from 6.20.1 to 6.20.8): We do not implement it because the company does not have a nomination and personnel committee.
- Recommendation, no. 8.7: We do not implement it because the company has an organizational form d. o. o. and not d. d. Also in the opinion of the Association of Supervisors of Slovenia, it is not necessary to create and publish a financial calendar.
- Recommendations, no. 9.3.1 regarding the establishment and operation of internal audit: the internal audit function in the company is not established in its own internal audit department. Its operation is defined by the contract for the performance of internal auditing activities with the company HSE, concluded on 7.3.2022.
- Recommendation, no. 10.1: The company is a subsidiary and applies a code of ethics adopted at the level of the controlling company.
- Recommendation, no. 11.1: The recommendation is partially applied - that it is a subsidiary and has the

area of business compliance and integrity regulated through the controlling company HSE.

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

In 2024, taking into account the activity of the company and other specifics of the company, the company took into account the recommendations of the Slovenian Sovereign Holding (December 2023) to a greater extent. According to the principle of Respect or Explain, it fully complied with the majority of the recommendations. The deviations are explained below.

- Recommendation no. 2.1 to 2.9: We do not implement them because the only shareholder of the company TEŠ was the company HSE.
- Recommendation, no. 3.13: The recommendation is partially applied - in the company there are amounts or value that can be allocated to an individual sponsorship and donor contract defined in the Strategy for the allocation of sponsorships and donations of the HSE Group.
- Recommendation, no. 4.4: The recommendation is partially applied - the industry collective agreement is public and thus published. The corporate collective agreement, the Rules on salaries and the Rules on promotion are published on the intranet page of the company.
- Recommendation, no. 6: We do not implement it because the company has an organizational form d. o. o. and not d. d., or does not have an assembly.
- Recommendation, no. 6.10: The sole shareholder decides on the discharge.
- Recommendation, no. 7: Sustainable reporting is carried out within the companies of the HSE Group. The Company in its annual report includes environmental, social and management aspects that contribute to the sustainable operation and development of the company, which are presented in the chapter Sustainability Report.
- Recommendations, no. 8.1 and 8.2: TEŠ does not have a signed commitment to respect human rights in the economy with the Ministry of Foreign Affairs.

INFORMATION ON THE WORK OF MANAGEMENT AND SUPERVISORY BODIES

In 2024, in accordance with the Articles of Association of TEŠ, the company was managed by the Holding Slovenske elektrarne (hereinafter: HSE) as the sole shareholder. The management and supervisory bodies of TEŠ are the management and the Supervisory Board. The diversity policy of the management and control bodies of TEŠ was adopted on 10 September 2021 and is published on the

company's website. The goal of the diversity policy of the management and supervisory bodies of the company TEŠ, d. o. o., is to achieve greater efficiency of the Supervisory Board or the management as a whole. The diversity policy is implemented in particular through an appropriate selection and selection process of candidates for members of the Supervisory Board and Management Board, as well as through the selection of members. It is important to use recruitment paths that allow attracting a sufficiently wide range of different candidates. The Supervisory Board and the sole shareholder strive to achieve the objectives of the diversity policy. The diversity policy sets out the frameworks that enable the appropriate composition of the management and supervisory body, as well as the fact that the members of the management and supervisory body, depending on the specifics of TEŠ, have the appropriate knowledge, skills and experience necessary for an in-depth understanding of TEŠ's activities and related key risks and the pursuit of essential goals. It strives for the most equal representation of both genders, continuity in the sense that it strives for the goal of not changing all members of the management or the Supervisory Board at the same time. The complementarity of the members of the Supervisory Board and the endeavour of the Supervisory Board to consist of at least one representative of the economic, legal and technical profession are also important. The Supervisory Board and the founder, as well as the Workers Council of TEŠ, implement the diversity policy of the management and control bodies of the company TEŠ as much as possible each time, depending on the selection of candidates.

The governing bodies of the company

In accordance with the Articles of Association of TEŠ, the company is managed by the shareholder directly and through the company's bodies.

Shareholder

Shareholder independently decides on the following issues:

- amendments to the Articles of Association;
- change of registered office at the proposal of the management;
- adopting the company's development strategy on the proposal of the management, with the prior consent of the Supervisory Board;
- adoption of the basic business policy and development program of the company at the proposal of the management;
- the business plan of the company;
- adopting rules, policies and other general acts that are usually in force in all companies of the HSE Group;

- the adoption of the annual report if the Supervisory Board has not confirmed the annual report or if the management and the Supervisory Board leave the decision on the adoption of the annual report to the founder;
- the use of accumulated profit and loss coverage as proposed by the Supervisory Board;
- granting discharge to the Management and the Supervisory Board;
- the purchase, division and termination of business shares;
- measures to increase or reduce capital;
- changes in the share capital of the company;
- status transformation and winding-up of the company;
- appointment of an auditor of the company;
- appointing a procurator and business proxies of the company;
- taking measures to improve the company's operations and eliminate the identified deficiencies and irregularities;
- consent to the operations of the company's management in accordance with the Articles of Association;
- appointing and recalling members of the company's management;
- concluding contracts with members of the company's management,
- appointing and recalling members of the Company's Supervisory Board and the Audit Committee;
- the amount of remuneration of members of the Supervisory Board and the Audit Committee (except for the external member of the audit committee, whose remuneration is determined by the Supervisory Board);
- on the requirements for management reports on the company's operations and other issues related to the operations of the company and other subsidiaries;
- on other matters for which the regulations so provide and in accordance with this act. Pursuant to Article 526 of the Companies Act (ZGD-1), the shareholder enters their decisions in the book of resolutions.

Activities of the Supervisory Board

In 2024, the Supervisory Board of TEŠ acted in accordance with the competences set out in the Companies Act (ZGD-1), the Act on the Establishment of the TEŠ Company, the Rules of Procedure of the Supervisory Board of TEŠ and the Code of Corporate Governance of Companies with State Capital Investment as the Reference Code (according to the principle of Respect or Explain). The Act establishing TEŠ determines the composition, four-year mandate and powers of the Supervisory Board. The Supervisory Board of TEŠ was constituted on 23.6.2021. It consisted of three members, two members represented the interests of the founder, and one member represented the interests of the employees (they are appointed and recalled in accordance with the Employee Participation in Management Act). The members of the Supervisory Board are appointed for a term of four years and can be reappointed after the expiration of their term of office. The composition and operation of the Supervisory Board are presented in the report of the Supervisory Board, as well as the Audit Committee of the Supervisory Board as expert assistance in its operation.

Composition of the Supervisory Board and the Audit Committee in 2024

Name and surname	Dr. Tomaž Štokelj	MA Urška Gašperlin	MA Matej Čufer	Aleš Rednjak
Function (President, Deputy, Member of the SB)	Chairman	President	Deputy Chairman	Member of the SB
First appointment to office	16. 11. 2022	27. 6. 2024	18. 5. 2023	18. 6. 2021
Completion of function/mandate	27. 6. 2024	14. 2. 2025	14. 2. 2025	11. 2. 2025
Capital/Employee Representative	Representative of capital	Representative of capital	Representative of capital	Representative of employees
Attendance at SB meetings according to the total number of SB sessions	100 %	100 %	100 %	100 %
Gender:	Male	Female	Male	Male
Citizenship	of Slovenia	of Slovenia	of Slovenia	of Slovenia
Year of birth	1968	1978	1974	1967
Education	Doctor of Science, Bachelor of Electrical Engineering	Master of Laws	Master of International Finance	Graduate Organizer - Manager
Expert profile	Electricity systems, production, trading and sale of electricity and related products, portfolio management, leadership, management	Legal, Corporate Governance, Organization, Corporate Restructuring	Financial area, leadership, organization	Electrical engineering, electricity production
Independence under Article 23 of the Code (YES/NO)	Yes	Yes	Yes	Yes
Existence of a conflict of interest in the financial year (YES/NO)	No	No	No	No
Membership of supervisory bodies of other companies	Yes, President of the Supervisory Board of Dravske elektrarne Maribor, d. o. o., President of the Supervisory Board of Soške elektrarne Nova Gorica, d. o. o.	Yes, Deputy Chairman of the Supervisory Board of Dravske elektrarne Maribor, d. o. o.	No	No
Membership of commissions	No	No	Yes, Audit Committee	Yes, Audit Committee
Chairman/Member of the Commission	/	/	Audit Committee - President since 25. 5. 2023 to 14. 2. 2025	Audit Committee - member since 18. 6. 2021 to 11. 2. 2025
Attendance at meetings of commissions according to total number of meetings of commissions	/	100 %	100 %	100 %

External member of the Audit Committee of the Supervisory Board:

Name and surname	Sonja Anadolli
Commission	Audit Committee
Attendance at SB AC committee meetings according to the total number of SB AC meetings	100 %
Gender:	Female
Citizenship	of Slovenia
Education	Bachelor of Economics, Accounting Auditing Specialist
Year of birth	1958
Expert profile	Authorised Auditor
Membership in supervisory bodies of unrelated persons	No

Activities of the company's management

The management body is the management.

In 2024, the company was headed by one member of the management, MSc. Branko Debeljak, CEO, who, on his own responsibility, runs the company's business and represents it.

Composition of the Management Board in the financial year 2024:

Name and surname	MA Branko Debeljak
Function	General Manager
Areas of work in the Management Board	Sole board member
First appointment to office	4. 4. 2023
Completion of function/mandate	3. 4. 2027
Gender:	Male
Citizenship	of Slovenia
Year of birth	1966
Education	Bachelor's degree in mechanical engineering, Master's degree in Management and Organization
Expert profile	Management, business leadership, Organization, Restructuring
Membership in supervisory bodies of unrelated companies	/

The member of the management is appointed and recalled by the shareholder. The term of office of the member of the Management Board is four years, with the possibility of reappointment.

In accordance with the provision of the Articles of Association, the management of the company may not, without the consent of the shareholder, conclude legal transactions, except for legal transactions to which the contracting party is the company HSE, d. o. o., or make decisions relating to:

- entering into legal transactions and taking out loans in excess of EUR 400,000 for the same object of business in the current financial year, whereby the value in a multiannual transaction is taken into account in proportion to the duration of the legal transaction;
- purchase, disposal and pledging of real estate;
- capital investments of the company in other legal entities;
- disposal and encumbrance of business shares/stocks in subsidiaries and associates;
- confirmation of investment programs that exceed the value of EUR 1,000,000;
- the beginning of an individual investment as an off-plan item, whereby the estimated value exceeds EUR 100,000;
- the beginning of an individual investment in the field of informatics, whereby the estimated value exceeds EUR 50,000 (due to the need for coordinated development of informatics in the HSE Group);
- giving warranties or guarantees for the obligations of other persons;
- disinvestments of business unnecessary assets above EUR 50,000, if they are included in the business plan, and all disinvestments that are not included in the business plan.

The shareholder may at any time by a resolution stipulate that the management must also obtain the prior consent of the founder for the conclusion of certain legal transactions, defined by type and/or value, which are not listed above.

Internal Audit

Internal audit is carried out by the internal audit department of the parent company. It operates in accordance with the Rules on the Operation of Internal Audit in TEŠ, adopted in 2022. Its purpose, which is to strengthen the ability of the company and the group to achieve the set goals and create, protect and preserve the value of the company, is pursued by systematic and methodical assessment and improvement of the effectiveness and efficiency

of risk management, control processes and management of the company.

In 2024, the Internal Audit carried out internal audit activities and other activities in accordance with the approved annual work plan. Within the framework of the performed transactions, the Internal Audit reviewed the existence, operation and effectiveness of the internal control system in order to achieve the set goals in the audited units. Recommendations have been made to improve them. It paid great attention to monitoring the implementation of audit recommendations, training, education and ensuring the quality and professional functioning of the internal audit function. The Internal Audit reported on its work to the management, the Audit Committee and the Supervisory Board of the company. The development of internal audit is realized through a program of quality assurance and improvement in order to ensure effectiveness and efficiency and compliance of operations with the applicable rules of the profession.

Internal controls and risk management in the company in connection with the financial reporting process

From the point of view of providing accounting information that meets the criteria of International Financial Reporting Standards, we have internal controls in place that reduce the risks associated with financial reporting.

With accounting controls, we ensure the authenticity, correctness and completeness of accounting data.

We provide regular professional training of employees, which enables them to contribute quality, correct and timely accounting information through their work. An important role in providing quality accounting information is played by the SAP central information system.

With the system of internal controls in the company, we understand the planned and systematic establishment of procedures and methods that, through their operation, ensure the accuracy, reliability and completeness of data and information, correct and fair preparation of financial statements, prevent and detect errors in the system and ensure compliance with laws and regulations and internal acts of the company.

In order to ensure greater transparency, efficiency and responsible operations, the company has established a functioning system of internal controls and risk management through the organizational structure of the company, the ISO 9001 quality management standard, the OHSAS 18001 occupational health and safety management standard and the company's internal acts with a developed reporting system by individual organizational units. The internal control system is supported by an information technology control

system, which, among other things, ensures appropriate restrictions and control over the network and accurate, up-to-date and complete data management.

In order to establish a comprehensive risk management system in the company to provide the company's management and founder with a quality basis for the managing of the company and in order to achieve the planned goals, the company's management has established an advisory body called the Risk Management Committee. The organization, composition, manner of work and its tasks are defined by the Rules of Procedure of the Risk Management Committee. The company has an adopted code of ethics, which is published on the intranet page of the company.

The management of the company is responsible for the establishment, operation, supervision and continuous improvement of the internal control system, as well as for the correctness and completeness of the data.

Description of the business compliance and integrity system

Within the services of the sole shareholder, the Compliance Office also operates. Its operation in the internal control system is determined by the rules applicable to companies in the HSE Group, i.e. also the company TEŠ, and was adopted in January 2021, and the main task is to manage the risks arising from non-compliance with legislation. The main content areas of the business compliance function are: cooperation in the management of the internal control system, prevention of corruption and fraud, implementation of the code of ethics of the HSE Group, management of conflicts of interest, communication or reporting to external institutions or supervisory bodies in accordance with the internal demarcation with other key and business functions in the HSE Group and collective activities to strengthen integrity.

The undersigned CEO of TEŠ is familiar with the content of the components of the Annual Report of TEŠ, d. o. o., for 2024 and thus with the entire Annual Report of TEŠ, d. o. o., for 2024. I agree with it and confirm the content with my signature.

Šoštanj, 14 august 2025

TEŠ, d. o. o.

CEO:
MSc. Branko Debeljak

A handwritten signature in blue ink, appearing to read 'Branko Debeljak', is written over a faint circular stamp.

2.3.4 Transparency of financial relations

TEŠ did not receive any grants in 2024.

2.3.5 Relations with the Parent Company

Termoelektrarna Šoštanj, d. o. o., was connected to the Holding Slovenske elektrarne group. Until 30 December 2024, the company Holding Slovenske elektrarne, d. o. o., with its registered office in Ljubljana, Koprška 92, was its sole shareholder or parent company, and drew up a group Annual Report for 2024 for the group of companies for which it is the parent company.

Pursuant to Articles 545 and 546 of the Companies Act, the company's management submitted a report on relations with the parent company and other subsidiaries in the group, in which it found that TEŠ, d.o.o., on the basis of circumstances known to it at the time the legal transaction was carried out, estimates that it was not disadvantaged in these transactions with the parent company and its associated companies, or that no legal transaction was carried out in 2024 and no act was committed or omitted that would cause damage to the company and that this would be due to the influence of the company Holding Slovenske elektrarne, d.o.o.

2.3.6 Capital connections with other companies

TEŠ does not have subsidiaries and associates. However, it has a business share in the capital of the following companies:

- 5,1-hundredth share in the company RGP, d. o. o., Velenje; the value of the share amounts to EUR 107,360.10, acquired in 2018;
- 1,3158-hundredth share in the company HSE Invest, d. o. o.; the value of the share amounts to EUR 5,000, acquired in March 2021;
- 7,1429-hundredth share in the company Zavod Co NOT Ljubljana; the value of the share amounts to EUR 500, acquired in 2021.

A brief history of the Šoštanj thermal power plant

The decision on the construction of the Šoštanj Thermal Power Plant was made in 1946. It was conditioned by high electricity needs and large coal deposits in the Šaleška Valley. Construction began in 1947 and, due to certain complications, continued five years later. In 1956, the construction of two units, each with a power of 30 MW, was completed. In 1960, Unit 3 with a power of 75 MW was built and in 1973, Unit 4 with a power of 275 MW began producing electricity.



As Slovenia's energy situation was rapidly deteriorating and coal was becoming an increasingly important energy source, a tender for the construction of the next unit with a power of 345 MW was carried out as early as 1973. All major global companies for the production of thermal energy units participated in it. The foundation stone was laid on February 1, 1975, and construction work began immediately thereafter. The installation of the equipment was at its peak in 1976, and was completed the following year, when all the necessary tests for operation were carried out. The first synchronization of the unit was on September 25, 1977, and on January 27, 1978, the unit began regular operation. The total installed power of TEŠ has thus increased to 755 MW and is the largest electricity facility in Slovenia. Along with the construction, the most modern equipment in Europe was also installed. In 2008, two gas units were put into operation, each with a nominal generator power of 42 MW, and in the same year, Unit 2 was permanently stopped, and in 2010 Unit 1 as well.

The decision to build the 600-MW Unit 6 was made in 2004; from an ecological point of view, it meant the continuation of ecological rehabilitation, which was initiated in 1983 with great care for the environment. The purpose of Unit 6 was to gradually replace technologically obsolete and economically unprofitable units 1, 2, 3 and 4. Unit 6 uses about 30 percent less coal for the same amount of energy produced, which is why the total emissions into the environment are also significantly lower and at the same amount of energy produced, it emits 30 percent less CO₂ than the remaining units of the Šoštanj Thermal Power Plant. The construction of the replacement Unit 6, which began trial operation in June 2015, reduced the level of environmental pollution, improved quality and energy efficiency, and enabled the power plant to achieve compliance with international standards of best available technologies (BAT).

2.4

MISSION

The mission of the Šoštanj Thermal Power Plant is to provide customers with sufficient quantities of energy through the production of heat and electricity, thus contributing to the development of the quality of work and life of consumers of the necessary energy.

VISION

Šoštanj Thermal Power Plant is and wants to remain the largest thermal power system in Slovenia, which will provide customers with reliable, safe, competitive and environmentally friendly production of heat and electricity. We want to be the most flexible company in all areas of our operation and, within our capabilities, promote research and development and the introduction of renewable energy sources.

MAIN LONG-TERM OBJECTIVE

Maintain production capacities and ensure long-term reliable, safe, competitive and environmentally friendly production of heat and electricity using various primary sources.

Long-term sectoral goals are set for the realization of the main goal, within which annual goals are set.

Management system policy

2.5

TEŠ has established an integrated management system, which consists of a quality management system according to the requirements of ISO 9001, an environmental management system according to the requirements of ISO 14001, an occupational health and safety management system according to the requirements of ISO 45001, an information security management system according to ISO 27001 and an asset management system according to ISO 55001. In addition, TEŠ also has a testing laboratory management system according to the requirements of SIST EN ISO/IEC 17025:2017 and is accredited by the Slovenian Accreditation (SA). The external regular assessment of the management and operation of the quality management system according to the ISO 9001, ISO 14001, ISO 45001, ISO 27001 and ISO 55001 standards took place in June. The evaluation

committee concluded that the company successfully meets the prescribed requirements of the standards. With the introduction of an integrated management system, all activities are connected into an effective system that leads to the realization of the company's vision and mission, as well as long-term goals. It provides employees with safe and comfortable working conditions that are a prerequisite for creative work. By integrating individual management systems into a comprehensive integrated management system, we introduce the philosophy of comprehensive quality management.

We are aware that the production of electricity and thermal energy causes impacts on society and the environment:

- by employing people;
- by the consumption of energy, energy products, water and other raw materials;
- by emissions of gases and dust into the atmosphere;
- by releasing water into the environment;
- by production of ash, slag and desulphurisation products;
- with various other waste;
- with device operation noise.

Ensuring customer satisfaction, a healthy environment, information security, safe and healthy work and fire safety is a fundamental condition and a common purpose of the management and all employees. Roles, responsibilities and authorizations are defined and employees are familiar with them. Within the framework of its possibilities, TEŠ strives to provide such working conditions that provide employees and visitors with a safe and healthy working environment.

Successful implementation of the policy requires the participation of all employees and the acceptance of individual obligations.

2.5.1 Occupational health and safety and fire safety

At the thermal power plant, we take care of maintaining and improving the health of employees and a safe and stimulating working environment. This also makes our employees more productive, creative and loyal to their organisation. By implementing the principles of safety and health at work, it is easier to employ quality staff and build our reputation.

The OH&S management system is systematically regulated with the help of ISO 45001, which we successfully certified in 2020. We are aware that by improving the situation in the field of occupational safety and health, we achieve better well-being of employees, better use of resources for work and increased productivity, and that in order to achieve positive results of occupational safety and health, it is not enough to establish a system, but it must be well connected with other programs and management systems.

In 2024, we implemented regular preventive measures in the field of safety and health at work and fire safety, which ensure a high level of safety and health at work and fire safety at all organizational levels. Attention was paid to the training of employees for safe and healthy work, inspections of work equipment, determination of quality protective and work equipment, implementation or preventive action.

With the help of measures to promote health in the workplace, we encourage employees to diligently participate in activities to protect and strengthen health, familiarize them with the contents in the field of mental health, we also enable preventive examinations, vaccinations, medical preventive active breaks ... A basket of fruits is available to employees once a week, and in the fall we provided workers with dietary supplements in the form of vitamins C and D3, among other things. The program for planning and implementing health promotion in the workplace is annually adapted to financial capabilities and current conditions.

In addition to acting in accordance with legislation, we have effective mechanisms in place to identify negative aspects and risks, within which we prepare measures, goals and improvements.

Also in 2025, attention will be paid to the training of workers for safe work, training in case of emergencies, maintaining a high level of fire safety, inspection of work equipment and the purchase of quality personal protective equipment for employees. We will strive to upgrade the legal requirements with additional activities aimed primarily at improving the safety of employees and consequently the efficiency of the work process.

2.6

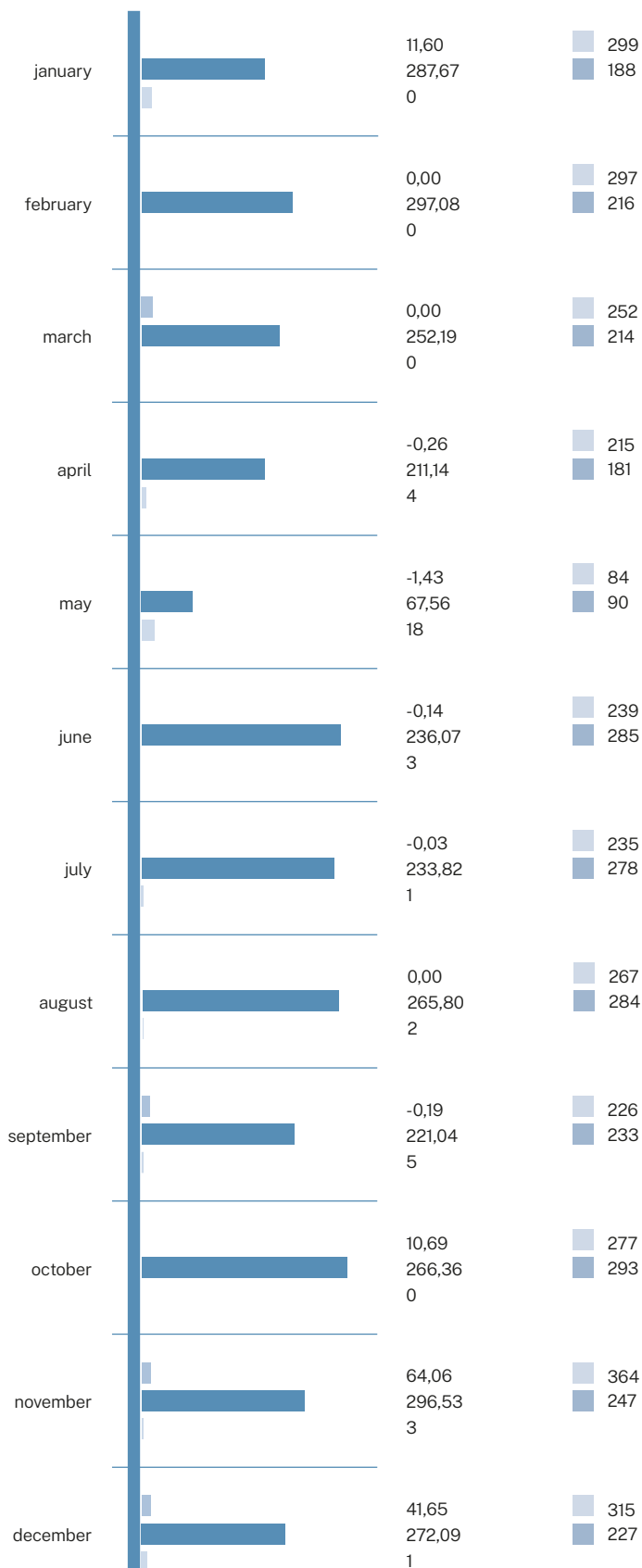
Production of electricity (on the threshold)

In 2024, TEŠ produced and delivered 3,070 GWh of electricity to the network, which is 335 GWh, which is 12 % more than in 2023.

3,033 GWh of electricity was produced from coal and 37 GWh from gas.



the values in the graph are in GWh



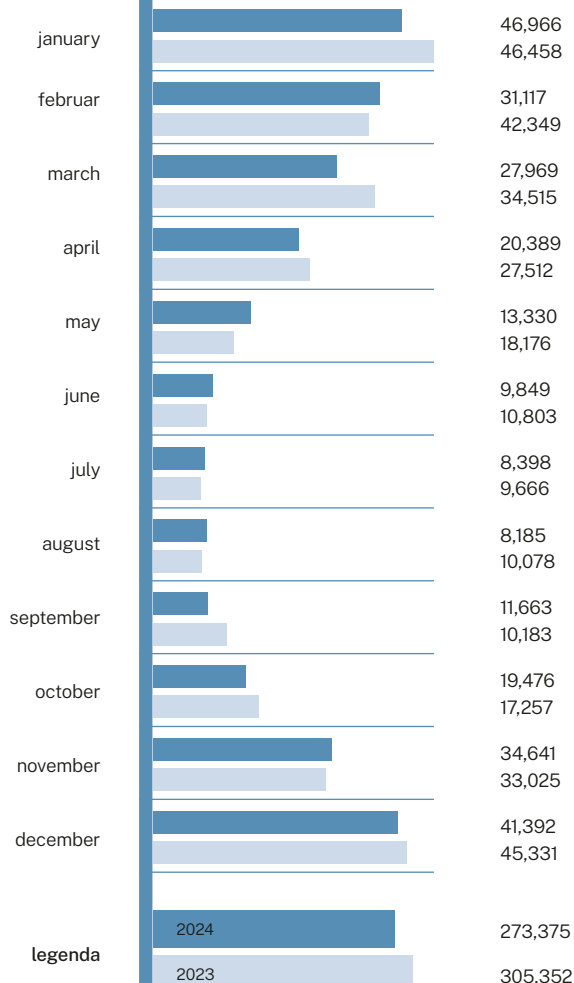
Production of electricity on the threshold by year



the values in the graph are in GWh

Production of thermal energy

In 2024, we produced 273 GWh of thermal energy for heating, which is 32 GWh, which is 10 % less than in 2023, due to lower needs for thermal energy consumption. We supply almost the entire Šaleška Valley with thermal energy and thus contribute to the reduction of harmful emissions in it, as the thermal energy produced in this way has less negative impacts on the environment than individual combustion plants.



the values in the graph are in GWh

Production of thermal energy by years



the values in the graph are in GWh

Use of energy products

In 2024, we used 2,600,263 tons of coal, 10,327,223 Nm³ of gas and 40,785 tons of biomass. The consumption of coal and biomass for the production of electricity amounted to 2,530,937 tons, and for the production of thermal energy 69,326 tons. The average calorific value of the collected coal was 11,140 kJ/kg, which is slightly worse than in 2023, when it amounted to 11,364 kJ/kg. The average calorific value of the taken gas was 11,419 kWh/Nm³.

Emission coupons for CO₂

According to the International Energy Agency (IEA), global CO₂ emissions from electricity production increased by a moderate 1 % in 2024, after a 1.4 % growth in 2023. The increase was due to a 1.3 % year-on-year increase in electricity production from fossil fuels, which is related to global growth in electricity demand. Total emissions from this sector reached about 13,800 million tonnes of CO₂ in 2024, thus remaining the largest source of emissions among all economic sectors.

Emissions of CO₂ at TEŠ

With the production of electricity and thermal energy in 2024, TEŠ emitted 3,089,330 tons of CO₂ into the environment (Report on the Monitoring of GHG Emissions for 2024), which is 343,385 tons of CO₂ more than in the previous year. In accordance with the provisions of the Environmental Protection Act, TEŠ will settle the environmental pollution charge (1 coupon/1tonne of CO₂) by 30 April 2025. For the settlement of the duty, 13,541 free coupons for the activity of thermal energy production are available (Decision of the Republic of Slovenia of the Ministry of the Environment and Spatial Planning). The difference in the amount of 3,075,789 CO₂ emission coupons was secured by TEŠ through their purchase from HSE.



In the coming period 2025-2027, global CO₂ emissions from the energy sector are expected to remain at about the same level (-0.1 %), despite the projected average annual growth in electricity demand of 3.9 %. This stability will be due to the intensive growth of production from low-carbon energy sources, such as solar, wind, nuclear and hydropower.

The dynamics of emissions can be influenced by many factors, such as economic shocks, volatile prices of raw materials and extreme weather phenomena-including heat waves, prolonged cold or reduced availability of water resources for hydropower. Despite these uncertainties, the long-term trend remains clear: clean energy sources are gradually displacing fossil fuels as the dominant source of electricity.

