TERMOELEKTRARNA
ŠOŠTANJ

annual report 20 25





ŠOŠTANJ / JULY, 2026

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ANNUAL REPORT 2025

TERMOELEKTRARNA ŠOŠTANJ



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TERMOELEKTRARNA
ŠOŠTANJ





01 Introduction

Introduction

1

Until the end of 2024, the principal activity of Termoelektrarna Šoštanj, d. o. o. (hereinafter: TEŠ) was the generation of electricity and heat for the Slovenian power system and the Šaleška Valley district heating system. TEŠ operated as part of the HSE Group.

Since the district heating distribution system serving the Municipality of Velenje and the Municipality of Šoštanj was upgraded in 1971, TEŠ has been the sole producer and supplier of heat to households, public institutions and businesses in the Šaleška Valley.

TEŠ's operations within the HSE Group were based on the COST+ pricing model, which applied to all electricity generated by the Company, enabling TEŠ to maintain its long-term financial solvency. Under the COST + pricing model, electricity sales generated sufficient cash flows for TEŠ to cover its annual operating expenditure, planned capital expenditure and financial obligations (principal and interest). This enabled TEŠ to meet its financial obligations as they fell due and ensured that its sources of finance remained appropriate in light of the expected returns and risks associated with its role as a contract power generator for Holding Slovenske elektrarne, d. o. o. (hereinafter: HSE).

Changes in electricity prices indicate that electricity prices have fallen significantly below the cost of generation, which has been rising over the years, primarily as a result of higher emission allowance prices and increasingly challenging mining conditions at Premogovnik Velenje, d. o. o. (hereinafter: PV) resulting in a continued increase in the price of lignite used as fuel. HSE's internal projections showed that the future operations of TEŠ, and consequently those of PV, would no longer be economically viable. As HSE, the company member of both TEŠ and PV, is state-owned and, due to EU State aid rules as well as its own financial position, has neither the legal nor the financial capacity to finance the continued operation of the thermal power division (TEŠ and PV), on 6 November 2024 it unilaterally withdrew from the COST+ business model with effect from 1 January 2025. This jeopardised the continued operation of TEŠ and resulted in the Company becoming long-term insolvent. Had TEŠ become insolvent as of 1 January 2025, its management would have had to file the petition for bankruptcy without undue delay and, in any event, no later than one month after the onset of insolvency.

However, with TEŠ being the sole producer and supplier of heat in the Šaleška Valley, the Company's bankruptcy would have resulted in the interruption of heat supply to all households, public institutions and businesses in the area. No alternative solutions are available in the short or medium term.

To ensure the continued operation of TEŠ at the level required to maintain the production and supply of heat, one would have to apply the cost-based price of heat which is regulated and determined in accordance with the Legal Act on the Methodology for Setting the Price of Heat for District Heating (on a cost-recovery basis), and would have enabled TEŠ to continue operating. Under such an arrangement, the Velenje Public Utility Company, as the purchaser of heat, would have had to provide TEŠ with approximately EUR 150 million more per year than before, resulting in unsustainably high heating costs for end users. Neither the local communities, Velenje Public Utility Company nor end consumers would have been able to absorb the price increase required to cover TEŠ's costs.

It therefore became clear that the only way of ensuring the continued supply of heat was temporary State intervention until alternative sources of heat could be secured. This could be achieved by the State imposing a public service obligation on TEŠ, thereby enabling the Company to continue producing heat, while covering its excess cost.

Accordingly, the Act on Transitional Financing for an Accelerated and Just Coal Phase-Out (Official Gazette of the Republic of Slovenia, No 109/24; hereinafter: the ZPFPPIP or the Act) was adopted with effect as of 21 December 2024. Under the Act, TEŠ became the provider of a public service whose principal activities include the production and supply of heat to the heat distributor in the Municipality of Velenje and the Municipality of Šoštanj. The public service is to be provided from 1 January 2025 to 30 April 2027. For the duration of the Act, TEŠ receives compensation to cover its excess costs.

The ownership of TEŠ was transferred to the Republic of Slovenia with effect from 31 December 2024. Pursuant to the Act, the Republic of Slovenia is represented by the Management Board of Slovenski državni holding, d. d. (Slovenian Sovereign Holding).

Operations of TEŠ under the ZPFPPIP

Since 1 January 2025, the production and supply of heat to the heat distributor in the Municipality of Velenje and the Municipality of Šoštanj have been carried out as a public utility service with the aim and purpose of ensuring an uninterrupted supply of heat in both municipalities as a public good for as long as such heat cannot be provided on the market. The production and supply of heat to the heat distributor are in the public interest, as they serve the needs of residents and legal entities pending the availability of alternative heat generation sources.

TEŠ operates to the extent necessary to ensure the supply of heat to the Šaleška Valley. In this context, account must be taken of the fact that the technical minimum operating output of TEŠ's coal-fired generating units exceeds the output required to provide the region with the necessary quantity of heat. In addition, the technical design of the coal-fired units does not allow them to generate heat alone. Consequently, in addition to heat, they also generate electricity as a by-product.

As the operation of TEŠ's generating facilities for the provision of the public utility service is not economically viable, the Act provides for TEŠ to receive sufficient compensation from the State to enable it to continue operating for the purpose of supplying heat to consumers, subject to compliance with EU State aid rules.

The ZPFPPIP's goal is to establish a statutory framework for the public utility service of supplying heat to consumers in the Šaleška region, while ensuring that the compensation provided by the State complies with the Altmark criteria. It also sets out the framework for TEŠ's operations during the period in which it provides the public utility service.

As of 1 January 2025, TEŠ has operated as an independent company, with its rights and obligations set out in its Articles of Association and governed in accordance with the provisions of the ZPFPPIP. The founder of the Company is the Republic of Slovenia, represented by the Management Board of the Slovenian Sovereign Holding.

On 9 September 2025, the Republic of Slovenia and TEŠ entered into Agreement No. 2570-25-520000 on the Provision of the Public Utility Service of Generation and Supply of Heat to the Heat Distributor in the Municipality of Velenje and the Municipality of Šoštanj. The Agreement covers the period for which the public utility service is to be provided, i.e. from 1 January 2025 to 30 April 2027. Pursuant to Decision No. 360-17/2025/47 of 11 August 2025, issued by the Ministry of the Environment, Climate and Energy, the amount of State compensation stipulated in the Agreement for 2025 was EUR 163,963,920.

The State compensation required for the period from January to December 2025 amounted to EUR 142,621,379, representing the difference between revenue generated and eligible costs incurred during the period under question. This was EUR 21.3 million below the planned amount, i.e. the amount stipulated in the Decision for 2025.
The lower level of State compensation required was primarily attributable to electricity selling prices being higher than planned, resulting in higher sales revenue. At the same time, operating expenses were below plan, further reducing the amount of State compensation required.





Letter of management

1.1

To whom it may concern!

In 2025, TEŠ operated in accordance with the Act on Transitional Financing for an Accelerated and Just Coal Phase-Out, under which the Company became the provider of the public utility service of producing and supplying heat to the heat distributor in the Municipality of Velenje and the Municipality of Šoštanj. TEŠ produced and supplied 276 GWh of heat and generated 1,848 GWh of electricity, which was sold on the market. Total sales revenues amounted to EUR 237.5 million, significantly below the previous year's level, as electricity generation is restricted by the provisions of the Act.

For the duration of the Act, TEŠ receives State compensation to cover excess eligible costs that are not covered by revenue generated from the limited volume of sales. In 2025, this compensation amounted to EUR 142.6 million. The reliable operation of the generating units, coupled with favourable electricity market conditions in 2025, resulted in the actual State compensation required being EUR 21.3 million lower than projected, representing a direct saving in public funds. With the Act providing for the compensation only in the light of ensuring the Company's liquidity, eligible costs do not include costs that do not result in cash outflows. Consequently, the Company recorded a loss of EUR 33.7 million. This result is primarily attributable to the statutory methodology for calculating the compensation and the accounting treatment of individual cost items and does not reflect the Company's operational performance. These are circumstances over which the Company has no direct control.

Slovenia is entering a period of significant transformation of its energy sector and economy in general. The national strategy on coal phase-out and the restructuring of coal regions in line with just transition principles determines that Slovenia will stop generating electricity from coal by 2033 at the latest.

This strategic direction represents an important step towards climate neutrality and sustainable development, while at the same time raising a number of issues relating to energy security, security of electricity supply, and the economic and social transformation of coal regions.

The Company has an important role to play in this process. Alongside ensuring the safe, reliable and responsible operation of its generating units, it is actively involved in the preparation and implementation of projects designed to facilitate a gradual transition to a low-carbon society. In doing so, the Company seeks to maintain a high level of security of energy supply while laying the foundations for new development opportunities in the region.

The restructuring process will be supported by European Union funding and national development mechanisms aimed at fostering new economic activities, creating high-quality jobs and strengthening the region's long-term competitiveness. The success of the transition will depend on effective cooperation between the State, businesses, local communities and other key stakeholders. The Company intends to remain an active and responsible partner in this process, contributing its expertise, experience and infrastructure capabilities to the successful and just transformation of the region.

Šoštanj, 24 July 2026

Termoelektrarna Šoštanj, d. o. o.
Managing Director:
mag. Branko Debeljak



Report on the work of supervisory board for 2025

1.2

Pursuant to the Companies Act[1] ("ZGD-1"), the Articles of Association of TEŠ, the Rules of Procedure of the TEŠ Supervisory Board and the Corporate Governance Code for Companies with State-Owned Assets ("SDH Code"), the Supervisory Board of TEŠ (hereinafter: "Supervisory Board" or "SB") prepared its Supervisory Board Report for 2025.

The content of the report is prescribed by Article 9(2) of the Supervisory Board Rules of Procedure, which provides that the report should include, in particular: (i) an opinion on the work of the Management, (ii) findings arising from the review of the annual report, (iii) the auditor's management letter and the Supervisory Board's position on the Auditor's Report, (iv) its position on management's proposal for the allocation of distributable profit, and (v) an opinion on the company's operations.



Manner and scope of verifying the 2025 corporate governance and operations of TEŠ5

The TEŠ Supervisory Board held a total of twenty-one (21) meetings in 2025, comprising ten (10) regular meetings, seven (7) meetings held by correspondence and four (4) extraordinary meetings. At twenty (20) meetings the attendance was 100%, while one member was unable to attend one (1) meeting for a justified reason. The attendance of TEŠ Supervisory Board members is presented in the table (Composition of the Supervisory Board in 2025) which is included in the Corporate Governance Statement. The TEŠ Supervisory Board was newly constituted in March 2025. The composition of the TEŠ Supervisory Board, including the independence of its members, is also provided in the Corporate Governance Statement. No conflicts of interest arose in connection with voting on agenda items at Supervisory Board meetings that resulted in a member being excluded from voting. All resolutions of the TEŠ Supervisory Board were adopted unanimously, except where there were substantiated grounds for an individual Supervisory Board member to abstain from or be excluded from voting.

The TEŠ Supervisory Board was regularly briefed on the Company's current operating results, operational activities and the implementation of Supervisory Board resolutions, and considered other business and strategic matters with a material impact on TEŠ's operations. In performing its supervisory function, the TEŠ Supervisory Board requested and received responses to additional questions arising from the materials submitted for its meetings.

Management regularly briefed the TEŠ Supervisory Board on the Company's performance (through quarterly business performance reports) as well as on the implementation of measures to optimise and streamline operations, solvency and capital adequacy, liquidity, borrowing, receivables, compliance with commitments to banks, resolutions adopted by the founder, major projects, significant legal proceedings and other key developments at TEŠ.

[1] Official Gazette of the Republic of Slovenia No 65/09, as amended.



Acting on the proposal of the Audit Committee, the TEŠ Supervisory Board approved the TEŠ's audited 2024 Annual Report together with the independent auditor's opinion and reviewed the audited Report on Relations with Affiliated Companies for 2024. It also got acquainted with accumulated loss reported at the end of 2024 and proposed to the founder that the accumulated loss remain unabsorbed. The TEŠ Supervisory Board approved the TEŠ Business and Financial Plan for 2026 and the 2026 Operating Plan.

Acting on the proposal of the Audit Committee, the TEŠ Supervisory Board proposed to the founder a candidate for appointment as auditor of TEŠ's annual financial statements and sustainability report for the 2025–2027 period.

The TEŠ Supervisory Board approved the HSE Internal Audit Department's Long-Term Work Plan for TEŠ for the 2025–2030 period, as well as its Work Plan for TEŠ for 2025 and 2026. It also reviewed the Internal Audit Department's quarterly activity reports and, through its reporting, the findings of internal audits performed.

The TEŠ Supervisory Board was briefed on activities relating to the implementation of sustainability practices and sustainability reporting.

The TEŠ Supervisory Board regularly reviewed TEŠ's quarterly risk management reports and proposed enhancements to the company's risk management system.

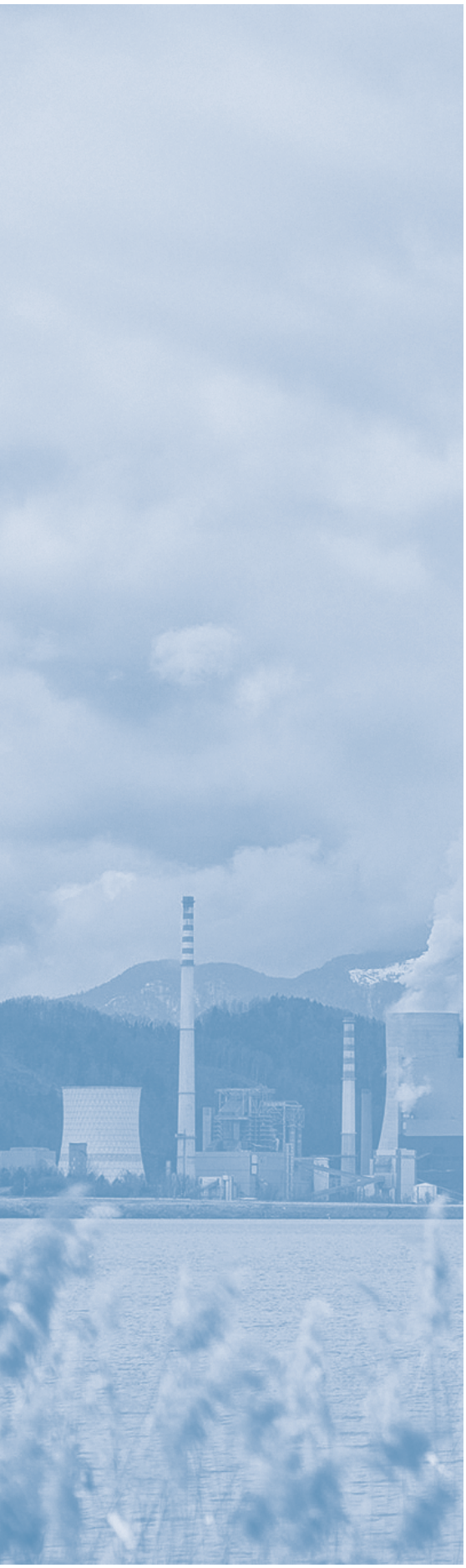
In the second quarter of 2026, the Supervisory Board reviewed the HSE Compliance Department's Annual Report for 2024. In the fourth quarter of 2025, it approved the appointment and remuneration of the TEŠ Compliance and Integrity Officer (CIO), reviewed the draft CIO Work Plan for 2026 and considered a special report submitted by the CIO.

The Supervisory Board granted approval for legal transactions requiring its prior approval under the company's Articles of Association. Some of more significant approvals relate to the price of coal and the agreement governing TEŠ's provision of the public utility service.

The TEŠ Supervisory Board adopted:

- amendments to the Rules of Procedure of the TEŠ Supervisory Board;
- the revised TEŠ Management Remuneration Policy;
- the revised Diversity Policy for the Management and Supervisory Bodies;
- the decision on the payment of the variable component of the TEŠ Managing Director's remuneration for 2024; and
- the Criteria for Determining the Variable Component of the TEŠ Managing Director's Remuneration for 2025.

Throughout the year, the TEŠ Supervisory Board focused particular attention on monitoring the company's liquidity position and capital adequacy, as well as measures to ensure solvency under the ZFPPIPP and the ZPFPPIP. Against this background, the TEŠ Supervisory Board instructed management to: (i) continuously monitor the legislative process concerning a possible extension of the ZPFPPIP or the development of another systemic solution; (ii) prepare updated operating scenarios for the period following the expiry of the ZPFPPIP, covering both an extension and non-extension of the ZPFPPIP and setting out the specific measures required under each scenario; and (iii) prepare an information paper for the founder and the competent ministries summarising the consequences of a failure to extend the ZPFPPIP or adopt another appropriate systemic solution.



In 2025, the TEŠ Supervisory Board adopted its Work Plan for 2026 and conducted a self-assessment of its performance for the calendar year under review, identifying a number of activities to be undertaken in the following year. The members concluded that they performed their duties effectively and professionally and in accordance with applicable legislation, professional standards and the principles of good corporate governance.

Based on the activities carried out in 2025, the TEŠ Supervisory Board considers that, throughout the year, it acted in the best interests of the Company, on the basis of the information and reports provided by Management and within the scope of the powers and responsibilities vested in it under the ZGD-1, the Slovenian Sovereign Holding Act[2] ("ZSDH-1") and the Company's Articles of Association, while also taking into account the SDH Code.

Activities of the TEŠ Supervisory Board's Audit Committee

In 2025, the composition of the Audit Committee was as is presented in the table included in the Corporate Governance Statement.

The company's Audit Committee held a total of thirteen (13) meetings in 2025, comprising nine (9) regular meetings, two (2) meetings held by correspondence and two (2) extraordinary meetings. All members of the Audit Committee attended twelve (12) meetings, while one member was unable to attend one (1) meeting for a justified reason.

The Company's Audit Committee regularly reviewed the quarterly business performance reports and interim estimates of the Company's performance, with particular attention paid to financial and accounting information, liquidity, borrowing, compliance with commitments to banks and the request to determine the initial amount of annual compensation for 2026. It also regularly monitored the Company's quarterly risk management reports and, through its recommendations, contributed to enhancements to the risk reporting system and revisions to the work plan of the Compliance and Integrity Officer. It regularly monitored reports on the Company's compliance and integrity activities.

The Company's Audit Committee reviewed the proposed Long-Term and Annual Work Plans of the Internal Audit Department for 2025 and 2026 and recommended that the Supervisory Board approve them. It also regularly reviewed the Internal Audit Department's quarterly activity reports, reports on individual internal audits and reports on the implementation of internal audit recommendations.

The Company's Audit Committee monitored the audit of the financial statements and held several meetings with the auditors of Deloitte revizija, d. o. o., both during the pre-audit phase and during the audit of the financial statements. In this context, the Audit Committee was actively involved in determining the areas to be covered by the audit and the audit process itself. It assessed the performance of the statutory auditor and was briefed on the progress and key findings of the pre-audit and the audit of TEŠ's financial statements for 2024. The Audit Committee reviewed and assessed both the unaudited and audited Annual Report for 2024, together with the statutory auditor's opinion, adopted a position on the Annual Report and submitted its recommendation to the Company's Supervisory Board. It also prepared a report on its activities in 2024. The Audit Committee periodically monitored and assessed the independence of Deloitte revizija, d.o.o., the Company's statutory auditor. It did this through the reporting system set out in detail in the Audit Committee Rules of Procedure. In 2025, Deloitte revizija, d.o.o. provided TEŠ only with permitted non-audit services required under the ZPFPPIP. In the opinion

[2] Official Gazette of the Republic of Slovenia Nos 25/14 and 140/22.

of the Company's Audit Committee, the objectivity and independence of the external auditor were not compromised in 2025.

The Company's Audit Committee participated in establishing the criteria for the selection of the auditor of TEŠ's annual financial statements and the auditor of its sustainability report for the 2025–2027 period. Following completion of the selection process, it recommended to the Supervisory Board a candidate for appointment as auditor of the Company's annual financial statements and as auditor of its sustainability report.

The Company's Audit Committee also considered the TEŠ Business and Financial Plan for 2026 and adopted the Audit Committee Work Plan for 2026.

In 2025, the Audit Committee conducted a self-assessment of its performance for the calendar year under review. The Committee members concluded that the Audit Committee performed its duties effectively and professionally and in accordance with applicable legislation, professional standards and the principles of good corporate governance.

Based on its activities in 2025, the Audit Committee considers that it discharged its responsibilities in a responsible and effective manner and, through its work, contributed to greater transparency in the company's operations, the reliability of financial reporting, the strengthening of internal controls and risk management, and the quality and independence of both internal and external audit.

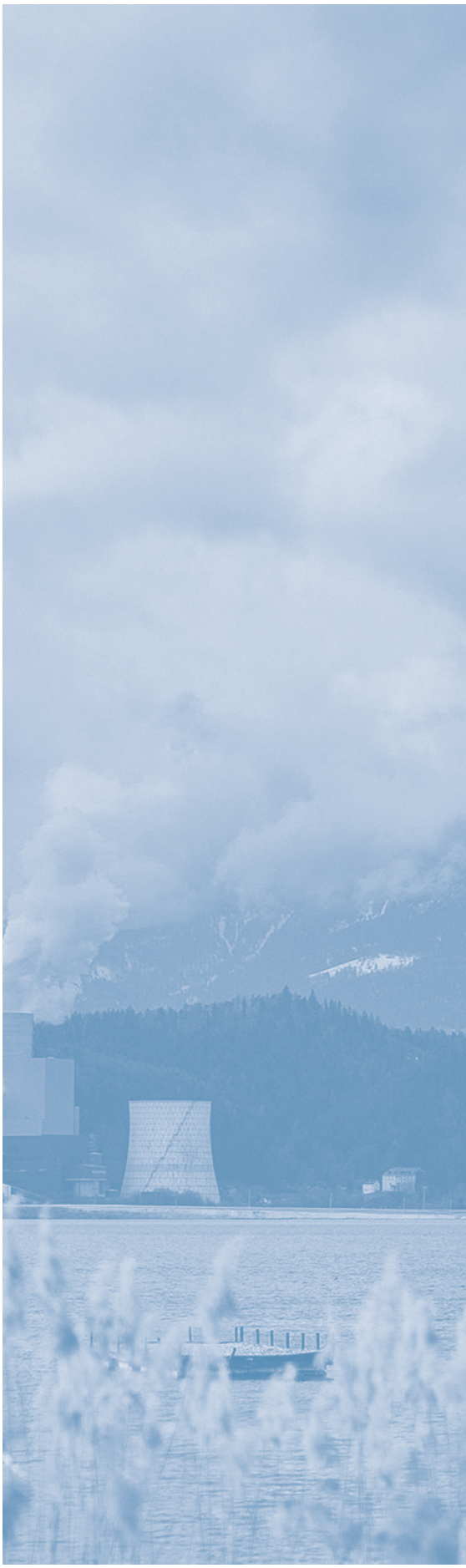
Opinion on the work of the Company's Management in 2025

In 2025, the TEŠ Supervisory Board exercised comprehensive oversight of the management and operations of TEŠ in line with the legislation and good practice, and within the powers vested in it. Meetings of the TEŠ Supervisory Board were attended by the Company's Managing Director and TEŠ employees, who provided detailed reports on matters relating to individual agenda items and responded to questions from Supervisory Board members during the ensuing discussions. Regular communication between Management and the Chair of the TEŠ Supervisory Board also took place outside Supervisory Board meetings. The Secretary to the TEŠ Supervisory Board organised its meetings, introduced ongoing technical improvements and provided professional and administrative support for the work of the Supervisory Board. The TEŠ Supervisory Board regularly monitored and assessed the work of the Management, particularly when reviewing the Company's quarterly business performance. The Company's Managing Director regularly briefed the TEŠ Supervisory Board on major projects and relevant developments and activities at TEŠ. The TEŠ Supervisory Board considers that the Company's Managing Director performed his duties with a view to achieving the established business objectives and ensuring the efficient management of TEŠ.

Opinion on the Company's performance in 2025

In 2025, TEŠ generated 1,848 GWh of electricity, which is 40% less than in 2024 and 1% more than anticipated for the period in the revised 2025 Business Plan.

According to the business plan, gas-fired units were to generate 162 GWh of electricity in 2025. Owing to commercial operation, activation of system reserve and operation for the provision of heat for the district heating system, the two gas-fired units generated 130 GWh of electricity which is 32 GWh or 20% less than anticipated in the revised 2025 Business Plan.



In 2025, the Company recorded a net loss of EUR 33.7 million.

EBITDA is positive in the amount of EUR 13.3 million and dropped compared to a year before. The Company's operating revenues decreased by 36% in 2025 as did the operating expenses (by 16 %), the latter mainly on account of impairments of the Company's non-current assets in 2024.

The Company's total assets decreased compared with 2024 as a result of lower current assets, with other current assets recording the largest decrease.

Investment activity focused primarily on investments in generation reliability, amounting to EUR 31 million. These investments are aimed at extending the service life of the generating units and mitigating technological and technical risks associated with ensuring reliable generation.

Bank debt amounts to EUR 255,813,953, down 7% compared with the end of 2024. In 2025, the company repaid the regular principal amounts of the long-term loan raised with EIB.

Owing to favourable liquidity situation, PV was granted a short-term loan in the amount of EUR 20 million by TEŠ in 2021. At the end of 2022, the short-term loan was converted into a long-term one. In 2025, an addendum to the loan agreement was concluded to reschedule the long-term loan by shortening its maturity to 30 April 2027.

Identifying accumulated profit/loss

At the end of the year the Company reports negative operating result consisting of the net loss for financial year 2025 in the amount of EUR 33,685,173 and the loss carried forward from previous years of EUR 132,287,854. TEŠ ended the year 2025 with a total accumulated loss in the amount of EUR 165,973,027.

Review and Approval of the company's 2025 Annual Report, including the Supervisory Board's Position on the Auditor's Report and the Auditor's Management Letter

Immediately after the auditor's report containing the opinion on the financial statements had been prepared and issued, TEŠ Management submitted the TEŠ 2025 Annual Report to the TEŠ Supervisory Board, in accordance with Article 272(3) of the Companies Act (ZGD-1), together with the auditor's report of 24 July 2026 containing the opinion on the financial statements for 2025, which the TEŠ Supervisory Board discussed at its 25th regular meeting on 19 August 2026.

The Company's 2025 financial statements were audited by Deloitte revizija d.o.o., which issued the Independent Auditor's Report to the founder of TEŠ d.o.o. on 24 July 2026. The Audit Committee of the TEŠ Supervisory Board held its 18th meeting on 19 August 2026 at which it discussed the audited 2025 Annual Report of TEŠ and found that the annual report was compiled in a timely and transparent manner and in accordance with the Companies Act (ZGD-1), applicable International Standards of Financial Reporting ("IFRS") as adopted by the European Union, as well as in accordance with the provisions of the Energy Act (EZ-2) and other relevant legislation (ZFPPIPP, ZRev-2 etc.).

The Audit Committee of the TEŠ Supervisory Board also reviewed the findings and recommendations set out in the Management Letter to TEŠ following the audit for 2025, prepared by Deloitte revizija, d.o.o.

The Audit Committee of the TEŠ Supervisory Board had no comments on the audited TEŠ Annual Report for 2025 and therefore recommended that the TEŠ Supervisory Board approve it in accordance with Article 282 of the ZGD-1. Based on the auditor's report and opinion, the position of the Audit Committee of the TEŠ Supervisory Board, and the information and disclosures contained in the TEŠ 2025 Annual Report, the TEŠ Supervisory Board concluded that the auditor had performed its work independently and professionally, in accordance with applicable legislation and professional practice; that the Annual Report had



been prepared, in all material respects, in accordance with the requirements of the ZGD-1; and that the financial statements presented fairly, in all material respects, the financial position of TEŠ as at 31 December 2025 and its financial performance and cash flows for the year then ended, in accordance with IFRS as adopted by the European Union.

The TEŠ Supervisory Board had no comments to the auditor's report. It also had no comments to the TEŠ 2025 Annual Report that would in any way hinder it in adopting a resolution to approve it. Accordingly, pursuant to Article 282(3) of the ZGD-1, the TEŠ Supervisory Board approved the TEŠ Annual Report for 2025. The Company's Supervisory Board adopted the aforementioned report within the given time limit i.e., before the expiry of one month from the date on which the Company's Management submitted the 2025 Annual Report to the Supervisory Board of TEŠ for approval.

Šoštanj, 19 August 2026

Chair of the Supervisory Board of TEŠ d.o.o.
dr. Jurij Klančnik



Operating highlights in 2025

1.3



In 2025, TEŠ, which is fired mainly by the Slovene coal from the Velenje Coal Mine, operated with two steam-fired generation units and two gas-fired units. It generated 1848 GWh of electricity, which is 40% less than in 2024 and 1% more than anticipated for the period in the 2025 business plan.

According to the business plan, gas-fired units were to generate 162 GWh of electricity in 2025. Owing to commercial operation, activation of system reserve and operation for the provision of heat for the district heating system, the two gas-fired units generated 130 GWh of electricity which is 32 GWh or 20% less than anticipated for 2025.

ITEM	2025	2024	2025/2024
Net sales revenue (EUR)	255,300,559	562,164,207	45
Net profit or loss (EUR)	(33,685,173)	(85,683,451)	39
Revenue (EUR)	362,114,094	565,646,761	64
Expenses (EUR)	395,799,267	651,330,212	61
EBIT = operating profit or loss (EUR)	(22,736,744)	(75,492,252)	30
EBITDA = EBIT + write-offs (EUR)	13,312,362	56,143,763	24
Assets (EUR)	623,968,714	708,884,242	88
Equity (EUR)	95,146,384	108,285,902	88
Bank debt (EUR)	255,813,953	276,279,070	93
Investments (EUR)*	31,464,533	13,886,514	227
Number of employees at the end of the period	291	300	97
Electricity sold (GWh)	2,006	3,070	65
Added value (EUR)	30,316,447	72,881,631	42
Added value per employee (EUR)	102,594	240,137	43

In 2025, TEŠ generated net revenue from sales in the amount of EUR 255,300,559, which is 55% less than in 2024. The Company's operating revenue decreased by 36% as did its operating expenses (the latter dropped by 40 %). The Company's revenue and expenses decreased year on year as a result of the provision of the public service under the ZPFPPIP.



	2025	2024
Electricity generated (in GWh)	**1,848**	**3,070**
Electricity purchased (in GWh)	**158**	**0**
Electricity sold (in GWh)	**2,006**	**3,070**
Electricity sales revenue (EUR thousand)	237,489	547,540
Average electricity selling price	*118.4*	*178.4*
Heat generated (in GWh)	**276**	**273**
Heat sales revenue (EUR thousand)	13,181	12,762
Heat selling price	*47.8*	*46.7*
Other revenue (EUR thousand)	9,432	2,375
Compensation revenue (EUR thousand)	100,969	0
Σ Operating revenue	**361,071**	**562,677**
Cost of goods sold	16,640	0
Cost of material (EUR thousand)	158,824	208,662
Cost of services (EUR thousand)	13,092	14,980
Labour cost (EUR thousand)	17,004	16,738
Number of employees	*291*	*300*
Cost of emission allowances (EUR thousand)	133,557	255,142
Other operating expenses (EUR thousand)	8,641	11,011
Write-offs (EUR thousand)	36,049	131,636
Σ Operating expenses	**383,808**	**638,169**
PROFIT OR LOSS (EBIT) (EUR thousand)	-22,737	-75,492
EBITDA (EUR thousand)	**13,312**	**56,144**
Financial revenue (EUR thousand)	1,043	2,970
Financial expenses (EUR thousand)	11,992	13,161
Financial result (EUR thousand)	-10,948	-10,191
NET PROFIT OR LOSS (EUR thousand)	**-33,685**	**-85,683**



With the Act only providing for compensation in the light of ensuring the Company's liquidity, TEŠ reported a net loss of EUR 33.7 million.

Under the ZPFPPIP, the Company is entitled to State compensation for the provision of the public utility service, calculated as the difference between eligible costs and revenue, plus the amount for the repayment of the principal on the European Investment Bank (EIB) loan.

Eligible costs under the Act include expenditure for major repairs, but exclude depreciation and write-offs, which are treated as ineligible costs. In 2025, these costs totalled EUR 36 million and were a key factor contributing to the loss reported by the Company. **The loss therefore largely reflects the statutory defined funding mechanism for the provision of the public utility service rather than the Company's current operating performance or liquidity position.**

In 2025, TEŠ required and received EUR 142,621,379 in compensation from the State budget for the provision of the public utility service of heat production, in accordance with the provisions of the ZPFPPIP. In accordance with the applicable accounting standards, the compensation is recognised in the Company's accounting records as follows:

in TEUR

BREAKDOWN OF COMPENSATION (EUR thousand)	
Operating revenue	100,969
Capital reserves (the EIB loan principal)	20,465
Deferred income relating to investments	22,251
Investment-related income	1,065
Total compensation received	**142,621**

Investment activity focused primarily on investments in generation reliability, amounting to EUR 31 million. These investments are aimed at extending the service life of the generating units and mitigating technological and technical risks associated with ensuring reliable generation.

Bank debt amounts to EUR 255,813,953, down 7% compared with the end of 2024. In 2025, the Company repaid the regular principal amounts of the loan raised with EIB.

PV was granted a short-term loan in the amount of EUR 20 million by TEŠ in 2021. At the end of 2022, the short-term loan was converted into a long-term one. In 2025, an addendum to the loan agreement was concluded to reschedule the long-term loan by shortening its maturity to 30 April 2027.

As at 31 December 2025, TEŠ had 291 employees, i.e., 9 less than at the end of 2024.

In 2025, the Company operated in line with the objectives set out in the Annual Asset Management Plan of SDH, the asset manager.

ESG objectives	
Objectives	**Performance**
1. Reduce the Company's carbon footprint compared with 2024, based on Scope 1 and Scope 2 emissions	The Company's Scope 1 and Scope 2 carbon footprint for the period from 1 January to 31 December 2025 amounted to 1,803,552 tonnes of CO_2 , compared with 3,103,462 tonnes of CO_2 in the previous year.
2. Reduce the sickness absence rate by at least 15% compared with 2024	The sickness absence rate stood at 6.2% in 2025, representing a reduction of more than 24% compared with 8.2% in the previous year.
3. Carry out activities in preparation for the Company's Sustainability Report for 2025	At its 34th regular session on 25 September 2025, the National Assembly of the Republic of Slovenia adopted the Act Amending the Act Amending and Supplementing the Companies Act (Official Gazette of the Republic of Slovenia No 77/2025; hereinafter: ZGD-1N), postponing the introduction of mandatory sustainability reporting. ZGD-1N provides that the sustainability reporting obligation for companies in the second wave is postponed from the 2025 financial year to the 2027 financial year, and for companies in the third wave from 2026 to 2028. In accordance with the ZGD-1M and ZGD-1N, Termoelektrarna Šoštanj, d. o. o., as a company falling within the second wave, will therefore not be required to prepare and publicly disclose its Sustainability Report until the 2027 financial year.

SDH's expectations for the Company	
SDH's expectations	**Performance**
1. Ensure a stable supply of heat to the Municipality of Velenje and the Municipality of Šoštanj in a reliable, safe, continuous and cost-effective manner	In 2025, TEŠ ensured a stable, reliable, safe and continuous supply of heat to the Velenje Public Utility Company.
2. Consistent compliance with and implementation of the provisions of the ZPFPPIP	TEŠ operates in accordance with the provisions of the ZPFPPIP. Pursuant to Article 17(7) of the ZPFPPIP, the Company is required to submit quarterly data (audited financial statements) to validate the calculation of the initial amount of compensation. The quarterly reports for 2025 were prepared, reviewed by the auditors and submitted to the competent ministry within the prescribed deadlines. At the ministry's initiative, an additional control was introduced under which data (financial statements including a breakdown of eligible costs, actual and projected cash flows, analysis of operations) are submitted for review on a monthly basis. Pursuant to Article 20(1) of the ZPFPPIP, a request for determination of the final amount of annual compensation for 2025 was submitted to the ministry on 1 March 2026. TEŠ maintains regular contact with the relevant departments of the ministry regarding compliance with the provisions of the ZPFPPIP.
3. Effective cost control and optimisation of generation (including biomass co-firing) with a view to minimising the State funding required for the public utility service	In 2025, TEŠ ensured a reliable supply of heat through careful generation planning. Through effective cost control and additional measures that had a favourable impact on costs (i.e. the co-firing of biomass with coal to reduce CO_2 emissions) as well as effective measures and the expertise of maintenance personnel in ensuring the uninterrupted operation of the generating units, the funding required from the State budget for the provision of the public utility service was reduced by more than EUR 21 million.
4. Efficient and cost-effective sale of electricity, subject to the restrictions set out in the ZPFPPIP, with a view to minimising the State funding required for the public utility service	The forward sale of 70% to 90% of projected electricity volumes is implemented through a series of public auctions, taking into account projected future electricity prices. In 2025, 1,552 GWh of electricity generated for the provision of the public utility service was sold, of which 72% was sold at the auction held on 9 January 2025, with the remaining volume sold on the day-ahead market. An additional 454 GWh of electricity generated through the commercial operation of Unit 6 was sold in accordance with Article 11 of the ZPFPPIP. Pursuant to Article 9 of the ZPFPPIP, by the end of 2025, 73% of the planned annual electricity generation for the provision of the public utility service in 2026 had been sold through four auctions. TEŠ manages risks associated with electricity sales in accordance with its strategy for electricity sales and the purchase of emission allowances and natural gas, prepared in cooperation with HSE and Kolektor sETup d. o. o.
5. Establish a system of quality direct reporting to SDH within the required timeframes and with the content specified in the SDH Recommendations and Expectations	Reports are submitted directly to SDH within the agreed timeframes. SDH is kept informed of all activities relating to the Company's business processes, whether directly by management or the relevant departments, as well as through the TEŠ Supervisory Board.
6. Effective management of risks associated with the purchase of CO_2 emission allowances	Risks associated with the purchase of CO_2 emission allowances are managed in accordance with the strategy for electricity sales and the purchase of emission allowances and natural gas, prepared in cooperation with HSE and Kolektor sETup d. o. o. These risks are managed by securing the required emission allowances at forward electricity sales auctions and by closely monitoring price movements in the emission allowance market, with a view to purchasing, as cost-effectively as possible, the emission allowances required for electricity generation sold on the day-ahead market.
7. Develop the basis for a strategic plan for the further development of the TEŠ energy site	Projects have been identified and also incorporated into the relevant regional plans, with further projects continuing to be added. Strategic projects and the basis for the preparation of the strategic plan are being coordinated between HSE, HSE SaŠa and TEŠ and are included in the HSE Group Strategic Plan. The TEŠ Coordination Committee (KOTEŠ) is being regularly briefed of the status. A framework cooperation agreement between TEŠ, HSE SAŠA and HSE, as well as implementation agreements for the delivery of strategic projects at the TEŠ site, are currently being coordinated. HSE SaŠa, the project promotor, has also submitted an application for the transformation of the Šaleška Valley district heating system, in cooperation with TEŠ and HSE.





