ANNUAL REPORT
OF THE HSE GROUP AND HSE COMPANY
FOR 2025

hse Group

HARNESSING THE POWER OF NATURE



With the energy of the sun,
water and wind, we all win.

ACCELERATED
TO GREEN

Holding Slovenske elektrarne d.o.o.

Koprska ulica 92, 1000 Ljubljana, Slovenia

Company registration number: 1662970000

Entry in the Court Register: District Court of Ljubljana under no. 1/35036/00

Share capital: EUR 29,558,789.00

VAT ID number: SI99666189

EIC code: 11XHSE-SLOVENIAG

ACER code: A0000476J.SI

LEI CODE: 549300KRZTPE6IXQYU97

Credit rating: Baa2

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Contents

1 Introduction 8

1.1 Highlights of the HSE Group's operations for 2025 9

1.2 Letter from Managements 10

1.3 Report of the Supervisory Board 15

2 Business report 27

2.1 Timeline of key events in the HSE Group in 2025 28

2.2 Significant events after the reporting period 34

2.3 Statement of corporate governance 38

2.4 Presentation of the HSE Group 53

2.5 EU electricity market environment 63

2.6 Analysis of HSE Group performance 79

2.6.1 HSE Group and Company key data 80

2.6.2 Income statement analysis – HSE Group and Company 81

2.6.3 Analysis of the statement of financial position of the HSE Group and Company 87

2.7 Risk and opportunity management of the HSE Group 90

2.7.1 HSE Group key risks 96

2.7.2 Risks monitored under ZFPPIPP (Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act) 110

2.7.3 Impact of geopolitical tensions in the Middle East 111

2.8 HSE Group development strategy 114
2.8.1 HSE Group business policy 115
2.8.2 Promise: A green future and the protection of the environment in which we live 116
2.8.3 Analysis of the environment and the competition 116
2.8.4 Energy policy and the regulatory environment 118
2.8.5 HSE Group investments 120
2.9 Sustainability Report 126
2.9.1 Auditor’s opinion on the Sustainability Report 126
2.9.2 General information 129
2.9.3 Sustainable development management system 132
2.9.4 Strategy, business model and value chain 143
2.9.5 Double materiality analysis 153
2.9.6 Climate change mitigation and adaptation (ESRS E1) 163
2.9.7 Biodiversity and ecosystems (ESRS E4) 202
2.9.8 Employees (ESRS S1) 217
2.9.9 Cooperation with communities (ESRS S3) 246
2.9.10 Consumers and end users (ESRS S4) 256
2.9.11 Business conduct (ESRS G1) 262
2.9.12 Corporate security 276
2.9.13 Cyber security and digitalisation 283

3 Financial report of the HSE Group 290
3.1 Auditor's report for the HSE Group 291
3.2 Statement of Management's responsibility 294
3.3 Introductory notes to the preparation of the consolidated financial statements 295
3.4 Consolidated financial statements 296
3.4.1 Consolidated statement of financial position 296
3.4.2 Consolidated income statement 297
3.4.3 Consolidated statement of other comprehensive income 298
3.4.4 Consolidated cash flow statement 299
3.4.5 Consolidated statement of changes in equity 300
3.5 Explanatory notes to the consolidated financial statements 301
3.5.1 Reporting company 301
3.5.2 Basis for preparation 303
3.5.3 Material information on accounting policies 306
3.5.4 Determination of fair value 330
3.5.5 Financial risk management 331
3.5.6 Disclosures to the consolidated financial statements 331
3.5.7 Events after the reporting date 387

4 Financial report of the HSE Company 389
4.1 Auditor's report for the company HSE 390
4.2 Statement of Management's responsibility 394
4.3 Introductory notes to the preparation of the financial statements 395
4.4 Separate financial statements of the HSE Company 396
4.4.1 Separate statement of financial position of the HSE Company 396
4.4.2 Separate income statement of the HSE Company 397
4.4.3 Separate statement of other comprehensive income of the HSE Company 398
4.4.4 Separate cash flow statement of the HSE Company 399
4.4.5 Separate statement of changes in equity of the HSE Company 400
4.5 Explanatory notes to the separate financial statements of the HSE Company 401
4.5.1 Reporting company 401
4.5.2 Affiliate and representative office 405
4.5.3 Material information on accounting policies 405
4.5.4 Determination of fair value 426
4.5.5 Financial risk management 427
4.5.6 Disclosures to the separate financial statements 427
4.5.7 Events after the reporting date 489
4.5.8 Additional disclosures based on the Electricity and Gas Supply Act 491

5 Appendices 497

5.1 List of disclosure requirements from ESRS that are covered in the Sustainability Report 498

5.2 Disclosures arising from other legislation related to sustainability reporting 503

5.3 List of abbreviations 515

5.4 Business Cards 521

Some of the visuals in the report were created using artificial intelligence and are intended for illustrative purposes only.

1 INTRODUCTION

ACCELERATING THE TRANSITION TO RENEWABLE ENERGY SOURCES

In the power of water, sun, and wind, we see more than just the extraordinary potential of clean energy. With knowledge and strategic infrastructure projects, we transform natural resources into long-term energy security, stability, and a stronger competitive position for Slovenia. The green transition is therefore not just an ambitious vision; it is our responsibility to future generations.



1.1 Highlights of the HSE Group's operations for 2025

GROUP EBITDA
EUR 324.1 million

GROUP NET PROFIT
EUR 257.9 million

SHARE OF **RES** IN PRODUCTION
100%

GENERATION
3,353 GWh

EMPLOYEES
1,081

FINANCIAL STABILITY

Dividend distribution
EUR 165 million

Early loan repayment
EUR 169.7 million

IMPROVED CREDIT RATING
Baa2

INVESTMENTS IN DEVELOPMENT

- Floating solar power plant Družmirje
- Hydroelectric Power Plants of the Middle Sava River
- Battery storage

TRADING AND SALES

450 + …partners

20 + …… European markets

24 / 7 …trading



1.2 Letter from Management

2025: FROM AMBITIOUS PLANS TO REAL RESULTS

The HSE Group is recording yet another year marked by excellent business results. The achieved EBITDA of EUR 324.1 million and net profit of EUR 257.9 million, with net profit exceeding the plan by 33%, confirm the Group's financial stability and its ability to create value even in challenging market conditions. With reliable electricity generation, in 2025 we remained both a pillar of energy supply and a driver of Slovenia's energy transition. Our power plants generated 3,353 GWh of electricity, of which as much as 3,018 GWh was produced in our hydro and solar power plants. In doing so, we made an important contribution to the national and European green transition goals.

We were one of the largest suppliers of electricity to end customers and a reliable business partner in electricity trading and derivative products, both within Slovenia and beyond its borders. As an electricity trader, we operated in more than twenty European countries and traded electricity from various generation sources on domestic and international markets, as well as emission allowances, derivatives and related energy products.

Our operations in 2025 were once again based on expertise, adaptability and an active response to the dynamic and complex conditions of energy markets, as reflected in the data presented in this annual report.



Tomaž Štokelj, Ph.D.

CEO of HSE



Uroš Podobnik

CBO of HSE

In 2025, the HSE Group entered an intensive investment cycle driven by European and national strategies for the transition to renewable energy sources and decarbonisation targets. Our development activities were based on the planning and construction of generation capacities that will, in the long term, enable an accelerated green transition by ensuring reliable production, supply, resilience, and the stability of Slovenia's power system. We continued to further optimise our generation portfolio, offer competitive energy solutions, and upgrade our sales and trading strategies and business models, thereby ensuring financial stability. In doing so, we consistently followed the principles and strategy of sustainable development, strengthening the recognition and reputation of the HSE Group as one of the leading energy players in the domestic and international arena.

2025 was marked by several investment projects. Among the most important was the active planning of the construction of the **Družmirje floating solar power plant, the first plant of its kind** in Slovenia and one of the largest projects of its kind in this part of Europe, with a planned capacity of up to 130 MW. The project symbolises the transformation of the energy landscape and the start of a new development chapter for the Savinja–Šalek region. In cooperation with HSE SaŠa, which will be responsible for implementing green transition projects in the Šalek Valley, we have begun the gradual transformation of the Šoštanj Thermal Power Plant site from a coal-based location into a modern energy hub combining renewable energy sources, energy storage, and new technologies. In this regard, we place particular emphasis on cooperation with the local community: the agreements with the Municipality of Šoštanj, signed in 2025, represent an important step towards the transparent and responsible siting of the project.

We also maintain a constructive partnership with the local communities of the Zasavje region. Following the signing of cooperation agreements on joint development projects in the field of renewable energy sources with the Municipalities of Hrastnik and Trbovlje, in 2025 we also signed an agreement for the implementation of the **Prapretno 2 and 3 solar power plant** project, which will harness the potential of both municipalities for solar energy generation. The total capacity of the Prapretno solar power plant will reach almost 10 MW upon completion of the remaining two units, which is planned for the first half of 2026. As part of the project, which is co-financed with EUR 4 million from the European Union's Just Transition Fund, a battery energy storage system will also be installed, further enhancing system flexibility and improving the overall efficiency of the investment. We are also developing a similar approach to locating solar power plants on degraded sites in Zagorje ob Savi, where in August 2025 we signed an agreement with the municipality establishing building and easement rights for the purpose of constructing a solar power plant.

In 2025, the largest Slovenian hydropower project remained the **construction of hydroelectric power plants on the Middle Sava River**. The first three planned hydropower plants (HPP Suhadol, HPP Trbovlje and HPP Renke) will have a combined installed capacity of 99 MW and are expected to generate 403 GWh annually, enough to supply approximately 100,000 average households. The Middle Sava hydropower project, one of the key development pillars of the HSE Group,

was, as of the end of 2025, in the process of obtaining opinions from national spatial planning authorities on the variant study, environmental report, and draft decree identifying the most suitable option.

We also made significant progress in solar projects in the Primorska and Štajerska regions. At the upper reservoir site of the Avče pumped-storage hydropower plant, the first phase of the **Kanalski Vrh solar power plant** was completed in 2025, and it is already supplying electricity to the power grid. The second phase will increase the total capacity to approximately 7.3 MW, while the expected annual electricity generation is estimated at 8,000 MWh. In 2025, planning also continued for the 7.78 MW **Dekani solar power plant** project at the Zamatavinc surplus material landfill site, located in the Municipality of Koper. This is an area where excavated material from the construction of a tunnel on the Primorska section of the motorway network has been deposited. Simultaneously, we also developed solar power plant projects on the intake canals of our largest hydropower plants in the Štajerska region, where we are leveraging synergies between hydropower and solar energy sources. In 2025, the decree on the national spatial plan for the **Zlatoličje/Formin solar power plant** with an installed capacity of 21.8 MW, was adopted, while spatial planning was completed for the 10 MW **ZOOP solar power plant** on a closed landfill site in Maribor. Construction of both projects is expected to begin in 2026.

As the share of renewable energy sources increases, so does the need for flexibility resources and electricity storage systems. Pumped-storage hydropower plants are the most widespread, largest, and the most reliable electricity storage technology in Europe. In several countries they play an important role in providing system services and balancing both consumption and renewable energy generation. Within the HSE Group, the Avče pumped-storage hydropower plant is already operated by Soške Elektrarne Nova Gorica, while the second planned project is the **Kozjak pumped-storage hydropower plant.** The latter is currently in the preparation phase for the development of technical studies and solutions as part of the procedure for obtaining an integrated building permit. It is one of the key strategic projects of the HSE Group and the Slovenian energy sector, as confirmed by its inclusion in the strategic documents of DEM, the HSE Group, ELES, and the National Energy and Climate Plan. In 2025, we initiated activities for the construction of eight battery energy storage systems with a planned total capacity of more than 500 MW and a storage capacity exceeding 1,000 MWh. The first grid connections are expected in the second quarter of 2027, with the completion of the investment cycle planned by the end of 2029. The battery energy storage systems will make an important contribution to greater system flexibility, more efficient management of energy surpluses, and more stable integration of solar and wind energy. In this context, it is also worth highlighting the battery energy storage system owned by TAB, which HSE has taken over for operation until the end of 2025, further strengthening its competencies in the field of energy storage.

In 2025, the HSE Group developed its activities in generation, investment and trading, as well as in the retail segment. Our companies ECE and Energija plus continue to maintain stable growth in the number of customers supplied with electricity and natural gas. In the past year, both companies upgraded their IT support by implementing advanced software integrating key business processes (ERP) and enabling more efficient customer relationship management (CRM). In the energy

solutions field, they introduced an advanced annual settlement model for solar power plants with battery storage, known as NET-MET, representing a unique solution of its kind on the market. The expansion of our energy product portfolio remains one of our key development priorities, as our goal is not only to ensure a reliable supply at competitive prices and a broad range of products and solutions, but also to support customers in taking an active role in achieving green transition goals. In 2025, the HSE Group also provided its companies with expert support in the development of energy solutions and sales models, as well as in the implementation of supporting processes. It is also worth noting the strengthening of cooperation between ECE, Energija plus, and various Slovenian municipalities in accelerating the green transition. In cooperation with the municipalities of Celje, Šoštanj, Velenje, Ormož, Ptuj, Murska Sobota, Ljutomer, Hoče, as well as several other municipalities in northeastern Slovenia, the two companies have outlined projects for installing solar power plants on the roofs of public buildings, with a combined capacity exceeding 10 MW. These projects, co-financed by the Recovery and Resilience Facility, significantly enhance the energy independence of municipalities and support the realisation of green transition objectives. Through their knowledge and experience, both companies within the HSE Group contribute to the development of local communities, while also strengthening the energy independence of individual municipalities.

Over the past year, HSE also adopted a structured approach to integrating artificial intelligence into its business processes. We identified systems for individual use cases and applications, trained and raised awareness among employees, and established necessary regulatory frameworks in this area. In addition to general support for employees' day-to-day tasks and the development of internal applications, we also implemented a range of specialised tools which, under appropriate controls, support decision-makers in specific work processes. We also introduced tools to support the development and awareness of employees within the HSE Group.

We therefore entered 2026 well prepared and enriched with a range of new experiences, providing a solid foundation for achieving our set objectives. These objectives are also reflected in the ambitiously designed long-term business strategy of the HSE Group, which was adopted in 2025. In the area of **investments**, the strategy focuses on the development of solar, wind and hydropower plants, pumped-storage hydropower plants, hydrogen technologies and battery energy storage systems, which we plan to deploy at various energy locations across Slovenia, thus further contributing to the stability and resilience of electricity supply. In the area **of operations management**, the focus will be on the introduction of digital solutions to achieve greater cost efficiency and enhanced flexibility. In the area of **sales and trading**, the focus will be on long-term hedging and the management of market and volume risks related to the HSE Group's own generation, the diversification of sales channels, and the further development of trading activities and portfolio management. Taking into account the needs and expectations of electricity customers and broader market trends, we will actively develop **modern energy solutions and advanced sales products and services**, supported by digitalisation, which will increasingly shape and guide our activities across all areas. We will focus on the development of self-supply solutions and energy self-sufficiency communities, while also pursuing opportunities in the rapidly growing field of e-mobility. With the aim of maintaining financial stability, we will place strong emphasis

on sustainable financing models, profitable investments, the maximisation of available subsidies, and a balanced dividend policy. In line with the changed organisational and production structure, a **long-term business strategy** and an **HSE Group sustainable development strategy** were also prepared in 2025. These, alongside European and national renewable energy transition legislation, guide our efforts towards achieving the vision of being a driver of the green transition and a pillar of secure energy supply.

None of this can, of course, be achieved without committed, dedicated and empowered employees who, through their knowledge, energy and sense of responsibility, contribute to the HSE Group's success on a daily basis. Our people represent our greatest strength and are the key reason we are able to turn ambitious plans into tangible results. Together with you - our owner, business partners, local communities and electricity customers - we entered 2026, the year in which we mark the 25th anniversary of the HSE Group, with a clear vision, strengthened experience, and the courage to take the necessary next steps. We are aware that significant challenges lie ahead, but also even greater opportunities await. And it is precisely these opportunities that we will make the most of - together.

Above all, we enter the future with what has been connecting and driving us all along – energy. The energy of people, the energy of knowledge, and the energy that drives the future.

Energy, without which there is nothing.

Thank you for being part of this success story.

Ljubljana, 29 May 2026

1.3 Report of the Supervisory Board

On the basis of the Companies Act, the Articles of Association of the limited liability company HSE, d.o.o., the Rules of Procedure of the Supervisory Board of HSE, d.o.o., and the Corporate Governance Code for Companies with State Capital Investment, the Supervisory Board of HSE, d.o.o. (hereinafter the HSE Supervisory Board) has prepared the report of the HSE Supervisory Board for 2025.

Manner and scope of supervision of the management and operations of HSE in the 2025 financial year

In 2025, the HSE Supervisory Board met at fourteen sessions, of which ten were regular, one was extraordinary and three were correspondence sessions. Attendance of HSE Supervisory Board members at the sessions is shown in the table included in the corporate governance statement. At the proposal of the Audit Committee of the HSE Supervisory Board (hereinafter the AC), the HSE Supervisory Board approved the Annual Report of the HSE Group and the HSE Company for 2024. It granted consent to the Business and Financial Plan of the HSE Group for 2026 with an indicative estimate to 2028, to the Long-Term Business Strategy of the HSE Group for the period 2025–2030 with an outlook to 2035, and to the Sustainable Development Strategy of the HSE Group.

The HSE Supervisory Board was regularly briefed on the ongoing operating results of the HSE Group and the HSE Company. It considered legal transactions and business matters of subsidiaries for which, in accordance with the Articles of Association, the prior consent of the HSE Supervisory Board is required, legal transactions between HSE and subsidiaries which, under the Slovenian Sovereign Holding Act (ZSDH-1), require the authorisation of the HSE Supervisory Board, and other business and strategically important areas that have a significant impact on the medium-term and long-term interests of the HSE Group and the HSE Company. All resolutions at the sessions of the HSE Supervisory Board were adopted unanimously, except in cases where there was a substantiated reason for an abstention by an individual HSE Supervisory Board member or a reason for exclusion from voting due to a conflict of interest. All members of the HSE Supervisory Board are independent. The composition of the HSE Supervisory Board is included in the corporate governance statement, which the HSE Supervisory Board confirmed by resolution.

The HSE management regularly informed the HSE Supervisory Board about borrowings, risk management reports for the HSE Group, liquidity and reports on the operations of the HSE Company and Group. It also regularly informed it of the founder's resolutions, important projects, significant court/arbitration proceedings and other key events in the HSE Company and Group.

The HSE Supervisory Board considered quarterly sustainability reports in terms of achieving the strategic objectives of the HSE Group and was briefed on the sustainability aspects of the operations and activities of the HSE Group in environmental, social and governance areas.

The HSE Supervisory Board continuously monitored the course of the negotiation process in connection with the concluded ad hoc arbitration and the ongoing ICSID Ugljevik arbitration, in which key progress was made in 2025 towards concluding a so-called global settlement of the remaining open items, in particular regarding the amount of the relevant claim, securing of associated payments and the conclusion of the ICSID institutional arbitration.

The HSE Supervisory Board granted the following more significant consents:

- to the investment programme '2nd overhaul of the unit and other equipment of the Avče pumped-storage hydroelectric power plant',
- to the investment programme '110 kV switchyard at HPP Mariborski otok with battery storage',
- to the investment programme 'SPP Kanalski Vrh',
- to the investment programme 'SPP Zlatoličje Formin',
- for the conclusion of a legal transaction on co-financing of the operation 'Construction of the Prapretno 2 and 3 solar power plant with battery storage' under the 'European Cohesion Policy Programme for the period 2021–2027',
- for the conclusion of a legal transaction following the final decision on awarding the public procurement contract 'Construction of the Prapretno 2 and 3 solar power plant with battery storage'.

The HSE Supervisory Board granted consents for the appointment of directors by the sole shareholder in the companies HSE – Energetska družba Trbovlje, d.o.o., HSE BH Energetsko preduzeće, d.o.o. and DEM, d.o.o. The HSE Supervisory Board granted consent to the adoption of the articles of association by the sole shareholder of Energija plus, d.o.o.

The HSE Supervisory Board adopted:

- a resolution on the appointment of the auditor for providing sustainability assurance services on the HSE Group's consolidated sustainability report for the 2024 financial year, the company Deloitte revizija, d.o.o., and confirmed the content of the proposed contract with the auditor;
- a proposal to the founder to appoint DELOITTE revizija, d.o.o. as the auditor of the financial statements of the HSE Company and Group and the provider of assurance services on the HSE Group's consolidated sustainability report for the 2025, 2026 and 2027 financial years, also confirming the content of the

proposed contract 'Auditing the financial statements and providing assurance on the consolidated sustainability report of the HSE Group for the 2025, 2026 and 2027 financial years';

- the revised HSE Management Remuneration Policy;
- the revised Rules of Procedure of the HSE Supervisory Board;
- the revised Rules of Procedure of the Trading and Investment Committee of the HSE Supervisory Board;
- the revised Rules of Procedure of the HR Committee of the HSE Supervisory Board and
- granted consent to the Rules on the procedure of the HSE Group's Internal Audit.

In the area of HR matters, the HSE Supervisory Board:

- decided on the payment of the variable part of the remuneration of HSE management members for 2024;
- adopted the Act on determining the criteria for payment of the variable part of the remuneration of HSE management for 2025;
- in December began the procedure for appointing the Director General of HSE, determined the manner of conducting the candidate search, defined additional desired competences for the position of HSE Director General and instructed the HR Committee of the HSE Supervisory Board (HRC) to organise the procedure and carry out certain related activities;
- adopted amendments to the Diversity Policy of the management and supervisory bodies of HSE;
- adopted amendments to the HSE Management Remuneration Policy;
- reviewed and assessed the existing composition of the HSE Supervisory Board and, with regard to the company's operations and the outlined development strategy, and considering the characteristics (profiles) of those HSE Supervisory Board members whose term does not expire in 2025, determined the profile of the sought-after HSE Supervisory Board member due to the expiry of the term of office of HSE Supervisory Board members in 2025;
- was briefed on the content of the act defining the internal organisation of HSE;
- was briefed on the report on the implementation of the succession policy in the HSE Group in 2024.

The HSE Supervisory Board was briefed on the annual and semi-annual report on the work of the Compliance Department. It was also briefed on the Annual Report of the HSE Internal Audit Department (IAD) on internal auditing for 2024 and was regularly briefed on internal audit reviews and quarterly reports on the work of the

IAD. It also decided on the payment of the bonus to the head of the IAD for 2024. It granted consent to the long-term and annual work plan of the IAD for 2025, consent to the methodology for calculating the bonus of the head of the IAD, and consent to the reappointment of the head of the IAD and her remuneration.

The HSE Supervisory Board was briefed on:

- the new Articles of Association of HSE dated 20/8/2025;
- the revised amendments and supplements to the SSH Recommendations and Expectations (December 2024);
- the HSE Group's working instructions on conduct in connection with the avoidance of conflicts of interest;
- information on the progress of the North Adriatic Hydrogen Valley project;
- information on the activities of HSE as the sole shareholder of DEM on the Mali Log WPP project;
- the recall of the HSE Supervisory Board member and employees' representative by the HSE Workers' Council, Ms Blanka Povh, with effect from 1/3/2025 and consequently from the HRC, and the appointment of the new HSE Supervisory Board member and member of the HRC as well as employees' representative, Mr Borut Kamnikar;
- the recall of the HSE Supervisory Board member and employees' representative by the HSE Workers' Council, Mr Matej Kovač, with effect from 1/3/2025 and consequently from the AC, and the appointment of the new HSE Supervisory Board member and member of the AC as well as employees' representative, Mr Aleš Žagar;
- the report of the HSE Workers' Council on the implementation of the Workers Participation in Management Act (ZSDU).

In 2025, the HSE Supervisory Board carried out a self-assessment with the assistance of an external expert and fully implemented its adopted action plan, thereby improving its functioning.

The HSE Supervisory Board also took part (usually with the assistance of the Chair of the Supervisory Board) in periodic meetings of the founder with the management of HSE. The HSE Supervisory Board considers that it acted throughout in the interests of the HSE Company and Group, on the basis of the information and reports submitted to it by the management, within the scope of its authority and competences as defined by law and the company's articles of association, and having regard to the reference Corporate Governance Code for Companies with State Capital Investment (SSH Code, December 2023).

Activities of the Audit Committee of the HSE Supervisory Board

In 2025, the AC operated in the composition shown in the table in the corporate governance statement.

In 2025, the AC met at eight regular sessions, two extraordinary sessions and held two correspondence sessions, at which, with the exception of one session, all members of the AC were present. Members of the HSE Supervisory Board who are not members of the AC were informed of the AC's work by having access to the minutes of sessions; in addition, the Chair of the AC regularly reported on the work and findings of the AC at the sessions of the HSE Supervisory Board. The AC considered matters in accordance with the ZGD-1, the Recommendations for the AC, the Rules of Procedure of the AC, the work plan of the AC adopted for 2025 and the resolutions of the Supervisory Board.

At the start of the year, the AC adopted the work plan of the AC for 2025 and carried out a self-assessment of its work for the previous year, thereby laying the foundations for its work during the current year.

In 2025, the AC was regularly briefed on the quarterly reports on the operations of the HSE Group and its companies, on assessments of the interim operations of the HSE Company and Group, and paid particular attention to financial and accounting information, liquidity, borrowings, compliance with commitments to banks and sustainability information. It regularly monitored periodic reports on risk management of the HSE Company and Group and was actively involved in upgrading the risk reporting system. At each session it paid special attention to ongoing activities related to upgrading sustainability reporting in the HSE Group, and was also briefed quarterly on reports from the area of compliance. The AC was also briefed on the Business and Financial Plan of the HSE Company and Group for 2026.

At the start of 2025, the AC was briefed on the Annual Report of the IAD for 2024, its plan of activities for 2025, and throughout the year it was regularly briefed on quarterly reports on the work of the IAD, reports on individual internal audit reviews and reports on the implementation of IAD recommendations. The AC proposed to the HSE Supervisory Board that it grant consent to the reappointment of the current head of the IAD and her remuneration, and also proposed to the HSE Supervisory Board for consent the criteria and amount of the bonus for the head of the IAD. At the end of the year, it also considered the IAD work plan for 2026 and proposed it for consent by the HSE Supervisory Board.

In 2025, the AC held several meetings with the auditors of the audit company Deloitte revizija, d.o.o., both during the pre-audit period and during the audit of the financial statements and review of the sustainability report for 2024, in which it actively participated in determining the areas and the course of the audit and review itself. It was briefed on the course and key findings of the audit of the financial statements of the HSE Group and Company and the review of the HSE Group sustainability report for 2024. It reviewed the unaudited and audited Annual Report of the HSE Company and Group for 2024, including the consolidated sustainability report of the HSE Group (with the auditor's report on the financial statements and the auditor's report on the provision of sustainability assurance),

assessed the composition of the annual report and formulated a proposal for the HSE Supervisory Board. During the audit it monitored, and after the conclusion of the audit it took a position on, the performance of the auditor of the financial statements and the sustainability report, Deloitte revizija, d.o.o. The AC periodically monitored and verified its independence, namely through the reporting system, as set out in detail in the Rules of Procedure of the AC. In the opinion of the AC, the objectivity and independence of the auditor of the financial statements and the sustainability report, Deloitte revizija, d.o.o., were not compromised in 2025. In 2025, the AC actively participated in setting the criteria and standards and comprehensively directed and monitored the entire process of selecting the auditor of the financial statements of the HSE Company and Group and the provider of assurance services on the consolidated sustainability report of the HSE Group for the 2025, 2026 and 2027 financial years, with HSE having, in accordance with legislation, used the public procurement procedure.

The Guidelines for monitoring the independence and impartiality of the auditor of the annual financial statements of the HSE Group and Company, which also apply mutatis mutandis to the sustainability assurance provider, precisely define the methods and procedures for monitoring the independence and impartiality of the auditor of the annual financial statements of the HSE Group and Company, as well as the safeguards. They lay down the procedure for prior approval by the AC of the provision of all non-audit services by the auditor of the annual financial statements of the HSE Group, HSE Company and all other companies of the HSE Group. The professional departments of HSE keep an up-to-date record of all audit and non-audit services provided by the auditor of the annual financial statements of all companies of the HSE Group. On the basis of the data and information received, the AC each time (other than for the auditor's services performed under statutory requirements, which the AC had already considered as part of the audit engagement) assesses in advance whether the service is a permitted non-audit service, whether the independence of the auditor of the annual financial statements of the HSE Group and Company would potentially be compromised by the provision of such a service, and whether, as a result, there are any obstacles to the conclusion of the proposed transaction. There were no such transactions in 2025.

Activities of the HR Committee of the HSE Supervisory Board

In 2025, the standing HRC was operational and met at three regular sessions. It provided expert assistance to the HSE Supervisory Board on HR matters. It considered matters in accordance with its rules of procedure, its adopted work plan and the resolutions of the HSE Supervisory Board. It was briefed on the SSH Recommendations and Expectations (December 2024) relating to HR matters (management of corporate culture, sustainable business operations of companies, remuneration policy, gender representation in management and supervisory bodies).

It was briefed on the report on the state and measures in the area of corporate culture, on information about middle management of HSE, on the report on the development of key staff of the HSE Group, on the report on monitoring measures to improve the organisational climate at HSE, on information about middle management of HSE, and on the report on the implementation of the succession policy in 2024. It considered the proposal for a revised Remuneration Policy for the

management bodies at HSE and formulated a proposal for adoption at a session of the HSE Supervisory Board. It considered amendments to the Diversity Policy of the management and supervisory bodies of HSE, linked to changes in regulation, and formulated a proposal on gender representation in management and supervisory bodies for the HSE Supervisory Board. It was briefed on the report on HR adjustments at HSE related to the divestment of the thermal division, and on the implementation of recommendations of the internal audit department based on the internal audit review of HSE HR Management.

It approved the Report on the work of the HRC for 2025, briefed the HSE Supervisory Board thereon, adopted the Work Plan of the HRC for 2026 and proposed it to the HSE Supervisory Board for approval. It considered amendments to the Rules of Procedure of the HRC and proposed them to the HSE Supervisory Board for adoption. It considered the proposal for a specific competence profile for a member of the HSE Supervisory Board upon expiry of the term of office and proposed certain amendments, and submitted it to the HSE Supervisory Board for approval. It submitted to the HSE Supervisory Board the proposal of the Act on determining the criteria for payment of the variable part of the remuneration of the HSE management for 2025 and verified the eligibility for payment of the variable part of the management remuneration for 2024. In all the areas considered, it submitted its proposals for improvement in comprehensive discussions.

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

In 2025, the Trading and Investment Committee of the HSE Supervisory Board (TIC) was operational and met at four regular sessions and one extraordinary session. The TIC provides expert support to the HSE Supervisory Board in the area of trading and investments. It considered matters in accordance with its rules of procedure and the resolutions of the HSE Supervisory Board. It proposed to the HSE Supervisory Board the adoption of new Rules of Procedure of the TIC. It was briefed on the SSH Instructions regarding the minimum scope of documentation for an investment decision dated 11/9/2025.

In the area of marketing, the TIC regularly monitored the sales and trading balance for the current year and for 2026 and 2027, as well as the strategies in place, limits and changes to threshold volume values in the marketing of own production. In addition, the TIC regularly monitored the operation and activities of the own-production sales committee and progress in managing trading risks. It considered, on a quarterly basis, reports on implemented and planned measures in the area of cybersecurity and semi-annual reports on the investments 'Refurbishment of the 110 kV switchyard at HPP Zlatoličje', 'Reconstruction of HPP Formin and the Markovci dam', as well as semi-annually on the progress of the North Adriatic Hydrogen Valley project.

The TIC was briefed on the key objectives and starting points of the HSE Group Development Plan and on the updated internal acts in the area of investments, as well as on the Long-Term Business Strategy of the HSE Group for the period 2025–2030 with an outlook to 2035. In the area of investments, the TIC was briefed on the content of investments included in the Business and Financial Plan of the HSE Group for 2026 with an indicative estimate to 2028. It was briefed on the concept of deploying battery storage in the HSE Group and on an example of the development of an algorithm for optimising trading with a battery.

Through quarterly reports it monitored ongoing investments and the status of major investments under the Business and Financial Plan of the HSE Group for 2025. It considered investment programmes for the investments '2nd overhaul of the unit and other equipment of the Avče pumped-storage hydroelectric power plant', '110 kV switchyard at HPP Mariborski otok with battery storage', the 'SPP Kanalski Vrh and SPP Zlatoličje Formin solar power plants', and two legal transactions: co-financing of the operation 'Construction of the Prapretno 2 and 3 solar power plant with battery storage' under the European Cohesion Policy Programme for the period 2021–2027 and the implementation of the public procurement contract 'Construction of the Prapretno 2 and 3 solar power plant with battery storage', and submitted its proposal to the HSE Supervisory Board. It was also briefed on the investment programme for the investment 'ZOOP solar power plant'.

In accordance with resolutions of the HSE Supervisory Board, it was briefed on specific internal audit reviews from the area of trading and investments and monitored the implementation of recommendations. From the perspective of trading and investments, it reviewed the audited Annual Report of the HSE Group and Company for 2024. It was briefed on the draft Development Plan of the HSE Group for the period 2025–2030 with an outlook to 2035. In all the areas considered, it submitted its proposals for improvement in a comprehensive discussion.

Opinion on the work of the management

In 2025, the HSE Supervisory Board, in accordance with applicable legislation and good practice, comprehensively and responsibly exercised supervision of the management and operations of the HSE Company and Group. Sessions of the HSE Supervisory Board were regularly attended by the management, which, in connection with individual agenda items, reported on operations in a professional, transparent and comprehensive manner and, together with the heads of HSE's professional departments, provided all information and explanations to HSE Supervisory Board members. Between the management and the Chair of the HSE Supervisory Board there was also open, constructive and regular communication outside the sessions, which significantly contributed to the effective performance of the supervisory function. HSE's professional departments, with a high level of expertise, provided administrative and organisational support to the work of the HSE Supervisory Board, effectively organised its work and introduced ongoing technical improvements. The HSE Supervisory Board regularly monitored and assessed the work of the management when considering interim business results and the implementation of key projects, comparing the operations of the HSE Company and Group with previous periods and the set planned objectives. On the basis of the supervision performed, the HSE Supervisory Board considers that the management carried out its tasks in a professional, responsible and committed manner and successfully steered the HSE Company and Group towards achieving the set business objectives, long-term stability of operations and optimal management of the companies of the HSE Group.

Opinion on the operations of the HSE Group and Company

The HSE Group and Company operated successfully in 2025 and exceeded the planned business results. The EBITDA of the HSE Group was 21% higher than the planned value, while the EBITDA of HSE was 17% higher. The net profit of the HSE Group exceeded the plan by 33%, and the net profit of HSE by 30%. The results achieved were primarily the consequence of higher market prices of electricity, effective use of price volatility on electricity markets, successful management of own production, and lower costs of materials, services and labour compared with those planned.

Operations in 2025 were marked by less favourable hydrological conditions, which was reflected in lower electricity production in the HSE Group. This was 24% lower compared with 2024, and 2% lower than planned production. Despite more challenging production conditions, the HSE Group ensured a reliable supply of electricity. The volume of physical sales remained comparable with the previous year or was only slightly lower, while the volume of financial sales and trading transactions increased by 25% compared with 2024.

Revenue of the HSE Group increased by 4% compared with 2024 (excluding the PV Group and TEŠ). At the HSE Company, revenue was 12% lower compared with 2024. The reason for this deviation is primarily smaller volume purchases of electricity from TEŠ and consequently lower onward sales, while at the same time the share of trading in derivative financial instruments increased. The sale of merchandise and materials of the HSE Group and the HSE Company more than doubled compared with 2024, primarily due to a larger volume of sales of emission allowances and natural gas on the domestic market.

The decrease in EBITDA compared with 2024, by 31% for the HSE Group and by 39% for the HSE Company, was primarily influenced by more expensive electricity purchases due to lower own hydro production. At the start of 2025, operations were further affected by the state's intervention measures in the area of electricity supply, which limited the sales prices achieved in the household consumer segment. The costs of materials, services and labour increased year-on-year, but did not exceed the planned values.

The lower EBITDA and the impact of current and deferred taxes affected the lower net profit of the HSE Group, which was 41% lower compared with 2024. At the HSE Company, the 2025 net profit was 13% higher than in 2024, primarily due to a higher financial result. In 2024, due to the transfer of the holdings in the thermal division companies to the Republic of Slovenia, a loss of EUR 221.7 million was recognised among financial expenses. The improvement of the financial result was also supported by a reduction in financial expenses for interest due to lower indebtedness.