Source: www.iea.org/electricity-2025/emissions

2.7

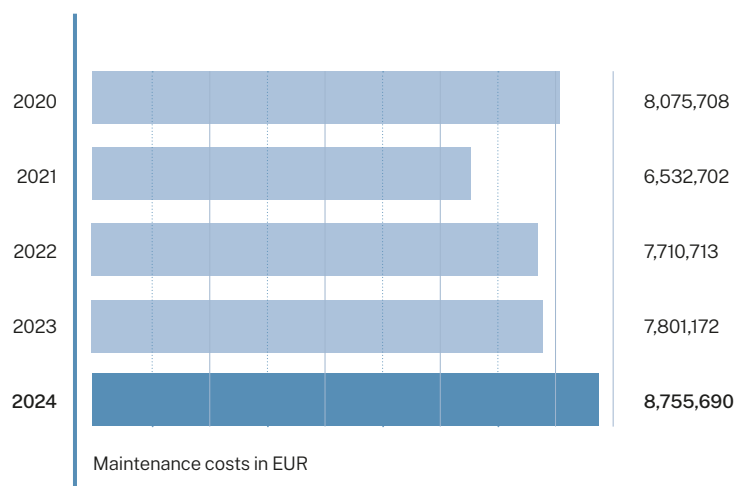
For the smooth production of electricity, two steam production units (Unit 5 and Unit 6), two gas production units (intended for the tertiary reserve), two heat stations, a coal transport system, water preparation with a hydrogen plant, common facilities and Units 3 and 4 (only to ensure human safety) must be maintained in the power plant next year. All these facilities, devices and installations must be systematically maintained in order to operate safely and reliably, be ecologically sustainable, with high availability, high flexibility of production units, optimal efficiency and until the end of the planned extended life of the units. Maintenance interventions on devices are carried out on the basis of monitoring the operation of devices, operating events, assessment of the remaining life, using destructive and non-destructive methods of material control, requirements for safe and reliable operation and adopted guidelines or strategies for operation and maintenance of devices.

The entire maintenance is divided into two types:

- Regular preventive maintenance, which includes inspections, controls, analyses and implementation of interventions that enable reliable operation of all devices. This section includes repairs as well as replacements of individual assemblies of devices. Interventions on devices that cannot be eliminated, but would be necessary, are carried out during the shutdown of the units, that is, especially on weekends.
- Major maintenance interventions of individual major sets of production units, which include a series of maintenance activities, such as inspections and measurements, assembly and dismantling, repairs and replacement of spare parts of machines and devices that require the decommissioning of machines and devices or the entire production unit.

We spent EUR 8,755,690 on the maintenance of all drive units, remaining facilities and devices, which is EUR 954,518, which is 13 % more than in 2023.

Movement of maintenance costs of devices and equipment



We estimate that all interventions on devices were carried out economically. Regular maintenance of devices and work equipment is extremely important in order to maintain their value, ensure the expected service life and prevent possible downtime due to the failure of devices from the process. By using the

SAP PM information system, we can control costs more efficiently, identify weaknesses in the technical systems of production devices on the basis of data analysis, and eliminate or reduce the risks of power generation failure in a timely manner.

2.8

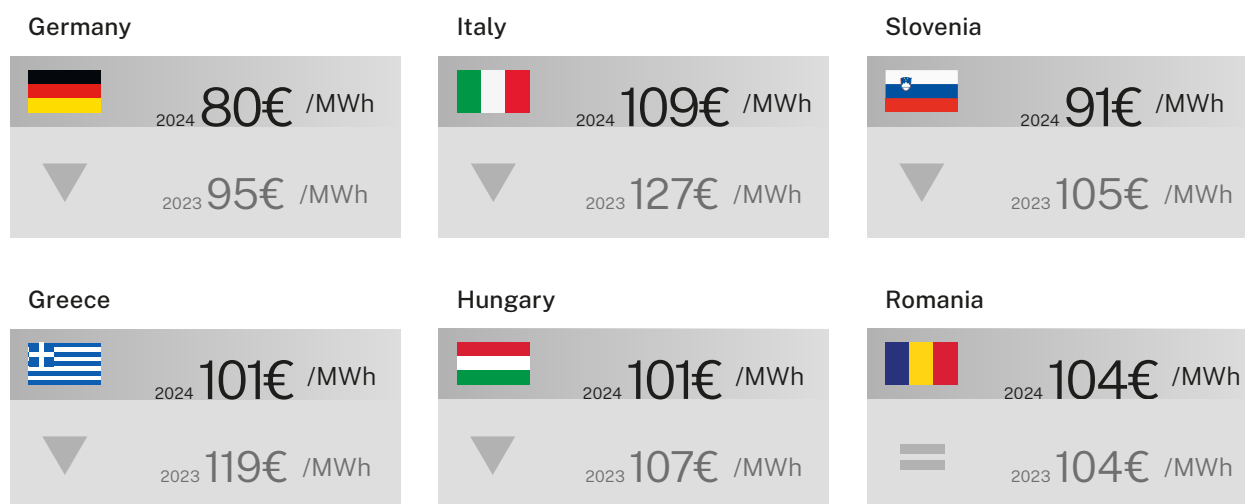
2.8.1 Electricity market environment in 2024

In 2024, we witnessed a gradual decrease in interest rates, with inflation still not within the expected or desired limits. The economy in the EU countries shows a gradual recovery, but a worrying decline in economic growth in Germany, which is Europe's leading economy, for the second year in a row. In general, the electricity market



environment in 2024 was dynamic and subject to several influences that required flexibility and monitoring of trends. In the first half of 2024, wholesale prices fell due to mild winter, high levels of gas storage and high production of all production sources. During periods of high production from wind and photovoltaic power plants, there were many hours on the day-ahead market with negative prices. In the second half of the year, prices increased due to restrictions on electricity transmission, poorer hydrology and production from renewable energy sources, and towards the end of the year, higher consumption due to the cold start of winter.

Average electricity prices



Source: Borze

In 2024, average electricity prices on European markets decreased due to a combination of factors, including mild winter, high gas levels in warehouses, favourable hydrological conditions and increased production from renewable sources, especially wind and solar power plants. Despite the general trend of falling prices, there were periods of fluctuation in which prices temporarily rose due to increased demand, restrictions on transmission capacities and occasionally worse weather conditions. Towards the end of the year, prices rose again due to higher demand, lower production from renewable sources and overhaul of power plants.

Balance sheet of European electricity markets in 2024

In the first three quarters of 2024, countries with strong nuclear or hydro production had a positive balance. The improvement in the balance sheet due to nuclear production was mainly perceived by France, Sweden and Slovakia. The positive balance due to high hydro production was detected by countries in the Iberian Peninsula, Scandinavia and the Alps. In Slovenia, good hydrology improved the balance sheet, which, however, remained negative. Most of the countries that perceived a very low balance in the first three quarters (Germany, Italy and most of the countries of SE Europe), however, exacerbated this in the last quarter due to the cold

start of winter and extremely low production from renewable sources. By far the most reduced balance sheet in 2024 was detected by Germany due to the closure of all nuclear and some coal power plants and extremely low wind production in the last quarter (20 % lower year-on-year), especially in November (25 % lower year-on-year).

Electricity prices on European markets in 2024

In 2024, electricity prices were lower than in 2023 almost everywhere in Europe. The largest drop was recorded by France (over 40 %), followed by Norway and Sweden, and prices dropped almost insignificantly in Romania and Bulgaria. Absolute prices were the lowest in Norway and Sweden, and the highest in Albania and Italy. The main reasons for the drop in electricity prices in the first quarter of 2024 can be seen in mild winter, and further in lower gas prices and full gas storage across Europe, above-average hydrology and good production from conventional as well as from renewable sources. Due to the good production of wind and photovoltaic power plants, which is a record number this year, we witnessed a very large number of negative hourly prices in the second quarter of 2024, especially on weekends and holidays. In the third quarter of 2024, prices increased mainly in the markets of SE Europe and Italy due to higher consumption, additional reductions in cross-border transmission capacities

and slightly poorer hydrology. On the markets of SE Europe, we had the lowest prices in Slovenia and Croatia, and the highest in Albania, Greece and Romania. In the fourth quarter, we saw the highest prices in 2024. Higher needs and less production from renewable sources, as well as overhauls of some power plants, raised prices mainly in November and the first half of December.



Slovenian electricity market

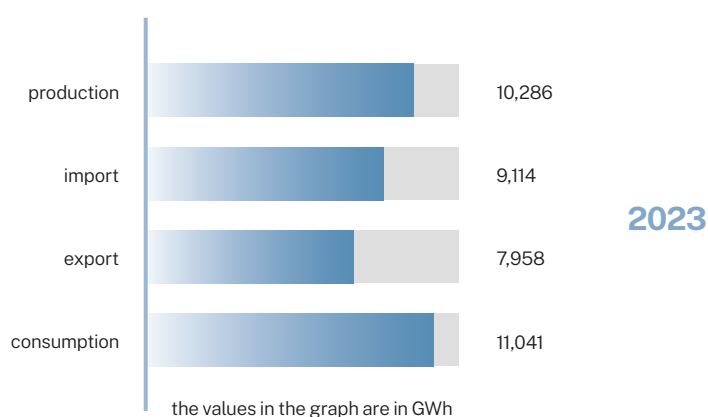
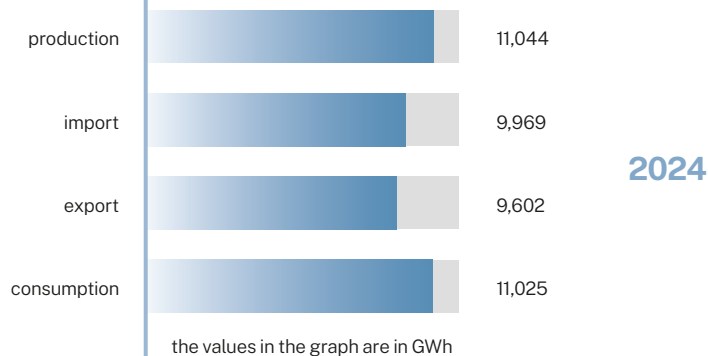
In 2024, due to favourable hydrological conditions, electricity production on the Slovenian market was 9 % higher than the year before. Better hydrological conditions were observed for the Drava river basin, where production was 9 % higher than in the previous year, as well as for the Soča river basin, where this increase was 8 %. The consumption remained at the same level as in 2023. All of the above has significantly increased exports, which, with a much smaller increase in imports, means a significantly better balance sheet of the Slovenian electricity market.

Share of HSE Group production in total electricity production in Slovenia

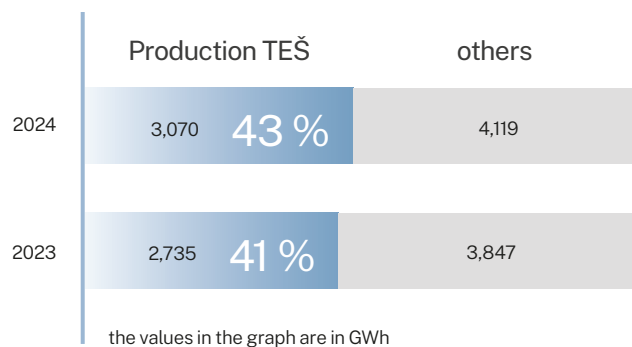
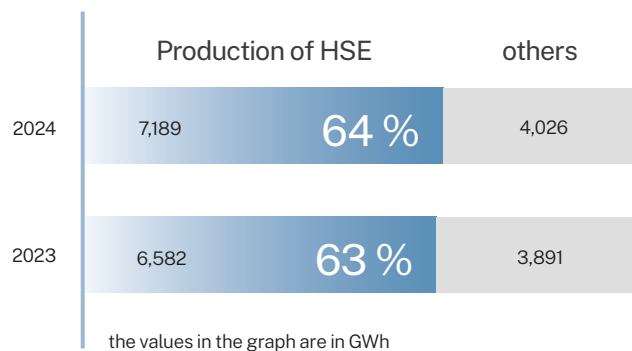
In 2024, the production of the HSE Group (without 49 % share in HESS) amounted to 7,189 GWh, which is 608 GWh or 9 % more than in 2023. Hydroelectric power plants produced 4,115 GWh of electricity, which is 272 GWh more than in the previous year. This is due to good hydrology. Production in thermal power plants in the amount of 3,070 GWh is also higher than in the previous year, by 335 GWh.

Share of TEŠ production in total electricity production of the HSE Group

In 2024, TEŠ produced 3,070 GWh of electricity. Production was 335 GWh higher than in 2023.



Source: ELES monthly report ELES



2.8.2 Sales and customers

In 2024, the Šoštanj Thermal Power Plant achieved EUR 562,164,207 in net sales revenues, which is EUR 88,257,653 or 19 % more than in 2023, due to the higher sales price of electricity, which is formed according to the transfer pricing model using the cost add-on method.

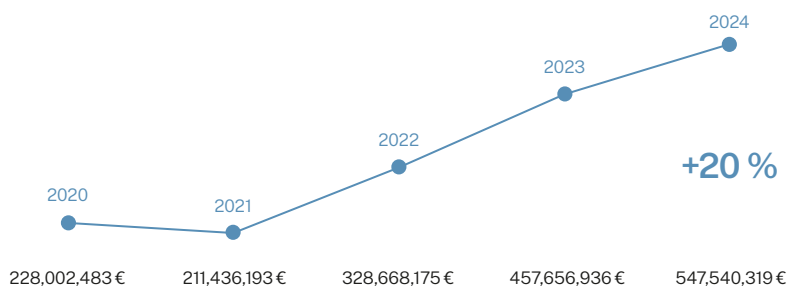
Sale of electricity

In 2024, we generated EUR 547,540,319 in revenues from the sale of electricity, which is 20 %, or EUR 89,883,390 more than in 2023. In 2024, higher sales revenues were influenced by the higher sales price, which is formed according to the transfer pricing model using the cost add-on method. With the sale of electricity, we are present on the market within the owner, the company Holding Slovenske elektrarne, d. o. o.

Revenue from the sale of electricity SE Si:

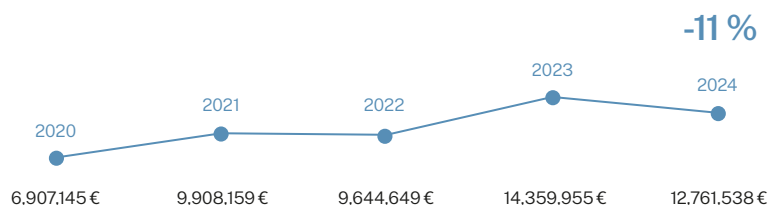
In the structure of sales revenues, the largest buyer is Holding Slovenske elektrarne, d. o. o., which buys all the electricity produced, which represents 98 % of the total sales.

Revenue from the sale of electricity by year:



Sale of thermal energy

In 2024, we generated EUR 12,761,538 in revenues from the sale of thermal energy, which is 11 % less than in 2023. Revenues from the sale of this energy decreased due to the lower sales price of thermal energy.



Remaining sales

The remaining sales revenues amount to EUR 1,862,350. They relate to the sale of fly ash and gypsum, the sale of system water, rents, the sale of waste and residual material. These revenues represent less than 1 % of revenues in the structure of sales revenues. Compared to 2023, they are lower by 1 %.



2.8.3 Procurement and Suppliers

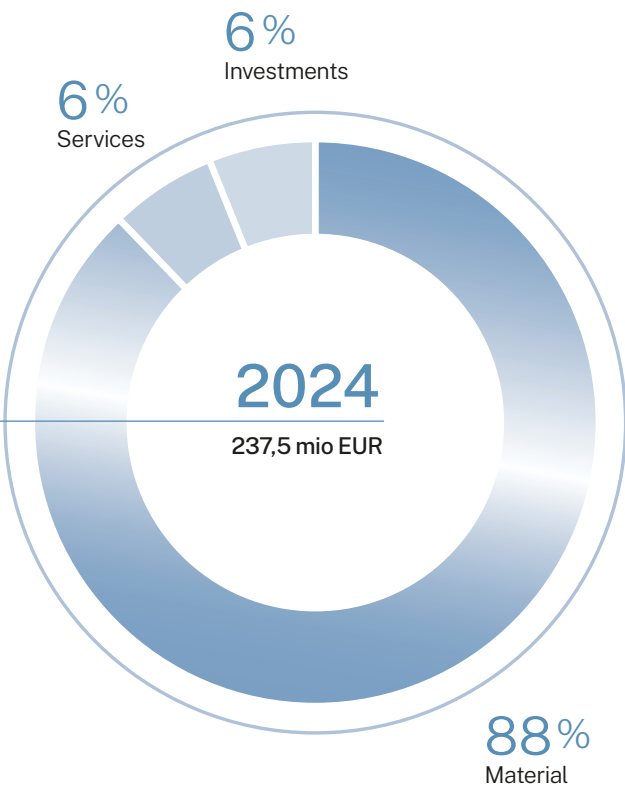
The basic task and essential goal of procurement is the provision of raw materials, materials, spare parts, equipment and services for regular business operations and the purchase of investment equipment. All this must be provided at the best prices, the most favourable payment and delivery conditions, the most reliable sources and optimal purchase routes. Only with such an approach can the company realize its development and strategic goals.

The company is subject to public procurement under the ZJN-3 Act. For operations in accordance with the Public Procurement Act and comprehensive management of procurement procedures, we have properly organized and ensured good cooperation with other services. In the implementation of public procurement, it is necessary to have a good knowledge of the legislation in the field of public procurement. The appropriate economic, financial and technical competence is determined by appropriate conditions, requirements and criteria that are mutatis mutandis related to the individual subject of the public contract. We follow the centralization of purchasing operations, as this also means achieving better commercial conditions, greater standardization and ensuring higher quality of materials. In the procurement of input materials and services, we thus take into account, as far as possible, the Agreement on Business Cooperation concluded at the level of the HSE Group in the

provision of services, with the aim of making a positive contribution to the profit of the HSE Group.

The most important strategic supplier of the company is the Velenje Coal Mine. Procurement of coal for the production of electricity and thermal energy accounts for 79 % of the total procurement. 28,697 TJ of coal was used for the production of electricity, and 749 TJ of coal for the production of thermal energy.

Procurement structure in 2024



2.9

Electricity users expect it to be available when they need it, so the basic task of electricity is a timely, sufficient and reliable supply of quality electricity. In order to effectively implement production activities, timely development planning and implementation of investments in the reliability of production are therefore necessary, thus eliminating technological and technical risks in ensuring production.

in EUR

INVESTMENT MAINTENANCE WORKS	2024
INVESTMENT IN NEW PRODUCTION CAPACITY	45,680
Studies	45,680
Studies, investment and project documentation	45,680
INVESTMENT MAINTENANCE	13,600,610
Investments in production reliability	12,104,520
Overhaul of Unit 6	2,330,737
LTSA (long-term servicing) of Unit 6	2,125,065
APM (application performance management module implementation) of Unit 6	780,000
OPM (operation performance module implementation) of Unit 6	600,000
DCS (control system replacement) of Unit 6	1,198,833
Boiler circulation pump for Unit 6	1,427,250
DeNox packages for Unit 6	958,510
Spare VOITH control clutch for mills U6	859,400
Replacement of 110kV GIS control and integration into the upgraded SCADA system	674,219
Renovation and procurement of spare drives for coal transport	398,644
Other investments within maintenance	751,862
Investments in other assets in production (VOS)	1,496,090
Retail investments	1,267,099
Other investments within VOS	228,991
INVESTMENTS IN OTHER FIXED ASSETS	240,224
Business Information System	30,267
Corporate security	199,251
Other	10,706
Total	13,886,514





- As part of the out-of-court settlement with the GE Group, a long-term maintenance contract for Unit 6 (LTSA) was concluded in 2021. On its basis, in 2024, EUR 2.1 million of investments were intended for the supply of long-term maintenance services (maintenance works, which include inspections, repairs, renovations and replacements in accordance with the instructions for operation and maintenance of the equipment manufacturer (OMM)) and digitalization of Unit 6, with the aim of advanced maintenance of key technological equipment of Unit 6 and achieving the positive effects of the availability and efficiency of Unit 6. As part of the comprehensive asset management (APM), the cost of the management, supported by the implemented Predix system, amounted to EUR 0.8 million, and workshops aimed at entering input data (equipment, risk matrices, work documentation ...) are also taking place. EUR 0.6 million was allocated for the implementation of modules to improve the operation of Unit 6 (OPM) (optimization of combustion and blowing of the boiler). EUR 1.2 million was spent as part of the replacement of the control system (DCS).
- As part of the overhaul of Unit 6, the supply of spare parts for the needs of the overhaul of Unit 6 was carried out, which will be performed in 2025, in the amount of EUR 2.3 million (system LAB, LAC, LAV EUR 0.9 million, systems HLA, HLB, HLC, HLD, HNC, HNF EUR 0.4 million, active part of the boiler EUR 0.4 million, combustion system EUR 0.3 million, mechanical devices for water treatment EUR 0.2 million, transport of products EUR 0.1 million).
- The investment in the purchase of a spare boiler circulation pump has ensured long-term stable and reliable operation of U6 in the event of its possible failure. Due to uncertain market conditions and difficulties in extracting coal from the Velenje Coal Mine, several shutdowns of U6 can occur - a higher number of starts means a significantly higher load and wear on the boiler pump. By investing in a boiler circulation pump, we have reduced this type of risk to a minimum, as U6 cannot be started in the event of a malfunction of the pump.
- The investment into DeNOx packages for U6 was indispensable to ensure NOx emission values below the permitted limit. By changing the levels of the packages, more efficient operation of the catalyst was ensured, which means lower consumption of ammonia mixtures and a significant reduction in the formation of deposits on the heating packages of regenerative air heaters.
- Investment in the purchase of a spare VOITH regulating clutch for U6 mills: coal grinders with components, including VOITH clutch, are regularly maintained on the active part and on the drive assemblies. Minor oil leaks or irregularities can be eliminated on site during shutdown, and major maintenance work as well as general overhaul is carried out in the workshop. In this case, the VOITH clutch is built and must be replaced with a spare. In this case, the mill can continue to operate smoothly, maintenance work on the VOITH clutch can be carried out without affecting the operation of the unit and without restrictions. According to the manufacturer's operating instructions, after eight years of operation, a general overhaul of the VOITH regulating clutch must be carried out. For this, we had to have a spare VOITH clutch ready for replacement.
- By investing in the replacement of the 110 kV GIS control and inclusion in the upgraded SCADA system, we replaced the outdated control system with a new one, which will be compatible or identical with the system to be installed by ELES. By replacing the system, the reliability of operation will be maintained and the requirements of Eles will be met. The same control system will be used (Siemens Siprotec 5) as for Unit 5 and Unit 6 (GIS 400 kV), and the new cabinets will be connected via optics to the existing SICAM-PAS system in GIS 400 kV, which is managed by the dispatcher on Unit 6. EUR 0.7 million was spent as part of this investment.

The remaining investments were reduced to a minimum. Investments in 2024 were financed from the company's own funds.

2.10

2.10.1 Business in 2024

In 2024, TEŠ's operations were based on the Long-Term Contract on the Purchase of Coal, Power Lease and Purchase of Electricity, concluded between TEŠ, HSE and PV on 12 March 2015, with the related Annex 1 (2023) and Annex 2 (2024) and the Contract on the Purchase of Coal, Lease of System Services and Purchase of Electricity produced from Coal, Gas, Fuel Oil and Biomass between TEŠ, HSE and PV for 2024, with the related Annex to this contract.

In 2024, the company achieved a negative net profit of EUR -85,683,450. This is negative due to impairments of non-current assets in 2024 in the amount of EUR 86,566,532.

in EUR

OPERATING RESULTS IN EUR	2024	2023
Operating profit/loss	(75,492,252)	(33,949,938)
Financial result	(10,191,198)	(11,962,907)
OPERATING PROFIT / LOSS	(85,683,450)	(45,912,845)
Current tax	0	0
Deferred tax	0	0
NET PROFIT/LOSS	(85,683,450)	(45,912,845)

The financial result in 2024 was negative and amounted to EUR -10,191,198. The negative result is affected by interest and costs of loan guarantees received from banks to finance investments in the construction of Unit 6. Compared to the previous year, financial expenses are lower due to a lower balance of indebtedness to banks (regular repayment of loan principal).

Revenues

	2024	%	2023	%
OPERATING REVENUES	562,676,912	99	474,335,157	99
FINANCIAL INCOME	2,969,849	1	4,357,572	1
REVENUES	565,546,761	100	478,692,729	100

In 2024, the company achieved EUR 565,646,761 in revenues. These are 18 % higher in 2024 compared to the previous year. Compared to the previous year, revenues from the sale of electricity are higher by 20 % or EUR 90 million due to the calculation of the selling price of electricity,



which is calculated according to the method of covering costs with an add-on to eligible costs. Revenues from the sale of thermal energy are lower by 11 % or 1.6 million euros, mainly due to the lower sales price of thermal energy.

Expenses

	2024	%	2023	%
OPERATING EXPENSES	638,169,165	98	508,285,095	97
FINANCIAL EXPENSES	13,161,047	2	16,320,479	3
EXPENSES	651,330,212	100	524,605,574	100

In 2024, expenses amounted to EUR 651,330,212, which is 24 % more than in 2023. Operating expenses increased by 26 % compared to the previous year, mainly due to higher costs of coal, higher costs of emission coupons and impairments of non-current assets in 2024.

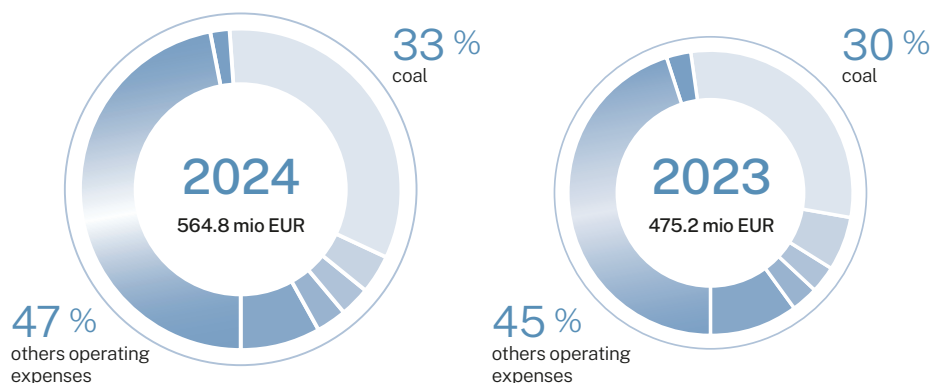
Within operating expenses, material costs increased by 21 % or EUR 36.9 million in 2024, mainly due to higher costs of coal, which was due to an increase in price compared to the previous year (+10 %), while gas costs were lower due to lower consumption and lower prices compared to the previous year.

The costs of CO₂ emission coupons were also higher due to their higher price and at the same time higher quantities due to higher production.

Based on the assessment of the recoverable amount of TEŠ's non-current assets as at 31 December 2024, prepared by a certified appraiser of companies, the equipment was impaired in the amount of EUR 86.6 million, which affects the increase in operating expenses compared to 2023.

Structure of expenditure:

	2024	2023
write-downs	8 %	10 %
financial expenses	2 %	3 %
labour costs	3 %	3 %
costs of services	3 %	3 %
other costs of material	4 %	6 %



Note:

Due to the comparability of data in 2024, the cost of impairment of plant and equipment in the amount of EUR 86.6 million is not included in the structure of expenditures.

From the structure of expenses (without impairment) it is evident that the costs of coal consumption are higher by 3 percentage points (higher price of coal). The cost of the remaining material is lower by two percentage points due to lower gas consumption for the production of electricity from gas units and at the same time lower gas prices. Other operating expenses increased by 2 percentage points compared to the previous year due to the higher quantity and price of CO₂ emission coupons that the company must provide for carbon dioxide emissions according to the provisions of ZVO-1.

Assets, Equity and Liabilities

The balance sheet total of EUR 708,884,242 of the company is lower by EUR 68,825,797 compared to the situation on 31 December 2023, or 8.9 %. As measured by the inflation rate (December 2024/December 2023), which was 1.9 %, it was 7.1 % lower in real terms.

Assets

As at 31 December 2024, the company's assets amounted to EUR 708,884,242 (31. 12. 2023 = 777,710,038 euros) and have decreased since the beginning of the year. Of this, non-current assets decreased by 31 % and short-term assets increased by 19 %.

Non-current assets represent 42 % of the total assets of the company. Within their framework, the most important are property, plant and equipment, the value of which decreased by EUR 117,092,877 in 2024 due to the accrued annual depreciation and impairment of equipment on the recoverable amount, and new investments (investments in production reliability) had a positive impact. In the context of non-current assets, non-current operating receivables decreased in 2024 for the part that falls due in 2024 and is transferred to short-term operating receivables.

Short-term assets represent 58 % of the total assets of the company and increased by EUR 64,466,381 compared to the previous year.

Compared to last year, the highest increase in these assets was recorded in contractual assets related to the costs of purchasing CO₂ emission coupons for electricity production in 2024, which are higher by 50,061,511 (higher production and higher prices of emission coupons). Material inventories are higher, mainly due to an increase in coal reserves in the amount of EUR 19,065,186 at the expense of the purchase of coal reserves from the Velenje Coal Mine. There is an increase for EUR 17,883,926 of cash on the company's accounts and EUR 2,968,871 in short-term financial investments from the short-term part of the loan given to the Velenje Coal Mine.

Short-term operating receivables include receivables for electricity sold to HSE, which increased by EUR 41.8 million compared to the previous year. Receivables for advances made to PV for the purchase of coal are lower by EUR 34 million. In 2024, TEŠ purchased the coal depositing area from PV and thus all advances to PV were covered. The remaining receivables from customers represent receivables arising from the arbitration procedure, which ended in 2021 (the short-term part of receivables due in 2025 is EUR 12.1 million), and the Municipal Company Velenje for thermal energy sold in November and December 2024.