02 Business report

Chronological overview of significant events in 2025

2.1

- 1 January 2025 – commencement of the obligation to provide the public utility service.
- 9 January 2025 – forward sale of electricity for 2025 through an auction (1,110 GWh sold at an average price of EUR 105.70/MWh).
- 9 January 2025 – forward purchase of emission allowances for 2025 through an auction (1,110,000 EUAs purchased at an average price of EUR 72.28/EUA).
- 15 January 2025 – submission of the request for determination of the initial amount of annual compensation and the monthly payment schedule for the first year of the public utility service provision (Article 35 of the ZPFPPIP).
- 16 January 2025 – commencement of commercial operation of Unit 6 (in accordance with the criteria for the commercial operation of Unit 6 while operating for the purpose of heat production).
- 15 February 2025 – appointment of new members of the Supervisory Board.
- 3 March 2025 – the Supervisory Board appointed Matej Pirc as Chair of the TEŠ Supervisory Board at its constituent meeting.
- 28 March 2025 – the new Articles of Association of TEŠ entered into force, introducing the following amendments:
  - Article 5: activities required for the provision of the public utility service in accordance with the ZPFPPIP were added, namely: 35.110 Electricity generation from non-renewable sources, 35.120 Electricity generation from renewable sources, 35.140 Electricity distribution, 35.150 Electricity trading, and 35.160 Electricity storage;
  - Article 19: a final paragraph was added providing for an exception to the time limits for convening meetings and submitting meeting materials in the case of meetings by correspondence or extraordinary meetings of the Supervisory Board;
  - Article 24: the composition of the Audit Committee was amended. Under the amended provision, the Audit Committee comprises four members, two of whom are representatives of the founder.
- 19 April 2025 – shutdown of Unit 6.
- 27 April 2025 – commencement of the scheduled overhaul of Unit 6.
- 27 May 2025 – electricity generation in 2025 reaches 1,000 GWh.
- 28 May 2025 – forward sale of electricity for 2026 through an auction (174,720 GWh sold at an average price of EUR 118.24/MWh).
- 28 May 2025 – forward purchase of emission allowances for 2026 through an auction (176,000 EUAs purchased at an average price of EUR 74.50/EUA).
- 6 July 2025 – successful completion of the overhaul of Unit 6.
- 7 August 2025 – the Ministry of the Environment, Climate and Energy issued a decision on the initial amount of annual compensation for the provision of the public utility service for 2025.
- 9 September 2025 – the Agreement on the Provision of the Public Utility Service of Generation and Supply of Heat to the Heat Distributor in the Municipality of Velenje and the Municipality of Šoštanj was signed between TEŠ and the Republic of Slovenia.
- 11 September 2025 – Annex No. 1 to the Agreement on the Sale and Purchase of Heat and System Water was signed between TEŠ and the Velenje Public Utility Company (KPV).
- 30 September 2025 – an application was submitted to project promoters of the Velenje Public Utility Company for generation of heat from renewable energy sources at TEŠ location.

- 6 November 2025 – the request for determination of the initial amount of annual compensation for the provision of the public utility service for 2026 was submitted (Article 17 of the ZPFPPIP).

- 11 December 2025 – the Coal Purchase Agreement for 2026 was signed, under which the contracting parties agreed on a purchase price of EUR 7.45/GJ for coal supplied by PV. In accordance with Article 26(3) of the ZPFPPIP, the coal price for 2026 received the prior approval of the TEŠ Supervisory Board and the PV Supervisory Board, while the Government of the Republic of Slovenia had not yet granted its approval.

- 11 December 2025 – Annex No. 1 to the Coal Purchase Agreement for 2025 was signed, under which the parties agreed to amend the purchase price of coal supplied by PV, with coal supplied from 1 January 2025 onwards being charged at EUR 7.19/GJ. In accordance with Article 26(3) of the ZPFPPIP, the coal price for 2025 received the prior approval of the TEŠ Supervisory Board and the PV Supervisory Board, as well as the approval of the Government of the Republic of Slovenia.

- 12 December 2025 – Annex No. 5 to the Entrepreneurial Collective Agreement of 3 April 2019 was signed between TEŠ and its Trade Union.

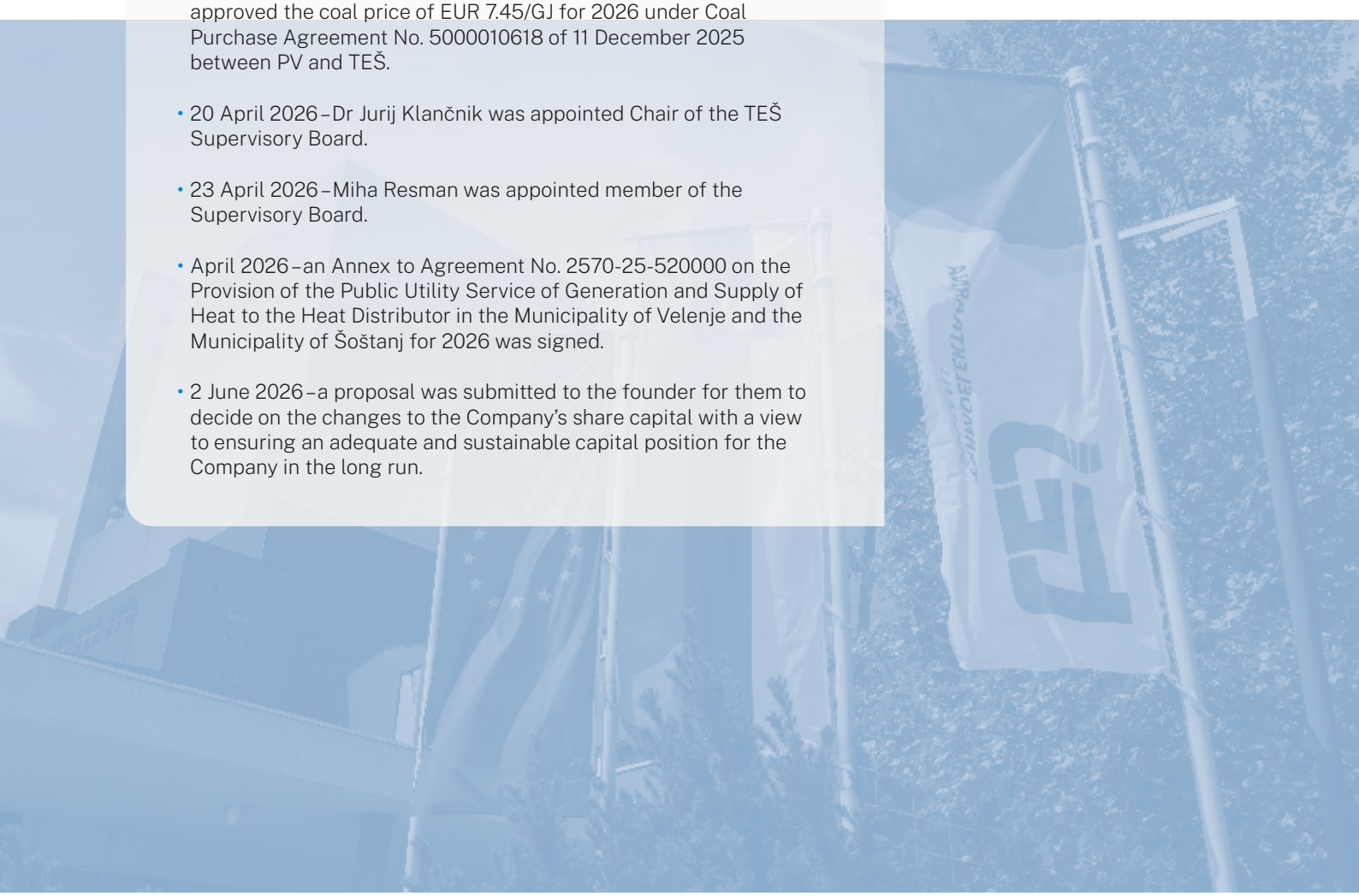
- 19 December 2025 – the waiver in respect of non-compliance with the terms of the loan agreement as a result of the entry into force of the ZPFPPIP, agreed with the European Investment Bank (the "Consent and Amendment Letter"), became effective.

- 29 December 2025 – the Government of the Republic of Slovenia approved the revised coal price for 2025 (EUR 7.19/GJ).

Significant events after the end of the 2025 financial year

2.2

- 1 March 2026 – the request for determination of final annual amount of compensation for 2025 was sent to the Ministry of the Environment, Climate and Energy in accordance with the provisions of the ZPFPPIP.
- 5 March 2026 – Matej Pirc resigned as Chair and member of the TEŠ Supervisory Board.
- 19 March 2026 – an amendment to the request for determination of the initial amount of annual compensation and the monthly payment schedule for 2026 was submitted.
- 26 March 2026 – the Government of the Republic of Slovenia approved the coal price of EUR 7.45/GJ for 2026 under Coal Purchase Agreement No. 5000010618 of 11 December 2025 between PV and TEŠ.
- 20 April 2026 – Dr Jurij Klančnik was appointed Chair of the TEŠ Supervisory Board.
- 23 April 2026 – Miha Resman was appointed member of the Supervisory Board.
- April 2026 – an Annex to Agreement No. 2570-25-520000 on the Provision of the Public Utility Service of Generation and Supply of Heat to the Heat Distributor in the Municipality of Velenje and the Municipality of Šoštanj for 2026 was signed.
- 2 June 2026 – a proposal was submitted to the founder for them to decide on the changes to the Company's share capital with a view to ensuring an adequate and sustainable capital position for the Company in the long run.



2.3

2.3.1 Company profile as at 31 December 2025

GENERAL DETAILS

Full Company name	Termoelektrarna Šoštanj d.o.o.
Legal form of organisation	Limited liability company with a sole company member
Address	Cesta Lole Ribarja 18, 3325 Šoštanj
Telephone	03 8993 200
Fax	03 8993 485
Register of Companies entry number	10051100 - Okrožno sodišče v Celju (Celje District Court)
Share capital (in EUR)	195,579,850
Company size	Large company
Founded in	1956
Tax identification number	92189903
VAT identification number	SI92189903
Company registration number	5040388
Web	www.te-sostanj.si
E-mail address	info@te-sostanj.si
Business activity code	35.112

BANK ACCOUNTS

BANK	CURRENT ACCOUNT NUMBER
Banka Intesa Sanpaolo d.d.	101000038312861
NLB d.d.	024260017217937
OTP banka d.d.	045150001707126
UNICREDIT BANKA SLOVENIJA d.d.	290000003080383
BKS BANK AG	350010001650464

OWNERSHIP STRUCTURE

Company member / Shareholder	Ownership interest in EUR as at 31 DEC 2025	Ownership interest in % as at 31 DEC 2025
Republic of Slovenia through SDH d.d.	195,579,850	100

In 2025, the Company was run by one member of the management, i.e. Branko Debeljak in his capacity as Managing Director, who runs the Company and represents it under his own responsibility.

Under the TEŠ Articles of Association, the TEŠ Supervisory Board comprised three members until 14 February 2025 and six members from 15 February 2025 onwards. The composition, terms of office and activities of the Supervisory Board are presented in the Corporate Governance Statement, in the section Composition of the Supervisory Board in 2025.

Under the TEŠ Articles of Association, the Audit Committee of the TEŠ Supervisory Board comprised three members until 14 February 2025 and four members from 16 April 2025 onwards. The composition, terms of office and activities of the Audit Committee are presented in the Corporate Governance Statement, in the section Composition of the Supervisory Board's Audit Committee in 2025.



2.3.2 Company's business activities

The Company has several registered activities. Its principal activity is the generation of electricity from non-renewable sources.

The Company's primary objective is to provide the mandatory national public utility service of generating and supplying heat to the heat distributor in the Municipality of Velenje and the Municipality of Šoštanj, with the aim of ensuring an uninterrupted supply of heat as a public good in both municipalities for as long as such heat cannot be supplied on the market, but no later than by 30 April 2027, in accordance with the Act on Transitional Financing for an Accelerated and Just Coal Phase-out (Official Gazette of the Republic of Slovenia No 109/2024) and the Agreement on the Provision of the Public Utility Service.

2.3.3 Corporate governance statement

In compliance with Article 70(5) of the Companies Act (ZGD-1), Termoelektrarna Šoštanj d.o.o., Cesta Lole Ribarja 18, 3325 Šoštanj (TEŠ) hereby presents its Corporate Governance Statement. The statement refers to the period starting on 1 January 2025 and ending on 31 December 2025.

The management of TEŠ declares that the Company's corporate governance in 2025 complied with applicable laws and other regulations, the Articles of Association of TEŠ, and the recommendations set out in the Corporate Governance Code for Companies with State Capital Investments. Pursuant to Article 60a of the ZGD-1, the management of TEŠ further declares that the Annual Report, including all of its constituent parts, the Corporate Governance Statement and the Report on Income Tax Information, has been prepared and published in accordance with the ZGD-1 and the International Financial Reporting Standards as adopted by the EU.

1. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE FOR COMPANIES WITH STATE-OWNED ASSETS (SDH CODE) AND RECOMMENDATIONS AND EXPECTATIONS OF SLOVENIAN SOVEREIGN HOLDING (SLOVENSKI DRŽAVNI HOLDING - SDH) (SDH RECOMMENDATIONS)

Report on compliance with the SDH Code

In 2025, TEŠ applied the Corporate Governance Code for Companies with State-Owned Assets issued by Slovenski državni holding, d.d. (the SDH Code, December 2023; hereinafter: the SDH Code) as its reference code. The latest version of the SDH Code currently in force is publicly available on the website of Slovenski državni holding, d.d. (hereinafter: SDH). In 2025 TEŠ largely took into account the Code in the conduct of its business, while also considering its activities and other specific characteristics. Following the "comply-or-explain" principle, the Company fully observed the majority of the SDH Code recommendations that refer to the companies fully owned by the State in 2025. The departures from the Code are explained hereafter:

- Recommendation No. 6.10: When appointing members of the Company's Supervisory Board, the founder and sole shareholder seeks to ensure that members of the supervisory body have the appropriate competencies to perform their duties. In 2025, the Supervisory Board did not create a competency profile for its members.
- Recommendation No. 6.19: The procedure for selecting candidates for membership of the Supervisory Board has not been established, as this falls within the competences of the founder and sole company member.
- Recommendation No. 6.20 (from 6.20.1 to 6.20.9): As the Supervisory Board is appointed by the founder, the Company does not have a Nomination and Human Resources Committee.

- Recommendation No. 7.4.1: The eligibility criteria for members of management are set out in the Company's Articles of Association. In 2025, the Supervisory Board had not yet created a competency profile for members of management, but intends to do so in 2026.

- Recommendation No. 7.10: In accordance with the Company's Articles of Association, the Supervisory Board has not developed an internal succession policy in cooperation with management. As part of its quarterly reviews, the Supervisory Board regularly monitors reporting on the HR strategy and is kept informed of measures taken to retain key personnel.

- Recommendation No. 8.2: Following the adoption of the ZGD-1N amendment, the Company was not required to prepare a Sustainability Report in 2025. Nevertheless, environmental, social and governance (ESG) considerations are incorporated into the Company's strategy.

- Recommendation No. 8.7: The Company is incorporated as limited liability company (d.o.o.) and not as public limited company (d.d.). According to the Slovenian Directors' Association, limited liability companies are not required to prepare and publish a financial calendar. This recommendation is therefore not applicable to the Company.

- Recommendations 9.3.1: With regard to the establishment and operation of the internal audit function: the Company does not have its own internal audit department, which is consistent with the provisions of the Act on Transitional Financing for an Accelerated and Just Coal Phase-out (ZPFPPIP). Internal audit services are provided by the Internal Audit Department of HSE d.o.o. based on a contract.

Report on compliance with the SDH Recommendations and Expectations (SDH Recommendations)

In 2025, the Company largely took into account the SDH Recommendations (December 2024) in the conduct of its business, while also considering its activities and other specific characteristics. The Company fully observed the majority of recommendations in accordance with the comply-or-explain principle. The departures are explained hereinafter:

- Recommendation No. 3.13: The recommendation is applied only partially. Pursuant to its Articles of Association, the Company is prohibited from entering into donation and sponsorship agreements.

- Recommendation No. 4.4: The recommendation is applied only partially. The Company publishes the information on the payment of the holiday allowance and the legal basis for such payment on its website. The collective agreement for the industry is publicly available. The Entrepreneurial Collective Agreement, the Remuneration Rules and the Promotion Rules are available on the Company's intranet.

- Recommendation No. 5.4: The recommendation is applied only partially. The Company has not conducted a formal assessment of its corporate culture. However, in 2025 it conducted a survey, examining how the closure of TEŠ and the Velenje Coal Mine will impact the employees. Within individual processes, the Company also measures indicators that promote the values underpinning its corporate culture. In 2025, the Company appointed a Compliance and Integrity Officer. Management maintains a regular and constructive dialogue with representatives of the TEŠ Works Council and provides them timely information to which they are entitled under applicable legislation and the Company's internal rules. Management also monitors employee turnover, sickness absence and other relevant indicators.

- Recommendation No. 5.5: The recommendation is applied only partially. Although the achievement of the desired corporate culture was not included among the long-term performance criteria for management remuneration in 2025, the non-financial environmental, social and governance (ESG) criteria included a target to reduce the sickness absence rate by at least 15% compared with the 2024 level, as well as criteria relating to employee and social partner relations etc.

- Recommendation No. 6.7: The recommendation is applied only partially. The founder and sole company member makes a decision on the granting of a discharge.

- Recommendation No. 7 (from 7.1 to 7.18): The recommendation is applied only partially. Following the adoption of the ZGD-1N amendment, the Company was not required to prepare a Sustainability Report in 2025. Nevertheless, environmental, social and governance (ESG) considerations are incorporated into the Company's strategy.

- Recommendation No. 8 (from 8.1 to 8.6): The recommendation is applied only partially. TEŠ has not signed the Commitment to Respect Human Rights in Business with the Ministry of Foreign and European Affairs. Nevertheless, the Company respects human and workers' rights and promotes decent working conditions both within its own operations and throughout its supply chain. It also works to prevent discrimination and inequality among employees and promotes equal opportunities. The Company has adopted Rules on the Prohibition of Sexual and Other Harassment or Bullying in the Workplace. It is also committed to environmental protection and, in its employment relationships, complies with applicable employment legislation, the collective agreement in force, etc.

- Recommendation No. 10 (from 10.1 to 10.9): The recommendation is applied only partially. The remuneration structure for members of the Supervisory Board is in line with these recommendations.

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

In 2025, SDH exercised governance rights in the Company in its capacity as founder and sole shareholder in accordance with the TEŠ Articles of Association. The Management and Supervisory Board constitute the management and supervisory bodies of TEŠ.

The revised Diversity Policy for the Management and Supervisory Bodies of TEŠ (hereinafter referred to as: Diversity Policy) was adopted on 3 December 2025, and was published on the Company's website. In 2025 (from January to November), TEŠ applied Diversity Policy that was adopted on 10 September 2021. The goal of the Diversity Policy is to achieve better efficiency of the Supervisory Board and the Management as a whole. The Diversity Policy shall particularly be implemented by applying relevant procedure for the recruitment and selection of candidates for members of the TEŠ Supervisory Board and the Management. It is important to use channels by way of which a wide selection of various candidates is enabled. Both the TEŠ Supervisory Board and the company member strive to achieve the goals of the Diversity Policy. The Diversity Policy provides a framework for ensuring that the composition of the management and supervisory bodies is appropriate to the specific characteristics of the company and that their members possess the knowledge, skills and experience required to gain an in-depth understanding of TEŠ's activities and the associated key risks, and to pursue its key objectives. The Company seeks to achieve as balanced a representation of both genders as possible. It also seeks to ensure continuity by avoiding, as far as possible, the simultaneous replacement of the member of Management or of all members of the Supervisory Board. It is also important that the members of the TEŠ Supervisory Board have complementary skills and expertise and that the Supervisory Board includes at least one member with expertise in the fields of economics, law and engineering, as reflected in its current composition. In connection with the appointment of two new members of the TEŠ Supervisory Board by the TEŠ Works Council, the Diversity Policy was fully observed in both the selection of candidates and the pursuit of its objectives in 2025. Account was also taken of the members' experience, as evidenced by their reputation and track record, as well as their personal integrity. The relevant member of the TEŠ Supervisory Board is also independent. The gender composition of the TEŠ Supervisory Board was 66.6% to 33.3 % The Supervisory Board, the founder and the TEŠ Works Council each apply the Diversity Policy to the fullest extent possible, taking into account the pool of candidates available.

Corporate governance bodies

In line with the Articles of Association of TEŠ, the company member governs the company both directly and through the Company's bodies.

Founder acting as the General Meeting

The founder decides on the matters specified in Article 505 of the Companies Act and exercises other powers conferred by law, unless a particular power is vested in the Supervisory Board or Management by operation of law or under the Articles of Association. The founder exercises the role and powers of the General Meeting in accordance with the Company's Articles of Association, the Companies Act and applicable legislation. In accordance with Article 526 of the Companies Act (ZGD-1), the decisions adopted by the founder are entered in the Register of Decisions. In 2025, the founder exercised its powers in accordance with the Company's Articles of Association, which are publicly available on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES).

The founder also decides on the following matters:

- the appointment and removal of members of the Supervisory Board, with the exception of those appointed by the Works Council;
- the enforcement of claims by the Company against Management and members of the Supervisory Board for compensation for loss or damage caused to the Company, and the representation of the Company in legal proceedings against Management and members of the Supervisory Board, either on its own initiative or at the proposal of the competent body of the Company;
- the appointment, on a proposal from the Supervisory Board, of the auditor of the Annual Report and the auditor of the Sustainability Report (where the Company is required to prepare a Sustainability Report);
- the amount of remuneration of the members of the Supervisory Board and the Supervisory Board committees (their internal members);
- changes to the Company's share capital;
- subsequent contributions and the repayment thereof;
- the division and termination of shareholdings;
- changes to the Company's legal form of organisation and winding-up of the Company;
- the adoption, changes and amendments to the Articles of Association;
- the appropriation of distributable profit, interim distributions of profit to the founder, and the adoption of the Annual Report where the Supervisory Board has not approved the Annual Report or where Management and the Supervisory Board refer the decision on its adoption to the founder;
- on a proposal from the Supervisory Board, the founder decides on a consent to the remuneration

policy for the management bodies where this is required in connection with Article 90 of the ZSDH-1 because the remuneration policy defines remuneration differently from the ZPPOGD; otherwise, the founder merely takes note of the remuneration policy for the management bodies; and

- other matters in accordance with the regulations in force from time to time and the Articles of Association.

The founder shall also be responsible for the interpretation of the Articles of Association. In accordance with Article 526 of the Companies Act (ZGD-1), the decisions adopted by the company member are entered in the Register of Decisions

Activities of the Supervisory Board

In 2025, the Supervisory Board acted in line with its powers determined in the Companies Act (ZGD-1), Slovenian Sovereign Holding Act (ZSDH-1), Articles of Association of TEŠ, Rules of Procedure of the Supervisory Board and in accordance with the Code of Corporate Governance of Companies with State-Owned Assets as a reference code (following a comply-or-explain principle). The Articles of Association of TEŠ stipulate the composition, a four-year term and powers of the Supervisory Board. The TEŠ Supervisory Board was newly constituted on 3 March 2025. Until 14 February 2025 the Supervisory Board consisted of three members, two of them representing the founder's and one of them the employees' interests (they are appointed and removed from office in accordance with the Worker Participation in Management Act). From 15 February 2025, the Supervisory Board comprised six members: four representing the interests of the founder and two representing the interests of employees. The members of the Supervisory Board are appointed for a four-year term with a possibility of being reappointed once their term comes to an end. The composition and activities of the Supervisory Board are presented in the Report of the TEŠ Supervisory Board, which also describes the activities of the Audit Committee of the TEŠ Supervisory Board in its role of providing expert support to the Supervisory Board.

Composition of the Supervisory Board and Audit Committee in 2025

First name and last name	mag. Urška Gašperlin	mag. Matej Čufer	Aleš Rednjak	Matej Pirc
Title Chair, Deputy, Member of the SB	Chair of the SB until 14 February 2025	Deputy Chair of the SB until 14 February 2025	Member until 11 February 2025	Chair of the SB since 3 March 2025
First appointed on	27 June 2024	18 May 2023	18 June 2021	15 February 2025
End of office/term	14 February 2025	14 February 2025	11 February 2025	5 March 2026
Shareholder/employee representative	Shareholder representative	Shareholder representative	Employee representative	Employee representative
Attendance at the SB meetings given the total number of meetings	100%	100%	100 %	100%
Gender	female	male	male	male
Citizenship	of Slovenia	of Slovenia	of Slovenia	of Slovenia
Year of birth	1978	1974	1967	1977
Education	Master of Laws (LL.M.)	Master of International Finance	Bachelor of Administration/	univ. dipl. ekon.
Professional background	Law, corporate governance, administration, restructuring of companies	Finance, governance, administration	Electrical engineering, electricity generation	Finance, governance, management of non-performing receivables, business restructuring of companies
Independence under Article 23 of the Code (YES/NO)	Yes	Yes	Yes	Yes
Conflict of interest during the financial year (YES/NO)	No	No	No	No
Member of supervisory bodies in other companies	Yes; Member of the SB of DEM, d.o.o.	/	/	/
Member of committees	/	AC	AC	/
Chair/Member of committee	/	AC – Chair until 14 February 2025	AC – Member until 14 February 2025	/
Attendance at committee meetings given the total number of meetings	/	AC - 100%	/	/

First name and last name	dr. Jurij Klančnik	Mojca Potecin	Mojca Veljkovič	Marko Vertačnik	Aljaž Stropnik
Title Chair, Deputy, Member of the SB	Deputy Chair of the SB since 3 March 2025	Member of the SB	Member of the SB	Member of the SB	Member of the SB
First appointed on	15 February 2025	15 February 2025	15 February 2025	12 February 2025	12 February 2025
End of office/term	15 February 2029	15 February 2029	15 February 2029	12 February 2029	12 February 2029
Shareholder/employee representative	Shareholder representative	Shareholder representative	Shareholder representative	Employee representative	Employee representative
Attendance at the SB meetings given the total number of meetings	100%	100%	94.10%	100%	100%
Gender	male	female	female	male	male
Citizenship	of Slovenia	of Slovenia	of Slovenia	of Slovenia	of Slovenia
Year of birth	1974	1978	1972	1971	1997
Education	PhD in Electrical Engineering	MBA, LL. B.	LL.B. with Bar Exam passed	Mechatronics Engineer	Bachelor of Science in Mechanical Engineering
Professional background	Management, energy sector, power industry, power systems in Slovenia and EU	Law, corporate governance, commercial law, labour law, strategic management, sustainable business operations	Attorney-at-law; corporate governance, commercial law, international commercial law	Electrical engineering, electricity generation	Electrical engineering, electricity generation
Independence under Article 23 of the Code (YES/NO)	Yes	Yes	Yes	Yes	Yes
Conflict of interest during the financial year (YES/NO)	No	No	No	No	No
Member of supervisory bodies in other companies	Yes, member of the SB of Talum d.d. Kidričevo	/	Yes, Chair of the SB of Borzen, d.o.o. and member of the SB of Elektro Primorska, d.d.	/	/
Member of committees	/	AC	AC	AC	/
Chair/Member of committee	/	AC – Chair since 3 March 2025	AC – member since 3 March 2025	AC – member since 16 April 2025	/
Attendance at committee meetings given the total number of meetings	/	AC - 100%	AC – 91.66%	AC - 100%	/

SB – Supervisory Board, AC – Audit Committee

External member of the supervisory Board's Audit Committee:

Full name	Sonja Anadolli
Committee	Audit Committee
Presence at the meetings of the Supervisory Board's Audit Committee given the total number of its meetings	100 %
Gender	Female
Citizenship of	Slovenia
Education	Bachelor of Economics Specialist study programme in accounting and auditing
Year of birth	1958
Professional profile	Certified Auditor
Membership in the management bodies of entities not affiliated with the Company	No

Activities of the Company's Management

As stipulated in the Articles of Association, in 2025, the Company was run by one member of the management, i.e. Branko Debeljak in his capacity as Managing Director, who runs the Company and represents it under his own responsibility. The members of the Management are appointed and recalled by the Company's Supervisory Board. A member of the management is appointed for a term of 4 years with the possibility of reappointment.

In 2025, the Company's Management consisted of:

Full name	mag. Branko Debeljak
Position	Managing Director
Scope of work within the Management	Sole member of the Management
First appointed on	4 April 2023
End of office/term	3 April 2027
Gender	Male
Citizenship of	Slovenia
Year of birth	1966
Education	B.Sc. (Mechanical Engineering) M.Sc. (Management and Organisation)
Professional profile	Management, organisation, restructuring
Membership in the management bodies of companies not affiliated with the Company	/

3. MAIN FEATURES OF INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT IN RELATION TO FINANCIAL REPORTING PROCEDURE

To ensure greater transparency, efficiency and accountability in its operations, the Company has established an effective system of internal controls and risk management, implemented through its organisational structure, the ISO 9001 Quality Management System for the generation and sale of heat and electricity, the ISO 45001 Occupational Health and Safety Management System for the generation and sale of heat and electricity, the ISO/IEC 27001 Information Security Management System for the sale, trading and generation of heat and electricity and related products, the ISO 55001 Asset Management System for generation infrastructure, the ISO 14001 Environmental Management System for the generation and sale of heat and electricity, as well as the Company's internal rules and an established reporting system across individual organisational units. In addition, TEŠ also has a test laboratory management system established in line with the requirements under SIST EN USI/IEC 17025:2017, which is accredited with the Slovenian Accreditation (SA).

The Company's Management is responsible for maintaining adequate accounting records, establishing and maintaining an effective system of internal control, including internal accounting controls, and for selecting and consistently applying appropriate accounting policies.

From the aspect of providing accounting data that comply with the criteria of the International Financial Reporting Standards, the Company has established internal controls designed to reduce the risks related to accounting reporting. By means of accounting controls, we ensure credibility, accuracy and completeness of accounting data. We ensure regular professional training of employees, which enables them to contribute quality, accurate and timely accounting data through their work. Our central IT system (SAP) has an important role in providing quality accounting data. We see the Company's internal controls system as the planned and systematic establishment of procedures and methods which, in the course of their operation, ensure punctuality, reliability and completeness of data and information, as well as accurate and fair preparation of financial statements, prevent and detect errors in the system, and ensure compliance with the laws and other regulations and internal acts of the Company.

To ensure comprehensive oversight and monitoring of risk management across the Company and to provide Management with high-quality information for informed decision-making and the TEŠ Supervisory Board with the information necessary for effective oversight, the Company has established a Risk Management Committee in an advisory capacity. The Committee's organisation, composition, operating procedures and responsibilities for effective risk management are governed by the Company's internal rules.

The internal audit function is performed by the internal audit department of HSE. It operates in accordance with the Rules on the Internal Audit Function in TEŠ which were adopted in 2022 and amended in 2025. Its purpose is to enhance the Company's ability to achieve its objectives and to create, protect and sustain value through a systematic and disciplined approach to evaluating and improving the effectiveness and efficiency of risk management, control and governance processes. In 2025, the Internal Audit Department performed internal audit engagements and other activities in accordance with its approved annual work plan As part of its engagements, Internal Audit assessed the existence, operation and effectiveness of the system of internal controls in achieving the objectives of the audited units. Recommendations were made on how to improve them. Internal Audit devoted considerable attention to monitoring the implementation of audit recommendations, professional training and development, and maintaining the quality and professionalism of the internal audit function. Internal Audit reported on its activities to Management, the Audit Committee and the Company's Supervisory Board. The ongoing development of the internal audit function is supported by a quality assurance and improvement programme, designed to promote its effectiveness and efficiency and ensure compliance with applicable professional standards.

4. DESCRIPTION OF THE CORPORATE COMPLIANCE AND INTEGRITY SYSTEM

At TEŠ, compliance and integrity activities are carried out by the Compliance and Integrity Officer, who performs her duties in accordance with the recommendations of the Code and the SDH Recommendations.

The Compliance and Integrity Officer's key responsibilities include managing risks relating to corruption, unethical and unlawful conduct, and ensuring compliance with applicable legislation. The principal areas covered by the compliance function include: participation in the management of the internal control system, the prevention of corruption and fraud, implementation of the TEŠ Code of Ethics, management of conflicts of interest, communication and reporting to external institutions and the TEŠ supervisory body, and collective initiatives aimed at strengthening integrity. The Company has adopted a Code of Ethics, which is available on the Company's intranet.

Šoštanj, 24 july 2026

TEŠ, d. o. o.
Managing Director
mag. Branko Debeljak



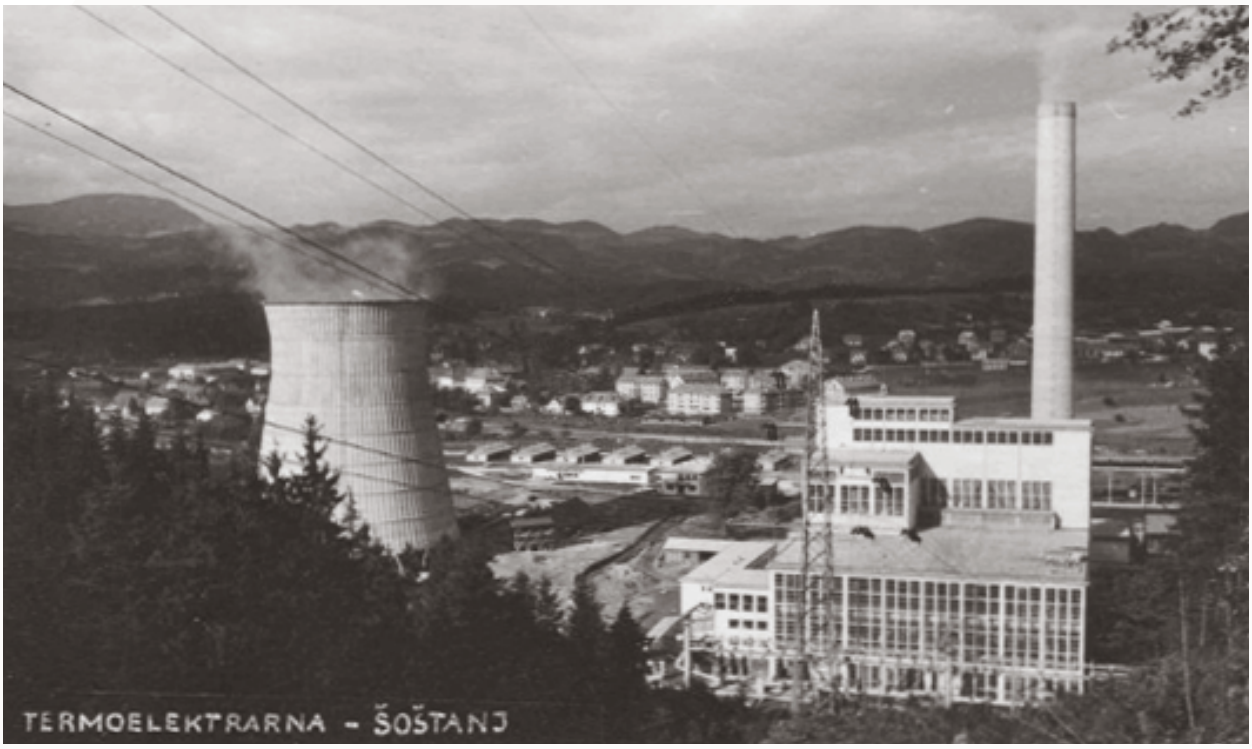
2.3.4 Capital links with other companies

TEŠ has no controlled or associated companies. However, it does have a participating interest in the following companies:

- a 5.1-% participating interest in the company RGP, d. o. o., Velenje, with the participating interest which was acquired in 2018 amounting to EUR 107,360.10;
- a 1.3158-% participating interest in the company HSE Invest Maribor, with the participating interest which was acquired in March 2021 amounting to EUR 5,000;
- a 7.1429-% participating interest in the company Zavod Co NOT Ljubljana, with the participating interest which was acquired in 2021 amounting to EUR 500.