The assets of the HSE Group as at 31 December 2025 were 8% lower compared with the position at the end of 2024, while those of the HSE Company were 26% lower. The decrease was primarily a consequence of lower short-term operating receivables from customers due to a smaller volume of sales and lower average

selling prices of electricity, lower receivables for assessed tax, and lower cash due to high outflows. In 2025, the HSE Company prepaid EUR 169.7 million of non-current loans and paid the owner EUR 165 million as a share of profit.

The successful operations of the HSE Group and the HSE Company in 2025 were reflected in a higher level of equity of the HSE Group and Company, which was 9% higher than at the end of 2024. The value of equity was affected (reduced) by the payment of a share of profit to the owner in the amount of EUR 165 million.

Due to the prepayments of non-current loans, the level of indebtedness of the HSE Group to banks as at 31 December 2025 was substantially lower than the previous year and amounted to EUR 3.8 million, while the HSE Company had no financial liabilities to banks.

The HSE Supervisory Board considers that the HSE Group and the HSE Company operated very successfully in 2025 and significantly exceeded the planned results.

Position on the management's proposal for the use of balance sheet profit

The HSE Supervisory Board agrees with the proposal of the company's management that the balance sheet profit, which as at 31/12/2025 amounts to EUR 282,415,152, remain entirely unallocated.

Findings regarding the review and approval of the Annual Report of the HSE Group and Company for 2025, with a position on the auditor's report and the auditor's letter to management

In accordance with paragraph 3 of Article 272 of the Companies Act (ZGD-1), the management of the HSE Company, immediately after the auditor's report with an opinion on the financial statements and the auditor's report with limited assurance on the sustainability report had been prepared and issued, submitted to the HSE Supervisory Board the Annual Report of the HSE Group and Company for 2025, together with the auditor's report with opinion and the auditor's report on limited assurance for 2025 dated 29 May 2026, which was considered by the HSE Supervisory Board at its 47th session on 2 June 2026.

The audit of the financial statements of the HSE Group and Company and the provision of assurance services on the consolidated sustainability report of the HSE Group for 2025 were performed by the audit company Deloitte revizija, d.o.o., which on 29 May 2026 issued:

- the auditor's report with an unmodified opinion that the financial statements of the HSE Group and Company in all material respects fairly present the financial position of the HSE Group and Company as at 31 December 2025, and their financial performance and cash flows for 2025 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). At its 43rd session on 1 June 2026, the AC considered the audited Annual Report of the HSE Group and Company for 2025 and established that the annual report had been prepared in a timely manner and was drawn

up clearly, transparently and in accordance with the provisions of the Companies Act (ZGD-1), the applicable IFRS as adopted by the EU, the ESRS as adopted by the EU, the provisions of the Electricity Supply Act (ZOEE), the Gas Supply Act (ZOOP) and other relevant legislation (ZFPPIPP, ZRev-2, etc.), and

- the auditor's report on limited assurance on the consolidated sustainability report of the HSE Group, in which it confirmed that, on the basis of the procedures performed and the evidence obtained, nothing had come to its attention that caused it to believe that the consolidated sustainability report was not prepared in all material respects in accordance with Articles 70c and 70č of the ZGD-1, which implements Article 29a of Directive EU 2013/34/EU, including (i) compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify information is in accordance with the description in the explanation 'Double materiality analysis'; (ii) compliance of the disclosures in the chapter 'EU Taxonomy' with Article 8 of the Taxonomy Regulation; and (iii) compliance with the requirements regarding the preparation of the consolidated sustainability report in the format prescribed by Article 58 of the ZGD-1 and Article 3 of the ESEF Regulation.

After completing the audit for 2025, the audit company Deloitte revizija, d.o.o. did not issue a letter to the HSE management. The AC had no comments on the audited Annual Report of the HSE Group and Company for 2025, and therefore proposed to the HSE Supervisory Board that, in accordance with Article 282 of the Companies Act (ZGD-1), it adopt a decision approving the Annual Report of the HSE Group and Company for 2025. On the basis of the auditor's report with opinion and the auditor's report with limited assurance on sustainability, the position of the AC, the data and disclosures in the Annual Report of the HSE Group and Company for 2025, the HSE Supervisory Board considers that the auditor performed its work independently and professionally, in accordance with applicable legislation and business practice, that the annual report is in all material respects prepared in accordance with the requirements of the Companies Act (ZGD-1) and that the financial statements in all material respects fairly present the financial position of the HSE Group and Company as at 31 December 2025 and their results of operations and cash flows for the then concluded year in accordance with the International Financial Reporting Standards as adopted by the EU. With regard to the consolidated sustainability report, it considers that it is prepared in accordance with the European Sustainability Reporting Standards as adopted by the EU (ESRS), that the double materiality analysis process has been carried out in accordance with the description in the explanation 'Double materiality analysis', that the disclosures in the chapter 'EU Taxonomy' are in accordance with Article 8 of EU Regulation 2020/852, that it is prepared in accordance with the Companies Act (ZGD-1) and that the inherent limitations in preparing the consolidated sustainability report have been taken into account. The HSE Supervisory Board has no comments on any of the auditor's reports. Furthermore, the HSE Supervisory Board has no comments on the Annual Report of the HSE Group and Company for 2025 that would in any way hold it back from adopting a decision to approve it. The HSE Supervisory Board therefore, in accordance with paragraph 3 of Article 282

of the Companies Act (ZGD-1), approved the Annual Report of the HSE Group and Company for 2025. The above report was adopted within the prescribed time limit, i.e. before the expiry of one month from the day on which the company's management submitted the annual report for 2025 to the HSE Supervisory Board.

Ljubljana, 2nd June 2026



Nevenka Hrovatin, Ph.D.

Chair of the HSE Supervisory Board

2 BUSINESS REPORT

The green transition is a team sport. We deliver investments and development projects through dialogue and by pursuing solutions that generate benefits for local communities, the economy, and the environment. We do not just build infrastructure. We also build lasting trust, strong relationships, and a shared commitment to the realisation of opportunities.



2.1 Timeline of key events in the HSE Group in 2025

JANUARY

On 23 January, construction of the new bridge in Vikrče began. The project was conceived as a donation by HSE Invest following the August 2023 floods. The new bridge will provide improved safety during periods of higher Sava River flows. As a complex structure, the preparation and development of the project documentation were extensive and demanding. Completion of the construction and the overall project is scheduled for 2026.

FEBRUARY

On 13 February, HSE presented options for the further development of the former Trbovlje Thermal Power Plant (TET) site and its future role in the energy and development transformation of the Zasavje region. The site is also expected to remain a key energy hub in the future, ensuring security of supply, system flexibility, and the development of new renewable energy sources and advanced technologies, while leveraging existing infrastructure. The site also hosts petroleum strategic reserves storage facilities, which have once again proven essential, further confirming the strategic importance of the location for the Slovenian energy system**.**

MARCH

On 1 March, as a result of the recall of employee representatives from the HSE Supervisory Board by the HSE Works Council, the mandates of Supervisory Board members Matej Kovač and Blanka Povh were terminated. The HSE Works Council appointed Aleš Žagar and Borut Kamnikar as new members of the HSE Supervisory Board for a four-year term.



On 6 March, more than 230 HSE employees, under the guidance of the Slovenian Forest Service, rolled up their sleeves, picked up tools, and planted 4,000 seedlings of native broadleaf trees in the fire-affected area of the Kras region, which was devastated by a major wildfire in the summer of 2022 that destroyed 3,700 hectares of natural landscape.

The gathering was addressed on behalf of the Mayor of the Municipality of Miren-Kostanjevica by the Director of the Miren Kras Public Institute, Ariana Durnik. Durnik expressed her gratitude for the generosity shown by the Group through its financial support for the restoration of the damaged forests, and in particular for the dedication of employees, whose presence and hands-on tree-planting efforts helped nature in its recovery.

On 24 March, Moody's Investors Service revised the Group's outlook from "stable" to "positive", upgraded its baseline credit assessment from Ba3 to Ba2, and affirmed its long-term issuer rating at Baa3.

APRIL



On 8 April, The Prapretno Solar Power Plant marked its third anniversary of operation. Since its commissioning, it has operated reliably and, in line with planned expectations, has produced 10,180 MWh of electricity. In the next investment phase, the plant's capacity will be more than tripled through its expansion, and with the addition of a battery energy storage system it will also become a flexible component of the Slovenian electricity system. In this way, the HSE Group will fully harness the potential of the Prapretno site for solar energy generation.

MAY

On 30 May, we received the Independent Auditor's Report on the audit of the financial statements of the HSE Company and HSE Group for 2024, as well as the auditor's limited assurance report on the HSE Group's consolidated sustainability report for 2024.

JUNE



On 4 June, SENG symbolically fed the first kilowatt-hours from the Kanalski Vrh solar power plant into the grid. At the ceremonial commissioning of the plant, located adjacent to the upper reservoir of the Avče pumped-storage hydropower plant, it was highlighted that it is expected to generate 3.3 GWh of electricity annually. SENG emphasised that the plant was sited in agreement with the local community.

On 4 and 5 June, representatives of HSE attended the 4th General Assembly of the TwinEU Consortium in Budapest. The event was dedicated to reviewing project progress, exchanging experiences among partners, and sharing knowledge during a visit to the High Voltage Laboratory of the Faculty of Electrical Engineering in Budapest.

On 5 June, the HSE Supervisory Board approved the Annual Report of the HSE Group and HSE Company for 2024.

JULY



On 11 July, HSE took over the operation of an advanced battery energy storage system installed in Prevalje by TAB. The storage system, with a capacity of 1.325 MW and 2.2 MWh, marks a significant technological solution for improving energy efficiency and independence. The storage system is operated remotely from HSE's control centre. Both companies emphasise that this represents a successful example of cooperation between industry and the energy sector.

On 18 July, HSE prepaid a non-current syndicated loan in the amount of EUR 154 million ahead of schedule, as a result of the Group's exceptionally strong performance over the past two years.

On 25 July, construction began on the Pesnica small hydropower plant (SHPP), which will further strengthen the development of sustainable electricity generation in the municipalities of Gorišnica and Ormož. The Pesnica small hydropower plant will be located adjacent to the existing spillway structure of the Pesnica River in the discharge channel, 1.5 kilometres downstream of the Formin hydropower plant (HPP). For electricity generation, it will utilise surplus water from the Pesnica River, which currently flows via the relief channel into the discharge canal of the Formin hydropower plant (DEM).

On 30 July, RGP, in cooperation with the Municipality of Šoštanj, signed a contract for the execution of remediation works on the Koren landslide as part of the recovery from the catastrophic floods of 2023.

AUGUST

On 6 August, the Mayor of the Municipality of Zagorje ob Savi and HSE management signed an agreement establishing building and easement rights for the construction of a solar power plant on the site of the closed non-hazardous waste landfill at the Zagorje quarry, which is owned by the Municipality. The signing of the agreement represents an example of effective cooperation between the investor, HSE, and the local community in the Zasavje region in the siting of a solar power plant. The planned capacity of the solar power plant is 1.4 MW.

On 7 August, an agreement was signed between the Municipality of Šmartno ob Paki and RGP for the remediation of a damaged section of the non-classified Meža road, which was affected during the extreme weather event in 2023. The remediation is necessary to restore traffic safety and the functionality of local infrastructure. The project will be co-financed by the Ministry of Natural Resources and Spatial Planning.

On 20 August, Slovenian Sovereign Holding (SDH) reviewed the Annual Report of the HSE Group and Company for 2024 and resolved that the distributable profit as at 31 December 2024, amounting to EUR 210,490,451.60, be allocated such that EUR 165,000,000 is paid out as a profit share to the sole shareholder, while the remaining EUR 45,490,451.60 remains undistributed.

SEPTEMBER

On 1 September, HSE repaid a short-term loan in the amount of EUR 15.7 million ahead of schedule, thus settling all of the Company's outstanding bank credit obligations.

On 3 September, Slovenian Sovereign Holding reappointed Denis Bele as a member of the HSE Supervisory Board for a four-year term.



On 15 September, the HSE Group has launched its first national advertising campaign, communicating to the wider public that because nature is what gives us momentum, we are investing in energy from renewable sources. The campaign has appeared across television, radio, print media and online channels, promoting solar, hydropower, and wind energy as key drivers of the green transition. The campaign also features our sponsored partners – elite athletes who embody the strength of these energy sources through their own energy and performance.

On 16 September, SENG obtained a building permit for the Dekani solar power plant.

On 23 September, the Mayor of the Municipality of Šoštanj and the Director of ECE signed an agreement for the construction of solar power plants at four public building locations in Šoštanj. In addition to the construction of the solar power plants, the public procurement also includes five-year maintenance of the systems, the offtake of surplus electricity and supply of electricity shortfalls, as well as the management of an energy community comprising more than 15 public buildings once the plants are completed.

On 29 September, Energija plus opened a new sales point in Maribor, followed by another in Murska Sobota on 5 January 2026.

OCTOBER

On 2 October, at the “Energy Innovations ’25” conference, HSE achieved first and second place among the best energy innovations of 2025 with two of its innovations. The winning project, LEONARDO, is a smart platform for forecasting the output of solar and wind power plants and providing early warnings of potential technical issues. This enables better production planning, reduces the risk of outages, and improves system efficiency. Second place was awarded to the innovation “Predictive Energy Storage Management,” which optimises charging and discharging of the storage system based on forecasts of future power system conditions.

On 22 October, HSE was awarded the “Sport-Friendly Company” certificate, presented by the Olympic Committee of Slovenia – Association of Sports Federations. The certificate confirms HSE’s commitment to promoting physical activity, a healthy lifestyle, and a sporting spirit among employees and the wider community.

NOVEMBER

On 20 November, HSE received for the first time the prestigious “TOP Training and Education Investor 2025” certificate, awarded by Planet GV. The certificate confirms HSE's systematic and advanced approach to the development of knowledge, competencies, and organisational learning, while demonstrating that we are fostering a culture of learning and growth. The results of an analysis have shown that such certified organisations significantly exceed Slovenian and European averages across all key indicators of investment in education.

On 26 November, the founder of Slovenian Sovereign Holding granted approval for the HSE Group’s Long-Term Business Strategy for the 2025–2030 period, with a view to 2035.

On 27 November, SENG obtained a building permit for the reconstruction of the Mrzla Rupa small hydropower plant (SHPP).

DECEMBER

On 2 and 3 December, the Kozjak pumped-storage hydropower plant project (PSHPP) was presented at the 6th PCI[1] Energy Days in Brussels. The project has been included on the list of European Projects of Common Interest, which represents recognition by the European Commission of its strategic importance for the development of the European electricity system. For Slovenia, the Kozjak pumped-storage hydropower plant (PSHPP) represents enhanced security of electricity supply, more efficient utilisation of renewable energy sources, and an important step towards the green energy transition and therefore the integration of Slovenia into modern European energy infrastructure.

On 10 December, SENG secured EUR 1.4 million in non-repayable funding for the Dekani solar power plant (SPP Dekani) under a public call issued by the Ministry of Environment, Climate and Energy for co-financing investments in new solar and wind electricity generation facilities for the 2025–2029 period.

On 15 December, the HSE Group successfully concluded the charitable campaign “Zasavje Holiday Heroes”, through which gifts were collected for children from socially disadvantaged families in the Zasavje region. The gift boxes were filled with toys, warm clothing, and sweets, helping brighten the holidays for many children.

[1] Project of Common Interest.

2.2 Significant events after the reporting period

JANUARY

On 12 and 13 January 2026, employees of HSE and HSE Invest attended the Factory Acceptance Test (FAT) of a battery energy storage system that will be installed at the Prapretno site as part of the SPP Prapretno 2 and 3 project. The inspection covered four containerised battery systems, each with a capacity of 3.76 MWh, incorporating battery modules, cooling and fire suppression systems, as well as an advanced control system. As part of FAT, all key checks were carried out, from visual inspection and equipment identification to commissioning tests and capacity testing. Such visits confirm the professionalism, responsibility, and commitment of employees, whose on-site presence ensures that projects are implemented in accordance with both the highest professional standards and the company's internal requirements.

On 21 January 2026, SENG and Hitachi Mitsubishi Hydro Corporation signed a contract for the second overhaul of the generating unit of the Avče pumped-storage hydropower plant, scheduled for 2027. Carefully planned preparations for the second overhaul have been underway at SENG for several years. The purpose of the overhaul is to carry out maintenance measures and replace worn components, thereby ensuring the reliable, safe, and long-term operational capability and availability of the Avče pumped-storage hydropower plant. The overhaul will be financed from SENG's own funds and is expected to last approximately seven months.

FEBRUARY

On 3 February 2026, the HSE Supervisory Board positively assessed the performance of the current CEO and, in accordance with the provisions of the Companies Act (ZGD-1), based on the proposal of the HSE Supervisory Board's HR Committee and Article 20(1), point 6 of the Articles of Association of Holding Slovenske elektrarne d.o.o., reappointed for a new term the CEO, Tomaž Štokelj, Ph.D., for a period of four years.

On 28 February 2026, the joint American–Israeli attack on Iran led to the start of a war, which further escalated geopolitical risks in the Middle East and significantly impacted global energy flows. Disruptions to maritime traffic through the Strait of Hormuz and increased uncertainty in oil and liquefied natural gas supplies have led to higher volatility in energy prices, which has also spilled over into European electricity markets. Countries and consumers with a higher dependence on gas-fired power plants are the most exposed, while a greater share of renewable energy sources acts as a buffer against price pressures.

MARCH

On 5 March 2026, Moody's Investors Service upgraded our credit rating from Baa3 to Baa2. The upgrade reflects the Group's successful deleveraging, a strengthened financial profile, and lower risk following the divestment of coal and thermal power generation activities from the HSE Group. Moody's also specifically highlighted the strategic importance of the HSE Group for the Slovenian energy sector, noting that it remains one of the key electricity producers in Slovenia, with a generation portfolio that, following restructuring, is primarily based on low-cost and low-carbon hydropower.

On 5 March 2026, DEM and the Ministry of the Environment, Climate and Energy signed a co-financing agreement for the ZOOP solar power plant project on the closed waste landfill in Pobrežje, Maribor. The project represents an important step towards increasing clean electricity generation and the sustainable transformation of degraded areas in Slovenia.

On 27 March 2026, the Official Gazette of the Republic of Slovenia published a regulation on compensation for electricity suppliers for the supply of household consumers with self-supply under the annual net metering scheme. The purpose of the regulation is to provide financial relief to electricity suppliers (HSE, ECE and Energija plus), which face additional costs due to significant differences between daytime feed-in prices and purchase prices during peak demand periods, costs that are not covered under the annual net metering scheme.

On 30 March 2026, HSE filed a merger notification with the Slovenian Competition Protection Agency regarding the acquisition of control over HESS d.o.o., a company active in electricity generation. The notification of the proposed concentration was published on the website of the Slovenian Competition Protection Agency on 31 March 2026. At the date of preparation of the Annual Report, a merger control review was still ongoing.

APRIL

On 14 April 2026, Elektrogospodarstvo Slovenije – razvoj in inženiring (EGS-RI), represented by HSE in arbitration proceedings and related negotiations, and the companies Rudnik i Termoelektrana Ugljevik (RiTE Ugljevik) and Elektroprivreda Republike Srpske (ERS) have reached a final agreement, thereby resolving all mutual disputes after more than fifteen years, including the ICSID arbitration, with a total estimated value exceeding EUR 230 million.



On 14 April 2026, the EPIK project – Energy Professions and Competences, co-created by the HSE Group as a founding supporter, received an energy award at the Energy Days conference in the category Promotional Project for Energy Efficiency (EE) / Renewable Energy Sources (RES). The award confirms the HSE Group's strategic focus on developing talent for the ongoing energy transition and its active role in supporting the long-term stability and competitiveness of the Slovenian energy sector.

On 17 April 2026, Meta Štuhec from the Energy Policy and EU Affairs Department was appointed as Slovenia's Youth Climate Delegate, through which she will participate in international climate discussions during her term and contribute to strengthening the role of young people in shaping climate policy. For the HSE Group, the appointment represents a further strengthening of its professional presence in the international climate arena and confirms its commitment to sustainable development and a responsible energy transition.

On 24 April 2026, an agreement was signed between HSE as the buyer and Rudis as the seller for the purchase and sale of generation assets, namely a 100% equity stake in Balkan Electric d.o.o., the owner of the Alibunar I wind farm, as well as assets comprising the Blate solar power plant together with battery storage systems. The agreement is subject to customary closing conditions, in particular the obtaining of corporate and regulatory approvals. Upon fulfilment of the conditions precedent and completion of the transaction, HSE will acquire new generation assets, namely a wind power plant in Alibunar, Serbia, comprising three wind turbines with a total capacity of 9 MW, and a solar power plant in Blate, Slovenia, with a capacity of 1.55 MW, together with battery energy storage systems with a total power of 3.2 MW and a capacity of 6 MWh.

MAY

On 11 May 2026, at the Prapretno site, a battery energy storage system was installed, comprising four container units with a total power of 7 MW and a capacity of 14 MWh. This marks an important milestone in the development of advanced energy solutions within the HSE Group. The battery system will contribute to greater stability of generation at the Prapretno solar power plant and increased flexibility of the overall generation system. The project is part of the broader transformation of the Prapretno area and is co-financed by the Just Transition Fund.



2.3 Statement of corporate governance

In accordance with Article 70(6) of the Companies Act, the Management and Supervisory Boards of HSE declare that, in 2025, the Company was managed in compliance with applicable laws and other regulations, the Articles of Association of HSE d.o.o., and the recommendations of the Corporate Governance Code for State-Owned Companies. In accordance with Article 60a of the Companies Act, the Management Board and the Supervisory Board of HSE declare that the Annual Report, including its components, namely the corporate governance statement and the sustainability report, has been prepared and published in compliance with the Companies Act, International Financial Reporting Standards as adopted by the European Union, and European Sustainability Reporting Standards as adopted by the European Union. The corporate governance statement is an integral part of the Annual Report and is available on HSE's website http://www.hse.si.

1. Statement of compliance with the Corporate Governance Code for State-Owned Companies (SDH Code) and with the Recommendations and Expectations of the Slovenian Sovereign Holding (SDH Recommendations)

Report on the implementation of the Corporate Governance Code for State-Owned Companies (SDH Code)

In 2025, the HSE Company used the Corporate Governance Code for State-Owned Companies issued by Slovenian Sovereign Holding (SDH Code, December 2023, hereinafter: the Code) as its reference governance code. The Code is publicly available on the website of Slovenian Sovereign Holding d.d. In its operations, the HSE Company has largely applied the Code in a reasonable manner, taking into account the Company’s activities and other specific characteristics. In 2025, HSE fully complied with the majority of the recommendations of the Code applicable to fully state-owned companies, in accordance with the “comply or explain” principle. Deviations are explained below:

Recommendation 6.20: The HSE Supervisory Board is appointed by the owner; therefore, the recommendation is not applicable.

Recommendation 6.21: The remuneration structure for members of the HSE Supervisory Board follows the recommendations; however, meeting fees have not been adjusted in accordance with the SDH Recommendations and Expectations. Compliance with this recommendation falls within the decision-making authority of the owner.

Recommendation 6.5: For the reasons set out in the disclosure under Recommendation 8.7, the Company did not maintain a financial calendar in 2025; therefore, to the extent that the recommendation relates to aligning the annual work plans of the Supervisory Board and its committees with key dates in the financial calendar, the recommendation was not applied.

Recommendation 8.7: We consider the publication of a financial calendar in a single-member limited liability company such as HSE to be unnecessary, as financial calendars are primarily intended to ensure the regular disclosure of information and equal access for all shareholders or members. According to the opinion of the Slovenian Directors' Association, a company with a sole shareholder that regularly reports to its owner also outside public disclosures is not required to prepare or publish a financial calendar. Consequently, the recommendation is not applicable.

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

In 2025, the Company applied the Recommendations of Slovenian Sovereign Holding d.d. (December 2024) to a large extent, taking into account the Company's activities and specific characteristics. In accordance with the comply or explain principle, it fully complied with the vast majority of the recommendations. Deviations are explained below.

Recommendation 3.6: The recommendation is applied partially, as it is not followed with regard to transactions involving the purchase and sale of electricity, emission allowances and their equivalents, gas, liquefied petroleum gas, and other energy commodities, as well as related transactions (such as guarantees, bank guarantees, guarantees of origin, financial hedging transactions, and derivative financial instruments). These transactions are not reported publicly because they are a trade secret. The public disclosure of concluded legal transactions referred to in the recommendation is carried out in accordance with the Public Information Access Act.

Recommendation 4.4: The Company does not publish collective company agreements and agreements with trade unions, as it does not have the consent of employee representatives to do so. Links to the relevant sectoral collective agreements are published. We do not apply the recommendation in this respect.

Recommendations 10.1 and 10.3: Although the remuneration structure for members of the Supervisory Board follows the recommendations, meeting fees have not been aligned with the SDH Recommendations and Expectations. Compliance with this recommendation falls within the decision-making authority of the owner.

2. Information on the operation of the General Meeting, the composition and functioning of the management and supervisory bodies, and the diversity policy of the management and supervisory bodies of HSE

In 2025, in accordance with the Articles of Association of HSE, the Company was managed by Slovenian Sovereign Holding d.d. (SDH) in its capacity as sole shareholder. The management and supervisory bodies of HSE are the HSE Management Board and the HSE Supervisory Board.

Diversity Policy of the management and supervisory bodies of HSE

The Diversity Policy for the management and supervisory bodies of HSE (hereinafter: the Diversity Policy), which was revised in 2025 and applied as of its adoption on 13 March 2025, is published on the Company's website. Prior to that, the Diversity Policy adopted on 27 February 2020 was applied until 12 March 2025. The aim of the Diversity Policy is to enhance the effectiveness of the HSE Supervisory Board and the Management Board as a whole, thereby contributing to the long-term performance, sustainability orientation, and corporate reputation of both the HSE Company and the HSE Group. The Diversity Policy is implemented in particular through appropriate procedures for the selection of candidates for members of the Supervisory Board and the Management Board. The Company implements the Diversity Policy by incorporating specific diversity-related objectives and criteria into its internal acts governing the selection procedures for members of the management and supervisory bodies, as well as other company processes. The Supervisory Board, the Supervisory Board's HR Committee, the Works Council, and the shareholder all strive to achieve the objectives of the Diversity Policy. The Diversity Policy provides a framework that enables an appropriate composition of the management and supervisory bodies, taking into account the specific characteristics of the HSE Group and Company, ensuring that they possess the necessary knowledge, skills, and experience to gain a thorough understanding of HSE's activities and the Group's operations, as well as the associated key risks and the pursuit of key objectives.

In accordance with Article 254c(2) of the Companies Act (ZGD-1), the Supervisory Board adopted a revised Diversity Policy in March 2025, which, among other objectives, defines a gender diversity target for members of the Supervisory Board and the Management Board: "Striving for as balanced representation of both genders as possible, whereby, pursuant to Article 254c of ZGD-1, the Company intends to achieve by 30 June 2028 at least 33% representation of the less represented gender among the members of the management and supervisory bodies". In addition to gender aspects, the Diversity Policy also defines other objectives for members of the Supervisory Board:

- Age: No specific preferences.
- Professional profile: Complementarity of Supervisory Board members and alignment with the defined competence profile, in accordance with the published document "Competence Profile for Members of the HSE Supervisory Board".

- Experience: Demonstrated through business performance and reputation.
- Continuity: To be ensured to the greatest extent possible.
- Independence: All Supervisory Board members should be independent, in accordance with the SDH Code.
- Personal integrity: All members of the Supervisory Board should be distinguished by appropriate personal integrity.

In addition to gender aspects, the Diversity Policy also defines other objectives for members of the Management Board:

- Professional profile: As defined in the Articles of Association and the Rules on the Organisation and Classification of Positions for the respective Director.
- Experience: As defined in the Articles of Association and the Rules on the Organisation and Classification of Positions applicable to each Director, as evidenced by business performance and reputation.
- Personal integrity: All members of the Management Board shall be characterised by appropriate personal integrity.
- Continuity, in the sense of striving towards the objective of not replacing both members, or all three members, of the Management Board simultaneously.

In each appointment procedure for a member of the Management Board, the Supervisory Board may also, by resolution, define additional desired competencies with the aim of ensuring the greatest possible complementarity among Management Board members in terms of knowledge and experience.

In 2025, the Diversity Policy, in the context of the appointment of a new member of the HSE Supervisory Board by the Founder and two new appointments of Supervisory Board members by the HSE Works Council, was fully taken into account with regard to the selection of candidates and objectives. Three members of the HSE Supervisory Board were appointed who, in terms of their professional expertise, are complementary to the other members of the HSE Supervisory Board. The Works Council is also obliged, when appointing employee representatives to supervisory bodies under the law governing employee participation in management, to strive, with regard to its representatives, to ensure as balanced gender representation as possible. At the time of the appointment of two Supervisory Board members by the Works Council, the Diversity Policy dated 27 February 2020 was in force, while at the time of the appointment of the Supervisory Board member by the founder, the Diversity Policy of 13 March 2025 was in force. In the said appointments, due consideration was given to the members' experience, as evidenced by their reputation and business performance, as well as their personal integrity. Furthermore, the newly appointed members of the HSE Supervisory Board are independent. Additional competencies for the member of the Supervisory Board appointed by the Founder were defined by the HSE Supervisory Board in a specific competency profile.

As at 31 December 2025, the HSE Company has not yet achieved the target representation of the underrepresented gender among members of management and supervisory bodies, as defined by the Supervisory Board in the Diversity Policy, in accordance with the Companies Act (ZGD-1). The Company will endeavour to

achieve the set target of at least 33% representation of the underrepresented gender among members of management and supervisory bodies by 30 June 2028, as set out in the Diversity Policy of 13 March 2025. As at 31 December 2025, the Management and the Supervisory Board comprised eleven members, of whom two were women and nine were men. During the selection of newly appointed Supervisory Board members in 2025, in addition to compliance with the prescribed requirements and key competencies, the objectives set out in the Diversity Policy in force at the time of their appointment were also taken into account. In 2025, the Founder and the HSE Works Council endeavoured, within the available possibilities, to ensure as balanced representation as possible, in line with the objectives set out in the Diversity Policy in force at the time of the appointment of Supervisory Board members.

The Founder acting as the General Meeting

The Founder performs the role and exercises the powers of the General Meeting in accordance with the Articles of Association of HSE as amended on 20 August 2025, the Companies Act, and other applicable legislation. In accordance with Article 526 of the Companies Act, the Founder records its resolutions in the register of resolutions. In 2025, until the entry into force of the new Articles of Association dated 20 August 2025, the Founder acted in accordance with the Articles of Association dated 7 September 2021, and thereafter in accordance with the powers set out in the new Articles of Association of the company, which is publicly available on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES). Set out below are certain key powers of the Founder, in addition to those provided for in Article 505 of the Companies Act (ZGD-1) and other statutory powers:

- grants consent to the long-term business strategy and other long-term business plans of the Company and the Group;
- grants discharge to the Supervisory Board and the Management Board, whereby claims for damages may also be asserted against persons who have been granted discharge;
- appoints and removes members of the Supervisory Board, except for those appointed by the Works Council;
- asserts claims of the Company against the Management Board and members of the Supervisory Board in relation to compensation for damage caused to the Company, and represents the Company in legal proceedings against the Management Board and members of the Supervisory Board, either on its own initiative or upon the proposal of the competent corporate body;
- appoints the auditor of the annual report, the consolidated annual report, and the auditor of the (consolidated) sustainability report, upon the proposal of the Supervisory Board, where required by law;
- determines the remuneration of members of the Supervisory Board and of Supervisory Board committees (internal members);,
- resolves on changes to the Company’s share capital;

- resolves on the making and repayment of supplementary payments;
- resolves on the division and cancellation of business shares;
- resolves on corporate transformations and the dissolution of the Company;
- resolves on the adoption, amendments, and supplements to these Articles of Association;
- resolves on the appropriation of distributable profit, interim distribution of profit to the Founder, and the approval of the annual report, where the Supervisory Board has not approved the annual report or where the Management Board and the Supervisory Board delegate the decision on the approval of the annual report to the Founder;
- upon the proposal of the Supervisory Board, the Founder resolves on the approval of the remuneration policy for management bodies, where required under Article 90 of ZSDH-1, in cases where the remuneration policy provides for remuneration arrangements that differ from those laid down in ZPPOGD. In other cases, the Founder is merely informed of the remuneration policy for management bodies;
- resolves on other matters in accordance with the applicable regulations and the Articles of Association in force;
- which includes the possibility of the Founder’s objection to transactions defined in Article 14 of the Articles of Association (veto on transactions).

Operation of the HSE Supervisory Board

In 2025, the Supervisory Board of HSE operated in accordance with the powers defined in the Companies Act, ZSDH-1, the HSE Articles of Association, and the Rules of Procedure of the HSE Supervisory Board, as well as the Reference Code of Corporate Governance for Companies with State Capital Investment (the “comply or explain” principle). The Articles of Association define the composition, four-year term of office with the possibility of multiple reappointment, and the powers of the HSE Supervisory Board. In 2025, it consisted of nine members. Six members represented the interests of the Founder, while three represented the interests of employees and are appointed and recalled in accordance with the Worker Participation in Management Act. The composition and operations of the HSE Supervisory Board are presented in the Report of the HSE Supervisory Board, as are the activities of all committees of the HSE Supervisory Board, which provide expert support to its work (the Audit Committee of the HSE Supervisory Board, the Trading and Investment Committee of the HSE Supervisory Board, and the Human Resources Committee of the HSE Supervisory Board).

Composition of the Supervisory Board and its committees in the 2025 financial year

Name and surname	Nevenka Hrovatin, Ph.D.	David Valentinčič	Barbara Gorjup, M.Sc.
Function (Chair, Deputy, SB member)	Chair of the SB	Deputy to the Chair of the SB	Member of the SB
First appointment to the function	22/9/2022	22/9/2022	22/9/2022
End of function/term of office	22/9/2026	22/9/2026	22/9/2026
Representative of capital/employees	Capital representative	Capital representative	Capital representative
Attendance at SB meetings relative to the total number of SB meetings	13 of 14 meetings	100%	100%
Gender	female	male	female
Citizenship	Slovenian	Slovenian	Slovenian
Year of birth	1960	1949	1973
Education	Ph.D. in Economics	B.Sc. in Chemical Technology	M.Sc. in International Economics
Professional profile	business economics, energy economics, public sector and environmental economics, management and economics of infrastructure activities	management, leadership, energy	corporate finance, controlling, accounting, valuation, corporate governance, sustainability
Independence under Article 23 of the Code (Yes/No)	Yes	Yes	Yes
Existence of conflict of interest in the financial year (Yes/No)	No	No	No
Membership in supervisory bodies of other companies	Member of the SB of DARS, d.d.	/	Member of the SB of Triglav Investments, d.o.o.
Membership in committees	HRC	TIC	AC, TIC
Chair/Member of the committee	HRC – Chair	TIC – Member	AC – Chair TIC – Member
Attendance at committee meetings relative to the total number of committee meetings	HRC – 100%	TIC – 100%	AC and TIC – 100%

Name and surname	Miha Šebenik	Boštjan Grešak	Denis Bele
Function (Chair, Deputy, SB member)	Member of the SB	SB member	SB member
First appointment to the function	22/9/2022	22 September 2022	2 September 2021
End of function/term of office	22/9/2026	22 September 2026	2 September 2029
Representative of capital/employees	Capital representative	Capital representative	Capital representative
Attendance at SB meetings relative to the total number of SB meetings	13 of 14 meetings	100%	100%
Gender	male	male	male
Citizenship	Slovenian	Slovenian	Slovenian
Year of birth	1986	1981	1978
Education	Second-cycle Bologna Master's degree	University graduate in law	Specialist in management
Professional profile	management, finance, analytics	lawyer – commercial law	management, organisation, leadership, supervision, environment
Independence under Article 23 of the Code (Yes/No)	Yes	Yes	Yes
Existence of conflict of interest in the financial year (Yes/No)	No	No	No
Membership in supervisory bodies of other companies	/	/	/
Membership in committees	AC, TIC	HRC	HRC
Chair/Member of the committee	TIC – Chair AC – Member	HRC – Member	HRC – Member
Attendance at committee meetings relative to the total number of committee meetings	AC – 11 out of 12 meetings TIC – 100%	HRC – 100%	HRC – 100%

Name and surname	Uroš Žibret	Aleš Žagar	Borut Kamnikar
Function (Chair, Deputy, SB member)	SB member	SB member	SB member
First appointment to the function	23 August 2024	1 March 2025	1 March 2025
End of function/term of office	23 August 2028	1 March 2029	1 March 2029
Representative of capital/employees	Employee representative	Employee representative	Employee representative
Attendance at SB meetings relative to the total number of SB meetings	100%	13 of 14 meetings	100%
Gender	male	male	male
Citizenship	Slovenian	Slovenian	Slovenian
Year of birth	1981	1970	1973
Education	B.Sc. in electrical engineering	Engineer in mechanical engineering	Electrical engineer
Professional profile	electricity trading, investment management	management of thermal generation, electricity trading	Equipment engineer
Independence under Article 23 of the Code (Yes/No)	Yes	Yes	Yes
Existence of conflict of interest in the financial year (Yes/No)	No	No	No
Membership in supervisory bodies of other companies	/	/	/
Membership in committees	TIC	AC – from 1 March 2025	HRC – from 1 March 2025
Chair/Member of the committee	TIC – Member	AC – Member	HRC – Member
Attendance at committee meetings relative to the total number of committee meetings	TIC – 100%	AC – 100%	HRC – 100%

Name and surname	Blanka Povh, M.Sc.	Matej Kovač
Function (Chair, Deputy, SB member)	SB member	SB member
First appointment to the function	3 November 2023	3 November 2023
End of function/term of office	1 March 2025	1 March 2025
Representative of capital/employees	Employee representative	Employee representative
Attendance at SB meetings relative to the total number of SB meetings	100%	100%
Gender	female	male
Citizenship	Slovenian	Slovenian
Year of birth	1975	1992
Education	M.Sc. in Economics and Business Sciences, international economics	University graduate economist
Professional profile	international economics, trading and sale of guarantees of origin for electricity, energy savings and portfolio management	finance, controlling, analytics
Independence under Article 23 of the Code (Yes/No)	Yes	Yes
Existence of conflict of interest in the financial year (Yes/No)	No	No
Membership in supervisory bodies of other companies	/	/
Membership in committees	HRC	AC
Chair/Member of the committee	HRC – Member	AC – Member
Attendance at committee meetings relative to the total number of committee meetings	HRC – 100%	AC – 100%

SB – Supervisory Board, **AC** – Audit Committee, **HRC** – Human Resources Committee, **TIC** – Trading and Investment Committee

External member of the Committee

Name and surname	Marko Hočevar, Ph.D.
Committee	Audit Committee
Attendance at committee meetings relative to the total number of committee meetings	100%
Gender	male
Citizenship	Slovenian
Education	Ph.D.
Year of birth	1962
Professional profile	management and financial accounting, auditing
Membership in supervisory bodies of unrelated companies	Member of the Supervisory Board of KZPS, d.o.o. Member of the Supervisory Board of DUJPP, d.o.o.