Equity and Liabilities

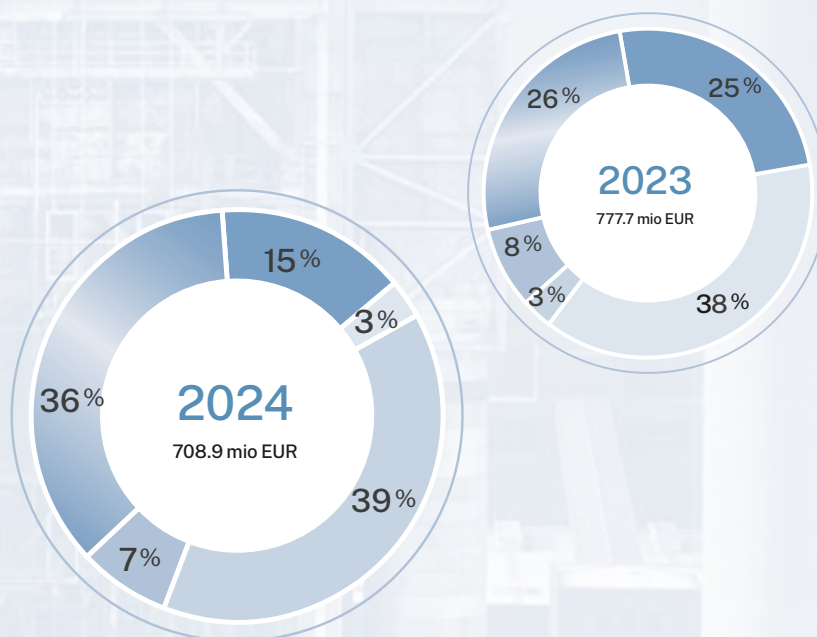
Within liabilities, equity represents 15 % of the total, which is 10 percentage points less than at the end of 2023 (25 %). In 2024, equity decreased by EUR 85,728,434 or 44 %. The lower value of equity was affected by the current loss for the financial year in the amount of EUR -85,683,451, and the effect was a revaluation adjustment in connection with actuarial loss/profit in the amount of EUR 44,983 (fair value reserve).

Non-current liabilities account for 3 % of total asset sources. Compared to the previous year, in accordance with IFRS, they decreased due to the transfer of the total outstanding loan of the EIB (loan for the construction of Unit 6) to short-term liabilities, which is the result of contractual commitments under a financial contract. In 2024, the company repaid due annuities under this loan in the amount of EUR 20.5 million regularly.

Short-term liabilities account for 82 % of total asset sources and, as at 31 December 2024 increased by EUR 292,963,181, which is a result of the transfer of the non-current part of the loan in the amount of EUR 276,279,070 to short-term liabilities due to contractual commitments and higher accrued costs of CO₂ emission coupons for the emissions caused in 2024 (higher price and higher quantity).

Structure of equity and liabilities as at 31 12. 2024:

	2024	2023
Long-term liabilities	3 %	38 %
Equity	15 %	25 %
Other short-term liabilities	36 %	26 %
Short-term operating liabilities	7 %	8 %
Short-term liabilities	39 %	3 %



2.10.2 Ensuring solvency

TEŠ operates in accordance with business and financial standards and rules of the Financial Operations, Insolvency Proceedings and Compulsory Termination Act and the Prevention of Late Payment Act. The basic task of financial management is to ensure non-current and short-term solvency, which consequently enables the smooth operation of the remaining business functions. In 2024, the liquidity situation of the company was good, the risks were managed during the year by careful planning of cash flows, timing of receivables and liabilities and careful management of free cash assets.

In the direction of short-term cash management, a short-term financial loan of EUR 20 million was granted to the company PV (Coal Mine

Velenje) in 2021, which was converted into a non-current loan at the end of the year, with a repayment period in the years from 2024 to 2027. From the perspective of TEŠ, the transaction was financially favourable because it paid less demurrage to the banks and at the same time received interest on the borrowed amount. In November 2024, a loan reschedule was signed, which changed the dynamics of repayments by 2030.

2.10.3 Capital adequacy

Ensuring capital adequacy is one of the most important duties of the responsible persons in the company TEŠ. The company's goal is to provide adequate capital for its business according to the volume and types of transactions that it performs, and the risks to which it is exposed. Capital adequacy is a condition for lending and investment capacity, but also a consequence of past business decisions.

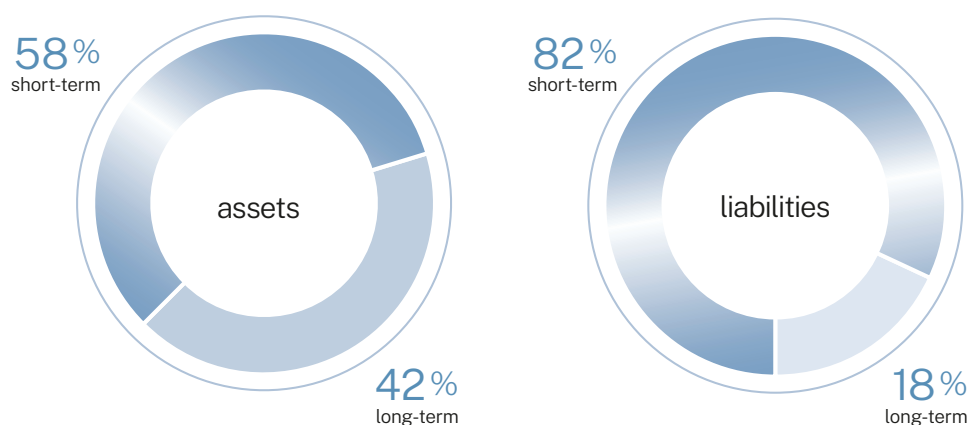
From the horizontal analysis of the structure of assets and sources of funds as at 31 December 2024, it is evident that the company's assets are financed:

- with non-current sources - 18 % (85 % of equity, 15 % of non-current liabilities)
- with short-term resources - 82 %.

At the end of 2024, the company has part of the non-current assets financed by short-term sources, due to the transfer of a non-current loan from the EIB to short-term liabilities.

The company's working capital is negative due to the accounting transfer of a non-current loan to short-term liabilities.

Structure of the statement of financial position as at 31. 12. 2024:



2.10.4 State of indebtedness

As at 31 December 2024, financial liabilities amount to EUR 276,279,070 and represent 39 % of total liabilities. They refer to loans taken out for the construction of the replacement Unit 6. Compared to 2023, they are lower by 7 %.

2.10.5 Company ratios

Business achievements in terms of financial evaluation were monitored by the company with the following indicators:

		31.12.2024	31.12.2023
Financing statement indicators			
1	Financing equity ratio, in % <i>equity/liabilities to asset sources</i>	15,28 %	24,95 %
2	Rate of non short-term financing., in % <i>the sum of equity and non short-term liabilities/liabilities to asset sources</i>	17,96 %	62,96 %
Indicators of investing			
3	Investment fundamentals level, in % <i>fixed assets at carrying amount/assets</i>	38,42 %	50,14 %
4	Rate of non short-term investment., in % <i>fixed assets at carrying amount + non-current financial investments + non-current operating receivables/assets</i>	42,00 %	55,42 %
Indicators of horizontal financial structure			
5	Capital coverage ratio of fixed assets <i>capital/fixed assets at carrying amount</i>	0,40	0,50
6	Coefficient of non-current coverage of non-current assets <i>equity + long-term liabilities/long-term assets</i>	0,43	1,14
7	Coefficient of direct coverage of short-term liabilities (quick ratio) <i>liquid assets (i.e. cash and short-term financial investments/short-term liabilities</i>	0,07	0,06
8	Coefficient of accelerated coverage of short-term liabilities (accelerated ratio) <i>liquid assets + short-term receivables/short-term liabilities</i>	0,20	0,42
9	Coefficient of short-term coverage of short-term liabilities (short-term coefficient) <i>short-term assets/short-term liabilities</i>	0,71	1,20
Indicator of Economy			
10	Operating economy coefficient <i>operating revenues/operating expenses</i>	0,88	0,93
Indicators of profitability			
11	Net profit to equity (ROE), in % <i>net profit for the period/average equity</i>	-56,69 %	-21,14 %
12	Net asset return ratio (ROA), in % <i>net profit for the period/average assets</i>	-11,53 %	-5,91 %



The equity of the company represents 15 % of total liabilities to asset sources. The company is financed by its own and foreign resources. Compared to 2023, the **equity financing rate (1)** has deteriorated by almost 10 percentage points. The reason is the increase in other short-term liabilities and the decrease in the value of capital due to operating at a loss.

TEŠ financed 18 % of its funds with non-current and 82 % with short-term resources. **The non-current financing rate (2)** is 45 percentage points lower than at the end of 2023 due to the transfer of the non-current part of the EIB's loan to short-term liabilities.

The level of basic investment (3) shows the share of fixed assets in all assets of the company. The share of property, plant, equipment and intangible fixed assets among the company's assets is 38 %. A high level of basic investment is expected for the company, as the industry in which it operates is technologically very intensive. The share decreased compared to the previous year due to a decrease in the value of NNO for accrued depreciation and impairment of production equipment.

The rate of non-current investment (4) as at 31 December 2024 is more than 13 percentage points lower than in the previous year. The majority of non-current assets are fixed assets, which decreased in 2024 due to depreciation and impairment of production equipment, while investments were at the level of the previous year.

Capital coverage ratio of fixed assets (5) is the ratio of capital to fixed assets. The value of the indicator is 0.40, which means that 40 % of the most illiquid assets are financed by capital. The indicator is lower than in the previous year, mainly due to a decrease in capital resulting from the loss of the current year.

The coefficient of non-current coverage of non-current assets (6) is 0.43 and indicates that less than half of non-current assets are financed by equity and non-current sources, which is a consequence of the accounting transfer of a non-current loan to short-term liabilities.

At the end of December 2024, **the value of the quick coefficient (7)** was 0.07, which means that TEŠ covers 7 % of short-term liabilities with quick liquid assets (money and short-term financial investments).

At the end of December 2024, **the value of the accelerated coefficient (8)** was 0.20, which means that TEŠ covers 20 % of all short-term liabilities with short-term receivables and short-term financial investments.

At the end of December 2024, the **short-term coefficient (9)** was 0.71, which means that TEŠ covers 71 % of short-term liabilities with all short-term assets, which as of 31 December 2024 increased due to the transfer of the non-current part of the loan to short-term liabilities.

The economy indicator (10) shows that TEŠ generated a negative operating result with the achieved operating revenues. The reason for the negative outcome is the accounting impairment of non-current assets.

The ROE and ROA indicators (11 and 12) are negative in 2024 due to the loss caused by the above-mentioned impairments of the production equipment.

2.11

By implementing a comprehensive risk management system in all its activities, the company provides a systematic approach to identify and manage risks in a timely manner. It implements an integrated risk management system with appropriate management strategies, consistent risk management criteria, monitoring and identification of risk levels, and timely information and measures. The key risks that the company faces are recognized, addressed and assessed in the risk catalogue. Risks are regularly monitored and activities for their management are carried out.

1. Quantitative production risks

- The risks of failure of coal production devices and gas units arise from the mechanisms of degradation and fatigue of materials, overloads and high dynamics of operation, lack of control over the condition of equipment and the delay of emergency maintenance work. Consequences mean unplanned and major outages (also limitations) on the production infrastructure. In this direction, TEŠ carefully monitors the operation of devices and failures, and performs regular and preventive maintenance. Disruptions in the supply of coal can cause disruptions in the production of electricity if there are insufficient stocks at the deposit area. The consequences are the possibility of lowering the power or stopping the units and the loss of revenue. In order to manage the risk on a daily basis, the necessary quantities are coordinated according to the planned production of electricity.
- In the longer term, solutions were sought in the possibility of using some foreign types of coal, namely coal for the possibility of mixing with lignite, as well as coal, which is also suitable for independent use at the calorific value. Indonesian coal was selected as appropriate, which is properly mixed with domestic coal up to 16 % by weight.
- In addition, TEŠ intensively procures sustainable biomass, which can be added and mixed with coal in certain proportions. The biomass thus replaces the missing coal, and in addition, biomass is CO₂ neutral and this part of the electricity/ heat produced does not require the purchase of emission coupons.
- The risk of generator failure on Unit 6 is also recognized. The risk has not increased due to a

fault on the rotor, but regular preventive tests are carried out. A new generator rotor was ordered, which will be replaced during the overhaul, which was coordinated with GE and will be carried out in 2025.

- Within the framework of operational risks, we also recognized key environmental risks, namely: penalties for exceeding ecological parameters, ecological accidents, inadequate management of hazardous waste, discharge of hazardous substances into watercourses, etc. We manage the risk by following the instructions on waste and hazardous substances management and we carry out managerial controls on the records of hazardous waste disposal and other.
- All the risks recognized above are currently managed and the probability of their realization is low. Currently, the amount of coal at the deposit area is also appropriate and suitable.

TEŠ has developed and updated risk matrices in which individual operational and maintenance risks are identified and measures to reduce the likelihood of realization and reducing the consequences upon realization of the event are listed.

2. Operational risk

Risk of loss of OVD

Due to the adoption of the ZPFPPPI, the risk of losing the OVD is reduced, because for the duration of the law this is regulated by law.

Legal risks

The latest harmonized version of the Annex to the Long-Term Agreement on the Supply of Thermal Energy between the Šoštanj Thermal Power Plant and the Velenje Utility Company was forwarded from TEŠ to KPV for review and invitation to sign on 7.3.2023. KPV has informed TEŠ on the 7 March 2023 that they have begun acquiring consent on the part of the founder. TEŠ has not yet received the signed Annex from KPV.

3. Market risks

The risk of not covering the cost price of thermal energy is also considered as market risks. The risk is managed by communicating with KPV and the Agency and by keeping them informed.

4. Safety risks

Risk of protection of tangible assets

The risk arises from unauthorized access and the alienation/destruction of intellectual property, energy facilities or other important information. Destruction on the part of employees/sabotage, on the part of external stakeholders ... The consequences are: higher costs of rehabilitation and property damage. We manage the risk by establishing a video surveillance system, restricting access, insuring property and equipment, and taking personal responsibility for equipment and devices.

OH&S and fire safety risk

The risk arises from difficult working conditions, the risk of driving, the risk of electric shock, the general risk of fire, explosion, stress, body load in the workplace. The consequences are: higher labour costs, injuries, reduced productivity, increased absence from work, increase in insurance premiums, compensation claims. We manage the risk by implementing the adopted policies in the fields of safety and health at work, fire safety and by adopting appropriate additional measures, by regularly managing and monitoring the situation indicators, by taking into account the legislation in the field of safety and health at work and fire safety, by implementing programmes for the promotion of health at the workplace, by checking and, if necessary, by supplementing the OSH aspect register, by aligning workplaces and the work environment with the requirements of the risk assessment.

Cyber Risks

Given Russia's threats of possible sabotage on submarine communication channels, we checked the consequences of the failure of Internet connections at the local and global level.

5. Strategic business risks

The risk arises from the failure to achieve the planned returns on invested assets due to untimely, uneconomic or technically inadequate implementation of investment projects. The consequences are: loss of income, increase in investment costs, non-competitiveness, loss

of market share, unprofitable investments, submerged investment costs. We manage the risk by preparing tender documentation, preparing and concluding quality contracts, and ensuring appropriate control in the contract implementation phase. TEŠ's undefined status in applications for tenders and uncertainties on energy markets pose a high risk to the timely implementation of procedures/projects as well as to the eligibility of grant drawings.

6. Most important financial risks

- The HSE Group does not provide sufficient resources for non-current loans/recapitalization, which has a direct impact on the liquidity of the company. The risk results in unpaid liabilities or late payments, which has a direct impact on cash flow and higher operating costs. The probability and impact is small. In the reporting period, the risk was managed by closely monitoring and planning the daily, monthly and annual cash flow at the company level.
- The risk of non-compliance with bank-agreed financial indicators and other commitments of TEŠ and non-compliance with bank-agreed financial ratios at the level of the HSE Group and the risk of non-compliance with commitments to the state, which have a direct impact on the solvency of the company. The risk may result in early repayment requests for loans, insolvency and, consequently, capital inadequacy. The probability is low; the impact of the risk is high.
- The risk of non-compliance with the requirements of the ZFPIPP has a direct impact on the liquidity and solvency of the company. The risk results in the insolvency of the company. The probability of the risk is low with the conclusion of a new contract for the sale of electricity for 2024, the impact of the risk is high.
- In order to avoid the alleged insolvency of TEŠ, the management of TEŠ, together with the professional services of TEŠ and HSE, approached the preparation of possible measures to reduce the insolvency of the company. The professional services of TEŠ and HSE have prepared the 1st draft of the Report on Financial Restructuring Measures aimed at eliminating the impending insolvency. At the same time, TEŠ ordered the preparation of a legal opinion in relation to the responsibility of the management and the supervisory board of TEŠ in relation to the projected negative operations of the thermodivision (TD) and the issue of their due diligence and responsibility in accordance with the rules of status law, as well as the Law on Financial Operations, Insolvency Proceedings and Compulsory Dissolution (ZFPPIPP).



2.12

By connecting and sharing information, i.e. by communicating well, we achieve our mission and social responsibility faster. Communication is the key to success. A successful company is based on a well-designed communication strategy that directs its operations at different levels.

Public relations in the company TEŠ are planned and implemented in accordance with the Communication Rules of the HSE Group and the communication strategy. The team of representatives of the companies of the HSE Group plans and implements communication activities at the level of the HSE Group.

The basic communication tools with the external and internal public still remain: the TEŠ website (www.te-sostanj.si), press releases, articles and interviews in various local and national media and the newspaper Naš stik. When communicating with the internal public, we also use: the TEŠ intranet, e-mail, bulletin boards, instructions for employees, trainings, meetings, colleges, online social tools, video conferences.

In TEŠ, we are aware that regular two-way communication with the key public is necessary. Crisis situations are easier to solve, and the trust of employees is also being worked on. Public relations are those that build solid paths of trust, which are then followed by further communications. Employee satisfaction and dissatisfaction extend beyond the company's boundaries to the external public, which makes proactive, open, motivational internal communication key to a positive company image. In a crisis situation, communication is perhaps the only and certainly the most powerful tool for maintaining the balance in the company among all stakeholders.

The company is aware of the importance of the environment in which it operates and actively co-creates it. We are aware that the presence of TEŠ in the local community is important and that citizens need to be informed about thermal energy, so we are also preparing open days for visitors. Throughout the year, we also have pre-announced groups of visitors who want to see the operation of TEŠ. These are schools, various organizations, companies and other institutions. In the future, we want to take a responsible role in the development of the area and continue to regularly raise awareness of our electricity and thermal energy production.

2.13

Monitoring the development of new technologies and materials is a constant, which enables the implementation of all modern solutions through which we achieve optimal maintenance costs, the possibility of technological improvements and improved operation of the installed systems until the end of the target service life. Due to limited financial resources, the funds were directed towards the most urgent research only. Already in 2022, we approached the preparation of the conceptual design of the new PPE, followed by the optimization of the PPE and the preparation of further project documentation.

We put a lot of effort into restructuring and related projects. As part of the identification and preparation for the withdrawal of funds from the Just Transition Fund, we approached the systematic preparation of projects at the TEŠ location at the level of strategic groups of the HSE Group. In particular, we are focused on the production of electricity and heat from renewable energy sources and hydrogen technology.

Plans for the future

2.14

In the future, we primarily want to maintain production capacities and ensure long-term reliable, safe, competitive and environmentally friendly production of electricity and heat using various primary sources.

TEŠ is looking forward to:

- participation in the transformation of district heating and the so-called new RES, whereby new jobs are envisaged.
- Development of gas infrastructure with the development of new gas units
- Participation in the PHOENIX project, in which TEŠ is one of the potential locations for the installation of SMR (small modular nuclear reactor).
- Establishment of an institute for work on the development of new technologies and applications.
- Much attention is focused on maintaining the existing infrastructure and investing in reliability and responsiveness, which is and will be extremely important for maintaining the energy balance in the Republic of Slovenia in unpredictable circumstances.



Sustainable business 03

Sustainability statement

In the context of the business report, the company TEŠ, d. o. o., did not prepare a sustainability report in accordance with the provisions of the Companies Act (ZGD-1) or the ESRS standards or other sustainability frameworks or standards, but in accordance with the provision of paragraph 2 of Article 70 of the Companies Act (ZGD-1), it included information related to environmental protection and workers.

In accordance with the provision of paragraph 1 of 70 c and paragraph 1 of 70 č Articles of the Companies Act (ZGD-1), the company HSE, d. o. o., as the parent company of the company TEŠ, d. o. o., within the consolidated reporting in its business report, is obliged to prepare a consolidated report on sustainability. The latter, in accordance with the ESRS standards, includes the consolidation of information necessary to understand how sustainability-related matters affect the development, performance and position of the HSE Group, and in accordance with the ESRS standards, also information on the sustainable impacts and risks of the company TEŠ, d. o. o., which are significantly different from the sustainable impacts and risks of the HSE Group.

Although the company TEŠ, d. o. o., for the financial year 2024 is not yet directly obliged to prepare a sustainability report in accordance with the provision of paragraph 1 of Article 70 of the Companies Act (ZGD-1), its sustainability aspects are included in the consolidated sustainability report of the HSE Group in accordance with ESRS standards.

3.1

Responsibility to employees and the consequent management of human resources is an area that we, as a socially responsible company, take special care of. Attracting and retaining the best staff is therefore a special challenge that the present time poses to us.

We strive and encourage employees to professional and personal development, but we also want to establish an effective remuneration system that will be an indicator of monitoring employee engagement, development and achievements. With good communication, employee participation and a fair salary system, we want to achieve maximum employee satisfaction.

The challenge that time poses to us will have a strong impact on the field of human resources when it comes

to restructuring, while at the same time having a committed and professionally qualified staff who will be ready for new technologies and projects. Therefore, we are preparing for changes that will require additional engagement, flexibility and understanding from TES employees. In these uncertain times, management especially strives to talk to employees a lot and openly and include them in all decisions that the company makes.

The first and most important participants in the care for socially responsible activities are employees, to whom we pay the most attention.

Human resources

The number of permanent employees on 31 December 2024 is 298. In addition to permanent workers, two workers (0.7 %) were employed for a fixed period at the end of December 2024, bringing the total number of employees to 300. Number of employees as at 31 December 2024 decreased by 7 in comparison to 2023. Men dominate with 89 % (268 employees), women are represented in 11 % (32 employees). The average age of employees is comparable to last year's and amounts to 47.5 years. The highest share of employees is in the age group from 51 to 60, in which there are 128 employees (43 %).

DEGREE OF PROFESSIONAL EDUCATION	31.12.2024	31.12.2023
8/2	0	0
8/1	3	3
7	17	17
6/2	24	22
6/1	45	46
5	123	127
4	67	70
3	12	12
2	8	9
1	1	1
Total	300	307



Employment

We acquire new employees in accordance with the needs of the work process and in various ways; we offer a stable and stimulating work environment with the possibility of development. We advertise and actively participate in the vacancies through the Employment Service, on the intranet, on the TES website and social networks, and, if necessary, on employment portals and in cooperation with faculties and schools. We inform employees in all companies of the HSE Group about the vacancies.

Ethical Operations and Business

In order to strengthen integrity, transparent operation and zero tolerance of corruption, illegal and unethical conduct on the basis of relevant regulations and recommendations of good practice, we have adopted internal rules on the handling of reports of suspected irregularities. The internal rules apply to all companies of the HSE Group and apply mutatis mutandis in business relations with other legal and natural persons who cooperate with companies in the HSE Group.

Human rights

We provide employees with equal opportunities regardless of gender, race, religion, nationality, or other cultural and social differences. Also, the competent services or the commission did not receive any report of mobbing, discriminatory practices, retaliatory measures, sexual or other harassment or abuse in the workplace. We employ on the principle of equal opportunities; at the same time we cultivate zero tolerance for discrimination on the basis of any personal grounds. Salaries between men and women in comparable jobs are equal and there is no difference between them. We employ on a non-discriminatory basis.

Fluctuation

The fluctuation rate decreased slightly by 0.4 percentage points compared to 2023, and we do not see any major operational risks or dysfunctionality in this regard at this time. In 2024, the fluctuation thus amounted to 7.9 % (in 2023 it amounted to 8.3 %). In the next three years, about a fifth of employees will be able to retire, on the basis of which we estimate that the turnover rate will gradually increase. An increase in the rate of fluctuation can occur if there is an unexpected increase in the number of dismissals of workers that have been increasing in the recent period.

Absenteeism

The absenteeism rate remained at about the same level compared to 2023 and amounted to 8 % in 2024. Despite the measures taken by the employer and the active cooperation and preparation of projects with the Velenje Health Centre and additional insurance, the still high share of absenteeism is also affected by the high average age of employees, long-term sick leave (waiting periods), long disability procedures and therapies. In November 2024, we again carried out the control of health indicators and organized a brisk walk with measurements. We support and encourage employees to participate in blood donation campaigns. In 2024, 46 employees decided to donate. Employees, in addition to the rights they are entitled to under the collective agreement, are rewarded



with an additional day off when they donate blood for the first time in the year. We carry out a medically active preventive break for employees and for this purpose, workers who attend the program are entitled to two days of extraordinary leave.

Employment of persons with disabilities

At the end of 2024, 10 people with disabilities were employed.

EDUCATION AND DEVELOPMENT

We encourage our employees to develop and grow and prepare them for challenges and changes. Through education (in accordance with the needs of the workplace) and internal training and knowledge transfer, we ensure the continuous development of employees and appropriate additional knowledge for occupying jobs.

With planned training, we improve the competencies, productivity, creativity and innovation of employees. Through formal and informal forms of training, we exchange and transfer knowledge to our colleagues. We encourage the internal transfer of knowledge from experienced staff to younger employees. The most common form of knowledge transfer is workplace mentoring, which is also carried out for compulsory internships of students and scholarship holders. Special attention is paid to workplace mentoring, which is crucial in the introduction of new employees and the transfer of knowledge of workers who are retiring. We also pay a lot of attention to the selection of mentors and provide them with appropriate training or knowledge renewal.

We have opportunities for vertical and horizontal promotion, quarterly assessment of individual work performance, and we prepare a career plan for employees.

In 2024, we carried out 18,284 hours of training, which means an average of 61 hours for each employee, which is 2,171 fewer hours than in 2023. The reason for the decrease is the higher number of workers who have retired and the reduced number of employees. We continue to maintain a very high average number of hours per employee, which is also due to the fact that they have to undergo many statutory periodic trainings. The number of hours of such training varies according to the expiration date by year and therefore there are also deviations in the annual number of hours.

Through the TEŠ Academy, employees have access to various training courses, which must be agreed with the manager and at a time when the work process allows them to do so.

In accordance with the Training Plan, employees attend statutory trainings, examinations, professional examinations, renewals of knowledge, as well as training courses for upgrading and acquaintance with innovations in their profession.

There are also many options for free e-workshops and seminars, which we have already carried out and which will be available in the future as part of the restructuring of the SAŠA region. We organized a communication skills and public speaking workshop for the leaders. For employees, we also implemented Working Smarter with Artificial Intelligence: skills

for the future of work and increasing productivity, as well as various computer trainings.

We always have free anonymous psychological counselling for employees.

For the second year in a row, we organized a team building event in September with a picnic for all employees, where we strengthen team ties.

Rewarding and motivating employees

We want our employees to be motivated and engaged. That is why we have a system of assessing individual work performance and a system of promotions with precisely set assessment criteria.

For employees, this provides additional motivation to achieve better results. With reward systems, we encourage individual and collective success. Rewards are paid on the basis of corporate collective agreements and other internal acts. In addition, we also motivate employees to innovate, and we also have a policy for innovations that employees can report and that are evaluated.

As part of the assessment, the managers also conduct regular annual interviews with their employees, and we have also prepared a planned career plan for each employee.

Group remuneration is based on predetermined or expected results. Business performance is paid according to the achieved business results at the end of the year. Employees also receive a jubilee award.

Communication with employees

We communicate with employees through the intranet, e-mail, bulletin boards, directly through managers, with management letters to employees, with workers' assemblies and the website. Throughout the year, we proactively inform employees about all current events.

EMPLOYEE CARE

Our first concern is our employees. Due to concern and a high degree of absenteeism, we have concluded collective insurance Specialists with assistance. With various forms of superior insurance, we ensure that employees and their family members can get to a doctor in the shortest possible time. This enables employees to return to the work environment faster after an illness or injury. In connection with the Velenje Health Center and the Center for Health Promotion and their contractors, we cooperate on joint projects, carry out measurements/control of health status indicators twice a year and organize a fitness testing workshop.

In 2024, we organized holiday work for the children of our employees during the summer holidays.

We carried out a preventive active break for employees with a wide variety of types and options for therapies and other services. Employees receive fruit at work on a weekly basis.

For employees, we pay into the second pension pillar in the form of





voluntary supplementary pension insurance for employees, which is an integral part of the salary policy. By doing so, as an informed employer, we ensure greater financial security of our employees even after retirement. In September, we organized team building at Lake Šoštanj for all employees.

For children who have crossed the school threshold for the first time, we have prepared a small package of school supplies.

In the last month of the year, we paid special attention to the employees so that at the end of the year we thanked them for their efforts and work with the desire to continue in the future. We also gave gifts to 94 children and prepared a cultural program for them and invited them to the workplace of their parents. In our midst, we again invited and organized a meeting of TEŠ pensioners, which was accepted with great pleasure and consequently high participation, when about 230 former employees attended the lunch at the end of the year.

Protection of Private and Personal Data

We comply with the law and the general regulation on the protection of personal data, so we have defined the types of personal data we process and regulated data flows; thus, we carefully watch over the process of processing personal data. Information and security measures are constantly refreshed and are compliant with corporate security. We process personal data only on an appropriate legal basis and in accordance with the purpose of the processing.

Care for employees outside of working hours

Through the TEŠ Sports and Cultural Association, we support cultural, sports and other activities in which employees can get involved in their free time. Our employees have the possibility of recreation in several sports areas; thus, we strive for a healthy and active lifestyle. We actively participate in employee sports games. We are also connected to the Šoštanj Alpine Society. We organize many different exhibitions in the company. We are proud of our Octet TEŠ, which has been operating for 30 years. We internally inform employees about various theatre subscriptions and other events that are happening in our environment.