Brief history of TEŠ

The decision to build the Šoštanj Thermal Power Plant was taken in 1946, driven by the rapidly growing demand for electricity and the extensive coal deposits in the Šaleška Valley. Construction began in 1947 and, following certain complications, resumed five years later. In 1956, the construction of two 30 MW units was completed. In 1960, the 75 MW Unit 3 was built and in 1973, the 275 MW Unit 4 started to generate electricity.



As Slovenia's energy situation was deteriorating rapidly and coal was becoming an increasingly important source of energy, a tender for the construction of a further 345 MW generating unit was launched as early as 1973. All of the world's leading manufacturers of thermal power generating units participated in the tender. The foundation stone was laid on 1 February 1975, with construction work commencing immediately thereafter. Equipment installation peaked in 1976 and was completed the following year when all necessary operation tests were conducted. The first synchronisation of the unit was carried out on 25 September 1977 and regular operation of the unit began on 27 January 1978. This brought TEŠ's total installed capacity to 755 MW, making it the largest power generation facility in Slovenia. The plant was also equipped with some of the most advanced technology available in Europe at the time. In 2008, two gas-fired units, each with a rated generator output of 42 MW, entered operation. Unit 2 was permanently shut down in the same year, followed by Unit 1 in 2010.

The decision to build the 600 MW Unit 6 was taken in 2004. From an environmental perspective, the project represented a continuation of the environmental modernisation programme launched in 1983, reflecting the plant's long-standing commitment to reducing its environmental impact. Unit 6 was designed with the aim to gradually replace technologically obsolete and economically inefficient Units 1, 2, 3, and 4. To generate the same amount of energy, Unit 6 uses approximately 30 percent less coal, resulting in significantly lower total emissions to the environment; while generating the same amount of energy, its CO2 emissions are 30 percent lower as those from other units at TEŠ. The construction of the replacement Unit 6, which entered trial operation in June 2015, reduced the plant's environmental impact, improved the quality and energy efficiency of electricity generation, and enabled the plant to meet international standards relating to Best Available Techniques (BAT).

Company's business policy

2.4

MISSION

TEŠ's mission is to provide the mandatory national public utility service of generation and supply of heat to the heat distributor in the Municipality of Velenje and the Municipality of Šoštanj, with the aim of ensuring an uninterrupted supply of heat as a public good in both municipalities, in accordance with the provisions of the Act on Transitional Financing for an Accelerated and Just Coal Phase-out (Official Gazette of the Republic of Slovenia No 109/2024). Through its heat and electricity generation activities, TEŠ also seeks to provide its customers with sufficient energy to meet their needs, thereby contributing to the quality of working and living conditions of energy consumers.

VISION

TEŠ is and wishes to remain the largest thermal power system in Slovenia which will provide customers with reliable, secure, competitive and environmentally friendly production of heat and electricity. We aim to maximise flexibility across all areas of our operations while, within our capabilities, supporting research and development and the deployment of renewable and low-carbon energy sources.

PRINCIPLE LONG-TERM OBJECTIVE

The objective of Termoelektrarna Šoštanj, d.o.o., is to maintain and optimise its generation capacity while ensuring the continuous, reliable, safe, competitive and environmentally-friendly generation of heat and electricity using a range of primary energy sources. To fulfil our principal objective, we have set long-term, sector specific objectives in the framework of which annual objectives have been set. In line with the founder's expectations, TEŠ is committed to supporting the continued use and further development of the existing energy site.

Management system policy

2.5

TEŠ has an established integrated management system comprised of: a quality management system as per requirements under SIST ISO 9001; an environmental management system as per requirements under SIST EN ISO 14001; an occupational health and safety management system as per requirements under ISO 45001; an information security management as per requirements under ISO 27001; and an asset management system under ISO 55001. In addition, TEŠ also has a test laboratory management system established in line with the requirements under SIST EN USI/IEC 17025:2017, which is accredited with the Slovenian Accreditation (SA). The regular external audit of the management and operation of the quality management system under ISO 9001, ISO 14001, ISO 45001, ISO 27001 and ISO 55001 standards took place in June. The assessment committee found that the Company meets the requirements laid down in the aforementioned standards. By introducing an integrated management system, all activities have been connected into an efficient system which leads to the implementation of our vision and mission as well as the Company's long-term goals. Through the system, our employees are provided with safe and comfortable working conditions which

are a prerequisite for creative work. By integrating individual management systems into a comprehensive integrated management system, we are introducing a philosophy of a uniform quality management.

At TEŠ we are aware that by producing heat and electricity, we impact both the society and environment by:

- employing people;
- using energy, energy-generating products, water and other raw materials;
- emissions of gas and dust to the atmosphere;
- discharging water into the environments;
- producing ash, slag and desulphurisation by-products;
- producing other types of waste;
- noise emitted by the plants.

Ensuring the satisfaction of end users, healthy environment, information security, safe and healthy work, and fire safety, is a fundamental prerequisite and a common goal of both the management and employees. Roles, responsibilities and powers of everyone involved are clearly defined, and employees are familiar with them. In the framework of the given possibilities, TEŠ endeavours to provide such working conditions which enable safe and healthy environment for both employees and visitors.

A successful implementation of the policy requires our employees to fully cooperate and assume their respective liabilities.

2.5.1 Occupational health and safety and fire safety

At TEŠ we are dedicated to maintaining and improving the health of employees as well as to providing a safe and stimulating work environment. This also makes our employees more productive, creative and loyal. By implementing safety and health at work principles, it is easier to recruit quality staff and to build our reputation.

Our occupational health and safety system has been systematically regulated by means of ISO 45001 which we certified in 2020. We are aware that by improving the situation in the field of occupational health and safety, we contribute to better well-being of our employees, better use of resources for work and better performance. We are also aware that in order to achieve positive results merely setting up a system is not enough. The system also has to be well integrated with other programs and management systems.

In 2025, regular preventive measures were carried out in the field of occupational health and safety, ensuring a high level of occupational health and safety and fire safety on all organisational levels. Particular attention was paid to training employees in safe and healthy working practices, inspecting work equipment, selecting appropriate high-quality protective and work equipment, and implementing preventive measures.

Through workplace health promotion initiatives, we encourage employees to actively participate in activities aimed at protecting and improving their health, raise awareness of mental health issues, and provide access to preventive health checks, vaccinations and active breaks as a preventive health measure. Once a week our employees receive a fruit basket; in autumn, they were, among other things, also provided with food supplements in the form of vitamins C and D3. Each year, the programme for planning and implementing health at work place is adjusted to reflect the financial capabilities and current conditions.

Apart from acting in accordance with the legislation, we also have effective mechanisms in place for identifying negative aspects and risks, in the framework of which we prepare adequate measures, goals and improvements.

In 2026, continued attention will be given to training employees in safe working practices and emergency response, maintaining a high level of fire safety, inspecting work equipment, and procuring high-quality personal protective equipment for employees. We will endeavour to upgrade the statutory requirements with additional activities the aim of which is, in particular, to improve the safety of our employees, and consequently the efficiency of the work process.

Human resources and education

2.6

As at 31 December 2025, there were 282 employees with permanent contracts at TEŠ. In addition, there were also 9 employees with a fixed-term contracts (3.1%) employed at TEŠ at the end of December 2025, the number of employees thus totalling 291. The average age of employees as at 31 December 2025 was 47 years, while their average length of service was 25 years and five months. On that date, the Company employed 260 men (89%) and 31 women (11%).

	31 DEC 2025	31 DEC 2024
Total	**291**	**300**
Fixed-term contracts	9	2
Permanent contracts	282	298

From January to the end of December 2025, employees completed a total of 29,504 hours of training (excluding practical training undertaken by secondary-school and university students and external contractors). Statistically, this represents an average of 100 hours of training per employee.

Employees with disabilities

During this period TEŠ has employed 11 people with disabilities (3.8%) all of whom have worked full time.

Sick pay

Sickness absence during the period totalled 37,938 hours, representing a sickness absence rate of 6.2% for all employees and 6.4% for employees on permanent contracts. This was lower than in the corresponding period of the previous year, when the respective rates for January–December 2024 were 8.2% and 8.3%.

HR risks

As the current ZPFPPIP remains in force only until 30 April 2027, uncertainty surrounding the Company's future has resulted in increased employee turnover. The following measures are being implemented to manage HR risks:

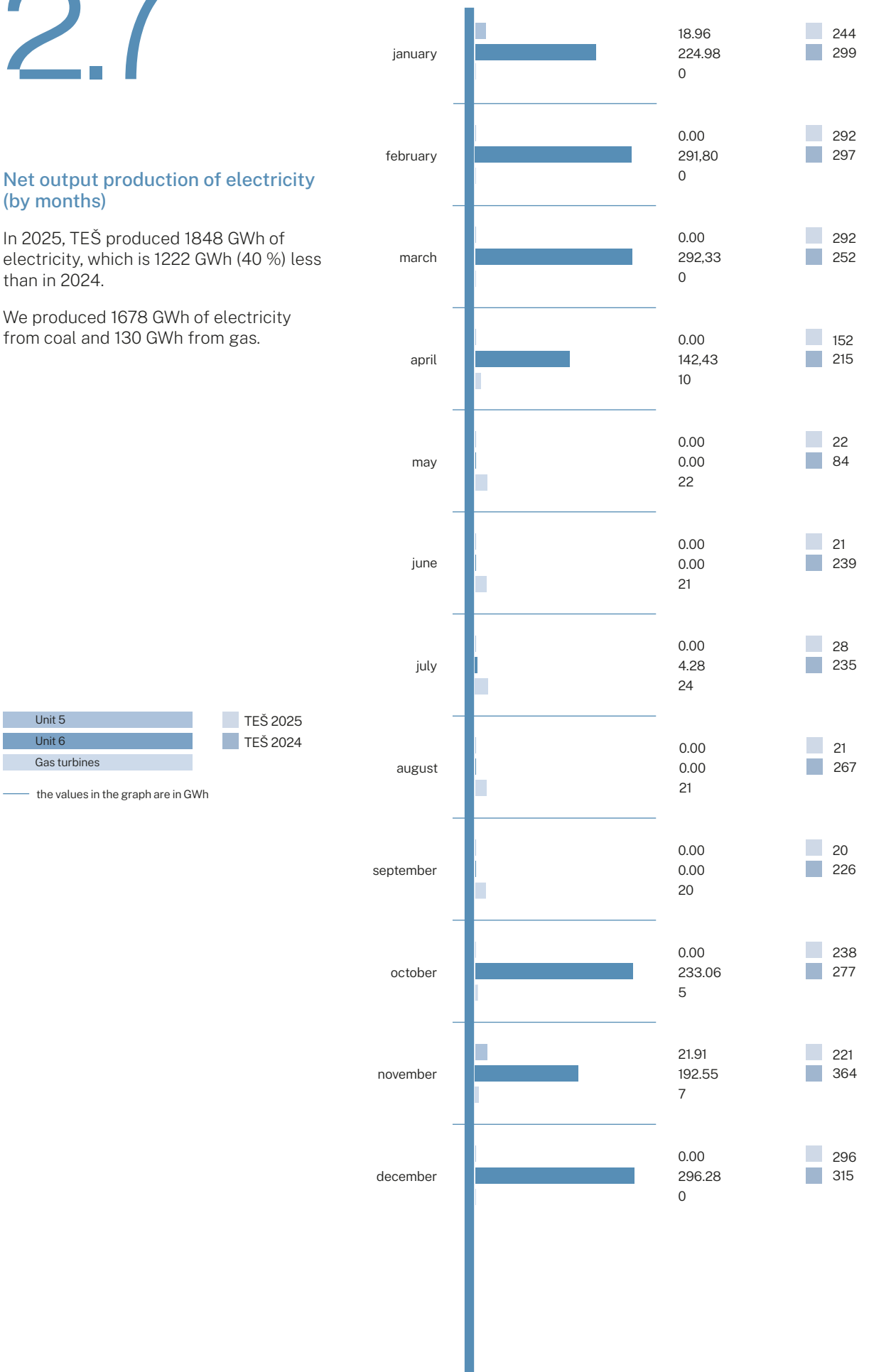
- training to ensure the uninterrupted operation of the generating units and the preparation of indicative career plans;
- financial measures aimed at employee retention (retention allowance and increased funding for quarterly individual performance-related remuneration);
- general measures aimed at enhancing employee motivation (all forms of formal and informal training, the competence centre, enhanced employee communication and workplace health promotion...);
- an HR strategy covering the period in which the Act remains in force, i.e. until 30 April 2027 (with a range of possible scenarios being drafted);
- establishment of a key employee management system, taking into account the Company's objectives, competency model, risks and the 2026 Business Plan.

2.7

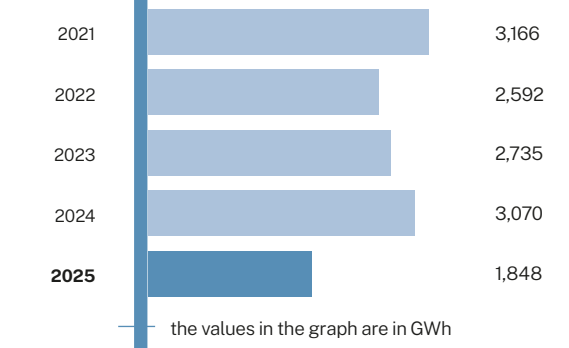
Net output production of electricity (by months)

In 2025, TEŠ produced 1848 GWh of electricity, which is 1222 GWh (40 %) less than in 2024.

We produced 1678 GWh of electricity from coal and 130 GWh from gas.

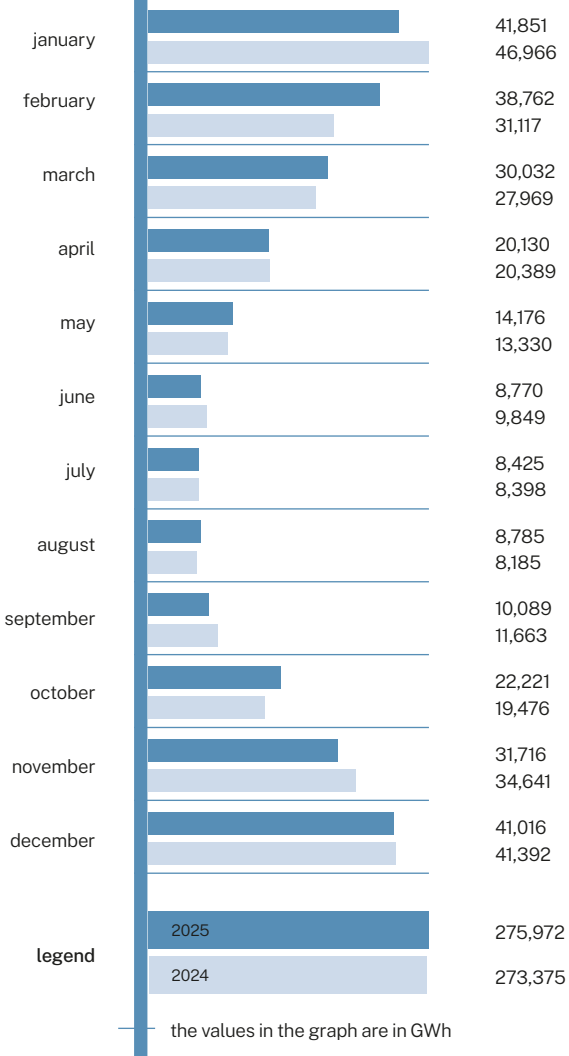


Net output production of electricity (by years)

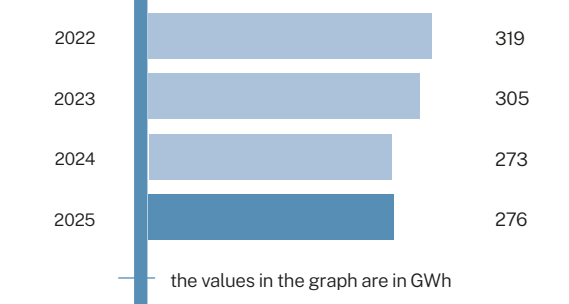


Heat generation (by months)

In 2025, TEŠ produced 276 GWh of heat for district heating, which is 3 GWh or 1 % more than in 2024. This was due to a slight increase in demand for heat. Supplying almost the entire Šaleška Valley with heat, we contribute to a decrease in harmful emissions in the valley, as heat produced in this way less negatively impacts the environment as individual heating systems.



Heat generation (by years)



Energy consumption

In 2025, we consumed 1,481,829 tonnes of coal, 39,995,770 Nm^3 of gas and 66,098 tonnes of biomass. There were 1,489,596 tonnes of coal and biomass consumed for the production of electricity and 58,331 tonnes for the production of heat. The average calorific value of delivered coal was 10.926 kJ/kg, slightly lower than in 2024, when the calorific value amounted to 11.140 kJ/kg. An average calorific value of delivered gas corresponded to 11.555 kWh/Nm^3.

CO_2 emissions

In generating electricity and heat in 2025, TEŠ emitted 1,803,344 tonnes of CO_2 (Greenhouse Gas Emissions Monitoring Report for 2025) representing a decrease of 1,285,986 tonnes of CO_2 compared with the previous year. In accordance with the provisions of the Environmental Protection Act, TEŠ will pay the environmental pollution tax (1 allowance per 1 tonne of CO_2) by 30 September 2026. For this purpose, TEŠ has been allocated 13,164 allowances free of charge in respect of its heat generation activities (pursuant to a decision of the Ministry of the Environment and Spatial Planning of the Republic of Slovenia). TEŠ purchased the remaining 1,790,180 CO_2 emissions allowances required to meet its obligation.



Maintenance

2.8

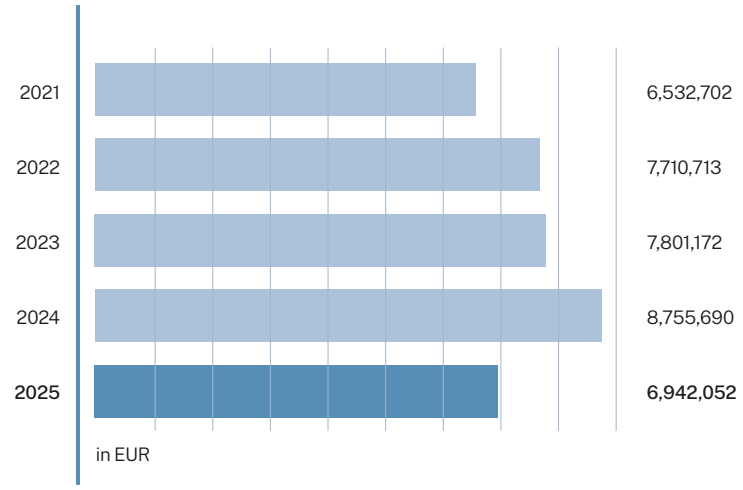
For an uninterrupted production of electricity, the following power plant facilities must be maintained in the following year: two steam production units (Unit 5 and Unit 6), two gas-firing production units, two heating stations, coal transport system, water treatment plant, common facilities and Units 3 and 4 (only to ensure safety of people). All these facilities, plants and installations require systematic maintenance in order to operate in a safe, reliable and environmentally sustainable manner with high availability and flexibility of production units, and with optimum efficiency until the end of the anticipated extended useful life of units. Maintenance interventions on plant and equipment are carried out on the basis of performance monitoring, operating events, assessments of remaining useful life, destructive and non-destructive materials testing, safe and reliable operation requirements, and the established guidelines and strategy for plant operation and maintenance.

The entire maintenance process is divided to:

- routine preventive maintenance comprising inspections, checks, analyses, and activities to ensure reliable operation of all plants. This segment of maintenance includes repair works as well as replacement of individual plant assemblies. Maintenance activities on the plants which cannot be stopped but need the maintenance urgently are performed when the units are shut down, primarily at weekends;
- major maintenance work on individual key assemblies of the generating units, comprising a range of maintenance activities such as inspections and measurements, assembly and disassembly, repairs and the replacement of spare parts for machinery and equipment, and requiring the machinery and equipment or the entire generating unit to be taken out of operation.

We spent EUR 6,942,052 for the maintenance of all generating units, other facilities and plant, which is EUR 1,813,638 or 21% less than in 2024

Changes in plant and equipment maintenance costs



We estimate that all these activities have been carried out in an economical manner. Routine maintenance of plant and work equipment is highly important in particular to preserve their value, ensure the expected service life, and prevent any down times due to equipment failure.

Using the SAP PM information system enables us to control costs more effectively, identify weak points in the technical systems of the generating plant through data analysis, and promptly eliminate or mitigate the risk of disruptions to electricity generation.

Market position

2.9

2.9.1. Sales and customers

In 2025, Termoelektrarna Šoštanj generated net sales revenue of EUR 255,300,559, which was EUR 306,863,648 or 55% lower than in 2024.

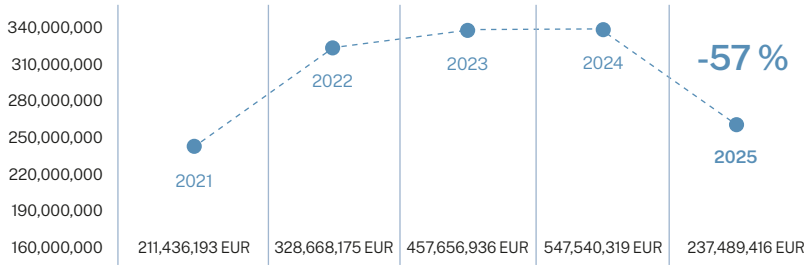
Structure of net sales revenue in 2025:



Structure of net sales revenue in 2025

In 2025, TEŠ generated revenues from sales of electricity in the amount of EUR 237,489,416, which is 57 % or EUR 310,050,903 less than in 2024, a result of the provision of public utility service under the ZPFPPIP.

Sales of electricity revenue by years:



In accordance with the provisions of the ZPFPPIP, TEŠ sold part of its planned electricity generation in advance at a public auction held on 9 January 2025 on Borzen/BSP.

SUMMARY	Total amount in MWh	Total value in EUR	Share	Average price of electricity in EUR
GEN-I, d.o.o.	483,235	51,168,787.68	43.6%	105.89
HSE d.o.o.	96,647	10,130,538.54	8.6%	104.82
VITOL Gas and Power B.V.	530,421	56,055,465.00	47.8%	105.68
Sum in total	**1,110,303**	**117,354,791.22**	**100.0%**	**105.70**

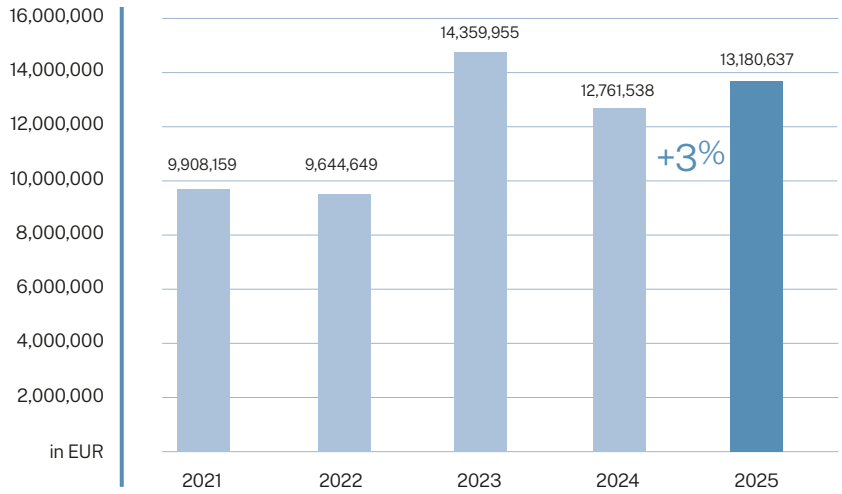
The difference between the volumes of electricity sold under forward contracts and the actual day-ahead generation forecast was traded by TEŠ, through a contracted service provider, on the organised day-ahead electricity market, with the delivery point in the Republic of Slovenia.

Total electricity sales in 2025 amounted to 2,006 GWh, with an average selling price of EUR 118.39/MWh.

2025			TOTAL electricity sold
	MWh	Amount (EUR thousand)	Avg. price in EUR
JANUARY	244,334	**35,251**	144.27
FEBRUARY	323,965	**40,293**	124.37
MARCH	292,697	**33,748**	115.30
APRIL	194,178	**20,878**	107.52
MAY	23,508	**2,349**	99.91
JUNE	22,425	**2,263**	100.91
JULY	31,916	**3,244**	101.63
AUGUST	23,052	**2,316**	100.46
SEPTEMBER	22,434	**2,286**	101.91
OCTOBER	261,100	**30,286**	115.99
NOVEMBER	249,496	**28,841**	115.60
DECEMBER	316,852	**35,734**	112.78
TOTAL	**2,005,957**	**237,489**	**118.39**

Heat sales

In 2025, the sale of heat generated revenue of EUR 13,180,637, 3% more than in 2024. Heat generation and sales are adjusted to the requirements of the Velenje Public Utility Company. The selling price of heat is determined pursuant to Article 8 of the ZPFPPIP and amounted to EUR 47.76076/MWh in 2025.



Other sales

Other sales revenue amounted to EUR 4,630,506 and related to the sale of ancillary services, electrostatic precipitator ash and gypsum, system water, rental income, and the sale of waste and residual materials. These revenues constitute less than 2% of revenues in the overall structure of revenues from sales.

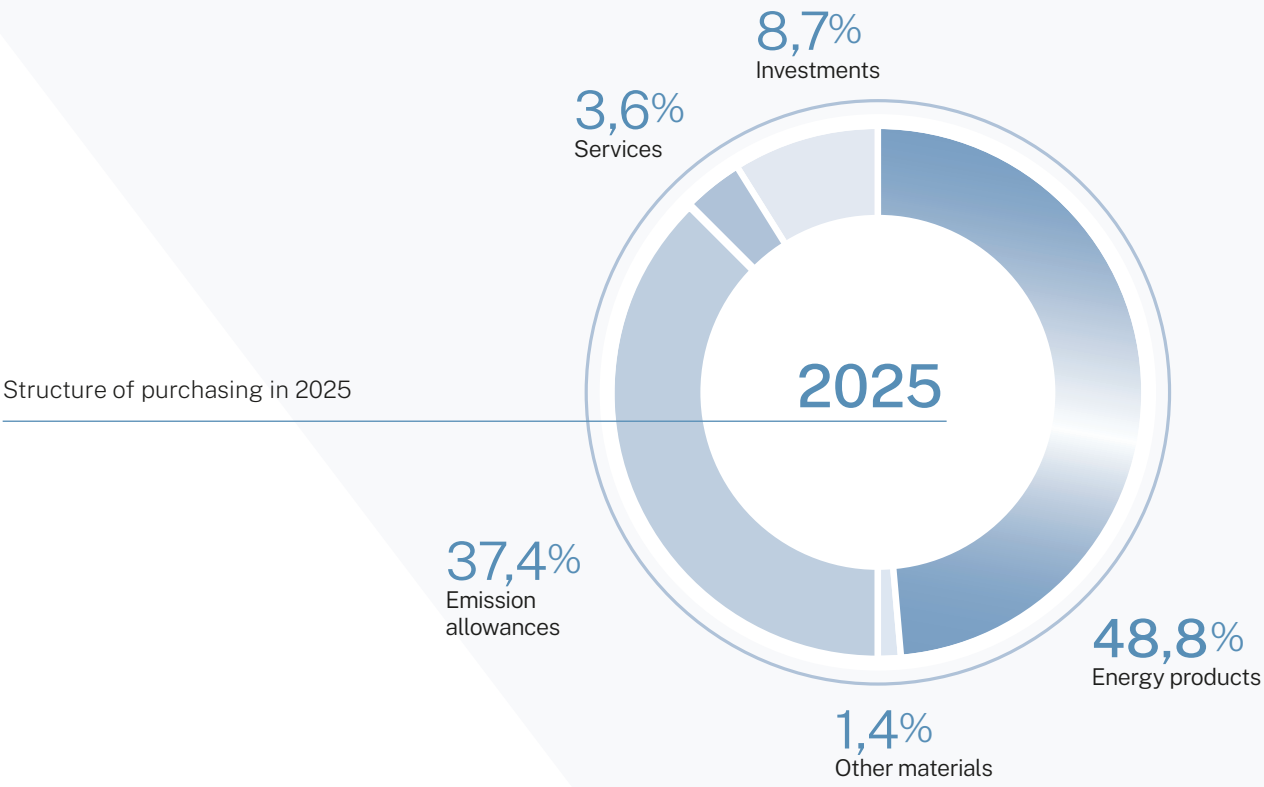
2.9.2 Purchasing and suppliers

The principle objective of purchasing is the provision of raw materials, materials, spare parts, equipment and services for regular operation and supply of capital equipment at the best prices, most favourable payment and delivery terms, the most reliable sources and optimum purchasing channels.

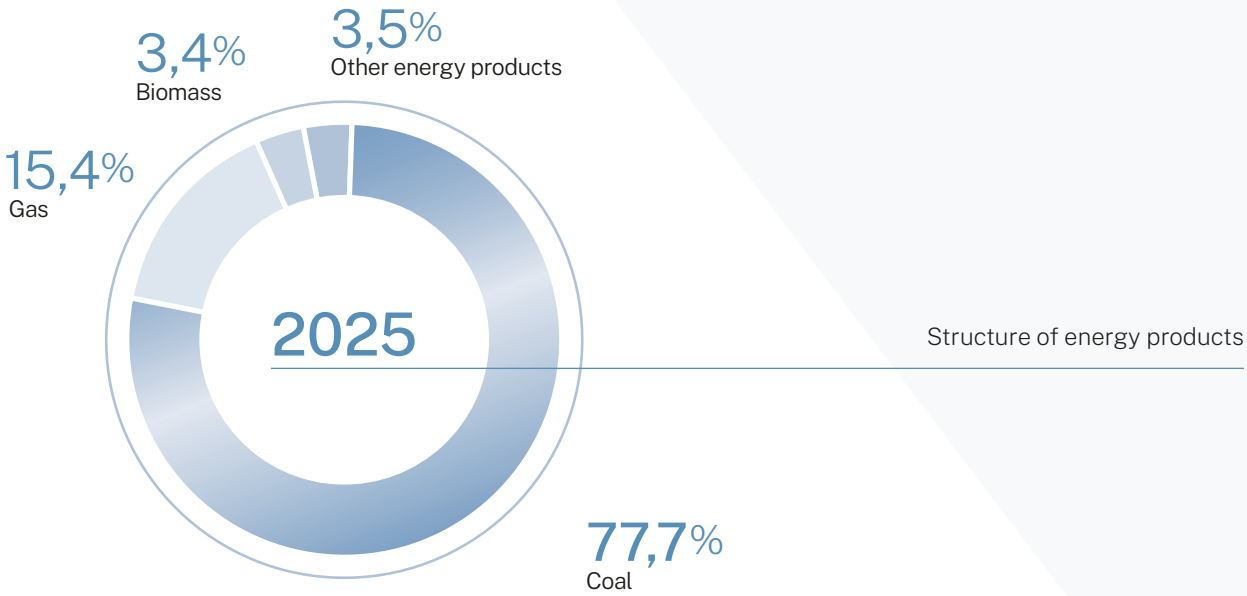
The Company is obliged to carry out procurements in line with the Public Procurement Act (ZJN-3).

Pursuant to Article 15(3) of the ZPFPPIP, the Company is required to obtain the Supervisory Board's approval before entering into any contract for the procurement of goods or services (falling within the category of non-standardised eligible costs) where the value of an individual transaction exceeds EUR 40,000 per year.

The Company's most important strategic supplier is Premogovnik Velenje (the Velenje Coal Mine). The purchase of coal for generation of electricity and heat production accounts for 38% of total amount of purchases and 78% of all energy products purchased.



Structure of purchasing in 2025



Structure of energy products

Investments

2.10

Electricity users expect electricity to be available when they need it, which is why the principal task of the electric power supply system is the punctual, sufficient and reliable supply of quality electricity. The efficient performance of production activities therefore requires timely development planning and investments in reliable production, which will eliminate technological and technical risks in ensuring production.

in EUR

INVESTMENTS IN ASSETS	2025
INVESTMENTS IN NEW PRODUCTION CAPACITIES	**0**
Studies	**0**
Studies, investment and project documentation	0
MAJOR MAINTENANCE	**31,335,831**
Investments in production reliability	**31,009,890**
Major maintenance - overhaul of Unit 6	12,166,986
LTSA (long-term servicing) of Unit 6	7,319,057
APM (asset performance management module implementation) of Unit 6	520,528
OPM (operation performance management module implementation) of Unit 6	600,000
DCS (control system replacement) of Unit 6	229,582
C-Inspection of PT51-PT52 gas turbines	8,481,803
DeNox modules for Unit 6	974,800
Reverse osmosis for the preparation of demineralized water	256,450
Modification of the CT6-2 pipe conveyor for stabilising material	160,930
Other investments in production reliability	299,755
Investments in other assets in production	**325,941**
Minor investments	257,217
Other investments in the framework of investments in production reliability	68,724
INVESTMENTS IN OTHER FIXED ASSETS	**128,701**
Business Information System	**0**
Corporate security	**36,940**
Other	**91,761**
TOTAL	**31,464,533**

INVESTMENTS IN PRODUCTION RELIABILITY

C Inspection of PT51-PT52 gas turbines

The investment comprises a C Inspection of the SGT-800 type GT51 and GT52 gas turbines together with an increase in the capacity of each gas turbine from 42 MW to 53 MW. The purpose of the investment is to ensure the continued safe, reliable and technically sound operation of both gas turbines, while improving their availability and operational flexibility within the system.

Renewal of roofs and drains – common facilities

The investment comprises the renewal of damaged sections of the sewerage network in the older part of the industrial area. Due to the age of the network, exposure to chemicals and substances harmful to concrete, and heavy vehicle traffic, sewer pipes and manholes have been damaged, resulting in excessive water ingress and consequently higher treatment costs at the wastewater treatment plant. The purpose of the investment is to replace damaged sections of the sewerage network, ensure the safe and reliable discharge of wastewater, and prevent hazardous substances from leaking into the soil and groundwater.

Refurbishment and supply of backup drives for coal transport system

The investment comprises the procurement of new, and refurbishment of existing conveyor drives, together with associated spare parts for the coal transport system from the Velenje Coal Mine to the boiler bunkers at TEŠ. Due to the considerable length of the transport routes, continuous operation of the system and the age of individual drives, some key components are already heavily worn. The purpose of the investment is to ensure the reliable, safe and uninterrupted operation of the coal transport system supplying the units and to reduce the risk of outages or disruptions to the coal supply.

Modification of the CT6-2 pipe conveyor

The investment comprises the modification of the system for conveying stabilising material from the Unit 6 mixing plant to the intermediate stockpile by removing or shortening conveyor CT6/2. As Unit 4 has been permanently shut down, the conveying of stabilised material from the Unit 4 mixing plant to the intermediate stockpile is no longer required, allowing part of the existing structure to be removed. The modification will shorten the transport route by approximately 70 m and allow a large number of idlers and parts of the supporting structure to be removed, thereby reducing loads, wear, electricity consumption and the time required for routine inspections and maintenance. The investment will also enable the Unit 4 mixing plant building to be demolished.

Reverse osmosis for DEMI water preparation

The investment comprises the installation of a reverse osmosis system upstream of the ion-exchange resins in the DEMI water preparation system. This will improve the removal of solid particles, salts, mineral impurities, organic compounds and other contaminants that may place a burden on or damage the ion-exchange resins. The purpose of the investment is to extend the service life of the ion-exchange resins, reduce the need for regeneration and reduce the consumption of HCl and NaOH. The investment will contribute to improved demineralised water quality, greater system efficiency, lower maintenance costs and a reduction in the volume of spent regeneration eluates. It will also improve the reliability of DEMI water preparation procedure for Unit 6 and the gas turbines, particularly in the event of restrictions affecting the current drinking water source from Topolšica.

New MV and LV distribution to ensure a de-energised state at Units 1-4 (B 1-4)

The investment comprises the adjustment or relocation of the power supply to process loads currently supplied from power distribution boards in the area where Units 1–4 are scheduled for demolition. Loads used exclusively for Unit 4 will be disconnected and dismantled, while the remaining key loads will require a new, independent power supply. This will enable the continued reliable operation of TEŠ support systems, such as water preparation system, the compressor station, drain tanks, pumps and other common process systems. The purpose of the investment is to ensure the safe execution of demolition works while maintaining the uninterrupted operation of systems that remain in use.

Service of ABB ACS800 1.5 MW VFDs for GT51/GT52 starter motors

The investment comprises a major service of the variable frequency drives (VFDs) for the +51MBJ10 and +52MBJ10 starter motors of GT51 and GT52 gas turbines, type ACS800-07-2320-7, rated at 1.5 MW. The last major service was carried out in 2018; therefore, in accordance with the six-year service interval and ABB's maintenance protocol, a further inspection or service is required. The purpose of the investment is to ensure the reliable operation of the gas turbine starting systems and reduce the risk of failures, downtime and disruptions to the operation of the gas turbine units.

Adaptation of lighting to current legislation and energy efficiency principles

The investment comprises the replacement of existing fluorescent luminaires with more energy-efficient LED luminaires in Unit 6, primarily in the boiler area, turbine hall, bunker area and gas desulphurisation plant of Unit 6 (RDP6). The purpose of the investment is to reduce electricity consumption, lower maintenance costs and improve energy efficiency in accordance with the requirements of the Energy Efficiency Act. The replacement is being carried out gradually, with the LED luminaires adapted to the existing installations, meaning that no major construction or electrical work is required. The investment will contribute to more reliable, energy-efficient and sustainable lighting of process areas in the long term.