Management Board operations

In accordance with the provisions of the HSE Articles of Association, the Management Board conducts the company's business independently and at its own responsibility. The authority to manage the company includes the management of all company operations and the adoption of decisions which, by law or under the HSE Articles of Association, do not fall within the remit of the Supervisory Board or the company's Founder. Members of the Management Board conduct the company's business in accordance with applicable laws and other regulations, the Rules of Procedure of the Management Board, the Articles of Association, instructions given, and other resolutions of the Founder and the Supervisory Board.

In the period from 1 January 2025 to 31 December 2025, a two-member Management Board was in office, composed of Tomaž Štokelj, Ph.D., CEO, and Uroš Podobnik, CBO.

Composition of the Management Board in the 2025 financial year

Name and surname	Tomaž Štokelj, Ph.D.	Uroš Podobnik
Function (Chair, Member)	CEO	CBO
Area of responsibility within the Management Board	CEO	CBO
First appointment to the function	8/11/2022	3/11/2020
End of function/term of office	7/11/2030	4/11/2028
Gender	male	male
Citizenship	Slovenian	Slovenian
Year of birth	1968	1980
Education	Doctor of Science and university graduate engineer in electrical engineering	University graduate in law, bar exam
Professional profile	electric power systems, generation, trading and sale of electricity and related products, portfolio management, governance, and management	law, corporate governance, leadership
Membership in supervisory bodies of unrelated companies	/	/

3. Description of the main characteristics of internal control systems and risk management in the company in relation to the financial reporting process

With the aim of ensuring greater transparency, efficiency, and responsible business conduct, HSE has established an effective system of internal controls and risk management through its organisational structure, the ISO 9001 quality management system, the ISO 45001 occupational health and safety management system, the ISO/IEC 27001 information security management system, the ISO 55001 asset management system, and the ISO 14001 environmental management system, as well as internal company acts with a clearly defined reporting system by individual organisational units. The internal control system is supported by an information security control system, which ensures, among other things, appropriate access restrictions to the information system and network monitoring, as well as the integrity, confidentiality, and availability of data.

Through the internal control system, the company systematically applies procedures and methods that ensure the accuracy, reliability, and completeness of data and information, the proper and fair preparation of financial statements, the prevention and detection of errors within the system, and compliance with laws and other regulations, the acts of governing bodies, and the company's internal regulations.

The Management Board is responsible for maintaining proper accounting records, establishing and ensuring the functioning of the internal control system and internal controls in the area of financial reporting, and selecting and applying accounting policies. When establishing the internal control system, the Management Board applies the three lines of defence principle, which is presented in more detail in the section Risk and opportunity management of the HSE Group.

When establishing the internal control system, we pursue three main objectives:

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

For the purpose of comprehensive risk management within the HSE Group and Company, a dedicated organisational unit, the Risk Management Department, has been established, as well as the Risk Management Committee (Slovenian: OUT), the Trading Committee, and the Own Production Sales Committee. The Risk Management Department is responsible for establishing and continuously operating the risk management system, leading and coordinating OUT, and providing operational and coordination support to the aforementioned Committees, which contribute to ensuring a comprehensive risk management system, promptly identify risks within their respective areas, and, when risks are identified, propose and implement appropriate measures.

The company has established an Internal Audit Department, which operates in accordance with the HSE Group's adopted Rules on the Operation of Internal Audit. In 2025, the Rules were revised in order to align with the requirements of the new Global Internal Audit Standards. The Internal Audit Department is organised as an independent organisational unit that is organisationally accountable to the HSE Management Board and functionally to the Audit Committee and/or the HSE Supervisory Board, thereby ensuring its organisational independence. The Internal Audit Department provides internal audit services for HSE and certain other subsidiaries of the HSE Group. Internal auditing is conducted in accordance with the Hierarchy of Internal Auditing Standards.

In order to strengthen the capability of the HSE Group and Company to achieve their set objectives and to create, protect, and preserve the value of the HSE Group and Company, the Internal Audit Department pursued its purpose by providing independent assurance and advisory services to the Management Board. The objective of the Internal Audit Department is to provide reasonable assurance and advisory services regarding the adequacy and effectiveness of governance processes of the HSE Group and Company, risk management, and the functioning of the internal control system.

In 2025, the Internal Audit Department carried out internal audit engagements and other activities in accordance with the approved annual work plan. As part of its completed engagements, the Internal Audit Department reviewed and assessed the existence, operation, and effectiveness of the internal control system in achieving the set objectives in the audited units, and issued recommendations for their improvement. Particular attention was given to monitoring the implementation of audit recommendations, professional training and education, and ensuring the high-quality and professional performance of the internal audit function within the HSE Group. The Internal Audit Department regularly reported on its work to the HSE Management Board, the Audit Committee, and the HSE Supervisory Board. The further development of the internal audit function is systematically implemented within the quality assurance and improvement programme, the purpose of which is to ensure the effectiveness and efficiency of its operations and compliance with applicable professional standards.

4. Description of the compliance and integrity system in accordance with KKUDD and SDH's Recommendations and Expectations

The compliance and integrity system falls under the Compliance Department and is aligned with the recommendations of the Code and the SDH Recommendations. Among the responsibilities of the Compliance Department is the management of risks related to corruption, unethical and unlawful conduct, and ensuring compliance with legislation. The Compliance Department also participates in the management of the internal control system, the prevention of corruption and fraud, the implementation of the HSE Group Code of Ethics, the management of conflicts of interest, communication and reporting to external institutions and supervisory authorities in accordance with the internal delineation of responsibilities with other key and business functions within the HSE Group, the implementation of tasks in the area of REMIT, EMIR and MiFID II regulations, and the implementation of collective activities to strengthen integrity.

Ljubljana, 29 May 2026



Tomaž Štokelj, Ph.D.
CEO HSE

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

Uroš Podobnik
CBO HSE

2.4 Presentation of the HSE Group

The HSE Group is the **largest producer of electricity from renewable sources** in Slovenia, a pillar of reliable energy supply, and the key driver of the Slovenian energy sector's green transition. We are also one of the **largest suppliers of electricity to end customers** and a reliable business partner in the **trading of electricity and derivative products**, both within Slovenia and internationally. Our development activities are based on the planning and construction of generation capacities that will enable an accelerated green transition by ensuring reliable generation, resilience, and stability of the Slovenian power system, as well as growth in the number of our electricity and natural gas customers. We will achieve this through continuous optimisation of the generation portfolio, well-designed sales and trading strategies, the provision of competitive energy solutions, and the development of innovative and sustainable business models that ensure financial stability and the digitalisation of operations. All of this is carried out in line with core principles and the **sustainable development strategy**, while also **strengthening the recognition and reputation of the HSE Group** as one of the leading energy players in Slovenia and the region, in both domestic and international public perception.

At the end of 2024, in accordance with the Act on Transitional Financing of the Accelerated and Just Coal Phase-Out, the companies Termoelektrarna Šoštanj and the companies of the Premogovnik Velenje Group were excluded from the HSE Group structure. Their transfer to the Republic of Slovenia had a significant impact on the organisational and production structure of the HSE Group. The HSE Group has entered a new development cycle in which its electricity generation will be primarily focused on the production of electricity from renewable energy sources.

In 2025, we exceeded the target reliability and availability factor of the generation infrastructure, thus **ensuring a high level of safety, reliability, and flexibility of the electricity generated** in the companies of the HSE Group.

HOLDING SLOVENSKE ELEKTRARNE D.O.O.

PRODUCTION



- Dravske elektrarne Maribor d.o.o.
  HSE 100.0%
  - MHE Lobnica d.o.o.
    DEM 65.0%
- Soške elektrarne Nova Gorica d.o.o.
  HSE 100.0%
- Hidroelektrarne na spodnji Savi d.o.o.
  HSE 15.4%, DEM 30.8%, SENG 2.8%
- HSE – Energetska družba Trbovlje d.o.o.
  HSE 100.0%

SALES TO END CUSTOMERS



- ECE d.o.o.
  HSE 100.0%
- Energija plus d.o.o.
  HSE 100.0%

INVESTMENTS



- SOENERGETIKA d.o.o.
  HSE 25.0%
- RGP d.o.o.
  DEM 86.9%, SENG 4.0%
- HSE SaŠa d.o.o.
  HSE 100.0%
- HSE Invest d.o.o.
  HSE 42,1 %, DEM 21,05 %, SENG 21,05 %, HESS 13,2 %
- Srednjesavske elektrarne d.o.o.
  HSE 60,0 %

INTERNATIONAL NETWORK



- HSE BE d.o.o.
  HSE 100.0%
- HSE Prague Branch Office
- HSE BH d.o.o.
  HSE 100.0%
- HSE MAK ENERGY DOOEL
  HSE 100.0%

Production (generation) capacities of the HSE Group

Through our generation portfolio, we represent a key pillar of the reliability, resilience, and flexibility of electricity supply in Slovenia, contribute to ensuring the stable operation of the power system, and support the achievement of Slovenia's renewable energy targets.

In 2025, we generated more than 90% of our output from systemic hydroelectric power plants, small hydroelectric power plants, and solar power plants. Through the Avče and Golica pumped-storage hydropower plants, we efficiently store electricity and generate it when needed. We are a qualified provider of all system services, contributing to the stable and reliable operation of the transmission network in the Republic of Slovenia.

Our power plants are remotely operated from our control centre, enabling us to quickly adjust the HSE Group's generation to conditions on the electricity market. We have a total installed generation capacity of 1,093 MW at the power plant output terminal (including HSE's 49% share in HESS). Of this, **HSE** has 3 MW of capacity at the Prapretno solar power plant. **Dravske elektrarne Maribor** (DEM) have 596.1 MW in system hydropower plants, 3.9 MW in small hydropower plants, and 2.9 MW in solar power plants, as well as the Golica pumped-storage power plant with a capacity of 11 MW (20% share). **Soške elektrarne Nova Gorica** (SENG) have 136 MW of capacity in system hydropower plants, 180 MW in the Avče pumped-storage hydropower plant, 20.7 MW in small hydropower plants, and 2.5 MW in solar power plants. **HSE – Energetska družba Trbovlje** (HSE EDT) has two gas units with a combined capacity of 58 MW. The total capacity also includes the **Lower Sava hydropower plants** (HESS) with 76.4 MW and the solar power plants with 2.8 MW, in which the HSE Group holds a 49% share. Our power plants on the Drava, Soča and Sava (49%) rivers generated 2.8 TWh in 2025, representing approximately one third of all electricity generated in Slovenia and more than a 61% share in the structure of electricity generation from renewable energy sources.

Number of generation units and installed capacity at the generation unit output [2]



808 MW

15 hydropower plants



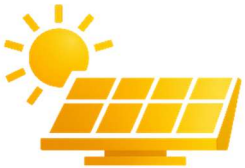
25 MW

27 small hydropower plants



191 MW

2 pumped-storage



11 MW

9 solar power plants



58 MW

2 gas turbines

[2] Electricity produced includes a 49% share of HESS production for 2024 amounting to 314 GWh and for 2025 amounting to 272 GWh.

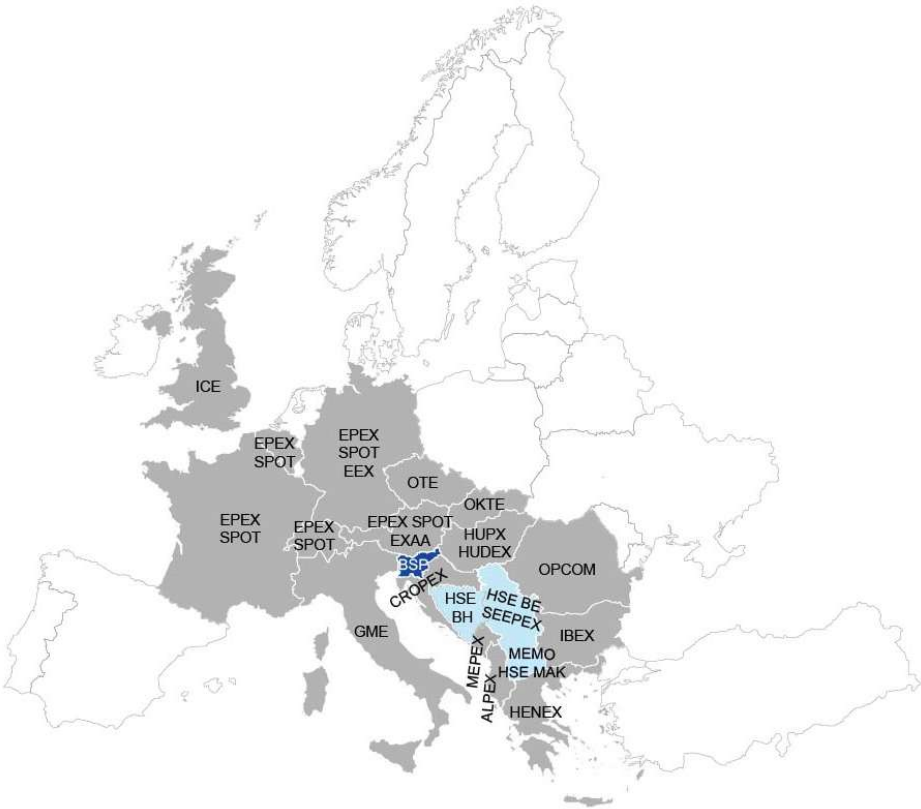
Trading and sales on the wholesale market

Sales of own generation and trading in energy commodities generate significant added value for the HSE Group and enable the optimisation of the generation portfolio and the effective management of market risks. We are present on all key European energy exchanges and bilateral markets in more than twenty countries, where we trade in electricity, natural gas, and other energy products. We generate the highest added value in the markets of South-East Europe, where we are among the leading regional traders in energy commodities.

Through active trading in electricity, natural gas and related products, we exploit opportunities on European energy markets, while ensuring the optimal sale of generated electricity on the domestic and European wholesale markets through the efficient management of the generation portfolios. Due to the accelerated growth in electricity generation from renewable energy sources in recent years, resulting from the European Union's decarbonisation targets for the energy sector, the HSE Group, as a key driver of the green transition, is placing greater emphasis on the efficient management of the flexibility of its generation portfolio. In this context, battery storage systems, algorithmic trading, and intraday trading are becoming increasingly important, with the Group carrying out such trading continuously, 24 hours a day, seven days a week.

We maintain business relationships with more than 450 European partners. On a bilateral basis, we offer various structured products for electricity and natural gas tailored to the needs of our business partners. In Slovenia, we supply energy commodities to suppliers and large industrial customers who value reliable supply, high-quality service, and competitive terms.

The HSE Group on the markets of Western, Central and South-East Europe



Sales on the retail market



The HSE Group's retail activity is carried out through its affiliated companies **ECE** and **Energija plus**, which operate in the competitive Slovenian market for the supply of electricity, natural gas, and other modern energy services for reliable, cost-efficient, and environmentally friendly energy supply to household and business customers, as well as supporting the transition to a low-carbon society. Both companies represent an important part of the HSE Group's value chain, as they enable direct contact with end customers, while also developing comprehensive, tailored, and sustainability-oriented energy solutions. ECE complements its core offering with its own online retail shop for merchandise, providing customers with easy access to additional products related to energy efficiency. In 2025, ECE maintained an approximately 15% market share, while Energija plus maintained an approximately 13% market share.

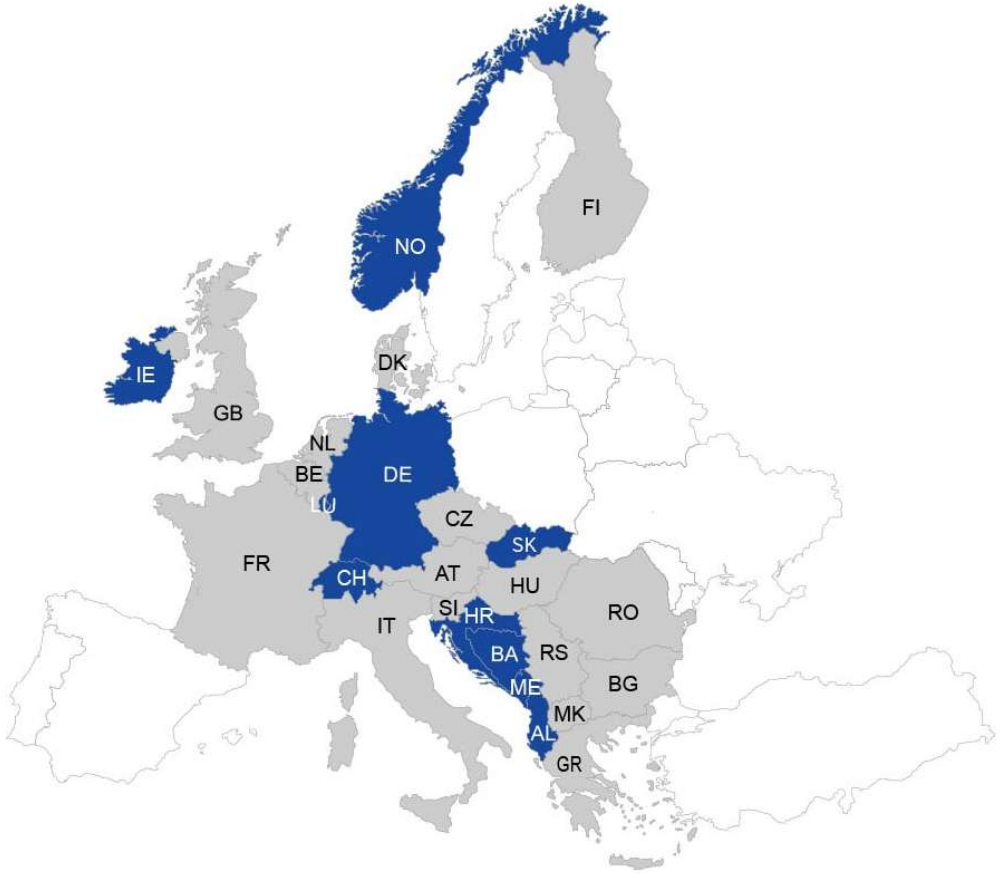


In line with the strategic guidelines of the HSE Group, both companies are placing increasing emphasis on sustainability-oriented electricity sales and promoting efficient energy use. They are developing a range of energy solutions for end customers, such as self-supply solutions, battery storage systems, heat pumps, and energy management systems, enabling customers to manage their energy consumption more efficiently and encouraging a proactive approach to sustainable energy use.

The electricity market in Slovenia is open to competition, while operating within a regulated framework. In 2025, priority was given to measures aimed at ensuring price stability, protecting household customers, and the gradual transition towards the normalisation of conditions following the period of extraordinary regulatory measures introduced during the energy crisis. Regulated prices for household customers were gradually phased out, while protection mechanisms for vulnerable customer groups were maintained. At the same time, solutions were being prepared for electricity-intensive companies, aimed at maintaining the competitiveness of the economy. In 2025, the regulatory focus was directed towards ensuring a stable and predictable market environment.

In 2025, there were nine major suppliers on the Slovenian retail market. The market is moderately concentrated, with a few major suppliers controlling most of the market, particularly in the household and small business segments. Competition is more pronounced in the non-household customer segment, where price pressures are greater, contractual relationships are more individualised, and customers are generally more inclined to switch supplier. The household segment remains more stable, while at the same time being more exposed to regulatory interventions.

Revenue from sales of the parent company HSE by European countries in 2025 and 2024, in EUR million



Decline in market revenue in 2025			
SI	**IT**	**AT**	**CZ**
2025: 1,112.2	**2025: 113.4**	**2025: 31.3**	**2025: 5.7**
2024: 1,328.4	2024: 119.9	2024: 58.3	2024: 46.4
HU	**RO**	**RS**	**BG**
2025: 185.0	**2025: 0.030**	**2025: 25.0**	**2025: 29.7**
2024: 253.0	2024: 0.809	2024: 29.4	2024: 36.7
MK	**GR**	**FR**	**BE**
2025: 30.6	**2025: 17.5**	**2025: 0.001**	**2025: /**
2024: 51.2	2024: 36.2	2024: 34.4	2024: 0.05
NL	**GB**	**DK**	**FI**
2025: 5.5	**2025: 50.9**	**2025: 0.2**	**2025: /**
2024: 23.3	2024: 138.2	2024: 2.9	2024: 0.03

Growth in market revenue in 2025			
HR	**BA**	**ME**	**AL**
2025: 149.5	**2025: 97.5**	**2025: 20.6**	**2025: 47.2**
2024: 141.3	2024: 80.0	2024: 20.3	2024: 25.5
SK	**CH**	**LU**	**DE**
2025: 7.9	**2025: 423.5**	**2025: 466.7**	**2025: 330.7**
2024: 5.8	2024: 402.5	2024: 441.8	2024: 290.2
IE	**NO**		
2025: 0.9	**2025: 0.3**		
2024: 0.1	2024: 0.1		

Note: Revenue from the sale of electricity on foreign markets in 2025 also includes revenue from the fair value of closed contracts in the amount of EUR 22.3 million.

The HSE Group's business model

ELECTRICITY SALES

Electricity sales on the domestic market	2025	2024
Electricity sales – on the retail market in GWh	3,414	3,637
Electricity sales – on the wholesale market in GWh	5,655	7,225
Share of sales on the domestic market	33%	39%

Electricity sales on foreign markets	2025	2024
Electricity sales – on the wholesale market in GWh	18,705	17,134
Share of sales on foreign markets	67%	61%





ELECTRICITY GENERATION AND PURCHASES

Own generation sources	2025	2024
Electricity generation in GWh	3,353	4,434
Share of own sources	12%	16%
Capacity in MW	1,093	1,091

Other electricity sources	2025	2024
Other electricity purchases in GWh	24,421	23,562
Share of other sources	88%	84%

HPP, SHPP, SPP

	2025	2024
Share of HPP, SHPP and SPP generation in total generation	90%	93%
Electricity generation in GWh	3,018	4,138
Capacity in MW	844	842

HPP	2025	2024
Electricity generation in GWh	3,005	4,127
Capacity in MW	833	833

DEM	2025	2024
Electricity generation in GWh	2,184	3,242
Capacity in MW	600	600
Units	31 turbines	31 turbines

SENG	2025	2024
Electricity generation in GWh	552	574
Capacity in MW	157	157
Units	38 turbines	38 turbines

HESS (49% share)	2025	2024
Electricity generation in GWh	269	311
Capacity in MW	76	76
Units	12 turbines	12 turbines

SPP	2025	2024
Electricity generation in GWh	13.3	11.3
Capacity in MW	11	9

DEM	2025	2024
Electricity generation in GWh	3.8	4.2
Capacity in MW	3	3
Units	5 solar power plants	5 solar power plants

SENG	2025	2024
Electricity generation in GWh	2.8	0.1
Capacity in MW	2	0.07
Units	2 solar power plants	1 solar power plant

HESS (49% share)	2025	2024
Electricity generation in GWh	3.6	3.7
Capacity in MW	3	3
Units	1 solar power plant	1 solar power plant

MHE Lobnica	2025	2024
Electricity generation in GWh	0.1	0.3
Capacity in MW	0.1	0.1
Units	2 turbines	2 turbines

HSE (SPP Prapretno)	2025	2024
Electricity generation in GWh	3.1	3.3
Capacity in MW	3	3
Units	1 solar power plant	1 solar power plant

FLEXIBILITY UNITS

	2025	2024
Share of PSHPP + gas turbine generation in total generation	10%	7%
Electricity generation in GWh	335	296
Capacity in MW	249	249

DEM 20% PSHPP Golica	2025	2024
Electricity generation in GWh	11	13
Capacity in MW	11	11
Units	1 reversible unit	1 reversible unit

SENG PSHPP Avče	2025	2024
Electricity generation in GWh	323	282
Capacity in MW	180	180
Units	1 reversible unit	1 reversible unit

HSE EDT gas turbines	2025	2024
Electricity generation in GWh	1	1
Capacity in MW	58	58
Units	2 gas turbines	2 gas turbines

2.5 EU electricity market environment

The electricity market environment was dynamic in 2025 and subject to numerous influences that required adaptability and continuous monitoring of trends. In 2025, the leaders of EU Member States confirmed the key role of the Emissions Trading System (ETS) and emphasised the need for its further technical adjustment.

Economic growth in Europe



2025 **1.5%**

2024 0.9%

▲ In 2025, the European economy faced the threat of a trade war with the United States, while economic growth was also affected by geopolitical tensions and weaker external demand. Despite these challenges, economic growth was slightly above forecasts and higher than in the previous year.

Source: Eurostat

12M EURIBOR interest rate



2025 **2.243%**

2024 2.460%

▼ Range of interest rate movements in 2025: [lowest 2.022%, highest 2.612%]

Until mid-2025, EURIBOR was mostly on a downward trend. The latest reduction of all three key interest rates (the main refinancing operations rate, the marginal lending facility rate, and the deposit facility rate) took place on 5 June 2025. Such developments were mainly driven by easing inflationary pressures. As inflation approached the 2% target, the ECB ceased lowering all three key interest rates.

Source: Euribor-rates.eu

EUR/USD exchange rate



2025 **1.1733**

2024 1.0350

▲

Exchange rate range in 2025: [low 1.0257, high 1.1868]

In January 2025, the euro reached its lowest value against the dollar. Due to uncertainty surrounding the US dollar stemming from US trade policy and relatively stable economic conditions in the euro area, the euro appreciated during the year, reaching its highest level since 2021 in September and remaining at elevated levels until the end of the year.

Source: Exchange-rates.org

Brent crude oil prices



2025 **USD 61/Bbl**

2024 USD 75/Bbl

▼

Price range in 2025: [low USD 58/Bbl, high USD 83/Bbl]

Oil prices were most strongly influenced by weak demand growth, an increase in OPEC+ production quotas [3] by around 2.5 Mbpd[4], and an increase in US production by around 0.4 Mbpd to a new record high. US tariff policy had a significant impact on weaker global economic growth and, consequently, on lower oil consumption.

Source: MarketWatch

[3] OPEC+ is a broader group of oil-exporting countries that includes additional countries which are not members of OPEC (the Organization of the Petroleum Exporting Countries). In addition to the OPEC member countries, OPEC+ also includes Russia, Mexico, Kazakhstan, Oman, and several smaller producing countries.

[4] Mbpd = milion barrels per day.

TTF gas price[5]



2025 **EUR 27/MWh**

2024 EUR 47/MWh

Price range in 2025: [low EUR 26/MWh, high EUR 45/MWh]

Gas prices mostly fell from February 2025 onwards. The main reasons for this were the increased global production of liquefied natural gas (LNG) due to higher utilisation of existing terminals and the commissioning of new ones, as well as surprisingly low LNG imports by China, which in December 2024 increased its pipeline gas import capacity from Russia.

Source: ICE

ARA coal prices [6]



2025 **USD 95/t**

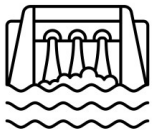
2024 USD 112/t

Price range during the year: [lowest $95/t, highest $120/t]

Coal prices in 2025 were on average lower than in the previous year. In particular, in the second half of the year, a downward trend prevailed due to excess coal supply on the global market and high levels of coal extraction for domestic use in China.

Source: ICE

Hydropower generation in SE Europe



2025 **38.2 TWh**

2024 45.0 TWh

Hydropower generation in South-East Europe in 2025 was 15% lower than the year before. 2025 is considered a hydrologically very poor year. The only South-East European country to record year-on-year growth in production in

[5] TTF – Title Transfer Facility; the main European virtual trading hub for natural gas.

[6] ARA – Amsterdam, Rotterdam, Antwerp (the three principal ports in north-western Europe through which large volumes of coal are traded).

2025 was Bosnia and Herzegovina, at nearly 15%. In Slovenia, hydropower generation decreased by almost 23% year on year, while Serbia (–36%) and North Macedonia (–50%) recorded even larger declines.

Source: ENTSO-E

Renewable energy sources in Germany (wind and solar)



2025 **206 TWh**

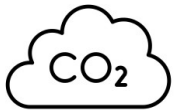
2024 201 TWh

▲

In Germany, the trend of increasing installed renewable energy capacity continued, rising by almost 21 GW year on year (+11%), of which 16.4 GW was added in solar power capacity and 4.6 GW in wind power capacity. In 2025, electricity generation from solar power plants increased by 18%, while generation from wind power plants decreased by 4%, mainly due to record-low wind conditions in the first quarter.

Source: ENTSO-E

Prices of CO_2



2025 **EUR 85.0/t**

2024 EUR 63.3/t

▲

Price range during the year: [lowest EUR 61/t, highest EUR 85/t]

In 2025, further simplifications were introduced to the rules of the EU Carbon Border Adjustment Mechanism (CBAM: Carbon Border Adjustment Mechanism). In April, the European Commission launched a consultation on the EU ETS as preparation for the review scheduled for 2026. Emissions allowance prices declined until September due to uncertainty surrounding the introduction of US tariffs. After September 2025, emissions allowance prices rose more strongly, mainly due to increased demand driven by compliance obligations, movements in natural gas prices, and expectations of a gradual tightening of allowance supply on the market.

Source: EEX

NOTE: Section 2.5 presents prices, interest rates, and exchange rates as at the last trading day of each year (31 December 2024 and 31 December 2025), while ranges show the lowest and highest values reached during the reporting year.

Average day-ahead electricity prices on exchanges

Germany

2025 **EUR 89/MWh** ▲

2024 EUR 80/MWh

Hungary

2025 **EUR 109/MWh** ▲

2024 EUR 101/MWh

Slovenia

2025 **EUR 105 /MWh** ▲

2024 EUR 91/MWh

Italy

2025 **EUR 116/MWh** ▲

2024 EUR 109/MWh

Greece

2025 **EUR 104/MWh** ▲

2024 EUR 101/MWh

Romania

2025 **EUR 108/MWh** ▲

2024 EUR 104/MWh

Republic of Serbia

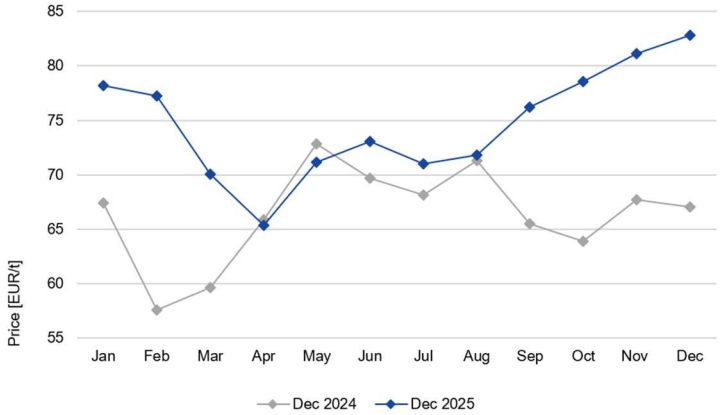
2025 **EUR 108/MWh** ▲

2024 EUR 102/MWh

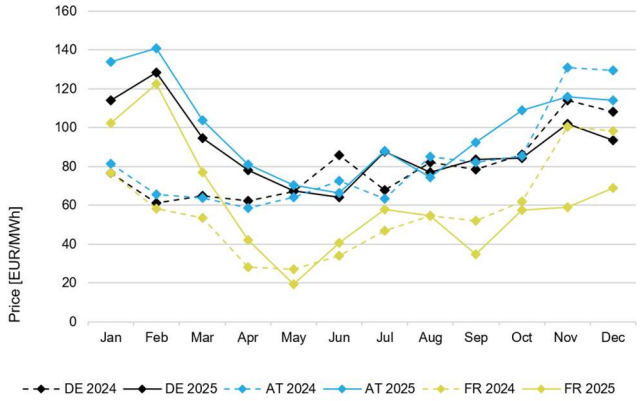
Source: Exchanges

In 2025, average day-ahead electricity prices on European power exchanges increased due to a combination of several factors. Key factors included a colder winter, higher emissions allowance prices in the second half of the year, poorer hydrological conditions, and lower wind power generation. Prices were highest at the beginning of the year, and remained relatively more stable in the remainder of the year, with occasional price fluctuations. These were mainly the result of increased demand, transmission capacity constraints, and occasionally adverse weather conditions, which led to short-term price spikes, while periods of strong renewable generation and lower demand resulted in temporary price declines.