COLLABORATION WITH EMPLOYEE REPRESENTATIVES

We have an open dialogue with social partners such as the trade union and the Workers Council. In 2021, the TEŠ Supervisory Board was re-established, in which we also have our employee representative.

EXTERNAL CONTRACTORS

We are aware that external service providers are also very important for good management of occupational safety and health and for successful business, so we have also devoted ourselves to this area. Acquaintance with the rules of the sites, instructions for external contractors, work permits, work programs with risk assessment are just some of the documents or activities that we performed or checked their implementation.

3.2

For many years, we have been exercising our responsibility to the natural environment by regularly monitoring parameters, warning and taking action. As part of environmental protection activities, we monitor the production of combustion products, emissions and quality of ambient air, the balance of the closed water circuit, control the consumption of raw and additional water and the quantity and quality of wastewater, monitor waste generation and management, implement environmental administrative procedures and propose necessary measures. The main goal was and remains environmentally consistent operation of the company in terms of limit values as well as regulated administrative procedures. In recent years, we have added a goal of as sustainable operation as possible to this goal, which is extremely demanding in a company with a predominant use of fossil fuel. We also pay special attention to increasing the use of gypsum, ash and slag, which can replace natural raw materials in various branches of the industry. We plan to increase the operation of gas turbines, which have a lower specific CO₂ emission per electricity produced, and we also monitor the development of new CO₂ capture technologies.

In the field of water monitoring in the closed water circuit system (ZKV), we detected an encouraging reduction in losses in the previous year compared to previous years.

In the processing of waste into stabilizate, which is used for the rehabilitation of mine sinks, we continue to face poor ash binding, which is the main cause of increased leaching of molybdenum and sulphate. For this reason, ZAG did not issue the Slovenian Technical Approval (STS) to TEŠ in 2022 already. Based on the information that there are greater technical possibilities of stabilizing the mixture with as little gypsum as possible, which could be counted on to regain the STS, the activities of reducing the amount of gypsum in the stabilizer continued.

In parallel with this process, we are looking for new solutions for the further beneficial use of gypsum and fly ash.



3.3

Corporate social responsibility is part of the strategic direction of the company and is one of the key tools to achieve sustainable development.

With its placement and work in addition to the wider area, TEŠ is strongly integrated into the local environment. At the company, we are aware of the importance of the environment in which we operate and we actively co-create it. We are especially aware of this due to the effects that we cause to the environment by producing electricity.

We are aware that the presence of TEŠ in the local community is not undisturbing, so we will continue to take a responsible role in the development of the city and engage in various projects and support them.

For the interested public, we have an open day every first Thursday of the month. We also carry out professional excursions with a tour and presentation of the company for schools, associations or other interested groups.

Reduction of CO₂, SO₂ and NO_x emissions from 1990 to present

3.4

In the vicinity of TPP Šoštanj, the ambient air quality is regularly monitored at nine measuring points within EIS TEŠ. The permanent measuring points are as follows: Šoštanj, Topolšica, Zavodnje, Graška gora, Velenje, Lokovica-Veliki Vrh, Pesje and Škale. Measurements are also carried out with a mobile station located at the measuring point Aškerčeva cesta in the immediate vicinity of TEŠ. Monitoring of continuous measurements of ambient air quality of EIS TEŠ includes:

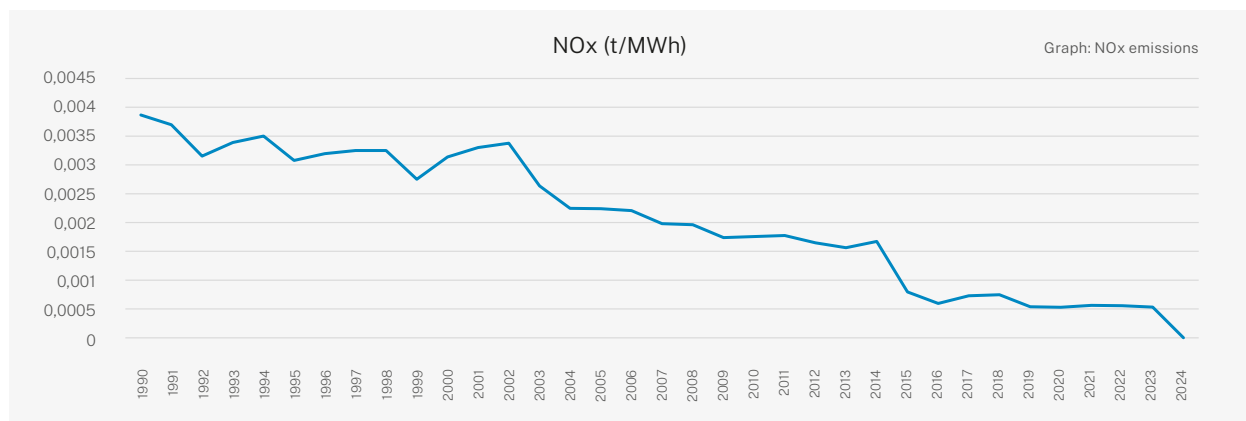
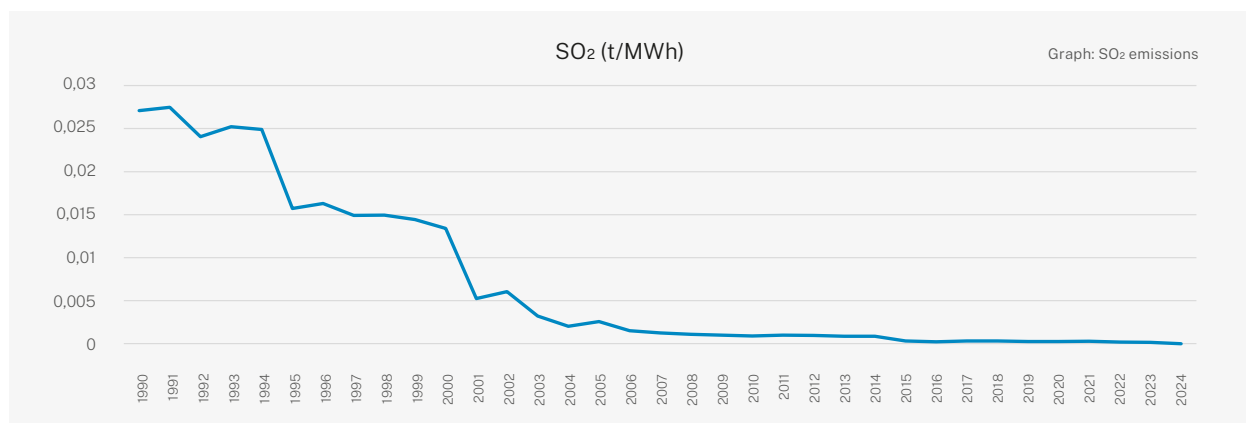
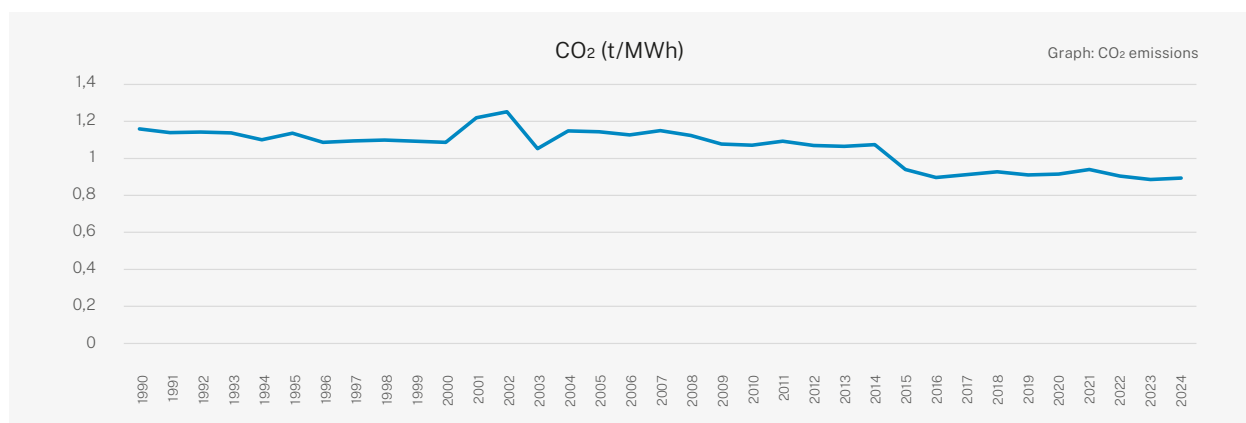
- SO₂ concentrations at all measuring points
- concentrations of NO_x and NO₂ at the measuring points Šoštanj, Zavodnje and Škale and the mobile station;
- concentrations of O₃ at the measuring points Zavodnje and Velenje and the mobile station;
- concentrations of PM 10 particles at the measuring points Šoštanj, Pesje and Škale and the mobile station;
- concentrations of dust deposits at all permanent measuring points of EIS TEŠ;
- monitoring the quality of precipitation at all permanent measuring points of EIS TEŠ;
- monitoring of meteorological parameters at all measuring points;

- radioactivity at the Šoštanj measuring point.

All measurements are carried out under constant professional supervision. EIMV as an authorized energy institution is responsible for the correctness and quality of data. EIMV also performs regular inspections of measuring equipment with reference materials and chemical analyses of precipitation and sediments.

In the past, the surroundings of TEŠ were the most burdened with sulphur dioxide due to emissions from the power plant. A long-standing set of measurements of the ecological information system

after 1995, when a desulphurisation plant was built in Unit 4, shows a noticeable improvement in ambient air quality regarding SO₂ pollution. An additional improvement is visible after 2000, when the treatment plant in Block 5 began to operate. With the construction of Unit 6, the impact of electricity production on the environment was further reduced. Like emissions of sulphur dioxide and dust, emissions of nitrogen oxides have declined, but to a lesser extent. This contribution is also visible in the improvement of ambient air quality or in the reduction of NO_x concentrations in ambient air.







04 Company's financial report

4.1 Auditor's report



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

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

INDEPENDENT AUDITOR'S REPORT to the owner of TERMOELEKTRARNA ŠOŠTANJ d.o.o.

Opinion

We have audited the financial statements of the company TERMOELEKTRARNA ŠOŠTANJ d.o.o. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2024, and the profit or loss statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion

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

Material Uncertainty Related to Going Concern

As discussed in Note 4.3.3, Going concern assumption to the financial statements, the Company incurred a loss of EUR 85 million for the year ended 31 December 2024, and its current liabilities exceeded its current



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assets by EUR 171 million. Furthermore, the ZPFPIPP regulates the operations of the Company only until 30 April 2027, with no current clarity on the measures that may be taken thereafter, and the Company is highly dependent on continued financial support from the state and continued operations with key related parties which are themselves experiencing significant liquidity challenges. These conditions, along with other matters as set forth in Note 4.3.3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. Management's plans concerning these matters are also discussed in Note 4.3.3 to the financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the year ended 31 December 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.

Valuation of property, plant and equipment

Key audit matter	How the matter was addressed in the audit
<p>As at 31 December 2024, the Company reported property, plant and equipment in the amount of EUR 271,463 thousand in the statement of financial position. During the year ended 31 December 2024, the Company prepared an estimate of the recoverable amount of these assets to assess whether any impairment was necessary. Based on the valuation performed by an external expert engaged by management, impairment losses in the amount of EUR 86,567 thousand were recognised.</p> <p>As required by IAS 36 Impairment of Assets, management performs an annual impairment test of cash-generating units (CGUs) to estimate their recoverable amount. In accordance with IAS 36, the recoverable amount of property, plant and equipment is determined based on their value in use, which is calculated as the present value of expected future cash flows that the CGU is expected to generate.</p> <p>Determining the key assumptions and forecasting the expected cash flows requires significant management judgment, therefore, the impairment test of these assets was considered a key audit matter.</p>	<p>As part of our audit procedures, we assessed the appropriateness of the Company's accounting policies relating to impairment of property, plant and equipment and their compliance with IFRS, and we performed the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed whether the model used to calculate value in use met the requirements of IAS 36 Impairment of Assets, and whether the assumptions applied were reasonable in light of current macroeconomic conditions and expected future cash flows. • We evaluated the competence, capabilities and objectivity of the independent expert engaged by management and reviewed their qualifications. We also held discussions with management regarding the scope of the expert's work. • With the assistance of our internal valuation specialists, we assessed whether the methodology used by management's expert was appropriate, and whether the key assumptions and data inputs used in the model were suitable for the intended purpose. In doing so, we focused primarily (but not exclusively) on projected future cash flows, the assumptions used to determine and calculate the discount rate, and other Company-generated data used in the calculations. • We evaluated whether the final estimate of the recoverable amount was appropriately determined, and whether the impairment loss



	<i>was properly recognised in the Company's financial statements</i> <i>We also reviewed the disclosures in the financial statements to assess whether they were adequate in accordance with the applicable financial reporting standards</i>
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Other information

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

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

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

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

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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.

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

Deloitte.

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

Tina Kolenc Praznik
Certified auditor

*For signature please refer to
the original Slovenian version.*

Ljubljana, 14. August 2025

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS



4.2 Corporate responsibility statement

Management is responsible for the preparation of financial statements for each individual financial year in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the applicable legislation, as adopted by the EU, in such a way that they present a true and fair view of the operations of the company Termoelektrarna Šoštanj, d.o.o.

The management reasonably expects that the company will have adequate resources in the foreseeable future to continue their operations, therefore the financial statements are prepared on the basis of the assumption of the unlimited duration of the company's operations.

The management's responsibility in the preparation of the financial statements includes the following:

- accounting policies are appropriately selected and consistently applied;
- judgments and assessments are reasonable and prudent;
- financial statements are prepared in accordance with IFRS, as adopted by the EU.

The management is responsible for keeping appropriate records that present the financial position of the company with reasonable accuracy at all times and for ensuring that the company's financial statements comply with IFRS. Management is also responsible for protecting the company's assets, and for preventing and detecting abuses and other irregularities.

The management confirms that the financial statements are prepared in accordance with the provisions of IFRS without reservations in their application.

The company's financial statements for the financial year ending on 31 December 2024 were adopted by the management on 14 August 2025.



Termoelektrarna Šoštanj, d. o. o.

CEO: MSc. Branko Debeljak

4.3

Based on the decision of the Assembly of the owner of the company Termoelektrarna Šoštanj of 20 August 2010, the company has been preparing financial statements and explanations in accordance with International Financial Reporting Standards (hereinafter IFRS), as adopted by the European Union, since 1 January 2011.

The auditing company Deloitte revizija, d. o. o., audited the financial statements with explanations and prepared the report of the independent auditor, which is included at the beginning of the chapter.

4.3.1 Reporting Company

Termoelektrarna Šoštanj, d. o. o. (hereinafter: the "Company") is a company registered in Slovenia. The registered office is Cesta Lole Ribarja 18, Šoštanj. The company's separate financial statements for the year ended 31 December 2024 are presented below.

The company Termoelektrarna Šoštanj, d. o. o. as of 31 December 2024 is no longer part of the Holding Slovenske elektrarne Group and is transferred to state ownership from that date onwards.

4.3.2 Basis of Composition

In preparing the financial statements as at 31 December 2024, the company took into account:

- IFRS, which include: International Accounting Standards, Standing Committee on Interpretations, International Financial Reporting Standards and 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 and its by-laws;
- Ordinance on accounting of Termoelektrarna Šoštanj, d. o. o.;
- other applicable legislation.

The financial statements of the company are prepared taking into account the expected date of closure of the Velenje Coal Mine in activities related to the public display and public consideration of the draft National Strategy for Exit from Coal and Restructuring of Coal Regions in accordance with the principles of a just transition and an updated environmental report. For the Savinja-Šaleška region, a scenario of exit from coal is proposed no later than 2033.

a) Initial application of new amendments to existing standards in force in the current reporting period

In the current reporting period, the following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU apply and are mandatory for the reporting period starting on or after 1 January 2024:

- **Amendments to IAS 1 - Presentation of Financial Statements - Classification of liabilities as short-term 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 on the basis of contractual arrangements in force at the reporting date. The amendments issued in October 2022 explain how the conditions to be met by the company within twelve months after the reporting period affect the classification of liabilities and provide that both amendments should apply to annual periods beginning on or after 1 January 2024.
- **Amendments to IAS 7 - Cash Flow Statement and IFRS 7 - Financial Instruments: Disclosures - Supplier Financial Arrangements**, issued by the IASB on 25 May 2023. The changes add disclosure requirements and “roadmaps” within existing disclosure requirements to provide qualitative and quantitative information on supplier financial arrangements.
- **Amendments to IFRS 16 - Leases - Lease liability on sale with leaseback** issued by IASB on 22 September 2022. Amendments to IFRS 16 require the seller-lessee to measure lease liabilities arising from the leaseback at a later date, in such a way that the seller-lessee does not recognize any amount of profit or loss related to the right of use that it retains. The new requirements do not prevent the seller-lessee from recognizing in the business results a gain or loss in connection with a partial or complete cancellation of the lease.

The adoption of amendments to the existing standards did not have a significant impact on the disclosures or the amounts stated in these financial statements.

b) New and amended accounting standards issued by the IASB and adopted by the EU, but not yet in force

At the date of approval of these financial statements, the Company does not apply the following amended IFRS accounting standards issued by IASB and adopted by the EU but not yet in force:

- **Amendments to IAS 21 - Impacts of changes in exchange rates - lack of currency convertibility** issued by the IASB on 15 August 2023. The changes provide instructions for determining when currency is convertible and how to determine the exchange rate when a currency is not convertible.

c) New standards and amendments to existing standards issued by the IASB but not yet adopted by the EU

At present, IFRS, as adopted by the EU, do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards (the effective dates stated below apply to IFRS, as issued by the IASB):

- **Amendments to IFRS 9 and IFRS 7 - Amendments to the 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 management (ESG) aspects. The amendments also clarify the date of derecognition of a financial asset or financial liability and introduce additional disclosure requirements in relation to investments in equity instruments designated as at fair value through other comprehensive income and disclosures in relation to financial instruments with contingent features (effective date set 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 requirements for own use in IFRS 9 are amended to include the factors that the company must take into account when applying IFRS 9:2.4 to contracts for the purchase and takeover of electricity from renewable sources, the production of which depends on the nature. The hedge accounting requirements in IFRS 9 have been amended to allow an entity that uses a nature-based renewable electricity contract with certain characteristics as a hedging instrument to determine the variable scope of envisaged electricity transactions as a hedged item, if certain criteria are met, and to measure the hedged item with 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 set 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, adjustments and amendments in the following areas: a) hedge accounting for first-time adopters (IFRS 1); b) gain or loss on derecognition (IFRS 7); c) disclosure of the deferred difference between fair value and transaction price (IFRS 7); d) introductory and credit risk disclosures (IFRS 7); d) lessee derecognition of lease liabilities (IFRS 9); e) transaction price (IFRS 9); f) designation of a "de facto agent" (IFRS 10); g) cost method (IAS 7) (effective date set 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 corporate reporting on financial performance and gives 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 (operations, investment, financing, income tax 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 on performance criteria set by management in the notes to the financial statements (effective date set by the IASB: 1 January 2027).
- **IFRS 19 - Subsidiaries without Public Liability: Disclosures** issued by the IASB on 9 May 2024. The Standard reduces the disclosure requirements for subsidiaries when applying IFRS accounting standards in the financial statements. IFRS 19 is optional for subsidiaries that meet certain conditions and sets out disclosure requirements for subsidiaries that choose to apply it (effective date set by the IASB: 1 January 2027).

- **IFRS 14 - Statutory Deferral of Payment of Invoices**, published by the IASB on 30 January 2014. The aim of the standard is to enable companies that use IFRS for the first time and that currently recognize statutory deferrals of payment of invoices in accordance with the previous GAAP to continue such recognition when switching to IFRS (effective date set by the IASB: 1 January 2016).
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Selling or contributing assets between the investor and its associated company or joint venture**, published by the IASB on 11 September 2014. The amendments relate to the divergence of requirements under IAS 28 and IFRS 10 and explain that the extent of recognition of profit or loss in a transaction with an associate or in a joint venture depends on whether the sold or contributed assets represent a business entity (the IASB has indefinitely postponed the effective date, but prior use is allowed).

The company assumes that the introduction of these new standards and changes to the existing standards during the period of initial application will not have a significant impact on the company's financial statements.

The hedge accounting in relation to the portfolio of financial assets and liabilities, not adopted by the EU, remains unregulated.

The company considers that the application of hedge accounting to financial assets and liabilities in accordance with **IAS 39 - Financial Instruments: recognition and measurement** would not have a material effect on the company's financial statements if it had been applied at the balance sheet date.

4.3.3 Basis of measurement

Financial statements have been prepared on the assumption of a going concern and taking into account the occurrence of a business event.

The financial statements of the company have been prepared considering the original values of balance sheet items.

The following qualitative characteristics of the financial statements are considered:

- Fair presentation and compliance with IFRS: the financial statements present fairly the financial position, financial performance and cash flows of the company.
- Consistency of presentation: the presentation and classification of items in the financial statements is the same from one period to another.
- Materiality and aggregation: each material group consisting of similar items is presented separately in the financial statements. Items of a different nature or role are presented separately, unless they are immaterial.
- Offsetting: neither assets and liabilities nor revenues and expenses are offset, unless the standard or explanation requires or permits offsetting.
- Comparative information: unless the standard or interpretation allows or requires otherwise, comparative information from the previous period is disclosed for all amounts shown in the financial statements.

Comparative information is included in verbal and descriptive information, if necessary for the understanding of the financial statements of the period under consideration.

- Changes in significant accounting policies: the same accounting bases and policies and principles of recognition and evaluation as for 2023 were taken into account in the preparation of the financial statements.

Going concern basis:

The financial statements have been prepared on the basis of the assumption of a going concern. In 2024, the company generated a loss of EUR 85,683 thousand (2023: EUR 45,913 thousand loss). The main reason for the loss was the impairment of long-term assets by EUR 86,567 thousand, which negatively affected its result (without impairments, the net profit before taxes would be positive, in the amount of EUR 883 thousand). Also, due to the reclassification of liabilities from the loan to short-term liabilities, they exceed short-term assets by EUR 171 million as at 31 December 2024.

The contract for the sale of electricity for 2024 is based on the transfer pricing model, namely the so-called "cost plus" method. Despite this price, the Company incurred an impairment loss on its assets. Given that the facts and circumstances on which the "cost plus" method is based have changed (fall in market prices of electricity, increase in the cost price of electricity produced at TEŠ due to high costs of purchasing emission coupons and energy product), the risk of changing the critical assumptions that were in force in the three-year period between 2022 and 2024 is increasing, which is why it is estimated that the existing method of determining sales prices, which allowed TEŠ to cover costs and return, is no longer sustainable after 2024. As it follows from the financial analyses, the key assumptions in the electricity market and the emission coupon market will change to such an extent that the sale of electricity under the "cost plus" method will no longer be possible.

From 2025 onwards, TEŠ will be able to set the selling price at levels based on market prices that are lower than the cost price of electricity produced. According to the forecasts of the sales prices of electricity in the future, it turned out that it would not even be sufficient to cover the variable costs (emission coupons, energy source), so HSE started the activities of restructuring the thermodivision with the aim of exclusion from the HSE Group. After the elimination of thermodivision from the HSE Group, TEŠ has, since 31 December 2024 been directly owned by the state. 21. December 2024, the Act on Transitional Financing of Accelerated and Fair Exit from Coal (ZPFPPIP) entered into force, which during the validity (from 1 Feb. 2025 to 30 April 2027) provides compensation for the difference between the cost and selling price of electricity in order to ensure the production of thermal energy for the Šaleška Valley.

The Act defines that during the validity of the Act, TEŠ performs an economic public service with the purpose and with the aim of smooth provision of heat in the Municipality of Velenje and the Municipality of Šoštanj as a material public good until it can be provided on the market. The production and supply of heat to the heat distributor is in the public interest in order to meet the public needs of the population and legal entities until the provision of alternative production sources of heat production. The law does not regulate the operation of TEŠ after 30 April 2027 or after the date of installation of alternative production sources of heat. A final decision on this will be made when the timeframe for the establishment of alternative heat sources is known and laws will be adopted to regulate the issues of just transition.

In accordance with the ZPFPPIP, the public utility service is financed from the following sources:

- from revenues from heat produced.
- from the sale of by-products arising from the production of heat (such as: electricity, fly ash, gypsum, system water, slag);
- from the state budget (monetary compensation),
- from other revenues.

The ZPFPPIP defines the objective criteria for the calculation of financial compensation for the provision of the public service and the determination of the procedure for determining the amount of compensation, which is decided by the Ministry responsible for energy. The calculation of the compensation is based on the principle of predetermining the categories of eligible costs. The amount of financial compensation is the difference between the eligible costs and revenues from the sale of heat and by-products and other revenues that TEŠ achieves on the market. The control of the regularity and performance of the public service provider and the compensation received for the provision of public service based on this Act is carried out annually by the Court of Auditors.

By transferring the ownership of TEŠ as of 31 December 2024 to the Republic of Slovenia and by changing the business model from 2025 onwards, the provisions have changed of the loan agreement on borrowing-TEŠ Power Plant Šoštanj/B Finance Contract, FI No 25,541 SI, concluded with the European Investment Bank for the financing of Unit 6. As, on 31 December 2024, there was no annex to the existing loan agreement, which would consider the legal changes of TEŠ and regulate the new contractual obligations, there was a violation of them. Even though negotiations between the EIB, TEŠ and the Ministry of Finance (representing the owner of TEŠ) regarding new contractual commitments are in full swing, in accordance with the provisions of IFRS, it is necessary to carry out an accounting transfer of the entire loan to short-term liabilities as at 31.12.2024. The management expects that an agreement will be reached with the EIB before the end of the financial year 2025.

In the absence of an agreement and if the EIB exercises the right to recall the remaining principal of the loan in 2025 or during the duration of ZPFPPIP, TEŠ could, in accordance with the provisions of ZPFPPIP, request an extraordinary adjustment of the initial annual compensation and the monthly dynamics of its payment so that

- a) the initial annual compensation is determined in a new, higher amount, which allows the repayment of the entire amount with the cancellation of due liabilities to the EIB, and that
- b) determine the new dynamics of its payment, which will enable the payment of the overdue liability within the deadline changed due to the recall.

Since the final date for the installation of sufficient alternative sources for heat supply in the Šaleška Valley is not yet known, the ZPFPPIP regulates the operations of TEŠ only until 30 April 2027, when the 2027 heating season is completed. In the future, this period will be subject to adjustments when the timeframe for the establishment of alternative heat sources is known and when laws are adopted to regulate the issues of just transition, i.e. Act on the Gradual Closure of the Velenje Coal Mine and the Act on the Development Restructuring of the Savinja-Šaleška Region.

The described circumstances indicate that there is uncertainty that may raise doubts about the company's ability to continue as a going concern.

4.3.4 Functional and presentation currency

The financial statements in this report are presented in euro (EUR) without cents, which is at the same time the functional and presentation currency of the company. Rounding of values can cause insignificant discrepancies in total sums in tables.

4.3.5 Applying assessments

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported values of assets and liabilities, revenues and expenses, and disclosures of contingent assets and liabilities during the reporting period. The formation of estimates and related assumptions and uncertainties are disclosed in the notes to individual items.

Estimates and assumptions are based on past experience and other factors deemed reasonable in the circumstances, on the basis of which estimates of the carrying amount of assets and liabilities are expressed. Since estimates and assumptions are subject to subjective judgement and a certain degree of uncertainty, subsequent actual results may differ from estimates. Estimates are checked at least once a year for the existence of impairment indicators for individual cash-generating units. Changes in accounting estimates are recognized in the period in which the estimates were changed, if the change affects only that period, or in the period of the change and in future periods, if the change affects future periods.

Estimates and assumptions are present in at least the following judgments:

- **Estimation of useful life of depreciable assets**

When assessing the useful life of assets, the company considers the expected physical exploitation, technical aging, economic aging and the expected legal and other restrictions on use. In the case of significant assets, the company checks the useful life and determines whether there were changed circumstances that required a change in the useful life.

- **Non-financial asset impairment test**

The company checks at least once a year whether there are indicators for the impairment of an individual cash-generating unit, where the recoverable value of non-financial assets is determined on the basis of the present value of cash flows, which is based on the assessment of expected cash flows from the cash-generating unit as well as the determination of an appropriate discount rate. When assessing whether impairment of real estate should be carried out, the company takes into account that individual real estate as a whole generates cash inflows depending on the remaining real estate.

- **Estimate of net realizable value of inventories**

Inventory costs are not recoverable if inventory is damaged, if it is wholly or partially outdated, or if its sales prices decrease. Inventory costs are also not recoverable if the estimated costs of completion or the estimated costs that will arise in connection with the sale increase. The partial write-off of inventories below their original value or costs to net realisable value is in line with the view that assets cannot be disclosed at higher amounts than expected when they are sold or used.

- **Assessment of impairment of receivables and assets from contracts with customers**

When preparing the financial statements, the company estimates value

adjustments based on the model of expected credit losses, according to which the expected losses that will occur in the future are estimated.

- **Estimation of formed provisions for post-employment and other long-term employee benefits (severance pay at retirement)**

In the context of employee employment benefit commitments, the present value of severance pay on retirement is recorded. It is recognized on the basis of an actuarial calculation based on assumptions and estimates valid during the creation of the calculation, which, due to changes in the future, may differ from the actual assumptions that will be valid at that time. This primarily relates to the determination of the discount rate, the assessment of employee turnover, the assessment of mortality and the assessment of wage growth. Due to the completeness of the actuarial calculation and the long-term nature, the obligations for the post-employment benefits of employees are sensitive to the changes in those estimates.

- **In the recognition of formed provisions for lawsuits and decommissioning and contingent liabilities**

A provision is recognized when the Company has a legal or constructive obligation that can be reliably assessed as a result of a past event, and if it is probable that an outflow of factors allowing economic benefits will be required in settling the obligation. The company's management regularly checks whether the outflow of assets that provide economic benefits is probable for the settlement of liabilities. In the event that it becomes probable, the contingent liability is reallocated in such a way that a provision is made in the financial statements for the moment when the probability level is changed.