DeNOx modules

The investment comprises the replacement of an individual layer of catalyst modules in the SCR system of Unit 6, which is used to reduce NOx emissions in the flue gas. Using ammonia, the SCR system converts nitrogen oxides into nitrogen and water and achieves high NOx reduction efficiency. Due to operating conditions, the formation of deposits and the gradual decline in the catalytic activity of the catalysts, the modules must be replaced after a specified number of operating hours or years. The purpose of the investment is to maintain the required efficiency of the DeNOx system, ensure compliance with environmental requirements and enable the reliable operation of Unit 6.

LTSA of Unit 6

In the framework of an out-of-court settlement reached with the GE Group, a Long-Term Service Agreement (LTSA) for Unit 6 was concluded in 2021.

Under the LTSA, funds were provided in 2025 for the long-term maintenance of Unit 6, covering maintenance work, inspections, repairs, refurbishments and replacements in accordance with the equipment manufacturer's Operation and Maintenance Manual (OMM).

Overhaul of Unit 6

The investment comprises the overhaul and major maintenance of Unit 6 in 2025, involving major periodic repairs to plant and equipment in order to maintain functionality, extend useful life and ensure the reliable, efficient and competitive operation of the unit. The most extensive planned works included a C+ inspection of the generator, including replacement of the generator rotor, a B inspection of the steam turbine, replacement of a section of the re-superheater hanger tubes, remedial work on the boiler, refurbishment of the feedwater preheater (LUBECO), overhaul of the boiler feed pumps, inspection of the induced-draught and forced-draught fans, and non-destructive testing (NDT) of the most critical parts of the equipment.
In addition to the planned activities, a number of additional works that had not originally been anticipated were also carried out during the overhaul, including the replacement of worn tubes in the feedwater preheater (LUBECO), replacement of tube shields on the superheater tubes, and refurbishment of the turbine valves.

INVESTMENTS IN OTHER PRODUCTION ASSETS

Refurbishment of changing rooms, bathrooms and sanitary facilities

The investment comprises the renewal and refurbishment of worn-out changing rooms, bathrooms and sanitary facilities, the last partial refurbishment of which took place in 1997. Following many years of intensive use, the facilities no longer meet appropriate hygiene standards or provide safe and healthy conditions for employees. The refurbishment includes the removal of sanitary fixtures, removal of deteriorated ceramic tiling, refurbishment of water supply, drainage, ventilation and electrical installations, masonry, tiling and painting works, and renewal of the waterproofing. The purpose of the investment is to ensure that the facilities meet appropriate hygiene and energy-efficiency standards and to improve employees' working conditions.

MINOR INVESTMENTS

Minor investments at TEŠ form part of the overall investment plan and comprise the procurement of new, or replacement of worn-out fixed assets required for the uninterrupted, reliable and safe operation of the thermal power plant. The investments include new equipment, meters and instruments, machinery, tools, hand-held equipment, vehicles, lifting equipment and other minor fixed assets requiring replacement or upgrading due to age, wear or technological obsolescence. The investments are prioritised according to their importance in ensuring the operation of the generating units, with Priority I comprising essential investments. The investments are also aimed at optimising and rationalising operations, increasing the autonomy of operations and maintenance personnel in carrying out maintenance activities, and using more advanced technology while taking into account the specific requirements of individual processes. This ensures the safety of employees and equipment, greater operational reliability and the long-term sustainable operation of the thermal power plant.

INVESTMENTS IN OTHER FIXED ASSETS

Technical security system upgrade

The investment is required to provide a higher level of physical and technical security for TEŠ facilities and to increase the reliability of the existing security system.

OTHER

Relocation of material from Lake Šoštanj

The investment is required to ensure the uninterrupted, reliable and safe operation of the TEŠ power generation facility. The planned ecological restoration of the shallow-water area in Lake Šoštanj is intended to preserve and improve the quality of the aquatic environment and ensure appropriate nature protection conditions. The works will restore the shallow-water area with a view to achieving a more favourable ecological status for aquatic life. At the same time, the investment will provide a greater volume of water for use as process water required for electricity generation at TEŠ.

2.11

2.11.1 Business performance in 2025

As of 1 January 2025, TEŠ has operated as an independent company, with its obligations, rights and relationships being governed by the Act on Transitional Financing of the Accelerated and Just Coal Phase-Out (Official Gazette of the Republic of Slovenia No 109/24; hereinafter: the ZPFPPIP) and the amended Articles of Association of TEŠ following the transfer of ownership to the Republic of Slovenia, which by operation of law is represented by the Management Board of Slovenski državni holding, d. d. (SDH).

On 9 September 2025, the Republic of Slovenia and TEŠ entered into Agreement No. 2570-25-520000 on the Provision of the Public Utility Service of Generation and Supply of Heat to the Heat Distributor in the Municipality of Velenje and the Municipality of Šoštanj. The Agreement covers the period for which the public utility service is to be provided, i.e. from 1 January 2025 to 30 April 2027. Pursuant to Article 6 of the Agreement and Decision No. 360-17/2025/47 of 7 August 2025, the approved amount of compensation for 2025 is EUR 163.964 million.

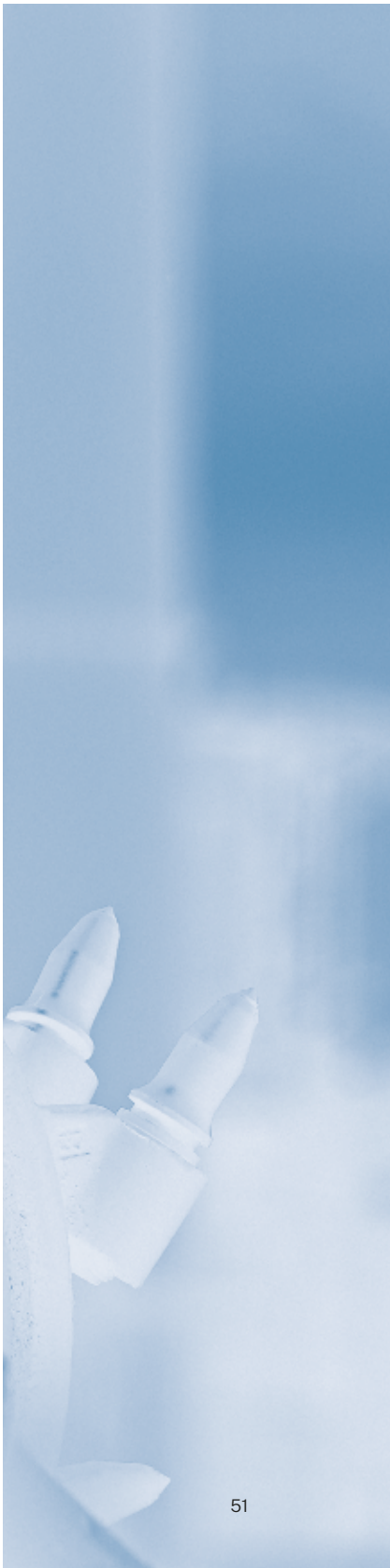
Eligible costs under the Act include expenditure for major repairs, but exclude depreciation and write-offs, which are treated as ineligible costs. In 2025, these amounted to a total of EUR 36 million and had a significant impact on the loss reported by the Company. The negative result therefore largely reflects the statutory financing arrangements for the provision of the public service rather than the Company's current operating performance or liquidity position.

The Company reported a net loss of EUR 33,685,173 in 2025.

in EUR

BUSINESS PERFORMANCE in EUR	2025	2024
Operating profit or loss	(22,736,744)	(75,492,252)
Financial result	(10,948,429)	(10,191,198)
OPERATING PROFIT OR LOSS	**(33,685,173)**	**(85,683,450)**
Tax assessed	0	0
Deferred tax	0	0
NET PROFIT OR LOSS FOR THE PERIOD	**(33,685,173)**	**(85,683,450)**

The financial result for 2025 was negative, amounting to EUR -10,948,429. The negative result was attributable to interest and guarantee fees relating to loans obtained from banks to finance the investment in the construction of Unit 6. Compared with the previous year, finance expenses were lower due to the lower level of bank debt (regular repayments of loan principals).





Revenues

	2025	%	2024	%
OPERATING REVENUE	361,070,885	100	562,676,912	99
FINANCIAL REVENUE	1,043,209	0	2,969,849	1
REVENUE	**362,114,094**	**100**	**565,646,761**	**100**

In 2025, the Company generated revenue of EUR 362,114,094, 36% less than in the previous year, primarily due to lower revenue from electricity sales. Revenue from electricity sales amounted to EUR 237,489,416 in 2025, down 57% year on year as a result of TEŠ operating as a public utility service provider for the generation and sale of heat in the Šaleška Valley in accordance with the ZPFPPIP. Revenue from heat sales amounted to EUR 13,180,637, up 3%, primarily due to higher demand from the Velenje Public Utility Company and the resulting increase in heat generation. For the duration of the public service, the selling price of heat is prescribed by law.

Expenses

	2025	%	2024	%
OPERATING EXPENSES	383,807,629	97	638,169,165	98
FINANCIAL EXPENSES	11,991,638	3	13,161,047	2
EXPENSES	**395,799,267**	**100**	**651,330,212**	**100**

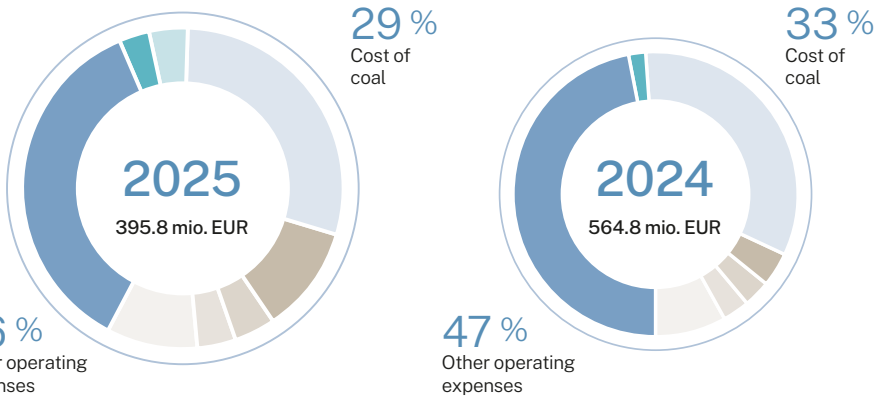
In 2025, expenses amounted to EUR 395,799,267, 39% less than in 2024. Operating expenses decreased by 40% compared with the previous year, primarily due to lower coal costs and lower emission allowance costs resulting from lower generation and the consequent reduction in energy product consumption.

Since 2025, TEŠ has operated independently on the electricity market and therefore secures the quantities of electricity required to meet its existing long-term sales commitments. In 2025, the cost of goods sold includes the cost of purchasing electricity required to cover electricity volumes sold under forward arrangements, together with all other directly attributable costs associated with securing and selling electricity. The increase in the cost of goods sold in 2025 was therefore primarily attributable to the Company operating independently on the electricity market and the associated recognition of electricity procurement costs incurred to fulfil its sales contracts.

Within operating expenses, material costs decreased by 24%, or EUR 49.8 million, in 2025. The largest contribution to this decrease came from coal costs, which fell by 38%, or EUR 70.9 million Lower coal costs resulted from lower consumption associated with the reduced volume of electricity generated by the coal-fired units.
By contrast, gas costs increased by 14%, or EUR 20 million, as a result of higher gas consumption due to increased generation by the gas-fired units. During the summer months, only the gas-fired units operated for the purposes of providing the public utility service.

CO_2 emission allowance costs also decreased, by 48%, or EUR 121.6 million. The decrease was attributable both to lower consumption of emission allowances as a result of lower generation and to a lower average purchase price of emission allowances compared with the previous year.

Structure of expenses:



	2025	2024
Financial expenses	3 %	2 %
Cost value	4 %	
Labour cost	4 %	3 %
Cost of services	4 %	3 %
Write-offs (excl. impairments)	9 %	8 %
Other cost of material	11 %	4 %

Note:
To ensure the comparability of data, the 2024 structure of expenses does not include the costs of impairment of plant and equipment in the amount of EUR 86.6 million.

The structure of operating expenses (excluding impairment losses) shows that the share of coal consumption costs decreased by 4 percentage points compared with the previous year, primarily due to lower coal consumption associated with the reduced volume of generation by the coal-fired units.
The share of other material costs increased by 7 percentage points, primarily as a result of higher gas consumption for electricity generation by the gas-fired units. In 2025, the increase of these costs was also affected by the use of biomass in the generation process and increased consumption of other materials, this being associated with the Unit 6 overhaul.
The share of other operating expenses decreased by 11 percentage points compared with the previous year. The main reason for the decrease was lower CO_2 emission allowance costs, resulting both from the lower number of allowances required due to reduced generation and from lower market prices for emission allowances. In accordance with the provisions of the ZVO-1, the Company is required to secure emission allowances to cover its carbon dioxide emissions.

Assets

As at 31 December 2025, the Company's assets amounted to EUR 623,968,714 (as at 31 December 2024 = EUR 708,884,242), down by 12%. Of this, non-current assets increased by 32%, while current assets decreased by 44%.

Non-current assets account for 63% of the Company's total assets. The most significant item within non-current assets is property, plant and equipment, the value of which decreased by EUR 4,605,557 in 2025 as a result of depreciation charged for the year, while new investments (investments in generation reliability) had a positive impact. Within non-current assets, long-term operating receivables decreased in 2025 by the portion falling due in 2025, which was reclassified to short-term operating receivables. In 2025, intangible assets increased by EUR 105,083,910, primarily due to the recognition of purchased CO_2 emission allowances.

Short-term assets account for 37% of all Company's assets, and increased by EUR 179,215,425 compared to the previous year.

Within these assets, the largest year-on-year decrease was recorded in contract assets relating to the cost of CO_2 emission allowances purchased for electricity generation in 2024, amounting to EUR 250,785,250, which have been recognised as intangible assets since 2025.

Inventories of materials increased by EUR 21,436,677, primarily due to higher inventories of domestic coal, while cash and cash equivalents held in the Company's accounts increased by EUR 59,263,261.

Short-term operating receivables include receivables from electricity sales, which decreased by EUR 48.5 million compared with the previous year. Receivables for advances paid to PV for coal purchases increased by EUR 6.5 million. Operating receivables due from others increased by EUR 22.3 million and comprise receivables for state compensation for December. The remaining trade receivables comprise receivables arising from the arbitration proceedings concluded in 2021 (the current portion falling due in 2026 amounts to EUR 12.6 million) and receivables due from the Velenje Public Utility Company for heat sold in November and December 2025.

Equity and liabilities

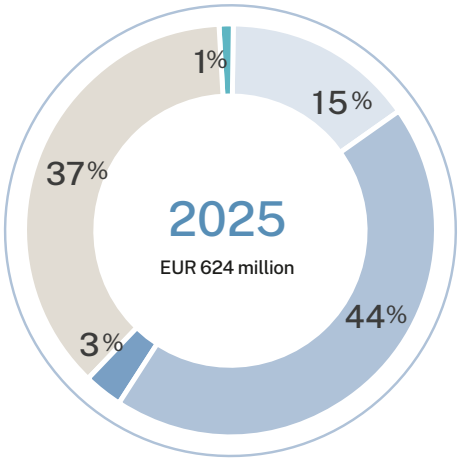
Under liabilities, equity accounts for 15% of the total sum, unchanged from the end of 2024. In 2025, equity decreased by EUR 13,139,518, or 12%. The decrease in equity was attributable to the loss for the year of EUR 33,685,173, a revaluation adjustment relating to an actuarial loss/gain of EUR 80,539 (fair value reserve), and the transfer of EUR 20,465,116 of the state compensation for repayment of the principal of the EIB loan to capital reserves.

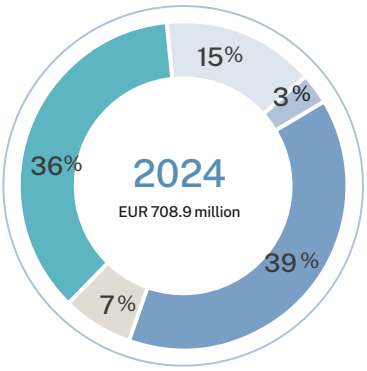
Non-current liabilities account for 44% of total equity and liabilities. The non-current portion of the loan from the EIB amounts to EUR 235,348,837 and, as at 31 December 2025, is once again recognised under non-current liabilities; in 2024, the entire loan was recognised under current liabilities.
Following the transfer of ownership of TEŠ to the Republic of Slovenia on 31 December 2024 and the change in the business model from 2025 onwards, the terms of the TEŠ Power Plant Šoštanj/B Finance Contract, FI No. 25.541 SI, concluded with the European Investment Bank to finance Unit 6, changed. As no amendment to the existing finance contract had been concluded by 31 December 2024 to take account of the legal changes at TEŠ and provide for the new contractual covenants, this resulted in a breach of the contractual covenants. In accordance with IFRS requirements, the entire loan therefore had to be reclassified as a current liability as at 31 December 2024. An agreement was reached with the EIB to waive the breach, which became effective on 19 December 2025 (waiver). Accordingly, in the 2025 accounting records, the long-term portion of the loan is appropriately recognised under non-current liabilities.
In 2025, the Company made scheduled repayments under this loan amounting to EUR 20.5 million. Within non-current liabilities, other non-current liabilities increased by the portion of the state compensation received for major maintenance, with such non-current liabilities being recognized as deferred revenue and transferred to income through the depreciation of the assets concerned.

Current liabilities account for 41% of total equity and liabilities and, as at 31 December 2025, are EUR 327,591,883 lower than as at 31 December 2024. The decrease was primarily attributable to the reclassification of a portion of financial liabilities in 2024, when the non-current portion of the loan was reclassified as a current liability due to a breach of the contractual covenants with the EIB.
The further decrease in current liabilities was also attributable to lower costs of CO_2 emission allowances for emissions generated in 2025, due both to the lower number of CO_2 emission allowances required and their lower average price.

Structure of equity and liabilities as at 31 December:

	2025	2024
Short-term oper. liabilities	37 %	7 %
Other short-term liabilities	1 %	36 %
Capital	15 %	15 %
Non-current liabilities	44 %	3 %
Current financial liabilities	3 %	39 %





2.11.2 Ensuring solvency

TEŠ operates in accordance with business and financial standards and the rules laid down in the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act, as well as the Act on the Prevention of Late Payments.

To ensure TEŠ's solvency during the period in which it provides the public utility service, the law provides for state compensation to cover costs that cannot be covered by revenue from the sale of electricity at market prices. Pursuant to the provisions of the ZPFPPIP, the Company received state compensation determined as the difference between eligible costs and revenue, increased by the amount of principal repayments on the European Investment Bank (EIB) loan.

Consequently, the Company's liquidity position remained stable in 2025, enabling it to settle all liabilities as they fell due in a regular and timely manner. Through active cash flow management, effective alignment of the maturities of receivables and liabilities, and prudent management of surplus cash, the Company maintained adequate liquidity throughout the financial year.

2.11.3 Capital adequacy

In accordance with the ZPFPPIP, the calculation of compensation includes, in addition to eligible costs, expenditure on major investments and the amount required for repayment of the EIB loan. In accordance with IFRS, the compensation is accounted for in the Company's books as follows:

1. the amount of EUR 22,251,350 for major maintenance is recognised as deferred income under long-term accruals and deferred income and is being transferred to income in line with depreciation expenses,
2. the amount of EUR 20,465,116 intended for repayment of the EIB loan is recognised as capital reserves,
3. the remaining amount of compensation is recognised as other operating revenue.

Consequently, a loss of EUR 33,685,173 was recognised in the Company's books for 2025, directly affecting the Company's capital adequacy. With the accumulated loss from previous years and the loss for the current year, after being covered from capital reserves (net loss), exceeding 50% of the share capital, the Company failed to meet capital adequacy requirements as at 31 December 2025.

The Company therefore initiated a procedure for the simplified reduction of TEŠ's share capital. In order to remedy the capital inadequacy, part of the accumulated losses brought forward will be covered from capital reserves and the remaining amount by reducing the share capital.

CAPITAL ADEQUACY			Following reduction Called-up capital
	RE 31 DEC 2024	RE 31 DEC 2025	
1. Net profit or loss for the period	-85,683,451	-33,685,173	-33,685,173
2. Losses from previous years	-46,604,403	-132,287,854	0
3. Total losses (1 + 2)	-132,287,854	-165,973,027	-33,685,173
4. Profit from previous years	0	0	0
5. Revenue reserves	0	0	0
6. Capital reserves	46,190,401	66,655,517	0
7. Total profit (4+5+6)	46,190,401	66,655,517	0
S. Net loss (7 + 3)	-86,097,452	-99,317,509	-33,685,172
9. Share capital	195,579,850	195,579,850	129,947,513
Fair value reserve	-1,196,495	-1,115,957	-1,115,957
Capital	108,285,903	95,146,384	95,146,384
50% of share capital	*97,789,925*	*97,789,925*	*64,973,757*

The proposal to the founder concerning decisions on changes to TEŠ's share capital and amendments to its Articles of Association was submitted by the Company's Management to Slovenski državni holding on 2 June 2026 for further consideration.

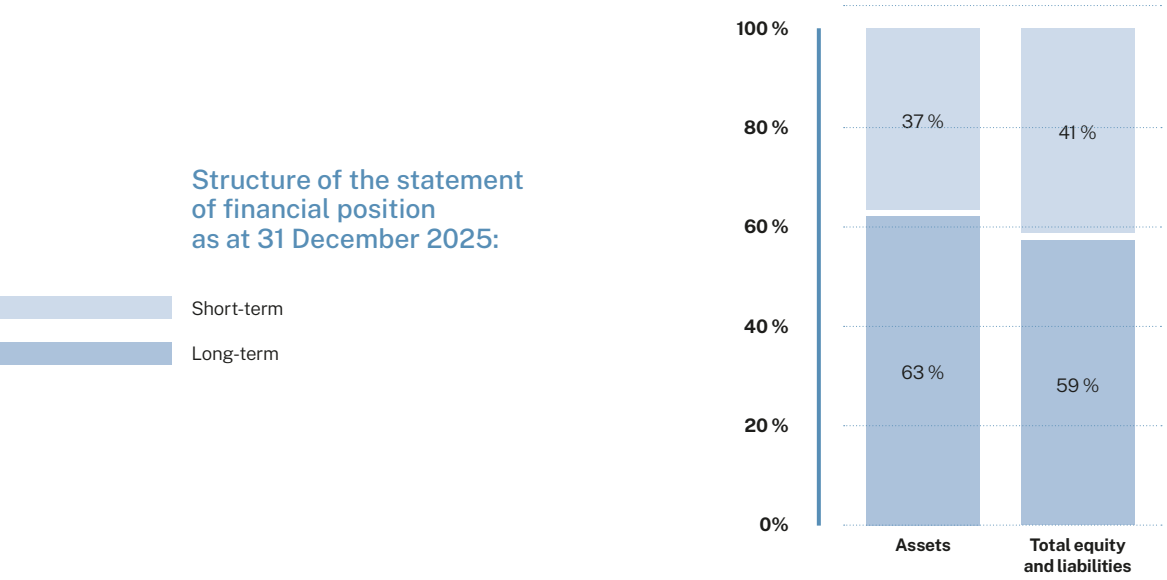
A horizontal analysis of the structure of assets and liabilities as at 31 December 2025 shows that the Company's assets are funded by:

- long-term sources – 59% (of which 26% refer to equity and 74% to non-current liabilities), and
- short-term sources – 41%.

As at the reporting date, the Company had negative working capital, meaning that current liabilities exceeded current assets. This was primarily attributable to the Company's financing structure and timing mismatches between the maturities of individual assets and liabilities.

In assessing the Company's liquidity position, it should be taken into account that the Company operates in the energy sector, which is characterised by a high proportion of long-term assets and stable generation of cash flows from operating activities. The Company has been regularly settling its short-term liabilities, as adequate sources of finance are available to it in accordance with the ZPFPPIP to ensure the uninterrupted conduct of its business activities and implementation of investment projects.

Structure of the statement of financial position as at 31 December 2025:



2.11.4 Level of indebtedness

As at 31 December 2025, the Company's financial liabilities stood at EUR 255,813,953 and accounted for 41% of the total amount of liabilities. They include long-term loans raised for the construction of replacement Unit 6. Compared to 2024, they were 7% lower.

2.11.5 Company ratios

The Company monitored its business performance in financial terms using the following indicators:

		31 DEC 2025	31 DEC 2024
Finance structure ratios			
1	**Equity financing rate, in %** *Equity/liabilities*	15.25 %	15.28 %
2	**Non-current financing rate, in %** *Sum of equity and non-current liabilities/liabilities*	59.29 %	17.96 %
Investment ratios			
3	**Operating fixed assets rate, in %** *Fixed assets at carrying amount/assets*	59.66 %	38.42 %
4	**Long-term assets rate, in %** *Fixed assets at carrying amount + non-current financial investments + non-current operating receivables/assets*	62.83 %	42.00 %
Horizontal financial structure ratios			
5	**Equity-to-operating-fixed-assets ratio** *Equity/fixed assets at carrying amount*	0.26	0.40
6	**Long-term financing to long-term assets ratio** *Capital + long-term liabilities/long-term assets*	0.94	0.43
7	**Cash ratio** *Liquid assets (i.e. cash and short-term financial investments)/current liabilities*	0.39	0.07
8	**Quick ratio** *Liquid assets + short-term receivables/current liabilities*	0.66	0.20
9	**Current ratio** *Current assets/current liabilities*	0.91	0.71
Efficiency ratio			
10	**Operating efficiency ratio** *Operating revenues/operating expenses*	0.94	0.88
Profitability ratios			
11	**ROE, in %** *Net profit for the period/average equity*	-33.12 %	-56.69 %
12	**ROA, in %** *Net profit for the period/average total assets*	-5.05 %	-11.53 %



The Company's equity represents 15% of all liabilities. The Company is funded from both own and third-party sources. **The equity financing rate (1)** is at a similar level to that at the end of 2024.

TEŠ financed 59% and 41% of its assets with non-current sources and short-term sources, respectively. **The non-current financing rate (2)** was 41 percentage points higher than at the end of 2024. In 2024, the non-current portion of the EIB loan was recognised under short-term liabilities.

The operating fixed assets rate (3) shows the share of fixed assets in all Company's assets. The property, plant and equipment and intangible fixed assets account for 60% of the Company's assets. A high operating fixed assets rate is expected, since the sector in which the Company operates is very intensive in terms of technology. The portion increased compared with the previous year due to the recognition of purchased emission allowances among intangible assets.

The long-term asset rate (4) is 21 percentage points higher as at 31 December 2025 than the previous year. Fixed assets account for the majority of non-current assets and decreased in 2025 due to depreciation, while investments in assets were slightly higher than in the previous year. The increase in the long-term asset rate was attributable to the recognition of purchased CO_2 emission allowances among intangible assets in 2025.

The equity-to-operating-fixed-assets ratio (5) represents the ratio between equity and fixed assets. It stands at 0.26 meaning that 26% of most illiquid assets are financed by equity. The ratio is lower than in the previous year, primarily due to the decrease in equity resulting from the loss for the year and the increase in intangible assets relating to emission allowances.

Long-term financing to long-term assets ratio (6) stands at 0.94 and indicates that the majority of long-term assets are funded through equity and long-term funding sources.

The cash ratio (7) stood at 0.39 at the end of December 2025 which means TEŠ covers 39% of its short-term liabilities by quick liquid assets (cash and short-term investments).

The quick ratio (8) stood at 0.66 at the end of December 2025, which means that TEŠ covers 66% of all its short-term liabilities by short-term receivables and short-term investments.

The current ratio (9) stood at 0.91 at the end of December 2025, which means that TEŠ covers 91% of its short-term liabilities by its short-term assets.

The efficiency ratio (10) indicates that TEŠ generated negative operating result. Under the ZPFPPIP, TEŠ is entitled to state compensation for the provision of the public utility service, determined as the difference between eligible costs and expenses. The Act excludes depreciation and write-offs from eligible costs, which contributes to the negative operating result.

The ROE and ROA ratios (11 in 12) are negative in 2025 owing to the loss resulting from the above-mentioned method of determining the state compensation under the ZPFPPIP.

Risk management

2.12

By implementing a comprehensive risk management system for all its activities, the Company provides a systematic approach to a timely identification and management of risks. The comprehensive risk management system is implemented through appropriate management strategies, consistent risk management criteria, monitoring and identifying risk levels, as well as through timely information and measures. The key risks faced by the Company are identified, discussed and assessed in the catalogue of risks. The risks are being monitored on a regular basis, with the activities to manage such risks also being carried out. The Risk Management Committee met twice in 2025 and, at its meetings, identified 12 key risks, for which seven permanent measures and six measures with defined implementation deadlines were adopted.

1. Operation

- The risks related to the reliable generation and supply of heat arise from the degradation mechanisms and wear and tear of materials, overloads and highly dynamic operation, lack of supervision over the condition of the equipment and postponing urgent maintenance works. The consequences mean unplanned and major outages (also limitations) of production infrastructure. In this regard, TEŠ carefully monitors the operation of devices and failures, and carries out regular and preventive maintenance.
- Disruptions to the coal supply may, if there are insufficient stocks of coal at the stockpile, disrupt or restrict the operation of the generating units, potentially jeopardising the uninterrupted supply of heat to end users. Under the ZPFPPIP, the Velenje Coal Mine is required to ensure sufficient quantities of coal for the provision of the public utility service, with the price of coal being determined in accordance with the Act. Possible consequences include a reduction in output or the shutdown of generating units. To manage this risk, the quantities required are coordinated on a daily basis in line with the heat distributor's requirements.
- As part of operational risks, we also identified key environmental risks, namely: loss of the environmental permit, penalties for exceeding environmental parameters, environmental accidents, improper handling of hazardous waste, spills of hazardous substances into watercourses, etc. The risk is managed by complying with instructions for the handling of waste and hazardous substances and by carrying out management checks of hazardous waste consignment records, among other measures.

TEŠ has prepared and updated risk matrices identifying individual operational and maintenance risks and specifying measures to reduce the likelihood of their occurrence and mitigate the consequences should they materialise.

2. Maintenance

Two key risks have been identified in terms of maintenance, i.e. the risks relating to the continuity and effectiveness of the maintenance process. The first risk concerns the retention and transfer of key technical expertise required for the uninterrupted performance of maintenance activities. The second risk concerns ensuring adequate maintenance capacity and appropriate organisation of the maintenance process, affecting the timely and effective performance of maintenance activities and plant availability.

3. Trading

The following three risks have been identified as key market risks: electricity price risk, CO_2 emission allowance price risk and gas price risk. These risks are managed through staff training, cooperation with HSE in preparing auctions for the sale of electricity and the purchase of CO_2 emission allowances, identifying providers of services to mitigate imbalances and outages, and active participation in electricity generation market activities with a view to reducing the need for state compensation.

4. Purchasing, sales

Within the purchasing and sales process, a risk relating to the timely and effective execution of purchasing procedures and deliveries was identified in 2025. TEŠ manages this risk by planning purchasing activities, regularly monitoring suppliers' performance of their contractual obligations, establishing a network of alternative suppliers, concluding framework agreements, and incorporating appropriate contractual provisions to protect the Company's interests.

5. Environmental management

No key risks were identified in the area of environmental management in 2025. Nevertheless, the Company regularly monitors environmental risks in this area and carries out activities to ensure compliance with legislative requirements, environmental permits and internal standards, with the aim of identifying and managing potential risks in a timely manner.

6. Occupational health and safety and fire safety

No key risks were identified in the areas of occupational health and safety and fire safety in 2025. Nevertheless, the Company regularly monitors the risks of unauthorised access, theft of or damage to property, as well as occupational health and safety and fire safety risks, and implements appropriate preventive measures to ensure a safe working environment and protect property and information resources. These risks are managed through established security systems, restrictions on physical access, video surveillance, property insurance, compliance with legislation and internal rules, regular workplace risk assessments, employee training and workplace health promotion programmes.

7. HR risks

One key HR risk has been identified: the risk of increased employee turnover due to uncertainty regarding the Company's long-term operations and organisational changes, which could affect the availability of the competent personnel required for the uninterrupted performance of the Company's activities. The Company manages this risk through employee training and development, succession planning, measures to retain key personnel, workplace health promotion, and active communication with employees regarding the Company's future developments.

8. Finance, accounting and controlling

In 2025, TEŠ's operations were based on the provision of the public utility service of generating and supplying heat in accordance with the provisions of the ZPFPPIP. The agreement with the Republic of Slovenia on the provision of the public utility service was signed, the decision on financial compensation for 2025 was issued, and the funds were received. The limited duration of the ZPFPPIP, which currently remains in force until April 2027, represents a risk. The Company has therefore prepared various scenarios for its operations and the continued provision of the public utility service after the Act expires. The Company manages this risk through a timely provision of all the data and supporting information required for the issuance of the decision, regular monitoring of the legislative environment, and active communication with the competent state authorities. At the same time, it is preparing scenarios for its future operations and participating in efforts to identify long-term solutions to ensure reliable heat generation and supply.

9. Support processes and cybersecurity

The risk of cyberattacks and disruptions to information systems is increasing due to the changing geopolitical situation and the growing digitalisation of business operations and has therefore been identified as a key risk. Potential cyber incidents or communication network outages could affect the uninterrupted operation of business processes and the availability of information systems. The Company manages this risk by implementing technical and organisational security measures, ensuring redundancy of key information systems, and carrying out activities to ensure compliance with the requirements of the ZInfV-1 and the NIS2 Directive.



Public relations

2.13

By connecting and sharing information, i.e., by communicating well, we implement our mission as well as our social responsibility. Communication is a key to success. A successful company is underpinned by a well-designed communication strategy that guides its activities at various levels.

At TEŠ, public relations are planned and carried out in line with the Rules on Communication and the communication strategy.

The basic communication tools with the external and internal public continue to be the TEŠ's website (www.te-sostanj.si), press releases, articles and interviews in various local and national media, and the power industry magazine Naš stik. In communicating with internal public, we also use the TEŠ intranet, e-mail, notice boards, instructions to employees, trainings, meetings, committees, online social tools and video conferences.

At TEŠ we are aware of the fact that regular two-way communication with key publics is of crucial importance. It allows for the crisis situations to be resolved easier and to build on trust of our employees. Public relations help to build on trust which is a prerequisite for further communication. Employee satisfaction and dissatisfaction go beyond the Company's walls to external publics making proactive, open and motivational internal communication key to positive corporate image. In crisis situations, communication may even be the only, and certainly is the most powerful tool for keeping the balance among all stakeholders within the Company.

The Company is aware of the importance of the environment in which it operates and which it helps to shape. We know TEŠ has an important role in the local community, and that we have to inform people of our activities. Therefore, we organise open-door days for visitors, when our doors are open to public. Throughout the year we also provide tours for pre-announced groups of visitors who wish to see how TEŠ operates. These entail schools, various organisations, companies and other institutions. We will continue to do our best in taking a responsible role in the town's development and informing the general public about our energy production efforts.

Future plans

2.14

The objective of Termoelektrarna Šoštanj, d.o.o., is to maintain and optimise its generation capacity while ensuring the continuous, reliable, safe, competitive and environmentally-friendly generation of heat and electricity using a range of primary energy sources. To fulfil our principal goal, we have set long-term, sector specific goals in the framework of which annual goals have been set. In line with the founder's expectations, the TEŠ is committed to supporting the continued use and further development of the existing energy site.





03 Accounting report

3.1 Auditor's report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the company TEŠ d.o.o. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2025, 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 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities (EU Regulation). Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the 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), as applicable to audits of financial statements of public interest entities, and other ethical requirements that are relevant to our audit of the financial statements of public interest entities in Slovenia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Deloitte revizija d.o.o. - The company is registered with the Ljubljana District Court, registration no. 1647105 - VAT ID SI62560085 - Nominal capital EUR 74,214.30.
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Material Uncertainty Related to Going Concern

We draw attention to Note 3.2.3 Going Concern Assumption to the financial statements, which states that the Company incurred a loss of EUR 33,685 thousand for the year ended 31 December 2025 and, in accordance with the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (ZFPPIPP), was undercapitalised as at 31 December 2025, as accumulated losses exceeded 50% of the Company's share capital. Furthermore, the Act on Transitional Financing of the Accelerated and Just Transition Away from Coal (ZPFPPIP) governs the Company's operations only until 30 April 2027, and it remains unclear what measures will apply after that date. These circumstances, together with the other matters described in Note 3.2.3, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. 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 financial statements of the year ended 31 December 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the section Material Uncertainty Related to Going Concern, we have determined that the matter described below is a key audit matter to be communicated in our report.

Revenue recognition

Key audit matter	*How the matter was addressed in the audit*
The Company recognised revenue from contracts with customers of EUR 255,301 thousand in the statement of profit or loss for the year ended 31 December 2025. Further disclosures relating to this matter are provided in Note 1, Section 3.8.2 Notes to the Statement of Profit or Loss. Further disclosures regarding the accounting policies are included in Note 3.2.7.18 Revenue from Contracts with Customers, Section 3.2.7 Significant Accounting Policies. As explained in Section 3.2.7.18 Revenue from Contracts with Customers within the Significant Accounting Policies, revenue from the sale of heat and electricity is recognised at the point in time when the Company satisfies its performance obligation, that is, when control of the heat or electricity is transferred to the customer. Due to the changed regulatory framework, changes in the business model, and the	As part of our audit procedures, we assessed the appropriateness of the Company's accounting policies relating to revenue recognition and their compliance with IFRS, and performed the following audit procedures: • We evaluated the design and implementation of internal controls relating to revenue recognition, with a focus on the appropriateness of revenue recording. • For a sample of selected transactions, we performed detailed substantive testing and assessed the appropriateness and accuracy of recognised revenue based on relevant supporting documentation, including contracts, billing records and other evidence of the delivery of electricity and heat. • For a selected sample of customers, we obtained direct confirmations of transactions and reconciled them to the revenues recorded by the Company. We also reviewed the information presented in the financial statements to assess whether the disclosures

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resulting changes in internal processes for monitoring and recording transactions, we identified revenue from contracts with customers as a key audit matter.	relating to revenue recognition were appropriate in accordance with the requirements of the applicable financial reporting standards.