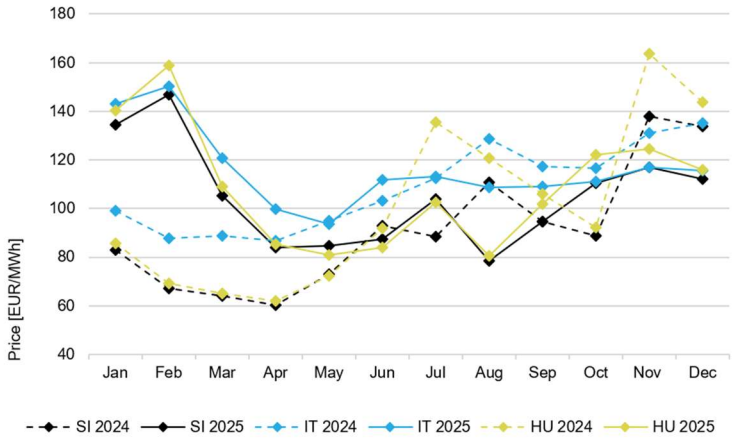
Average monthly prices of CO_2 emission allowances with December delivery within the delivery year



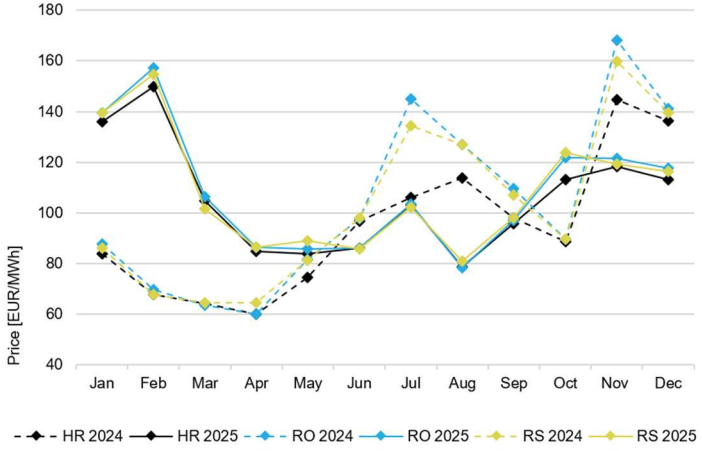
Average monthly electricity prices in Germany (DE), Austria (AT) and France (FR)



Average monthly electricity prices in Slovenia (SI), Italy (IT) and Hungary (HU)

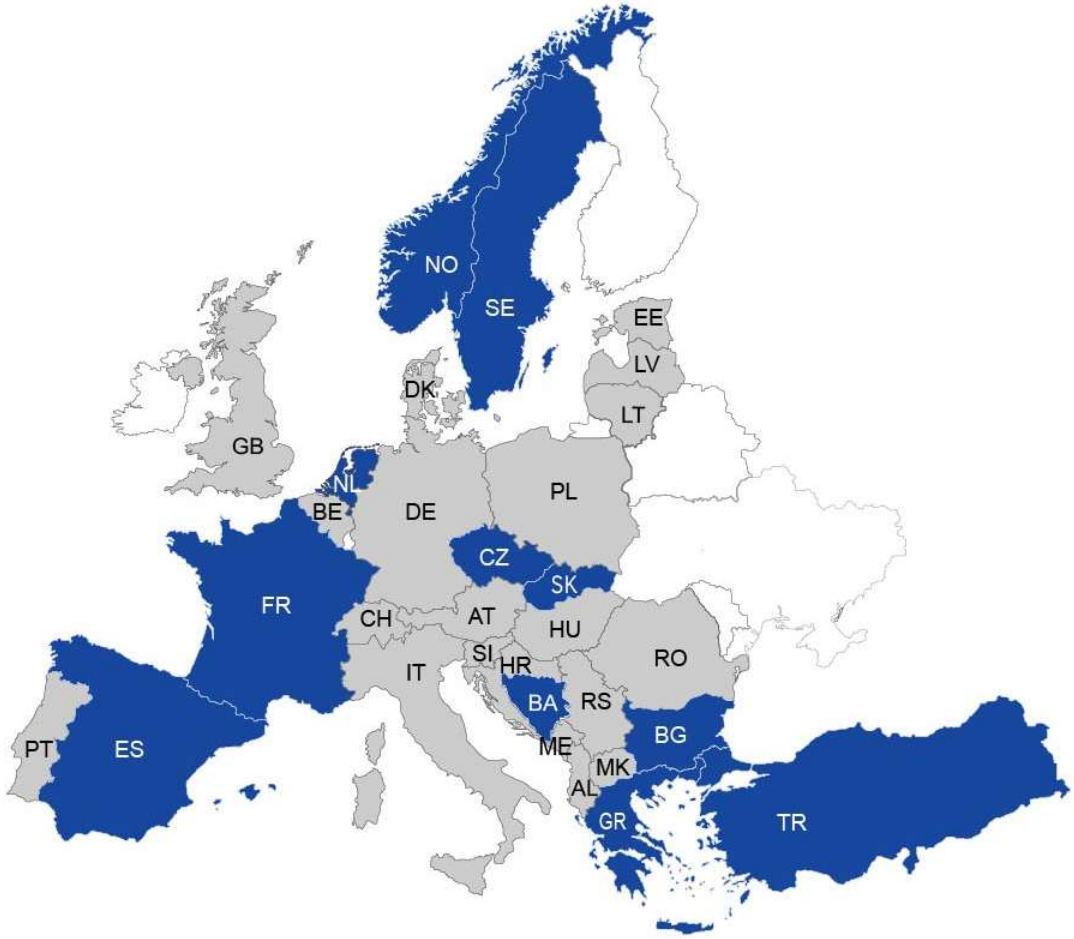


Average monthly electricity prices in Croatia (HR), Romania (RO) and the Republic of Serbia (RS)



Source: Exchanges

Balance of European electricity markets in 2025 and change in balance compared to 2024 in TWh



Source: ENTSO-E

Markets with a negative energy balance in 2025

SI	**HR**	**PT**	**IT**
2025: -2.29	**2025: -3.01**	**2025: -9.56**	**2025: -55.28**
▲ 2024: -1.93	▲ 2024: -0.79	▲ 2024: 1.37	▲ 2024: 3.32
ME	**MK**	**AL**	**RS**
2025: -1.02	**2025: -0.76**	**2025: -1**	**2025: -2.06**
▲ 2024: -0.59	▲ 2024: -0.05	▲ 2024: -0.62	▲ 2024: -1.5
XK	**RO**	**HU**	**AT**
2025: -1.56	**2025: -3.76**	**2025: -9.47**	**2025: -7.06**
▲ 2024: -0.96	▲ 2024: -0.77	▲ 2024: 1.67	▲ 2024: -11.53
BE	**CH**	**DE**	**PL**
2025:-14.17	**2025: -0.07**	**2025:-25.62**	**2025: -0.93**
▲ 2024: -3.41	▲ 2024: -14.19	▲ 2024: 6.26	▲ 2024: 1.5
LT	**LV**	**EE**	**GB**
2025: -3.66	**2025: -1.39**	**2025: -2.47**	**2025:-18.76**
▲ 2024: 2.03	▲ 2024: -0.28	▲ 2024: 0.51	▲ 2024: 1.74
DK			
2025: -6.17			
▲ 2024: -2.31			

Markets with a positive energy balance in 2025

ES	**FR**	**BA**	**BG**
2025: 9.4	**2025: 92.45**	**2025: 2.33**	**2025: 1.24**
▲ 2024: 1.3	▲ 2024: 3.3	▲ 2024: -0.18	▲ 2024: 0.29
GR	**CZ**	**TR**	**NL**
2025: 2.57	**2025: 7.56**	**2025: 0.83**	**2025: 14.89**
▲ 2024: 2.75	▲ 2024: 3.34	▲ 2024: -0.06	▲ 2024: 11.11
SK	**SE**	**NO**	
2025: 2.26	**2025: 34.12**	**2025: 14.28**	
▲ 2024: -2.9	▲ 2024: 0.85	▲ 2024: 3.79	

In 2025, a **positive energy balance** (higher generation than consumption), particularly in countries with strong nuclear generation and in some countries with significant growth in solar power generation. Poor hydrological conditions across most of Europe, except for Scandinavia, worsened the energy balance in countries with a higher dependence on hydropower generation.

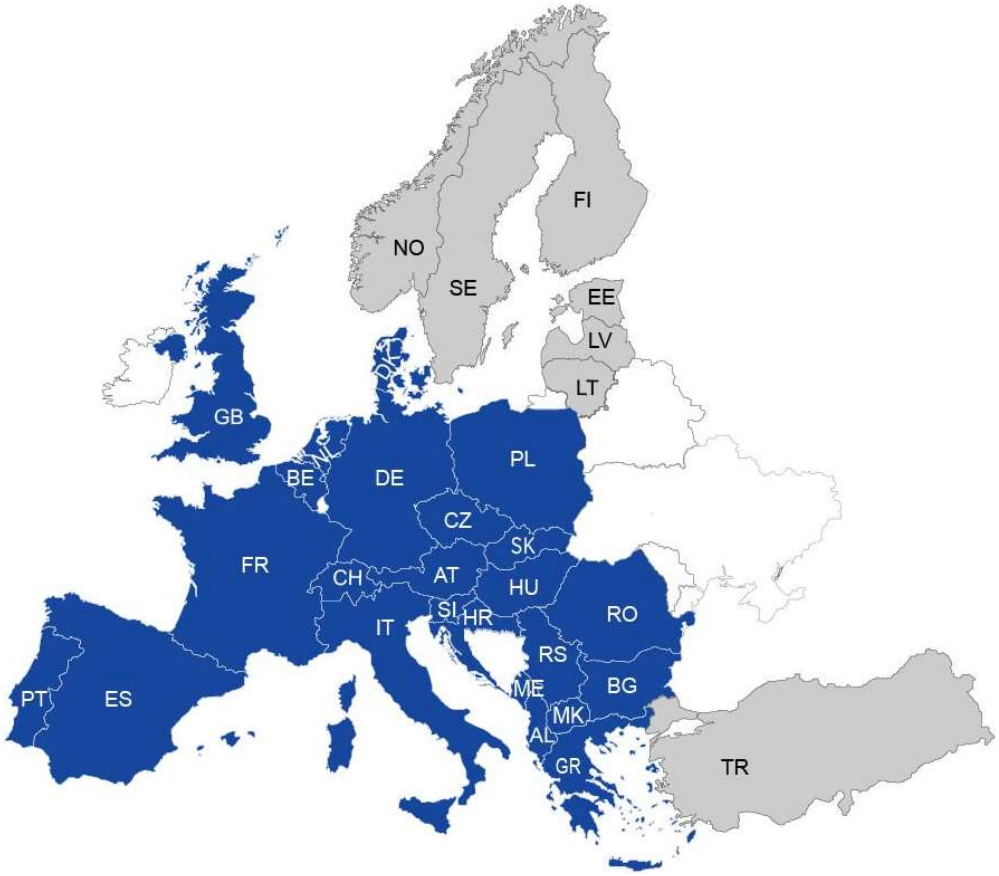
France, despite slightly weaker hydrological conditions, maintained a strong energy balance due to stable operation of nuclear power plants and record solar generation. Spain stood out with growth in solar and gas generation, the Netherlands with higher coal and gas generation, while Sweden and Norway benefited from favourable hydrological conditions. The Czech Republic, Slovakia and Bulgaria achieved a positive balance driven by growth in solar energy and stable operation of nuclear power units.

A **negative energy balance** (consumption exceeding generation) was recorded in 2025 by Central and South-East European countries with greater dependence on hydropower generation, including Austria, Slovenia, Croatia, Serbia and Romania. Italy continued to record the most pronounced negative energy balance. It was followed by Germany, which, despite strong growth in solar generation, remained a net importer, mainly due to lower generation from wind power plants, thermal power plants, and hydropower plants.

Electricity prices on day-ahead wholesale markets, prices in 2025 were higher than in 2024 across almost all of Europe, with the exception of the Nordic countries, where prices declined.

The highest day-ahead wholesale electricity prices were recorded in Albania, Italy and Montenegro, while the lowest prices were observed in the Nordic countries. Switzerland and Austria recorded the largest annual increases in electricity prices, followed by Belgium, Montenegro, Denmark, Slovenia, the Czech Republic, the Netherlands and Germany. Higher prices at the beginning of the year were driven by lower temperatures, increased demand, lower wind power generation, and higher gas prices. The second quarter was characterised by more favourable hydrological conditions and lower gas prices, which led to a decline in electricity prices. The third quarter was characterised by unfavourable hydrological conditions across most of Europe, scheduled maintenance of major generation units, and increased demand during summer heatwaves, resulting in higher prices across all markets compared to the second quarter. The fourth quarter saw most exchanges transition from hourly to 15-minute pricing intervals. Despite some extensive maintenance outages, electricity prices were lower than the previous year due to lower gas prices and below-average demand.

Average annual day-ahead electricity prices on European power exchanges in 2025 (EUR/MWh) and percentage change compared to 2024



Source: Exchanges

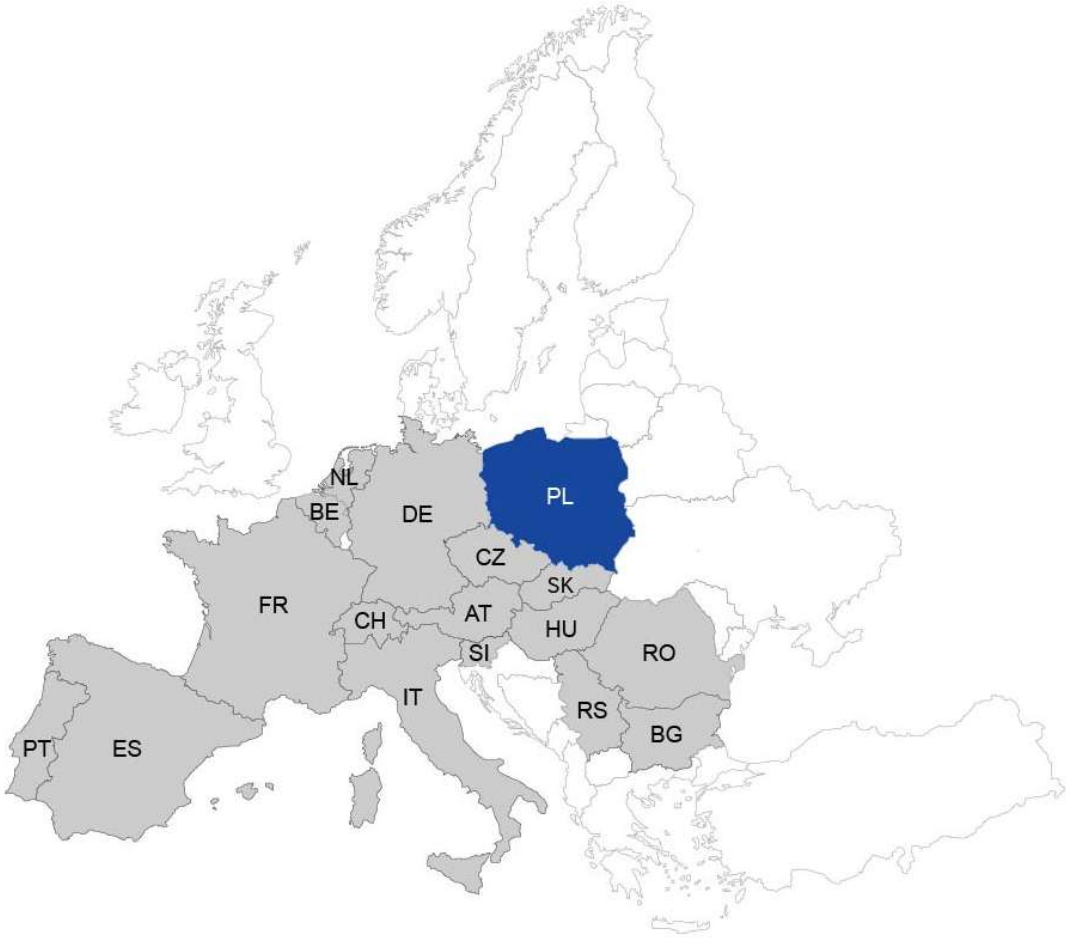
Price drop compared to 2024

TR	**LT**	**LV**	**EE**
2025: 58.71	**2025: 85.31**	**2025: 85.73**	**2025: 80.39**
▲ 2024: -6.4%	▲ 2024: -2,2%	▲ 2024: -1,8%	▲ 2024: -7,7%
FI	**SE**	**NO**	
2025: 40.48	**2025: 31.44**	**2025: 31.44**	
▲ 2024: -11.1%	▲ 2024: -12.9%	▲ 2024: -12.9%	

Price increase compared with 2024

SI	**HR**	**ME**	**AL**
2025: 104.64	**2025: 105.35**	**2025: 113.24**	**2025: 118.34**
▲ 2024: 14.6%	▲ 2024: 11.3%	▲ 2024: 15%	▲ 2024: 5.6%
MK	**GR**	**BG**	**RO**
2025: 108.2	**2025: 103.6**	**2025: 106.9**	**2025: 108.16**
▲ 2024: 5.5%	▲ 2024: 2.7%	▲ 2024: 4.2%	▲ 2024: 4.5%
RS	**HU**	**SK**	**AT**
2025: 107.87	**2025: 108.51**	**2025: 102.7**	**2025: 98.94**
▲ 2024: 6%	▲ 2024: 7.6%	▲ 2024: 10.6%	▲ 2024: 20.8%
CZ	**PL**	**IT**	**CH**
2025: 96.96	**2025: 100.54**	**2025: 115.94**	**2025: 101.69**
▲ 2024: 13.9%	▲ 2024: 4.4%	▲ 2024: 6.8%	▲ 2024: 33.9%
FR	**ES**	**PT**	**GB**
2025: 61.07	**2025: 65.29**	**2025: 66.23**	**2025: 80.65**
▲ 2024: 5.8%	▲ 2024: 3.6%	▲ 2024: 4.4%	▲ 2024: 11.1%
NL	**BE**	**DE**	**DK**
2025: 86.81	**2025: 82.57**	**2025: 89.32**	**2025: 81.1**
▲ 2024: 12.5%	▲ 2024: 17.6%	▲ 2024: 12.2%	▲ 2024: 14.9%

Baseload forward electricity prices on key exchanges for delivery in 2026 at the end of 2025 and for delivery in 2025 at the end of 2024 (EUR/MWh)



Source: Exchanges

Price decrease compared with 2024			
SI	**RS**	**BG**	**RO**
2025: 100.22	**2025: 96.97**	**2025: 103.22**	**2025: 105.97**
2024: 111.53	2024: 117.93	2024: 116.43	2024: 119.18
HU	**SK**	**AT**	**CZ**
2025: 105.22	**2025: 100.75**	**2025: 92.28**	**2025: 93.03**
2024: 117.43	2024: 112.72	2024: 102.74	2024: 103.39
DE	**NL**	**BE**	**FR**
2025: 85.38	**2025: 80.79**	**2025: 77.52**	**2025: 50.83**
2024: 98.31	2024: 95.76	2024: 91.8	2024: 77.62
CH	**IT**	**ES**	**PT**
2025: 87.64	**2025: 102.35**	**2025: 56.77**	**2025: 58.8**
2024: 98.96	2024: 128.72	2024: 74.17	2024: 75.18

Price increase compared with 2024
PL
2025: 105.85
2024: 98.61

Note: Country data – the first figure refers to delivery in 2026 as at the end of 2025, while figures in brackets refer to delivery in 2025 as at the end of 2024.

In 2025, baseload electricity prices for delivery in 2026 were influenced by weather conditions, energy commodity prices, emission allowances, and geopolitical factors. On most European exchanges, prices ended the year at lower levels than in the comparable period of the previous year, with Poland being the only exception.

In January and February 2025, prices remained at relatively elevated levels, before beginning to decline towards the end of the winter. In April, European energy markets were significantly affected by announcements and expectations of US tariffs, which further contributed to the decline in prices. In April and May, this was further supported by higher year on year solar generation and more favourable supply-side conditions. In spring, geopolitical tensions between Israel and Iran, together with developments in relation to the introduction of US tariffs, led to increased price volatility on European and global exchanges. An exceptional drought at the end of June led to a short-term increase in energy commodity and electricity prices. In the summer months, prices stabilised again, mainly due to the easing of geopolitical tensions between Iran and Israel. In August, higher renewable electricity generation contributed to a further decline in prices, alongside the meeting between Donald Trump and Vladimir Putin in Alaska. From August onwards, natural gas prices mostly declined—initially due to the European Commission's reduced requirements for mandatory gas storage filling levels and a significant increase in global liquefied natural gas (LNG) supply, and towards the end of the year also on expectations of an imminent peace agreement in Ukraine. Conversely, from September onwards, emission allowance prices increased, driven by expectations of lower supply at primary auctions in 2026.

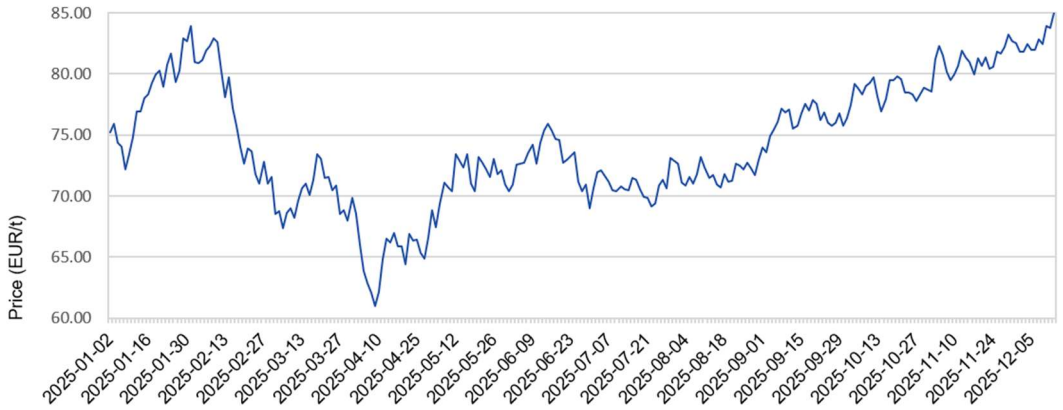
Amid offsetting drivers, baseload electricity futures for delivery in 2026 remained relatively stable on most key exchanges in the second half of the year, albeit with intermittent fluctuations, and ended 2025 at lower levels than baseload futures for delivery in 2025 recorded at the end of December 2024.

In the first quarter of 2025, the European Commission (EC) presented the Clean Industrial Deal and adopted the simplification omnibus package. In April, it opened a consultation on the EU Emissions Trading System (EU ETS) for CO_2 emissions and on the Market Stability Reserve (MSR) in preparation for the revision planned for 2026. In July, the European Energy Exchange (EEX) published a revised auction calendar for 2025 and a new calendar for 2026. The European Commission announced the transfer of 276 Mt of allowances into the Market Stability Reserve (MSR) for the period from 1 September 2025 to 31 August 2026, which was reflected in adjusted auction volumes from September onwards. In September, the European Parliament and the Council of the EU approved simplifications to the CBAM mechanism, including an exemption threshold for small importers and a postponement of the start of CBAM certificate purchases to February 2027.

In the fourth quarter of 2025, the EUA Dec25 contract, following the September jump, attempted several times to reach EUR 80/t, but did not break through this level in October. In early November, emission allowance prices firmed again above EUR 80/t on the back of an improved economic climate and reached around EUR 82/t. In December, the rise continued and the allowance price approached EUR 85/t. The trend was supported by expectations of a tighter balance in 2026, linked to the

operation of the MSR and auction volumes, as well as pronounced financial positioning – investment funds moved into a record net long position, which at the same time increased the risk of rapid corrections. At the beginning of December 2025, the European Commission confirmed that 54.2 million tonnes of EUA allowances would be cancelled from the maritime sector in 2026; the updated 2026 auction calendar published in December also reflects this reduction in auction volumes. In mid-December 2025, the European Commission published a comprehensive package of CBAM-related documents, including implementing acts and proposed amendments. These provided further clarification of the applicable rules and signalled a tightening and expansion of the mechanism ahead of its full implementation on 1 January 2026. The European Commission also published the methodology for determining the price of CBAM certificates. For 2026, certificate prices will be based on the quarterly weighted average of EU ETS auction prices, transitioning to a weekly weighted average from 2027 onwards. This approach further strengthens the alignment of CBAM-related costs with the price of EU Allowances (EUAs).

CO_2 emission allowance prices in EUR/allowance (December 2025 delivery)



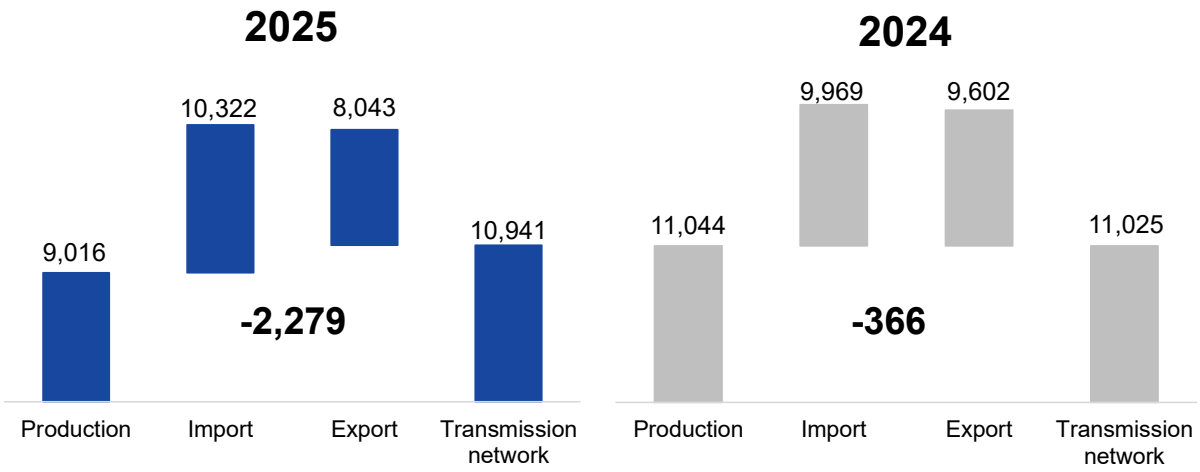
Source: EEX

Slovenian electricity market

In 2025, adverse hydrological conditions and lower output from the Šoštanj Thermal Power Plant contributed to a significant decline in overall electricity generation in the Slovenian market. Compared with 2024, total electricity generation was 18% lower, representing a decrease of 2 TWh.

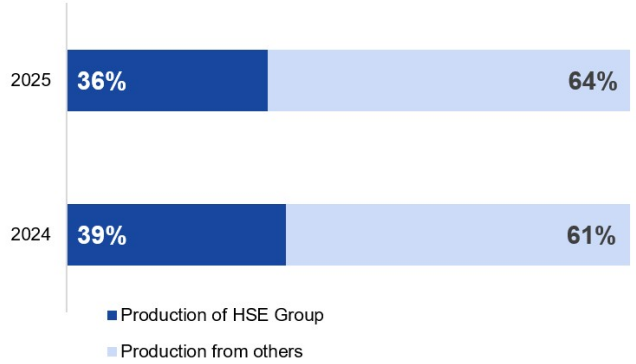
These adverse hydrological conditions were particularly pronounced in the Drava River basin, where electricity generation was 33% lower than in the previous year. Such factors, together with a 1% decline in electricity demand compared with 2024, significantly reduced exports. Combined with a modest increase in imports, this resulted in a weaker electricity trade balance for the Slovenian market.

The Slovenian electricity market on the transmission network (GWh)



Note: The figure does not include transmission network losses (TN). Offtake from the transmission network also includes generation on the distribution network and is therefore lower than actual end-customer consumption. Source: ELES Annual Report (based on electricity injections into and withdrawals from the transmission network).

Share of HSE Group electricity generation in relation to total electricity generation in Slovenia (%)



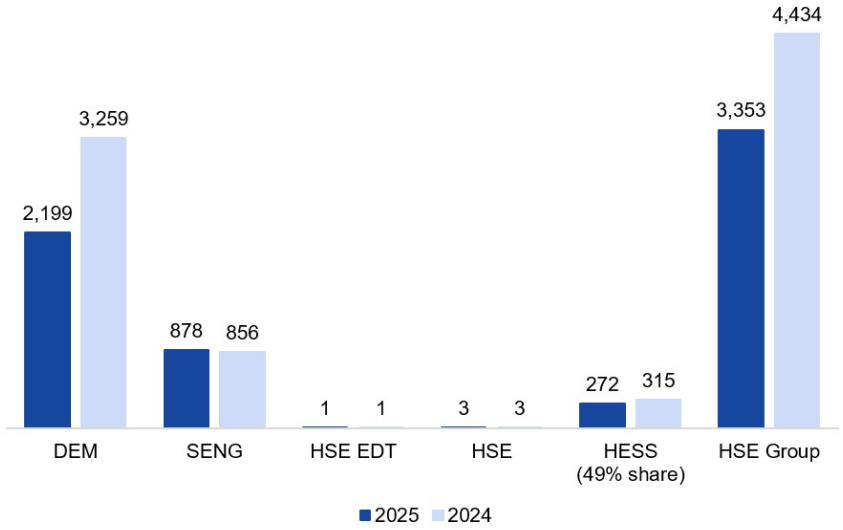
Source: ELES and internal HSE data.

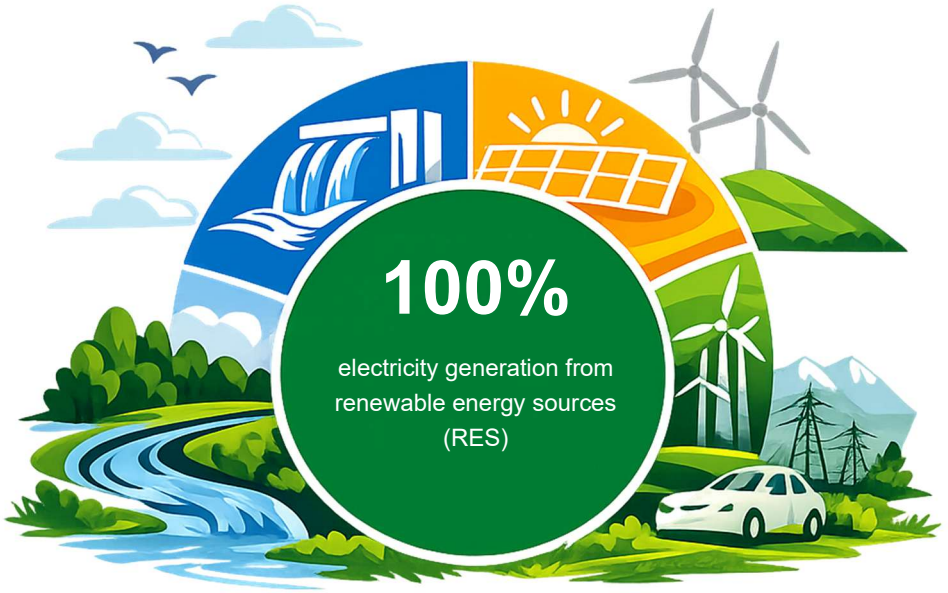
Structure of HSE Group electricity generation



Source: Internal HSE data.

Net electricity generated in the HSE Group (GWh)





The HSE Group's adaptation to market conditions

In 2025, wholesale electricity markets were characterised by increased intraday price spreads, driven primarily by rapid growth in solar generation and a consequent rise in the frequency of hours with very low and, at times, negative prices. At the same time, on 1 October 2025 the European market transitioned to 15-minute pricing intervals in the single day-ahead market, further increasing the importance of intraday position management and necessitating process and system adjustments in the planning and execution of sales and trading strategies.

In the gas markets, 2025 was characterised by periods of tightened conditions and heightened volatility in the first half of the year. In the third quarter, both volatility and price levels moderated; however, a winter risk premium remained in place, driven by storage levels, liquefied natural gas (LNG) flows, and geopolitical factors.

In such an environment, the HSE Group adapted its short-term sales of own production and trading activities primarily by leveraging the flexibility of its portfolio-both contractual and technical - in order to respond to rapidly changing price signals and optimise its positions. In this context, measures to reduce output or temporarily shut down individual generation units were also applied during hours of strong solar generation and consequently unfavourable price conditions. Moreover, the size of the portfolio, available technical capacities and the approach to production management were adjusted following the exclusion of the thermal division from the HSE Group.

In autumn 2025, most European day-ahead power exchanges transitioned from hourly to 15-minute trading products. This represents an important step towards **aligning market products with the physical needs of the electricity system**, thereby enabling **more accurate management of fluctuations in generation from renewable sources**, **more efficient balancing of imbalances** and **reduction of imbalance costs.**

Plans for the future

In line with its long-term strategy as a key driver of the green transition in Slovenia, the HSE Group will accelerate investment in know-how, processes, and capabilities for trading and managing renewable generation and flexibility resources, with a focus on increasing renewable generation and developing flexibility assets.

Through long-term electricity purchase and sales agreements, we will ensure revenue stability and the economic viability of new investments, while also managing risks arising from the variability of renewable generation through the use of more advanced market products and approaches.

At the same time, the development of the market is increasingly driven by the digitalisation of business processes and the real-time automation of trading activities. Artificial intelligence will be progressively integrated into key business processes, particularly in the areas of analytics, planning and reporting.

In the area of trading and generation management, HSE identifies increasing opportunities in short-term trading, portfolio optimisation and improved utilisation of the flexibility of generation assets, and will continue to play an active role in the ancillary services market.

In the retail segment, we will focus on sustainable growth and strengthening the Group’s competitive advantage in the end-customer energy supply market. We will continue to develop advanced energy products and services suited to the evolving needs of end customers. Particular emphasis will be placed on digitalisation, including the use of artificial intelligence, and on ensuring easy access to information, with customer experience placed at the centre of all digital enhancements and related activities. Loyalty programmes and tailored offers will be used to strengthen customer loyalty. Our energy solutions will be comprehensive, sustainable and focused on efficient energy use. We will support the transition towards renewable energy sources and expand our e-charging infrastructure, while further developing e-mobility as an important component of our integrated energy offering. We will also pursue opportunities in international markets.

2.6 Analysis of HSE Group performance[7]

As at 31 December 2024, HSE transferred its 100% ownership interests in Termoelektrarna Šoštanj and Premogovnik Velenje to the direct ownership of the Republic of Slovenia, pursuant to the Act on Transitional Financing for the Accelerated and Just Transition from Coal, thereby transferring the management of these two investments to Slovenian Sovereign Holding. As Premogovnik Velenje is the 100% owner of SIPOTEH, PLP and HTZ, these companies were also excluded from the HSE Group following the transfer of Premogovnik Velenje out of the Group. In the 2024 Annual Report, the statement of profit or loss was presented separately for the HSE Group's continuing operations, discontinued operations, and total operations. Production and investment data, however, referred to total operations, including discontinued operations. **For comparability purposes, HSE Group data for 2024 in this Annual Report is shown for continuing operations only**.

In demanding hydrological conditions and amid high price volatility, we exceeded planned results through efficient management of our own generation, while repaying nearly EUR 170 million of loans ahead of schedule and distributing EUR 165 million in profit to the owner.

[7] The section Analysis of the performance of the HSE Group and Company should be read in conjunction with the HSE Financial Statements and the HSE Group Consolidated Financial Statements. The terminology used in the annual report is consistent with the International Financial Reporting Standards (IFRS).

2.6.1 HSE Group and Company key data

	HSE GROUP			HSE COMPANY		
KEY DATA	2025	2024	INDEX 2025/2024	2025	2024	INDEX 2025/2024
Net sales revenue in EUR	**3,124,988,072**	3,001,723,806	104	**3,174,118,465**	3,620,312,806	88
Net profit/loss in EUR	**257,885,123**	440,736,492	59	**236,924,700**	210,490,451	113
Revenue in EUR	**3,167,624,829**	3,031,568,047	104	**3,206,621,354**	3,638,921,007	88
EBIT = Operating profit or loss in EUR	**282,525,876**	427,797,792	66	**261,247,802**	417,359,035	63
EBITDA in EUR	**324,141,887**	471,434,816	69	**263,407,599**	429,819,049	61
Assets in EUR	**1,551,821,002**	1,694,968,420	92	**1,263,232,175**	1,702,475,940	74
Capital in EUR	**1,244,460,447**	1,143,641,965	109	**986,371,264**	906,890,817	109
Bank indebtedness in EUR	**3,766,733**	194,601,875	2	**0**	191,016,317	0
Total indebtedness in EUR	**8,320,776**	200,142,484	4	**3,087,118**	194,889,147	2
Investments in EUR	**41,089,737**	36,252,951	113	**3,172,866**	2,198,673	144
Electricity produced in GWh[1]	**3,353**	4,434	76	**3.1**	3.3	93
Electricity sold (physical business) in GWh	**27,775**	27,996	99	**27,672**	28,113	98
Electricity sold (physical and financial business) in GWh	**116,159**	98,491	118	**116,057**	98,608	118
Employees at the end of the year	**1,081**	1,039	104	**278**	257	108
Average number of emloyees[2]	**1,060**	1,027	103	**268**	252	106
Net return on equity (ROE) indicator in %	**21.6**	38.0	57	**25.0**	22.7	110
Net return on assets (ROA) indicator in %	**15.9**	21.6	74	**16.0**	11.5	139
Added value in EUR	**383,732,102**	527,203,103	73	**286,350,989**	451,080,657	63
Added value per employee in EUR	**362,011**	513,593	71	**1,070,471**	1,786,635	60

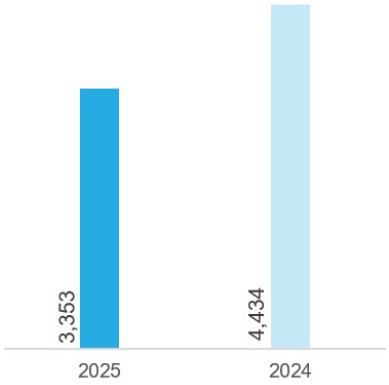
[1] Generated electricity includes the 49% share of electricity production from HESS, totalling 314 GWh in 2024 and 272 GWh in 2025.

[2] The average number of employees is calculated as the average of the opening and closing number of employees.