4.3.6 Events after the date of the statement of financial position

In accordance with the Act on Transitional Financing of Accelerated and Fair Exit from Coal (Official Gazette of the Republic of Slovenia, no. 109/24), which entered into force on 21 December 2024, the company receives compensation in 2025 to cover the costs that are not covered by the model of market prices of electricity and is intended to ensure the transaction ability and solvency of TEŠ. The amount of the annual compensation is estimated at €164 million. The company receives compensation monthly according to a predetermined schedule.

4.3.7 Significant Accounting Policies

The financial statements of the company are prepared on the basis of accounting policies, which are defined in the internal act of the company and are used for both presented years.

4.3.7.1 Foreign currency translation

Transactions denominated in a foreign currency are translated into the appropriate functional currency at the exchange rate at the date of the transaction. Cash and liabilities denominated in foreign currency at the end of the reporting period are translated into functional currency at the exchange rate applicable at that time. Positive or negative exchange rate differences are the differences between the amortised cost in the functional currency at the beginning of the period, adjusted for the

amount of effective interest and payments during the period, as well as the amortised cost in a foreign currency, converted at the exchange rate at the end of the period. Exchange differences are recognized in the income statement on a net basis.

4.3.7.2 Intangible Assets

Intangible assets are non-current assets and enable the implementation of the company's activities, while they do not physically exist. Among the intangible assets, the company discloses licenses and software and emission coupons.

At initial recognition, the intangible asset is valued at cost. The purchase value also includes import or non-refundable purchase duties after deduction of trade and other discounts and all costs directly attributable to the preparation of the asset for the intended use. Borrowing costs that are directly attributable to the purchase of an intangible asset in progress (that is, until the asset is activated) are recognized as part of the cost of such an asset.

For subsequent measurement of intangible assets, the cost model is used.

CO₂ emission coupons are non-current property rights with an indefinite useful life and are valued in accordance with the explanations of the Slovenian Institute of Auditors.

Depreciation is calculated using the straight-line depreciation method, considering the useful life of each individual (component) part of an intangible asset. The company starts accounting for amortisation from cost when the asset is available for use.

The residual value of an intangible asset is the estimated amount that the company would have received at the time of disposal of the asset after reducing by the estimated costs of disposal if the asset had already been old and in the condition expected at the end of its useful life. The company has no intangible assets for which it would record the remaining value at the time of purchase.

Intangible assets with indefinite useful lives are not depreciated but are impaired.

Amortisation methods, useful lives and residual values of groups of intangible assets are checked as at the end of each financial year and adjusted if necessary.

When the useful life is extended, the costs of accrued depreciation in the financial year decrease, and when the useful life is shortened, they increase. The adjustment of the useful life must be recalculated so that the intangible asset will be depreciated over the new projected useful life. The change in useful life is considered as a change in the accounting estimate and affects only the period in which the accounting estimate was changed and each subsequent period in the remaining useful life.

Utility periods - intangible assets

in years from - to	
Computer applications	2-10 years
Licences	2-10 years

Subsequent costs related to intangible assets are capitalized only in cases where they increase the future economic benefits arising from the asset to which the costs relate. All other costs are recognized in the profit and loss statement as incurred as soon as they arise.

4.3.7.3 Property, plant and equipment

Property, plant and equipment are part of the non-current assets owned by the company, which are used for the performance of the company's activities. Property, plant and equipment includes land, buildings, production equipment, other equipment and assets under construction and production.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for land and other assets that are not depreciated, and which are stated at cost less all impairments. Cost includes costs that can be directly attributed to the acquisition of an individual asset. Parts of devices and equipment that have different useful lives are accounted for as individual assets. The estimated amounts of the costs of major regular inspections and repairs (overhauls) of devices and equipment are treated as parts. These are repairs that are carried out usually every few years-cyclically-and that incur significant expenditures.

Parts of devices and equipment that have different useful lives are accounted for as individual assets. Replacement parts of greater value are recorded among property, plant and equipment and are depreciated over the useful life of the asset for which they were purchased.

The company does not have property, plant and equipment acquired free of charge.

Borrowing costs that are directly attributable to the purchase, construction or production of a qualifying asset, that is, until the asset is activated, are recognized as part of the cost of such an asset. For subsequent measurement of property, plant and equipment, the cost model is used.

Depreciation is calculated using the straight-line depreciation method, considering the useful life of each individual (component) part of an asset and the remaining value. The company starts accounting for amortisation from cost when the asset is available for use. Assets under construction or in production do not depreciate.

The depreciation rates of property, plant and equipment are determined on the basis of the management's assessment of the expected useful life of individual production units.

Periods of use - property, plant and equipment and production equipment and parts of production equipment

	in years from - to
Buildings	12-40 years
Parts of buildings	12-40 years
Production equipment:	
U5 (VVZP and other)	4-12 years
U5 revitalization	12 years
U6	5-18 years
Parts of production equipment:	
Investment maintenance U5	4 years
Investment maintenance U6	2-3 years
Computer equipment	2-5 years
Furniture	3-10 years
Small tools	5 years
Personal Vehicles	5-8 years
Other vehicles	5-20 years
Other plant and equipment	3-15 years

Amortisation methods, useful lives and residual values of groups of assets are checked as at the end of each financial year and adjusted if necessary.

When the useful life is extended, the company reduces, and when the useful life is shortened, it increases the already accrued depreciation costs in the financial year in question. The adjustment of the useful life must be recalculated so that the asset will be depreciated over the new projected useful life. The change in useful life is considered as a change in the accounting estimate and affects only the period in which the accounting estimate was changed and each subsequent period in the remaining useful life.

The cost of replacing a part of an asset is attributed to the carrying amount of that asset if it is probable that the future economic benefits associated with the part of that asset will flow to the company and if the cost can be reliably measured. All other costs (e.g. current maintenance) are recognized in the profit and loss statement as incurred as soon as they arise.

The residual value of an asset is the estimated amount that the company would have received at that time for the disposal of the asset after reducing by the expected costs of disposal if the age and condition of the asset had already indicated the end of its useful life. Gains and losses arising from the disposal of property, plant and equipment are determined as the difference between the net sales value and the carrying amount of the disposed asset and are disclosed among other operating revenues or write-offs.

4.3.7.4 Right to use leased assets

On the basis of lease agreements, lessees disclose leased assets in the statement of financial position as assets from the right to use in connection with lease liabilities. The value of leased assets is transferred to costs through depreciation, and the financing costs are charged to financial expenses. The standard allows tenants two exceptions to

recognition, namely when leasing low-value assets and short-term leases.

The company reviewed and analysed the concluded lease agreements with a duration longer than one year. Based on the cost of the lease and the duration of the lease agreements, the company estimated the value of the right to use the leased assets and liabilities from the lease and recognized them in the statement of financial position for a period of five years. In the case of contracts of indefinite duration with the right to terminate the contract, the management, in accordance with point 18 of IFRS 16, with decent certainty, estimates that the termination of the lease will not occur for at least another five years, while the assessment of a longer contractual lease cannot be given with considerable certainty. Therefore, in the case of contracts of indefinite duration, the rental period is set at five years.

The values of the right to use the leased assets and the lease liability are estimated on the basis of discounting future cash flows for the lease term. In leases, the company used an interest rate calculated as an average of the interest rates published in the Bank of Slovenia Bulletin, for a maturity of over 1 to 5 years, separately for amounts up to 1 million and for amounts over 1 million.

The company TEŠ used the exception regarding the recognition of the right to use assets for small value leases in accordance with point 5 of IFRS 16.

4.3.7.5 Financial Assets

Financial assets include cash and cash equivalents, accounts receivable and loans, and financial investments. Investments in jointly controlled companies, investments in associates and investments in financial instruments are disclosed.

The Company initially recognizes loans, receivables and deposits on the day of their creation. Remaining financial assets are initially recognized at the date of exchange, when the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial asset when contractual rights to the cash flows arising from such an asset are terminated or when the rights to contractual cash flows arising from a financial asset are transferred based on a transaction that transfers all risks and benefits arising from the ownership of the financial asset.

On initial recognition, financial instruments of the company are classified in one of the following groups:

- financial assets measured at amortized cost.
- financial assets at fair value through other comprehensive income.
- financial assets at fair value through profit or loss.

The classification depends on the selected asset management business model and on whether the company obtains contractual cash flows from financial instruments solely from principal and interest payments on the outstanding principal amount. Except for operating receivables that do not contain a significant financing component, on initial recognition, the company measures the financial asset at fair value plus transaction costs. Operating receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with the provisions of IFRS 15.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits up to three months, and other current, highly realizable investments with an original maturity of three months or less.

For the conversion of cash from a foreign currency, the company uses the reference rate of the European Central Bank (ECB) published by Banka Slovenije, taken from the ECB's exchange rate list, except for those currencies for which the ECB does not publish reference rates daily and for which the monthly exchange rate is considered.

Financial assets at amortised cost

Financial assets at amortised cost are classified by the company as financial assets that it holds within the business model for obtaining contractual cash flows and if the cash flows represent solely payments of principal and interest on the outstanding principal. The Company classifies loans and receivables as financial assets at amortized cost. According to maturity, they are classified as short-term financial assets (maturity up to 12 months after the date of the statement of financial position) or non-current financial assets (maturity over 12 months after the date of the statement of financial position).

Financial assets at repayment cost are initially recognised at fair value, plus direct transaction costs. After initial recognition, they are measured at amortized cost using the effective interest rate method, less any impairment loss. Gains and losses are recognized in profit or loss upon elimination, change or impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss include:

- financial assets dedicated to trading.
- financial assets at fair value through profit or loss.
- financial assets that the company must measure at fair value.

Financial assets are classified as held for trading, if they are acquired with a view to sale or repurchase in the near future. Derivatives are classified in the group of financial assets held for trading, except for effective hedging instruments.

Financial assets, that generate cash flows and that are not exclusively payments of principal and interest are classified and measured at *fair value through profit or loss*, regardless of the chosen business model.

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

4.3.7.6 Contractual assets and contractual liabilities

With the introduction of IFRS 15, accrued revenues are no longer part of other assets. Instead, accrued revenues from sales contracts with customers are disclosed under the item Contractual assets.

With the introduction of IFRS 15, deferred revenues are no longer part of other liabilities. Instead, deferred revenues from sales contracts with customers are disclosed under the item Contractual liabilities.

Accrued revenues are revenues that are considered in profit or loss, although they have not yet been charged. In accordance with IFRS 15, they are disclosed in the statement of financial position as contractual assets and represent the right to compensation in exchange for goods or services that are transferred to the buyer. Deferred revenues are presented in accordance with IFRS 15 as Contractual Liabilities and are recognized as revenues when the company fulfils its performance obligation under the contract.

4.3.7.7 Material Stocks

Stocks are valued at cost or net realisable value, at the lower of the two. The purchase value consists of the purchase price, import duties and other direct purchase costs. The purchase price is reduced by the discounts received. Direct costs of procurement are transport costs, loading, handling and unloading costs, costs of monitoring the goods and other costs that can be directly attributed to the acquired merchandise and materials. The discounts on the purchase price include those that are stated on the invoice and those that are obtained later and relate to an individual purchase.

The company uses the average moving prices method to evaluate inventories of materials, spare parts and small inventory and to show costs or expenses.

The company uses the consecutive price method (fifo) only to evaluate the consumption of coal, gas and biomass. The energy source that was first purchased is also the first to be used. At the end of the year, the company discloses a coal stock in the amount of 4,480 TJ.

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

At least once a year, according to the situation on the date of preparation of the annual financial statements, the evidence of impairment of inventories is assessed. Inventory impairment is assessed for each individual type of inventory. These are allocated to groups of stocks with similar properties based on the time component of the stock movement. When assessing impairment for an individual group, the criteria of professional judgment, further use or sale are used.

4.3.7.8 Impairment of assets

4.3.7.8.1 Financial Assets

In accordance with IFRS 9, the company switched from the model of incurred losses to the model of expected losses, according to which the company recognizes not only incurred losses, but also losses that are expected to occur in the future.

A financial asset is considered to be impaired if there is objective evidence which shows that, due to one or multiple events, a reduction in expected future cash flows from that asset has occurred which can be measured reliably.

Objective evidence of impairment of financial assets can be: non-fulfilment or violation on the part of the debtor, signs that the debtor will go bankrupt, restructuring of the amount owed to the company by others, if it agrees, the disappearance of an active market for such an instrument.

4.3.7.8.2 Impairment on receivables and loans given

The company assesses the evidence of impairment of receivables separately or jointly. All significant receivables are individually measured for the purpose of special impairment. If it is estimated that the carrying amount of the receivable exceeds its fair value, that is, the realisable value, the receivable is impaired. Receivables that are not expected to be settled within a regular period or in the entire amount are considered doubtful if court proceedings have been initiated or a decision on the

initiation of compulsory settlement, liquidation or bankruptcy proceedings has been published, and as disputed receivables.

The Company estimates that a financial asset is a default if the contractual payments have been due for 180 days. However, in some cases, the company may assess increased credit risk, even if, based on information, it is likely that the company will not receive the outstanding contractual amounts in full. The company recognizes the write-off of a financial asset when it reasonably expects that the contractual cash flows will not be recovered.

The company assesses the evidence of impairment of loans individually for each loan.

The impairment assessment is based on the expected credit losses related to the probability of default of receivables and loans over the next 12 months, unless the credit risk has increased significantly since initial recognition. In these cases, the impairment assessment is based on the probability of non-payment over the entire duration of the financial asset (LECL). Expected credit losses represent the difference between the contractual cash flows due under the contract and all the cash flows that the company expects to receive. Expected cash flows will include cash flows from the sale of collateral assets.

Impairments for expected credit losses are assessed in two stages. For credit exposures for which there was no significant increase in credit risk after initial recognition, impairments for expected credit losses are recognized for credit losses resulting from defaults that are possible over the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the company recognizes an adjustment for losses expected over the remaining life of the exposure, regardless of the period of default.

4.3.7.8.3 Non-financial assets

At each reporting date, the company checks the carrying amount of significant non-financial assets in order to determine whether there are signs of impairment. If such indications exist, the recoverable amount of the asset is estimated.

Recoverable amount of an asset or cash-generating unit is the value in use or fair value, reduced by selling costs, whereby the higher of the two amounts is applied. In determining the asset's value in use, projected cash flows are discounted to their present value using the discount pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are classified in the smallest possible group of assets that generate cash flows from further use and that are largely independent of the receipts of other assets or groups of assets (cash-generating unit).

An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount. Impairment is disclosed in the income statement.

As at the end of the reporting period, impairment loss from previous periods is evaluated to determine whether loss has been reduced or even eliminated. Impairment loss will be reversed in the case of a change in estimates based on which the Company determined the recoverable amount of the asset. Loss due to impairment of asset is eliminated up to the amount where the increased carrying amount of an asset does not exceed the carrying amount determined after depreciation, if no loss due to impairment would be recognized for the asset in the previous years.

4.3.7.9 Equity

The total equity of the company is its obligation to the owners, which becomes due for payment if the company ceases to operate, whereby the size of the equity is corrected in relation to the then achievable price of net assets. It is defined by the amounts invested by the owners and the amounts that have arisen in the course of business and belong to the owners. It is reduced by operating loss and payments to the owners, and increased by profit generated in the period.

Share capital and capital reserves represent cash and in-kind contributions of the owner.

Capital reserves represent general "revaluation" capital adjustments. The amount can only be used to increase the share capital and cover the loss.

Statutory and other revenue reserves are amounts that are purposefully withheld from the profit of previous years. They are formed on the basis of a decision of the appropriate management and control body. The fair value reserve represents the amounts of revaluations of individual categories of assets. The fair value reserve discloses actuarial gains or losses related to provisions for post-employment and other long-term employee benefits (severance pay at retirement).

The retained profit or loss discloses the profit or loss for the previous years and the current year.

4.3.7.10 Provisions for post-employment and other long-term employee benefits

In accordance with legal regulations, collective agreement and internal rules, the company is obliged to pay jubilee awards to employees and severance pay upon their retirement, for which non-current provisions are formed. There are no other pension obligations. Provisions are formed in the amount of estimated future payments for severance pay and jubilee benefits, discounted at the end of the financial year. The calculation is made for each employee in a way, which takes the costs of the severance pay on retirement, and the cost of all expected jubilee rewards to retirement, into account. The calculation using the projected unit is prepared by the actuary, which is selected at the group level. Payments for severance upon retirement and payments of jubilee awards reduce the formed provisions.

The income statement recognizes labour costs and interest costs, and the conversion of post-employment benefits or unrealized actuarial gains or losses from severance pay upon retirement in other comprehensive income.

4.3.7.11 Employee benefits

Short-term employee benefits liabilities are measured without discount and are recorded among expenses when the employee's work in connection with a particular short-term benefit is performed. Liabilities are disclosed in the amount expected to be paid in the form of short-term benefits if the company has a present legal or indirect obligation for such payments due to the past work performed by the employee and the liability can be reliably measured.

4.3.7.12 Other provisions

Provisions are recognised if the company has a legal or constructive obligation as a result of a past event; a reliable estimate can be made of the amount of the obligation; and it is probable that an outflow of

resources embodying economic benefits will be required to settle the obligation. The value of the provision must be equal to the present value of the expenditure expected to be required to settle the obligation. Since the provisions are intended to cover probable but not certain liabilities, the amount recognized as a provision is the best estimate of the expenditure required to settle the obligation existing at the date of the statement of financial position. In achieving the best estimate of the provision, the risks and uncertainties that inevitably accompany the events and circumstances are considered.

Among other provisions, the company shows the estimated decommissioning costs for the removal of Unit 6 after the expiry of the period of use. Provisions are reduced directly by the costs or expenses for which they were created. This means that in the financial year such costs or expenses no longer appear in the profit or loss.

If the foreseen liabilities do not arise, the amount of the formed provisions is eliminated and disclosed among other operating revenues.

4.3.7.13 Financial Liabilities

On initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, loans received, operating liabilities and leases. The financial liability initially recognizes the issued debt securities on the day of their creation. All other financial liabilities are initially recognised as at the trading date or when the company becomes a contracting party in relation to the instrument. Except for loans received, all financial liabilities are measured at fair value when initially recognized. Loans received are measured at amortized cost using the applicable interest rate. Depending on the maturity of a loan and rent, financial liabilities are classified as short-term (maturity of up to 12 months after the date of the statement of financial position), or long-term (maturity over 12 months after the date of the statement of financial position). All gains and losses are recognized in the income statement upon derecognition of the financial liability and within the depreciation of the applicable interest rate.

The company will derecognise financial liabilities if obligations defined in the contract are fulfilled, nullified, or expired.

4.3.7.14 Other assets and other liabilities

Other assets include advances given, receivables from state institutions and others, and short-term deferred costs and accrued revenues not related to sales contracts. Deferred costs are amounts that are not yet charged to the profit or loss at the time of their occurrence.

Other liabilities include advances received, liabilities to employees, state institutions and others, and non-current and short-term deferred costs and certain revenues not related to liabilities from sales contracts. Accrued costs are amounts that have not yet appeared but will in the future and already currently affect the profit or loss. With the introduction of IFRS 15, deferred revenues are no longer part of other liabilities. Instead, they are disclosed under the item Contractual liabilities from sales contracts with customers.

4.3.7.15 Liabilities from contracts with customers

Liability from the contract is the obligation to transfer goods or services to the buyer in exchange for compensation received by the company

from the buyer. Deferred revenues are recognized as revenues when the company fulfils its performance obligation under the contract.

4.3.7.16 Contingent liabilities and contingent assets

A contingent liability is:

- a possible obligation arising from past events and whose existence is confirmed only by the occurrence or
- the non-occurrence of one or more uncertain future events that the Company does not fully control, or
- a present obligation arising from past events but not recognised because it is unlikely that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably enough.

A contingent asset is a possible asset that arises from past events and the existence of which is confirmed only by the occurrence or non-occurrence of one or more uncertain future events that the Company does not fully control. The Company does not yet recognize contingent liabilities and assets in the Statement of Financial Position.

4.3.7.17 Revenue from contracts with customers

In accordance with IFRS 15, the company uses a five-step revenue recognition model. The model defines that revenue is recognized when the control of goods or services is transferred to the buyer, in the amount to which it is expected to be entitled. According to the fulfilled criteria, revenues are recognized:

- at the moment or
- through a period.

The company recognizes revenues from contracts with customers on the basis of concluded contracts with customers and when the control of the goods or services is transferred to the customer in an amount that reflects the compensation to which the company expects to be entitled. Each promised service or supply of goods is treated as an independent performance obligation if it is different. It is considered different when the customer benefits from the service provided or the goods delivered. A performance obligation is a promise to provide the customer with a service or goods.

Revenue is recognized at the moment when the company fulfils the performance obligation, i.e. when control of the service and goods is transferred to the buyer. Control means that the customer can direct the use of the asset and receive all material benefits from the asset and may also prevent others from using and receiving benefits from the asset.

Discounts granted at the time of signing the contract are allocated to all performance obligations and are deferred over the duration of the contract. All subsequently granted discounts are recognized in the period for which they are granted and reduce revenues.

When selling products and goods, a performance obligation arises at the time of delivery. The goods are invoiced on a monthly basis. As part of the sale of goods, the largest share is the sale of electricity, followed by the sale of thermal energy and the remaining waste material.

When selling the services, the performance obligation arises during the

performed service, and invoicing is carried out on a monthly basis. As part of the sale of services, the largest share is represented by the services provided from the compensation for the use of entry capacities, rents and other.

4.3.7.18 Other operating and financial revenues

Other operating revenues, related to business effects are revenues from the reversal of provisions, revenues from the absorption of deferred revenues, profits from the sale of fixed assets, elimination of impairments of receivables, received damages and contractual penalties, and similar revenues (e.g. government grants).

Government support is treated as deferred income, which the company rigorously and prudently recognizes as other operating income over the useful life of the asset in question (on the other hand, the company discloses the cost of depreciation of this asset among operating expenses).

Financial revenues include revenues from shares in investments, interest on loans and deposits given, and foreign exchange gains from financing.

4.3.7.19 Other operating and financial expenses

Expenses are recognized if the decrease in economic benefits in the accounting period is associated with a decrease in an asset or an increase in debt, and this reduction can be reliably measured. Operating expenses are recognized when costs are no longer retained in the value of inventories, products and unfinished production or when merchandise is sold. Costs that cannot be retained in inventories of products and work in progress are already recognized as operating expenses at the time of their occurrence.

Material costs are the original costs of the purchased material, which is directly consumed in creating business effects (direct material costs), as well as material costs that are not of such nature and are covered by the relevant dedicated (functional) groups of indirect business costs. The first subgroup includes the costs of raw materials, other materials and purchased parts and semi-finished products, the consumption of which can be associated with the creation of business effects. The second group includes the costs of auxiliary material for the maintenance of property, plant and equipment, small inventory, the useful life of which does not exceed one year, office supplies, professional literature and other. The costs of material also include the accrued costs of tarnish, scattering, malfunctions and breakage. If the company has more negative than positive exchange differences from operations, they are disclosed as material costs.

Service costs are the original costs of the purchased services, which are directly necessary for the occurrence of business effects (direct service costs), as well as service costs that are not of such nature and are covered by the relevant dedicated (functional) groups of indirect business costs. The first group mainly includes the costs of services in the manufacture of products, and the second group mainly includes the costs of transport services, maintenance services, fair services, advertising services, representation, insurance premiums, payment transactions and other banking services (except interest), rents, consulting services, business trips and similar services.

Write-offs include depreciation costs related to the consistent transfer of the value of depreciable property, plant and equipment and depreciable intangible assets to profit or loss. Also, write-offs of value include

impairments or write-offs and losses on the sale of intangible assets and property, plant and equipment, as well as impairments or write-offs of receivables and inventories.

Labour costs are original costs that relate to accrued salaries and other payments to employees in gross amounts, as well as to benefits that are accrued on this basis and are not an integral part of the gross amounts. These costs may be directly charged for creating business effects (direct labour costs) or have the nature of indirect costs and are covered by the relevant dedicated (functional) groups of indirect costs.

Other operating expenses appear in connection with provisioning, environmental protection charges, donations and other charges.

Financial expenses include borrowing costs (if not capitalized), negative exchange rate differences, changes in the fair value of financial assets at fair value through profit or loss, and losses due to impairment of the value of financial assets that are recognized in the income statement. Borrowing costs are recognised in the income statement using the effective interest rate method.

4.3.7.20 Taxation

Taxes include liabilities for current tax and deferred tax. Current tax is disclosed in the income statement. Deferred tax is disclosed in the income statement and the statement of financial position. Current tax liabilities are based on the taxable tax base for the financial year. The taxable tax base differs from the profit or loss reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, as well as items that are never taxable or deductible. The company's current tax liability is calculated using the tax rates in force at the reporting date. Current tax liability is reduced by tax advances paid during the year.

Deferred tax is fully disclosed using the liability method after the statement of financial position for temporary differences arising between the tax values of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined by using tax rates (and laws) that were in force on the date of the statement of financial position and which are expected to be used when the deferred tax asset is realized, or the deferred tax liability is settled. A deferred tax asset is recognised if it is probable that taxable profit will be available in the future from which temporary differences can be utilised. It represents the amount of calculated corporate income tax from deductible temporary differences.

4.3.8 Statement of other comprehensive income

The statement of comprehensive income contains items of income and expenses that are not recognised in the income statement and affect the amount of the company's equity in the accounting period. It covers all changes in equity in the current period that have arisen from all transactions and events, except for those resulting from transactions with the owner.

4.3.9 Cash flow statement

The cash flow statement shows changes in the balance of cash and cash equivalents for the financial year for which it is compiled. The cash flow statement is compiled according to the indirect method from the data of the statement of financial position and the profit and loss account in accordance with the International Financial Reporting Standards.

4.3.10 Determination of fair value

In connection with the disclosure of the fair value of non-financial and financial assets and liabilities, it is necessary to determine the fair value due to the measurement of individual assets or additional disclosures of fair values.

Fair value is the amount for which an asset can be sold, or a liability can be exchanged between well-informed and willing parties in an arm's length transaction.

When determining the fair value of financial instruments, the following hierarchy of the level of determining fair value is considered:

- **the first level** covers quoted prices in active markets for the same assets or liabilities,
- **the second level** covers values that are not equal to the quoted prices in terms of the first level, but which can nevertheless be obtained directly or indirectly on the basis of comparable market data;
- **the third level** comprises input data for an asset or liability that are not based on perceptual market data.

Quoted prices are used as a basis for determining the fair value of financial instruments. If a financial instrument is not quoted on a regulated market or the market is assessed as inoperative, the inputs of the second and third levels are used to estimate the fair value of the financial instrument.

4.3.11 Financial risk management

The company is exposed to the following types of financial risk: credit, liquidity and interest rate. In more detail, financial risks are defined in the risk section of the business part of the report.



Statement of financial position

// Accounting report

4.4

in EUR

	Note	31.12.2024	31.12.2023
ASSETS		708,884,242	777,710,039
A. Non-current assets		297,714,748	431,006,926
I. Intangible assets	1	276,435	254,679
II. Property, plant and equipment	2	271,463,354	388,556,231
III. Right to use leased assets	3	622,075	1,110,070
VI. Other financial investments	4	15,112,860	20,112,860
VII. Operating receivables	5	8,030,000	20,089,146
VIII. Other assets	6	2,210,024	883,940
B. CURRENT ASSETS		411,169,494	346,703,113
II. Inventories	7	42,494,540	25,596,678
III. Financial investments and loans	8	3,068,241	99,370
IV. Operating receivables	9	71,531,305	97,503,762
V. Contract assets	10	250,740,517	200,679,006
VI. Income tax receivables	11	0	55,179
VII. Other assets	12	6,973,888	4,292,042
VIII. Cash and cash equivalents	13	36,361,002	18,477,076
EQUITY AND LIABILITIES		708,884,242	777,710,039
A. EQUITY	14	108,285,902	194,014,336
I. Called-up capital		195,579,850	195,579,850
II. Capital reserves		46,190,401	46,190,401
V. Fair value reserves		-1,196,495	-1,151,512
VI. Retained profit/loss		-132,287,854	-46,604,403
B. NON-CURRENT LIABILITIES		18,998,805	295,621,937
I. Provisions for severance pays and anniversary bonuses	15	3,810,271	4,030,255
II. Other provisions	16	15,077,573	14,640,986
III. Other liabilities	17	65,869	83,087
IV. Financial liabilities	18	0	276,279,070
V. Financial liabilities from leases	19	45,090	588,539
D. SHORT-TERM LIABILITIES		581,599,536	288,073,766
II. financial liabilities	20	276,279,070	20,683,102
III. Financial liabilities from leases	21	586,413	577,108
IV. Operating liabilities	22	37,390,248	56,541,357
VII. Other liabilities	23	267,343,805	210,272,199

* The disclosures to the financial statements are part of the financial statements and should be read in conjunction with them.

Profit and loss statement

// Accounting report

4.5

in EUR

	Note	2024	2023
1. Net sales revenue	1	562,164,207	473,906,554
2. Other operating income	2	512,705	428,603
OPERATING INCOME		562,676,912	474,335,157
3. Costs of goods, materials and services	3	223,642,377	183,612,736
4. Labour costs	4	16,737,868	15,716,107
5. Write-downs in value	5	131,636,016	97,610,527
a) Depreciation and amortization		44,915,944	47,783,349
b) Impairments/write-offs/sales of intangible assets, property, plant and equipment		86,718,457	49,461,329
c) Impairments/write-offs of receivables		0	364,000
d) Impairments/write-offs of inventories		1,615	1,849
6. Other operating expenses	6	266,152,905	211,345,725
OPERATING PROFIT OR LOSS		-75,492,252	-33,949,938
7. Financial revenue	7	2,969,849	4,357,572
8. Financial expenses	8	13,161,047	16,320,479
FINANCIAL RESULT		-10,191,198	-11,962,907
PROFIT OR LOSS BEFORE TAX		-85,683,451	-45,912,845
TAXES		0	0
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	9	-85,683,451	-45,912,845

* The disclosures to the financial statements are part of the financial statements and should be read in conjunction with them.