Other information

Management is responsible for the other information. The other information comprises the information included in Annual report, other than the 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.

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:

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- 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.

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

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

Report on other legal and regulatory requirements

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

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Confirmation to the Audit Committee

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

Prohibited Services

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

Other services performed by the audit company

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

Appointment of the Auditor and responsible certified auditor

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 29 August 2025, while the president of the Supervisory Board signed the audit contract on 10 September 2025. The audit contract was signed for X years. Our total uninterrupted engagement as statutory auditors has lasted since 3 October 2019.

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

Auditor's Report on the Appropriateness of Allocation Methodologies and the Correctness of Their Application

We have performed a reasonable assurance engagement on whether the methodologies used for the allocation of direct and indirect assets and liabilities, costs, expenses and revenues, which the Company applies in maintaining separate accounting records and preparing separate financial statements for energy activities, and which were used in preparing the section "Reporting in Compliance with the Energy Act" for the financial year ended 31 December 2025, are appropriate and have been correctly applied, all in accordance with the Act on Transparency of Financial Relations and Separate Recording of Different Activities (ZPFOLERD-1), the Electricity Supply Act (ZOEE) and the Act on Transitional Financing of the Accelerated and Just Transition Away from Coal (ZPFPPIP).

Criteria

In assessing the appropriateness of the methodologies used by the Company for allocating direct assets and liabilities, costs, expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE and ZPFPPIP, we evaluated whether the allocated assets, liabilities, costs, expenses and revenues were directly attributable to the activity to which they were allocated.
In assessing the appropriateness of the methodologies used by the Company for allocating indirect assets and liabilities, costs, expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE and ZPFPPIP, we considered whether the methodologies were determined on the basis of the activities giving rise to such assets and liabilities, costs, expenses and revenues. Where such activities could not be identified, indirect costs were allocated on the basis of the proportion of direct costs.
To assess the correctness of the application of the allocation methodologies, we performed audit-type procedures to verify whether each methodology was applied to the economic category for which it had been adopted and in the manner prescribed.

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Responsibilities of Management and Those Charged with Governance

Management is responsible for establishing appropriate allocation methodologies and for their correct application in the preparation and presentation of the section "Reporting in Compliance with the Energy Act" in accordance with the requirements of ZPFOLERD-1, ZOEE and ZPFPPIP, as well as for such internal control as management determines is necessary to enable the preparation of this information free from material misstatement, whether due to fraud or error.
Those charged with governance are responsible for adopting the allocation methodologies and overseeing their application in accordance with the requirements of ZPFOLERD-1, ZOEE and ZPFPPIP.

Auditor's Responsibility

Our responsibility is to perform a reasonable assurance engagement and express a conclusion as to whether the methodologies for the allocation of direct and indirect assets and liabilities, costs, expenses and revenues, which the Company applies in maintaining separate accounting records and preparing separate financial statements for energy activities, and which were used in preparing the section "Reporting in Compliance with the Energy Act" for the financial year ended 31 December 2025, have been prepared in accordance with the requirements of ZPFOLERD-1, ZOEE and ZPFPPIP and have been correctly applied.
We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This standard requires that we plan and perform the engagement to obtain reasonable assurance as a basis for our conclusion.
We have complied with the independence requirements and ethical requirements of EU Regulation No. 537/2014 and the IESBA Code of Ethics. The IESBA Code is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies the International Standard on Quality Management 1 (ISQM 1) and accordingly maintains a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of Work Performed

Within the scope of our work, we performed audit-type procedures, including the following:

- We identified and assessed the risks of material misstatement regarding the appropriateness of the methodologies and the correctness of their application in accordance with ZPFOLERD-1, ZOEE and ZPFPPIP.
- We obtained an understanding of internal control relevant to the reasonable assurance engagement in order to design procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- We obtained and reviewed the Company's internal policies governing the allocation of direct and indirect assets and liabilities, costs, expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE and ZPFPPIP.
- We verified whether the methodologies referred to above had been adopted by the appropriate corporate body in accordance with Article 8 of ZPFOLERD-1 and whether they were consistently applied in each financial year in accordance with Article 107 of ZOEE and Article 6 of ZPFPPIP.

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- For methodologies used by the Company for allocating indirect costs, we verified whether they were based on the activities causing such costs; where such activities could not be determined, we verified whether indirect costs were allocated based on the proportion of direct costs.
- We made inquiries of management and specialist departments regarding the methods, procedures and controls established within cost accounting and the allocation of costs and expenses to individual activities.
- Through additional testing of data, we verified whether the methodologies adopted in accordance with Article 8 of ZPFOLERD-1 had been correctly applied in maintaining separate accounting records for individual activities.
- We verified whether public and other funds received by the Company in connection with activities performed under exclusive or special rights or authorisations were used to finance its other activities contrary to Article 7(2) of ZPFOLERD-1.
- We verified whether the Company had fully disclosed, in its annual report together with the financial statements for energy activities subject to separate disclosure requirements, the allocation methodologies in accordance with ZOEE and ZPFPPIP.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures performed and the evidence obtained, in our opinion, the methodologies used for the allocation of direct and indirect assets and liabilities, costs, expenses and revenues, which the Company applies in maintaining separate accounting records and preparing separate financial statements for energy activities, and which were used in preparing the section "Reporting in Compliance with the Energy Act" for the financial year ended 31 December 2025, are, in all material respects, appropriate and have been correctly applied in accordance with the requirements of ZPFOLERD-1, ZOEE and ZPFPPIP.

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1000 Ljubljana

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 24 July 2026

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Statement of the management's responsibility

The Management is responsible for preparing financial statements for each individual financial year in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and applicable laws as adopted by the European Union, in such a manner that they give a true and fair view of the financial position of the Company Termoelektrarna Šoštanj d.o.o.

The management reasonably expects that in the foreseeable future, the Company will have sufficient assets to continue its operations, and therefore the financial statements have been prepared on a going concern basis.

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

- accounting policies have been appropriately selected and consistently used;
- assessments and estimates are reasonable and prudent;
- financial statements are prepared in accordance with IFRS as adopted by the EU.

The Management is responsible for keeping relevant records which, at every moment, present the Company's financial position with reasonable precision, as well as for ensuring that the Company's financial statements are consistent with IFRS. The management is also responsible for protecting the Company's property, as well as preventing and detecting any abuse and other irregularities.

The Management confirms that the financial statements are prepared in accordance with the provisions of IFRS without reservations as to their use.

The Management adopted the Company's financial statements for the financial year that ended on 31 December 2025 on 24 July 2026.

Termoelektrarna Šoštanj, d. o. o.
Managing Director
mag. Branko Debeljak



Introductory notes to financial statements

3.2

Pursuant to a resolution of the General Meeting of the owner of Termoelektrarna Šoštanj dated 20 August 2010, as of 1 January 2011 the Company prepares the financial statements and the accompanying notes in accordance with the International Financial Reporting Standards (hereinafter: IFRS) as adopted by the EU.

The auditing company Deloitte revizija, d.o.o. has audited the financial statements and the accompanying notes and has prepared an independent auditor's report included at the beginning of the chapter.

3.2.1 Reporting company

As of 1 January 2025, TEŠ has operated as an independent company, with its rights and obligations set out in its Articles of Association and governed in accordance with the provisions of the ZPFPPIP. The founder of the Company is the Republic of Slovenia, represented by the Management Board of Slovenski državni holding, d. d. (the Slovenian Sovereign Holding). The Company's registered office is at: Cesta Lole Ribarja 18, Šoštanj. Hereinafter are the separate financial statements of the Company for the year that ended on 31 December 2025.

3.2.2 Basis for preparation

In preparing the financial statements as at 31 December 2025, the Company considered the following:

- IFRS, including: International Accounting Standards (IAS), Interpretations issued by the Standing Interpretations Committee (SIC), International Financial Reporting Standards (IFRS), and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union,
- Companies Act;
- Energy Act;
- Electricity Supply Act and Gas Supply Act;
- Corporate Income Tax Act and its implementing regulations;
- Accounting Rules of Termoelektrarne Šoštanj, d.o.o.; and
- other applicable legislation.

The Company's financial statements have been prepared taking account of the anticipated date of closure of the Velenje Coal Mine in the context of activities related to the public disclosure and consultation on the draft National Strategy on Coal Phase-Out and the Restructuring of Coal Regions in line with the just transition principles and the amended environmental report.

a) Initial application of the latest amendments to existing standards effective in the current reporting period.

In the current year, the Company applied several amendments to IAS 21 Lack of Exchangeability issued by the International Accounting

Standards Board (IASB) and adopted by the EU, the application of which is obligatory for reporting periods beginning on or after 1 January 2025. The amendments provide guidance on determining when a currency is exchangeable and how to determine the exchange rate when a currency is not exchangeable. The adoption of these amendments had no material impact on the disclosures or amounts reported in these financial statements.

b) New and amended IFRS adopted by the EU but not yet in force

On the date of adopting these financial statements, the Company does not apply the following amended IFRS as issued by the IASB and adopted by the EU, but not yet in force:

- **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 with features linked to environmental, social and governance (ESG) considerations. The amendments also clarify the date on which a financial asset or financial liability is derecognised and introduce additional disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and for financial instruments with contingent features.

- **Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity,** issued by the IASB on 18 December 2024. The own-use requirements in IFRS 9 have been amended to include factors that an entity is required to consider when applying IFRS 9:2.4 to contracts to buy and take delivery of electricity from renewable sources whose generation is nature-dependent. The hedge accounting requirements in IFRS 9 have been amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument to designate a variable volume of forecast electricity transactions as the hedged item, provided that specified criteria are met, and to measure the hedged item using the same volume assumptions as those used for the hedging instrument. The amendments to IFRS 7 and IFRS 19 introduce disclosure requirements for contracts referencing nature-dependent electricity that have specified characteristics.

- IFRS 18 – Presentation and Disclosure in Financial Statements, issued by the IASB on 9 April 2024, replaces IAS 1 – Presentation of Financial Statements. The Standard introduces three sets of new requirements designed to improve companies' reporting of financial performance and provide investors with a better basis for analysing and comparing companies. The main changes introduced by the new Standard compared with IAS 1 include: (a) the introduction of categories (operating, investing, financing, income taxes and discontinued operations) and required subtotals in the statement of profit or loss; (b) the introduction of requirements to improve aggregation and disaggregation; and (c) the introduction of disclosures on management-defined performance measures in the notes to the financial statements.

Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 – Annual Improvements to IFRS Accounting Standards – Volume 11, issued by the IASB on 18 July 2024. These amendments include clarifications, simplifications, corrections and changes in the following areas: (a) hedge accounting by a first-time adopter (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) introduction and credit risk disclosures (IFRS 7); (e) derecognition of lease liabilities by a lessee (IFRS 9); (f) transaction price (IFRS 9); (g) determination of a de facto agent (IFRS 10); and (h) the cost method (IAS 7).

c) New and amended IFRS that were issued but not yet adopted by the EU

New and amended IFRS that were issued but not yet adopted by the EU
At present, IFRS Accounting Standards as adopted by the EU do not differ significantly from IFRS Accounting Standards issued by the International Accounting Standards Board (IASB), with the exception of the following new IFRS Accounting Standards and amendments to existing IFRS Accounting Standards that had not been adopted by the EU as at 31 December 2025 :

- **IFRS 19 – Subsidiaries without Public Accountability: Disclosures,** issued by the IASB on 9 May 2024 and amended on 21 August 2025 The Standard reduces disclosure requirements for subsidiaries applying IFRS Accounting Standards in their financial statements. IFRS 19 is optional for subsidiaries that meet specified eligibility criteria and sets out the disclosure requirements for subsidiaries that elect to apply it.
- **IFRS 14 – Regulatory Deferral Accounts,** issued by the IASB on 30 January 2014. This Standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,** published by the IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The Company does not expect the adoption of the above standards to have a material impact on the Company's financial statements in future periods.

Accounting for the risk exposure of a portfolio of financial assets and liabilities, the principles of which have not been adopted by the EU, remains unregulated. The Company estimates that the accounting of exposure of the portfolio of financial assets and liabilities to risks under **IAS 39 – Financial instruments: recognition and measurement** would not have had any material impact on its accounting statements had it been applied on the balance sheet date.

The Company envisages that the introduction of these new standards and amendments to the existing ones will have no significant impact on the Company's accounting statements in this initial application period.

Hedge accounting in relation to the portfolio of financial assets and liabilities, the principles of which have not yet been adopted by the EU, continues to be unregulated.

The Company estimates that the application of hedge accounting to financial assets and liabilities in accordance with **IAS 39 – Financial Instruments: Recognition and Measurement** would not have had any material impact on its financial statements had it been applied as at balance sheet date.

3.2.3 Basis for measurement

The financial statements are prepared on the basis of the going concern assumption and taking into account the occurrence of a business event.

The financial statements of the Company are prepared on the basis of historical values of balance sheet items.

The following qualitative characteristics of financial statements have been considered:

a) fair presentation and compliance with International Financial Reporting Standards (IFRS): the financial statements present fairly the financial situation, financial performance and cash flows of the Company.

b) consistency of presentation: the presentation and classification of items in the financial statements is the same from one period to another.

c) materiality and aggregation: each material group which comprises similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

- off-setting: neither assets and liabilities nor revenue and expenses are offset, unless so required or allowed by a standard or a note.
- comparative information: comparative information from previous periods is to be reported for all amounts disclosed in the financial statements, unless a standard or note allows or requires otherwise. Comparative information is included among narrative and descriptive information, where it is relevant for the understanding of the financial statements of the relevant period.
- Changes to significant accounting policies: the same accounting bases, policies and recognition-related principles were observed while compiling the financial statements as for the year 2024.

Going concern assumption:

The financial statements have been prepared on a going concern assumption: In 2025, the Company generated loss in the amount of EUR 33,685 thousand (in 2024 it reported the loss in the amount of EUR 85,683 thousand). This result is primarily attributable to the statutory methodology for calculating the compensation and the accounting treatment of individual cost items and does not reflect the Company's operational performance or liquidity situation. These are the circumstances over which the Company has no direct control.
With the accumulated loss from previous years and the loss for the current year, after being covered from capital reserves (net loss), exceeding 50% of the share capital, the Company failed to meet capital adequacy requirements as at 31 December 2025. The Company therefore initiated a procedure for the simplified reduction of TEŠ's share capital. In order to remedy the capital inadequacy, part of the accumulated losses brought forward will be covered from capital reserves and the remaining amount by reducing the share capital.
On 2 June 2026 a proposal was submitted to the founder for them to decide on the changes to the Company's share capital with a view to ensuring an adequate and sustainable capital position for the Company in the long run.

Following the separation of the thermal division from the HSE Group, TEŠ has been directly owned by the Republic of Slovenia since 31 December 2024. The Act on Transitional Financing of the Accelerated and Just Coal Phase-Out (ZPFPPIP) entered into force on 21 December 2024. During its period of application (from 1 January 2025 to 30 April 2027), the Act provides for compensation covering the difference between the cost and selling price of electricity in order to ensure the generation of heat for the Šaleška Valley.

The Act stipulates that, for its duration, TEŠ is to provide a public utility service with the purpose and objective of ensuring the uninterrupted





supply of heat in the Municipality of Velenje and the Municipality of Šoštanj as a public good, for as long as such heat cannot be provided on the market. The generation and supply of heat to the heat distributor are in the public interest, as they serve the needs of residents and legal entities pending the availability of alternative heat generation sources. The Act does not regulate TEŠ's operations after 30 April 2027 or after the date on which alternative heat generation sources are put in place. A final decision in this regard will be taken once the timeframe for establishing alternative sources of heat supply is known.

The public utility service provided by TEŠ under the ZPFPPIP is financed from:

- the revenues from the sale of heat generated;
- the sale of by-products arising from heat generation (e.g. electricity, electrostatic precipitator ash, gypsum, process water and slag);
- the state budget (financial compensation);
- other revenues.

The ZPFPPIP lays down objective criteria for calculating the financial compensation for the provision of the public utility service and establishes 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 determining eligible cost categories in advance. The amount of financial compensation is equal to the difference between eligible costs and revenue from the sale of heat and by-products, together with other revenue generated by TEŠ on the market. Each year, the Court of Audit is responsible for overseeing whether the public service provider operates in compliance with applicable requirements and uses resources effectively, as well as reviewing the compensation received for the provision of the public service under the Act.

Following the transfer of ownership of TEŠ to the Republic of Slovenia on 31 December 2024 and the change in the business model from 2025 onwards, the terms of the TEŠ Power Plant Šoštanj/B Finance Contract, FI No. 25.541 SI, concluded with the European Investment Bank to finance Unit 6, changed. As no amendment to the existing finance contract had been concluded by 31 December 2024 to take account of the legal changes at TEŠ and provide for the new contractual covenants, this resulted in a breach of the contractual covenants. An agreement with the EIB was reached at the end of 2025, when, on 19 December 2025, a document waiving deviations from the terms of the Finance Contract arising from the entry into force of the ZPFPPIP (the so-called waiver, or Consent and Amendment Letter) was signed. The maturity of the loan remained unchanged, while a financial covenant was introduced requiring TEŠ to maintain cash balances of at least EUR 12,000,000 in the Company's bank accounts at the end of each quarter.

The ZPFPPIP governs TEŠ's operation as a public service provider only until 30 April 2027, when the 2027 heating season ends. This period will be adjusted in the future once the timeframe for establishing alternative sources of heat supply is known.

Pursuant to Article 22 of the ZPFPPIP, Komunalno podjetje Velenje d.o.o. in its capacity as heat distributor was required to publish a call for tenders to select a new heat supplier that would supply heat from its own generation facilities by 1 June 2025 at the latest. The deadline for selecting the new supplier was set at 1 January 2026. As the call for tenders has not yet been published and no supplier has been selected to date, and given that the selected supplier will first need to develop new production capacities it is reasonable, in view of the technical requirements and implementation timescales involved, to expect that alternative heat sources will not be operational before the end of 2031. This means that, in the interim period up to 2031, TEŠ will remain the only available producer and supplier of heat in the Šaleška Valley.

It is therefore reasonable to expect that, following the expiry of the ZPFPPIP, an appropriate systemic solution will be adopted to enable TEŠ to continue operating and thereby ensure an uninterrupted supply of heat until alternative heat sources are available in the Šaleška Valley, while facilitating a safe and gradual energy transition in the region.

In view of the above, the key conclusion is that, unless the ZPFPPIP is extended beyond 30 April 2027 or a comparable systemic solution is adopted to compensate TEŠ for its high operating costs, which significantly exceed revenue from the sale of heat and electricity, TEŠ will inevitably face the initiation of insolvency proceedings following the expiry of the ZPFPPIP. In such circumstances, TEŠ would operate solely under market conditions, without state compensation for the provision of public utility service of supplying heat, and would therefore have to cover all of its costs solely from revenue generated from the sale of electricity and heat and, to a limited extent, from the sale of other by-products. This would result in a significant deterioration in liquidity and an inability to settle liabilities to suppliers, employees and creditors, including liabilities to the European Investment Bank. TEŠ's liquidity projections for 2027, based on the Company's business plan, indicate that, upon expiry of the ZPFPPIP, the Company would no longer be able to meet its current obligations, which could give rise to grounds for insolvency under the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act. Management has concluded that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern.

3.2.4 Functional and reporting currency

In this report, the financial statements are presented in EUR (excluding cents), which constitutes both the functional and representational currency of the Company. Minor differences may arise in the sums of figures in tables due to the rounding of values.

3.2.5 Use of estimates and judgments

The preparation of financial statements requires the Company's Management to form certain estimates and assumptions which affect the disclosed amounts of assets and liabilities, revenue and expenses and disclosures of contingent assets and liabilities in the reporting period. The formation of estimates and of accompanying assumptions and uncertainties are disclosed in notes to individual items.

Estimates and assumptions are based on past experience and other factors that are considered justified in the given circumstances, and on the basis of which the assessments on the carrying amount of assets and liabilities are expressed. Since the estimates and assumptions are subject to subjective assessment and certain level of uncertainty, subsequent actual results can differ from assessments. The estimates are examined at least once a year to verify if there are indicators for the impairment of individual cash-generating unit. Changes in accounting estimates are recognised in the period in which the assessments were changed if the change affects only that period or in the period of change and in future periods in case the change affects future periods.

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

- **Assessment of useful life of amortisable assets**
  When assessing the useful life of assets, the Company takes into account expected physical exploitation, technical ageing, economic ageing and expected legal and other usage restrictions. In the case of major assets, the Company shall verify the useful life and determine whether there have been any changes in the circumstances that led to a change in the useful life.



- **Impairment testing of non-financial assets**
  At least once a year, the Company verifies whether there are any impairment indicators for each cash-generating unit, where the recoverable value of non-financial assets is determined on the basis of the present value of cash flows, based on an estimate of expected cash flows from cash-generating units and the determination of an appropriate discount rate. In assessing whether there is a need to carry out the impairment of the property, the Company takes into account that the individual property as a whole generates cash inflows depending on the rest of the property.

- **Assessment of net realisable value of inventories**
  The cost of inventories is not recoverable if the inventories are damaged, totally or partially obsolete or if their selling price has decreased. The cost of inventories is also not recoverable if there is an increase in the estimated cost of completion or in an estimated cost to sell. Partial write-offs of inventories under their initial value or costs up to their net realisable value complies with the point of view that assets cannot be denominated with amounts bigger than the ones expected at the time when they are sold or used.

- **Assessment of impairment of receivables and assets arising from contracts with buyers**
  At the time of drawing up the financial statements, the Company estimates the impairment allowances based on the expected credit loss model, according to which the expected losses to be incurred in the future are estimated.

- **Assessment of provisions for post-employment and other long-term employee benefits (retirement allowances)**
  The employee benefit obligations include the present value of retirement allowances. It is recognised on the basis of an actuarial calculation based on the assumptions and estimates in force at the time of the calculation, which may differ from the actual assumptions that will apply at the time due to future changes. The aforementioned changes relate primarily to the definition of the discount rate, estimates of employee turnover and mortality rates, and estimates of wage growth. Due to the completeness of actuarial calculation and their long-term character, the obligations for the post-employment benefits of employees are sensitive to changes in those estimates.

- **Recognition of provisions for lawsuits and contingent liabilities**
  Provisions are recognised when the Company has legal or constructive liabilities arising from a past event, which can be reliably assessed, and when it is likely that that an outflow of resources embodying economic benefits will be required to settle the liability. The Management of the Company shall regularly check whether an outflow of funds allowing economic benefits is likely to be fulfilled in order to settle a possible liability. If this becomes probable, the contingent liability is reclassified, such that the associated provisions are created in the financial statements at the moment the level of probability changes.

3.2.6 Events after the date of the statement of financial position

In accordance with the provisions of the ZPFPPIP, a request for determination of the final amount of the annual compensation for 2025 was submitted to the Ministry of the Environment, Climate and Energy (MOPE) on 1 March 2026.

After the 2025 greenhouse gas emissions monitoring report containing the final validated CO_2 emission quantities (Annual Emission Report AER-

107620 V1.92 Verified 2025) was received on 30 March 2026, the request was supplemented and resubmitted to MOPE in its final form on 29 April 2026.
The request is currently under review by the competent departments of the Ministry. Once the review of the accounting records and verification of the eligibility of costs have been completed, an opinion on the final amount of compensation will be issued. If the final amount of compensation differs from the amount recognised in the accounting records, the necessary adjustments will be made to the accounting records.

In order to address the Company's capital inadequacy, a proposal concerning changes to TEŠ's share capital was submitted to the founder for consideration on 2 June 2026, with a view to ensuring an adequate and sustainable capital position for TEŠ over the long term.

3.2.7 Significant accounting policies

Company's financial statements are prepared on the basis of accounting policies that are defined in the Company's internal act and have been applied for both presented years.

3.2.7.1 Foreign currency translation

Transactions expressed in foreign currencies are translated into the relevant functional currency at the exchange rate applicable on the date of transaction.
Cash and liabilities expressed in a foreign currency at the end of the reporting period are converted into functional currency at then applicable exchange rate. Positive or negative foreign exchange differences are the differences between amortised cost in the functional currency at the beginning of the period, which is adjusted for the amount of effective interest and payments during the period, as well as amortised cost in foreign currency converted at the exchange rate at the end of the period. Foreign exchange differences are recognised in the income statement, namely in net amounts.

3.2.7.2 Intangible assets

Intangible assets are long-term assets enabling performance of the Company's registered activity, whereas physically they do not exist. The Company reports licences, software and emission allowances among its intangible assets.

Upon initial recognition, an intangible asset is measured at cost. The cost also includes import and non-refundable purchase taxes after the commercial and other discounts have been deducted, and all costs directly attributable to the preparation of an asset for the intended use. Borrowing costs that are directly attributable to the acquisition of a qualifying asset, i.e., until the capitalisation of an asset, are recognised as part of the cost of such an asset.

Intangible assets are subsequently measured using the cost model.

As IFRS do not contain a specific standard explicitly governing the accounting treatment of CO_2 emission allowances, the Company has applied judgement in accordance with IAS 8, taking into account relevant professional guidance and interpretations issued by the Slovenian Institute of Auditors.

An entity that obtains emission allowances pursuant to environmental protection legislation. It recognises the same under intangible assets. Emission allowances received free of charge are recognised as deferred income. Each allowance received in this manner is measured by the Company at EUR 1; allowances purchased additionally are measured at the price paid for them. The Company recognises intangible assets and a liability to suppliers.
At the end of the financial year, the entity recognises a liability to the state for the surrender of emission allowances corresponding to the emissions generated, at a value of EUR 1 per emission allowance. At the same time, the related deferred income in respect of government grants is reduced and operating income of EUR 1 per allowance is recognised. Where the entity uses emission allowances purchased on the market, their consumption is recognised as an expense for the period. The same approach is applied where, at the end of the financial year, the entity does not hold sufficient emission allowances to settle its obligation to the state. In this case, the entity recognises an expense in an amount that best reflects the estimated fair value of the emission allowances at the end of the financial year and recognises a corresponding accrual.

Amortisation is calculated using the straight-line amortisation method, taking into account the useful life of an individual (integral) part of an intangible asset. Amortisation begins to be calculated from the cost when an asset is available for use.

The residual value of an intangible asset is an estimated amount which the Company would receive upon the disposal of such an asset after it is reduced by the estimated costs of disposal, if such asset were old enough and if its state reflected the end of its useful life. The Company has no intangible assets for which it would record the residual value upon their purchase.

Intangible assets with indefinite useful lives are not amortised, but impaired.

Amortisation methods, useful lives and other values of groups of intangible assets are examined at the end of each financial year and adjusted, if needed.

If the useful life of an asset is extended, the cost of amortisation for the financial year decreases. If, on the other hand, the useful life of an asset is shortened, the amortisation cost increases. The adjustment of useful life has to be calculated in a manner that the intangible asset will be amortised in the new, predicted useful life. The change in useful life is considered as a change in accounting estimate and only affects the period in which the accounting estimate was changed, and every subsequent period of the remaining useful life.

Useful lives – intangible assets

Estimated useful life – intangible assets	In years from-to
Computer software	2-10 years
Licenses	2-10 years

Subsequent costs in relation to intangible assets are capitalised only in cases when they increase future economic benefits arising from an asset to which the costs refer. All other costs are recognised in profit or loss as expenses as soon as they are incurred.

3.2.7.3 Property, plant and equipment

Property, plant and equipment are not among the short-term assets owned by the Company and used for the performance of its registered activities. Property, plant and equipment comprise: land, buildings, production equipment, other equipment and assets in the course of construction.

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated losses from impairments, except land and other assets that are not amortised and are presented at cost, less all impairments. The cost includes costs that can be directly attributed to the acquisition of an individual items of assets. The parts of items of plant and equipment with different useful lives are accounted for as individual assets. The anticipated costs of major regular inspections and repairs (overhauls) of plant and equipment are considered as parts. These include repairs that are usually carried out every few years (periodically) and require substantial resources.

The parts of items of plant and equipment with different useful lives are accounted for as individual assets. Spare parts of significant values are recorded under the property, plant and equipment item and are depreciated over the useful lives of an asset for which they were purchased.

The Company has no items of property, plant and equipment acquired free of charge.

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

Amortisation is calculated using the straight-line method of amortisation, taking into account the useful life of each individual (integral) part of an asset and the residual value. Amortisation begins to be calculated from the cost when an asset is available for use. Assets that are in the process of production or construction are not subject to amortisation.

The depreciation rates of property, plant and equipment are defined on the basis of the management's assessment with regard to the estimated useful lives of individual production units.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired in accordance with IAS 36.

Useful lives – property plant and equipment, production equipment and parts thereof

Estimated useful lives – property, plant and equipment	In years (from - to)
Buildings	12-40 years
Parts of buildings	12-40 years
Production equipment	
Unit 5 (life-extension investments and other)	4-12 years
Unit 5 rehabiliation	12 years
Unit 6	5-18 years
Parts of production equipment	
Major maintenance of Unit 5	4 years
Major maintenance of Unit 6	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 other values of groups of assets are examined at the end of each financial year and adjusted, if needed.

In the event their useful life is extended, the cost of amortisation in the current year is decreased. If useful life is shortened, amortisation costs increase. The adjustment of useful life has to be calculated in a manner that an asset will be depreciated in the new predicted useful life. The change in useful life is considered as a change in accounting estimate and only affects the period in which the accounting estimate was changed, and every subsequent period of the remaining useful life.

The costs of replacing a part of fixed asset are attributed to the carrying amount of this asset in case it is possible that future economic benefits related to a part of this asset will flow to the company and if costs can be reliably measured. All other costs (e.g. regular maintenance) are recognised in profit or loss as expenses as soon as they are incurred.

The residual value of an asset is the estimated amount the Company would receive upon disposal of such asset after its reduction by the estimated costs of disposal, if such asset were old enough and if its state reflected the end of its useful life. Gains and losses that occur upon disposal of property, plant and equipment are recognised as a difference between the net sales value and carrying amount of a disposed asset and are recognised among other operating income or write-offs in value.

3.2.7.4 Right to use leased assets

At initial recognition, the right to use an asset is measured at the amount of the lease liability, adjusted for any lease payments made in advance, lease incentives received and initial direct costs.

On the basis of lease agreements, the lessees shall, in their statement of financial position, disclose the leased funds among fixed assets as right-of-use assets, in connection with the lease liabilities. The value of the leased assets is transferred to costs through amortisation, and the cost of financing is charged against financial expenses. The standard provides lessees with two exceptions to recognition, namely in the case of leases of low-value assets and short-term leases.
The Company reviewed and analysed lease agreements concluded with a duration of more than one year. The Company measured the right to use leased assets and lease liabilities on the basis of the lease costs and terms of the lease agreements, and recognised them in the statement of financial position for a five-year lease term. For agreements of indefinite duration that include a termination option, Management estimates with a high degree of certainty, in accordance with Section 18 of IFRS 16, that the leases will not be terminated for at least five years; however, it cannot determine a longer lease term with reasonable certainty. Accordingly, in the case of agreements with indefinite duration, the lease period is set at five years.

The values of the right to use the leased assets and the lease liabilities are estimated on the basis of discounting future cash flows for the duration of the lease. As regards leases, the Company used an interest rate calculated as the average of interest published in the Bulletin of Banka Slovenije, for maturity over 1 to 5 years separately for amounts up to 1 million and for amounts above 1 million.

In line with Section 5 of IFRS 16, TEŠ applied an exemption regarding the recognition of the right-to-use-assets for low-value leases.

3.2.7.5 Financial assets

Financial assets include cash and cash equivalents, receivables and loans, as well as financial investments.

Among financial investments, the Company includes investments in associates, jointly-controlled companies and other financial instruments. Investments in associates and jointly-controlled entities are accounted for in accordance with IAS 28, while other financial instruments are accounted for in accordance with IFRS 9.

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

A financial asset is derecognised when contractual rights to cash flows from this asset are discontinued or when the rights to contractual cash flows from the financial asset are transferred on the basis of a transaction in which all risks and benefits from the ownership of financial asset are transferred.

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

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

Equity instruments over which the Company does not have significant influence are measured at fair value.

The classification depends on the business model selected for asset management and on whether the Company acquires contractual cash flows from financial instruments exclusively from the payment of principal amounts and interest on the outstanding principal amount. Apart from operating receivables that do not contain significant components of financing, the Company measures the financial asset during its initial recognition at fair value, increased by the transaction costs. Operating receivables that do not contain significant components of financing are measured at the transaction price which is determined in accordance with the provisions of IFRS 15 standard.

Cash and cash equivalents

Cash and cash equivalents comprise cash in the cash register, bank deposits of up to three months and other short-term quickly realisable investments with original maturity of three months or less.

For the conversion of cash from foreign currency, the Company uses the reference rate of the European Central Bank (ECB) published by the Banka Slovenije, summarised by the exchange rate of the ECB, except for those currencies for which the ECB does not publish reference rates on a daily basis and are subject to a monthly exchange rate.

Financial assets measured at amortised cost

Financial assets at amortized cost include financial assets held by the company within the business model for obtaining contractual cash flows, provided cash flows constitute exclusively payments of principal amounts and interest on outstanding principal amounts. Financial assets at amortized cost also include loans and receivables. Given their maturity, they are classified as short-term financial assets (maturity of up to 12 months after the date of the statement of financial position) or long-term

financial assets (maturity over 12 months after the date of the statement of financial position).

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include:

- financial assets held for trading,
- financial assets at fair value through profit or loss,
- financial assets that must be measured at fair value.

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

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

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

3.2.7.6 Contract assets and contract liabilities

Contract assets represent an entity's right to payment for goods or services already transferred, where that right is conditional on the satisfaction of conditions other than the passage of time.

With the introduction of IFRS 15, deferred income from contracts with customers is no longer part of other liabilities but is recognised under contract liabilities.

Unaccounted revenues include revenues that have been taken into account in the income statement even though they have not yet been charged for. In compliance with IFRS 15, these assets are disclosed as contract assets in the income statement and include the right to compensation in return for goods or services, which have been transferred to the buyer. Under IFRS 15, deferred income is presented under contract liabilities and is recognised as income when an entity's performance obligation is satisfied under a contract.

3.2.7.7 Inventories

Inventories are valued at the lower of the cost or net marketable value. The cost includes the purchase price, import duties, and direct costs of purchase. The purchase price is reduced by discounts received. Direct costs of purchase are costs of transport services, costs of loading, cargo handling and unloading, costs of monitoring goods, and other costs that can be attributed to directly obtained merchandise and materials. Purchase price discounts comprise discounts indicated in the invoice as well as discounts that are received later and refer to an individual purchase.

The Company uses the moving average price method to evaluate the inventories, spare parts and small tools as well as to record costs and expenses.

The Company only uses the first-in-first-out method for assessing the value of gas and biomass. Energy product which has been bough first, also has to be used up first.

Net realisable value is estimated on the basis of the selling price in the ordinary course of business less the estimated costs of completion and the estimated costs of sales. Write-offs of damaged, expired and useless inventories are regularly performed during the year per individual items.

At least once a year, at the reporting date, the evidence on the impairment of inventories is assessed. The impairment of inventories is assessed for each individual type of inventory. Individual types of inventories are classified into groups of inventories with similar characteristics, on the basis of the time component of changes in inventories. In the assessment of impairment for an individual group, the criteria of professional assessment, further use, or sale are applied.

3.2.7.8 Impairment of assets

3.2.7.8.1 Financial assets

Pursuant to IFRS 9, the Company started to apply the expected loss model, according to which not only incurred losses are recognised but also losses that are expected to occur in the future.

A financial asset is considered impaired if there is objective evidence from which it is evident that, due to one or more events, the expected future cash flows arising from such an asset, which can be reliably measured, have been decreased.

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

3.2.7.8.2 Impairment of receivables and loans granted

The Company shall assess the evidence of impairment either on an individual or collective basis. All significant receivables shall be measured on an individual basis for a potential impairment. If it is assessed that the carrying amount of receivable has exceeded its fair value, i.e. its realisable value, the receivable is impaired. Receivables which are assumed not to be settled by the original date of payment or up to their full amount are deemed doubtful; however, if court proceedings have been initiated or if a decision on the initiation of a compulsory composition, liquidation or bankruptcy has been published, they are deemed disputable.

The Company considers a financial asset to be in default when contractual payments have been 180 days past due. In certain cases, the Company may also assess there is a higher credit risk if, based on the available information, it is likely they will not receive the outstanding contractual amounts in full. The Company recognizes a write-off of an asset when it reasonably expects not to be able to recover the contractual cash flows.

Material loans are individually assessed for credit risk and expected credit losses, taking into account the borrower's financial position and any securities available.

The impairment assessment is based on the expected credit losses associated with the probability of defaults on loans and receivables in the next 12 months, unless the credit risk significantly increased since the initial recognition. In these cases, the impairment assessment is based

on the probability of default over the entire duration of the financial asset (LECL). Expected credit losses represent the difference between contractual cash flows that are due under the contract and all cash flows which the company expects to receive. Expected cash flows will include the cash flows from the sale of security.

Impairments for expected credit losses are assessed in two stages. As for credit exposures where no significant increase in credit risk was established after initial recognition, impairments for expected credit losses are recognised for credit losses arising from defaults that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Company is required to recognise a loss allowance for credit losses expected over the remaining useful life of the exposure, irrespective of the timing of the default.