2.6.2 Income statement analysis – HSE Group and Company

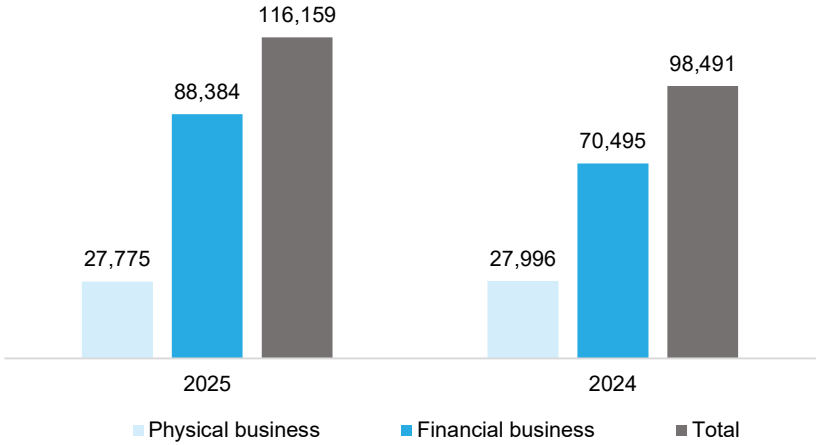
The year 2025 was characterised by unfavourable hydrological conditions in the second half of the year and rising energy commodity prices on European exchanges. Despite this, both the HSE Group and HSE company successfully **exceeded their planned targets**, supported in particular by above-average hydrological conditions in the first five months of the year and effective optimisation of sales of own and flexible generation.

HSE Group electricity generation in GWh



In 2025, the HSE Group **generated** 3,353 GWh of electricity, representing a 24% decrease, or 1,080 GWh less than in 2024, when hydrological conditions were exceptionally favourable. Hydrological conditions on the Drava River were the second lowest in the past twelve years. Hydropower plants generated 3,005 GWh of electricity, representing a 27% decrease compared with 2024 (90% share). A key role in the electricity system was also played by the Avče pumped-storage hydro power plant, the only facility of its kind in Slovenia, which acts as a storage unit for electricity; the Group also manages a 20% share in the generation of the Golica pumped-storage hydro plant. The Avče and Golica pumped-storage hydro power plants generated 334 GWh of electricity in 2025, representing a 14% increase compared with 2024 (10% share). The HSE Group places strong emphasis on the development of projects contributing to the achievement of green transition objectives. In 2025, the Kanalski Vrh solar power plant – Phase 1 – commenced operation. Electricity generation from solar power plants amounted to 13 GWh, representing an 18% increase compared with 2024. The Trbovlje gas power plant, intended to meet electricity demand during periods of high prices, generated 0.53 GWh of electricity in 2025, compared with 1.3 GWh in 2024.

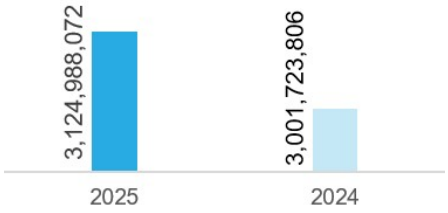
HSE Group electricity sales in GWh



Even in the challenging conditions that characterised 2025, the HSE Group ensured a reliable supply of electricity to its customers. Total sales amounted to 27,775 GWh, representing a decrease of just 1% compared with 2024. At the same time, the volume of financial transactions increased, rising by 25% compared with 2024.

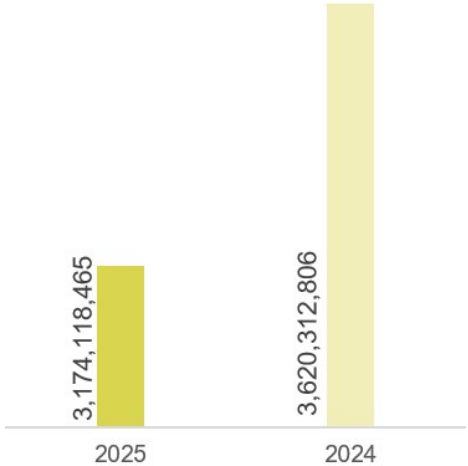
The majority of the HSE Group's and Company's net sales revenues in 2025 were generated from the sale of **electricity** and related services. This activity accounted for approximately 94% of the HSE Group's net sales revenue and 95% of HSE Company's net sales revenue.

Net sales revenue of the HSE Group in EUR



Compared with 2024, the HSE Group achieved a 1% increase in net sales revenue from electricity and related services (considering only continuing operations in 2024, i.e. excluding the thermal division). Conversely, these revenues in the HSE Company were 15% lower.

Net sales revenue of the HSE Company in EUR



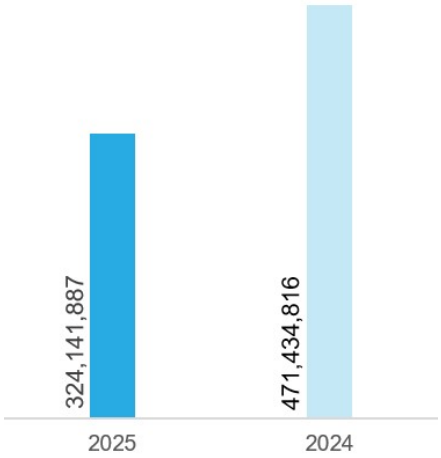
The decrease in the HSE Company's revenue from sales, together with related services, was primarily attributable to an increase in the sale of financial products and lower purchases of electricity from Šoštanj Thermal Power Plant, which consequently also resulted in a lower volume of onward sales. In 2024, revenues also included revenue from electricity sales from discontinued operations.

The HSE Company, in line with the HSE Group’s sales strategy, offtakes and markets the majority of electricity generated by HSE Group companies. In addition, it manages and optimises sales and, at the level of the HSE Group, assumes all market and volume risks associated with the sale of electricity.

Revenue from the sale of trading goods in 2025 amounted to EUR 171 million, representing approximately 5% of the net sales revenue of the HSE Group and HSE Company. Compared to 2024, these revenues more than doubled, primarily due to higher sales volumes of emission allowances and natural gas on the domestic market. HSE Group companies also generate revenue from the sale of trading goods through the sale of solar power systems, charging stations, and heating and cooling equipment.

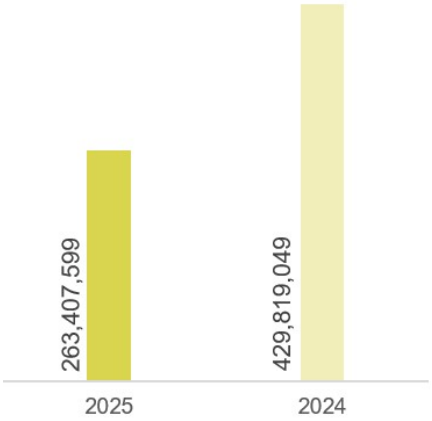
Lower cost-efficient hydropower generation by 1 TWh was the main driver of the decline in EBITDA, which decreased by 31% for the HSE Group and by 39% for the HSE Company compared to 2024. Due to lower production, purchased higher-cost volumes of electricity increased by 4% compared to the previous year 2024. Operations in the first two months of 2025 were still affected by government emergency measures in the electricity supply sector. Regulation of retail electricity prices for household customers, which was in force until 28 February 2025, limited the realised selling prices in this segment.

EBITDA of the HSE Group in EUR

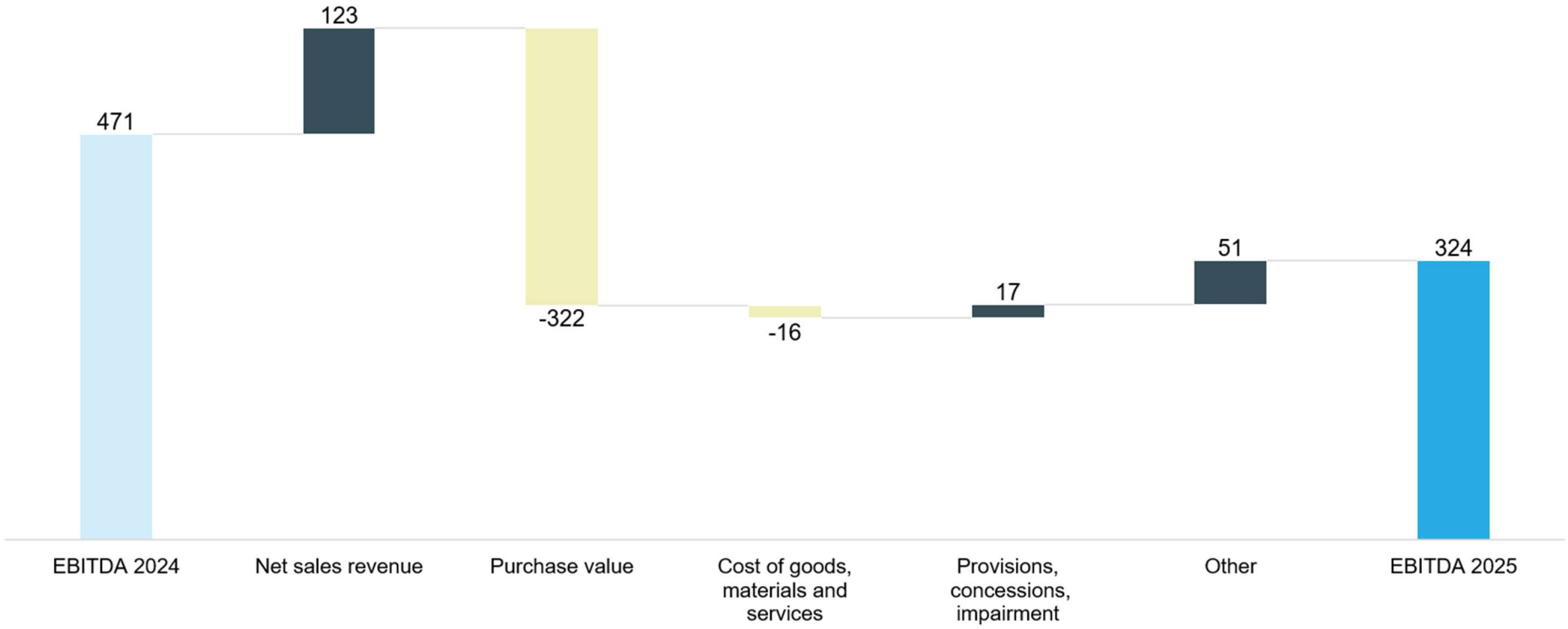


The decrease in the HSE Group's EBITDA compared to 2024 was also influenced by higher costs of materials, services, and labour. **Material costs** increased by 20%, primarily due to higher electricity costs driven by rising prices. **Service costs** also increased, namely by 25%. The largest increases were recorded in subcontractor services, maintenance services, and study services related to new potential projects. **Labour costs** were 9% higher, driven by wage indexation to inflation, a higher average number of employees, and a winter bonus.

EBITDA of the HSE Company in EUR

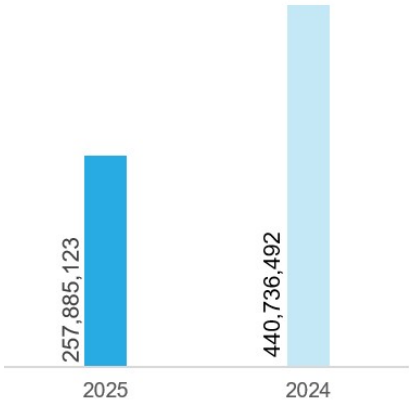


Change in the HSE Group's EBITDA in 2025 compared with 2024 in EUR million



Compared to 2024, lower costs of **provisions** (down 83%) and **concession costs** (down 29%), due to lower production volumes, had a positive impact on EBITDA. There was an increase in **capitalised own-produced assets and services**, i.e. revenue related to own investments, up by 18%. Among other effects, the largest positive impact was attributable to the fair value measurement of commodity contracts.

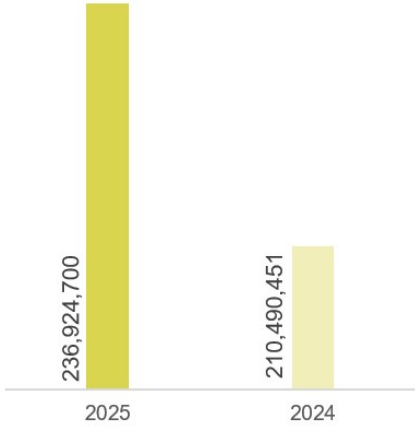
Net profit of the HSE Group in EUR



The HSE Group's net profit for 2025 amounted to EUR 257.9 million, representing a 41% decrease compared to 2024. The lower result was primarily due to a 31% decline in EBITDA. EBIT (operating profit) was also 34% lower. In 2025, the goodwill of Energija plus was impaired in the amount of EUR 4.2 million, which reduced EBIT and net profit. Net profit for 2025 was also lower due to higher income tax expense amounting to EUR 27.0 million. Deferred taxes had a greater positive impact on the result in the comparative year 2024. In 2024, the HSE Company recognised deferred tax assets of EUR 41.7 million, primarily arising from impairments of financial investments in subsidiaries. In 2025, deferred taxes had a positive impact on net profit in the amount of EUR 5.7 million, primarily due to the recognition of deferred tax assets arising from impairments of financial investments in subsidiaries in 2024.

On the other hand, the 2025 result was positively impacted by lower finance costs for interest, driven by reduced indebtedness of the HSE Group.

Net profit of the HSE Company in EUR



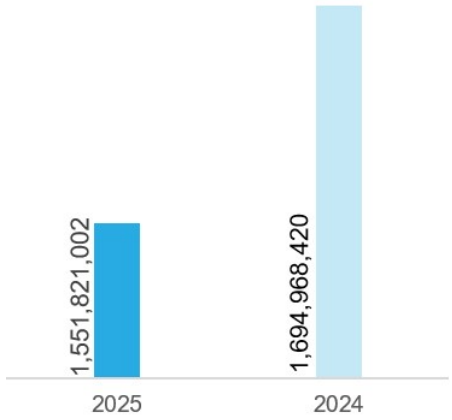
In 2025, the HSE Company achieved a net profit of EUR 236.9 million, representing a 13% increase compared to 2024.

The increase was primarily driven by an improved financial result. In 2024, net profit was lower primarily due to a one-off event, as a loss of EUR 221.7 million was recognised within finance costs, arising from the non-reimbursed transfer of shares in companies from discontinued operations to the Republic of Slovenia. In addition, in 2025 finance costs for interest decreased by 66% due to lower indebtedness compared to 2024.

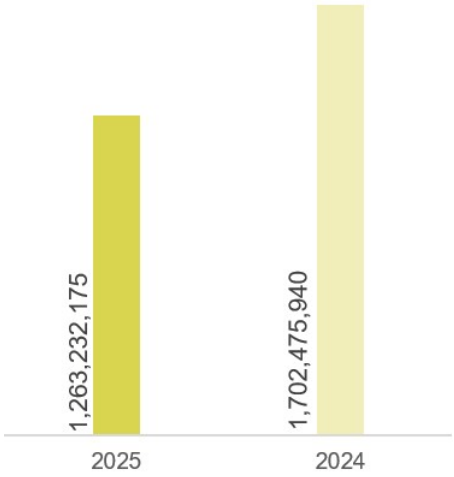
Pursuant to the Act on Transparency of Financial Relations and Separate Recording of Different Activities (ZPFOLERD-1), we disclose the funds received by the HSE Company in 2025: the HSE Company received EUR 24,796 for the LEONARDO project and EUR 8,159 for the FARCROSS project. Other HSE Group companies disclose funds received under this Act in their respective annual reports.

2.6.3 Analysis of the statement of financial position of the HSE Group and Company

Assets of the HSE Group as at 31 December 2025 and 31 December 2024 in EUR



Assets of the HSE Company as at 31 December 2025 and 31 December 2024 in EUR



At the end of 2025, total assets of the HSE Group decreased by 8% compared to 31 December 2024, while the HSE Company recorded a 26% decline in assets.

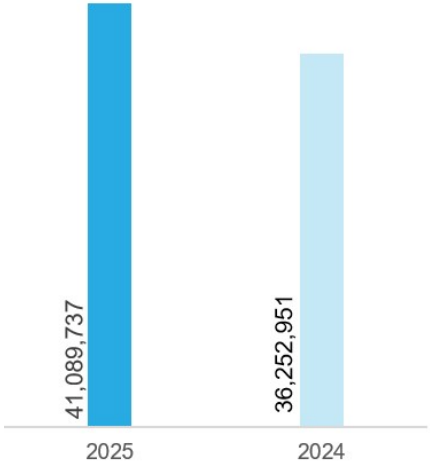
Short-term trade receivables of the HSE Group decreased by 19%, while those of the HSE Company declined by 25%, due to lower sales volumes and prices.

At the end of 2024, the HSE Company recognised tax receivables of EUR 44 million arising from prepaid corporate income tax instalments. As the shares in companies from discontinued operations were transferred to the Republic of Slovenia at the end of 2024, the HSE Company reported a tax loss in 2024. In 2025, the HSE Company did not make corporate income tax advance payments, as it had no tax liability for 2024. As a result, at the end of 2025 tax liabilities were recognised. Differences in tax receivables and tax liabilities at the Company level are consequently also reflected at HSE Group level.

Although both the HSE Group and the HSE Company operated at a profit in 2025, they reported lower cash balances at the end of the year compared to the previous year. This was driven by significant cash outflows, as in 2025 the HSE Company made early repayments of long-term loans totalling EUR 169.7 million and paid EUR 165 million in dividends to its owner.

Intangible assets at the HSE Company were also lower, primarily due to the sale of emission allowances (EUR –249.3 million).

Investments of the HSE Group in EUR



Investments of the HSE Company in EUR

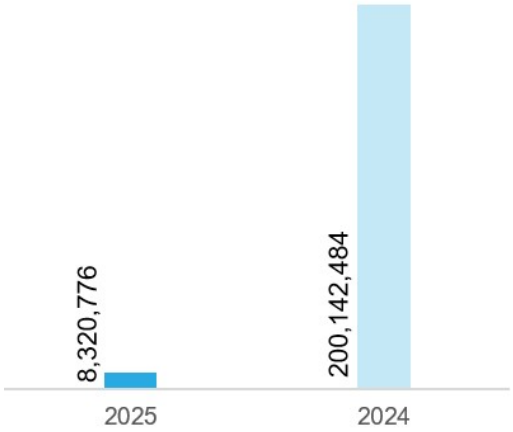


In 2025, HSE Group investments increased by 13% compared to 2024, while investments by the HSE Company rose by 44%. The volume of investments exceeded depreciation, which increased the value of property, plant, and equipment of the HSE Group as at 31 December 2025 by 1% compared to 31 December 2024. In the HSE Company, the value of property, plant, and equipment increased by 10% over the same period.

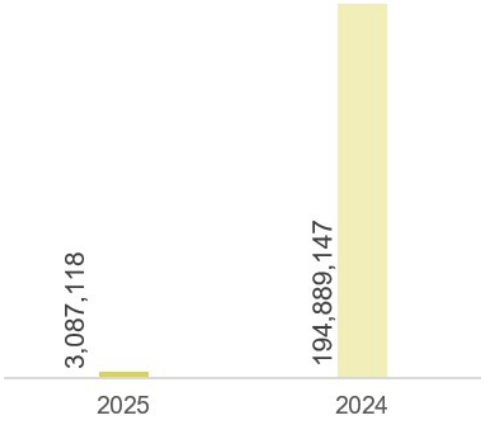
At the end of 2025, inventories of both the HSE Group and the HSE Company were higher than in the previous year, by EUR 21.8 million, primarily due to the purchase of emission allowances for trading.

The HSE Group also increased short-term financial receivables, primarily due to deposits with maturities exceeding three months, amounting to EUR 30 million.

Total financial liabilities of the HSE Group in EUR



Total financial liabilities of the HSE Company in EUR



The 8% reduction in liabilities of the HSE Group and the 26% reduction for the HSE Company reflects lower indebtedness, which strengthens the financial stability and liquidity of both the Group and the Company and improves the ability to effectively manage assets and liabilities. The successful performance enabled the HSE Company to make early repayments of long-term loans amounting to EUR 169.7 million. As a result, the HSE Group's bank debt amounted to EUR 3.8 million as at 31 December 2025, while at the end of 2025 the HSE Company reported no financial liabilities to banks. At the end of 2025, the HSE Group's lease liabilities amounted to EUR 4.5 million, while those of the HSE Company amounted to EUR 3.1 million.

At the same time, as at 31 December 2025, trade payables were also lower compared to 31 December 2024, by 17% for the HSE Group and 18% for the HSE Company, primarily due to lower purchased electricity volumes and prices.

In 2025, both the HSE Group and the HSE Company operated successfully, which was reflected in a 9% increase in equity for both the Group and the Company, despite the distribution of EUR 165 million in dividends to the owner.

2.7 Risk and opportunity management of the HSE Group

Within the HSE Group, risk and opportunity management[8] is carried out centrally at the level of the entire HSE Group, with a continuous focus on standardising processes and tools for comprehensive risk management. Risk management is applied to support informed decision-making in achieving defined objectives, improving operational efficiency, protecting people and assets, and ensuring compliance with the HSE Group's internal rules (acts), applicable legislation, and other regulatory requirements.

The HSE Group's risk management system incorporates sustainability due diligence processes and the identification and management of sustainability impacts, risks and opportunities within the framework of the so-called double materiality assessment, which is carried out at HSE Group level in accordance with the CSRD Directive.[9] Within this framework, identified impacts and risks are integrated into the risk management process and are addressed alongside all other risks to which the HSE Group is exposed.

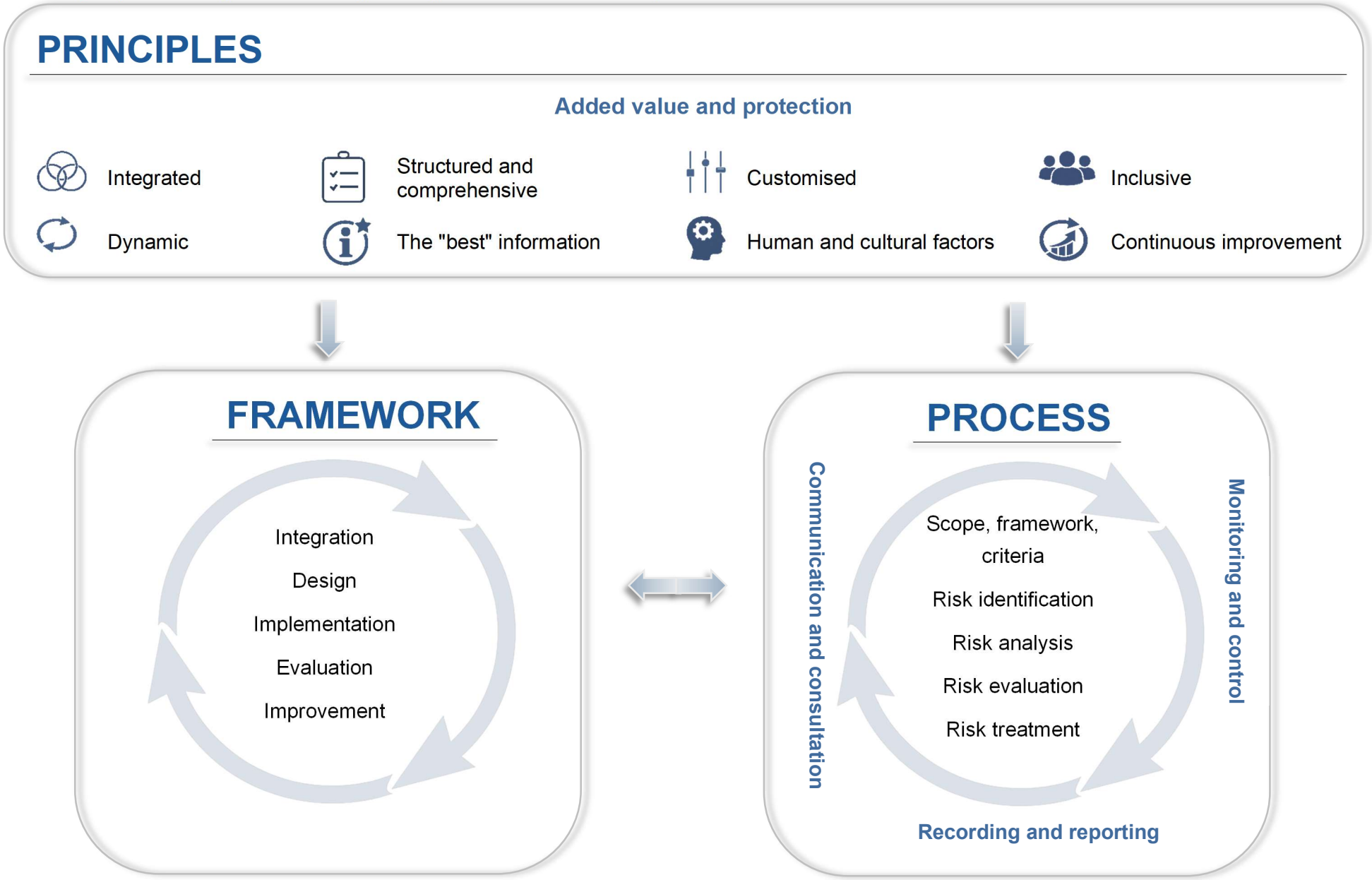
The HSE Group is committed to the continuous improvement of its risk management system and to strengthening its application both in the strategic planning process and in the decision-making processes of individual companies and the HSE Group as a whole.

The principles provide guidance for effective and efficient risk management, value-added reporting, and the clarification of purpose and objectives. The process involves the systematic application of policies, procedures and practices in communication and consultation activities, establishing context and risk assessment, as well as risk treatment, monitoring, control, recording, and reporting. The risk management process is a multidirectional, continuous process in which any element within an individual phase can influence the other phases of the risk management process. The established key risk management system enables the identification of negative trends and the timely implementation of appropriate risk mitigation measures at both the individual company and HSE Group level.

[8] Hereinafter, the term "risks" is used and understood to encompass both adverse and beneficial impacts.

[9] CSRD – Corporate Sustainability Reporting Directive.

Principles, framework, and risk management process of the HSE Group in accordance with ISO 31000:2018



Risk management

Supervisory Board and Audit Committee

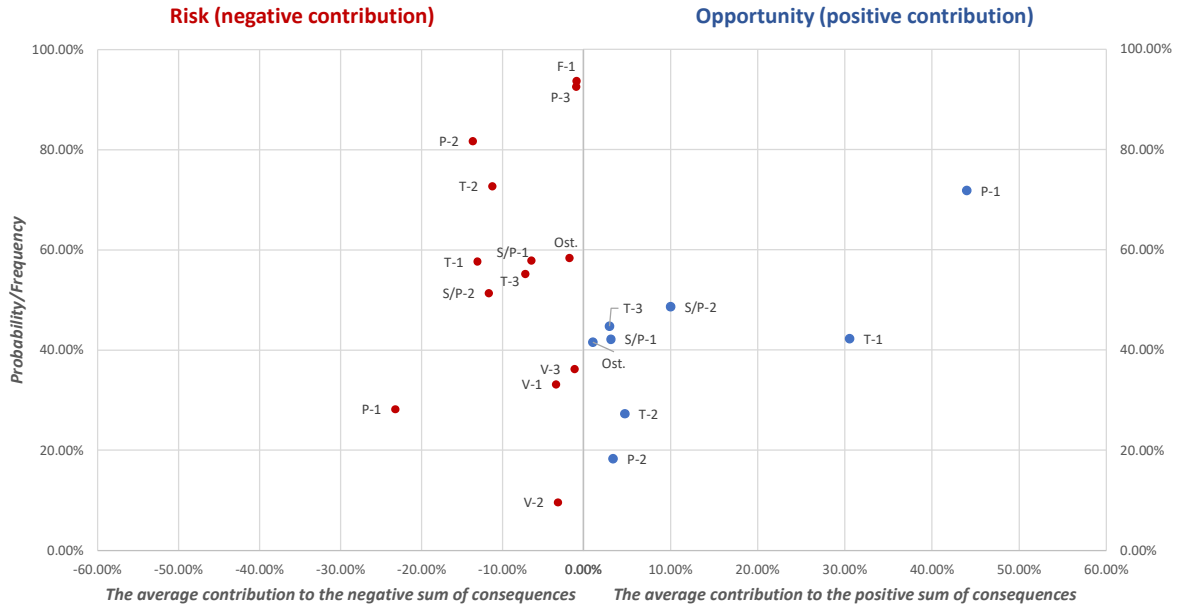
Management

First line of defence	Second line of defence	Third line of defence	External audit
Risk taking	Risk management	Independent auditor	
HSE Group business functions – Risk owners and custodians.	Risk management function, risk management committee, trading committee, own generation sales committee, investment approval committee, compliance, controlling, corporate security and sustainability functions.	Internal audit.	
• Responsibility for identifying and taking risks. • Establishment of appropriate measures and internal controls for effective risk management.	• Oversight of business compliance. • Establishment of risk management systems within individual areas, including risk identification, measurement, exposure monitoring, and exposure limit systems.	• Conducting regular independent reviews of the effectiveness of the internal control system and the risk management system.	

At Group level, we dynamically assess exposure to the key risks of individual companies and the HSE Group, enabling us to determine the impact of each key risk on the overall risk exposure of the respective company and of the Group as a whole. In our valuation, we build on the HSE Group's business model, identifying key uncertainties and assumptions to which the Group is exposed in the course of its operations, defining their value ranges, and performing a Monte Carlo (MC) simulation. The simulation includes risks that can be meaningfully and reliably quantified, while the remaining risks are reflected in key assumptions and supplementary disclosures.

We identify the most important risks and opportunities of the HSE Group in the areas of ensuring safe, reliable and stable electricity generation, the sale of and trading in electricity and related energy products, and retail. As part of the process of identifying and assessing key risks, we also identify risks that may affect other balance sheet items of the HSE Group or arise as a consequence of the materialisation of other risks. These also include the most significant risks within the governance of the HSE Group and its companies, such as liquidity risk and solvency and capital adequacy risk, as well as risks associated with key strategic and operational decisions of the HSE Group relating to business operations and investments.

Overview of risks and opportunities of the HSE Group



Opportunities with an average contribution exceeding +1% of the total positive impacts

P-1 Risk of forecasting RES production

P-2 Risk of failure of RES production facilities

S/P-1 Regulatory risks

S/P-2 Investment risk on development projects and new construction

T-1 Electricity price risk (own generation)

T-2 Electricity price risk (other trading)

T-3 Retail – price and volume risks

Other Other risks

Risks with an average contribution below -1% of the total negative impacts

F-1 Credit risks

S/P-1 Regulatory risks

T-3 Retail – price and volume risks

Other Other risks

P-1 Risk of forecasting RES generation

S/P-2 Investment risk in development projects and new construction projects

V-1 Information and cybersecurity risk

P-2 RES generation asset outage risk

T-1 Electricity price risks (own production)

V-2 Risk of natural disasters, catastrophes and emergencies

P-3 Environmental risks

T-2 Electricity price risks (other trading)

V-3 Corporate security and physical asset protection risk

Below we present the key risks by risk category, together with the associated assessment of their impact on the HSE Group's EBITDA and the expected trend.

The HSE Group has established a unified risk management system based on risk identification by risk owners within individual HSE Group companies and organisational units. All identified risks are monitored in risk registers, which also define the key risks of individual HSE Group companies or organisational units, based on the criteria of likelihood of occurrence and potential impact. The HSE Group key risk register includes all identified key risks at the level of individual HSE Group companies. In the final step, all identified key risks are consolidated into groups of similar risks using a Monte Carlo simulation of their impact on the HSE Group's EBITDA.

The overall risk management process within the HSE Group is conducted using a top-down approach, focusing on the management of key risks at company and group level, and a bottom-up approach, addressing risks at the level of individual business processes and areas within the HSE Group. The two approaches are implemented in a coordinated manner and are mutually complementary.