4.6

Statement of other comprehensive income

in EUR

	Note	2024	2023
Net profit or loss of the period	11	-85,683,451	-45,912,845
Actuarial gains and losses of employee defined benefit plans		-44,984	-362,634
Items that will not be transferred to profit or loss		-44,984	-362,634
Total comprehensive income for the period		-85,728,435	-46,275,479

* The disclosures to the financial statements are part of the financial statements and should be read in conjunction with them.

Statement of changes in equity

// Accounting report

4.7

in EUR

	CALLED-UP CAPITAL			RETAINED EARNINGS OR LOSSES		Total
	Share capital	Capital surplus	Surplus from revaluation	Retained earnings or losses	Net profit or loss for the period	
Balance as at 1. 1. 2023	195,579,850	46,190,401	-860,596	-32,525	-587,314	240,289,815
B.2. Changes in total comprehensive income	0	0	-290,916	-71,718	-45,912,845	-46,275,479
Net profit or loss for the reporting period	0	0	0	0	-45,912,845	-45,912,845
Items that will not be transferred to profit or loss	0	0	-290,916	-71,718	0	-362,634
Actuarial gains and losses of employee defined benefit plans	0	0	-290,916	-71,718	0	-362,634
Net effective portion of changes in fair value of instruments for cash flow hedges reclassified to profit or loss	0	0	0	0	0	0
B.3. Changes within equity	0	0	0	-587,314	587,314	0
Allocation of the remaining portion of net profit of the comparable period to other equity components	0	0	0	-587,314	587,314	0
Balance as at 31. 12. 2023	195,579,850	46,190,401	-1,151,512	-691,557	-45,912,845	194,014,336
Balance as at 1. 1. 2024	195,579,850	46,190,401	-1,151,512	-691,558	-45,912,846	194,014,336
B.2. Changes in total comprehensive income	0	0	-44,983	0	-85,683,451	-85,728,434
Net profit/loss of the reporting period	0	0	0	0	-85,683,451	-85,683,451
Items that will not be reclassified to profit or loss at a later date	0	0	-44,983	0	0	-44,983
Actuarial gains and losses of programs with defined employee benefits	0	0	-44,983	0	0	-44,983
Net effective part of change in fair value of instruments for safety from the cash flow changes	0	0	0	0	0	0
B.3. Changes in equity	0	0	0	-45,912,846	45,912,846	0
Allocation of the remaining part of net profit of the compared period to other components of capital	0	0	0	-45,912,846	45,912,846	0
Balance as at 31. 12. 2024	195,579,850	46,190,401	-1,196,495	-46,604,403	-85,683,451	108,285,902

* The disclosures to the financial statements are part of the financial statements and should be read in conjunction with them.




Cash flow statement

// Accounting report

4.8

in EUR

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss for the period	-85,683,451	-45,912,846
Adjustments for:		
Amortisation of intangible assets	37,976	19,980
Amortisation of property, plant and equipment	44,299,503	47,199,160
Amortisation of right to use assets	578,465	564,209
Write-offs of intangible assets, property, plant and equipment	86,566,532	49,459,683
Inventories write-offs	-4,135	0
Revenue from receivables	64,457	360
Impairment of property, plant and equipment	1,615	0
Elimination of write-offs of operating receivables	0	-7,236
Losses from the sale of real estate, machinery and equipment	87,469	1,287
Financial revenue	-2,969,849	-4,357,573
Financial expenses	13,161,047	16,320,479
Profit from sale of real property, plant and equipment	-239,879	-94,374
Operating profit before changes in net current assets and taxes	55,899,749	63,193,130
Changes in net current assets and provisions		
Change in:		
Inventories	-16,899,477	2,728,226
Trade receivables and other assets	-16,033,703	-74,418,230
Operating liabilities to suppliers and other liabilities	37,903,281	90,753,991
Provisions	171,619	1,262,695
Profit tax paid	55,179	438,334
Cash from operations	61,096,649	83,958,146



	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	1,018,973	1,043,371
Remuneration from other financing	1,982,005	3,271,125
Income from sale of real property, plant and equipment	457,086	127,717
Income from sale of intangible assets	13,918	20,753
Income from sale of other short-term investments	2,000,000	5,130,000
Expenses for purchase of real property, plant and equipment	-14,142,290	-21,018,878
Expenses for purchase of intangible assets	-73,650	-26,778
Costs for increasing other short-term investments	-90,470	-161,711
Cash from investment	-8,834,428	-11,614,401
CASH FLOWS FROM FINANCING ACTIVITIES		
Income from leases	68,902	108,865
Expenses of interest for loan and costs for other financial liabilities	-13,379,033	-16,427,762
Expenses for repayment of long-term loans	-20,465,117	-43,965,116
Cash from financing	-603,046	-513,070
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	-34,378,294	-60,797,083
Cash from financing	18,477,076	6,930,414
Financial outcome	17,883,926	11,546,662
Profit or loss for the period	36,361,002	18,477,076

4.9

4.9.1 Notes to the statement of financial position

Note 1

Intangible Assets

276,435 EUR

in EUR

	31.12.2024	31.12.2023
Emission coupons	134,565	106,745
Other long-term property rights	141,870	147,934
Total	276,435	254,679

Movement of intangible assets

in EUR

	Emission coupons	Other long-term property rights	Intangible assets being acquired	Total
Purchase cost as at 1.1.2024	106,746	2,003,767	0	2,110,513
Acquisitions	41,737	0	31,912	73,649
Disposals - write-offs, sales	-13,918	0	0	-13,918
Transfer from investments	0	31,912	-31,912	0
Purchase cost as at 31.12.2024	134,565	2,035,679	0	2,170,244
Written-off value as at 1.1.2024	0	1,855,833	0	1,855,833
Amortisation	0	37,976	0	37,976
Written-off value as at 31.12.2024	0	1,893,809	0	1,893,809
Book value as at 1.1.2024	106,746	147,934	0	254,680
Book value as at 31.12.2024	134,565	141,870	0	276,435

	Emission coupons	Other long-term property rights	Intangible assets being acquired	Total
Purchase cost as at 1.1.2023	127,499	1,872,095	104,894	2,104,488
Acquisitions	96,585,960	0	26,778	96,612,738
Disposals - write-offs, sales	-96,606,713	0	0	-96,606,713
Transfer from investments	0	131,672	-131,672	0
Purchase cost as at 31.12.2023	106,746	2,003,767	0	2,110,513
Written-off value as at 1.1.2023	0	1,835,853	0	1,835,853
Amortisation	0	19,980	0	19,980
Written-off value as at 31.12.2023	0	1,855,833	0	1,855,833
Book value as at 1.1.2023	127,499	36,242	104,894	268,635
Book value as at 31.12.2023	106,746	147,934	0	254,680

The majority of movements of intangible assets of the company are CO₂ emission coupons. On the basis of the Environmental Protection Act, the Ordinance on the list of operators of plants emitting greenhouse gases for the period 2021-2025 and the Decision on CO₂ emission coupons, the state allocated 69,590 free emission coupons to the company, of which 13,541 coupons for 2024.

In April 2025, TEŠ will purchase 3,014,031 CO₂ emission coupons from HSE for the purpose of fulfilling its obligations from the produced emissions in 2024. In April 2024, the coupon balance decreased by 2,674,150 coupons (Report on verification of the report on greenhouse gas emissions for 2023), which were submitted for the emissions produced in 2023. On 31 December 2024, the company recorded 26,707 free CO₂ emission coupons and a stock of 107,858 CO₂ emission coupons purchased/unused among intangible assets.

Intangible assets are licenses and software, which, depending on the useful life, are depreciated at rates from 10.00 % to 50.00 %.

The company does not have intangible fixed assets under lease, nor does it have intangible assets given as a liability guarantee and contractual obligations to acquire intangible assets in its accounting records.

Note 2

Property, plant and equipment

271,463,354 EUR

in EUR

	31.12.2024	31.12.2023
Land	2,531,663	2,671,300
Buildings	21,987,556	33,776,709
Production equipment	235,077,038	339,423,056
Other equipment	4,702,449	4,471,316
Property, plant and equipment in acquisition	7,164,647	8,213,849
Total	271,463,354	388,556,230

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	4,071,526	285,306,810	2,325,176,495	18,856,194	8,213,849	2,641,624,874
Acquisition	0	0	0	0	13,854,602	13,854,602
Disposals	-477,168	0	0	-39,800	0	-516,968
Transfer from investments	202,743	203,012	13,216,884	1,281,165	-14,903,805	0
Change in the discount on assets under construction	0	0	287,688	0	0	287,688
Write-offs	-57,224	0	-365,471	-98,751	0	-521,446
Purchase cost as at 31.12.2024	3,739,876	285,509,822	2,338,315,596	19,998,809	7,164,647	2,654,728,751



	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Written-off value as at 1.1.2024	1,400,226	251,530,101	1,985,753,438	14,384,879	0	2,253,068,644
Disposals	-172,493	0	0	-39,800	0	-212,293
Amortisation	0	3,031,959	40,217,512	1,050,032	0	44,299,503
Impairment	0	8,960,205	77,606,327	0	0	86,566,532
Write-offs	-19,521	0	-338,718	-98,751	0	-456,989
Written-off value as at 31.12.2024	1,208,213	263,522,266	2,103,238,559	15,296,360	0	2,383,265,397
Book value as at 1.1.2024	2,671,300	33,776,709	339,423,057	4,471,315	8,213,849	388,556,230
Book value as at 31.12.2024	2,531,663	21,987,556	235,077,038	4,702,449	7,164,647	271,463,354

	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 1.1.2023	4,071,526	278,447,696	2,318,201,089	17,027,346	3,084,084	2,620,831,741
Acquisition	0	0	0	0	15,294,530	15,294,530
Disposals	0	-20,172	0	-47,089	0	-67,261
Transfer from investments	0	766,167	7,406,324	1,992,274	-10,164,765	0
Transfers – restatements	0	6,113,119	-1,467,379	0	0	4,645,740
Change in the discount on assets under construction	0	0	1,078,608	0	0	1,078,608
Write-offs	0	0	-42,147	-116,337	0	-158,484
Purchase cost as at 31.12.2023	4,071,526	285,306,810	2,325,176,495	18,856,194	8,213,849	2,641,624,874
Written-off value as at 1.1.2023	1,400,226	242,412,618	1,899,147,270	13,640,442	0	2,156,600,556
Disposals	0	-20,172	0	-12,459	0	-32,631
Transfers – restatements	0	6,113,119	-6,113,119	0	0	0
Amortisation	0	3,024,536	43,301,751	872,873	0	47,199,160
Impairment	0	0	49,459,683	0	0	49,459,683
Write-offs	0	0	-42,147	-115,977	0	-158,124
Written-off value as at 31.12.2023	1,400,226	251,530,101	1,985,753,438	14,384,879	0	2,253,068,644
Book value as at 1.1.2023	2,671,300	36,035,078	419,053,819	3,386,904	3,084,084	464,231,185
Book value as at 31.12.2023	2,671,300	33,776,709	339,423,057	4,471,315	8,213,849	388,556,230

In 2024, the company checked their recoverable value for property, plant and equipment on the basis of an appraisal. The appraisal was carried out by authorized appraisers licensed by the Slovenian Institute of Auditors, whereby it was established on the basis of the appraisal report that the company's non-current assets are impaired in the amount of EUR 86,566,532.

At the end of 2024, the company entered into contractual obligations for the purchase of property, plant and equipment in the coming years for EUR 24,324,586.49.

The table below presents the assumptions taken into account when carrying out impairment tests and the results of impairment tests.

ASSETS IN THE ŠOŠTANJ THERMAL POWER PLANT	
2024	2023
The method used to define the recoverable amount in the impairment test	
Value in use (present value of expected free cash flow)	Value in use (present value of expected free cash flow)
Date of implementation of the impairment test	
31.12. 2024	31.12. 2023
Used significant assumptions in the implementation of impairment testing	
The business projections of TEŠ are prepared on the basis of a special assumption that the Republic of Slovenia will provide state compensation for the smooth operation of TEŠ even after 30 April 2027, as stipulated in the Act on Transitional Financing of Accelerated and Fair Exit from Coal (ZPFPPIP), until 2031, until the contract with the Municipality of Velenje for the supply of thermal energy for the Municipality of Velenje and the Municipality of Šoštanj expires, until alternative heat sources are established. In accordance with the Law on Intervention Measures for the Provision of Heat for the Populations of the Šaleška Valley (GJS), the Republic of Slovenia will provide financial compensation that will enable the smooth operation of TEŠ for the needs of the supply of thermal energy. The compensation will cover the difference between the eligible costs of TEŠ and the revenues from the sale of heat, electricity and other sources.	Three scenarios have been developed for the purpose of evaluation; the value assessment considers the average of all three scenarios. The basic scenario envisages the operation of the company by the end of 2033, as envisaged by the adopted national strategy for the exit of coal production and restructuring of coal regions. Business projections in the middle scenario basically derive from the baseline scenario, considering lower electricity production while lowering operating expenses. Projections include the expected effects of business and financial restructuring to which the company is already committed at the assessment date. In the "lower" scenario, the operating period with lower electricity production (while lowering operating expenses) was shortened by the end of 2029. The business projections in all three scenarios are prepared on the basis of a special assumption that the planned loss due to the difference between the market price and the cost price of electricity of TEŠ d.o.o., will be covered by the state of the Republic of Slovenia.
Estimated free cash flows are discounted at the required rate of return on the company's entire capital (WACC). Since the projections are at constant prices, the discount rate is also adjusted in a way that does not include inflation. The WACC (adjusted for inflation) is thus 3.41% in 2025, 4.02% in 2026-2028 and 4.05% from 2029 onwards.	Estimated free cash flows are discounted at the required rate of return on the company's total capital (WACC). Since the projections are at constant prices, the discount rate is also adjusted in a way that does not include inflation. The WACC (adjusted for inflation) is thus 4.76% in 2024, 5.40% in 2025, 5.99% in 2026, 6.16% in 2027 and 2028 and 6.19% from 2029 onwards.
The sale of electricity prices for the period 2025-2027 is based on EEX HU period contracts, and for the period from 2028 onwards, projections of external consultants (AFRY and ICIS) are used.	Revenue forecast in all three scenarios based on the so-called cost +5% method for 2024. For the years 2025 and 2026, the relevant market price published on the EEX is considered. From 2027 onwards, the prices of the company's external consultant are considered.
The price of emission coupons for the period 2025-2027 is based on the EEX annual product of the EUA (EU Allowances). For the period 2028 and onwards, projections of consultants (AFRY and ICIS) are used. The cost of emission coupons is planned at EUR 125.7 million in 2025, ranging from EUR 144.3 million to EUR 90.1 million in 2026-2031.	The average purchase price of futures contracts for CO ₂ (EE) emission coupons (for the not yet purchased quantities, the exchange price of the standardized term contract exchanges EEX is taken into account) for 2024 amounts to 86.51 EUR/t, and at the end of the forecast period (2033) 89.07 EUR/t. In the low scenario at the end of 2029, 83.42 EUR/t.
Other operating revenues (which include compensation) are planned at EUR 164.1 million in 2025. The total forecasts (2025 - 2031) cumulatively amount to EUR 1,262 million and also include loan adjustment.	From 2025 onwards, the market price of electricity no longer enables the sustainable implementation of the purchase of electricity by HSE according to the cost-plus model. HSE manages the restructuring activities of the thermal division in accordance with the instructions of the SDH. SDH, as the investment manager of the Republic of Slovenia, stated in the document "Expectations of SDH for HSE regarding the restructuring of the thermal division of the HSE Group" on 06.06.2024 that it supports the activities of the HSE Group in the fair exit from coal and will actively participate in the implementation of the necessary measures to obtain sufficient funds for a controlled and sustainable exit from coal.
The projections envisage a reduction in electricity production from 1,835 GWh in 2025 to 712 GWh in 2031.	Average annual electricity production in the amount of 2.9 TWh in 2024 and 2.2 TWh in 2033. In the middle scenario, production is gradually reduced to 802 GWh at the end of 2033 and in the lower scenario to 692 GWh at the end of 2029.
According to the provisions of the Act on Transitional Financing of Accelerated and Fair Exit from Coal (ZPFPPIP) of 12 December 2024, TEŠ from 1 Jan. 2025 is further entitled to compensation by the state, which enables its uninterrupted operation for the needs of thermal energy supply. Since the operation of TEŠ's production sources is unprofitable, the amount of compensation is determined as the difference between the eligible costs of TEŠ and the revenues from the sale of heat, electricity and other sources. In calculating the amount of compensation required, expenses without depreciation, increased by investments and loan repayments, are taken into account. This compensation is key to ensuring the operation of TEŠ.	State aid is foreseen in the projections from 2025 onwards, and its amount depends on the individual scenario (basic: EUR 2,232 million; medium: EUR 1,814 million; lower: EUR 1,016 million).
In the forecast period (2025 - 2031), CAPEX is planned at a total amount of EUR 62.3 million. The highest CAPEX is planned in 2025, namely EUR 27.6 million.	CAPEX in the period of projections in the amount of €120.2m in the baseline scenario, €94.7m in the middle scenario and €79.0m in the lower scenario.
Results of impairment tests performed	
The carrying amount of fixed assets before the impairment test in the amount of EUR 358,280,000.	The carrying amount of fixed assets before the impairment test in the amount of EUR 438,256,997.
The recoverable value of the company's long-term assets as of 31 December 2024 in the amount of EUR 271,713,000.	The recoverable value of the company's long-term assets as of 31 December 2023 in the amount of EUR 388,797,314.
Revaluation expenses due to impairments in the amount of EUR 86,567,000.	Revaluation expenses due to impairments in the amount of EUR 49,459,683.

Category sensitivity analysis

		Sensitivity (change) of recoverable value in EUR	
		Change in discount rate (WACC) in % points	
Non-current fixed assets	Recoverable value in EUR 31.12.2024	5 %	
TEŠ	271,712,929	4,934,761	-5,046,871

Land **2,531,663 EUR**

The value of land increased compared to the previous year due to the exchange/purchase of land in the amount of EUR 202,743 (MO Velenje) and decreased due to the exchange/sale/transfer of land in the amount of EUR 342,376. On the basis of the above, the value of land decreased compared to the previous year and on 31 December 2024 amounts to EUR 2,531,663.

Buildings **21,987,556 EUR**

The value of buildings decreased by accrued depreciation compared to the previous year.

Investments in the total value of EUR 203,012 were activated or additionally activated, namely: renovation of asphalt surfaces, rehabilitation of roofs, drains, joint facilities-rehabilitation of the roof and replacement of light elements on the roof of the catering facility, rehabilitation and renovation of facades-replacement of windows on the catering facility, rehabilitation of the fence of the protected area of TEŠ and reconstruction of the Topolšica pumping station.

Manufacturing plant, machinery and other equipment **239,779,487 EUR**

The value of production devices, machines and other equipment decreased by accrued depreciation compared to the previous year. Equipment write-offs mainly relate to the partial write-off of the management system-DCS control system, to the write-off of the atomic absorber and other equipment, while the sale of equipment refers to the sale of a passenger car.

The value of production devices, machines and equipment increased mainly due to the activation of investments, specifically investments in the reliability of production in the amount of EUR 13,504,572 and the activation of remaining investments and small investments in the total amount of EUR 1,281,165.

Among the increases in investments in Unit 6, the effects of the conversion of decommissioning costs due to the change in the discount rate in the amount of EUR 287,688 are also considered. Based on the technical study and the commitment from the Energy Permit, the company estimates the costs of decommissioning in the amount of EUR 16,200,000. Provisions for the costs of decommissioning Unit 6, considering the discount rate of the 20-year government bond on 31 December 2024, amount to EUR 15,077,573.

In 2024, useful lives of fixed assets were reviewed. It was found that, given the current assumptions about the usability, they were correctly assessed.



The company does not have registered mortgages on real estate, devices and equipment, nor does it lease them.

Property, plant and equipment in acquisition 7,164,647 EUR

In 2024, a total of EUR 14,903,805 of investments were activated. The total value of unfinished investments amounts to EUR 7,164,647 and mainly refers to the started works within the framework of investments in the reliability of production (investment maintenance for the overhaul of Unit 6 in 2025, renovation and procurement of coal transport facilities) and to the started works within the framework of the remaining investments (relocation of the material of Šoštanj Lake).

Movement of investments in property, plant and equipment under construction

in EUR

	Investments in production reliability	Investment documentation	Investments in Unit 5 and Unit 6	Other property, plant and equipment being acquired	Total
Purchase cost as at 1.1.2024	3,949,077	210,472	2,740,264	1,314,036	8,213,849
Acquisition	9,773,783	45,680	2,330,737	1,704,403	13,854,603
Increase in decommissioning provisions	0	0	0	0	0
Transfer from investments in progress	-13,243,912	-123,292	0	-1,536,600	-14,903,804
Purchase cost as at 31.12.2024	478,948	132,860	5,071,001	1,481,839	7,164,647

	Investments in production reliability	Investment documentation	Investments in Unit 5 and Unit 6	Other property, plant and equipment being acquired	Total
Purchase cost as at 1.1.2023	869,792	232,453	0	1,981,839	3,084,084
Acquisition	11,717,909	45,824	2,740,264	790,534	15,294,530
Transfer from investments in progress	-8,638,624	-67,805	0	-1,458,336	-10,164,765
Purchase cost as at 31.12.2023	3,949,077	210,472	2,740,264	1,314,036	8,213,849

Note 3

Right to use leased assets 622,075 EUR

in EUR

	31.12.2024	31.12.2023
Right to use leased assets	622,075	1,110,070
Total	622,075	1,110,070

Within the rights to use the leased assets, the company discloses the lease of land with the Municipality of Velenje and the lease of electric vehicles. The company leases land in the area of the coal, ash and desulphurization products deposit area in Velenje.

Movement of the right to use leased assets

in EUR

	Land	Other equipment	Total
Purchase cost as at 1.1.2024	2,682,656	0	2,682,656
Acquisition	0	90,470	90,470
Purchase cost as at 31.12.2024	2,682,656	90,470	2,773,126
Written-off value as at 1.1.2024	1,572,586	0	1,572,586
Amortisation	555,035	23,430	578,465
Written-off value as at 31.12.2024	2,127,621	23,430	2,151,051
Book value as at 1.1.2024	1,110,070	0	1,110,070
Book value as at 31.12.2024	555,035	67,040	622,075

	Land	Other equipment	Total
Purchase cost as at 1.1.2023	2,520,945	0	2,520,945
Acquisition	161,711	0	161,711
Purchase cost as at 31.12.2023	2,682,656	0	2,682,656
Written-off value as at 1.1.2023	1,008,377	0	1,008,377
Amortisation	564,209	0	564,209
Written-off value as at 31.12.2023	1,572,586	0	1,572,586
Book value as at 1.1.2023	1,512,568	0	1,512,568
Book value as at 31.12.2023	1,110,070	0	1,110,070

Note 4

Other non-current financial investments

112,860 EUR

in EUR

	31.12.2024	31.12.2023
Other long-term financial investments	112,860	112,860
Total	112,860	112,860

Company	Address	Country	Activity	% Ownership	% Voting rights
HSE Invest	Obrežna ulica 170 a, 2000 Maribor	Slovenija	Consulting Engineering and Project Management Services	1,3 %	1,3 %
RGP	Rudarska cesta 6, 3320 Velenje	Slovenija	Specialized construction works	5,1 %	0,0 %

The remaining non-current financial investments in the amount of EUR 112,860 relate to the investment in the company RGP, d. o. o., and in the company HSE Invest, d. o. o. The companies are part of the HSE Group, therefore they are measured at cost in individual statements. The company checked for signs of impairment of non-current financial

investments in RGP on 31 December 2024 and found that there were no needs.

In 2024, the company did not increase other non-current assets. RGP has the status of a joint venture, which means that the shareholder who submits transactions for direct execution must check whether all the conditions, as set out in the Protocol for the submission of transactions for direct execution to the joint venture RGP, d. o. o.

Other shares in the amount of EUR 500 are invested in the Center of Excellence for Low-Carbon Technology (CO NOT).

The company has invested funds in holiday homes (Krvavec, Rab, Portorož) in the amount of EUR 154,133, which, due to formally unresolved ownership and management relationships and unexpected future cash flows on 31 December 2010, were impaired in the total amount of invested funds.

Non-current financial receivables and loans **15,000,000 EUR**

in EUR

	31.12.2024	31.12.2023
Long-term financial receivables from and loans to group companies, net of interest	0	20,000,000
Long-term financial receivables and loans to others net of interest	15,000,000	0
Total	15,000,000	20,000,000

Changes in non-current financial receivables and loans

	2024	2023
Balance as at 1.1.	20,000,000	20,021,625
Transfer to the short-term	-5,000,000	0
Repayments	0	-21,625
Balance as at 31.12.	15,000,000	20,000,000

The company granted a loan to PV (Coal Mine Velenje) with a repayment period until 2027.

Note 5

Non-current business receivables **8,030,000 EUR**

in EUR

	31.12.2024	31.12.2023
Long term operating receivables	8,030,000	20,080,000
Long term advances	0	9,146
Total	8,030,000	20,089,146

The majority of non-current trade receivables arise from the arbitration procedure, which ended in 2021, and represent receivables from the GE Group under the Settlement Agreement. In 2024, receivables decreased by the part of receivables that fall due in 2025 and were transferred to short-term operating receivables.



Note 6

Other non-current assets

2,210,024 EUR

in EUR

	31.12.2024	31.12.2023
Reserve fund	6,433	6,661
Emission coupons	2,203,591	877,279
Total	2,210,024	883,940

Other non-current assets represent payments by the company as a condominium owner, which will be used for future maintenance costs under the Housing Act. At the end of the year, the company has 107,858 CO₂ emission coupons in stock.

Note 7

Inventories

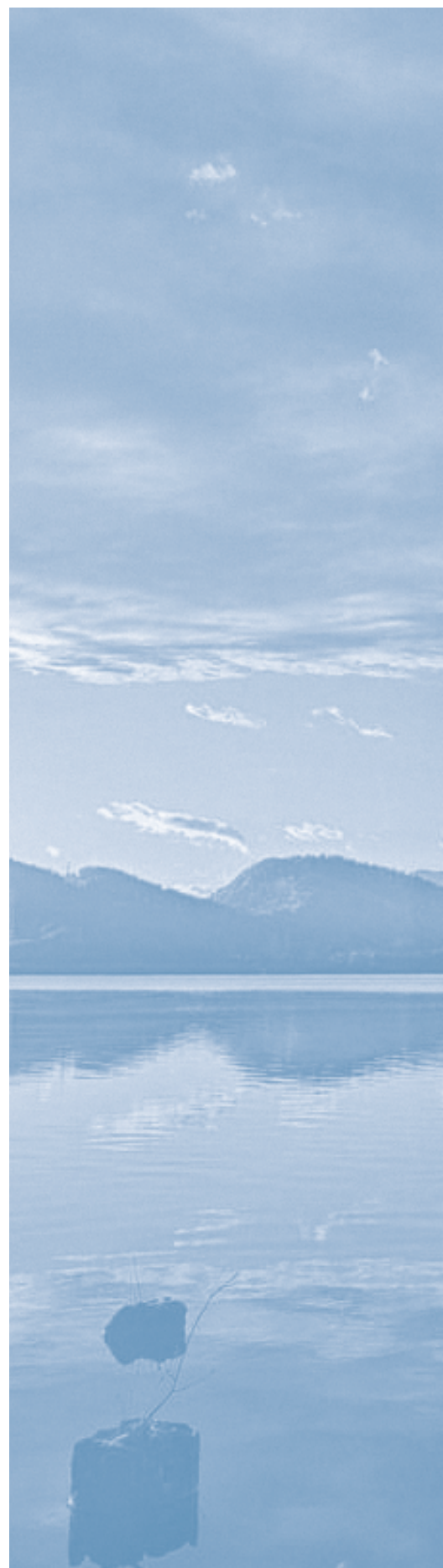
42,494,540 EUR

in EUR

	31.12.2024	31.12.2023
Material for maintenance works	3,923,860	3,713,005
Spare parts	8,393,482	8,505,674
Safety stock of coal	28,536,186	9,471,000
Other material	1,641,012	3,906,999
Total	42,494,540	25,596,678

The bulk of inventories are coal inventories, spare parts inventories and maintenance material inventories. Stocks of spare parts and maintenance material are necessary in order to eliminate defects of production equipment as soon as possible and thus ensure reliable operation. Coal inventories increased due to the purchase of a coal depositing area from the Velenje Coal Mine to ensure smooth production of thermal energy in accordance with ZPFPIIP (safety stock).

Inventories are not pledged as security for liabilities.



Note 8

Short-term investments and loans

3,068,241 EUR

in EUR

	31.12.2024	31.12.2023
Short-term financial receivables and loans to group companies for interest	0	99,370
Financial claims and interest-free loans to others	3,000,000	0
Financial claims and loans to others for interest	68,241	0
Total	3,068,241	99,370

At the end of 2024, a loan given to PV, which falls due in 2025, is transferred to the short-term part.

Movement of short-term financial investments and loans

in EUR

	2024	2023
Balance as at 1.1.	99,370	5,164,670
Acquisition	987,797	1,086,390
Transfer from long-term receivables	5,000,000	0
Repayment	-3,018,926	-6,151,689
Balance as at 31.12.	3,068,241	99,370

Note 9

Short-term trade receivables

71,531,305 EUR

in EUR

	31.12.2024	31.12.2023
Short-term operating receivables due from Group companies	0	86,378,435
Short-term trade receivables from customers	71,531,305	11,125,327
Total	71,531,305	97,503,762

The fair value of operating receivables is equal to their book value at the balance sheet date.

The majority of operating receivables from customers represent receivables that were transferred from receivables from companies in the group due to the exclusion of TEŠ from the HSE Group in the amount of EUR 55,171,947, receivables from the arbitration procedure, which ended in 2021 (the short-term part of receivables due in 2025 is EUR 8.03 million), and the Municipal Company Velenje for thermal energy sold in November and December 2024 in the amount of EUR 4,084,854.