3.2.7.8.3 Non-financial assets

At each reporting date, the Company reviews the carrying amounts of significant non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In determining the asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash flows from continuing use and are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

The impairment of an asset or a cash-generating unit is recognised if its carrying amount exceeds its recoverable amount. Impairment is recognised in profit or loss.

The Company assesses impairment losses recognised in prior periods at the end of each reporting period to identify whether loss has decreased or no longer exists. An impairment loss is derecognised if there has been a change in the assessments used to determine the recoverable amount. An impairment loss is derecognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss would have been recognised in previous years.

3.2.7.9 Equity

Equity represents the residual amount of the Company's assets after deducting all of its liabilities. It comprises amounts contributed to the Company by its owner and amounts generated through the Company's operations that are attributable to the owner.

The equity is determined by both the amounts invested by owners and the amounts generated in the course of operation that belong to the owners. It is reduced by losses incurred and distributions to owners and increased by profit generated during the period.

Share capital and the capital reserves comprise cash and non-cash contributions by the owner.

Capital reserves consist of general “revaluation” adjustments to equity. The amount may only be used to increase share capital or cover losses.

Capital reserves also include funds received from the Company’s owner, the Republic of Slovenia.

In their essence, the funds received do not constitute payment for services rendered or compensation for the provision of the public service, but rather an owner contribution intended for the repayment of the principal of the EIB loan. Capital reserves are not available for distribution to the owner and may be used subject to the restrictions laid down in the Companies Act (ZGD-1), the Company’s Articles of Association and other relevant regulations, in particular to cover losses or increase share capital, provided the prescribed conditions are met.

Statutory and other reserves arising from profit are amounts that are intentionally retained from the previous years' profit. They are created on the basis of a decision adopted by a relevant management body and a supervisory body.

Other components of equity include actuarial gains and losses arising from severance benefits, which are recognised directly in other comprehensive income.

Retained earnings comprise the results of previous years and the current year.

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

Pursuant to the law, the collective agreement and the internal rules, the Company is obligated to pay its employees long-service awards and retirement allowances, for which it has established long-term provisions. Other obligations related to employee post-employment benefits do not exist. The provisions amount to estimated future payments for retirement allowances and long-service awards discounted to the end of the reporting period. The calculation is made separately for each employee by taking into account the costs of retirement allowances and the costs of all expected long-service awards until retirement. The calculation is made by a certified actuary using the projected unit credit method. Retirement allowances and long-service awards are charged against the provisions created.

Labour costs and costs of interest are recognised in the statement of profit or loss, whereas the adjustment of post-employment benefits or unrealised actuarial gains or losses arising from post-employment benefits are recognised in other comprehensive income.

3.2.7.11 Employee benefits

Liabilities arising from the short-term employee benefits are measured on an undiscounted basis and are recognised among expenses when the work relating to a certain short-term benefit is completed. Liabilities are recognised for the amount expected to be paid under short-term benefits if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the liability can be estimated reliably.

3.2.7.12 Other provisions

Provisions are recognised when the Company has legal or constructive liabilities arising from a past event, which can be reliably assessed, and when it is likely that that an outflow of resources embodying economic benefits will be required to settle the liability. The amount of the provision shall match the present value of expenses expected to be required to settle the liability. Since provisions are intended to cover probable and not certain liabilities, the amount recognised as a provision is merely the best estimate of the expenses needed for the settlement of liabilities existing on the date of the statement of financial position. In achieving the best estimate of a provision, the risks and uncertainties that inevitably surround the events and circumstances are taken into account.

Other provisions mainly include the assessed decommissioning costs in respect of the disposal of Unit 6 after the expiry of its operational life. Provisions are reduced directly for costs and expenses for which they were created. This means that in the financial year, such costs or expenses no longer appear in the income statement.

If the expected liabilities do not occur, the reversal of created provisions is carried out and disclosed under other operating revenue.

3.2.7.13 Non-current deferred income

Non-current deferred income includes the portion of compensation received from the state that is intended for financing investments and in its essence does not constitute payment for services rendered but rather a source of investment financing.
The investment-related portion of the compensation received is recognised under accrued costs and deferred income and is released to income over time in line with the depreciation charged on the related assets.

3.2.7.14 Financial liabilities

Financial liabilities are initially measured at fair value. After initial recognition, financial liabilities, other than those measured at fair value through profit or loss, are measured at amortised cost using the effective interest method.
Financial liabilities measured at amortised cost include loans received, operating liabilities and other financial liabilities. Lease liabilities are measured in accordance with IFRS 16.
A financial liability is derecognised from the statement of financial position when the obligation is discharged, cancelled or expires.

3.2.7.15 Other assets and liabilities

Other assets include advances given, receivables due from state and other institutions, and short-term prepayments and accrued income, constituting deferred costs and unaccounted revenues not related to sales contracts.
Deferred costs constitute the amounts incurred but not yet charged against the Company's profit or loss.

Other liabilities include advances received, liabilities to employees and governmental and other institutions, long-term and short-term accruals and deferred income consisting of accrued costs and certain revenues not related to liabilities arising from contracts with customers. Accrued costs are amounts that have not occurred yet but will and have already had an impact on the Company's profit or loss. With the introduction of IFRS 15, deferred income from contracts with customers is no longer part of other liabilities but is recognised under contract liabilities.

3.2.7.16 Liabilities from contracts with customers

A liability arising from a contract includes a liability to transfer goods or services to the buyer in return for compensation which the Company received from the buyer. Deferred revenues are recognized as revenues when the Company fulfils their obligation under the contract.

3.2.7.17 Contingent liabilities and contingent assets

Contingent liability is:

- a potential liability which arises from past events and whose existence is confirmed solely by the occurrence or non-occurrence of one or more uncertain future events that the Company does not fully control; or
- a present liability which arises from past events but is not recognised, because it is unlikely that the outflow of resources embodying economic benefits will be required to settle the liability, or because the amount of liability cannot be reliably measured

A potential asset is an assets which arises from past events and whose existence is confirmed solely by the occurrence or non-occurrence of one or more uncertain future events that the Company does not fully control. The Company has not yet recognised contingent liabilities and assets in its statement of financial position.

3.2.7.18 Revenue from contracts with customers

Revenues from the sale of heat are recognised in accordance with the statutory defined price for the duration of providing public utility service under the ZPFPPIP. By operation of law, the price of heat is adjusted with the consumer price index on an annual basis.

Revenues from the sale of electricity are generated through independent trading of electricity at prices applicable at the power exchange (forward sales, day-ahead sales).

In line with IFRS 15, the Company applies a five-step model in recognising revenues. The model provides that the revenues are recognised when the control over goods or services is transferred to the customer, in an amount to which the Company expects to be entitled. Given the criteria met, the revenues are recognised:

- at a point in time; or
- over a period of time.

Revenues from contracts with customers are recognized on the basis of contracts concluded with customers and when control over goods or services is transferred to the buyer in an amount that reflects the consideration, which the company believes to be entitled to receive in return for these goods or services. Each promised service or supply of goods is considered an independent performance obligation if it differs from all other promised services and supplies. This is the case, when the buyer benefits from the service or supply of goods provided. The performance obligation is a promise to the buyer to provide them a service or goods.

Revenues are recognised the very moment the Company carries out the performance obligation i.e. when the control over the service or goods is transferred to the buyer.

A service or goods provided are considered an independent performance obligation if the customer can benefit from it on its own and the promise to transfer the good or service is separately identifiable from other promises in the contract.

Control means that the customer may direct the use of and obtain all material benefits from the asset, and prevent others from directing the use of and obtaining the benefits from the asset.
Discounts granted at the time of signing the agreement are allocated to all performance obligations for the term of the contract. All subsequently granted discounts are recognised in the period for which they have been granted, and are charged against the revenues.

Sale of products and goods – the performance obligation occurs upon the supply. Goods are invoiced on a monthly basis. Sales of electricity account for the largest share within the sales of goods, which is followed by the sales of heat and other waste material.

Sale of services – the performance obligation arises when rendering the services, while invoicing is performed on a monthly basis. The largest share within the sales of services relates to services provided in connection with allowances for using entry capacities, rentals and other.

3.2.7.19 Other operating and financial revenues

Other operating revenues, relating to products and services include revenues from reversal of provisions, revenues from using deferred revenues, gains arising from sales of fixed assets, reversal of impairment of receivables, compensations received and contractual penalties and similar revenues (e.g. state compensation). State compensation for eligible costs not covered by revenue generated from the provision of the public utility service is recognised as other operating income in the period in which such costs are incurred, provided that there is reasonable assurance that the Company will comply with the conditions attached to the compensation and that the compensation will be received.

Financial revenues comprise revenues from interests in investments, income from interest on loans and deposits and foreign exchange gains from financing.

3.2.7.20 Other operating and financial expenses

Expenses are recognised if a decrease in economic benefits in the accounting period gives rise to a decrease in assets or increase in debt, and this decrease can be reliably measured. Operating expenses are recognised once costs are no longer held in inventories of products and work in progress, or once merchandise has been sold. Costs that cannot be held in inventories of products and work in progress are recognised as operating expenses when incurred.

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

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

Write-offs include amortisation costs related to consistently transferring the of value of amortisable property, plant and equipment and amortisable intangible assets to profit or loss. They also comprise impairments, write-offs and losses from the sale of intangible assets and property, plant and equipment, as well as impairments or write-offs of receivables and inventories.

Labour costs are historical costs that refer to salaries and other payments to employees in gross amounts, as well as duties that are calculated from this basis and are not an integral part of gross amounts. These costs can be directly charged against the creation of products and services (costs of direct work), or they have the nature of indirect costs and are included in relevant dedicated (functional) groups of indirect costs.

Other operating expenses occur in relation to the creation of provisions, environmental taxes, grants, and other duties.

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

3.2.7.21 Taxation

Taxes include current and deferred tax liabilities. Current tax is disclosed in the income statement. The deferred tax is disclosed in the income statement and the statement of financial position. Current tax liabilities are based on the basis for assessment for the period. The basis for assessment differs from the profit or loss reported in the income statement, since it excludes items of income or expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible. The company's current tax liabilities are calculated using the tax rate that is applicable on the reporting date. Tax liabilities are reduced for the amount of advance payments of corporate income tax already paid during the year.

Deferred tax is recognised in full using the balance sheet liability method for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that were applicable at the balance sheet date and are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. It represents the amount of the calculated corporate income tax on deductible temporary differences.

3.2.8 Statement of other comprehensive income

The statement of other comprehensive income comprises revenues and expenses that are not recognised in the income statement but have an impact on the amount of Company's equity for the period. It comprises all changes in equity in the current period resulting from transactions and events, other than those resulting from transactions with the owner.

3.2.9 Statement of cash flows

The cash flows statement comprises changes in the balance of cash and cash equivalents for the period for which it was compiled. It is prepared by using the indirect method on the basis of data from the statement of financial position and the income statement, in accordance with the International Financial Reporting Standards (IFRS).

3.2.10 Determining fair value

As regards the disclosing of fair values of non-financial and financial assets and liabilities, the determination of fair value is required either for measuring individual assets or due to additional fair value disclosures.

Fair value is the amount by which an asset and a liability can be sold or exchanged, respectively, between knowledgeable and willing parties in an arm's length transaction.

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

- **the first level** comprises quoted prices in active markets for equal assets or liabilities,
- **the second level** comprises values that are not equal to the quoted prices in the sense of the first level but which can nevertheless be obtained either 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 discernible market data.

Quoted prices are used as a basis for determining the fair value of financial instruments. In case a financial instrument is not quoted on the regulated market or the market is assessed as inactive, the second and third level input data is used to assess the fair value of the financial instrument.

3.2.11 Financial risk management

The Company is exposed to the following types of financial risks: credit risk, liquidity risk and interest rate risk. These are described more in detail in this Report's section dealing with risks.



Statement of financial position

3.3

in EUR

	Note	31.12.2025	31.12.2024
ASSETS		**623,968,714**	**708,884,242**
A. NON-CURRENT ASSETS		**392,014,645**	**297,714,748**
I. Intangible assets	1	105,360,344	276,435
II. Property, plant and equipment	2	266,857,797	271,463,354
III. Right-of-use-assets	3	42,610	622,075
VI. Other investments and lons	4	12,112,860	15,112,860
VII. Operating receivables	5	5,050,000	8,030,000
VIII. Other assets	6	2,591,033	2,210,024
B. CURRENT ASSETS		**231,954,069**	**411,169,494**
II. Inventories	7	63,931,217	42,494,540
III. Financial investments and loans	8	3,054,464	3,068,241
IV. Operating receivables	9	31,698,137	71,531,305
V. Contract assets	10	837,587	250,740,517
VII. Other assets	11	36,808,400	6,973,888
VIII. Cash and cash equivalents	12	95,624,263	36,361,002
EQUITY AND LIABILITIES		**623,968,714**	**708,884,242**
A. EQUITY	**13**	**95,146,384**	**108,285,902**
I. Called-up capital		195,579,850	195,579,850
II. Capital reserves		66,655,517	46,190,401
V. Fair value reserves		-1,115,957	-1,196,495
VI. Retained profit/loss		-165,973,027	-132,287,854
B. NON-CURRENT LIABILITIES		**274,814,677**	**18,998,805**
I. Provisions for severance pays and anniversary bonuses	14	3,610,437	3,810,271
II. Other provisions	15	14,599,258	15,077,573
III. Other liabilities	16	21,236,347	65,869
IV. Financial liabilities	17	235,348,837	0
V. Financial liabilities from leases	18	19,798	45,090
C. SHORT-TERM LIABILITIES		**254,007,653**	**581,599,536**
II. Financial liabilities	19	20,465,116	276,279,070
III. Financial liabilities from leases	20	25,293	586,413
IV. Operating liabilities	21	48,773,480	37,390,248
VII. Other liabilities	22	184,743,764	267,343,805

** Notes to financial statements are a constituent part of the financial statements and must be read in connection with them.*

Income statement

3.4

in EUR

	Note	2025	2024
1. Net sales revenue	1	255,300,559	562,164,207
2. Other operating income	2	104,152,091	512,705
3. Capitalised own products and services	3	1,618,235	0
OPERATING INCOME		**361,070,885**	**562,676,912**
3. Costs of goods, materials and services	4	188,556,721	223,642,377
4. Labour costs	5	17,004,085	16,737,868
5. Write-downs in value	6	36,049,106	131,636,016
a) Depreciation and amortisation		35,615,004	44,915,944
b) Impairments/write-offs/sales of intangible assets , property, plant and equipment		432,565	86,718,457
c) Impairments/write-offs of receivables		0	0
d) Impairments/write-offs of inventories		1,536	1,615
6. Other operating expenses	7	142,197,718	266,152,905
OPERATING PROFIT OR LOSS		**-22,736,744**	**-75,492,252**
7. Financial revenue	**8**	**1,043,209**	**2,969,849**
8. Financial expenses	**9**	**11,991,638**	**13,161,047**
FINANCIAL RESULT		**-10,948,429**	**-10,191,198**
PROFIT OR LOSS BEFORE TAX		**-33,685,173**	**-85,683,451**
TAXES		**0**	**0**
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	**10**	**-33,685,173**	**-85,683,451**

** Notes to financial statements are a constituent part of the financial statements and must be read in connection with them.*

3.5 Statement of other comprehensive income

in EUR

	Note	2025	2024
Net profit or loss of the period	11	**-33,685,173**	**-85,683,451**
Actuarial gains and losses on defined benefit plans		**80,539**	**-44,984**
Items that will not be reclassified subsequently to profit or loss		80,539	-44,984
Total comprehensive income for the reporting period		**-33,604,634**	**-85,728,435**

** Notes to financial statements are a constituent part of the financial statements and must be read in connection with them.*

Statement of changes in equity

3.6

in EUR

	CALLED-UP CAPITAL			RETAINED PROFIT OR LOSS		
	Share capital	Capital reserves	Fair value reserves	Retained profit or loss	Net profit or loss for the period	Total
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 or loss for 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 on employee defined benefit plans	0	0	*-44,983*	*0*	0	*-44,983*
Net effective portion of changes in the fair value of cash flow hedging instruments reclassified to profit or loss	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 portion of net profit of the comparable reporting period to other equity components	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**
Balance as at 1.1.2025	**195,579,850**	**46,190,401**	**-1,196,495**	**-46,604,403**	**-85,683,451**	**108,285,902**
B.2. Changes in total comprehensive income	**0**	**0**	**80,539**	**0**	**-33,685,173**	**-33,604,634**
Net profit/loss for the reporting period	**0**	**0**	**0**	**0**	**-33,685,173**	**-33,685,173**
Items that will not be reclassified to profit or loss at a later date	**0**	**0**	**80,539**	**0**	**0**	**80,539**
Actuarial gains and losses on defined benefit plans	0	0	80,539	0	0	80,539
Net effective portion of changes in the fair value of cash flow hedging instruments	0	0	0	0	0	0
B.3. Changes in equity	**0**	**20,465,116**	**0**	**-85,683,451**	**85,683,451**	**20,465,116**
Allocation of the remaining portion of net profit of the comparable reporting period to other equity components	*0*	*0*	*0*	*-85,683,451*	*85,683,451*	*0*
Other changes in equity	*0*	*20,465,116*	*0*	*0*	*0*	*20,465,116*
Balance as at 31.12.2025	**195,579,850**	**66,655,517**	**-1,115,957**	**-132,287,854**	**-33,685,173**	**95,146,384**



Cash flow statement

3.7

in EUR

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss for the period	-33,685,173.01	-85,683,451
Adjustments for:		
Amortisation of intangible assets	40,905	37,976
Amortisation of property, plant and equipment	34,998,821	44,299,503
Amortisation of right to use assets	575,278	578,465
Write-offs of intangible assets, property, plant and equipment	10,001	86,566,532
Revenue from the reversal of provisions and accrued expenses	-30,159	0
Revenue from receivables	0	-4,135
Property, plant and equipment write-offs	422,565	64,457
Inventories write-offs	1,536	1,615
Losses from the sale of real estate, machinery and equipment	0	87,469
Financial revenue	-1,043,209	-2,969,849
Financial expenses	11,991,638	13,161,047
Profit from sale of real property, plant and equipment	-137,740	-239,879
Operating profit before changes in net current assets and taxes	***13,144,463***	***55,899,749***
Changes in net current assets and provisions		
Change in:		
Inventories	-21,436,677	-16,899,477
Trade receivables and other assets	263,414,508	-16,033,703
Operating liabilities to suppliers and other liabilities	-72,063,895	37,903,281
Other liabilities	21,186,821	0
Provisions	-647,991	171,619
Profit tax paid	0	55,179
Cash from operations	***203,597,229***	***61,096,649***





	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	1,050,148	1,018,973
Remuneration from other financing	6,838	1,982,005
Income from sale of real property, plant and equipment	177,356	457,086
Income from sale of intangible assets	0	13,918
Income from sale of other short-term investments	3,000,000	2,000,000
Expenses for purchase of real property, plant and equipment	-30,865,446	-14,142,290
Expenses for purchase of intangible assets	-105,124,814	-73,650
Expenses for leases IFRS 16	0	-90,470
Cash from investment	***-131,755,918***	***-8,834,428***
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in equity	20,465,116	0
Income from leases	0	68,902
Expenses for interest on loans and for other financial liabilities	-11,991,638	-13,379,033
Expenses for repayment of long-term loans	-20,465,117	-20,465,117
Expenses for leases IFRS 16	-586,412	-603,046
Cash from financing	**-12,578,051**	**-34,378,294**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	***36,361,002***	***18,477,076***
Financial result for the period	59,263,260	17,883,927
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	***95,624,262***	***36,361,002***

3.8

3.8.1 Notes to the statement of financial position

Note 1

Intangible assets **105,360,344 EUR**

in EUR

	31.12.2025	31.12.2024
Emission allowances	105,259,379	134,565
Other long-term property rights	100,965	141,870
Total	**105,360,344**	**276,435**

Changes in intangible assets *in EUR*

	Emission allowances	Other long-term property rights	Intangible assets in acquisition	Total
Cost as at 1.1.2025	**134,565**	**2,035,679**	**0**	**2,170,244**
Acquisitions	105,124,814	0	0	105,124,814
Disposals - write-offs, sales	0	0	0	0
Transfer from investments	0	0	0	0
Cost as at 31.12.2025	**105,259,379**	**2,035,679**	**0**	**107,295,058**
Accumulated amortisation as at 1.1.2025	**0**	**1,893,809**	**0**	**1,893,809**
Amortisation	0	40,905	0	40,905
Accumulated amortisation as at 31.12.2025	**0**	**1,934,714**	**0**	**1,934,714**
Carrying amount as at 1.1.2025	**134,565**	**141,870**	**0**	**276,435**
Carrying amount as at 31.12.2025	**105,259,379**	**100,965**	**0**	**105,360,345**

	Emission allowances	Other long-term property rights	Intangible assets in acquisition	Total
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
Cost as at 31.12.2024	**134,565**	**2,035,679**	**0**	**2,170,244**
Accumulated amortisation as at 1.1.2024	**0**	**1,855,833**	**0**	**1,855,833**
Amortisation	0	37,976	0	37,976
Accumulated amortisation as at 31.12.2024	**0**	**1,893,809**	**0**	**1,893,809**
Carrying amount as at 1.1.2024	**106,746**	**147,934**	**0**	**254,680**
Carrying amount as at 31.12.2024	**134,565**	**141,870**	**0**	**276,435**

Changes in the Company's intangible assets primarily relate to the CO_2 emission allowances. Pursuant to the Environmental Protection Act, the Decree on the List of Operators of Installations Emitting Greenhouse Gases and the Decision on CO_2 Emission Allowances, the state granted the Company 69,590 free CO_2 emission allowances for the 2021–2025 period. As at 31 December 2025, the Company had free CO_2 emission allowances in an amount of EUR 13,164 recognised among intangible assets.

By generating electricity and heat in 2025, TEŠ emitted 1,803,344 tonnes of CO_2 into the environment. To meet its obligation for 2025, the Company will use 13,164 allowances allocated free of charge, with the remaining 1,790,180 CO_2 emission allowances having been purchased by TEŠ itself.

Intangible assets include licences and software which amortise at rates from 10.00 % to 50.00 %, depending on their useful life.

The Company does not lease any intangible assets, nor does it have any intangible assets recognised in its accounting records that are pledged as security for liabilities, or any contractual commitments for the acquisition of intangible assets.

Note 2

Property, plant and equipment **266,857,797 EUR**

in EUR

	31.12.2025	31.12.2024
Land	2,494,208	2,531,663
Buildings	20,206,176	21,987,556
Production equipment	229,717,061	235,077,038
Other equipment	4,043,354	4,702,449
Property, plant and equipment in acquisition	10,396,998	7,164,647
Total	**266,857,797**	**271,463,354**



Changes in property, plant and equipment

in EUR

	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment in acquisition	Total
Cost as at 1.1.2025	**3,739,876**	**285,509,822**	**2,338,315,596**	**19,998,809**	**7,164,647**	**2,654,728,751**
Acquisition	0	0	0	0	31,464,533	31,464,533
Disposals	-59,864	-394,351	0	-1,481	0	-455,696
Transfer from investments	0	288,832	26,931,500	412,763	-27,633,095	0
Change in the discount rate of decomissioning assets	0	0	0	0	-599,087	-599,087
Write-offs	0	0	-16,580,480	-6,927	0	-16,587,407
Cost as at 31.12.2025	**3,680,013**	**285,404,303**	**2,348,666,616**	**20,403,163**	**10,396,999**	**2,668,551,095**
Accumulated depreciation as at 1.1.2025	**1,208,213**	**263,522,266**	**2,103,238,559**	**15,296,360**	**0**	**2,383,265,397**
Disposals	-22,408	-382,189	0	-1,481	0	-406,079
Depreciation	0	2,058,051	31,870,784	1,069,986	0	34,998,821
Impairment	0	0	0	0	0	0
Write-offs	0	0	-16,159,787	-5,055	0	-16,164,842
Accumulated depreciation as at 31.12.2025	**1,185,805**	**265,198,127**	**2,118,949,556**	**16,359,810**	**0**	**2,401,693,297**
Carrying amount as at 1.1.2025	**2,531,664**	**21,987,556**	**235,077,038**	**4,702,449**	**7,164,647**	**271,463,354**
Carrying amount as at 31.12.2025	**2,494,207**	**20,206,176**	**229,717,060**	**4,043,354**	**10,396,999**	**266,857,798**

	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment in acquisition	Total
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 tdiscount rate of decomissioning assets	0	0	287,688	0	0	287,688
Write-offs	-57,224	0	-365,471	-98,751	0	-521,446
Cost as at 31.12.2024	**3,739,876**	**285,509,822**	**2,338,315,596**	**19,998,809**	**7,164,646**	**2,654,728,750**
Accumulated depreciation 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
Depreciation	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
Accumulated depreciation as at 31.12.2024	**1,208,213**	**263,522,266**	**2,103,238,559**	**15,296,360**	**0**	**2,383,265,397**
Carrying amount as at 1.1.2024	**2,671,300**	**33,776,709**	**339,423,057**	**4,471,315**	**8,213,849**	**388,556,230**
Carrying amount as at 31.12.2024	**2,531,664**	**21,987,556**	**235,077,038**	**4,702,449**	**7,164,646**	**271,463,353**

At the end of 2025, the Company had contractual commitments of EUR 10,576,344 for the acquisition of property, plant and equipment in the years to come.

In 2024, a valuation of TEŠ's property, plant and equipment (PPE) was performed for financial reporting purposes. Based on the findings of the valuation, an impairment of the assets in the amount of EUR 86.6 million was recognised, bringing the carrying amount of the assets as at 31 December 2024 into line with their recoverable amount.
The 2024 valuation of PPE was based on projections of TEŠ's future operations, which assumed that, after 30 April 2027, the Republic of Slovenia would continue to provide compensation for the provision of the public utility service in accordance with the provisions of the Act on Transitional Financing of the Accelerated and Just Coal Phase-Out (ZPFPPIP), or that an appropriate systemic solution would be adopted to ensure the continued financing of the Company's operations. The projections assumed that TEŠ would continue operating until 2031, when the agreement with the Municipality of Velenje for the supply of heat to the Municipality of Velenje and the Municipality of Šoštanj expires, or until alternative sources of heat supply are established.

This assumption remains unchanged. Based on the information currently available, we estimate that alternative heat generation sources will not be available before 2031. We therefore expect the existing financing arrangements to be extended or an appropriate legislative solution to be adopted that will enable TEŠ's generating units to continue supplying heat, given that TEŠ is the sole heat producer in the Šaleška Valley.

The updated business projections, prepared on the basis of forecast assumptions of key input parameters such as electricity prices, emission allowance prices, coal prices and natural gas prices, do not differ materially from the projections used in the 2024 valuation.

In the framework of assessing the adequacy of the previous valuation, we also reviewed the discount rate, i.e. the weighted average cost of capital (WACC), which is one of the key inputs used in the valuation of assets and businesses. The WACC calculated for 2025 is 6.64% and is based on the same methodology and assumptions as those used in the 2024 calculation. The increase compared to the previous year is primarily attributable to changes in the macroeconomic environment, particularly changes in interest rates and other market factors, rather than to any changes in the Company's operations or its risk profile.

Taking into account the provisions of the ZPFPPIP governing the financing of TEŠ in its capacity as a public utility service provider, and the fact that the Company's debt consists of the existing EIB loan bearing a known interest rate, the assessment also took into account the Company's actual cost of borrowing, reflecting the current interest rate applicable to the loan. On this basis, the WACC calculated for 2025 is 6.18%, which is comparable to the 6.20% used in the 2024 valuation. However, the actual WACC was 4.12% in 2024 and 4.10% in 2025 (considering the forecasted long-term inflation rate of 2%). These calculations confirm that there has been no material change in the Company's cost of capital.

Based on the above, we consider the key assumptions used in the 2024 valuation of PPE to also remain valid in 2025. As the updated business projections show no material deviations and the changes in the discount rate are not significant, the results of the 2024 valuation remain adequate and relevant for the preparation of the Company's 2025 financial statements. Accordingly, no indicators were identified that would suggest the need to recognise any further impairment or revaluation of the assets.

Land **2,494,207 EUR**

The value of land decreased compared to the previous year as a result of land sales amounting to EUR 37,456. Accordingly, the value of the land decreased compared to the previous year and stood at EUR 2,494,207 on 31 December 2025.

Buildings **20,206,176 EUR**

The value of buildings decreased compared to the previous year due to accounted depreciation and the sale of real estate to HSE SAŠA.

Investments totalling EUR 288,832 were capitalized or additionally capitalized, namely: the refurbishment of changing rooms, bathrooms and sanitary facilities, and the renewal of roofs and drains – including the construction of a sewage connection.

Production plant, machinery and equipment **233,760,415 EUR**

Compared to the previous year, the value of production plant, machinery and equipment decreased by the accounted depreciation. The write-offs of production equipment relate to the write-off of past major maintenance of Unit 6. The write-offs of other equipment refer to the write-off of industrial vacuum cleaners, a pump and a high-pressure unit, while disposals refer to the sale of a planning machine.

The value of production plant, machinery and equipment increased primarily as a result of the capitalisation of investments in production reliability totalling EUR 26,931,500, as well as the capitalisation of other investments and minor investments totalling EUR 412,763. The high level of capitalisation relating to investments in production reliability was primarily attributable to the capitalisation of major maintenance associated with the Unit 6 overhaul.

The reduction in investments in Unit 6 also includes the effects of recalculated costs of decommissioning due to the change in the discount rate in the amount of EUR 599,087. On the basis of a technical detailed report and commitments under the Energy Permit, the Company has assessed the costs of decommissioning in the amount of EUR 16,200,000. Provisions for the costs of decommissioning of Unit 6, taking into account the discount rate of the 15-year government bond as of 31 December 2025 amount to EUR 15,198,345.

The Company does not have any item of property, plant and equipment under mortgage or lease.

Property, plant and equipment in acquisition **10,396,998 EUR**

In 2025, investments totalling EUR 28,232,181 were capitalised. The total value of investments in progress amounted to EUR 10,396,998 and related mainly to work undertaken as part of investments in production reliability (C inspection of GT51–52 gas turbines and reverse osmosis for DEMI water preparation) as well as other work carried out as part of other investments.

Changes in 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 in acquisition	Total
Cost as at 1.1.2025	**478,948**	**132,860**	**5,071,000**	**1,481,839**	**7,164,647**
Acquisitions	18,842,905	0	12,166,986	454,642	31,464,533
Transfer from investments in progress	-10,449,803	0	-17,237,986	-544,393	-28,232,181
Cost as at 31.12.2025	**8,872,050**	**132,860**	**0**	**1,392,088**	**10,396,998**
Cost as at 1.1.2024	**3,949,077**	**210,472**	**2,740,264**	**1,314,036**	**8,213,849**
Acquisitions	9,773,783	45,680	2,330,737	1,704,403	13,854,603
Disposals - write-offs, sales	0	0	0	0	0
Transfer from investments in progress	-13,243,912	-123,292	0	-1,536,600	-14,903,803
Cost as at 31.12.2024	**478,948**	**132,860**	**5,071,001**	**1,481,839**	**7,164,649**

Note 3

Right to use leased assets 42,610 EUR

in EUR

	31.12.2025	31.12.2024
Right to use leased assets	42,610	622,075
Total	**42,610**	**622,075**

Under the rights to use the leased assets the Company records the lease of electric vehicles.





Changes in the right to use leased assets

in EUR

	Land	Other equipment	Total
Purchase cost as at 1.1.2025	**2,682,656**	**90,470**	**2,773,126**
Acquisition	0	0	0
Elimination	(2,678,470)	0	(2,678,470)
Increase and decreases due to changes in rent resulting from the increase in the cost of living and changes in value	(4,186)	0	(4,186)
Purchase cost as at 31.12.2025	**(0)**	**90,470**	**90,470**
Written-off value as at 1.1.2025	**2,127,621**	**23,430**	**2,151,051**
Amortisation	550,849	24,430	575,278
Elimination	(2,678,470)	0	(2,678,470)
Written-off value as at 31.12.2025	**(0)**	**47,860**	**47,860**
Book value as at 1.1.2025	**555,035**	**67,040**	**622,075**
Book value as at 31.12.2025	**0**	**42,610**	**42,610**
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**

At the end of 2025, the lease agreement for land in Velenje used for the storage of coal, ash and desulphurisation products expired. Under the agreement, the parties had agreed on the lease of the properties located in this area. The historical cost and accumulated depreciation relating to the previous lease agreement were derecognised. A new lease agreement will be signed in 2026.

Note 4

Other long-term financial investments 112,860 EUR

in EUR

	31.12.2025	31.12.2024
Other long-term financial investments	112,860	112,860
Total	**112,860**	**112,860**

Company	Addres	Country	Activity	% Ownership	% Voting rights
HSE Invest d.o.o.	Obrežna ulica 170 a, 2000 Maribor	Slovenia	Consulting Engineering and Project Management Services	1.3 %	1.3 %
RGP d.o.o.	Rudarska cesta 6, 3320 Velenje	Slovenia	Specialized construction works	5.1 %	0.0 %

Other long-term financial investments in the amount of EUR 112,860 relate to the investments made in RGP, d.o.o. and in HSE Invest, d.o.o.

The ownership interests and the carrying amounts of the investments are immaterial and are considered to be a reasonable approximation of their fair value.

Other equity interests of EUR 500 represent funds invested in the Centre of Excellence for Low-Carbon Technologies (CO NOT).

The Company made investments in holiday facilities (Krvavec, Rab, Portorož) in the amount of EUR 154,133. These investments were impaired as at 31 December 2010 in the total amount of invested funds due to formally unresolved ownership and management relations and unexpected future cash flows.



Long-term financial receivables and loans 12,000,000 EUR

in EUR

	31.12.2025	31.12.2024
Financial receivables and loans to others net of interest	12,000,000	15,000,000
Total	**12,000,000**	**15,000,000**

PV was granted a loan in the amount of EUR 20 million by TEŠ in 2021. In 2025, an addendum to the loan agreement was concluded to reschedule the long-term loan by shortening its maturity to 30 April 2027. The contractual interest rate corresponds to the 6-month Euribor +1.80%. The loan will be repaid in full by 30 April 2027. As additional security, the borrower granted the lender a pledge over real estate and equipment. The loan was individually assessed for expected credit losses in accordance with IFRS 9. Management considers that no loss allowance is required as at 31 December 2025.

Changes in long-term receivables and loans

	2025	2024
Balance as at 1.1.	**15,000,000**	**20,000,000**
Transfers to short-term receivables	-3,000,000	-5,000,000
Balance as at 31.12.	**12,000,000**	**15,000,000**

The Company granted a loan to PV with the repayment time limit scheduled by April 2027.

Note 5

Long-term operating receivables **5,050,000 EUR**

in EUR

	31.12.2025	31.12.2024
Trade receivables	5,050,000	8,030,000
Total	**5,050,000**	**8,030,000**

The majority share of long-term operating receivables arises from the arbitration procedure which ended in 2021, and represent claims against the GE Group under the settlement agreement. In 2025, these receivables decreased by the portion falling due in 2026, and were reclassified to short-term operating receivables.

Under the agreement, an additional receivable was recognised in respect of compensation for the amount of escalation. The receivable and the corresponding escalation-related liability for the reporting period were offset.

Note 6

Other long-term assets **2,591,033 EUR**

in EUR

	31.12.2025	31.12.2024
Reserve fund	6,686	6,433
Emission allowances	2,584,348	2,203,591
Total	**2,591,033**	**2,210,024**

Other long-term assets include payments made by the Company as the floor owner of apartments, which will be used to cover the future costs of maintenance under the Housing Act. At the end of the year, the Company has 112,485 CO_2 emission allowances in stock.

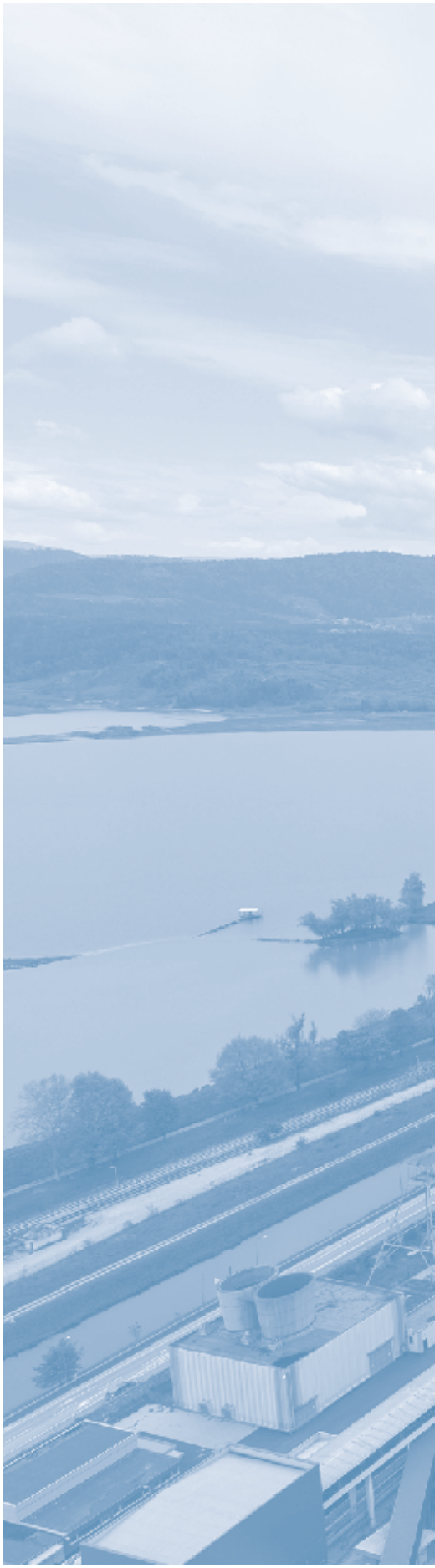
Note 7

Inventories **63,931,217 EUR**

in EUR

	31.12.2025	31.12.2024
Material for maintenance work	5,299,341	3,923,860
Spare parts	8,483,261	8,393,482
Safety stock of coal	48,520,986	28,536,186
Other material	1,627,630	1,641,012
Total	**63,931,217**	**42,494,540**

Inventories are mostly comprised of inventories of coal, inventories of spare parts, and inventories of maintenance materials. Inventories of spare parts and maintenance materials are needed for immediate elimination of defects in production equipment and, consequently, reliable operation.