Impact and trend are presented using the categories below:

(1) Estimated impact on the planned EBITDA of the Company/Group at the end of 2025:

- ↑ large positive impact (above +EUR 10 million)
- ↗ positive impact (above +EUR 1 million to +EUR 10 million)
- ↔ neutral or insignificant impact (between -EUR 1 million and +EUR 1 million)
- ↘ negative impact (from -1 million to -10 million EUR)
- ↓ major negative impact (above -10 million EUR)

(2) Trend of key risk indicators (KRIs) in 2026:

- ✓ strong positive trend (risk will decrease significantly)
- ✓ positive trend (risk will decrease slightly)
- ≈ no changes (stable – neutral)
- ✘ negative trend (risk will increase slightly)
- ✘ strong negative trend (risk will increase significantly)

2.7.1 HSE Group key risks

Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
Risk of forecasting RES production	Production/volume risks	↘	✖	E1	Risk is managed through production planning based on historical multi-year average monthly flow data, preparation of the projected probability of hydrological conditions occurring, and preparation of Operational Business Plans (OBP) for different time periods based on weather forecasts, implementation of new forecasting models, and comparison against historical data. In the first half of 2026, lower hydrological conditions are expected, which are taken into account in the preparation of the OBP for this period. A more detailed definition of climate impacts, measures, and objectives is presented in the Sustainability Report, in Section 2.9.6 Climate change mitigation and adaptation.
Risk of outage of RES facilities	Production/volume risks	↔	≈	E1	The Group is exposed to unplanned unavailability, which may be caused by equipment failures, resulting in a reduction in electricity generation. In assessing exposure to these risks, we considered outages of key units within individual companies of the HSE Group and remediation costs as a consequence of ageing infrastructure, shortage of skilled personnel, and increasingly frequent extreme weather events. We assess that the overall risk level remains stable due to the implementation of appropriate maintenance, investment and organisational measures.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
					To reduce the risks associated with renewable energy generation facilities (RES), we implement measures such as monitoring the availability factor, conducting regular annual inspections and overhauls, and ensuring the proper execution of routine and capital maintenance across the entire production portfolio of the HSE Group. A more detailed description of climate impacts, measures, and objectives is provided in the Sustainability Report, in Section 2.9.6 Climate change mitigation and adaptation.
Electricity price risks (own production) and Electricity price risks (other trading)	Market risks	↔	✘		The risk is managed in accordance with the established strategy for the sale of own generation output. The key price risk arising from the unsold portion of own generation output was appropriately managed during the year through regular adjustments of expected production volumes and corresponding adjustments of sales volumes. Unlike in previous years, electricity supply prices did not exhibit a predominantly uniform trend. We expect increased price risk as a result of the implementation of CBAM and the complex global geopolitical situation, which directly affects the availability of energy commodities and price volatility.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
Retail – price and volume risk	Market risks	↔	≈	S4	Price regulation for electricity for household customers ceased to apply in March 2025. The absence of regulation further highlights the need for active portfolio management and systematic monitoring of wholesale price movements. Following the stabilisation of conditions after the energy crisis, market prices initially declined, but subsequently rose again due to the escalation of the military conflict in Iran. The described developments increase uncertainty in energy markets, deteriorate energy procurement conditions, and consequently increase associated business risks. We manage these risks through a three-year procurement strategy, which appropriately distributes risk over a longer time horizon. As a result, customers are not exposed to short-term high prices or volatility in the wholesale market. Moreover, risk mitigation was supported by the adoption of legislation providing compensation to suppliers for customers with annual net metering for the period from March until the end of 2030. A more detailed description of climate impacts, measures and objectives is provided in the Sustainability Report, in Section 2.9.10 Consumers and end users.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
Regulatory risks	Strategic/business risks	↔	✘	E1	In the context of changes to the legislative framework, the following proposals were taken into account within the public consultation process: exemption from network charges for pumped-storage hydro plants and battery storage systems in the Electricity Supply Act (ZOEE-A) and the Network Charges Act, withdrawal of the controversial provision on the abolition of the combined procedure and the regulation on the most appropriate alternative from the Spatial Management Act (ZUreP-3), introduction of compensation payments for suppliers due to net metering, inclusion of a guarantee scheme for power purchase agreements (PPAs) in the Renewable Energy Sources Promotion Act (ZSROVE-1), relaxation of conditions for the application of methodologies for calculating actual emissions and reduction of default embedded emissions values in the CBAM Regulation, as well as appropriate consideration of hydropower in the draft National Nature Restoration Plan (NNON). Particular emphasis was placed on minimising risks related to the acquisition of non-repayable funding (grants). The Kozjak pumped-storage hydropower plant (PSHPP) project has been included in the list of Projects of Common Interest, which will enable access to non-repayable funding.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
					We expect slightly increased regulatory risks, particularly in the area of potential market interventions (price regulation), the introduction of new obligations (EU ETS, CBAM), and stricter environmental requirements. A new support scheme will be established under the provisions of the Renewable Energy Sources Promotion Act (ZSROVE-1), based on a contract for difference (CfD). A guarantee scheme will also be established for the purpose of concluding long-term PPAs for the same objectives, as also envisioned under the Renewable Energy Sources Promotion Act (ZSROVE-1). Both of these regulatory measures will reduce financial risks in the implementation of the HSE Group's investment projects. At EU level, measures will be implemented under the package of measures for electricity grids (the Grid package) that will harmonise and accelerate energy network planning, shorten permitting procedures, facilitate grid connection, propose the introduction of contracts for difference, and accelerate the development of interconnection infrastructure projects between Member States. Most of the regulatory impact is already incorporated into the HSE Group’s business model. A more detailed definition of climate impacts, measures and objectives is described in the Sustainability Report, in Section 2.9.6 Climate change mitigation and adaptation.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
Cyber and information security risk	Security risk	↔	✘	G1	In 2025, no cyber incidents were identified within the HSE Group that resulted in significant financial damage or business interruption. Existing security measures and control mechanisms ensure an appropriate level of protection for information systems and data. Cybersecurity is treated as a significant business risk, particularly in the areas of generation and trading. In view of the increasingly challenging global security environment and growing dependence on information systems, the Group continues to implement activities to systematically manage information security risks Particular emphasis is placed on strengthening the monitoring of security events, access protection, and the gradual improvement of visibility and control in the operational technology (OT) and information technology (IT) environments. In 2026, further upgrades to the information security management system are planned, primarily in the context of alignment with legislation (ZInfV-1), strengthening access management, and enhancing network event visibility and monitoring. Furthermore, a Group-level Chief Information Security Officer (CISO) function will be established. A more detailed description of climate-related impacts, measures and targets is provided in the Sustainability Report, Section 2.9.13 Cybersecurity and digitalisation

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
Investment risk on development projects and new construction	Strategic/business risks	↔	✓	E1	During the reporting period, investment activities were exposed to increased risks, particularly due to strong opposition from environmental non-governmental organisations, civil initiatives and parts of local communities, which resulted in lengthy and complex spatial planning and environmental permitting procedures for investment projects. These risks materialised during the period, primarily in the form of project delays, prolonged administrative procedures, difficulties in obtaining approvals and permits, and consequently lower-than-planned investment implementation. Despite these constraints, a number of investment projects were successfully advanced through the spatial planning process in 2025. However, risks associated with project siting and permitting remain present going forward. Due to the increasing complexity of spatial planning procedures, heightened public sensitivity and the lengthy nature of administrative processes, the risk of further delays and deviations from the planned investment timetable remains.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
					In addition, during the reporting period we experienced the materialisation of certain operational and integrity risks in the implementation of investment projects, which are currently the subject of ongoing legal proceedings. The experience gained has highlighted the need for further strengthening of the system of internal controls, oversight and governance of investment projects. On this basis, several improvements to investment planning and execution processes were implemented in 2025, particularly with regard to strengthening internal control mechanisms, oversight functions, and requirements relating to project and technical documentation. Simultaneously, we enhanced procurement procedures to improve transparency, traceability, and the effective management of corruption and other integrity risks. In addition, we strengthened systematic communication with internal and external stakeholders and improved the early engagement of key stakeholders and the broader public in the preparatory phases of investment projects. Based on the experience gained, we also implemented targeted measures to improve efficiency in securing grant funding and to better align investment activities with available financing sources. A more detailed description of climate-related impacts, measures and targets is provided in the Sustainability Report, Section 2.9.6 Climate change mitigation and adaptation.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
Business compliance risks and fraud risks	Operational risks	↘	≈	G1	Since the risk is constantly present, while its level remains unchanged, the trend is assessed as neutral. In 2025, both fraud and compliance risks materialised in the VE Mali Log project. An extraordinary audit was carried out, and an additional audit by external auditors will be conducted in 2026. In addition, further upgrades to internal rules for the management and monitoring of investments within the HSE Group are underway to reduce such risks, and certain personnel measures have also been implemented. A more detailed description of climate-related impacts, measures and targets is provided in the Sustainability Report, Section 2.9.11 Business conduct.
HR risk	Operational risks	↔	✖	S1	We have identified personnel risk in the ageing of the existing workforce and the shortage of qualified new staff, as well as increased competition among employers for available talent. We implemented a range of activities, including strengthening the HSE Group's employer brand and visibility as an attractive employer, cooperating with educational institutions and student organisations, participating in numerous career fairs, and maintaining positive communication with target audiences. Particular attention was given to employee development and knowledge transfer.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
					Through various initiatives, we foster strong relationships, a positive corporate culture and working environment, thereby strengthening employee motivation and engagement. As a result, positive effects are reflected in reduced involuntary turnover and absenteeism. The ageing workforce and shortage of suitable talent are increasing in the labour market; therefore, in addition to the measures already mentioned, we have initiated a project aimed at bringing the energy sector closer to young people and increasing their likelihood of choosing employment in the energy industry. A more detailed description of climate-related impacts, measures and targets is provided in the Sustainability Report, Section 2.9.8 Employees.
Environmental risks	Production/volume risks	↔	≈	E2, E3, E4, E5	The HSE Group's key operational environmental risks include impacts on the water regime, riverbank erosion, the potential for water pollution, non-compliance with water permits, the risk of fire, and waste management. In accordance with the environmental risk management system addressing all of the above risks, our assessment for 2025, as well as the corresponding trend, remains stable. Going forward, risk management will continue to be ensured through the consistent implementation of the environmental policy, which defines the key objectives of the environmental management system and the guidelines for implementing appropriate measures. A more detailed description of climate-related impacts, measures and targets is provided in the Sustainability Report, Section 2.9.7 Biodiversity and ecosystems.

Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
IT risks	Operational risks	↔	✘		During the reporting period, there were no major system outages, prolonged operational disruptions, or failed implementations of key IT projects. Change management, infrastructure maintenance and support for business processes were carried out in a stable manner and in line with plans. Risks related to equipment obsolescence, supplier dependency and the availability of key IT resources were appropriately managed. The complexity of the information environment is gradually increasing. Further digitalisation of business processes, integration of various systems and reliance on external providers are increasing the operational complexity of managing the IT environment. An additional risk arises from uncertainty in supply chains, particularly in the supply of semiconductors and other critical IT equipment, which may affect the timely upgrade or replacement of infrastructure.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
Corporate security/physical asset protection risks	Security risks	↔	≈	G1	In 2025, the risk related to the physical security of production facilities, employee protection, and the reliability of critical operations was assessed as elevated at a global level, due to intensified global and regional security conditions. The risk assessment for the HSE Group remained unchanged, as the risk factors that increased the global assessment did not have a direct impact on the Group's risk profile. The dispersion of the HSE Group's company locations and the complexity of technical and security systems increase the complexity of managing security risks. During the reporting period, no security incidents occurred that had a material impact on the companies' financial performance. The existing security measures ensure an appropriate level of protection for facilities, employees, and critical processes. The risk was appropriately managed; however, due to its nature, it requires systematic management and continuous investment in upgrades. A more detailed description of climate-related impacts, measures and targets is provided in the Sustainability Report, Section 2.9.12 Corporate security.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
Risks of natural disasters, catastrophes, and emergency events	Security risks	↔	≈	E1	During the reporting period, no natural disasters, catastrophes or extraordinary events were recorded. An appropriate record of extraordinary events is maintained and regularly monitored. Where necessary, additional measures are introduced to ensure their effective management. The upgrade of the HSE/DEM/SENG control centre (CC) and the refurbishment of the DEM control centre, including its integration with the HSE control centre, are being finalised, which will, among other things, ensure control centre redundancy between the Maribor and Nova Gorica locations in the event of extraordinary incidents. A more detailed description of climate-related impacts, measures and targets is provided in the Sustainability Report, Section 2.9.6 Climate change mitigation and adaptation.
Credit risks	Financial risks	↔	≈		Market prices remained relatively stable, and in a favourable macroeconomic environment this reduced counterparty-related risks and the need for additional collateral in business operations. There was also no material deterioration in the creditworthiness of key partners, which had a positive impact on financial risk management and ongoing business operations. We expect stable operations under moderate economic growth, with no significant changes in the creditworthiness of key partners and continued conservative management of credit risk.

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Uncertainty	Category	[1]Assessment	[2]Trend	Sustainability aspect	Brief explanation of risk assessment, trend and risk management measures
					Nevertheless, since some uncertainty remains due to fluctuations in energy prices and general economic conditions, we will continue to closely monitor our exposure and consistently and promptly track the status of all key partners. We expect stable operations under moderate economic growth, with no significant changes in the creditworthiness of key partners and continued conservative management of credit risk. Nevertheless, since some uncertainty remains due to fluctuations in energy prices and general economic conditions, we will continue to closely monitor our exposure and consistently and promptly track the status of all key partners.

2.7.2 Risks monitored under ZFPPIPP (Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act)

Uncertainty	[1] Assessment	[2] Trend	Brief explanation of risk assessment, trend and risk management measures
Liquidity risk	↘	✘	Liquidity risk is managed primarily through cash flow control, with detailed monitoring and planning of daily, monthly and annual cash flows at both company and consolidated Group level, efficient allocation of surplus liquidity within the Group, secured availability of adequate credit lines with commercial banks, and prudent and secure placement of surplus cash. Overall, the liquidity position in 2025 was strong and enabled HSE d.o.o. to repay its entire long-term bank debt early in the amount of approximately EUR 167 million and to distribute EUR 165 million to the owner in the form of dividends. Due to potential uncertainties in the electricity and other energy markets, particularly geopolitical and regulatory risks, as well as the planned increase in investment expenditure in the 2026–2028 period, slightly elevated liquidity risk may be expected in 2026. The risk is mitigated through regular monitoring of liquidity across the entire HSE Group and timely arrangements to secure potentially necessary additional debt financing sources.
Solvency and capital adequacy risk	↔	≈	The risk is managed through capital requirement planning, securing long-term funding sources, adjusting the financing structure in line with the scale and nature of operations, and the timely implementation of measures to maintain liquidity and capital adequacy. From the perspective of timely identification of changes and impacts, we regularly monitor solvency indicators in accordance with the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act. From the perspective of long-term solvency, we aim to secure a level of long-term financing sources that is sufficient in relation to the scale and nature of our operations, taking into account the risks to which we are exposed.

Further details on measures to ensure liquidity, solvency and capital adequacy of HSE Group companies are included in the accounting section of the HSE Group and Company financial statements. Price risk management, exposure to individual financial risks, and disclosures related to financial instruments are presented in more detail in the accounting section of the report (Financial instruments and risk management).

Sustainability risk management is addressed in more detail in the Sustainability Report.

2.7.3 Impact of geopolitical tensions in the Middle East

For the HSE Group, the impact of geopolitical tensions in the Middle East primarily results in an increase in already identified market, liquidity, credit, regulatory, operational, and security risks. Although the HSE Group's direct physical exposure is limited, however, the impact of these tensions may be significantly reflected indirectly through European electricity and gas markets. Disruptions in LNG logistics, maritime transport or transport insurance have already increased price volatility. If tensions persist, they may reduce market liquidity in the future and increase the need for financial hedging.

For the HSE Group, the most significant impact of geopolitical tensions is increased uncertainty in managing sales and procurement positions. Higher volatility in electricity, gas and related energy prices increases the risk of mismatches between planned and actual generation and, consequently, between hedged and realised sales volumes. In the event of a combination of adverse hydrological conditions, generation outages and high market prices, the costs of replacement procurement and portfolio balancing could increase, which would negatively affect EBITDA and cash flow. Any short-term favourable effects of higher prices on the unhedged portion of production are typically also associated with greater earnings volatility.

In the retail segment, geopolitical tensions increase procurement costs, pressure on margins and volume risk due to changes in consumption. Potential protective or regulatory measures for customers may further limit the ability to pass on higher input costs to end prices in a timely manner. As a result, the risk of non-payment, the need for more active receivables management and working capital requirements increase, which further puts pressure on liquidity.

At present, Slovenia's physical gas supply remains stable, with flows via Austria, Italy and Croatia. Nevertheless, geopolitical tensions increase the systemic vulnerability of the European gas market, particularly due to disruptions in LNG logistics, global competition for supplies, and the importance of timely filling of EU storage facilities ahead of winter. If disruptions in the Strait of Hormuz or LNG exports were to extend into the storage injection season or the winter of 2026/2027, procurement prices could rise significantly, market liquidity could decrease, and the likelihood of extraordinary regulatory measures could increase. For HSE, the key exposure is therefore primarily indirect, through European gas prices and their impact on electricity price formation.

Geopolitical tensions in the Middle East further increase liquidity and credit risk. Higher price volatility increases the likelihood of higher collateral requirements, margin calls, and short-term liquidity needs in trading activities. At the same time, higher energy prices and broader macroeconomic effects may deteriorate the creditworthiness of individual contractual counterparties and increase the risk of payment delays or default, particularly among energy-intensive customers. If tensions persist over a longer period, financing costs and required returns on capital may also increase.

In such conditions, regulatory, cyber, corporate security and supply chain risks also increase. Extraordinary national or European measures in the areas of gas storage, price regulation, customer protection or market operation rules are possible, which for HSE creates additional uncertainty regarding revenues, contractual arrangements, and the timely reimbursement of any costs incurred. Energy companies and operators of critical infrastructure are more exposed to cyber and hybrid threats in the event of geopolitical escalation; at the same time, lead times may be extended and costs of equipment, transport, insurance and project implementation may increase.

The overall impact of the war in Iran on the HSE Group’s operations should therefore be understood primarily as an increase in uncertainty, management complexity and the risk of deviations from planned business results, rather than necessarily as an immediate direct disruption of supply. If geopolitical tensions do not further escalate or are resolved within one to two months, the predominant impact will likely remain mainly at the level of price, financial and regulatory uncertainty. In the event of prolonged tensions and thus extended disruptions in LNG and oil supply, or if tensions spread to additional energy infrastructure or lead to a tightening of regulatory measures, the impact could more significantly affect margins, liquidity, investment activity, and relationships with end customers. In the event of significantly prolonged geopolitical tensions, the risk of stagflation or even a global recession materialising would increase. One of the key issues in the EU remains the level of gas storage filling ahead of the 2026/2027 winter, as insufficient storage levels significantly increase the likelihood of an escalation of an energy and economic crisis in the EU.

Link with HSE Group risks

The table summarises how geopolitical tensions in the Middle East further affect risks that have already been identified in the annual report, without taking into account the current tensions.

Existing risk in the annual report	Additional impact of the war in Iran on the HSE Group
Price risks of electricity (own generation) and other trading	Increased volatility in electricity, gas and related energy markets; higher volume and price risk; lower liquidity in forward markets; higher costs of replacement procurement in the event of adverse hydrology or generation outages; and increased collateral requirements.
Retail – price and volume risk	Higher procurement costs, limited ability to pass through costs to end prices in a timely manner, increased sensitivity of households and businesses to price movements, higher risk of non-payment, and greater deviations from planned consumption.
Liquidity risk	Higher likelihood of margin calls, increased working capital requirements, higher insurance costs, and the need to maintain additional liquidity reserves.
Credit risks	Deterioration in the creditworthiness of certain customers, suppliers and trading counterparties; increased risk of payment delays or default, particularly among energy-intensive customers.
Regulatory risks	Possible extraordinary measures by the state or the EU, such as adjustments to gas storage rules, price caps or regulation, customer protection measures, and changes to market operating rules.
Information and cybersecurity risk and corporate security risks	Increased exposure to cyberattacks, hybrid threats, communication disruptions and other security incidents affecting critical infrastructure; greater need for event monitoring and response plans.
Investment risk, IT risks and supply chain risks	Longer lead times, higher costs of equipment, transport, insurance and project financing, and greater uncertainty in project execution and contractual arrangements with contractors.

2.8 HSE Group development strategy

The HSE Group is entering a new development cycle in strong financial condition, with a clear focus on accelerating the green transition and strengthening the reliability of electricity supply. Our direction is guided by the vision **"A responsible driver of the green transition and a pillar of reliable energy supply"**, and therefore we will pursue development and investment opportunities primarily in renewable energy sources and flexibility resources (solar and wind power plants, hydropower plants, pumped-storage hydropower plants, battery storage systems, and the development of hydrogen technologies). At the same time, we will also develop services and products that enable end customers to play an active role in the energy transition and support e-mobility.

At the same time, we will ensure high availability and cost efficiency of the existing generation portfolio through targeted investments in operational optimisation, the introduction of digital solutions and predictive maintenance, as well as the implementation of key reconstructions and overhauls of system facilities (including HPP Formin, HPP Solkan and the Avče pumped-storage plant). In doing so, we strengthen the resilience and stability of the electricity system and create conditions for the long-term competitiveness of the HSE Group.

Based on these foundations, we are directing our efforts into three interrelated strategic areas:

- to increase the cost efficiency and flexibility of the existing portfolio while maintaining a safe and reliable supply and taking into account the principles of a just transition;
- to increase the volume of sustainable generation through investments in development and innovation, primarily in renewable energy sources and storage systems, reduce average production costs, and decrease the portfolio’s exposure to external factors;
- in the area of sales and trading, to increase added value by strengthening the management of market and volume risks of own generation, developing portfolios, and expanding advanced energy products and solutions supported by digitalisation.

The planned directions are aligned with the strategic frameworks at EU and national level, which require accelerated decarbonisation, an increased share of renewable energy sources, greater flexibility of the electricity system, and faster deployment of new technologies. This entails the continued systematic upgrading of the generation portfolio with carbon-neutral and low-carbon sources, alongside strengthening digitalisation (data platforms, automation, the use of advanced analytics and artificial intelligence), as well as the development of smart energy services, storage systems and virtual power plants. Sustainable development remains a cross-cutting foundation of all decisions: we integrate sustainability principles into business processes and governance, strengthen transparency, and ensure compliance with key European requirements (including the EU Taxonomy) and stakeholder expectations. In addition, by upgrading risk management,

digitalising processes, and enhancing the resilience of the IT environment, we will strengthen the ability to timely identify and effectively manage risks associated with the investment cycle and the rapidly changing energy environment.

2.8.1 HSE Group business policy

Mission



Through investment in **renewable energy sources from our own domestic resources** and **socially and environmentally responsible conduct**, we consolidate our role as **the largest producer and supplier of green electricity in Slovenia.**

As a responsible driver of the green transition, we make a significant contribution to an **environmentally friendly society**, while striving for **reliable, competitive and sustainable supply to customers** and creating **long-term added value for stakeholders**.

Vision



A responsible driver of the sustainable energy transition (green transition) and **a pillar of reliable energy supply**, which, through the core values of responsibility, creativity, efficiency and cooperation, jointly creates **a sustainable future for Slovenian energy**.

Values



Responsibility: we actively participate in shaping the business objectives of the HSE Group. We are responsible for achieving objectives, for our own development, and towards colleagues, business partners, owners and the environment.

Creativity: We seek the best solutions. We have the courage to be original and an unceasing desire to improve. We perceive business challenges from different points of view. We are open-minded and encourage creativity in our work.

Efficiency: We have a strong grasp of our business. We optimise processes and simplify procedures. We do the right things.

Cooperation: We believe that together we achieve more. We recognise the best in our colleagues, customers and business partners. We understand and respect diversity. We are open and trustworthy.

2.8.2 Promise: A green future and the protection of the environment in which we live

The HSE Group follows the key strategic guidelines of Slovenia and the European Union in the field of sustainable development. Through completed and planned investments, we aim to continue our transformation into a sustainability-oriented and green-focused group, as this is the only way to ensure stable and environmentally friendly electricity generation and the provision of essential system services. Our activities are focused on implementing economically viable investments in new generation units that enable the use of renewable energy sources, significantly reduce CO_2 emissions per unit of electricity generated, and at the same time increase the added value of the HSE Group.

2.8.3 Analysis of the environment and the competition

Companies in the EU are increasingly pursuing decarbonisation, with most planning to achieve carbon neutrality by 2040 or 2050. The key emphasis is the gradual phase-out of coal-fired power plants, the transition to low-carbon sources, and the improvement of the efficiency of existing generation units. Decarbonisation is not focused solely on electricity generation, but also on reducing emissions across the entire value chain and transitioning to more sustainable business models.

Renewable energy sources are at the core of strategies, as companies are intensively investing in expanding solar and wind power capacities. Targets often include a multiple increase in generation from these sources by the end of the decade, with investments directed both into large-scale projects and decentralised solutions. Companies reduce the liquidity risk of investments by using long-term power purchase agreements (PPAs) and state support schemes, such as contracts for difference. Emphasis is also placed on the diversification of renewable energy sources, with hydropower and geothermal energy complementing solar and wind power, thereby enhancing the stability and reliability of supply.

Increasing attention is being paid to security of supply, as the growing share of renewable energy sources requires grid adaptation and the development of new solutions to manage fluctuations in generation. Key aspects of this approach include the modernisation of distribution and transmission networks, the digitalisation of infrastructure, and the expansion of energy storage capacity, including the construction of new pumped-storage hydropower plants (PSHPPs). Investments in electricity networks are increasing as companies seek to ensure greater system flexibility and readiness for new challenges, such as the increased electrification of industry, e-mobility, and the electrification of heating and cooling.

Energy storage is becoming one of the main pillars of the energy transition. In addition to conventional battery storage systems, companies are also developing other technologies, such as hydrogen storage and advanced solutions for storing surplus renewable energy. Companies are exploring new methods for

long-duration energy storage. This area is recognised as a key challenge for ensuring the reliable year-round use of renewable energy sources. Effective solutions would enable greater energy independence and reduce reliance on fossil fuels for balancing fluctuations in the grid.

Companies are increasingly focusing on customer needs and improving the user experience by developing digital services and tailored energy solutions. The electrification of households and businesses is at the forefront, with the introduction of flexible pricing structures, advanced metering systems, and energy services that optimise consumption. An important part of these strategies is also the development of platforms that enable users to better control their consumption and choose sustainable energy sources.

Hydrogen is increasingly emerging as a key solution for long-term decarbonisation, particularly in sectors where electrification is less feasible. Companies are developing hydrogen projects that include the production of green hydrogen from renewable sources, its storage, and its use in industry and energy infrastructure. Options are also being explored for blending hydrogen with natural gas to gradually reduce emissions in gas networks, enabling a more flexible transition to cleaner energy sources. Hydrogen is increasingly regarded as a strategic resource for the future, and companies are participating in pilot projects that will define its role in the future energy mix.

Digitalisation of the energy sector in the EU is becoming a key enabler of the transition to a more sustainable and flexible system. Companies are investing in advanced analytics models, artificial intelligence and automation to improve generation forecasting and optimise operations. The use of digital twins enables the simulation of various scenarios and thereby supports decision-making, while automated systems contribute to greater operational efficiency and reliability. A system-wide approach to cybersecurity is also being significantly strengthened, based on maximum visibility of all events, continuous monitoring, and real-time detection of anomalies. All of this enhances system resilience, which is essential for the stable operation of energy infrastructure.

E-mobility is becoming a key part of the energy transition in the EU, with companies investing in the expansion of charging infrastructure, the development of smart charging stations, and optimising vehicle-to-grid (V2G) technology, which enables electric vehicles to return energy to the grid. In addition to fast-charging infrastructure and adapted solutions for industrial transport, government-backed incentives for the purchase of electric vehicles and the standardisation of charging networks are being introduced, thereby accelerating the transition to sustainable mobility.

2.8.4 Energy policy and the regulatory environment

European legislative framework

The year 2025 was marked by high dynamics of change in the European regulatory framework, primarily in response to shifting geopolitical conditions. The European Union continued to tighten sanctions against the Russian Federation, including **additional measures for the gradual phase-out of imports of Russian natural gas and oil**, while also **adopting measures to mitigate the economic slowdown and strengthen the competitiveness** of the European economy.

A **political agreement on climate targets by 2040** was reached, providing for a 90% reduction in greenhouse gas emissions compared to the base year and forming the basis for the revision of the European Union's climate and energy legislative framework.

In the area of the EU Emissions Trading System (EU ETS), the establishment of the **CBAM** was confirmed, which will apply in full from 1 January 2026. At the end of 2025, the European Commission adopted the final implementing and delegated acts required for its full operationalisation. The introduction of a separate emissions trading system for the transport and buildings sectors (so-called ETS 2) has been postponed from 2027 to 2028.

A new **State Aid Framework in support of the Clean Industry Deal** was adopted, allowing Member States greater flexibility in implementing measures to promote investments in renewable energy, industrial decarbonisation, and energy efficiency. A **new list of EU projects of common interest (the so-called PCI list) was proposed, on which the PSHPP Kozjak project was included**, enabling access to dedicated funding calls for grants to co-finance studies and implementation works.

In 2026, discussions are expected at EU level on **the reform of the emissions trading market** and **the functioning of the internal electricity market** (the marginal pricing principle – merit order), with the aim of lowering electricity prices for industry and final consumers while maintaining the efficient operation of the electricity market and its liquidity.

National legislative framework (Slovenia)

Slovenia has accelerated the implementation of regulatory changes under the **"Fit for 55"** package and the **REPowerEU** action plan, which aim to accelerate the transition to renewable energy sources and reduce the EU's dependence on Russian fossil fuels. This included the preparation of amendments to all key laws in the areas of renewable energy, energy efficiency, and the energy market.

In 2025, the legislative framework in the field of renewable energy use was consolidated through the adoption of a new **Act on the Promotion of the Use of Renewable Energy Sources** and an amendment to the **Act on the Introduction of Plants for the Production of Electricity from Renewable Energy Sources**. An important milestone is also the adoption of the **Climate Act**, which sets the achievement of climate neutrality in Slovenia by 2045, representing a more ambitious target than the currently applicable European Union target (2050).

With the **amendment to the Electricity Supply Act**, and following several years of efforts, an exemption from network charges for pumped-storage hydropower plants and battery energy storage systems was introduced, which is crucial for the HSE Group in terms of further investments in new flexible energy sources.

In 2026, the following is expected:

- **a reform of the support scheme for renewable energy source** based on two-way contracts for difference (CfD), entering into force in 2027,
- the establishment of a methodology for the efficient utilisation of funds from the Climate Fund,
- the intensification of spatial mapping to accelerate the siting of renewable energy sources,
- the commencement of the **implementation of measures under the Act on the Development Restructuring of the Savinjsko-Šaleška Coal Region** (adopted at the beginning of 2026).

The above changes provide an important framework for the strategic development of the HSE Group: alongside higher regulatory requirements, they also open up opportunities for accelerated investments in renewable energy sources and electricity storage systems, as well as for the adaptation of business models to the new carbon and market regulatory framework.

Just Transition and HSE Group projects

In 2025, we submitted applications for funding from the Just Transition Fund (JTF) in both coal-mining regions. Through this fund, financing is available for renewable energy projects, development projects, and projects involving decommissioning or re-purposing of energy degraded areas for the period 2021-2027.

We were also successful in obtaining funding from the **Modernisation Fund** for the construction of three solar power plants, while all proposed battery projects were included in a new indicative list for funding allocation.

In February 2026, the **Act on the Developmental Restructuring of the Savinja–Šalek Coal-Mining Region** was adopted, enabling the mobilisation of additional non-repayable funding for the transition to renewable energy sources in the 2028–2035 period, including the construction of battery energy storage systems

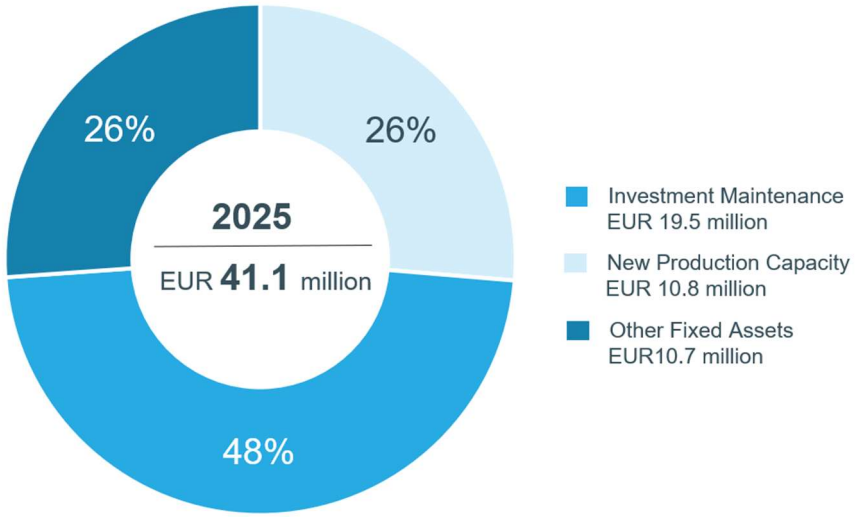
regardless of energy carrier type and technology used for projects implemented in the region. As HSE's subsidiary SaŠa also has its headquarters in this region, key conditions are in place for the successful absorption of funds and the continued implementation of Just Transition projects.

2.8.5 HSE Group investments

Through investments in its own generation assets, the HSE Group maintains its position as the largest producer of electricity from renewable energy sources in Slovenia. The extensive portfolio of existing generation assets requires investment maintenance to ensure safe, reliable and flexible electricity generation, as well as the long-term availability of generation units.

Investments in the HSE Group in EUR

Investments (in EUR)	2025	2024
HSE	3,172,866	2,198,673
DEM	23,961,122	24,725,682
SENG	6,661,932	2,923,661
HSE EDT	242,168	320,809
RGP	3,678,903	4,008,444
HSE Invest	73,664	213,150
ECE	1,317,495	1,087,581
Energija plus	1,985,118	774,670
HSE BH	1,529	281
TOTAL	**41,094,797**	**36,252,951**



The following section presents the key investments of the HSE Group.

HSE

In 2025, HSE continued its investment activities, primarily focused on preparing investment and other documentation for development projects and new construction.

Hydropower plants on the middle Sava River: The year 2025 was dedicated to the coordination of the environmental report and the acquisition of all related technical studies. An important step was the submission of the materials to the line ministry in December for the purpose of a public consultation, including the environmental report and the proposed decree on the most appropriate alternative. The project comprises the Suhadol, Trbovlje and Renke hydropower plants, with a total capacity of 99 MW and an estimated annual electricity generation of 400 GWh.

For **PSP Družmirje**, key foundations for the further development of the project were prepared in 2025. Project documentation at the level of a conceptual design and investment documentation in the form of an investment project identification document were prepared. In autumn 2025, a public consultation was held on the environmental report and the draft decree on the national spatial plan (Slovenian: državni prostorski načrt, DPN), and in December the materials for the adoption of the DPN decree were submitted to the line ministry. In parallel, preparations were also initiated for the next phases of the investment and project documentation. The planned capacity of the plant is up to 130 MW, with an estimated annual generation of up to 124.6 GWh.





The **SPP Prapretno 2 and 3 with battery storage** project reached an important milestone in 2025 with the securing of non-repayable funding from the Just Transition Fund and the commencement of construction, which is expected to be completed in 2026. The total capacity of the newly built solar power plants will be 6.75 MW, with an estimated annual generation of 6.9 GWh, while the battery energy storage system (BESS) will provide 7 MW of power and 14 MWh of storage capacity.





The **Zagorje solar power plant with battery storage** project entered its development phase in 2025. In August 2025, a cooperation agreement was signed between the Municipality of Zagorje and HSE, enabling the commencement of the preparation of the project and investment documentation required for spatial planning. The planned solar power plant will have a capacity of 1.34 MW and an estimated annual electricity generation of approximately 1.2 GWh, while the battery energy storage system will provide 1.3 MW of power and a storage capacity of 2.6 MWh.

In 2025, the HSE Group prepared project and investment documentation and spatial planning procedures for **battery electricity storage projects**. As part of these activities, we identified several potential locations. The total planned capacity of the battery energy storage systems exceeds 500 MW, with a combined storage capacity of more than 1,000 MWh.

Upgrade of the HSE/DEM/SENG Control Centre: The purpose of the investment is to modernise the software, strengthen cybersecurity, and introduce new functional capabilities. Comprehensive training for system administrators was conducted in March and October 2025, while the Factory Acceptance Test (FAT) was successfully completed in June 2025.

DEM

In 2025, DEM primarily focused its investments on capital maintenance, ensuring generation reliability and developing new generation capacity. Among the more significant activities were the replacement of secondary systems at HPP Dravograd, HPP Vuzenica and HPP Mariborski otok, as well as the refurbishment of the 110 kV switchyard at HPP Zlatoličje. In addition, funds were allocated to the PSHPP Kozjak project and to the Zlatoličje/Formin and ZOOP solar power plant projects[10].

PSHPP Kozjak: In 2025, the review of the updated conceptual design was completed, and work on preparing documentation for obtaining the building permit also began. At the reservoir site, geological and hydrogeological investigations were carried out, followed by the analysis of results and the preparation of a 3D model of subsurface structures. The PSHPP Kozjak project was included in the list of Projects of Common Interest (PCI). The planned capacity of the plant is 440 MW, with an estimated storage capacity of 5 GWh.

For the **SPP Zlatoličje/Formin** project, documentation for the national spatial plan and for obtaining a building permit were prepared. Between April and September, all project conditions and opinions were obtained, the decree on the national spatial plan was adopted, and both applications for building permits were submitted. The project also received a decision from the Ministry of the Environment, Climate and Energy on the allocation of funding from the Modernisation Fund, subject to a suspensive condition, namely the acquisition of a building permit. The planned capacity of the plant is 21.9 MW, with an estimated annual electricity generation of 24 GWh.



In 2025, most of the spatial planning procedures for the **SPP ZOOP** project were completed. Investment documentation and documentation for the remediation of the landfill site, on which the solar power plant is planned to be installed, were prepared. An application for co-financing from the Modernisation Fund was submitted to the Ministry of the Environment, Climate and Energy, for which a decision on the allocation of funding was obtained, subject to a suspensive condition of obtaining a building permit. The planned capacity of the solar power plant is 10 MW, with an estimated annual electricity generation of 12 GWh.

As part of investment maintenance, the **replacement of secondary systems at HPP Dravograd, HPP Vuzenica and HPP Mariborski otok** was carried out in 2025, the purpose of which is to modernise the management systems (regulation, control, protection, etc.). In 2025, work was completed on three units: at HPP

[10] SPP ZOOP – Solar power plant at the closed Pobrežje landfill.

Vuzenica (Unit 2), at HPP Mariborski otok (Unit 1), and at HPP Dravograd (Unit 2). The refurbishment of the last, ninth unit at HPP Vuzenica (AG1) began, with completion planned for the first half of 2026.

The **reconstruction of the 110 kV switchyard at HPP Zlatoličje** is being carried out with the aim of replacing the aged equipment of the 110 kV switchyard and constructing a new GIS switchgear. The investment will reduce the risk of equipment failure in the existing infrastructure and ensure reliable control and operation of the largest generating unit on the Drava River. In addition, it will enable additional bays for new renewable energy sources and ensure compliance with SONPO[11] requirements pertaining to the configuration of the 110 kV switchyard. In 2025, construction works and the procurement of electrical equipment commenced, with completion of the investment planned for 2027.

SENG

The company allocated most of its investment resources to capital maintenance, primarily the modernisation of the dam monitoring system, the upgrade of the HSE/DEM/SENG control centre, and the reconstruction of the 110 kV switchyard at HPP Doblar and other facilities. The largest investment in new generation capacity is the Kanalski Vrh solar power plant. In 2025, investment maintenance accounted for approximately two-thirds of the company's total investments.

SPP Kanalski Vrh: In 2025, the first phase of the solar power plant was completed, a building permit was obtained for the construction of the second phase, and an updated investment programme was prepared. An application for co-financing from the Modernisation Fund was submitted to the Ministry of the Environment, Climate and Energy, for which a decision on the allocation of funding was obtained. The combined installed capacity of the power plants in both phases amounts to 8.2 MW, while the expected annual electricity generation is 10.2 GWh. Completion of Phase 2 is scheduled for the first half of 2028.



For the **SPP Dekani** project, a building permit was obtained and the project application was submitted under the public call of the Ministry of the Environment, Climate and Energy for the co-financing of investments in the construction of new solar or wind power generation facilities with a capacity exceeding 1 MW, for which a grant award decision was subsequently obtained. The planned installed capacity of the solar power plant is 7.8 MW, with expected annual electricity generation of 9 GWh. Project completion is scheduled for August 2027.

[11] SONPO – System Operating Instructions for the Electricity Transmission System of the Republic of Slovenia.

The **reconstruction of the 110 kV switchyard at HPP Doblar** is being implemented with the aim of replacing worn-out equipment at the 110 kV switchyard and constructing a new GIS switchgear facility. The investment will reduce the risk of failures in the existing equipment and ensure reliable control and operation of the Doblar HPP, thereby also improving the reliability of the 110 kV transmission network in the Northern Primorska region. The project started in 2024 and is scheduled for completion in 2026. In 2025, construction and electrical installation works were carried out.