The blank bill of exchange insured receivables for thermal energy sold in the amount of EUR 4,084,854. There is no need for insurance for the remaining receivables due to their specificity.

Claims by maturity are shown in Chapter 4.10.

Note 10

Contractual Assets

250,740,517 EUR

in EUR

	31.12.2024	31.12.2023
Contract assets	250,740,517	200,679,006
Total	250,740,517	200,679,006

Accrued revenues are revenues that are considered in profit or loss, although they have not yet been charged. In accordance with IFRS 15, they are disclosed in the statement of financial position as contractual assets and represent the right to compensation in exchange for goods or services that are transferred to the buyer. Non-invoiced revenues in 2024 relate to calculated revenues for leased power in 2024 due to the settlement of the costs of purchasing CO₂ emission coupons for electricity production in 2024.

Note 11

Current tax receivable

0 EUR

in EUR

	31.12.2024	31.12.2023
Current tax assets	0	55,179
Total	0	55,179

Note 12

Other short-term assets

6,973,888 EUR

in EUR

	31.12.2024	31.12.2023
Short-term advances	4,757,124	1,816,501
Short-term operating receivables due from state and other institutions	2,085,457	2,390,360
Short-term operating receivables due from others	2,405	228
Short-term deferred costs and expenses	128,902	84,953
Total	6,973,888	4,292,042

Short-term advances given are mainly given for the purchase of devices and equipment.

Among short-term operating receivables from state and other institutions, the majority is input VAT on received invoices.

Note 13

Cash and cash equivalents

36,361,002 EUR

in EUR

	31.12.2024	31.12.2023
Cash in banks	36,361,002	18,477,076
Total	36,361,002	18,477,076

Cash and cash equivalents include cash in the company's accounts.

Note 14

Equity

108,285,902 EUR

in EUR

	31.12.2024	31.12.2023
Called-up capital	195,579,850	195,579,850
Capital surplus	46,190,401	46,190,401
Fair value reserves	-1,196,495	-1,151,512
Retained profit/loss	-132,287,854	-46,604,403
Total	108,285,902	194,014,336

The total equity of the company consists of: share capital, equity reserves, reserves from profit, reserves for fair value, transferred net profit or loss for the previous year.

The fair value reserve represents a "revaluation" adjustment in connection with actuarial loss or profit.

In the current year, the company realized a negative profit of EUR -85,683,451.

Movement of reserves for fair value

in EUR

	Actuarial profits/losses on severance payments upon retirement	Other	Total
Balance at 1.1.2024	-1,163,076	11,565	-1,151,511
Formation, increase	-44,984	0	-44,984
Balance at 31.12.2024	-1,208,060	11,565	-1,196,495
Balance at 1.1.2023	-872,161	11,565	-860,596
Formation, increase	-424,506	0	-424,506
Decrease	61,873	0	61,873
Transfer to transferred profit or loss	71,718	0	71,718
Balance at 31.12.2023	-1,163,076	11,565	-1,151,511

In 2024, the fair value reserve changed for the actuarial calculation for severance pays on retirement in the amount of EUR 44,984.



Retained earnings*in EUR*

	2024	2023
Retained profit/loss	-85,683,451	-45,912,846
Total	-85,683,451	-45,912,846

Balance profit or loss*in EUR*

	2024	2023
Net profit or loss for year	-85,683,451	-45,912,846
Retained profit/loss	-46,604,403	-691,558
Total	-132,287,854	-46,604,403

At the end of the year, the company discloses a balance sheet loss in the amount of EUR 132,287,854, which consists of the net loss in 2024 in the amount of EUR 85,683,451 and the transferred loss in the amount of EUR 46,604,403.

Note 15**Provisions for termination benefits at retirement and jubilee awards****3,810,271 EUR***in EUR*

	31.12.2024	31.12.2023
Provisions for retirement benefits	3,260,890	3,466,050
Provisions for long-service awards	549,381	564,205
Total	3,810,271	4,030,255

Non-current provisions represent provisions for long service benefits and retirement benefits at the amount determined in the actuary's calculation as at 31 December 2024.

The actuarial calculation was based on the following assumptions:

Demographic assumptions:

- mortality tables
- turnover of employees by age classes
- retirement.

Financial assumptions:

- Rates of increase of average salaries in the Republic of Slovenia
For the years 2025-2027, the rates of increase of average salaries in the Republic of Slovenia (monthly and annual) are taken into account from the Review of Macroeconomic Trends with BS forecasts, December 2024. From 2028 onwards, average salaries in the Republic of Slovenia are projected to increase annually by inflation (IMF, October 2024) and real growth of 1.4 %.



- Rates of increase of wages at the company
- Tax Rate
- Discount rates

For the calculation of the discount rate on the 31 December 2024, the interest rate is set at 3.2 %, which reflects the yield of high-quality (AA rating) corporate bonds at 31 December 2024, nominated in EUR, taking into account the average weighted duration of the Company's liabilities (according to the calculated amount of liabilities before discounting) from the balance sheet date until payment by individual type of earnings (9.7 years).

In 2024, the company paid EUR 68,449 in jubilee awards and EUR 500,987 in severance pay upon retirement.

Changes in provisions for termination benefits at retirement and jubilee awards

in EUR

	Provisions for retirement benefits	Provisions for long-service awards	Total
Balance as at 1.1.2024	3,466,050	564,205	4,030,255
Interest costs	100,580	14,658	115,237
Ongoing service costs	150,047	31,959	182,005
Past service costs	217	156	372
Actuarial gains and losses - accompanying actuarial post	-26,076	15,254	-10,822
Actuarial gains - elimination	-14,029	-9,624	-23,653
Actuarial losses - formation and utilisation	85,089	1,224	86,313
Benefit payments during the financial year	-500,987	-68,449	-569,436
Balance as at 31.12.2024	3,260,889	549,382	3,810,271
Balance as at 1.1.2023	3,123,338	536,964	3,660,302
Interest costs	112,439	17,239	129,678
Ongoing service costs	143,661	29,789	173,450
Past service costs	27	52	79
Actuarial gains and losses - accompanying actuarial post	362,768	61,236	424,004
Actuarial gains - elimination	-61,873	-18,407	-80,280
Actuarial losses - formation and utilisation	61,739	1,245	62,984
Benefit payments during the financial year	-276,049	-63,913	-339,962
Balance as at 31.12.2023	3,466,050	564,205	4,030,255

Sensitivity analysis for reservations for severance pay upon retirement and long-service rewards

in EUR

2024	Discount rate		Salary growth	
	Decrease by 0.5 %	Increase by 0.5 %	Decrease by 0.5 %	Increase by 0.5 %
Provisions for retirement benefits	134,316	-125,342	-126,153	134,739
Provisions for long-service awards	21,059	-19,789	-20,750	21,927
Total	155,375	-145,131	-146,903	156,666

in EUR

2023	Discount rate		Salary growth	
	Decrease by 0.5 %	Increase by 0.5 %	Decrease by 0.5 %	Increase by 0.5 %
Provisions for retirement benefits	139,242	-129,931	-129,631	138,454
Provisions for long-service awards	21,225	-19,930	-20,813	22,007
Total	160,467	-149,861	-150,444	160,461

Note 16

Other provisions

15,077,573 EUR

in EUR

	31.12.2024	31.12.2023
Provisions for decommissioning	15,077,573	14,640,986
Total	15,077,573	14,640,986

Based on the Energy Permit and the estimate of decommissioning costs in June 2015, the company formed decommissioning costs for the removal of Unit 6 after the expiry of the period of use in the amount of EUR 9,113,400. Based on the technical study, the estimated costs of decommissioning amount to EUR 16,200,000. The current value of the estimated decommissioning costs, taking into account the 15-year government bond on 31 December 2024, amounts to EUR 15,077,573. In the reduction of provisions for the decommissioning of Unit 6, EUR 148,899 of financial expenses (discounting due to the passage of time) are taken into account, and the increase in the amount of EUR 287,688 represents the effect of the change in the discount rate. The discount rate of 1,00801 % applied is calculated taking into account the nominal interest rate on 31 December 2024 and long-term inflation.

Movement of other provisions

in EUR

	For decommissioning	Other provisions	Total
Balance as at 1.1.2024	14,640,986	0	14,640,986
Formation, increase	436,587	0	436,587
Balance as at 31.12.2024	15,077,573	0	15,077,573
Balance as at 1.1.2023	13,323,488	62,124	13,385,612
Formation, increase	1,317,498	0	1,317,498
Decrease, elimination	0	-62,124	-62,124
Balance as at 31.12.2023	14,640,986	0	14,640,986

Note 17

Other non-current liabilities

65,869 EUR

in EUR

	31.12.2024	31.12.2023
Emission coupons	13,164	26,705
Other received government grants	20,794	24,470
Other	31,912	31,912
Total	65,869	83,087

During the deferrals, the company records the emission coupons it received from the country free of charge for the period from 2021 to 2025. The balance of emission coupons in 2024 decreased for the use of free acquired coupons from the state, which the company considered in fulfilling the obligation to hand over emission coupons for produced emissions in 2024.

Delimitations from exemption from contributions are formed in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Act. They are used to cover the costs defined in the said law.

In 2023, as the lead partner in the North Adriatic Hydrogen Valley (NAHV) project, HSE received a grant, of which EUR 31,912 was transferred to TEŠ as a project partner.

Movement of other non-current liabilities

in EUR

	Emission coupons	Other received government grants	Others	Total
Balance as at 1.1.2024	26,705	24,470	31,912	83,087
Disposals	-13,541	-3,677	0	-17,218
Balance as at 31.12.2024	13,164	20,793	31,912	65,869
Balance as at 1.1.2023	40,623	28,147	0	68,770
Acquisition	0	0	31,912	31,912
Disposals, elimination	0	-3,677	0	-3,677
Release	-13,918	0	0	-13,918
Balance as at 31.12.2023	26,705	24,470	31,912	83,087

Note 18

Non-short-term financial liabilities

45,090 EUR

in EUR

	31.12.2024	31.12.2023
Long-term financial liabilities to banks	0	276,279,070
Long-term financial liabilities to other	45,090	588,539
Total	45,090	276,867,609

Movement of non-current financial liabilities to banks

in EUR

	Total
Balance as at 1.1.2024	276,279,070
Transfers to short-term liabilities	-276,279,070
Balance as at 31.12.2024	0
Balance as at 1.1.2023	310,844,186
Transfers to short-term liabilities	-20,465,116
Repayment	-14,100,000
Balance as at 31.12.2023	276,279,070

On 31 December 2024, the company transferred a non-current loan to short-term financial liabilities in accordance with the provisions of IFRS in relation to the commitments from the financial contract for a non-current loan with the EIB.



**Insurance of non-current financial liabilities
(including short-term work)**

in EUR

	31.12.2024	31.12.2023
Government guarantees	276,279,070	296,744,186
Total	276,279,070	296,744,186

As at 31 December 2024, TEŠ has financial liabilities secured by a state guarantee.

For the insurance of liabilities under the loan agreement - TEŠ Power Plant Šoštanj/B Finance Contract, FI No 25,541 SI, concluded with the European Investment Bank for the financing of Unit 6 (22. April 2010) in the amount of EUR 440 million, a Guarantee Agreement worth EUR 440 million was concluded between the Republic of Slovenia and the European Investment Bank on 6 December 2012.

Note 19

Non-short-term financial liabilities from leases

45,090 EUR

in EUR

	31.12.2024	31.12.2023
Long-term financial liabilities from leases	45,090	588,539
Total	45,090	588,539

Changes in non-current financial liabilities from leases

in EUR

	Long-term liabilities from leases
Balance as at 1.1.2024	588,539
Acquisition	45,078
Transfers to short-term liabilities	-562,589
Long-term repayments	-25,938
Balance as at 31.12.2024	45,090
Balance as at 31.12.2023	1,056,782
Transfers to short-term liabilities	-577,108
IFRS 16	108,865
Balance as at 1.1.2023	588,539



Note 20

Short-term financial liabilities

276,279,070 EUR

in EUR

	31.12.2024	31.12.2023
Short-term financial liabilities to group companies without interest	0	217,986
Short-term financial liabilities to banks without interest	276,279,070	20,465,116
Total	276,279,070	20,683,102

Movement of short-term financial liabilities

	Financial liabilities to group companies without interest	Financial liabilities to banks without interest	Financial liabilities to banks for interest	Other short-term financial liabilities	Financial obligations from leases	Total
Balance as at 1.1.2024	217,986	20,465,116	0	0	577,108	21,260,210
Acquisition	0	0	9,019,313	3,581,046	23,824	12,624,183
Transfers from long-term liabilities	0	276,279,070	0	0	562,589	276,841,659
Short-term repayments	-217,986	0	-9,019,313	-3,581,046	-577,108	-13,395,453
Long-term repayments	0	-20,465,117	0	0	0	-20,465,117
Balance as at 31.12.2024	0	276,279,069	0	0	586,413	276,865,482
Balance as at 1.1.2023	325,269	29,865,116	0	0	513,070	30,703,455
Acquisition	217,986	0	10,817,035	0	0	11,035,021
Transfers from long-term liabilities	0	20,465,116	0	0	577,108	21,042,224
Short-term repayments	-325,269	0	-10,817,035	0	0	-11,142,304
Long-term repayments	0	-29,865,116	0	0	-513,070	-30,378,186
Balance as at 31.12.2023	217,986	20,465,116	0	0	577,108	21,260,210

On 31 December 2024, the company transferred a non-current loan to short-term financial liabilities in accordance with the provisions of IFRS in relation to the commitments from the financial contract for a non-current loan with the EIB.

Note 21

Short - term financial liabilities from leases

586,413 EUR

in EUR

	31.12.2024	31.12.2023
Other short-term financial liabilities from leases	586,413	577,108
Total	586,413	577,108

Changes in short-term financial liabilities from leases

in EUR

	Short-term financial liabilities from leases
Balance as at 1.1.2024	577,108
Acquisition	23,824
Transfers from long-term liabilities	562,589
Long-term repayments	-577,108
Balance as at 31.12.2024	586,413
Balance as at 1.1.2023	513,070
Transfers from long-term liabilities	577,108
Long-term repayments	-513,070
Balance as at 31.12.2023	577,108

Note 22

Short-term operating liabilities

37,390,248 EUR

in EUR

	31.12.2024	31.12.2023
Short-term operating liabilities to group companies	0	36,789,782
Current operating liabilities to suppliers	37,390,248	19,751,574
Total	37,390,248	56,541,356

The majority of operating liabilities to suppliers represent liabilities that were transferred from liabilities to companies in the group due to the exclusion of TEŠ from the HSE Group in the amount of EUR 23,924,589.

Note 23

Other short-term liabilities

267,343,805 EUR

in EUR

	31.12.2024	31.12.2023
Short-term operating liabilities to employees	1,871,313	1,425,750
Short-term operating liabilities to state and other institutions	8,611,626	2,904,113
Short-term operating liabilities to others	118,034	111,763
Short-term accrued costs and expenses	256,742,832	205,830,564
Total	267,343,805	210,272,199

Other short-term operating liabilities represent liabilities to employees for salaries and other receipts from employment, calculated for December 2024, in the amount of EUR 1,247,130, paid on January 14, 2025, and accrued costs of unused leave at the end of 2024, which amount to EUR 624,182.

Liabilities to government and other institutions amount to EUR 8,611,626. The predominant part represents the VAT liability for the tax period December in the amount of EUR 5,335,112 and the liability for the tax related to environmental pollution with CO₂ emissions. The estimated liability for 2024 is EUR 3,093,957 (1 coupon/1 tonne of CO₂). The purchase of emission coupons is realized in April 2025.

Accrued costs include accrued interest costs, accrued costs of suppliers and accrued labor costs. Among short-term accrued costs, the company discloses EUR 251,038,642 of accrued costs at the price provided for in the Purchase Agreement for the purchase of CO₂ emission coupons, reduced by the share disclosed in liabilities to the state.

All liabilities are usually settled by the company within the agreed deadlines.

Contingent assets

34,485,671 EUR

in EUR

	31.12.2024	31.12.2023
Performance bonds for regular operation	27,281,804	95,517,474
Performance bonds for investment	0	3,000,000
Executive	7,203,867	7,210,772
Total	34,485,671	105,728,246

Contingent assets include received bank guarantees for regular business, which represent guarantees for good performance of works, elimination of defects within the warranty period and enforcement letters, which represent statements of debtors for the repayment of a certain amount of their obligation.

4.9.2. Notes to the income statement

Note 1

Net sales revenues

562,164,207 EUR

in EUR

	2024	2023
On the domestic market	561,657,084	473,309,616
Electricity	547,540,473	457,656,930
Heat energy	12,761,538	14,359,955
Other products	138,558	101,196
Other goods and material	874,907	703,496
Other services	341,608	488,039
On foreign market	507,123	596,938
Other goods and material	410,622	508,162
Other services	96,501	88,776
Total	562,164,207	473,906,554

Net sales revenues are disclosed at the invoice value and are 19 % higher than the net sales revenues of the previous year. The majority of revenues (99.7 %) were generated by the company through the sale of electricity and thermal energy. Revenues from the sale of electricity are higher by 19.6 % compared to those achieved in 2023 due to the higher sales price of electricity. In 2024, it was also formed according to the transfer pricing model using the cost add-on method.

Note 2

Other Operating Income

512,705 EUR

in EUR

	2024	2023
Revenues from elimination of reservations	903	62,124
Drawing deferred revenue	79,458	17,595
Elimination of impairment of receivables	4,135	7,236
Revenue from damages and contractual penalties	122,451	189,352
Profit on sale of fixed assets	239,879	94,374
Other	65,879	57,922
Total	512,705	428,603

The majority of other operating revenues are profits from the sale of real estate on the basis of a swap agreement from the sale of real estate and revenues from indemnities and contractual penalties charged for the untimely delivery of goods and materials.

Note 3

Costs of goods, materials and services

223,642,376 EUR

in EUR

	2024	2023
Material costs	208,662,494	171,749,896
Costs of services	14,979,882	11,862,840
Total	223,642,376	183,612,736
	2024	2023
Costs of material	206,250,363	168,766,204
Cost of supplementary material	73,020	75,001
Costs of energy	72,763	147,571
Costs of spare parts	2,079,967	2,582,895
Costs of small tools	128,114	121,698
Other	58,267	56,527
Total material costs	208,662,494	171,749,896
Costs of transport services	32,619	31,530
Costs of maintenance	7,034,799	5,440,551
Costs of rents	77,604	41,368
Costs of reimbursements of work-related expenses to employees	17,535	33,304
Costs of insurance and bank services	2,653,794	2,174,497
Costs of intellectual and personal services	1,274,442	1,020,779
Costs of fairs, advertising and administration	110,392	84,698
Costs of services of natural entities	66,170	68,370
Costs of utilities	254,808	178,957
Security and surveillance costs	387,573	308,644
Membership contributions	33,465	33,332
Real property management	1,631	1,494
Costs of arranging the waste desposal sites	2,057,795	1,449,497
Other	977,258	995,819
Total costs of services	14,979,885	11,862,840
Total	223,642,379	183,612,736

The predominant part of the cost of material is the consumption of coal in the amount of EUR 185,841,548 as an energy source to produce electricity and thermal energy. The cost of this energy source increased by 31 % in 2024 compared to the previous year, mainly due to the higher price. In addition to coal, the company used gas and biomass for the production of electricity.

The cost of auxiliary material and the cost of replacement parts represent the consumption of this material for the maintenance of devices and equipment.

The costs of maintenance services in the amount of EUR 7,034,799 are mainly the costs of regular maintenance of devices and equipment.



Rental charges

678,129 EUR

in EUR

	2024	2023
Amortisation of right to use assets	578,465	564,209
Financial expenses	22,060	28,872
Rental costs	77,604	41,368
Total	678,129	634,449

Auditor's costs

22,000 EUR

in EUR

	2024	2023
Annual Report audit	20,000	20,000
Other services of providing guarantees	2,000	2,000
Total	22,000	22,000

The contractual value of the audit on the side of the company Deloitte revizija, d. o. o., is EUR 20,000 and EUR 2,000 for the review of the Report on relations with affiliated companies. No other services were provided.

Note 4

Costs of Labour

16,737,867 EUR

in EUR

	2024	2023
Salaries	12,175,481	11,282,546
Pension insurance costs	1,773,086	1,645,146
Other insurance costs	829,737	762,995
Other labour costs	1,959,563	2,025,420
Total	16,737,867	15,716,107

Other labour costs include reimbursement of food and transport costs to work, holiday allowance costs and other employee benefits.

Number of employees and average number of employees by educational structure

Education level	Number of employee		Average number of employees
	1.1.2024	31.12.2024	
1	1	1	1
2	9	8	9
3	12	12	12
4	70	67	69
5	127	123	125
6/1	46	45	46
6/2	22	24	23
7	17	17	17
8/1	3	3	3
8/2	0	0	0
Total	307	300	304

Wage costs are based on the Corporate Collective Agreement, the Collective Agreement of the Electricity Industry of Slovenia, the Rules on Wages and the Employment Contract. The salary consists of a basic salary, salary supplements (less favourable working hours, environmental impacts, etc.) and a part of the salary for work and business performance.

Employee salary compensations are compensations due to absence from work: due to illness, annual leave, education and other. Compensations are due to employees either on the basis of the Employment Relationships Act, the Corporate Collective Agreement or the Employment Contract.

The costs of additional pension insurance of employees mean the co-financing of the pension plan by the employer under the Contract on the creation of a voluntary supplementary pension insurance plan concluded between Termoelektrarna Šoštanj, d. o. o., and the Trade Union of Termoelektrarna Šoštanj. The providers of the pension plan with the code PN1 are Modra zavarovalnica, d. d., Ljubljana, and Generali zavarovalnica, d. d., Ljubljana.

Note 5

Write-downs and write-offs

131,636,016 EUR

in EUR

	2024	2023
Amortisation of intangible assets	37,976	19,980
Amortisation of property, plant and equipment	44,299,503	47,199,160
Amortisation of leased assets	578,465	564,209
Impairments/write-offs of receivables	0	364,000
Inventories impairments/write-offs	1,615	1,849
Impairments on property, plant and equipment and intangible assets	86,566,531	49,459,683
Write-offs on property, plant and equipment	64,457	359
Sale of property, plant and equipment and investment property	87,469	1,287
Total	131,636,016	97,610,527

The calculated depreciation in the financial year 2024 is calculated taking into account that the life of the company's assets is considered until the end of 2033, when the newly defined useful life expires in accordance with the adopted National Strategy for Exit from Coal and Restructuring of Coal Regions in accordance with the principles of a just transition.

Note 6

Other Operating Expenses

266,152,905 EUR

in EUR

	2024	2023
Fee for the use of construction land	8,929,696	8,719,627
Environmental protection expenses	256,034,176	202,207,256
Donations	121,516	104,421
Other operating expenses	1,067,517	314,421
Total	266,152,905	211,345,725

The majority of other operating expenses are environmental protection expenditures, which represent the value of emission coupons in the amount of EUR 255,141,947 for 2024. In the business year, the company produced 3,089,330 tons of CO₂. According to the Environmental Protection Act, it is obliged to hand over coupons to the state by 30.4.2025.

Note 7

Financial income

2,969,849 EUR

in EUR

	2024	2023
Financial revenue from loans and deposits given	987,844	1,086,447
Other financial revenue	1,982,005	3,271,125
Total	2,969,849	4,357,572

Other financial revenues represent interest on loans given and interest on advances given.

Note 8

Financial expenses

13,161,048 EUR

in EUR

	2024	2023
Financial expenses for interest	9,019,313	10,409,821
Other financial expenses	4,119,675	5,881,786
Other financial expenses from leases	22,060	28,872
Total	13,161,048	16,320,479

Other financial expenses mainly consist of expenses from the state guarantee for the investment in Unit 6 in the amount of EUR 3,581,046.



Calculation of the effective tax rate

in EUR

	2024	2023
Profit (loss) before tax	-85,683,451	-45,912,845
Calculated tax at the applicable tax rate	-18,850,359	-8,723,441
Tax on revenues that lower the tax base	-3,368	-78,760
Tax on expenses that lower the tax base	-81,905	-100,683
Tax on non-deductible expenses	484,433	371,591
Tax from other changes in the tax balance sheet	-27,303	8,531,293
Tax levied	18,478,503	0
Total taxes	0	0
Effective tax rate	0,00 %	0,00 %

In accordance with the Corporate Income Tax Act, the company prepared a corporate income tax return for the period from 1 January to 31 December 2024 and did not establish a tax liability.

The tax loss carried forward amounted to EUR 1,107,717,160 as at 31 December 2024.

Due to the uncertainty of future taxable profits, the company did not form a deferred tax asset.

Note 9

Net profit or loss of the company

-85,683,451 EUR

in EUR

	2024	2023
Gross operating return	562,676,912	474,335,157
Operating profit	-75,492,253	-33,949,938
Financial outcome	-10,191,198	-11,962,907
Profit (loss) before tax	-85,683,451	-45,912,846
Net profit/loss for the year	-85,683,451	-45,912,846

Gross operating income consists of net sales revenues and other operating revenues.

4.9.3 Notes to the statement of other comprehensive income

In the statement of other comprehensive income, the company discloses actuarial gains/losses on retirement benefits based on an actuarial calculation of provisions for long service benefits and retirement benefits and their elimination at the expense of the transferred profit or loss.

4.9.4 Notes to the statement of cash flows

The cash flow statement for 2024 is prepared using the indirect method and covers all cash receipts and expenses in the period from 1 January to 31 December 2024.

Cash according to sub-balances are as follows:

in EUR

	2024	2023
Cash flows from operating activities	61,096,649	83,958,350
Cash flows from investing activities	-8,834,428	-11,614,401
Cash flows from financing activities	-34,378,294	-60,797,083
Cash flow for the period	17,883,927	11,546,866

From the statement of cash flows under the indirect method, it is evident that in 2024, the company realized EUR 61,096,649 in excess of cash assets from operating activities, which were spent on investment expenses in the amount of EUR 8,834,428 and in the amount of EUR 34,378,294 for financing expenses.

In order to manage liquidity, certain measures had to be implemented, namely:

- careful planning and analysis of cash flows.
- implementation of measures to rationalize regular business operations.

The liquidity risk was managed by the company by careful planning of cash flows, timing of receivables and liabilities and careful management of free cash assets. Short-term solvency in that period was ensured by the company through efficient and careful cash management and systematic planning and monitoring of cash flows. The company's liquidity was controlled in the framework of regular operations in 2024.



4.9.5 Statement of changes in equity

The statement of changes in equity presents changes in equity components for the financial year. The company draws up a statement of changes in equity in the form of a compiled table.

Balance profit or loss

in EUR

	2024	2023
Net profit or loss for the financial year	-85,683,451	-45,912,846
Transferred profit/transferred loss	-46,604,403	-691,558
Accumulated profit or loss	-132,287,854	-46,604,403

OTHER DISCLOSURES

4.9.6 Related parties

in EUR

Company	Sales	Purchases	Loans, guarantees and warranties with interest	Other revenues
HSE d.o.o.	547,625,100	5,568,432	0	0
DEM d.o.o.	104,465	357,533	0	0
SENG d.o.o.	4,014	0	0	0
PV d.o.o.	1,098,786	207,857,689	18,068,241	1,982,005
HTZ I.P. d.o.o.	296	674,980	0	0
RGP d.o.o.	50,980	2,583,920	0	0
HSE Invest d.o.o.	9,568	892,529	0	0
PLP d.o.o.	0	78,965	0	0
ECE d.o.o.	0	8,726	0	0
Total	548,893,209	218,022,774	18,068,241	1,982,005

Related parties are subsidiaries, associates and jointly controlled companies controlled by HSE directly or indirectly through its subsidiaries.

The columns Sales and Purchases show the turnover of all transactions (excluding VAT and re-invoicing) between TEŠ and related companies in 2024.

As of 31 December 2024, the TEŠ company is no longer part of the HSE Group, because in accordance with the Act on Transitional Financing of Accelerated and Fair Exit from Coal, it was transferred to the Republic of Slovenia free of charge.

The sales and purchase prices for the services were defined on the basis of the applicable internal price list of the companies of the HSE Group, and the rents and sales prices of electricity on the basis of the cost add-on method. The purchase price of coal produced in the Velenje Coal Mine amounted to EUR 6.37 at the end of the year.

4.9.7 Transactions with the Republic of Slovenia and with legal entities that are directly majority owned by the Republic of Slovenia

in EUR

Business partner	Outstanding receivables as at 31.12.2024	Outstanding liabilities as at 31.12.2024	Revenue 1-12 2024	Expenses 1-12 2024
PLINOVODI, Družba za upravljanje s prenosnim sistemom, d.o.o.	0	431,828	0	4,187,872
ZAVAROVALNICA TRIGLAV, d.d.	0	6,890	0	2,578,371
Total	0	438,719	0	6,766,243

The table shows transactions with legal entities that are directly or indirectly majority owned by the Republic of Slovenia (more than 50 % ownership) and are important for the company in terms of the level of significance of transactions according to the criterion of the size of the transaction (revenues or expenses in 2024 exceed EUR 2 million), except for banks in which all transactions are disclosed. The remaining transactions with companies, ministries, agencies and other legal entities where the Republic of Slovenia is the majority or minority owner are irrelevant from the point of view of reporting.

4.9.8 Remuneration

In the following, we provide information in relation to the Management Board and employees on the basis of contracts that are not subject to the tariff part of the collective agreement.