Inventories are not pledged as security for liabilities.
At the end of 2025, the inventories were higher as a result of the implementation of the ZPFPPIP. The year-end physical inventory count identified inventory surpluses of EUR 411,088 and inventory shortages of EUR 2,710,354.

As at 31 December 2025, the Management assessed the recoverable amount of inventories and concluded that no additional impairment was required.

Note 8

Short-term investments and loans **3,054,464 EUR**

in EUR

	31.12.2025	31.12.2024
Financial receivables and interest-free loans to others	3,000,000	3,000,000
Financial receivables and loans to others for interest	54,464	68,241
Total	**3,054,464**	**3,068,241**

At the end of 2025, the loan granted to PV with repayment deadline in 2026 was reclassified to short-term loans.

Changes in short-term investments and loans *in EUR*

	2025	2024
Balance as at 1.1.	**3,068,241**	**99,370**
Acquisitions	719,031	987,797
Transfer from long-term receivables	3,000,000	5,000,000
Repayments	-3,732,808	-3,018,926
Balance as at 31.12.	**3,054,464**	**3,068,241**

Note 9

Short term trade receivables **31,698,137 EUR**

in EUR

	31.12.2025	31.12.2024
Trade receivables	31,698,137	71,531,305
Total	**31,698,137**	**71,531,305**

At the reporting date, the fair value of operating receivables was equal to their carrying amount.

The operating receivables comprise trade receivables for electricity sold and receivables due from the arbitration proceedings concluded in 2021 (the current portion falling due in 2026 amounts to EUR 5.05 million). The main receivables comprise EUR 4,248,404 due from the Velenje Public Utility Company for heat sold in November and December 2025, EUR 4,993,986 due from Holding for electricity sold, and EUR 4,433,573 due from GEN-I, also for electricity sold.

Receivables from the sale of heat in the amount of EUR 4,248,404 are secured by a blank bill of exchange. Security for other receivables was not necessary due to their specific nature.

The Management measures the expected credit losses in accordance with IFRS 9. They mainly constitute receivables due from creditworthy customers and companies within the energy sector group, with no loss allowances being required as at 31 December 2025.

Note 10

Contract assets **837,587 EUR**

in EUR

	31.12.2025	31.12.2024
Contract assets	837,587	250,740,517
Total	**837,587**	**250,740,517**

Unaccounted revenues include revenues that have been taken into account in the income statement even though they have not yet been charged for. In compliance with IFRS 15, these assets are disclosed as contract assets in the income statement and include the right to compensation in return for goods or services, which have been transferred to the buyer.

Other short-term receivables also include an accrued receivable due from the state of EUR 830,743 in respect of compensation under the ZPFPPIP.

Note 11

Other short-term assets **36,808,400 EUR**

in EUR

	31.12.2025	31.12.2024
Advances	9,565,236	4,757,124
Operating receivables due from state and other institutions	4,816,463	2,085,457
Operating receivables due from others	22,344,617	2,405
Short-term deferred costs and expenses	82,084	128,902
Total	**36,808,400**	**6,973,888**

Short-term advances were mainly given for the purchase of coal, appliances and equipment, and short-term guarantees were granted to the General Customs Directorate for accounting of excise duties.

Short-term operating receivables due from state and other institutions mainly comprise the input VAT on invoices received and receivables arising from the invoice issued for the December compensation in the amount of EUR 22,344,617.

Note 12

Cash and cash equivalents **95,624,263 EUR**

in EUR

	31.12.2025	31.12.2024
Cash in banks	95,624,263	36,361,002
Total	**95,624,263**	**36,361,002**

Cash and cash equivalents include balances on the Company's bank accounts.

Note 13

Capital **95,146,384 EUR**

in EUR

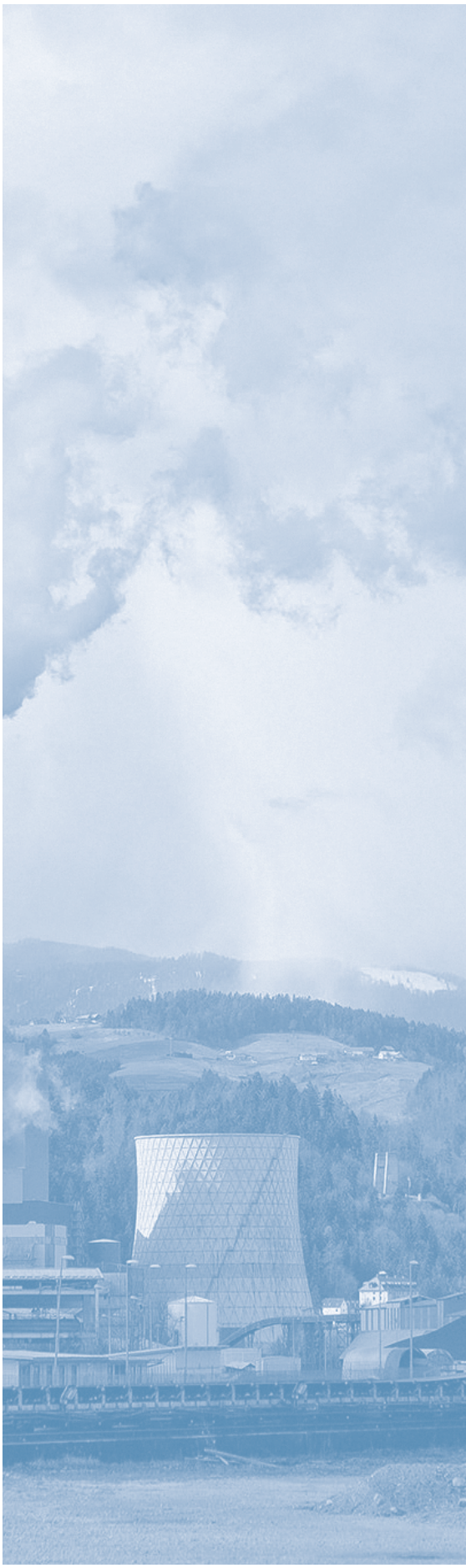
	31.12.2025	31.12.2024
Called-up capital	195,579,850	195,579,850
Capital reserves	66,655,517	46,190,401
Fair value reserves	-1,115,957	-1,196,495
Retained profit/loss	-165,973,027	-132,287,854
Total	**95,146,384**	**108,285,902**

The Company's total capital consists of: share capital, capital reserves, revenue reserves, fair value reserves, and net profit or loss brought forward from the previous year.

In the 2025 financial year, based on the nature of the funds received and the relevant legal basis, the Company recognised EUR 20,465,116 of the funds received from its founder and owner, the Republic of Slovenia, as capital reserves. In its essence, the said amount does not constitute payment for services rendered or compensation for the provision of the public service, but rather an owner contribution intended for the repayment of the principal of the EIB loan. Capital reserves are not available for distribution to the owner and may be used subject to the restrictions laid down in the Companies Act (ZGD-1), the Company's Articles of Association and other relevant regulations, in particular to cover losses or increase share capital, provided the prescribed conditions are met.

The fair value reserve constitutes the cumulative actuarial gains and losses arising from post-employment benefits, which are recognised in other comprehensive income.

In the current year, the Company realised a negative operating result in the amount of EUR 33,685,173.



Changes in fair value reserves

in EUR

	Actuarial profits/losses on severance payments upon retirement	Other	Total
Balance at 1.1.2025	**-1,208,060**	**11,565**	**-1,196,495**
Formation, increase	80,539	**0**	80,539
Balance at 31.12.2025	**-1,127,521**	**11,565**	**-1,115,956**
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**

In 2025, the fair value reserve changed by the actuarial calculation for retirement allowances in the amount of EUR 80,538.74.

Retained earnings

in EUR

	2025	2024
Retained profit/loss	-33,685,173	-85,683,451
Total	**-33,685,173**	**-85,683,451**

Retained earnings

in EUR

	2025	2024
Net profit or loss for the year	-33,685,173	-85,683,451
Profit or loss from previous years	-132,287,854	-46,604,403
Total	**-165,973,027**	**-132,287,854**

At the end of the year, the Company reported accumulated loss in the amount of EUR 165,973,027 consisting of the net loss for 2025 in the amount of EUR 33,685,173 and of the loss brought forward in the amount of EUR 132,287,854.

Note 14

Provisions for retirement allowances and long-service awards 3,610,437 EUR

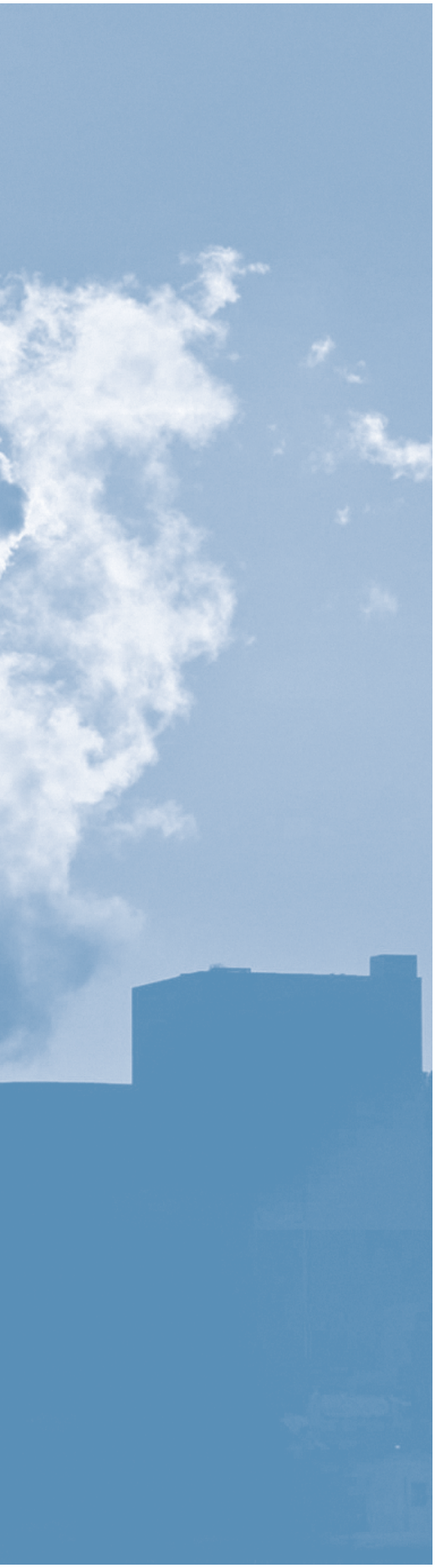
in EUR

	31.12.2025	31.12.2024
Provisions for retirement allowances	3,084,810	3,260,890
Provisions for long-service awards	525,627	549,381
Total	**3,610,437**	**3,810,271**

Long-term provisions comprise provisions for long-service awards and retirement allowances as determined in the actuarial calculation as at 31 December 2025.

The actuarial calculation was based on the following assumptions:





Demographic assumptions:

- mortality tables
- employee turnover according to age brackets
- retirement.

Financial assumptions:

- average pay increase rates in the Republic of Slovenia.

For 2026 to 2028, the assumed growth rates in average wages in Slovenia (monthly and annual) from the Bank of Slovenia's Review of Macroeconomic Developments with Forecasts of December 2025 have been taken into account, while the assumption for 2029 is based on the Autumn Forecast of Economic Trends of the Institute of Macroeconomic Analysis and Development of September 2025. From 2030 onwards, the average wages in Slovenia are expected to increase by a rate of inflation (IMF, October 2025) and an actual growth rate of 1.4%.

- wage growth rates in society
- tax rate
- discount rates.

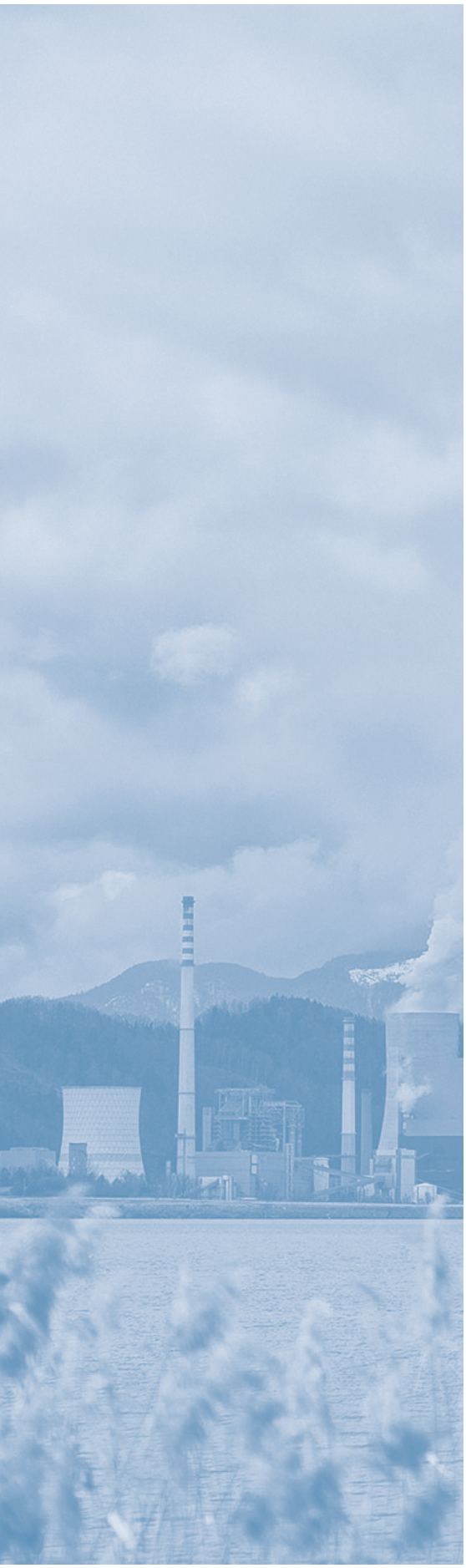
For the purposes of calculating the discount rate as at 31 December 2025, an interest rate of 3.7% was applied, reflecting the yield on high-quality (AA-rated) euro-denominated corporate bonds as at that date and taking into account the weighted average duration of the Company's liabilities (based on the calculated undiscounted amount of the liabilities) from the reporting date to the date of payment for each type of benefit (10.2 years).

In 2025, the Company paid long-service awards in the amount of EUR 44,228 and retirement allowances in the amount of EUR 352,719.

Changes in provisions for retirement allowances and long-service awards

in EUR

	Provisions for retirement allowances	Provisions for long-service awards	Total
Balance as at 1.1.2025	**3,260,889**	**549,382**	**3,810,271**
Interest costs	98,517	15,295	113,812
Current service cost	148,807	32,134	180,942
Past service cost	9,855	17,484	27,339
Actuarial gains and losses - changes in actuarial assumptions	-111,066	-22,608	-133,674
Actuarial gains - derecognition	-30,422	-21,843	-52,266
Actuarial losses - additions and utilisation	60,950	11	60,961
Benefit payments for the financial year	-352,719	-44,228	-396,947
Balance as at 31.12.2025	**3,084,811**	**525,626**	**3,610,437**
Balance as at 1.1.2024	**3,466,050**	**564,205**	**4,030,255**
Interest costs	100,580	14,658	115,237
Current service cost	150,047	31,959	182,005
Past service cost	217	156	372
Actuarial gains and losses - changes in actuarial assumptions	-26,076	15,254	-10,822
Actuarial gains - derecognition	-14,029	-9,624	-23,653
Actuarial losses - additions and utilisation	85,089	1,224	86,313
Benefit payments for the financial year	-500,987	-68,449	-569,436
Balance as at 31.12.2024	**3,260,889**	**549,382**	**3,810,271**



Sensitivity analysis of provisions for retirement allowances and long-service awards

in EUR

	Discount rate		Salary growth	
	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%
Provisions for retirement allowances	130,726	-121,613	-123,218	131,992
Provisions for long-service awards	106,084	67,848	66,810	107,000
Total 2025	**236,810**	**-53,765**	**-56,408**	**238,992**
Provisions for retirement allowances	134,316	-125,342	-126,153	134,739
Provisions for long-service awards	21,059	-19,789	-20,750	21,927
Total 2024	**155,375**	**-145,131**	**-146,903**	**156,666**

Note 15

Other provisions **14,599,258 EUR**

in EUR

	31.12.2025	31.12.2024
Provisions for decommissioning	14,599,258	15,077,573
Total	**14,599,258**	**15,077,573**

On the basis of Energy permit and an estimate of the costs of decommissioning, in June 2015, the Company created the provisions for the costs of decommissioning for the removal of Unit 6 after the end of its useful life in the amount of EUR 9,113,400. According to a technical detailed report, the estimated costs of decommissioning amount to EUR 16,200,000. The current value of estimated cost of decommissioning, taking account of a 15-year government bond as at 31 December 2025, amounts to EUR 14,599,258. In calculating the present value, the Company applied a discount rate of 1.01309%, determined to take account of the market conditions at the reporting date, the expected maturity of obligations and long-term inflation expectations.

In the 2025 financial year, the Company recognised finance expenses of EUR 120,771 in respect of the unwinding of the discount due to the passage of time, resulting in a corresponding increase in the carrying amount of the provision. The EUR 599,087 decrease in the provision reflects the effect of a change in the discount rate and is accounted for as a change in the accounting estimate. As the provision relates to a decommissioning obligation associated with an item of property, plant and equipment, the effect of the change in estimate is accounted for in accordance with the IFRS requirements applicable to changes in existing decommissioning, restoration and similar liabilities.

Changes in other provisions

in EUR

	For decommissioning	Other provisions	Total
Balance as at 1.1.2025	**15,077,573**	**0**	**15,077,573**
Additions, increase	0	0	0
Decrease, derecognition	-478,315	0	-478,315
Balance as at 31.12.2025	**14,599,258**	**0**	**14,599,258**
Balance as at 1.1.2024	**14,640,986**	**0**	**14,640,986**
Additions, increase	436,587	0	436,587
Decrease, derecognition	0	0	0
Balance as at 31.12.2024	**15,077,573**	**0**	**15,077,573**

Note 16

Other non-current liabilities **21,236,347 EUR**

in EUR

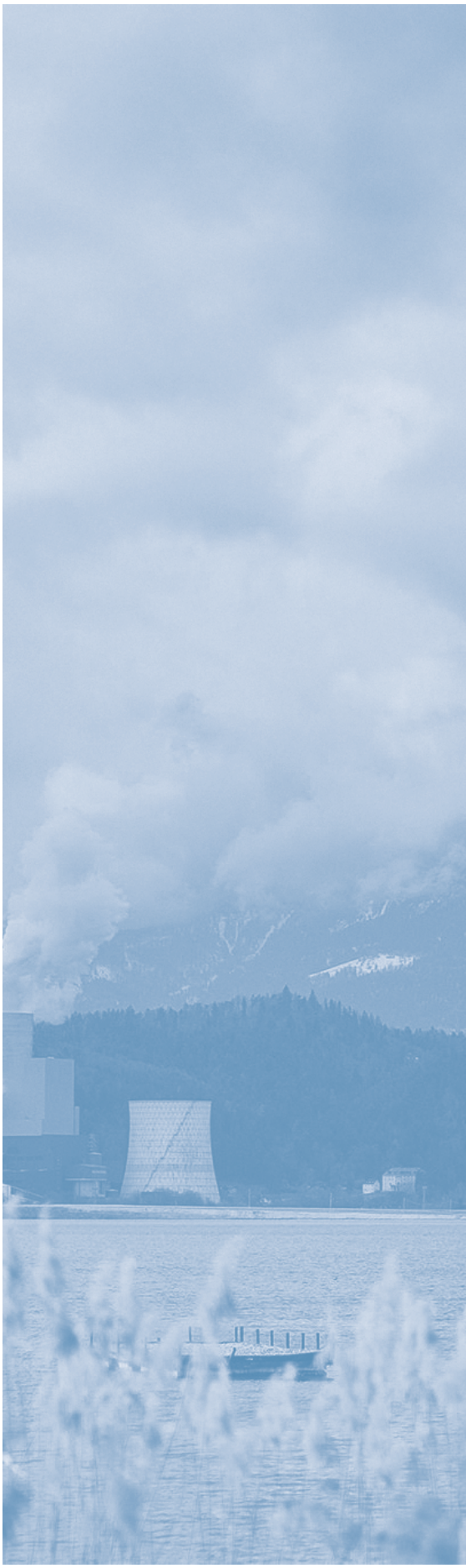
	31.12.2025	31.12.2024
Emission allowances	0	13,164
Other state grants received	17,614	20,794
Other	21,218,733	31,912
Total	**21,236,347**	**65,869**

In 2025, the Company derecognised the previously recognised emission allowances that it received free of charge from the state for 2021-2025 the period. In 2025, the balance of emission allowances decreased as the Company used the allowances received free of charge to meet its 2025 surrender obligation in respect of emissions generated in 2025.

In 2025, the Company correctly recognised the compensation of EUR 21,218,733 which it received for investment purposes under accruals and deferred income. The amount will be released to income annually in line with the depreciation of the related assets.

Accruals and deferrals arising from exemptions from the payment of contributions were created in accordance with the Vocational Rehabilitation and Employment of Persons with Disabilities Act. These are used to cover the costs defined in the previously mentioned Act.

As the leading partner in the North Adriatic Hydrogen Valley (NAHV) project, HSE received a grant in 2023, of which an amount of EUR 31,912 was re-wired to TEŠ as the project partner.



Changes in other non-current liabilities

in EUR

	Emission allowances	Other state grants received	Others	Total
Balance as at 1.1.2025	**13,164**	**20,794**	**31,912**	**65,869**
Acquisitions	0	0	22,251,350	22,251,350
Disposals/derecognition	-13,164	-3,180	-1,064,528	-1,080,872
Balance as at 31.12.2025	**0**	**17,614**	**21,218,733**	**21,236,347**
Balance as at 1.1.2024	**26,705**	**24,470**	**31,912**	**83,087**
Acquisition	0	0	0	0
Disposals/derecognition	-13,541	-3,677	0	-17,218
Balance as at 31.12.2024	**13,164**	**20,793**	**31,912**	**65,869**

Note 17

Non-current financial liabilities 235,348,837 EUR

in EUR

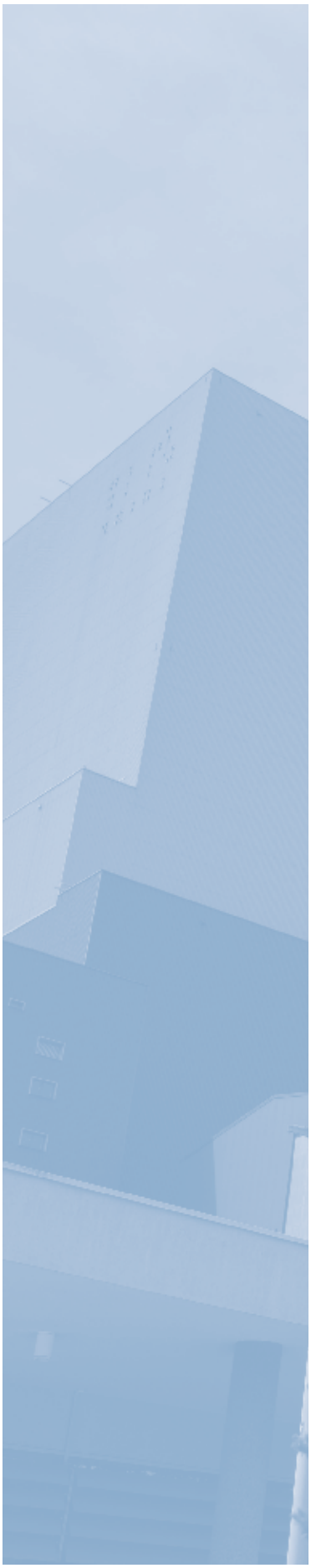
	31.12.2025	31.12.2024
Non-current financial liabilities to banks	235,348,837	0
Total	**235,348,837**	**0**

Changes in non-current financial liabilities to banks

in EUR

	Total
Balance as at 1.1.2025	**0**
Transfers to non-current liabilities	255,813,953
Transfers to current liabilities	-20,465,116
Balance as at 31.12.2025	**235,348,837**
Balance as at 1.1.2024	**276,279,070**
Transfers to non-current liabilities	-276,279,070
Balance as at 31.12.2024	**0**

In 2025, the Company complied with the covenants under the EIB loan agreement. The loan, which had previously been classified as current, was reclassified to non-current financial liabilities in accordance with IFRS requirements and the covenants under the finance contract.



Securing non-current financial liabilities (including short-term portion)

in EUR

	31.12.2025	31.12.2024
State guarantees	255,813,954	276,279,070
Total	**255,813,954**	**276,279,070**

As at 31 December TEŠ had financial liabilities secured by the state guarantee.

To secure the 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 purpose of financing Unit 6 (22 April 2010), in the amount of EUR 440 million, a guarantee agreement for the amount of EUR 440 million was concluded on 6 December 2012 between the Republic of Slovenia and the European Investment Bank.

Note 18

Non-current financial lease liabilities 19,798 EUR

in EUR

	31.12.2025	31.12.2024
Non-current financial liabilities from leases	19,798	45,090
Total	**19,798**	**45,090**

Changes in non-current financial lease liabilities

in EUR

Balance as at 1.1.2025	**45,090**
Acquisitions	0
Transfers to short-term liabilities	(25,293)
Repayments	0
Balance as at 31.12.2025	**19,797**
Balance as at 31.12.2024	**588,539**
Acquisitions	45,078
Transfers to short-term liabilities	(562,589)
Repayments	(25,938)
Balance as at 1.1.2024	**45,090**



Note 19

Short-term financial liabilities

20,465,116 EUR

in EUR

	31.12.2025	31.12.2024
Short-term financial liabilities to banks without interest	20,465,116	276,279,070
Total	**20,465,116**	**276,279,070**

Changes in short-term financial liabilities

	Financial liabilities to group companies without interest	Financial liabilities to banks without interest	Financial liabilities to banks for interest	Other financial liabilities	Financial lease liabilities	Total
Balance as at 1.1.2025	**0**	**276,279,069**	**0**	**0**	**586,413**	**276,865,482**
Increase	0	0	8,373,025	3,324,881	0	11,697,905
Transfers to non-current liabilities	0	-255,813,953	0	0	0	-255,813,953
Transfers from long-term liabilities	0	0	0	0	25,293	25,293
Short-term repayments	0	0	-8,373,025	-3,324,881	-586,413	-12,284,318
Balance as at 31.12.2025	**0**	**20,465,116**	**0**	**0**	**25,293**	**20,490,409**
Balance as at 1.1.2024	**217,986**	**20,465,116**	**0**	**0**	**577,108**	**21,260,210**
Increase	0	0	9,019,313	3,581,046	23,824	12,624,183
Transfers from non-current 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
Non-current 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**

Following the transfer of ownership of TEŠ to the Republic of Slovenia on 31 December 2024 and the change in the business model from 2025 onwards, the terms of the TEŠ Power Plant Šoštanj/B Finance Contract, FI No. 25.541 SI, concluded with the European Investment Bank to finance Unit 6, changed. As no amendment to the existing finance contract had been concluded by 31 December 2024 to take account of the legal changes at TEŠ and provide for the new contractual covenants, this resulted in a breach of the contractual covenants. In accordance with IFRS requirements, the entire loan therefore had to be reclassified as a current liability as early as in 2024.

An agreement was reached with the EIB to waive the breach, which became effective on 19 December 2025. Accordingly, in the 2025 accounting records, the long-term portion of the loan is appropriately recognised under non-current liabilities.

Note 20

Short-term financial lease liabilities

25,293 EUR

in EUR

	31.12.2025	31.12.2024
Other short-term financial lease liabilities	25,293	586,413
Total	**25,293**	**586,413**

Changes in short-term financial lease liabilities

in EUR

	Short-term financial lease liabilities
Balance as at 1.1.2025	**586,413**
Acquisitions	0
Transfers from long-term liabilities	25,293
Repayments	-586,413
Balance as at 31.12.2025	**25,293**
Balance as at 1.1.2024	**577,108**
Acquisitions	23,824
Transfers from long-term liabilities	562,589
Long-term repayments	-577,108
Balance as at 31.12.2024	**586,413**

Note 21

Short-term operating liabilities

48,773,480 EUR

in EUR

	31.12.2025	31.12.2024
Short-term operating liabilities to suppliers	48,773,480	37,390,248
Total	**48,773,480**	**37,390,248**

Trade payables were higher at the end of 2025 than at the end of 2024, primarily due to the commencement of overhaul work on the gas unit.

Note 22

Other short-term liabilities

184,743,764 EUR

in EUR

	31.12.2025	31.12.2024
Short-term operating liabilities based on advances	44,517,900	0
Short-term operating liabilities to employees	1,664,360	1,871,313
Short-term operating liabilities to state and other institutions	133,854,528	8,611,626
Short-term operating liabilities to others	124,301	118,034
Short-term accrued costs and expenses	4,582,675	256,742,832
Total	184,743,764	267,343,805

Other short-term operating liabilities include liabilities to employees for salaries and other employment-related benefits accounted for the month of December 2025 in the amount of EUR 1,042,360, which were paid on 14 January 2026, and accrued costs of unused annual leaves at the end of 2025 in the amount of EUR 622,000.

Other short-term liabilities include the state compensation received pursuant to the Ministry's decision for 2025, which will be reconciled or recognised in accordance with the fulfilment of the applicable conditions and the use of the funds for their designated purpose.

Liabilities to state and other institutions amount to EUR 133,854,528. The majority relates to the liability to the state for the levy associated with environmental pollution from CO_2 emissions. The anticipated liability for 2025 amounts to EUR 133,557,186 (1 coupon/1 tonne of CO_2). The allowances will be surrendered to the state by September 2026.
Accrued costs continue to comprise the accrued costs of interest, accrued costs of suppliers, and accrued labour costs.

The Company usually settles all liabilities within the agreed time limits.

Contingent liabilities, securities and guarantees received

92,092,012 EUR

in EUR

	31.12.2025	31.12.2024
Bank guarantees for regular operations received	84,888,145	27,281,804
Enforcement drafts	7,203,867	7,203,867
Total	**92,092,012**	**34,485,671**

Under contingent assets the Company discloses bank guarantees for regular operation that consist of: performance bonds, maintenance bonds, and enforcement drafts which constitute the debtors' undertaking to settle specified amounts of their liabilities. The Company has no other contingent assets and liabilities.



3.8.2. Notes to the income statement

Note 1

In the 2025 financial year, the Company generated EUR 255.3 million in revenue from contracts with customers. Revenue is recognised in accordance with IFRS 15 when the Company satisfies a performance obligation under a contract with a customer, i.e. when control of the goods or services is transferred to the customer, in the amount of consideration to which the Company expects to be entitled.

The majority of the Company's revenue is derived from the sale of electricity and heat. Revenue from the sale of electricity and heat is recognised upon delivery, i.e. when control is transferred to the customer, with the customers usually being invoiced monthly in accordance with the contractual terms. Other sales revenue comprises revenue from the sale of by-products, primarily gypsum, ash and waste materials.

Revenues from contracts with customers **255,300,559 EUR**

in EUR

	2025	2024
On domestic market	**199,000,905**	**561,657,084**
Electricity	168,061,486	547,540,473
Heat	13,180,637	12,761,538
Other products	92,286	138,558
Other merchandise and material	17,232,127	874,907
Other services	434,369	341,608
On foreign market	**56,299,655**	**507,123**
Electricity	56,055,465	0
Other merchandise and material	196,118	410,622
Other services	48,072	96,501
Total	**255,300,559**	**562,164,207**

From January to December 2025, TEŠ generated net sales revenue of EUR 255.3 million. Net sales revenue is recognised at the amount of consideration to which the Company is entitled in exchange for transferring goods or services to a customer and was 55% lower than in the previous year. The majority of the Company's revenue was generated from the sale of electricity and heat. Revenue from the sale of electricity was 59% lower than in 2024, reflecting the impact of the Act on Transitional Financing of the Accelerated and Just Coal Phase-Out. Revenue from the sale of merchandise and materials was higher than in the previous year. The majority of this revenue relates to the sale of electricity purchased on the market to meet the Company's contractual obligations to customers.
Other sales revenue includes revenue from the sale of by-products (gypsum, ash and waste materials).





Note 2

Other operating revenues

104,152,091 EUR

in EUR

	2025	2024
Revenue from derecognition of provisions	30,159	903
Release of deferred revenue	16,344	79,458
Reversal of impairment of receivables	0	4,135
Revenue from compensations and contractual penalties	2,906,697	122,451
Gain on disposal of fixed assets	137,740	239,879
State compensation and other	101,061,151	65,879
Other operating revenue	**104,152,091**	**512,705**

State compensation of EUR 100,969,442 accounts for the majority of other operating revenues. The compensation was recognised as other operating revenue in the period to which it relates, as it is intended to cover costs and ensure the continued operation of the Company in accordance with the provisions of the Act on Transitional Financing of the Accelerated and Just Coal Phase-Out. Other operating revenues also include compensation receivable from GE under the Settlement Agreement in respect of escalation under the LTSA, amounting to EUR 2,901,417.

Note 3

Net sales revenue

in EUR

	2025	2024
Capitalised own products	1,618,235	0
Total	**1,618,235**	**0**

Capitalisation relates to material and labour costs incurred in connection with Unit 6 during the overhaul and other major maintenance activities. It represents materials consumed and labour costs that, through capitalisation, were incorporated into the cost of the equipment.

Note 4

Costs of goods, materials and services

188,556,721 EUR

in EUR

	2025	2024
Cost of goods Sold	16,640,220	0
Material cost	158,824,123	208,662,494
Cost of services	13,092,378	14,979,882
Total	**188,556,721**	**223,642,376**

The cost of goods sold comprises the cost of electricity purchased to meet obligations under forward electricity sales contracts, together with other directly attributable costs incurred in connection with the sale of electricity.



	2025	2024
Cost of goods sold	16,535,450	0
Ancillary cost of goods sold	104,769	0
Total Cost of goods sold	**16,640,220**	**0**
Cost of material	153,787,141	206,250,363
Cost of ancillary material	78,247	73,020
Costs of energy	492,865	72,763
Costs of spare parts	2,017,526	2,079,967
Costs of small tools	106,477	128,114
Other	2,341,864	58,267
Total cost of materials	**158,824,120**	**208,662,494**
Costs of transport services	31,226	32,619
Costs of maintenance	6,063,338	7,034,799
Costs of rents	40,783	77,604
Costs of reimbursements of work-related expenses to employees	22,391	17,535
Costs of insurance and bank services	2,876,665	2,653,794
Costs of intellectual and personal services	1,138,830	1,274,442
Costs of fairs, advertising and entertainment	12,321	110,392
Costs of services provided by individuals	138,286	66,170
Utility services	294,147	254,808
Security and surveillance costs	377,260	387,573
Membership fees	35,029	33,465
Real property management	2,428	1,631
Stockpile and disposal site management cost	1,120,510	2,057,795
Other	939,163	977,258
Total costs of services	**13,092,378**	**14,979,885**
Total	**188,556,718**	**223,642,379**

The majority of material costs relates to coal consumed as fuel for the generation of electricity and heat, including associated costs, totalling EUR 115,997,304. The cost of coal in 2025 was 38% lower than in the previous year. Apart from coal, the Company also used gas and biomass to produce electricity.

Costs of auxiliary material and costs of spare parts relate to the use of this material for maintenance works performed on appliances and equipment.

The cost of maintenance services in the amount of EUR 6,063,338 mainly include the cost of regular maintenance of plant and equipment.

Lease expenses

625,211 EUR

in EUR

	2025	2024
Depreciation of right to use assets	575,278	578,465
Financial expenses	9,149	22,060
Lease expenses	40,783	77,604
Total	**625,211**	**678,129**

Cost of auditor **119,250 EUR**

in EUR

	2025	2024
Audit of annual report	33,000	20,000
Services of other assurances	86,250	2,000
Total	**119,250**	**22,000**

The contractual fee payable to Deloitte revizija, d. o. o. amounts to EUR 33,000 for the audit of the annual report and EUR 86,250 for the review performed as part of other assurance services, covering the review and verification of the criteria used to allocate assets and liabilities, costs and expenses, and revenue for the purposes of maintaining accounting records and preparing separate financial statements (the statement of profit or loss and the balance sheet), as required by Article 6 of the ZPFPPIP.

Other assurance services also include reviews of the quarterly reports submitted to the Ministry for the purposes of verifying the calculation of the initial annual compensation and determining the monthly schedule for compensation payments. The quarterly reports include a cash flow statement for the preceding quarter and projected cash flows for the remainder of the current year.

Note 5

Labour costs **17,004,085 EUR**

in EUR

	2025	2024
Salaries	12,230,937	12,175,481
Pension insurance cost	1,682,147	1,773,086
Other insurance cost	1,000,485	829,737
Other labour cost	2,090,516	1,959,563
Total	**17,004,085**	**16,737,867**

Other labour costs include reimbursements of meal and commuting expenses, holiday allowance and other employee benefits.