2.9 Sustainability Report

2.9.1 Auditor's opinion on the Sustainability Report

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INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY REPORT to the owners of Holding Slovenske elektrarne d. o. o.

We have conducted a limited assurance engagement on the Consolidated Sustainability Report included in section *'Sustainability report'* of the Management Report of Holding Slovenske elektrarne – HSE Group (hereafter the "Group") as at December 31, 2025, and for the period from January 1, 2025, to December 31, 2025 (the "Consolidated Sustainability Report").

Identification of Applicable Criteria
The Consolidated Sustainability Report was prepared by the management of the Group in order to satisfy the requirements of 70(c) and 70(č) of the Companies Act (ZGD-1) implementing 29(a) of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards introduced by Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards ("ESRS"), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Report (the "Process") is in accordance with the description set out in note *'Double materiality assessment'*;
- Compliance of the disclosures in the *'EU Taxonomy'* subsection of the Consolidated Sustainability Report with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation"); and
- Compliance with the requirement to prepare the Consolidated Sustainability Report in accordance with Article 58 of ZGD-1 which requires the Group to prepare Consolidated Sustainability Report in single electronic format as defined in Article 3 of Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation").

Inherent Limitations in Preparing the Consolidated Sustainability Report
The criteria, nature of the Consolidated Sustainability Report, and absence of long-standing established authoritative guidance, standard applications and reporting practices allow for different, but acceptable,

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measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact the comparability of sustainability matters reported by different organizations and from year to year within an organization as methodologies evolve.

In reporting forward looking information in accordance with ESRS, management of the Group is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcome is likely to be different since anticipated events frequently do not occur as expected.

In determining the disclosures in the Consolidated Sustainability Report, management of the Group interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

We draw your attention to the following specific limitations discussed in the Consolidated Sustainability Report:

- Environmental reporting as applied by all companies includes information based on climate-related scenarios that are subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing, or effect of possible future physical and transitional climate-related impacts. For the avoidance of doubt, the scope of our engagement and our responsibilities did not include performing work necessary for any assurance on the reliability, proper compilation, or accuracy of the prospective information.
- Any supply chain emissions metrics listed in the Consolidated Sustainability Report may include information provided by suppliers and third-party sources. Our procedures did not include obtaining assurance over the information provided by suppliers or third parties.
- The Consolidated Sustainability Report may include metrics that are derived from reported events relating to employees and subcontractors. As such, our testing may not identify misstatements relating to completeness, for example in instances where events may have occurred but have not been reported.

Responsibility of the Management Board of the Group
Management of the Group is responsible for designing and implementing a process to identify the information reported in the Consolidated Sustainability Report in accordance with the ESRS and for disclosing this process in note *'Double materiality assessment'* of the Consolidated Sustainability Report. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected

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to affect, the entity's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management of the Group is further responsible for the preparation of the Consolidated Sustainability Report, in accordance with 70(c) and 70(č) of the ZGD-1 implementing 29(a) of the EU Directive 2013/34/EU, including:
- compliance with the ESRS;
- preparing the disclosures in the *'EU Taxonomy'* subsection of the Consolidated Sustainability Report, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal controls that management determines are necessary to enable the preparation of the Consolidated Sustainability Report that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

Management of the Group is also responsible for the preparation of the Consolidated Sustainability Report in line with the technical requirements related to the single electronic format as determined in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation. This responsibility also includes the design, implementation and maintenance of internal controls to enable the preparation of the Consolidated Sustainability Report that is free from material non-compliance with the requirements of Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

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

Practitioner's Responsibility
We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)").

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Consolidated Sustainability Report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Consolidated Sustainability Report as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgment and maintain professional skepticism throughout the engagement.

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Our responsibilities in respect of the Consolidated Sustainability Report, in relation to the Process, include:
- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in note *'Double materiality assessment'*.

Our other responsibilities in respect of the Consolidated Sustainability Report include:
- Obtaining an understanding of the entity's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Report but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error;
- Designing and performing procedures responsive to disclosures in the Consolidated Sustainability Report where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Assess whether the Consolidated Sustainability Report has been prepared, in all material respects, in the format specified in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

Our Independence and Quality Management
We complied with the applicable independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "Code"). The Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We applied International Standard on Quality Management ("ISQM 1"), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of Work Performed
A limited assurance engagement involves performing procedures to obtain evidence about the Consolidated Sustainability Report.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Consolidated Sustainability Report.

In conducting our limited assurance engagement, with respect to the Process, we:
- Obtained an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Group's internal documentation of its Process; and
- Evaluated whether the evidence obtained from our procedures about the Process implemented by the Group was consistent with the description of the Process set out in note *'Double materiality assessment'*.

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In conducting our limited assurance engagement, with respect to the Consolidated Sustainability Report, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its Consolidated Sustainability Report by:
  - performing inquiries to understand the Group's control environment, processes and information systems relevant to the preparation of the Consolidated Sustainability Report;
- Evaluated whether material information identified by the Process is included in the Consolidated Sustainability Report;
- Evaluated whether the structure and the presentation of the Consolidated Sustainability Report is in accordance with the ESRS;
- Performed inquires of relevant personnel and analytical procedures on selected disclosures in the Consolidated Sustainability Report;
- Performed substantive assurance procedures based on a sample basis on selected disclosures in the Consolidated Sustainability Report;
- Obtained evidence on the methods for developing material estimates and forward-looking information and on how these methods were applied;
- Obtained an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Report;
- Evaluated whether the Consolidated Sustainability Report has been prepared in the format specified in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

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

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Consolidated Sustainability Report is not prepared, in all material respects, in accordance with 70(c) and 70(č) of the ZGD-1 implementing 29(a) of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify the information reported in the Consolidated Sustainability Report is in accordance with the description set out in note *'Double materiality assessment'*;
- Compliance of the disclosures in the *'EU Taxonomy'* subsection of the Consolidated Sustainability Report with Article 8 of Taxonomy Regulation; and
- Compliance with the requirement to prepare the Consolidated Sustainability Report in the format specified in Article 58 of ZGD-1 and Article 3 of the ESEF Regulation.

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Other Matter

Our limited assurance engagement does not extend to information in respect of earlier periods.

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

Tina Kolenc Praznik
Key sustainability partner
Ljubljana, May 29, 2026

For signature please refer to the original Slovenian version.

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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

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2.9.2 General information

Basis for preparation[12]

The sustainability report is an integral part of the annual report. It is prepared on the basis of the CSRD Directive, the Companies Act (ZGD-1) and the ESRS standards, and discloses the data required by the EU Taxonomy Regulation (Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852).

Level of consolidation of sustainability disclosures[13]

For certain sustainability disclosures, their level of consolidation in the 2025 Sustainability Report differs from the scope of companies included in the consolidated financial statements of the HSE Group. It includes the parent company and its subsidiaries within the HSE Group, but not the associate (HESS) and the jointly controlled company (Soenergetika). Also excluded from the consolidation of sustainability disclosures are the companies of the international electricity trading network (HSE MAK, HSE BH and HSE Balkan Energy), the HSE branch in Prague, the company SRESA, d.o.o. and the company HSE SaŠa, d.o.o. which, with one exception (HSE BE), have no employees. On the basis of an internal materiality assessment, no impacts, risks or opportunities have been identified within the activities of these companies that would have material effects at the level of HSE Group; alternatively, given their activities, these are taken into account in the framework of the activities of the consolidated companies of the HSE Group.

The same consolidation of sustainability disclosures described in the previous paragraph also applies to the calculation of greenhouse gas emissions, i.e. the carbon footprint of the HSE Group; in this regard, the associate (HESS) and the jointly controlled company (Soenergetika) are included in the consolidation of the Scope 3 greenhouse gas emissions calculation, specifically in category 3.15.

The data for disclosures arising from the ESRS requirements are subject to the auditor's limited assurance for 2024 and 2025, but not for 2023 and previous years. The results of the double materiality analysis process, described in Section *2.9.5 Double materiality analysis*, include the impacts, risks and opportunities arising from the conduct of the own activities of the companies in the HSE Group. Where data from the upstream or downstream part of the value chain are also included, we disclose them separately within the relevant sub-topic and/or data point.

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[12] ESRS 2 BP-1 (3, 5 a).

[13] ESRS 2 BP-1 (5 a; 5 b i; 5 b ii; 5 c; 5 d).

No information relating to intellectual property, know-how or the results of innovation has been omitted from the Sustainability Report, nor have we excluded any anticipated event or matter that is the subject of ongoing negotiations from our disclosure.[14]

The reporting period is from 1 January 2025 to 31 December 2025.

Time periods[15]

In defining the time periods for reporting purposes, we depart from the standard time frames set out in ESRS 1, Section 6.4, in order to align with the internal planning periods of the HSE Group. Unless expressly stated otherwise, the time periods used are as follows: the short-term period covers one year in accordance with the financial reporting period (2025); the medium-term period covers a period of one to three years (2026–2028); and the long-term period covers a period longer than three years and, as a rule, up to ten years.

Sources of estimation and outcome uncertainty[16]

Judgement and estimates for reporting certain data points are based on indirect sources, including sector average data and approximations. This includes the data for the calculation of the greenhouse gas emissions of the HSE Group, as described in the methodology in chapter *2.9.6 Climate change mitigation and adaptation – Carbon footprint of the HSE Group*, in particular in the calculation of Scope 3 greenhouse gas emissions, where we used the GHG Protocol guidelines to assess uncertainty (English: *GHG Protocol guidance on uncertainty assessment in GHG inventories and calculating statistical parameter uncertainty).* This chapter also defines the details of the sources of uncertainty, as well as outcomes that arose during the calculation.

Value chain assessment[17]

The value chain data are based on an analysis of the sustainability impacts, risks and opportunities in the value chains of the HSE Group, obtained from internal analyses, public sources and questionnaires that have been submitted to individual entities in the value chains. We estimate that their level of reliability is lower than the level of reliability of the data obtained through our own activities. Through additional mechanisms and action plans that have been put in place, we are striving to

[14] ESRS 2 BP 1 (5 e).

[15] ESRS 2 BP-2 (9 a; 9 b).

[16] ESRS 2 BP-2 (11 a; 11 b).

[17] ESRS 2 BP-2 (10).

improve the level of availability of the necessary information in the future. More about the analysis of the HSE Group's value chains can be found in Section *2.9.5 Double materiality analysis – Impacts, risks and opportunities*. Individual metrics, with the exception of metrics relating to the calculation of Scope 3 greenhouse gas emissions as defined in the previous paragraph, do not contain any data on the upstream and/or downstream part of the value chain that would be estimated using indirect sources, such as sector average data or other approximations.

Changes in the preparation or presentation of sustainability information[18]

As part of the preparation of the report, we carried out a comprehensive double materiality analysis process in 2025, which helped us to systematically identify and assess the key impacts, risks and opportunities arising from our activities and certain segments of the HSE Group's value chains.

At the end of 2024, the organisational structure of the HSE Group changed with the divestment of the company Termoelektrarna Šoštanj (TEŠ; English: Šoštanj Thermal Power Plant) and the companies of the Premogovnik Velenje Group (the PV Group). From 2025, the companies of the HSE Group no longer carry out the activities of electricity generation from thermal power plants (TEŠ), the production of coal or lignite (PV), and certain support activities of the PV Group. As this affected the combined or consolidated materiality assessment of the HSE Group's sustainability impacts, risks and opportunities, a comprehensive double materiality analysis was carried out in 2025 at the level of HSE Group in accordance with the ESRS standards. Compared to 2024, at the consolidated level of the HSE Group, the areas ESRS E2 (*Pollution*), ESRS E3 (*Water and marine resources*) and E5 (*Circular economy*) are no longer identified as material topics. The remaining areas of the HSE Group continue to be identified as material or non-material in accordance with the double materiality analysis (ESRS S2 *Value chain workers*). Due to the consolidation of the changed group, the upgrade of the identification of impacts, risks and opportunities, and business changes, some changes occurred in the identified material impacts, risks and opportunities.[19]

Due to the new organisational composition of the HSE Group, in order to ensure the comparability of the disclosed information and data, we adjusted the figures for 2024 so that they reflect both the current organisational composition of the HSE Group in 2025 and 2024 (the information and data related to the divested companies were excluded from the consolidation of information and data for 2024) and the consolidation of the information and data of the entire HSE Group in 2024. These changes are indicated for individual disclosures. In some of the data for 2024, we noticed certain minor errors that arose as a result of mistakes in sums

[18] ESRS 2 BP-2 (13 a, 13 b, 13 c; 14 a, 14 b, 14 c).

[19] More detailed information on the above is provided in chapter *2.9.5 Double materiality analysis*.

or calculations which, in our opinion, do not constitute material errors in accordance with the provisions of paragraph 14 of ESRS 2 BP-2. We have duly corrected such errors and indicated them for individual disclosures.

Disclosures arising from other legislation and incorporation by reference

Disclosures arising from other legislation or generally accepted statements relating to sustainability reporting are set out in chapter 5.*2 Disclosures arising from other legislation or generally accepted sustainability statements.*[20] The list of disclosure requirements from the ESRS or specific data points determined by a disclosure requirement is set out in chapter 5.*1 List of disclosure requirements from ESRS covered in the Sustainability Report.*[21]

2.9.3 Sustainable development management system

Governance of the company HSE as the parent company[22]

In accordance with the provisions of the Articles of Incorporation of HSE, the HSE Group's parent company is managed and represented by the management. In the period from 1 January 2025 to 31 December 2025, the two-member **management** consisted of:

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

Supervision of the management of HSE's business operations is carried out by the Supervisory Board which, in 2025, operated in accordance with the powers laid down in the Companies Act, the ZSDH-1, the Articles of Incorporation of HSE and the Rules of Procedure of the HSE Supervisory Board, as well as in accordance with the SSH Code as the reference code (on a comply-or-explain basis).

[20] ESRS 2 BP-2 (15).

[21] ESRS 2 BP-2 (16).

[22] ESRS 2 GOV-1 (19; 21 a; 21 b; 21 c; AR 5; 21 d; 21 e).

Members of the Supervisory Board, representatives of capital

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

Members of the Supervisory Board, representatives of employees

- **Blanka Povh, M.Sc. (member until 1 March 2025)**. Professional profile: international economics, trading and sale of guarantees of origin for electricity, energy savings and portfolio management.
- **Matej Kovač (member until 1 March 2025)**. Professional profile: finance, controlling, analytics.
- **Uroš Žibret**. Professional profile: electricity trading, investment management.
- **Aleš Žagar (member since 1 March 2025)**. Professional profile: management of thermal production, electricity trading.
- **Borut Kamnikar (member since 1 March 2025)**. Professional profile: device engineer.

External member of the Audit Committee of the HSE Supervisory Board

- **Marko Hočevar, Ph.D.** Professional profile: business and financial accounting, auditing.

	2025		2024	
	Women	Men	Women	Men
Number of Management Board Members	**0**	**2**	**0**	**2**
Share by gender	0%	100%	0%	100%
Number of members of the Supervisory Board	**2**	**7**	**3**	**6**
Share by gender	22.2%	77.8%	33%	67%

The data include the composition and diversity of the members of the Management and the Supervisory Board of the parent company HSE as at 31 December 2025.

In 2025, the following committees operated within the Supervisory Board: the Audit Committee of the HSE Supervisory Board, the Trading and Investment Committee of the HSE Supervisory Board, and the HR Committee of the HSE Supervisory Board.

In accordance with the legislation, the management and supervisory bodies must meet standards of conduct and have appropriate knowledge (ZSDH-1, ZIntPK, ZGD-1). In doing so, they consider good corporate governance practice from the reference SSH Code and the SSH Recommendations and Expectations. Continuous education is a duty of all members of the management and supervisory bodies. By signing the **Statement of Independence**, the members of the Supervisory Board declared their position on meeting the conflict-of-interest criteria. The share of independent members of the Supervisory Board amounts to 100%.

More detailed information on the composition and operation of the Supervisory Board, the operation of all committees of the HSE Supervisory Board, and the professional support for the operation of the HSE Supervisory Board can be found in chapter 2.3 Corporate governance statement. Information on the roles and responsibilities of the management and supervisory bodies in the area of sustainable development[23] is defined in more detail in the continuation of this chapter.

[23] ESRS 2 GOV-1 (22 a; 22 b; 22 c i-ii; 22 d; 23 a; 23 b).

Sustainable development management[24]

In the HSE Group, the sustainable development system is set up in a way that ensures the alignment of all key activities with the strategic objectives of the Group and enables the effective fulfilment of legislative obligations in the area of sustainability. The organisational arrangement of the system enables the oversight, direction and monitoring of sustainability initiatives across the entire Group, as well as their connection with long-term business priorities.

Responsibility for the preparation and implementation of the HSE Group's long-term business strategy, which also includes strategic orientations in the area of sustainable development, as well as for the review and implementation of measures relating to sustainability impacts, risks and opportunities, lies with the managements of the individual companies in the HSE Group or with the management of the parent company. Operational coordination and professional support in the area of sustainable development of the HSE Group is provided by the **Sustainable Development Department**, which operates as a staff department within the parent company HSE. The department ensures horizontal alignment of sustainability topics among the individual companies in the Group, monitors the implementation of policies, obligations and strategic objectives at Group level, and coordinates sustainability reporting. The department reports directly to the management of the parent company HSE.

The **Sustainable Development Department** actively cooperates with the **Risk Management** Department in the risk management processes of the HSE Group. The departments ensure the integration of sustainability-related impacts, risks and opportunities into the unified risk management system of the HSE Group. This ensures the key information for a comprehensive risk management system at the level of the Group. Both departments regularly report to the **management** on findings and progress in this area, and also inform the management of the key impacts and risks in the HSE Group. They also regularly report on activities in the area of sustainable development and on key risks to the **Audit Committee of the Supervisory Board, the Supervisory Board and SSH**. The management of the parent company HSE and the Audit Committee of the HSE Supervisory Board were also acquainted with the procedures and content of the HSE Group's double materiality analysis for 2025; the management of the parent company HSE confirmed the result, i.e. the list of impacts, risks and opportunities at the level of HSE Group, as defined in chapter 2.9.5 Double materiality analysis. In 2025, the Audit Committee of the Supervisory Board of the parent company HSE regularly and promptly monitored (at each session) the process of implementing sustainability reporting in the HSE Group; in 2026, such monitoring was performed on a quarterly basis, until the publication in the Annual Report of the company and the HSE Group.

[24] ESRS 2 GOV-1 (22 a; 22 b; 22 c; i-iii; 22 d; AR 5; 23 a; 23 b); ESRS 2 GOV-2 (24, 26 a, 26 b, 26 c).

The Sustainable Development Department informs the management, on a weekly basis, of ongoing activities, important initiatives and developments pertaining to sustainability, and provides professional support to the management and other organisational units in incorporating sustainability aspects into their processes and decisions. Sustainability content is also incorporated into the operation of the entire Group, through participation in the sectoral committees of the HSE Group companies (environmental, human resources, technical, development, etc.) and other forms of cross-sector coordination.

The Sustainable Development Department consists of experts with appropriate knowledge and experience in the field of sustainability, who regularly monitor the level of competence and additional knowledge relating to sustainability matters and inform the management thereof. The department also carries out internal training and workshops, through which appropriate competence and continuous improvement are ensured at the level of HSE Group, including recommendations for additional measures or activities aimed at addressing the key impacts, risks and opportunities relevant to the HSE Group.

In 2025, in accordance with the new organisational structure of the HSE Group, a new **long-term business strategy of the HSE Group for the period 2025–2030, with an outlook to 2035** was adopted; furthermore, the **Sustainable Development Strategy of the HSE Group** was also prepared on the basis of the aforementioned document. The Supervisory Board of the parent company HSE confirmed these documents and monitors their implementation on a quarterly basis.

Integration of sustainability-related performance in incentive schemes[25]

The remuneration and reward policy for the management in the HSE Group is regulated in accordance with statutory provisions. The basis for determining the remuneration of the management is set out in the Management Remuneration Policy of Holding Slovenske elektrarne, d.o.o. (hereinafter the Remuneration Policy), which is based on ZGD-1, the Act Regulating the Remuneration of Managers of Companies Majority-Owned by the Republic of Slovenia and Self-Governing Local Communities, the Decree determining the maximum ratios for basic payments and the level of variable remuneration of directors, and the SSH Recommendations and Guidelines. In accordance with the above, the variable remuneration of the management amounts to a maximum of 15% of the basic payments paid out during the financial year.

The share of the variable part of the remuneration of the members of the management of the parent company HSE relating to sustainability-related objectives amounted to 35% in 2025. In 2024, this share amounted to 26.6%.[26] The criteria are confirmed by the HSE Supervisory Board, the founder or the general meeting

[25] ESRS 2 GOV-3 (29 a; 29 b; 2 9c; 29 d; 29 e); ESRS E1 (13).

[26] ESRS 2 MDR-M (77 a; 77 c). In 2025, the reporting methodology was aligned between the comparative periods, as a result of which the figure for 2024 was recalculated. For 2024, a figure of 25% was published in the previous report, which was based on a different approach to calculating the percentage of criteria for the variable component of remuneration. The effect of the methodology alignment amounts to 1.6 percentage points, which is why we do not assess the deviation as material within the meaning of the requirements of ESRS 2 (14(a) and 14(b)).

for the members of the managements of the companies in the HSE Group, which are then cascaded down to lower levels. In 2025, the non-financial, i.e. sustainability-related, criteria were not yet directly linked to the objectives and metrics of the HSE Group in the area of sustainability in 2025.

Statement on due diligence[27]

The year 2025 was the second year of the systematic implementation of comprehensive sustainability due diligence in accordance with the requirements of the ESRS standards, which was significantly upgraded in our company compared to 2024. We are aware that the establishment of a comprehensive and effective system is a process that requires gradual upgrading, which is why our approach is based on continuous improvement and the incorporation of the best available practices.

Among other things, the due diligence system is ensured through assessments of compliance with the requirements of legislation, external commitments and stakeholder expectations, and internal acts. We carry them out through targeted sustainability due diligence reviews, business compliance reviews, internal audits, risk management, recommendations, monitoring of measures taken to remedy irregularities, and regular risk assessments for individual processes.

We carry out due diligence in accordance with the principles of responsible business conduct, taking into account the OECD Due Diligence Guidance for Responsible Business Conduct, 2018. We continuously upgrade the system in accordance with international good practices and stakeholder expectations, in order to further strengthen comprehensive and sustainability-oriented risk management, respect human rights and protect the environment in the value chains. Certain elements of the system have not yet been fully standardised across the entire Group. In 2026, we plan further substantive and systemic improvements, particularly in the area of value chain due diligence and stakeholder engagement.

[27] ESRS 2 GOV-4 (32, AR 8 – AR 11).

An important part of due diligence are also the numerous **management policies** and **quality systems** in the HSE Group. We also carry out due diligence in the area of sustainability through the successful maintenance and continuous improvement of the integrated quality management system (Quality Management System, Environmental Management System, Occupational Health and Safety Management System, Information Security Management System and Asset Management System), which is based on a process approach. At the level of HSE Group, we have established the following policies related to sustainable business:

- HSE Group Quality Policy.
- HSE Group Environmental Policy.
- HSE Group OHS and Fire Protection Policy.
- HSE Group Information Security Management Policy.
- HSE Group Asset Management Policy.
- HSE Group Communication Policy and Strategy.
- Diversity Policy of the Management and Supervisory Bodies of HSE.
- Management Policy of HSE and of the HSE Group.
- Social Responsibility Policy of the HSE Group.
- Succession Policy for Business Functions in the Companies of the HSE Group.
- Code of Conduct for Suppliers and Business Partners of the HSE Group.

ISO standards

In 2025, the individual companies of the HSE Group once again held numerous ISO and other certificates, which significantly contribute to the systematic treatment of individual sustainability impacts, risks and opportunities in the sustainability areas, thereby informing the sustainability due diligence procedures.

Certificates obtained	HSE	HSE EDT	DEM	SENG	RGP	HSE Invest	ECE	Energija plus
ISO 9001: Quality Management System	✓		✓	✓	✓	✓		
ISO 14001: Environmental management system	✓		✓	✓	✓			
ISO 45001: Occupational health and safety management system	✓		✓	✓	✓	✓		
ISO 27001: Information security management system	✓		✓	✓	☒	☒	☒	☒
ISO/IEC 17025: General requirements for the competence of testing and calibration laboratories								
ISO 55001: Asset management system	✓		✓	✓				
EE: Production of electricity from renewable energy sources	✓		✓	✓				
EEnew: Electricity generation with requirements for new hydropower plants	✓		✓					
SURE: Floating debris management system			✓					
DPP: Family-friendly company	✓		✓					
DOD: Socially responsible employer								✓

Legend: ✓ certification
☒ compliance with mandatory requirements and controls

SURE: Compliance with the requirements of the Directive on the promotion of the use of energy from renewable sources, RED II.



Key elements of due diligence	Chapters in the sustainability report and whether the disclosures relate to people and/or the environment
a) Embedding due diligence in governance, strategy and the business model	§ ESRS 2 GOV-2– chapter 2.9.3 Sustainable development management (people and environment)
	§ ESRS2 GOV-3– chapter 2.9.3 Integration of sustainability-related performance in incentive schemes (people and environment)
	§ ESRS 2 SBM-3– chapter 2.9.4 (people and environment)
b) Engaging with affected stakeholders in all key stages of due diligence	§ ESRS 2 GOV-2– chapter 2.9.3 (people)
	§ ESRS 2 SBM-2– chapter 2.9.3 (people)
	§ ESRS 2 SBM-3– chapter 2.9.4 (people and environment)
	§ ESRS 2 IRO-1 – chapter 2.9.5 (people and environment)
	§ ESRS 2 MDR-P (people and environment)
	§ E1– chapter 2.9.6 (environment)
	§ E4– chapter 2.9.7 (environment)
	§ S1– chapter 2.9.8 (people)
	§ S3– chapter 2.9.9 (people and environment)
	§ S4– chapter 2.9.10 (people)
	§ G1– chapter 2.9.11 (people)
c) Identifying and assessing adverse impacts	§ ESRS 2 IRO-1, chapter 2.9.5 (people and environment)
	§ ESRS 2 SBM-3, chapter 2.9.4 (people and environment)

continues on the next page

Key elements of due diligence	Chapters in the sustainability report and whether the disclosures relate to people and/or the environment
d) Taking action to address adverse impacts	§ ESRS 2 MDR-A (people and environment)
	§ E1– chapter 2.9.6 (environment)
	§ E4– chapter 2.9.7 (environment)
	§ S1– chapter 2.9.8 (people)
	§ S3– chapter 2.9.9 (people and environment)
	§ S4– chapter 2.9.10 (people)
	§ G1– chapter 2.9.12 (people)
e) Tracking effectiveness and efforts, communicating	§ ESRS 2 MDR-M (people and environment)
	§ ESRS 2 MDR-T (people and environment)
	§ E1– chapter 2.9.6 (environment)
	§ E4– chapter 2.9.7 (environment)
	§ S1– chapter 2.9.8 (people)
	§ S3– chapter 2.9.9 (people and environment)
	§ S4– chapter 2.9.10 (people)
	§ G1– chapter 2.9.11 (people)

Risk management and internal controls over sustainability reporting[28]

The preparation of sustainability information is integrated into the existing systems of internal controls and risk management processes that apply to the entire reporting of the company and the HSE Group. Key responsibilities are divided between the expert departments of the HSE Group companies, which collect and verify data, and the Sustainable Development Department, which coordinates content and ensures process compliance with legislative and regulatory requirements.

[28] ESRS 2 GOV-5 (36 a; AR 11; 36 b; 36 c; 36 d; 36 e); ESRS GOV 1 (22 c iii): ESRS IRO 1 (53 d).

The accuracy and completeness of sustainability data are ensured through procedures for internal verification, approval and confirmation by the responsible persons. The establishment of a centralised system for collecting information related to sustainability aspects enables uniform assessment, internal controls, reporting and risk oversight at the level of the Group. The Sustainable Development Department works closely with the process owners in the individual companies and with the Risk Management Department in performing joint evaluation and upgrade of the sustainability risk management system.

In 2025, we **upgraded our internal control systems and audit trail assurance**. Notwithstanding the above, there is a possibility that certain inaccuracies, inconsistencies or data omitted from the report have not been identified or corrected. We are aware of these challenges and we are actively enhancing existing systems, in line with the transitional provisions and expectations of the gradual introduction of the requirements under the CSRD and ESRS. This includes the continuous development of additional mechanisms to improve the reliability, traceability and completeness of the reported information, the strengthening of control activities, the assignment of responsibilities, and the introduction of procedures for regular data quality checks.

The administrative, management and supervisory bodies are informed of the findings of the risk assessment through regular reporting, reports or findings of internal audit, and the findings and recommendations of internal auditors within the framework of internal audits of operations, and of external auditors within the framework of the provision of sustainability assurance services.

We are continuously enhancing the sustainability risk management system. The Sustainable Development Department plays a central role within this framework: in addition to monitoring legislative changes and international guidelines, it also provides methodological support and advice to the individual companies and departments within the HSE Group. The department regularly organises workshops, thematic training and consultations aimed at identifying sustainability aspects and the associated risks at process level. Going forward, we will also adapt the system in line with the findings of internal and external verification, as well as with good practices that will develop in the coming reporting years.

2.9.4 Strategy, business model and value chain[29]

Sustainable Development Strategy of the HSE Group

The HSE Group is the largest producer and seller of electricity from own, domestic sources on the wholesale market in Slovenia, as well as the largest producer of electricity from renewable sources in the country. In 2025, we entered a new organisational and development cycle, in which we produce almost 100% of our electricity from renewable sources and are gradually increasing our renewable production capacities through the planning and implementation of extensive investment projects. As an important player on the European energy markets, we operate in more than twenty countries, where we trade in electricity from various production sources, emission allowances, and derivative and related energy products. The electricity we produce is sold to customers on the domestic and European wholesale markets, and we trade in electricity and its derivative and related products on various energy exchanges across Europe. In this way, we ensure the stability of supply and the efficient management of our portfolio. We are also one of the largest suppliers of electricity to end customers. With our diverse structure, which encompasses production, trading, supply and the development of energy solutions, we strive for a reliable, competitive, sustainable and secure energy supply for Slovenia; within the framework of our own electricity production, we are striving to achieve the objectives of the European and national green transition.

The long-term business strategy of the HSE Group for the 2025–2030 period, with a perspective to 2035 (Long-Term Business Strategy of the HSE Group), which was adopted in 2025, reflects the new reality of the composition and operations of the HSE Group following the divestment of TEŠ and the PV Group at the end of 2024. The Sustainable Development Strategy of the HSE Group emphasises its sustainability aspects and forms an integral part of the vision of a responsible, reliable, competitive and low-carbon energy future in the short run (in 2026), in the medium run (by 2028) and in the long run (by 2030 or 2035). The strategy is prepared, reviewed annually, and updated by the HSE Sustainable Development Department, together with the relevant expert departments. It is adopted by the management of HSE, with the approval given by the Supervisory Board of Holding Slovenske elektrarne d.o.o. Its implementation is the responsibility of the management bodies of the HSE Group companies, together with the relevant professional services and the employees of the HSE Group.[30]

The sustainable development of the HSE Group is based on a long-term vision of a responsible, reliable, competitive and low-carbon energy future. It represents the fundamental framework for the responsible, transparent and long-term oriented sustainable operations of the HSE Group, within which we align strategic, investment

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

[30] Except for two employees of HSE BE, all HSE Group employees are located in the Republic of Slovenia.

and management decisions and establish a balance between economic performance, environmental objectives and social responsibility. Within the framework of the Sustainable Development Strategy of the HSE Group, we have defined the key strategic areas of sustainable development which, in our opinion, represent the foundation for achieving long-term resilience, competitiveness and the alignment of operations with sustainability objectives at national and European level. In determining the key strategic areas, we considered the identified significant sustainability impacts, risks and opportunities, the long-term objectives of the HSE Group, regulatory requirements and the requirements or expectations of stakeholders.

We gave priority to the areas where, in our opinion, the HSE Group has the greatest impact and responsibility in achieving national and European development, energy, environmental and social objectives, and in strengthening the sustainable resilience of the economy. At the level of each individual key strategic area of sustainable development, we have defined key directions, as well as qualitative and quantitative objectives in the short-, medium- and long-term. To facilitate the monitoring of progress, we have also prepared a set of key performance indicators (KPIs) that enable us to transparently monitor achievements, identify necessary improvements in due time, and continuously enhance sustainability management processes, including the upgrading of set objectives and performance indicators, which we will monitor and enhance on a regular basis.

The HSE Group's support for and contribution to the 2030 Agenda and the United Nations Sustainable Development Goals (*Eng. Sustainable Development Goals – SDG*)

The Sustainable Development Goals (SDGs), adopted within the framework of the 2030 Agenda, represent the fundamental framework for promoting sustainable, inclusive and responsible development. The energy sector plays a key role in their realisation, as it enables the transition to a low-carbon economy, a more efficient use of resources, and the development of sustainable solutions. The HSE Group strives to realise all the SDGs, and to primarily contribute to the realisation of the following global sustainability goals through its activities:



Key strategic areas of the HSE Group in the field of sustainable development

Our sustainability efforts are reflected in our **mission, vision and values**, as described in chapter *2.8.1 HSE Group business policy*. To realise the latter, we emphasise the following key areas:

ENVIRONMENT	SOCIETY	GOVERNANCE
• Climate change mitigation	• Respect for human rights	• Ethics, integrity and compliance of operations
• Resilience to climate change	• Responsibility towards employees	• Corporate security
• Responsible environmental management system	• Social responsibility and cooperation with stakeholders	• Sustainable development management
	• Responsible relationship with customers	

In the individual areas of sustainable development, the HSE Group has implemented **the Sustainable Development Strategy of the HSE Group**[31] in order to set key strategic objectives in the field of sustainable development, which are also reflected within the individual chapters of this Sustainability Report.

[31] Available at: https://www.hse.si/app/uploads/2026/05/Strategija-trajnostnega-razvoja-skupine-HSE.pdf.

Business model of the HSE Group

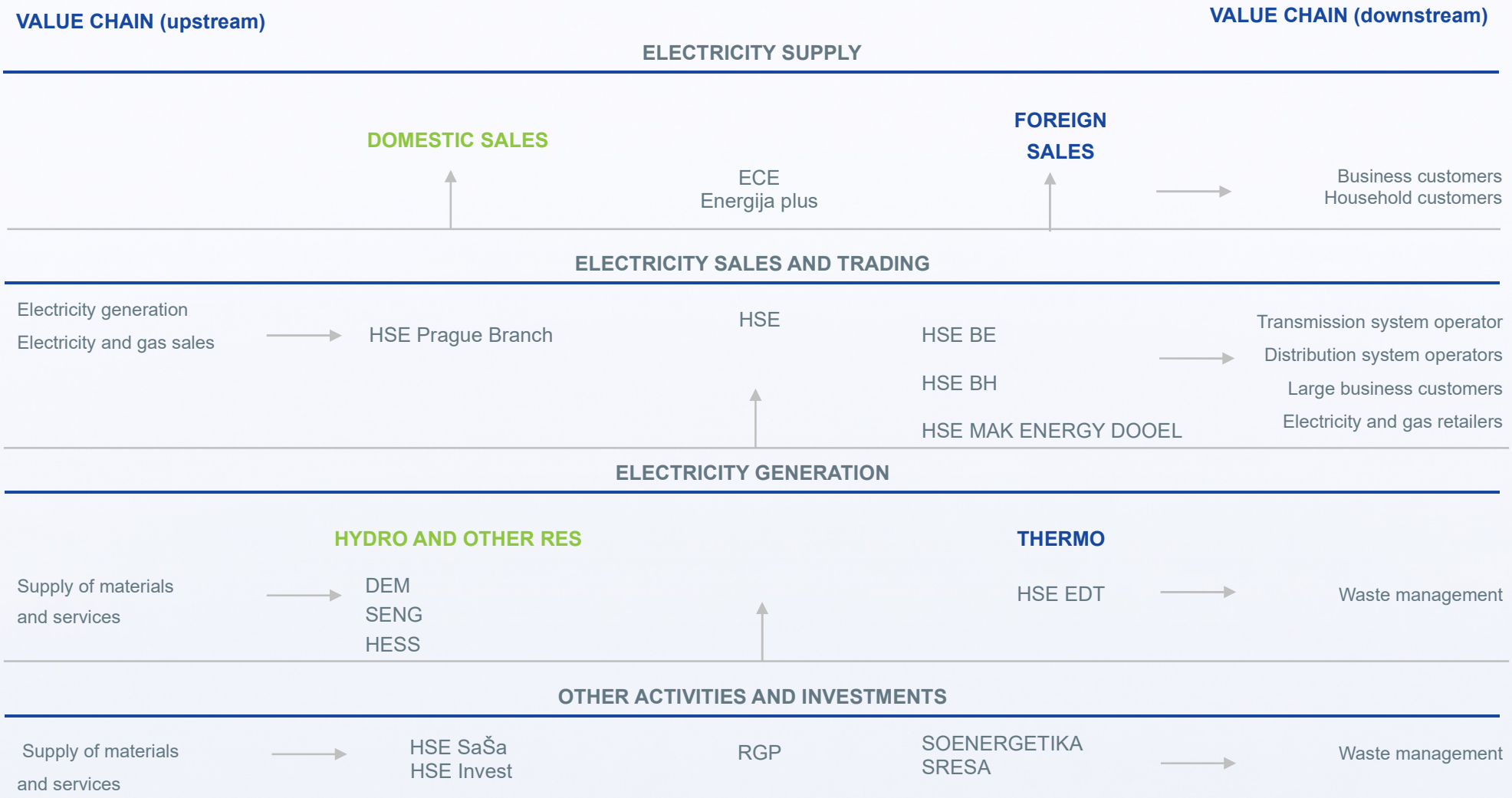
The table provides an overview of the key aspects of the HSE Group's business model from the perspective of the more significant sustainability topics in 2025.