Remunerations of members of the Management Board

in EUR

Position	Fix salary - Gross (1)	Variable salary - Gross			Severance pay (4)	Bonuses (5)	Total (1+2+3+4+5)
		Based on quantitative criteria	Based on qualitative criteria	TOTAL (2)			
Branko Debeljak General Director until 4. 4. 2023	151,616	6,599	0	6,599	0	241	158,455
Mitja Tašler Managing Director	114,639	7,605	15,651	23,255	0	1,024	138,919
Total	266,255	14,203	15,651	29,854	0	1,265	297,374



Remunerations of members of the Supervisory Board

in EUR

	Function	Gross remuneration for performing the function				Total Gross (1+2)	Travel expenses
		Basic emuneration	Additional payment	Total (1)	Gross meeting fees (2)		
Urška Gašperlin	Member of SB - from 28.6.2024 - 18.9.2024	1,662	0	1,662	0	1,662	0
Urška Gašperlin	Member of the SB - President of the SB from 19.9.2024	1,477	739	2,216	394	2,610	0
Aleš Rednjak	Member of the SB - Representative of employees	7,385	0	7,385	1,538	8,923	0
Tomaž Štokelj	President of the SB until 27.6.2024	4,246	2,123	6,370	1,144	7,513	0
Matej Čufer	Deputy president of the SB from 18.5.2023	7,385	739	8,124	1,538	9,662	0
Total		22,155	3,600	25,755	4,614	30,370	0

Remuneration of members of the Audit Committee of the Supervisory Board

in EUR

	Function	Gross remuneration for performing the function				Total Gross (1+2)	Travel expenses
		Basic emuneration	Additional payment	Total (1)	Gross meeting fees (2)		
Anadolli Sonja	External member of the Audit Committee from 22.2.2024	5,714	0	5,714	1,341	7,055	684
Rado Sodin	External member of the Audit Committee	722	0	722	197	920	40
Aleš Rednjak	Member of the Audit Committee	0	1,846	1,846	1,231	3,077	0
Matej Čufer	Chairman of the Audit Committee from 18.5.2023	0	2,769	2,769	1,231	4,000	0
Total		6,437	4,615	11,052	3,999	15,052	723

4.10

This section is related to Chapter 2.11 on financial risks in the business part.

4.10.1 Trust (credit) risk

Credit risk is the risk of counterparty default. In addition to non-payment, we also run the risk of non-fulfilment of other non-financial obligations. The consequences that would arise occur as the risk of lack of liquid assets, unpaid liabilities to suppliers and the suspension of works and the cost of default interest.

For business credit risk, the company estimates that the probability of risk is small, the impact on the company's operations is medium. Risk management instruments are the verification of credit ratings of business partners, the conclusion of long-term contracts and, on the basis of these, annual contracts with elements of insurance of receivables, such as, for example, blank bills of exchange.

The blank bill of exchange insured receivables for thermal energy sold.

Non-current operating and financial receivables by maturity

in EUR

	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Long-term financial receivables from and loans to other	3,000,000	9,000,000	3,000,000	15,000,000
Long-term operating receivables from customers	0	6,650,000	1,380,000	8,030,000
Total as at 31.12.2024	3,000,000	15,650,000	4,380,000	23,030,000

	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Long-term financial receivables from and loans to group companies	10,000,000	10,000,000	0	20,000,000
Long-term operating receivables from customers	10,970,000	13,380,000	2,069,999	26,419,999
Long-term advances	9,146	0	0	9,146
Total as at 31.12.2023	20,979,146	23,380,000	2,069,999	46,429,145

Short-term operating and financial receivables by maturity

in EUR

	Not past due	Due for payment				Total
		Up to 3 months past due (up to 90 days)	From 3 to 6 months past due (from 91 to 180 days)	From 6 to 9 months past due (from 181 to 272 days)	From 9 to 12 months past due (from 271 to 360 days)	
Short-term financial receivables and loans to other	3,000,000	0	0	0	0	3,000,000
Short-term financial receivables and loans to other for interest	68,241	0	0	0	0	68,241
Short-term operating receivables from customers	68,385,179	3,138,160	9	1,024	24,324	71,548,696
Advances made in the short term	4,757,124	0	0	0	141,611	4,898,735
Short-term trade receivables from government and other institutions	2,085,457	0	0	0	0	2,085,457
Short-term trade receivables due from others	2,405	0	0	0	0	2,405
Total as at 31.12.2024	78,298,406	3,138,160	9	1,024	165,935	81,603,534

Short-term operating and financial receivables by maturity

in EUR

	Not past due	Due for payment				Total
		Up to 3 months past due (up to 90 days)	From 3 to 6 months past due (from 91 to 180 days)	From 6 to 9 months past due (from 181 to 272 days)	From 9 to 12 months past due (from 271 to 360 days)	
Short-term financial receivables and loans to group companies for interest	99,370	0	0	0	0	99,370
Short-term trade receivables from group companies	86,378,435	0	0	0	0	86,378,435
Short-term operating receivables from customers	4,760,848	11,809	1,107	11,564	17,391	4,802,719
Advances made in the short term	1,816,501	0	0	0	145,745	1,962,246
Short-term trade receivables from government and other institutions	2,390,360	0	0	0	0	2,390,360
Short-term trade receivables due from others	228	0	0	0	0	228
Total as at 31.12.2023	95,445,742	11,809	1,107	11,564	163,136	95,633,358

There is no need for insurance for operating receivables due to their specificity. Trade receivables that are due and outstanding mainly relate to trade receivables from rentals for apartments.

Receivables for advances are mainly related to the production parts of Unit 6, receivables from Primorje, d.d., in bankruptcy and advances for securing excise duties. Receivables for advances from Primorje, d.d., in bankruptcy in the amount of EUR 206,731 are registered in the bankruptcy estate and were classified as ordinary receivables on the basis of a court settlement. In 2013, the company completely impaired these receivables. In 2024, a payment in the amount of EUR 4,135 was received from the bankruptcy estate of Primorje, d.d., in bankruptcy. Thus, the receivable for advances against Primorje, d.d., in bankruptcy is reduced to EUR 141,611.

Value adjustments of short-term operating receivables

in EUR

	2024	2023
Balance as at 1.1.	163,136	170,372
Recovered written-off receivables	-4,135	-7,236
Balance as at 31.12.	159,001	163,136

The company concludes that the current internal policy on the formation and impairment of operating receivables is appropriate and that the application of the policy on disclosures under IFRS 9 in terms of assessing the expected loss from operating receivables ("Expected Credit Losses-ECL") has no significant effect on the fair presentation of the company's assets. In accordance with the written and internal rules for the formation of value adjustments, the company did not form new doubtful receivables in 2024.

The company estimates that credit risk is manageable, as it deals with known customers who are regular payers. In 2024, the largest buyer was the controlling company HSE, d. o. o., which purchased the entire electricity produced.

4.10.2 Liquidity Risk

Liquidity is a prerequisite for the company's solvency and at the same time the ability to settle the overdue liability in a timely manner. By ensuring optimal financial composition or operating within leverage, we enable safe operations in addition to the smallest costs of financial composition. The result of the shortage of liquid assets is unpaid overdue liabilities. The probability of the company having liquidity problems is medium. The instrument of liquidity risk management is the careful planning of cash flows on a daily, monthly and annual basis. The timing of receivables and liabilities is important, and above all the provision of appropriate resources for financing investments. For 2024, it was planned that current liquidity would be provided by regular payments for electricity sold.

Current liquidity in 2025 is provided by state compensation in accordance with the provisions of the ZPFPPIP. It is unlikely that in 2025 there will be a recall of the entire amount of the loan by the EIB, which, in accordance with IFRS, is recorded among short-term liabilities. Negotiations on the issuance of indulgences regarding contractual commitments are underway. In the event of a recall, the amount of the loan in accordance with the ZPFPPIP is part of the state compensation.

Non-short-term financial liabilities by maturity

in EUR

	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Financial liabilities from leases to others	45,090	0	0	45,090
Total 31.12.2024	45,090	0	0	45,090

	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Financial liabilities to banks	20,465,116	61,395,349	194,418,605	276,279,070
Financial liabilities from leases to others	588,539	0	0	588,539
Total 31.12.2023	21,053,655	61,395,349	194,418,605	276,867,609

Short-term operating and financial liabilities by maturity

in EUR

	Not past due	Due for payment		Total
		Up to 3 months past due (up to 90 days)	From 9 to 12 months past due (from 271 to 360 days)	
Short-term financial liabilities to banks	276,279,069	0	0	276,279,069
Short-term financial liabilities from leases	586,413	0	0	586,413
Short-term operating liabilities to suppliers	37,378,320	11,928	0	37,390,247
Short-term operating liabilities to employees	1,247,131	0	0	1,247,131
Short-term operating liabilities from government and other institutions	8,611,626	0	0	8,611,626
Short-term operating liabilities due from others	118,034	0	0	118,034
Total 31.12.2024	324,220,593	11,928	0	324,232,521

	Not past due	Due for payment		Total
		Up to 3 months past due (up to 90 days)	From 9 to 12 months past due (from 271 to 360 days)	
Short-term financial liabilities to group companies	217,986	0	0	217,986
Short-term financial liabilities to banks	20,465,116	0	0	20,465,116
Short-term financial liabilities from leases	577,108	0	0	577,108
Short-term operating liabilities to group companies	36,789,783	0	0	36,789,783
Short-term operating liabilities to suppliers	19,751,533	0	0	19,751,533
Short-term operating liabilities based on advances	9	0	0	9
Short-term operating liabilities to employees	906,734	0	0	906,734
Short-term operating liabilities from government and other institutions	159,511	0	0	159,511
Short-term operating liabilities due from others	111,763	0	0	111,763
Total as at 31.12.2023	78,979,543	0	0	78,979,543

4.10.3 Interest Rate Risk

Interest rate risk is the risk that the movement of the interest rate will be unfavourable for the company. It occurs mainly in borrowing, because the price of money depends on the level of market interest rates. The rise in interest rates results in the risk of default on the settlement of annuities due to insufficient liquidity reserves. Risk is defined as very small and manageable. A possible instrument for hedging against interest rate risk is a fixed interest rate with the lender, which the company already partially uses for financial loans.

The exposure of the company to interest rate risk was as follows (only instruments that have an impact on profit or loss are considered):

Financial instruments - balances

in EUR

Financial instruments with variable interest rates	2024	2023
Financial assets	18,000,000	20,000,000
Financial liabilities	276,279,069	296,744,186
Net financial instruments at a variable interest rate	258,279,069	276,744,186



Cash flow sensitivity analysis for variable rate instruments

Taking into account the 6-month Euribor, an increase in the mark-up by +0.50 b.p. would affect the increase/decrease in interest rate expense for variable rate loans.

in EUR

FINANCIAL INSTRUMENTS	Profit or loss for 2024		Profit or loss for 2023	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
Financial instruments with variable interest rate	93,506	-93,506	105,910	-105,950
Financial assets	93,506	-93,506	105,910	-105,950
Financial liabilities	0	0	0	0

4.10.4 Equity Management

The main purpose of equity management is to ensure the best possible credit rating and capital adequacy for the needs of financing business and investments. The appropriate amount of capital ensures the trust of the company's creditors and the market and maintains the future development of the activity.

The company monitors the movement of equity using the leverage indicator, calculated by dividing net liabilities by the total amount of net liabilities and the total amount of equity.

in EUR

Equity management	31.12.2024	31.12.2023
Long-term financial liabilities	0	276,279,070
Long-term financial liabilities from leases	45,090	588,539
Short-term financial liabilities	276,279,069	20,683,102
Short-term financial liabilities from leases	586,413	577,108
Total financial liabilities	276,910,572	298,127,819
Capital	108,285,902	194,014,336
Financial liabilities/Capital	2,56	1,54
Cash and cash equivalents	36,361,002	18,477,076
Net financial liability	240,549,570	279,650,743
Net debt/Capital	2,22	1,44

The indebtedness/equity indicator shows the ratio of company indebtedness to equity. At the end of 2024, the indicator was higher compared to the previous year, which indicates lower borrowings and lower equity. The leverage indicator is higher compared to 2023, which is a result of a decrease in net debt and capital compared to the previous year.

4.10.5 Fair values

The Company estimates that the carrying value of financial instruments is a sufficiently accurate approximation of their fair values, so fair values are equal to carrying values.

Carrying 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	112,860	112,860	112,860	112,860
Funds available for sale	112,860	112,860	112,860	112,860
Non-derivative financial assets at amortised cost	391,704,952	391,704,952	361,140,361	361,140,361
Financial receivables	18,068,241	18,068,241	20,099,370	20,099,370
Operating and other receivables	337,275,709	337,275,709	322,563,915	322,563,915
Cash and cash equivalents	36,361,002	36,361,002	18,477,076	18,477,076
Total	391,817,812	391,817,812	361,253,221	361,253,221
Non-derivative financial liabilities at amortised cost	581,710,494	581,710,494	565,024,460	565,024,279
Bank loans	276,279,069	276,279,069	296,744,186	296,744,186
Other financial liabilities	631,503	631,503	1,383,633	1,383,451
Operating and other liabilities	304,799,922	304,799,922	266,896,642	266,896,642
Total	581,710,494	581,710,494	565,024,460	565,024,279

Financial assets and liabilities at fair value according to the hierarchy

in EUR

	31. 12. 2024		31. 12. 2024		
	Book value	Fair value	Level 1	Level 2	Level 3
Non-derivative financial assets at fair value	112,860	112,860	0	0	112,860
Funds available for sale	112,860	112,860	0	0	112,860
Non-derivative financial assets at amortised cost	391,704,952	391,704,952	0	391,704,952	0
Financial receivables	18,068,241	18,068,241	0	18,068,241	0
Operating and other receivables	337,275,709	337,275,709	0	337,275,709	0
Cash and cash equivalents	36,361,002	36,361,002	0	36,361,002	0
Total	391,817,812	391,817,812	0	391,704,952	112,860
Non-derivative financial liabilities at amortised cost	581,710,494	581,710,494	0	581,710,494	0
Bank loans	276,279,069	276,279,069	0	276,279,069	0
Other financial liabilities	631,503	631,503	0	631,503	0
Operating and other liabilities	304,799,922	304,799,922	0	304,799,922	0
Total	581,710,494	581,710,494	0	581,710,494	0

Short-term receivables and liabilities are disclosed at book value, which is taken into account as amortized cost.

4.11

4.11.1 Additional disclosures under the Electricity Supply Act

In accordance with the requirements of the Financial Transparency and Separate Recording of Different Activities Act (ZPFOLERD-1) and the Electricity Supply Act (ZOEE), the company has prepared separate financial statements for energy and other activities. In the Accounting Rules, the company has defined that it prepares financial statements separately for the following activities:

- production of electricity,
- steam and hot water supply,
- other,

which are a market-oriented organizational part of the company and create a profit or loss through their operations.

The Šoštanj Thermal Power Plant records the company's revenues and expenditures at orders, cost centres (SM) and profit centres (PC). The company records assets and liabilities mainly in sectoral segments (PO), intangible assets, property, plant and equipment, as well as in SM. The majority of SM and PC directly belongs to individual activities or sectoral sections, and part of SM is general or indirect. When classifying revenues, expenses and costs arising from the operations of the company as a whole or in the performance of two or more activities that cannot be allocated directly, the company uses the criteria/keys for division. The criteria/keys for division are checked and corrected annually according to new facts.

The method of allocating costs by SM and expenses by PC and determining operating results by activity/PO is based on methods for allocating indirect costs and expenses, which are a simple division calculation and attribution of costs arising from empirical analyses, experiential knowledge and goals of the company.

General costs and expenses and general revenues are allocated to the PO (activity) on the basis of judgments/keys agreed upon.

Two types of general cost centres are established in the company:

- general production cost centres,
- general cost centres of professional services.

Criteria for allocating the costs of general cost points:

- i. The costs collected at general production cost points (transport of coal, water treatment, transport of ash and gypsum, production fleet and laboratory) are first divided by TEŠ into a regional section of steam and hot water supply consisting of two profit centres. Costs related to the operation of profit centres Heat Station 1 and Heat Station 2 (now TP 1 and TP 2) are divided by the key of primary energy consumed in Unit 5 in the amount of 0.46 % for the next three-year planning period (2020-2022). Costs of the profit centre Heat Station 3 (now TP 3) are divided by the key of primary energy consumed in Unit 6 in the amount of 2.09 % for the next three-year planning period (2020-2022). The company divides the remaining costs into a segment of electricity



production and within that into profit centres according to the share of coal consumed.

- ii. The costs collected at general production cost points (technical sector, mechanical maintenance, electrical maintenance, construction maintenance) are first divided by TEŠ into a regional section of steam and hot water supply. Costs related to the operation of profit centres TP 1 and TP 2 are divided by the key of primary energy consumed in Unit 5 in the amount of 0.46 % for the next three-year planning period (2020-2022). Costs of the profit centre TP 3 are divided by the key of primary energy consumed in Unit 6 in the amount of 2.09 % for the next three-year planning period (2020-2022). The company divides the remaining costs into a segment of electricity production and within that into profit centres according to the share of electricity produced.
- iii. The costs collected at the general cost points of the professional services are first divided into a regional section of steam and hot water supply. Costs related to the operation of profit centres TP 1 and TP 2 are divided by the key of primary energy consumed in Unit 5 in the amount of 0.46 % for the next three-year planning period (2020-2022). Costs of the profit centre TP 3 are divided by the key of primary energy consumed in Unit 6 in the amount of 2.09 % for the next three-year planning period (2020-2022). The company divides the remaining costs into a segment of electricity production and within that into profit centres according to the share of electricity produced.

Revenue of the company is usually direct and is broken down into business and financial. Operating income is direct. Due to the negligibility of the generated revenues, the revenues achieved by performing smaller registered activities were recorded on the electricity generation activities.

Due to the negligible values of the generated revenues, financial revenues are allocated to the PO of electricity production/coal and considering the share of electricity produced per individual PC.

Costs and expenses of the company are broken down into business and financial. Costs are divided by types, locations and carriers. By natural types, we distinguish material costs, service costs, depreciation costs, labour costs, other operating expenses and financial expenses.

Costs of materials/energy products (coal, gas, heating oil, additive) and other costs related to the consumption of fuels for cogeneration of electricity and thermal energy from TEŠ production units are directly allocated to SM, PC or PO on the basis of the quantities actually consumed. The energy sources whose consumption is recorded in indirect SM are allocated according to the relevant keys of distribution of indirect SM.

Maintenance costs (materials and services) are allocated directly according to the SM. Maintenance costs, other than those recorded on the PO other, in the amount of 2.55 % are allocated to the PO of steam and hot water supply (TP1, TP2 in the amount of 0.46 %, TP 3 in the



amount of 2.09 %) and in the amount of 97.45 % to the PO of electricity production and to individual PCs according to the relevant keys of distribution of indirect SM.

The costs of demolition services of the cooling tower of Unit 4 and the chimney of Units 1-3 are not allocated to steam and hot water supply activities (of a one-time nature).

The costs of emission coupons and environmental taxes on the combustion of fuel for heat production are allocated directly to the PO of steam and hot water supply (TP1, TP2 in the amount of 0.46 %, TP 3 in the amount of 2.09 %).

The remaining costs of materials, services and other expenses are allocated directly according to the SM and PC. Costs of materials, services and other expenses, other than those recorded on the PO other, in the amount of 2.55 % are allocated to the PO of steam and hot water supply (TP1, TP2 in the amount of 0.46 %, TP 3 in the amount of 2.09 %) and in the amount of 97.45 % to the PO of electricity production and to individual PCs according to the relevant keys of distribution of indirect SM.

Depreciation costs are allocated to the SM directly on the basis of the records from the register of fixed assets. Depreciation costs, other than those recorded on the PO other, in the amount of 2.55 % are allocated to the PO of steam and hot water supply (TP 1, TP 2 in the amount of 0.46 %, TP 3 in the amount of 2.09 %) and in the amount of 97.45 % to the PO of electricity production and to individual PCs according to the relevant keys of distribution of indirect SM. The costs of impairment of assets shall be treated in the same way.

Labour costs are allocated directly according to the SM defined in the human resources department. Labour costs, other than those recorded on the PO other, in the amount of 2.55 % are allocated to the PO of steam and hot water supply (TP 1, TP 2 in the amount of 0.46 %, TP 3 in the amount of 2.09 %) and in the amount of 97.45 % to the PO of electricity production and depending on the share of electricity production per individual PC.

Financial expenses are allocated directly to the PC. Financial expenses in the amount of 2.55 % are allocated to the PO of steam and hot water supply (TP 1, TP 2 in the amount of 0.46 %, TP 3 in the amount of 2.09 %) and in the amount of 97.45 % to the PO of electricity production and to individual PCs according to the relevant keys of distribution of indirect SM.

Intangible assets:

- They are allocated on the basis of the definition in the fixed assets register; they are usually posted to direct SM.

Property, plant and equipment:

- Land: according to the PO are allocated on the basis of data from the cadastre and the extract from the land register and are allocated to the PO of electricity production.
- Buildings: according to the PO are allocated on the basis of the definition in the register of fixed assets.
- Production equipment and other equipment: according to the PO is allocated on the basis of data from the register of fixed assets. Steam and hot water supply activities are allocated to the value of all production equipment in the amount of 2.55 %. The company manages the equipment in stock, from which depreciation is not calculated, within the PO production of electricity.
- Property, plant and equipment in acquisition: according to the PO are allocated in accordance with the investment program.

Financial investments receivables and loans:

- The basis for determining the PO is the original document from which a non-current financial investment is derived. If the investment cannot be precisely defined, it is allocated to the PO of electricity production.
- A short-term deposit with a bank (DSRA account) in the amount of 2.55 % is also allocated to steam and hot water supply activities.

Trade receivables:

- Trade receivables are allocated on the basis of the balance of open accounts directly to the PO, which they pertain.
- Other receivables are allocated directly to the PO, and if this is not possible, the PO of electricity production is defined as the holder of the receivable.

Assets held for sale:

- They are allocated directly to the PO, and if this is not possible, the PO of electricity production is defined as the holder of the receivable.

Stocks:

- Stocks of energy products, other than fuel oil, in the amount of 2.55 % are allocated to the PO of steam and hot water supply. All remaining stock is allocated after electricity generation.

Other assets:

- They are allocated directly to the PO, and if this is not possible, the PO of electricity production is defined as the holder of the asset.

Cash and cash equivalents:

- They are allocated to individual POs.

Equity:

- On the basis of the established difference between the assets and liabilities on 31 December 2000, by preparing the IFP (opening balance sheet after the PO), the balance sheet total is equalized with the redistribution of the share capital to the PO; a share of the share capital and the corresponding capital reserves (revaluation adjustment of capital) pertain to a PO.
- The equity is reduced by the established loss of the current year and the uncovered loss of previous years or increased from the established profit.

Non-current provisions and non-current deferred revenues:

- The balance at the balance sheet date is allocated by PO according to the purpose of the provisioning. The exception is the decommissioning provisions of Unit 6, which are allocated to the PO of steam and hot water supply in the amount of 2.55 %.

Non-current financial and operating liabilities:

- By PO, they are allocated according to the purpose of borrowing.

Short-term financial liabilities

- By PO, they are allocated according to the purpose of borrowing

Short-term and non-current financial liabilities of loans in the amount of 2.55 % are allocated to the PO of steam and hot water supply. A special feature are financial loans taken from HSE, which are allocated only to the PO of electricity production (transfer of financial liabilities to capital).

Short-term operating liabilities:

- By PO, they are allocated as a direct liability by origin of occurrence. For liabilities that cannot be directly defined per individual sector segment, they are recorded on the PO of electricity production.

Other short-term liabilities:

- They are allocated directly to the PO based on the purpose of the formation; if this is not known, they are allocated to the PO of electricity production.

4.11.2 Statement of financial position by activity

in EUR

	31.12.2024	Electricity production	Steam and thermal water supply	Other business segments
ASSETS	708,884,242	697,049,910	11,632,380	201,951
A. LONG-TERM ASSETS	297,714,748	290,828,103	6,697,097	189,548
I. Intangible assets	276,435	249,728	26,707	0
II. Property, plant and equipment	271,463,354	264,609,849	6,670,390	183,115
III. Right to use leased assets	622,075	622,075	0	0
VI. Other long-term investments and loans	15,112,860	15,112,860	0	0
VII. Long-term operating receivables	8,030,000	8,030,000	0	0
VIII. Other long-term assets	2,210,024	2,203,591	0	6,433
B. SHORT-TERM ASSETS	411,169,494	406,221,807	4,935,284	12,403
II. Inventories	42,494,540	41,932,921	561,619	0
III. Short-term investments and loans	3,068,241	3,068,241	0	0
IV. Short-term trade receivables	71,531,305	67,290,098	4,228,850	12,358
V. Contract assets	250,740,517	250,740,517	0	0
VI. Current tax receivables	0	0	0	0
VII. Other short-term assets	6,973,888	6,829,028	144,815	45
VIII. Cash and cash equivalents	36,361,002	36,361,002	0	0
EQUITY AND LIABILITIES	708,884,242	697,049,910	11,632,380	201,951
A. EQUITY	108,285,902	110,778,686	-2,500,346	7,562
I. Called-up capital	195,579,850	195,305,789	0	274,061
II. Capital surplus	46,190,401	46,190,401	0	0
V. Fair value reserve	-1,196,495	-1,196,495	0	0
VI. Retained earnings or losses	-132,287,854	-129,521,009	-2,500,346	-266,499
B. LONG-TERM LIABILITIES	18,998,805	18,601,162	397,642	0
I. Provisions for termination benefits and jubilee premiums	3,810,271	3,810,271	0	0
II. Other provisions	15,077,573	14,693,095	384,478	0
III. Other long-term liabilities	65,869	52,705	13,164	0
IV. Long-term financial liabilities	0	0	0	0
V. Long-term financial liabilities from leases	45,090	45,090	0	0
C. SHORT-TERM LIABILITIES	581,599,536	567,670,062	13,735,084	194,389
II. Short-term financial liabilities	276,279,070	269,233,953	7,045,116	0
III. Short-term financial liabilities from leases	586,413	586,413	0	0
IV. Short-term operating liabilities	37,390,248	35,866,567	1,486,382	37,299
VII. Other short-term liabilities	267,343,805	261,983,129	5,203,586	157,090

4.11.3 Income statement by activities

in EUR

Owner of the parent company	2024	Electricity production	Steam and thermal water supply	Other business segments
OPERATING REVENUE	562,676,912	549,672,315	12,967,849	36,748
1. Net sales revenues	562,164,207	549,235,391	12,892,068	36,748
2. Other operating income	512,705	436,924	75,781	0
OPERATING EXPENSES	638,169,165	623,582,731	14,563,990	22,445
3. Costs of goods, materials and services	223,642,377	217,746,464	5,886,128	9,785
4. Labour costs	16,737,868	16,311,052	426,815	0
5. Value write-offs	131,636,016	128,270,232	3,356,480	9,304
a) depreciation	44,915,944	43,761,522	1,145,119	9,304
b) impairments/write-offs/disposal of intangible assets and investments, property, and equipment	86,718,457	84,507,137	2,211,321	0
d) Inventories impairments/write-offs	0	0	0	0
7. Capitalised own products and services	1,615	1,573	41	0
8. Other operating expenses	266,152,905	261,254,982	4,894,566	3,356
OPERATING PROFIT/LOSS	(75,492,252)	(73,910,416)	(1,596,141)	14,303
9. Financial revenue	2,969,849	2,969,849	0	0
10. Financial expenses	13,161,047	12,825,440	335,607	0
FINANCIAL OUTCOME	(10,191,198)	(9,855,592)	(335,607)	0
PROFIT (LOSS) BEFORE TAX	(85,683,451)	(83,766,007)	(1,931,747)	14,303
TAX	0	0	0	0
12. Current tax	0	0	0	0
PROFIT (LOSS) BEFORE TAX	(85,683,451)	(83,766,007)	(1,931,747)	14,303
Owner of the parent company	(85,683,451)	0	0	0
Non-controlling interest	0	0	0	0

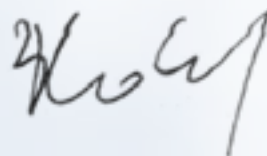
Signature of the Annual Report for 2024 and its components

The CEO of TEŠ declares that he is familiar with the content of the components of the annual report of TEŠ for 2024 and thus with the entire annual report of TEŠ for 2024.

They agree with it and confirm it with their signatures.

Šoštanj, 14 August 2025

CEO: MSc. Branko Debeljak

A handwritten signature in black ink, appearing to be 'B. Debeljak', written in a cursive style.

Abbreviations

ARSO	Slovenian Environmental Agency
VAT	Value added tax
DEM	Dravske elektrarne Maribor, d. o. o.
DEKA	Decarbonisation
EBIT	Operating profit or loss
EBITDA	Operating profit or loss including write-offs
ECB	European Central Bank
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
FOEL	Fuel oil extra light
EU	European Union
EUR / €	Euro
EU ETS	European Union Emissions Trading System
	Greenhouse gas emission allowance trading scheme in the European Union
Fit for 55	Fit for 55
GE	General Electric
HESS	Hidroelektrarne na Spodnji Savi, d. o. o.
HSE	Holding Slovenske elektrarne, d. o. o.
IED	Regulation establishing types of activities and facilities, which may cause large-scale pollution.
ISO	International Standardisation Organisation
ISO/IEC	Information protection management system
LNG	Liquefied natural g
LUVO	Air pre-heater
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
MOP	Ministry of Environment and Spatial Planning
NEPN	National Energy and Climate Plan
SB	Supervisory Board
PPE	Property, plant and equipment
OHSAS	Occupational health and safety management system
RES	Renewable energy sources
EP	Environmental permit
OPEC	Organization of the Petroleum Exporting Countries
UN	United Nations
PT	Gas turbine
PPE	Gas-steam unit
PV	Premogovnik Velenje, d. o. o.
EIA	Environmental impact assessment
PSU	Subsidence reconstruction area
RGP	RGP Rudarski gradbeni program, d. o. o.
AC	Audit Committee
SAŠA	Savinja-Šalek region
SDH	Slovenski državni holding, d. d. (Slovenian Sovereign Holding)
SENG	Soške elektrarne Nova Gorica, d. o. o.
STA	Slovenian Technical Approval
SURS	Slovenian Statistical Office
TEŠ	Termoelektrarna Šoštanj, d. o. o.
GHGs	Greenhouse gases
OHS	Occupational health and safety
ZAG	Slovenian National Building and Civil Engineering Institute
USA	United States of America
ZFPPIPP	Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act
ZJN	Public Procurement Act,
ZPFOLERD	Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act
ZPIZ	Pension and Disability Insurance Act
ZGD	Companies Act (ZGD-1),
ZOEE	Electricity Supply Act
ZOP	Gas Supply Act
ZVO	Environmental Protection Act



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