Number and average number of employees by level od education

Level of education	Number of employee		Average number of employees
	1.1.2025	31.12.2025	
1	1	1	1
2	8	6	7
3	12	13	13
4	67	61	64
5	123	122	123
6/1	45	46	46
6/2	21	21	21
7	18	18	18
8/1	3	3	3
8/2	0	0	0
Total	**298**	**291**	**295**

Costs of wages and salaries are based on the Entrepreneurial Collective Agreement, the Collective Agreement for Slovenia's Electricity Industry, Rules on Salaries, and individual employment agreements. Salary is comprised of the basic pay, allowances (for less favourable working hours, environmental impacts, etc.), and performance-related pay based on individual and Company performance.

Employee salary compensation relates to periods of absence from work due to illness, annual leave, training and other reasons. Employees are entitled to such compensation under the Employment Relationships Act, the Entrepreneurial Collective Agreement or their employment contracts. Employees are entitled to such compensation under the Employment Relationships Act, the Entrepreneurial Collective Agreement or an individual employment agreement.

Costs of supplementary pension insurance relate to the co-funding of the pension scheme by the employer under the Agreement on the Creation of a Supplementary Pension Insurance Scheme, concluded between Termoelektrarna Šoštanj, d.o.o. and the Šoštanj Thermal Power Plant trade union. The pension scheme, labelled PN1, is managed by Modra zavarovalnica, d.d., Ljubljana and Generali zavarovalnica, d.d., Ljubljana.

Note 6

Write-offs **36,049,105 EUR**

in EUR

	2025	2024
Amortisation of intangible assets	40,905	37,976
Depreciation of property, plant and equipment	34,998,821	44,299,503
Depreciation of leased assets	575,278	578,465
Impairments/write-offs of inventories	1,536	1,615
Impairments of property, plant and equipment and intangible assets	0	86,566,531
Write-offs of property, plant and equipment	422,565	64,457
Disposals of property, plant and equipment and investment property	10,000	87,469
Total	**36,049,105**	**131,636,016**



The depreciation and amortisation charges for the 2025 financial year were determined on the basis of the estimated remaining useful lives of the Company's individual assets. In assessing the remaining useful lives, the Management took into account the expected period of use of the assets, their technical condition, their planned manner of use, as well as available information concerning the gradual coal phase-out and the restructuring of coal regions in accordance with the principles of just transition. On this basis, the remaining useful lives of the relevant production assets were estimated to extend to the end of 2033.

Note 7

Other operating expenses **142,197,718 EUR**

in EUR

	2025	2024
Fee for the use of development land	5,871,140	8,929,696
Environmental protection expenses	134,443,367	256,034,176
Donations	0	121,516
Other operating expenses	1,883,211	1,067,517
Total	**142,197,718**	**266,152,905**

Other operating expenses in 2025 mainly comprise environmental protection expenses, primarily relating to emission allowances amounting to EUR 133,557,187. Due to lower production, these expenses were 48% lower than in 2024.

Note 8

Financial revenue **1,043,209 EUR**

in EUR

	2025	2024
Financial revenue from loans and deposits given	1,036,371	987,844
Other financial revenue	6,838	1,982,005
Total	**1,043,209**	**2,969,849**

Other financial revenue comprises interest on loans granted and advances paid. In 2025, other financial revenue decreased compared to the previous year, primarily due to a lower volume of advance payments. Consequently, less interest income was recognised on advances paid, resulting in a decrease in other financial revenue.

Note 9

Financial expenses

11,991,638 EUR

in EUR

	2025	2024
Financial expenses for interest	8,373,025	9,019,313
Other financial expenses	3,609,464	4,119,675
Other financial expenses from leases	9,149	22,060
Total	**11,991,638**	**13,161,048**

Other financial expenses mainly consist of expenses for the state guarantee for the construction of Unit 6 in the amount of EUR 3,324,881.

Effective tax rate

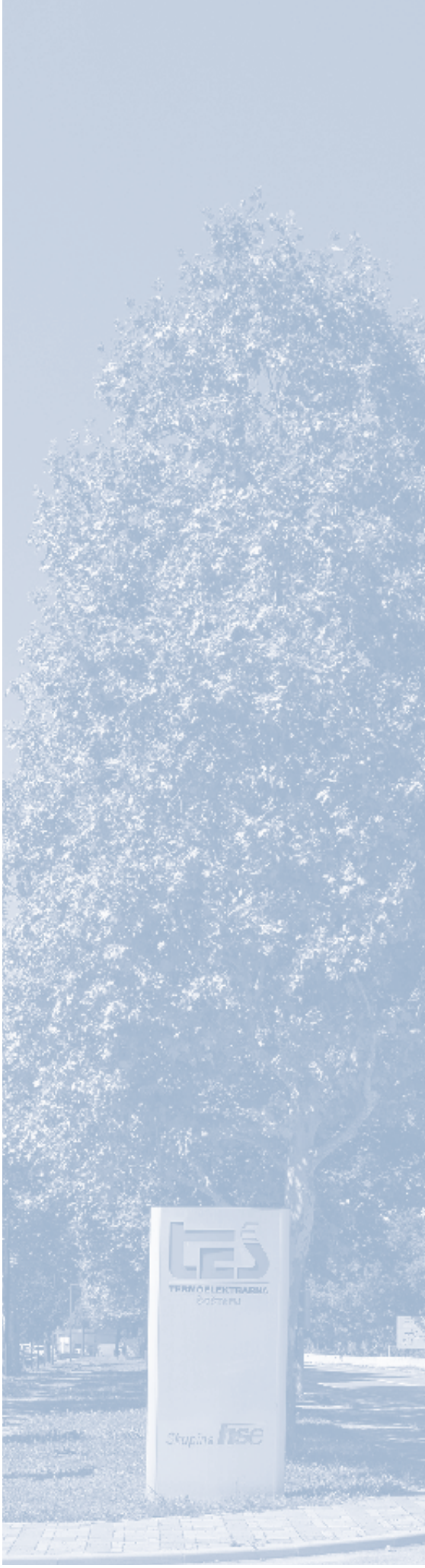
in EUR

	2025	2024
Profit (loss) before tax	-33,685,173	-85,683,451
Calculated tax at the applicable tax rate	-7,410,738	-18,850,359
Tax on revenues that lower the tax base	-4,272	-3,368
Tax on expenses that lower the tax base	-44,012	-81,905
Tax on non-deductible expenses	405,289	484,433
Tax on other changes in balance sheet	-602	-27,303
Tax effect of unrecognised deferred tax assets for tax losses	-7,054,336	18,478,503
Current tax	**0**	**0**
Effective tax rate	**0.00%**	**0.00%**

As at 31 December 2025, tax loss carried forward amounted to EUR 1,139,782,324. The Company did not recognise a deferred tax asset in respect of this tax loss, as there was insufficient evidence at the reporting date that sufficient taxable profits would be available in future periods against which the tax loss could be utilised. This assessment was made in accordance with the requirements of IAS 12.

As at 31 December 2025, tax loss carried forward amounted to EUR 1,139,782,324.

Due to uncertainty regarding the availability of future taxable profits, the Company did not recognise a deferred tax asset.





Note 10

Net loss for the year **-33,685,173 EUR**

in EUR

	2025	2024
Gross operating return	361,070,885	562,676,912
Operating profit or loss	-22,736,744	-75,492,253
Net cash flows	-10,948,429	-10,191,198
Profit (loss) before tax	-33,685,173	-85,683,451
Net profit/loss for the year	**-33,685,173**	**-85,683,451**

Gross return comprises net revenues from sales and other operating revenues.

3.8.3 Notes to the statement of other comprehensive income

In the statement of other comprehensive income, the Company discloses actuarial gains/losses from retirement benefits based on the actuarial calculation of liabilities for provisions for long-service awards and retirement allowances, and the reversal thereof charged against the profit or loss brought forward.

3.8.4 Notes to the cash flow statement

The cash flow statement for 2025 is prepared using the indirect method and comprises all cash receipts and cash payments in the period from 1 January to 31 December 2025.

Break-down of cash flows:

in EUR

	2025	2024
Cash flows from operating activities	203,597,230	61,096,649
Cash flows from investing activities	-131,755,918	-8,834,428
Cash flows from financing activities	-12,578,051	-34,378,294
Cash flow for the period	**59,263,261**	**17,883,927**

As disclosed in the statement of cash flows using the indirect method, in 2025, the net cash from operating activities amounted to EUR 203,597,230, of which EUR 131,755,918 were used for investing activities and EUR 12,578,051 were used for financing activities.

For the purpose of managing liquidity, the Company had to implement the following measures:

- careful planning and analysis of cash flows,
- measures for streamlining regular business operations.

The Company managed liquidity risk through a careful planning of cash flows, time coordination of receivables and liabilities, and the sound management of free cash. The Company was ensuring short-term solvency in the above-mentioned period through efficient and careful management of cash, and a systematic planning and monitoring of cash flows. The Company maintained adequate liquidity in the ordinary course of business throughout 2025.

3.8.5 Statement of changes in equity

The statement of changes in equity shows the changes in equity components for the reporting period. The Company prepares the statement of changes in equity in the form of a composite spreadsheet.



Accumulated profit or loss

in EUR

	2025	2024
Net profit or loss for the financial year	-33,685,173	-85,683,451
Net profit/loss from previous periods	-132,287,854	-46,604,403
Acumulated profit or loss	**-165,973,027**	**-132,287,854**

OTHER DISCLOSURES

3.8.6 Transactions with the Republic of Slovenia and legal entities in which the Republic of Slovenia owns the majority equity interest

in EUR

Business partner	Outstanding receivables as at 31.12.2025	Outstanding liabilities as at 31.12.2025	Receivables transactions 1-12 2025	Liabilities transactions 1-12 2025
PLINOVODI, Družba za upravljanje s prenosnim sistemom, d.o.o.	0	529,281	0	5,167,721
ZAVAROVALNICA TRIGLAV, d.d.	0	4,077	0	2,868,842
HOLDING SLOVENSKE ELEKTRARNE d.o.o.	4,993,986	964,565	379,859,565	388,684,039
GEN-I, d.o.o.	4,433,573	0	51,168,788	5,871,690
BORZEN, operater trga z elektriko, d. o. o.	1,350,207	1,210,844	2,352,663	1,479,995
RGP d.o.o., rekonstrukcije, gradnje, proizvodnja	15,566	769,865	58,204	3,358,572
PREMOGOVNIK VELENJE, d.o.o.	64,675	20,279,371	820,737	137,519,875
TOTAL	***10,858,007***	***23,758,002***	***434,259,956***	***544,950,733***

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 significant for the Company in terms of the size of the transactions (revenues or expenses exceeding EUR 2 million in 2025), except for banks, where all transactions are disclosed. Other transactions with companies, ministries, agencies and other legal entities where the Republic of Slovenia is a majority or minority owner are irrelevant from a reporting perspective.

3.8.7 Remuneration

The following section provides information on the Management Board and staff employed under agreements that are not subject to the employment provisions of the collective agreement.

Remuneration of the Management Board members

in EUR

			Variable remuneration - gross					
	Position	Fixed remuneration - gross (1)	Based on quantitative criteria	Based on qualitative criteria	Total (2)	Severance pays (4)	Bonuses (5)	Total (1+2+3+4+5)
Branko Debeljak	Managing Director until 4.4.2023	157,544	10,158	0	10,158	0	1,774	169,476
Mitja Tašler	Business Director	134,351	10,031	16,895	26,926	0	247	161,525
Total		**291,895**	**20,189**	**16,895**	**37,084**	**0**	**2,021**	**331,000**

Remuneration of the Supervisory Board members

in EUR

		Gross remuneration for performing the function					
	Function	Basic remuneration	Additional payment	Total (1)	Meeting fee - gross (2)	Total Gross (1+2)	Travel expenses
mag. Urška Gašperlin	Chair of the SB until 14. 2. 2025	1,539	769	2,308	907	3,215	0
Mag. Matej Čufer	Deputy Chair of the SB until 14. 2. 2025	1,539	154	1,692	907	2,600	0
Aleš Rednjak	Member of the SB, employee representative until 11. 2. 2025	1,473	0	1,473	907	2,380	0
Matej Pirc	Member of the SB from 15. 2. 2025, President of the SB from 3. 3. 2025	6,650	3,127	9,777	3,685	13,462	851
dr. Jurij Klančnik	Member of the SB from 15. 2. 2025, Deputy President of the SB from 3. 3. 2025	6,650	625	7,275	3,685	10,960	0
Mojca Potecin	Member of the SB from 15. 2. 2025	6,650	0	6,650	3,685	10,335	0
Mojca Veljkovič	Member of the SB from 15. 2. 2025	6,650	0	6,650	3,410	10,060	532
Marko Vertačnik	Member of the SB, employee representative from 12. 2. 2025	6,725	0	6,725	3,685	10,410	0
Aljaž Stropnik	Member of the SB, employee representative from 12. 2. 2025	6,725	0	6,725	3,685	10,410	0
Total		**44,600**	**4,676**	**49,276**	**24,556**	**73,832**	**1,383**

Remuneration of members of the Supervisory Board Audit Committee

in EUR

		Gross remuneration for performing the function					
	Function	Basic remuneration	Additional payment	Total (1)	Meeting fee - gross	Total Gross	Travel expenses
mag. Matej Čufer	Chair of the Audit Committee until 14.02.2026	0	577	577	316	892	0
Aleš Rednjak	Member of the Audit Committee until 11. 2. 2025	0	368	368	316	684	0
Sonja Anadolli	External member of the Audit Committee from 22. 2. 2024	8,189	0	8,189	3,309	11,498	776
Mojca Potecin	Chair of the Audit Committee from 3. 3. 2025	0	2,346	2,346	2,332	4,678	0
Mojca Veljkovič	Member of the Audit Committee from 3. 3. 2025	0	1,564	1,564	2,112	3,676	177
Marko Vertačnik	Member of the Audit Committee, Employee representative from 16.4.2025	0	1,313	1,313	1,716	3,029	0
Total		**8,189**	**6,167**	**14,355**	**10,100**	**24,456**	**953**



Financial instruments and risks

3.9

This section should be read in conjunction with Section 2.11 on financial risks in the Business Report.

3.9.1 Credit risk

Credit risk is the risk of failure of the counter party to settle its liabilities. In addition to their failure to pay, we also risk their failure to settle other non-financial liabilities. The consequences arising from this include the lack of liquid assets, non-payment of liabilities to suppliers and the cessation of works, as well as the costs of default interest.

With regard to business credit risk, the Company assesses that the probability of risk is low, while the impact on the Company's operations is medium high. The risk management instruments comprise verification of credit ratings of business partners, conclusion of long-term agreements and, on the basis thereof, annual agreements with elements of securing receivables, such as blank bills of exchange.

Receivables from the sale of heat are secured with a blank bill of exchange.

Non-current operating and financial Long-term receivables by maturity

in EUR

Non-current operating and financial receivables by maturity	Due for payment			Total
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	
Financial receivables and loans to other	12,000,000	0	0	12,000,000
Accounts receivable	0	4,360,000	690,000	5,050,000
Total as at 31.12.2025	**12,000,000**	**4,360,000**	**690,000**	**17,050,000**
Financial receivables and loans to other	3,000,000	9,000,000	3,000,000	15,000,000
Accounts receivable	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**

Short-term operating and financial receivables by maturity

in EUR

		Due for payment				
	Not past due	Up to 3 months past due (up to 90 days)	From 3 to 6 months past due (from 91 to 180 days)	From 6 to 9 months past due (from 181 to 272 days)	From 9 to 12 months past due (from 271 to 360 days)	Total
Financial receivables and loans to others	3,000,000	0	0	0	0	3,000,000
Financial receivables and loans to other for interest	54,464	0	0	0	0	54,464
Accounts receivable	31,526,968	144,817	458	0	25,894	31,698,137
Advances given	9,423,626	0	0	0	141,611	9,565,237
Operating receivables due from state and other institutions	4,816,463	0	0	0	0	4,816,463
Operating receivables due from others	22,344,617	0	0	0	0	22,344,617
Total as at 31.12.2025	**71,166,138**	**144,817**	**458**	**0**	**167,505**	**71,478,918**
Financial receivables and loans to others	3,000,000	0	0	0	0	3,000,000
Financial receivables and loans to others for interest	68,241	0	0	0	0	68,241
Accounts receivable	68,385,179	3,138,160	9	1,024	6,932	71,531,305
Advances given	4,757,124	0	0	0	0	4,757,124
Operating receivables from state and other institutions	2,085,457	0	0	0	0	2,085,457
Operating 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**	**6,932**	**81,444,532**

Security for operating receivables was not necessary due to their specific nature. Accounts receivable that are due and outstanding mainly relate to the accounts receivable in respect of rents for flats.

Receivables for advances given mainly refer to the production parts of Unit 6; receivables due from Primorje, d.d. (in liquidation); and advances given for securing excise duty-related liabilities. Receivables due from Primorje, d.d. (in liquidation) for advances given in the amount of EUR 206,731 have been reported in the bankruptcy estate. Based on the court settlement, they have been ranked among ordinary receivables. The aforementioned receivables were impaired in full in 2013. No distributions were received from the bankruptcy estate of Primorje, d. d. (in liquidation) in 2025. Consequently, the receivable for advances paid to Primorje, d. d. (in liquidation) remained at EUR 141,611.

Changes in loss allowances of short-term operating receivables

in EUR

	2025	2024
Balance as at 1.1.	**159,001**	**163,136**
Written-off receivables recovered	0	-4,135
Balance as at 31.12.	**159,001**	**159,001**

The Company assessed expected credit losses in accordance with IFRS 9 and concluded that loss allowances adequately reflect the credit risk associated with the existing portfolio of receivables. In 2025, there was no significant increase in credit risk requiring any additional material loss allowances.

The Company assesses the credit risk is manageable as it conducts business operations with known buyers that regularly settle their liabilities.

3.9.2 Liquidity risk

Liquidity is essential to the Company's solvency and its ability to settle due liabilities in a timely manner. Maintaining an optimal financing structure and operating within an appropriate level of financial leverage enable the Company to conduct its operations securely while minimising financing costs. A shortage of liquidity assets results in unpaid, overdue liabilities. The probability that the Company would face liquidity problems is medium high. Liquidity risk is managed through careful cash flow planning on a daily, monthly and annual basis. Particular importance is placed on matching the maturities of receivables and liabilities and, above all, on ensuring adequate sources of funding for investments.

The Company's ongoing liquidity in 2025 was ensured through state compensation in accordance with the provisions of the ZPFPPIP. An agreement was reached with the EIB to waive the breach, which became effective on 19 December 2025. Accordingly, in the 2025 accounting records, the long-term portion of the loan is appropriately recognised under non-current liabilities. The Company considers that liquidity risk was effectively managed in 2025. The maturities of financial and operating liabilities are presented in the maturity tables for non-current and current financial and operating liabilities.



Non-current financial liabilities by maturity

in EUR

	Due for payment			
	Up to 2 years after the date of SFP	From 3 to 5 years after the date of SFP	More than 5 years after the date of SFP	Total
Financial liabilities to banks	20,465,116	61,395,349	153,488,372	235,348,837
Financial lease liabilities to others	19,798	0	0	19,798
Total as at 31.12.2025	**20,484,914**	**61,395,349**	**153,488,372**	**235,368,635**
Financial liabilities to banks	0	0	0	0
Financial lease liabilities to others	45,090	0	0	45,090
Total as at 31.12.2024	**45,090**	**0**	**0**	**45,090**

Short-term operating and financial liabilities by maturity

in EUR

		Due for payment		
	Not past due	Up to 3 months past due (up to 30 days)	From 9 to 12 months past due (from 271 to 360 days)	Total
Financial liabilities to banks	20,465,116	0	0	20,465,116
Financial lease liabilities to others	25,293	0	0	25,293
Trade payables	48,747,441	26,039	0	48,773,480
Operating liabilities based on advances	44,517,900	0	0	44,517,900
Operating liabilities to employees	1,042,360	0	0	1,042,360
Operating liabilities to state and other institutions	133,854,528	0	0	133,854,528
Other operating liabilities	124,301	0	0	124,301
Total as at 31.12.2025	**248,776,939**	**26,039**	**0**	**248,802,978**
Financial liabilities to banks	276,279,069	0	0	276,279,069
Financial lease liabilites to others	586,413	0	0	586,413
Trade payables	37,378,320	11,928	0	37,390,247
Operating liabilities based on advances	0	0	0	0
Operating liabilities to employees	1,247,131	0	0	1,247,131
Operating liabilities to state and other institutions	8,611,626	0	0	8,611,626
Othe operating liabilities	118,034	0	0	118,034
Total as at 31.12.2024	**324,220,593**	**11,928**	**0**	**324,232,521**

3.9.3 Interest rate risk

Interest rate risk is the risk that changes in the interest rate will be unfavourable for the Company. It occurs mainly in borrowing, as the price of money depends on the level of market interest rates. The growth of interest rate results in the risk of failure to settle annuities due to inadequate liquidity reserves. The risk is assessed as very low and manageable. One possible instrument for hedging against interest rate risk is a fixed interest rate agreed with the lender, which the Company already uses to some extent for its financial borrowings.
The Company was exposed to the following interest rate risks (only instruments that affect profit or loss are taken into account):

Financial instruments – balances *in EUR*

Financial instruments with variable interest rates	2025	2024
Financial assets	15,000,000	18,000,000
Financial liabilities	255,813,953	276,279,069
Net financial instruments with variable interest rate	**240,813,953**	**258,279,069**

Sensitivity analysis of cash flow in instruments with a variable interest rate

Taking into account a 6-month EURIBOR, an increase in the margin by +0.50 basis points would result in an increase/decrease in expenses for interest for loans with variable interest rate.

in EUR

	Profit or loss for 2025		Profit or loss for 2024	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
Variable rate instruments	**75,000**	**-75,000**	**93,506**	**-93,506**
Financial assets	75,000	-75,000	93,506	-93,506
Financial liabilities	0	0	0	0

3.9.4 Capital management

The primary objective of capital management is to ensure the best possible credit rating and capital adequacy for the purposes of financing operations and investments. Having an adequate volume of capital, enables the Company to enjoy the trust of both the creditors and market, and to maintain the future development of activities.

In 2025, the Republic of Slovenia, as the Company's sole company member, provided the Company with capital reserves of EUR 20,465,116 for the repayment of the principal of the EIB loan. In accordance with their nature, the funds received were recognised under capital reserves, as they do not constitute payment for services rendered or compensation for the provision of the service of general economic interest, but rather a contribution by the owner to the Company's capital. The capital reserves are not intended for distribution to the owner and may only be used in accordance with the provisions of the Companies Act (ZGD-1), the

Company's Articles of Association and other relevant regulations, in particular to cover losses or increase the share capital, provided that the statutory requirements for such use are met.

The Company monitors changes in capital using the financial leverage ratio, calculated by dividing net liabilities by the sum of net liabilities and total capital.

in EUR

Equity management	31.12.2025	31.12.2024
Long-term financial liabilities	235,348,837	0
Long-term financial lease liabilities	19,798	45,090
Short-term financial liabilities	20,465,116	276,279,069
Short-term financial lease liabilities	25,293	586,413
Total financial liabilities	255,859,044	276,910,572
Equity	95,146,384	108,285,902
Financial liabilities/equity	**2.69**	**2.56**
Cash and cash equivalents	95,624,263	36,361,002
Net financial liability	160,234,781	240,549,570
Net debt/Equity	**1.68**	**2.22**

The debt-to-capital ratio shows the relationship between the Company's debt and capital. The financial liabilities-to-capital ratio stood at 2.69, reflecting the lower level of capital at the end of the period. The Company's capital amounted to EUR 95.1 million and was lower than in the previous year.

At the same time, the Company significantly increased its cash and cash equivalents, which amounted to EUR 95.6 million (2024: EUR 36.4 million) at the end of the year. As a result, net financial liabilities decreased to EUR 160.2 million (2024: EUR 240.5 million), while the net debt-to-capital ratio improved from 2.22 to 1.68.

The Company estimates that its current financing structure provides adequate liquidity stability and an appropriate basis for its future operations.



3.9.5 Faire values

The Company considers the carrying amounts of its financial instruments to be a sufficiently accurate approximation of their fair values and, therefore, considers the carrying amounts to represent an appropriate approximation of fair value.

Carrying amounts and fair values of fin. instruments

in EUR

	31. 12. 2025		31. 12. 2024	
	Carrying amount	Fair value	Carrying amout	Fair value
Non-derivative financial assets at fair value	**112,860**	**112,860**	**112,860**	**112,860**
Financial assets available for sale	112,860	112,860	112,860	112,860
Non-derivative financial assets at amortised cost	**185,072,852**	**185,072,852**	**391,704,952**	**391,704,952**
Financial receivables	15,054,464	15,054,464	18,068,241	18,068,241
Operating and other receivables	74,394,124	74,394,124	337,275,709	337,275,709
Cash and cash equivalents	95,624,263	95,624,263	36,361,002	36,361,002
Total	**185,185,712**	**185,185,712**	**391,817,812**	**391,817,812**
Non-derivative financial liabilities at amortised cost	**510,632,433**	**510,632,433**	**581,710,494**	**581,710,494**
Bank loans	255,833,751	255,833,751	276,279,069	276,279,069
Other financial liabilities	45,091	45,091	631,503	631,503
Operating and other liabilities	254,753,591	254,753,591	304,799,922	304,799,922
Total	**510,632,433**	**510,632,433**	**581,710,494**	**581,710,494**

	31. 12. 2025		Financial assets and liabilities at fair value by hierarchy level as at 31.12.2025		
	Carrying amount	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	**185,072,852**	**185,072,852**	**0**	**185,072,852**	**0**
Financial receivables	15,054,464	15,054,464	0	15,054,464	0
Operating and other receivables	74,394,124	74,394,124	0	74,394,124	0
Cash and cash equivalents	95,624,263	95,624,263	0	95,624,263	0
Total	**185,185,712**	**185,185,712**	**0**	**185,072,852**	**112,860**
Non-derivative financial liabilities at amortised cost	**510,632,433**	**510,632,433**	**0**	**510,632,433**	**0**
Bank loans	255,833,751	255,833,751	0	255,833,751	0
Other financial liabilities	45,091	45,091	0	45,091	0
Operating and other liabilities	254,753,591	254,753,591	0	254,753,591	0
Total	**510,632,433**	**510,632,433**	**0**	**510,632,433**	**0**

Short-term receivables and liabilities are recorded at carrying amount, which is considered as amortised cost.

Reporting in line with the energy act

In accordance with the requirements of the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (ZPFOLERD-1), the Electricity Supply Act (ZOEE) and the Act on Transitional Financing of the Accelerated and Just Coal Phase-Out (ZPFPPIP), the Company prepared financial statements by activity.

Pursuant to Article 6(2) of the ZPFPPIP, the Company is required to maintain separate financial statements for the provision of the public utility service and for other activities. For the duration of the ZPFPPIP, the Company therefore maintains separate accounting records for the following activities:

- activity of providing public utility service;
- other activities.

TEŠ determines its profit or loss and maintains separate accounting records by activity and, within the activity of providing public utility service, separately by profit centre (PC). Within the activity of providing public utility service, separate accounting records are maintained for heat production and electricity production.

TEŠ records costs, expenses and revenue by orders, cost centres (CC) and profit centres (PC). The Company records assets and liabilities primarily by activity, while intangible assets and property, plant and equipment are also recorded by CC. Most CCs and PCs are directly attributable to individual activities, while some CCs are general or indirect. For the allocation of revenues, expenses and costs arising from the Company's operations as a whole or from the performance of two or more activities that cannot be directly allocated, the Company applies allocation criteria/keys.

The allocation of costs/expenses and determination of profit or loss by activity are based on methods for allocating indirect costs and expenses, comprising simple allocation calculations and the attribution of costs based on empirical analyses, experience and the Company's objectives.

Activity of providing public utility service

The Company records direct costs, i.e. costs of energy products and emission allowances, under the heat production PC and electricity production PC based on the actual quantities attributable to each PC. The environmental tax on fuel combustion for heat production is allocated directly to the heat production PC.

Indirect costs, including finance costs, are allocated to the heat production PC using an allocation key based on primary energy consumption for the three-year planning period (2025–2027), at a rate of 5.473%.

Revenue from the sale of heat and revenue from the sale of electricity are recorded directly under the respective PC based on actual sales attributable to each PC.

Other revenue arising from the performance of registered activities in accordance with Article 5 of the Company's Articles of Association is allocated between the heat production PC and the electricity production PC based on the share of revenue from heat sales in total sales revenue.



Compensation for the provision of the public utility service is determined as the difference between eligible costs (Article 13 of ZPFPPIP) and revenue (Article 16 of ZPFPPIP), increased by the amount of the EIB loan principal repayment. The allocation of compensation revenue between the activities is calculated as stated above.

Intangible assets are allocated based on their classification in the fixed asset register. The value of land, buildings, plant and equipment in the amount of 5.473% is allocated to the heat production PC. Property, plant and equipment in acquisition is allocated in accordance with the investment programme.

Investments, receivables and loans:

- The PC is determined based on the underlying document giving rise to the long-term financial investment; where an investment cannot be specifically attributed, 5.473% is allocated to the heat production PC.

Operating receivables:

- trade receivables are allocated directly to the relevant PC based on outstanding invoices;
- other receivables are allocated directly to the relevant PC; where this is not possible, 5.473% is allocated to the heat production PC.

Inventories:

- inventories, with the exception of fuel oil inventories, are allocated to the heat production PC at a rate of 5.473%.

Other assets are allocated directly to the relevant PC; where this is not possible, 5.473% is allocated to the heat production PC.

Cash and cash equivalents are allocated to individual PCs.

Capital:

- the allocation of capital is based on the 2024 closing balance sheet by activity; capital by PC is reduced by the loss recognised for the current year and uncovered losses from previous years, or increased by the profit recognised for the year.
- capital by PC is reduced by the loss recognised for the current year and uncovered losses from previous years, or increased by the profit recognised for the year.

Long-term provisions and long-term deferred income:

- at the balance sheet date the balance is allocated by PC according to the purpose for which the provision is made; where the purpose cannot be clearly identified, 5.473% is allocated to the heat production PC.



Long-term financial and operating liabilities are allocated according to the purpose of the borrowing.

Short-term financial liabilities are allocated according to the purpose of the borrowing.

Short-term and long-term financial liabilities arising from loans are allocated to the heat production PC at a rate of 5.473%.

Short-term operating liabilities are allocated by PC as direct liabilities according to their origin. Liabilities that cannot be directly attributed to an individual PC are recorded under the electricity production PC.

Other short-term liabilities are allocated directly to the relevant PC according to the purpose for which they arose; where this cannot be determined, 5.473% is allocated to the heat production PC.

Other activities - commercial operation for electricity production

In 2025, TEŠ engaged in commercial operations solely on the basis of the cost allocation criterion for the winter commercial operation of Unit 6, i.e., for the production of electricity during the operation of Unit 6 for heat production purposes. Under this key, commercial operation of Unit 6 occurs only when the unit is already running to produce heat. Commercial operation therefore does not require the deployment of additional assets or employees.

Commercial operation is justified when the cost of electricity produced through commercial operation, which comprises the costs of additional production, does not exceed the selling price of electricity, i.e. when revenue from the sale of electricity that is not a by-product of production required for the provision of the public utility service exceeds the costs of such additional production (Article 11(2) of the ZPFPPIP).

Additional costs of commercial production during the operation of Unit 6 for heat production purposes are direct costs calculated based on energy inputs consumed, and include:

1. Cost of coal
   Coal cost of additional electricity production = 10% of the contract price; 90% is included in the public utility service costs, as this cost would have been incurred even in the absence of additional commercial operation (ref. Article 3 of the Coal Supply Agreement).
2. Cost of chemicals and additives for additional production.
3. Cost of emission allowances for additional production.

In the Statement of Financial Position, receivables and liabilities are recognized in the amounts incurred during commercial operation.

3.9.6 Statement of financial position by activity

in EUR

	31.12.2025	Economic public service - thermal power plant production	Economic service - electricity production	Other activity - commercial operation of electricity production
ASSETS	**623,968,713**	**37,356,569**	**538,824,453**	**47,787,692**
A. LONG-TERM ASSETS	**392,014,645**	**21,467,405**	**343,575,230**	**26,972,010**
I. Intangible assets	105,360,344	5,778,815	72,609,519	26,972,010
II. Property, plant and equipment	266,857,797	14,605,127	252,252,670	0
III. Right to use leased assets	42,610	2,332	40,278	0
VI. Other long-term investments and loans	12,112,860	662,937	11,449,923	0
VII. Long-term oprating receivables	5,050,000	276,387	4,773,614	0
VIII. Other-long term assets	2,591,033	141,807	2,449,226	0
B. SHORT-TERM ASSETS	**231,954,069**	**15,889,164**	**195,249,223**	**20,815,682**
II. Inventories	63,931,217	3,452,903	60,478,314	0
III. Short-term investments and loans	3,054,464	167,171	2,887,293	0
IV. Short-term trade receivables	31,698,137	4,994,468	23,918,999	2,784,670
V. Contract assets	837,587	45,841	791,746	0
VI. Current tax receivables	0	0	0	0
VII. Other short-term assets	36,808,400	1,995,266	34,813,135	0
VIII. Cash and cash equivalents	95,624,263	5,233,516	72,359,735	18,031,012
EQUITY AND LIABILITIES	**623,968,714**	**37,356,569**	**538,824,453**	**47,787,692**
A.EQUITY	**95,146,384**	**8,536,732**	**65,793,970**	**20,815,682**
I. Called-up capital	195,579,850	0	195,579,850	0
II. Capital surplus	66,655,517	1,120,056	65,535,461	0
V. Fair value reserve	-1,115,957	0	-1,115,957	0
VI. Retained earnings or losses	-165,973,027	7,416,676	-194,205,385	20,815,682
B. LONG-TERM LIABILITIES	**274,814,677**	**15,040,607**	**259,774,070**	**0**
I. Provisions for termination benefits and jubilee premiums	3,610,437	197,599	3,412,838	0
II. Other provisions	14,599,258	799,017	13,800,240	0
III. Other long-term liabilities	21,236,347	1,162,265	20,074,082	0
IV. Long-term financial liabilities	235,348,837	12,880,642	222,468,195	0
V. Long-term financial liabilities from leases	19,798	1,084	18,714	0
C. SHORT-TERM LIABILITIES	**254,007,653**	**13,779,230**	**213,256,413**	**26,972,010**
II. Short-term financial liabilities	20,465,116	1,120,056	19,345,060	0
III. Short-term financial liabilities from leases	25,293	1,384	23,908	0
IV. Short-term operating liabilities	48,773,480	2,552,805	46,220,674	0
VII. Other short-term liabilities	184,743,764	10,104,985	147,666,770	26,972,010

3.9.7 Income statement by activity

in EUR

	2025	Economic public service - thermal power plant production	Economic service - electricity production	Other activity - commercial operation of electricity production
1. Net sales revenues	255,300,559	13,526,140	181,154,659	60,619,761
2. Change in the value of inventories of products and work in progress	0	0	0	0
2. Other operating income	104,152,091	3,728,274	100,423,816	0
3. Capitalizing own products and services	1,618,235	265,685	1,352,550	0
GROSS OPERATING REVENUE	**361,070,885**	**17,520,099**	**282,931,025**	**60,619,761**
3. Costs of goods, materials and services	188,556,721	9,986,189	174,151,207	4,419,325
4. Labour costs	17,004,085	930,634	16,073,451	0
5. Value write-offs	36,049,106	1,972,968	34,076,138	0
a) Amortisation	35,615,004	1,949,209	33,665,795	0
b) Impairments/write-offs/disposal of intangible assets and investments, property and equipment	432,565	23,674	408,891	0
c) Impairments/write-offs of receivables	0	0	0	0
d) Inventories impairments/write-offs	1,536	84	1,452	
7. Capitalised own products and services	0	0	0	0
6. Other opearting expenses	142,197,718	5,883,695	100,929,270	35,384,753
OPERATING PROFIT/LOSS	**-22,736,744**	**-1,253,385**	**-42,299,041**	**20,815,682**
7. Financial revenue	**1,043,209**	**96,319**	**946,890**	**0**
8. Financial expenses	**11,991,638**	**656,302**	**11,335,335**	**0**
FINANCIAL OUTCOME	**-10,948,429**	**-559,983**	**-10,388,445**	**0**
9. Share in the operating results of associates and jointly controlled entities	0	0	0	0
PROFIT/LOSS BEFORE TAX	**-33,685,173**	**-1,813,368**	**-52,687,487**	**20,815,682**
TAX	**0**	**0**	**0**	**0**
NET PROFIT FOR THE FINANCIAL YEAR	**-33,685,173**	**-1,813,368**	**-52,687,487**	**20,815,682**

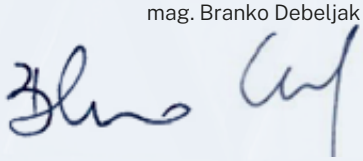
Signature of the 2025 annual report and its constituent parts

The Managing Director of TEŠ hereby confirms that he has reviewed and is familiar with the contents of all constituent parts of the TEŠ Annual Report for 2025 and, accordingly, with the Annual Report as a whole.

He approves the Annual Report and confirms his approval by signing below.

Šoštanj, 24 July 2026

Managing director
mag. Branko Debeljak



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
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 gas
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
ZOEE	Electricity Supply Act
ZOP	Gas Supply Act
ZVO	Environmental Protection Act
ZPFPPIP	Act on Transitional Financing for an Accelerated and Just Coal Phase-Out


TERMOELEKTRARNA
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