KEY RESOURCES AND DEPENDENCIES	KEY ACTIVITIES	KEY RESULTS AND BENEFITS ACHIEVED
Natural resources	**Sale of and trade in electricity and related products**	**Communities**
The fundamental source for generating electricity are natural resources, namely water (for hydroelectric power plants), as well as the sun and wind (for generation from other renewable sources). The smooth performance of activities requires the sufficient availability of these resources. In managing them, regulatory requirements regarding the use of natural resources and impacts on the environment and biodiversity must also be taken into consideration.	We actively manage generation and demand portfolios, and carry out trading in electricity, emission allowances and other related products on domestic and international markets. The aim is to ensure the stability of operations and a competitive advantage on the market.	Through strategic investments in generation capacities from renewable energy sources, we contribute to the transition to a low-carbon society. We cooperate with local communities in the development of projects, and also promote sustainable development at the regional level.
Employees	**Electricity generation**	**Environment**
Employees are crucial for the reliability and quality of our operations, with experts holding technical, engineering, environmental and market knowledge playing a particularly significant role. Effective training programmes, the development of competences, and the provision of a safe and health-friendly working environment also contribute to achieving business objectives.	We mainly generate electricity from renewable sources, with a commitment to a gradual transition to a low-carbon society.	We are committed to the careful use of natural resources, environmental protection, and the long-term sustainability of land use. By reducing emissions and other impacts on the environment, we make a significant contribution to mitigating climate change and preserving biodiversity.

KEY RESOURCES AND DEPENDENCIES	KEY ACTIVITIES	KEY RESULTS AND BENEFITS ACHIEVED
Financial resources	**Sale of electricity to business and household customers**	**Shareholder, investors, financial institutions**
Access to financial resources is key to maintaining business stability and achieving investment objectives. Favourable financing conditions on capital markets, the support of owners, and effective internal financial management play an important role in this process.	Our customers include both companies and households. We provide them with reliable and affordable supply of electricity, and also offer advice for improving energy efficiency.	Through transparent and responsible operations, we create long-term value for owners and contribute to strengthening the company's stability and reputation on the market.
Relations with stakeholders		**Employees**
Relationships with internal and external stakeholders have a significant impact on the successful performance of our activities. Engaging stakeholders in the early stages of project planning is key to reducing environmental, social and regulatory risks.		We provide employees with a safe, inclusive and supportive working environment. We actively promote the development of competences and professional growth, and also ensure a high level of social protection and equal opportunities for all.
Consumers and end users		**Consumers and end users**
The stability of revenues and the success of the business model are directly linked to the reliable and high-quality supply of energy to end users. Fluctuation in market prices, demand for sustainable energy solutions and digital services, as well as regulatory frameworks for consumer protection also contribute to business results.		We provide end users with an affordable, reliable and sustainable supply of energy. In addition, we offer them advice and e-management options, and implement measures to reduce energy exclusion and promote energy efficiency.

Value chain of the HSE Group

The table presents a description and overview of the key areas of the value chains of the HSE Group in 2025.



Interests and views of stakeholders[32]

In identifying, systematically reviewing and classifying the stakeholders of the HSE Group, we followed the requirements of national legislation, the ESRS standards, the internationally recognised*AA1000SES Stakeholder Engagement Standard*, as well as examples of good practice in the energy sector.

Cooperation with stakeholders is based on the principles of openness, transparency, and inclusive dialogue. The exchange of views plays a key role in stakeholder engagement, allowing us to better understand their positions, needs and expectations. These insights are taken into account both in day-to-day operations and in carrying out the double materiality analysis, assessing sustainability impacts, risks and opportunities, and planning individual projects and strategic orientations, since the key sustainability aspects (electricity generation from renewable sources, environmental protection, taking care for our employees, corporate governance, etc.) are part of our vision, mission and thus also our strategic and business plans. We also take stakeholders' views into consideration within the framework of due diligence procedures, where they complement the analyses of internal experts and data from internal systems.

We have established regular communication channels and long-term relationships with our key stakeholders, and we regularly monitor and take their views into consideration, as well as inform or notify them about relevant topics.

Responsibility for conducting dialogue and taking stakeholders' views into consideration lies with the owners of the individual processes within the companies of the HSE Group. The Sustainable Development Department ensures horizontal coordination, support and enhancement of the stakeholder engagement system in the field of sustainable development, as well as the incorporation of their views into the procedures for identification and inclusion in the double materiality analysis, in accordance with the legislation and other regulations governing sustainability reporting. In the coming years, we plan to further strengthen the systematic approach to stakeholder engagement in this area, and to establish structures for regular evaluation of the quality and effectiveness of cooperation.

Information on key topics and stakeholders' views is incorporated into internal analyses, strategic documents and reports that are available to the management and supervisory bodies of the HSE Group companies. In this way, these bodies are able to take stakeholders' perspectives into account when making decisions and shaping strategic orientations. Stakeholders' views also inform the targets set in the field of sustainable development, as defined in this Sustainability Report.

[32] ESRS 2 SBM-2 (45 a; AR 16; 45 a i; 45 a ii; 45 a iii; 45 a iv; 45 a v; 45 b; 45 d).

Stakeholders	Form of engagement	Key interests	Results of engagement
Management, supervisory bodies, owner (the State and SDH as manager)	Regular reporting and coordination Fulfilment of strategic orientations Participation in the preparation of strategic documents Use of corporate governance mechanisms Regular communication in terms of key risks and opportunities Monitoring and meeting performance indicators Transparent asset management	Business strategy and its implementation Operations, position and outlook Position and plans of the Group Capital adequacy and risk management Growth and development Corporate governance and sustainable operations Cost efficiency	Strengthening transparency and accountability in operations Improved monitoring and achievement of key performance indicators Increased predictability and stability of business decisions Joint determination of priority development projects Alignment with national strategic and energy targets Support in shaping the company's long-term development orientations Timely notification of the owner about key business risks and opportunities Increased trust and credibility of the company as a national energy pillar

Stakeholders	Form of engagement	Key interests	Results of engagement
Employees and representatives of employees (works council, trade unions)	Participation in management Career and education system Internal print and online media Personal contacts Email Internal events, sports, recreational and cultural events Measures related to health and well-being	Performance-based rewards Personal and professional development Reliable and transparent communication Occupational health and safety Work-life balance Equal treatment and access to opportunities Fair pay and job stability Equal pay for work of equal value	Adoption of internal acts with the participation of employees Implementation of flexible working hours Development of internal training and mentoring programmes Targeted filling of competence gaps Regular annual appraisals and measurement of the organisational climate and culture Strengthening the communication of strategic targets to employees Agreed solutions in cooperation with trade unions and the works council
Local and broader communities, civil society	Consultations, public forums and presentation events Direct and transparent communication with local communities Support in the form of sponsorships and donations Participation in joint projects Cooperation with non-governmental organisations and civil initiatives	Safety, health and quality of life Environmental protection and sustainable use of resources Development of local infrastructure and access to services Opportunities for cooperation and employment Support for education and development	Support for environmental and social projects in the community Donations and sponsorships for humanitarian and cultural initiatives Implementation of projects with a positive impact on the local environment Active participation in public consultations and strategic planning Promoting volunteering among employees Scholarships and inclusion of secondary school and university students Regular reporting on impacts and achievements in communities

Stakeholders	Form of engagement	Key interests	Results of engagement
Suppliers and business partners	Public tenders in accordance with regulations Questionnaires for assessing compliance and quality Regular operational and implementation meetings Contractual agreements and technical coordination Exchange of information and monitoring of contract performance	Defined terms of cooperation Fair and transparent selection procedures Financial stability and timely payments Stability and continuity of business relationships	Implementation of contractual provisions in accordance with deadlines and the required quality Effective monitoring of the performance of orders and contracts Increased transparency in supplies and the provision of services Strengthening the reliability and stability of the supply chain
Business and household customers	Regular communication via online platforms and applications Informing about services, prices and sustainability initiatives Direct communication with customers Collection and analysis of feedback	Reliable supply and high-quality service Competitive and transparent prices Option to choose sustainable energy Clear and comprehensible communication Simple user experience	Introduction of e-invoices and digital services Adapting our offers for households with greater environmental awareness (green energy) Improving customer satisfaction

Stakeholders	Form of engagement	Key interests	Results of engagement
Financial institutions, insurance companies, investors	Regular participation in ESG assessments and disclosures	Financial stability and ability to repay obligations	Increased access to more favourable forms of financing
	Responses to questionnaires and individual enquiries	Clear communication about risks, indicators and targets	Inclusion of projects among sustainability-oriented investment opportunities
	Direct meetings and presentations	Incorporation of sustainability criteria into projects and investments	Successful participation in ESG ratings (e.g. by external credit rating agencies)
	Transparent reporting on operations and plans	The company's adaptability to trends and sustainable innovations	Securing funds for renewable energy sources and sustainable projects
		Compliance with international standards	Strengthening the reputation of the HSE Group as a responsible and stable partner on the financial market

2.9.5 Double materiality analysis[33]

The table presents a list of the material impacts, risks and opportunities identified at the level of the HSE Group, on the basis of the double materiality analysis. Their more detailed descriptions, including the current financial effects of sustainability risks and opportunities[34], are provided in the individual chapters, namely for ESRS E1 (Climate change) in chapter 2.9.6; ESRS E4 (Biodiversity and ecosystems) in chapter 2.9.7; ESRS S1 (Own workforce) in chapter 2.9.8; ESRS S3 (Affected communities) in chapter 2.9.9; ESRS S4 (Consumers and end-users) in chapter 2.9.10; and ESRS G1 (Business conduct) in chapter 2.9.11. In the chapters ESRS G1 (Corporate security) in chapter 2.9.12 and ESRS G1 (Cyber security and digitalisation) in chapter 2.9.13, we disclose the impacts, risks and opportunities and the related disclosures specific to the energy sector.[35] Based on the data known to date, the HSE Group has no material risks or opportunities for which a significant risk

[33] ESRS 2 SBM-3 (48 a; AR 17-18; 48 a; 48 b; 48 c i; 48 c ii; 48 c iii; 48 c iv; 48 d), ESRS 2 SBM-2 (45 b); ESRS 2 IRO-2 (59); ESRS GOV-2 (26 c).

[34] ESRS 2 SBM-3 (48 d).

[35] ESRS 2 SBM-3 (48 h).

exists that they will result in a material adjustment of carrying amounts in 2026.[36] On the basis of currently available information, no significant factors have been identified that would indicate limited resilience of the HSE Group's strategy and business model in addressing material impacts, risks and opportunities. Further activities in the field of resilience analysis are envisaged for 2026.[37]

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

Changes in material impacts, risks and opportunities resulting from the exclusion of TEŠ and the PV Group from the HSE Group are described in more detail in chapter *2.9.2 General information – Changes in the preparation or presentation of sustainability information.* Other changes are indicated in the table below.[38]

[36] ESRS 2 SBM-3 (48 d).

[37] ESRS 2 SBM-3 (48 f).

[38] ESRS 2 SBM-3 (48 g).

Material impacts, risks and opportunities

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
E1 Climate change			
Scope 1, 2 and 3 greenhouse gas emissions	Negative actual impact	Own activity	S, M, L
Investments in renewable sources for electricity generation and flexibility systems as a positive impact on the sustainable energy transition	Positive actual impact	Own activity	S, M, L
Promoting the use of renewable energy sources and energy solutions among end-users	Positive actual impact	Value chain (customers)	S, M, L
Physical climate risks: the risk of forecasting generation from RES	Actual risk	Own activity	S, M, L
Physical climate risks: the risks of natural disasters, catastrophes and emergency events	Potential risk	Own activity	S, M, L
Transition climate risks: regulatory risks	Actual risk	Own activity	S, M, L
Transition climate risks: investment risk related to development projects and new builds	Actual risk	Own activity	S, M, L
E4 Biodiversity and ecosystems			
Biodiversity restoration projects and innovation	Positive actual impact	Own activity	S, M, L
Protection of ecological connectivity and ecosystems (impact on ecological connectivity in the construction and operation of hydro facilities)	Negative actual impact	Own activity	S, M, L
S1 Own workforce			
Job security and social security	Positive actual impact	Own activity	S, M, L

continues on the next page

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Ensuring and caring for appropriate working hours and rest periods (N)	Positive actual impact/Potential negative impact	Own activity	S, M, L
Adequate pay for work	Positive actual impact	Own activity	S, M, L
Social dialogue and freedom of association	Positive actual impact	Own activity	S, M, L
Developed and active system of collective bargaining and collective worker participation	Positive actual impact	Own activity	S, M, L
Work-life balance	Positive actual impact	Own activity	S, M, L
Professional development and strengthening of employee competences	Positive actual impact	Own activity	S, M, L
Occupational health and safety system (N)	Positive actual impact	Own activity	S, M, L
Impacts on the health and safety of employees in higher-risk activities	Potential negative impact	Own activity	S, M, L
Ensuring a safe and respectful working environment	Positive actual impact	Own activity	S, M, L
Promoting diversity and inclusion in the workplace, including ensuring the equal integration of people with disabilities into the working environment (N)	Positive actual impact	Own activity	S, M, L
Ensuring an appropriate staffing structure and number of employees	Actual risk	Own activity	S, M, L
S3 Involvement with communities			
Promoting local development and quality of life	Positive actual impact	Own activity	S, M, L
Involving local communities in planning and development	Positive actual impact	Own activity	S, M, L
Contribution to the safety of local communities	Positive actual impact	Own activity	S, M, L

continues on the next page

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
S4 Consumers and end users			
Equal opportunities for access and information for end users	Positive actual impact	Own activity	S, M, L
Ensuring access to quality information (N)	Positive actual impact	Own activity	S, M, L
G1 Business conduct			
Comprehensive system for the prevention and detection of corruption, bribery, fraud and abuse	Positive actual impact	Own activity	S, M, L
Comprehensive whistleblower protection system	Positive actual impact	Own activity	S, M, L
Promoting ethical business conduct and corporate culture	Positive actual impact	Own activity	S, M, L
Risks of corruption, fraud and misuse of inside information	Actual risk	Own activity	S, M, L
G1 Cybersecurity and digitalisation			
Cybersecurity (N)	Actual risk	Own activity	S, M, L
G1 Corporate security			
Corporate security/protection of physical assets (N)	Actual risk	Own activity	S, M, L

N – newly identified impact, risk or opportunity in 2025.

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

Process to identify and assess material impacts, risks and opportunities[39]

In 2025, the double materiality analysis process, including the assessment of impacts, risks and opportunities *(IRO)*, was carried out at the level of individual companies in the HSE Group, on the basis of which a consolidated double materiality analysis was then prepared at the level of the HSE Group. In carrying out this analysis, we considered five key steps: (i) establishing an appropriate organisational structure for managing the process, (ii) understanding the framework of the ESRS standards and related requirements, (iii) identifying actual and potential impacts, risks and opportunities related to sustainability matters, (iv) assessing and determining their materiality, and (v) consolidating the results at the level of the HSE Group as a basis for sustainability reporting.

In 2025, the double materiality analysis taking into consideration the criteria arising from the provisions of ESRS 2 SBM-1 and AR 13, was carried out in the companies HSE, DEM, SENG, ECE, Energija plus, HSE EDT, HSE Invest and RGP. For the remaining activities of the HSE Group companies, we assessed that they are not material to the assessment of the materiality of impacts, risks and opportunities at the level of the HSE Group. In 2025, the double materiality analysis was not carried out in the companies in the international network that engage in electricity trading and which, except for one, have no employees, or in other HSE Group companies (HSE SaŠa, HSE SRESA) that have no employees. We considered their accountability aspects, according to their activity, within the assessment of the impacts of the activities or value chain of the parent company HSE. In carrying out the analysis, i.e. in identifying and evaluating material impacts, risks and opportunities, methodologies were used in accordance with the ESRS, as set out below in this chapter.

The double materiality analysis processes involved managers and professional staff of HSE Group companies, i.e. internal experts. The set of relevant sustainability topics, the definition of IROs and the scoring were prepared on the basis of the content requirements of the ESRS topics, sub-topics and sub-sub-topics (ESRS 1, AR 16), established international sector-specific standards (SASB/ISSB[40], GRI[41], TNFD[42]), good reporting practices in the European energy sector, risks and opportunities identified within the risk management process of the HSE Group, relevant external expert and internal sources, and the existing sustainability aspects, strategies and policies of the HSE Group.

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[39] ESRS 2 IRO-1 (51, 53 a; 53 b; 53 b i; 53 b ii; 53 b iv; 53 c; 53 c i; 53 c ii; 53 c iii; 53 e).

[40] International Sustainability Standards Board (ISSB), Industry-based Sustainability Disclosure Standards (prej SASB Standards), https://www.ifrs.org/issued-standards/sasb-standards/.

[41] Global Reporting Initiative (GRI), GRI Sector Standards, https://www.globalreporting.org/standards/sector-standards/.

[42] *Taskforce on Nature-related Financial Disclosures (TNFD), TNFD Recommendations and Sector Guidance, https://tnfd.global/recommendations/.*

Organisational structure

The implementation of the double materiality analysis for the HSE Group was coordinated by the Sustainable Development Department in the controlling company HSE. Project teams were appointed in the Group companies and participated in carrying out the analysis, further steps, and the preparation of the consolidated report. At least one expert was appointed for each ESRS area; where necessary, other employees were also involved to provide relevant information and to assess the impacts, risks and opportunities. The members participated in identifying and evaluating impacts, risks and opportunities at the level of individual companies. In assessing risks and opportunities, the evaluations of the process owners were taken into consideration in accordance with the risk management system in the HSE Group, which incorporates the sustainability due diligence processes and the identification and evaluation of sustainability impacts, risks and opportunities carried out within the double materiality analysis; these form its integral part.[43] Within the risk management system of the HSE Group, sustainability risks are prioritised according to a uniform system for all HSE Group risks based on their financial effects.[44]

The identification and evaluation of impacts and risks was upgraded several times on the basis of new findings, experience and developments in sustainability practices. The assessments for 2025 were further updated in 2026, with the aim of ensuring accurate, transparent and credible reporting. The process is being continuously improved; a new assessment of the double materiality analysis will be carried out in 2026. The results of the materiality assessment were approved by the Management Board of HSE, while the Audit Committee of the Supervisory Board reviewed the processes and results and took note of them.[45]

Methodologies and assumptions

Own operations and business model

In identifying and assessing actual and potential impacts, risks and opportunities, we took into account activities and business relationships in accordance with ESRS 2 SBM-1. When including activities in the double materiality analysis, we considered (i) key activities, resources, distribution channels and customer segments; (ii) key business relationships and their key characteristics, including relationships with customers and suppliers; the cost and revenue structure of the business segments; and (iii) potential impacts, risks and opportunities in our material sectors and their possible connection with our own business model or value chain, on the basis of our internal evaluation. The analysis included all activities of the HSE Group, except those which were not considered as material on the basis

[43] ESRS IRO 1 (53 e).

[44] ESRS IRO 1 (53 c iii).

[45] ESRS 2 GOV-2 (24; 26 a; 26 b; 26 c; AR 6).

of the ESRS 2 SBM-1, AR 13 criteria because they do not reach 10% of an individual company's sales revenue or are not associated with actual or potential material negative impacts.

Value chain

In the process of preparing the sustainability report, we carried out and prepared a **value chain analysis for individual companies in the HSE Group**. In doing so, we considered (i) the key activities of each individual company, as defined in the previous chapters, and (ii) the products, services and contractual relationships that are essential for carrying out the activities of each individual company. Considering the key processes of products and services, we identified the essential entities in the value chain and classified them according to activity (industry), geographic location, and any particularities where increased sustainability impacts, risks or opportunities are detected (e.g. greater environmental burden, the possibility of human rights violations). For entities in the first tier of the upstream value chain, we carried out an assessment of sustainability aspects using an ESG questionnaire, which is based on the identification of key environmental, social and governance factors. We then evaluated data using an internal evaluation tool and incorporated it into the double materiality analysis.

In the value chain analysis, we primarily focused on first-tier suppliers, based on the available data and *reasonable effort*, as well as an assessment of potential sustainability hotspots. The limitations in obtaining more detailed data on lower levels of the value chain were mostly caused by:

- insufficient availability of data with suppliers – many entities in the value chain do not have appropriate systems for monitoring sustainability indicators and providing data, or we were not able to obtain such data;
- limited systemic mechanisms for collecting information – the currently available information systems do not enable the efficient acquisition of data at all levels of the value chain;
- gradual implementation of the methodology – in accordance with the EFRAG IG 2024 Guidelines: "Value Chain Implementation Guidance", we are gradually extending the collection of information and the analysis to additional entities and levels of the value chain.

For further upgrading of the value chain analysis, we prepared an action plan that includes improving data collection, extending the analysis to additional levels of the value chain, and strengthening cooperation with suppliers to ensure greater transparency and availability of information.

Scope

In defining impacts, risks and opportunities, we considered all the sub-topics of ESRS 1. Furthermore, we also considered topics that are specific to the energy sector or to the activities carried out by the companies of the HSE Group, pursuant to international standards (SASB/ISSB[46], GRI[47], TNFD[48]). We addressed positive and negative, as well as actual and potential impacts, and actual and potential financial risks and opportunities.

The materiality analysis was based on the requirements of ESRS 1 and the EFRAG guidelines related to sustainability reporting. First, we identified and assessed impacts on people and the environment and determined their materiality, and then we assessed the related financial effects. In addition, we also analysed financial risks and opportunities that are not directly related to impacts but which may significantly affect the financial position, performance, cash flows or cost of capital. We evaluated all findings against the ESRS criteria and included them in the disclosures.

For disclosures related to the value chain, we used available and reliable data. In 2025, we once again gradually introduced the methodology pursuant to EFRAG IG 2024, focusing on the segments with the greatest impacts and the best data availability. We plan to further upgrade the scope and quality of the analysis by improving data collection, extending the analysis, and strengthening cooperation with stakeholders, with the aim of greater transparency, reliability and compliance with the ESRS.

Materiality of impacts and financial materiality

Time periods

Impacts, risks and opportunities were assessed over three time horizons, namely in a period of one year (the reporting period), in a period of 1–3 years, and in a period of 3–10 years.

Assessing the materiality of impacts

To assess individual impacts, we considered the criteria of scale, scope, irremediable character and likelihood; depending on the criteria relevant for the individual categories of impacts under ESRS standards. In doing so, we internally developed and applied an impact materiality assessment scale, with which we set qualitative

[46] International Sustainability Standards Board (ISSB), Industry-based Sustainability Disclosure Standards (prej SASB Standards), https://www.ifrs.org/issued-standards/sasb-standards/.

[47] Global Reporting Initiative (GRI), GRI Sector Standards, https://www.globalreporting.org/standards/sector-standards/.

[48] Taskforce on Nature-related Financial Disclosures (TNFD), TNFD Recommendations and Sector Guidance, https://tnfd.global/recommendations/.

thresholds for assessing the materiality of actual and potential impacts within individual companies and at the level of the entire HSE Group. Where the thresholds that were set for individual impacts did not allow for a credible assessment, the assessment was based on the expert judgement of the members of the project teams. We will upgrade and refine the criteria and thresholds in accordance with recommendations, good practices and developments in this field, including the establishment of quantitative criteria to the greatest possible extent, in line with examples of good practice and the upgrading of sustainability due diligence and reporting systems.

The impact materiality assessments were prepared on a scale of 1–5, namely for the short-, medium- and long-term periods. On the basis of the stated parameters, an internal assessment of impacts and thus their prioritisation was calculated on the basis of the methodology.

Stakeholder engagement

We have established regular communication channels and long-term relationships Through our key stakeholders, and we regularly monitor and take their views into consideration, as well as inform or notify them about relevant topics. All the stakeholder views that we collect in this way are intended to inform the double materiality analysis, as our internal experts from various fields were involved in the analysis and applied their expert judgement in the double materiality analysis when defining and evaluating the data. In this way, we incorporated regular dialogues with stakeholders into the double materiality analysis.

The views of our stakeholders that we collect in this way are also intended to inform the double materiality analysis, also provides our internal experts from various fields were involved in the analysis and applied their expert judgement in the double materiality analysis when defining and evaluating the data. In this way, we incorporated regular dialogues with stakeholders into the double materiality analysis. In addition to the above, the assessments of key stakeholders regarding individual key sustainability aspects were also taken into consideration when assessing individual impacts. On the basis of an online survey, key affected stakeholders rated the individual key impacts identified on the basis of the internal analysis, namely for the short-, medium- and long-term periods, on a scale from 1 (not important) to 5 (very important). The results were used to supplement the internal assessment of the materiality of individual impacts. The final overall assessment was classified according to the following categories: low = 0–2.99, medium = 3–3.99 and high = 4–5. This assessment was used to evaluate the materiality and prioritisation of impacts in the short-, medium- and long-term periods.

Assessing financial materiality

The methodology for assessing financial materiality is based on ESRS guidance, taking into account the existing risk assessment and management methodology of the HSE Group, and the determination of the materiality thresholds at the level of the HSE Group is likewise based on the same assumption. The assessments are

largely based on quantitative or qualitative assessments of individual sustainability risks and opportunities according to their financial effect on (i) cash flow, (ii) access to and cost of capital, and (iii) growth in the short-, medium- and long-term periods. The quantitatively or qualitatively assessed magnitude of each individual risk or opportunity was combined with an assessment of the likelihood of the event occurring, and the likelihood of the consequences of such an event occurring. On this basis, their materiality was assessed using a 5-point scale, namely on the basis of quantitatively defined materiality thresholds, as applied in the risk management process used within the individual companies of the HSE Group. The final overall assessment was classified according to the following categories: low = 0–2.99, medium = 3–3.99 and high = 4–5.

Thresholds and consolidation of materiality results at the level of HSE Group

Based on the determination of the materiality of impacts, risks and opportunities at the level of individual companies of the HSE Group, we prepared a consolidated list of material impacts, risks and opportunities at the level of the entire HSE Group.

When assessing the materiality of the impacts of individual companies, we reviewed the impacts that had been identified and assessed at the level of individual companies, and identified them as material if the impact assessments reached a rating of “medium” or “high”. When consolidating the materiality of impacts at the level of the HSE Group, we carried out an additional qualitative materiality assessment for the impacts identified in this manner.

When assessing the materiality of the risks and opportunities in individual companies, we reviewed the risks and opportunities that had been identified and assessed at the level of individual companies, and identified them as material if the impact assessments reached a rating of “medium” or “high”. When consolidating the materiality of impacts at the level of the HSE Group, we carried out an additional quantitative/qualitative materiality assessment for the impacts identified in this manner.

2.9.6 Climate change mitigation and adaptation (ESRS E1)

Policies related to mitigating climate change and adaptation[49]

Climate change and the associated international, European and national regulatory frameworks, including the Paris Agreement, the European Green Deal, the European Climate Law and the National Energy and Climate Plan, are the key framework for our activities in the field of climate responsibility and resilience. The **Long-term Business Strategy of the HSE Group** and the **Sustainable Development Strategy of the HSE Group** are the basis for preparing the business plans

[49] MDR-P (65 a; 65 b; 65 c; 65 e; 65 f); ESRS E1-2 (22, 24; 25 a; 25 b; 25 c; 25 d; AR16 – AR 18).

of the companies of the HSE Group and for adopting further policies and internal acts governing the relevant areas, plans and measures related to climate change mitigation and adaptation. In 2025, a new **HSE Group Environmental Policy** was also adopted, which specifically addresses the areas of climate responsibility, climate resilience, investments in renewable energy sources and energy efficiency.

In 2025, our business operations and future plans were significantly affected by changes in the energy sector and the legislative framework. At the end of 2024, in accordance with the Act on Transitional Financing of an Accelerated and Just Coal Phase-Out (the ZPFPPIP), the TEŠ company and the PV Group were removed from the composition of the HSE Group. On 1 January 2025, the HSE Group entered into a **new development cycle**, which is reflected in the aforementioned strategies. In 2026, we plan to draw up two climate-related plans at the level of HSE Group, namely the **HSE Group transition plan** and the **HSE Group climate resilience plan.**[50]

Title	Description	Responsibility for the implementation	Scope of application
Sustainable Development Strategy of the HSE Group	The Sustainable Development Strategy of the HSE Group places climate responsibility at the centre of its activities. It is geared towards decarbonising the energy sector through an intensive increase in production from renewable sources, the development of energy storage facilities, and the systematic management of climate risks, with the aim of achieving a long-term resilient and low-carbon energy system.	Employees, expert services and management bodies of HSE Group companies	HSE Group (I, P)

[50] ESRS E1-1 (17); MDR-T (81 b).

Title	Description	Responsibility for the implementation	Scope of application
Long-term Business Strategy of the HSE Group	The Long-term Business Strategy of the HSE Group sets out the directions for the Group's development towards a reliable, competitive and low-carbon energy supply, with a central focus on developing renewable energy sources, strengthening system flexibility, and supporting Slovenia's green transition.	Employees, expert services and management bodies of HSE Group companies	HSE Group (I)
HSE Group Environmental Policy	The HSE Group Environmental Policy addresses, among other things, climate change mitigation and adaptation by steering operations towards decarbonisation, increasing renewable energy sources and strengthening the energy efficiency and resilience of the energy system.	Employees, expert services and management bodies of HSE Group companies	HSE Group (I, P)

* I – Internal publication; P – Public publication.

Impacts, risks and opportunities and their interaction with strategy and business model[51]

The identified material impacts, risks and opportunities are closely linked to our business model, strategic directions and planned investments, as described in chapters *2.9.4 Strategy, business model and value chain – Development strategy of the HSE Group, Business model of the HSE Group, and Interests and views of stakeholders*. We are aware that, despite the strategic support for the energy transition in national and European policies, significant challenges remain in actually delivering on the commitments. In this regard, we particularly highlight the issue of siting new facilities and reconciling the requirements of various stakeholders. We therefore strive to achieve a proactive involvement in policy-making processes, improved cooperation with local communities, and the pursuit of solutions that enable the implementation of sustainable energy projects in the environment. We systematically identify and monitor impacts and risks related to climate change mitigation

[51] ESRS 2 E1.SBM-3 (18; 19 a; 19 b; 19 c); ESRS 2 E1.IRO-1 (20 a, 20 b i; 20 c i); ESRS SBM-3 (48 c i-iv); E1.ESRS 2 IRO-1 (AR 6).

and adaptation. Within this framework, we carry out climate and resilience analyses, and adopt and implement measures to reduce our impacts and manage physical and transition climate risks.[52]

A description of the procedure for identifying material climate-related impacts, risks and opportunities, including the results of the resilience analysis and the results of applying scenario analysis, is described in more detail in chapter *2.9.5 Double materiality analysis*[53] and in chapter *2.9.6 Climate change mitigation and adaptation – Procedures for assessing climate-related impacts, risks and opportunities.*

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
E1 Climate change			
Scope 1, 2 and 3 greenhouse gas emissions			
In 2025, electricity generation within the HSE Group was based almost entirely on renewable energy sources. With the removal of the TEŠ company and the PV Group companies, Scope 1 and 2 greenhouse gas emissions decreased by over 99%. Despite the substantially changed generation structure, we continue to consider greenhouse gas emissions as a material area due to legislative obligations (e.g. EU ETS, CSRD/ESRS), long-term climate targets, and our commitment to climate responsibility and sustainable operations. Although we do not yet have a complete overview of all emission sources in the value chain, we anticipate that Scope 3 emissions may represent a significant share of the overall carbon footprint of the HSE Group.	Negative actual impact	Own activity	S, M, L

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[52] ESRS 2 E1.SBM-3 (19 a; 19 b; 19 c; AR 7; AR 8).

[53] ESRS IRO-1 (20 a; AR 9 b).

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Investments in renewable sources for electricity generation and flexibility systems as a positive impact and opportunity for a sustainable transition			
The positive impact stems from our focus on renewable energy sources. The transformation of the energy system also represents an opportunity for the HSE Group, since our vision and long-term strategic directions are closely aligned with this transition. By developing and operating renewable energy generation capacity, we create environmental and social benefits, as these are key technologies in the transition to renewable energy sources and in limiting global warming.	Positive actual impact	Own activity	S, M, L
Promoting renewable energy sources and energy solutions among end-users and in energy communities			
Promoting the use of renewable energy sources and advanced energy solutions among business and household electricity customers is an important opportunity to accelerate the energy transition and strengthen the role of users as active stakeholders in the energy system. We strive to develop services that enable more efficient energy use, electricity self-supply from renewable sources, and support for digital and smart consumption-management solutions.	Positive actual impact	Value chain (customers)	S, M, L

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Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Physical climate risks: the risk of forecasting the generation of electricity from RES			
We identified the risk of hydrological variability, associated with reduced flows and consequently partially reduced hydropower generation, as material, seeing as it directly impacts the reliability of generation from renewable sources and, as a consequence, the market performance and operational stability at the level of HSE Group. Events such as drought periods or pronounced weather anomalies can significantly affect the available amount of hydropower, which represents both an operational and a financial risk.	Actual risk	Own activity	S, M, L
Physical climate risks: the risks of natural disasters, catastrophes and emergency events			
We identified the risk of natural disasters, catastrophes and extraordinary events as material due to their potential impact on the reliability and continuity of generation, especially in hydropower plants. Events such as exceptionally high flows or other weather-related conditions may require an adjustment or a temporary shutdown of generation, which affects both operations and market results. Although these events are generally short-lived, they can have a cumulative impact and represent a significant risk from the perspective of emergency management, which is why we classified them as material on the basis of qualitative judgement.	Potential risk	Own activity	S, M, L

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Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Transition climate risks: regulatory risks (transition to a carbon-neutral economy)			
Transition climate risks in the regulatory area stem primarily from the accelerated transition to a carbon-neutral economy, which is accompanied by rapidly changing legislation and a growing number of regulations. The so-called “regulatory inflation” entails greater complexity and an administrative burden; at the same time, short implementation deadlines increase operational and financial risks. Frequent changes to the rules and ambiguities in their implementation create a high degree of uncertainty, which makes it more difficult to implement long-term planning, make investment decisions and adapt the business models.	Actual risk	Own activity	S, M, L
Transition climate risks: investment risk related to development projects and new builds			
We identified the risk of effective implementation of planned investments as material at the level of the entire HSE Group, since successful implementation is crucial for achieving strategic objectives, especially in the area of the transition to a low-carbon society and ensuring a reliable energy supply and long-term financial stability. It encompasses aspects such as time delays, resource shortages, regulatory obstacles, technology risk, cost changes, and project complexity. Due to its potential impact on the performance of the entire Group, the risk was treated as material, even if it was not specifically highlighted by quantitative indicators.	Actual risk	Own activity	S, M, L

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

Processes for assessing climate-related impacts, risks and opportunities[54]

Assumptions

In 2024 and in 2025, we undertook a more detailed analysis of climate resilience within our own operations, primarily from the perspective of electricity generation activities in the Republic of Slovenia. During this time, we identified the key aspects of climate impacts and the physical and transition risks associated with climate change, which we are systematically and gradually incorporating into further mitigation and resilience plans of the HSE Group.[55] In the framework of those plans, we are gradually also incorporating more precise analyses of the exposure and sensitivity of assets and business activities to climate risks and opportunities.[56]

In analysing physical risks, the following climate scenarios were used. In analysing transition risks, we have not yet used scenario analysis due to the uncertain or volatile conditions on the energy markets, but focused instead on identifying the key transition risks arising from our activities.[57] The key general assumptions for preparing the climate analyses stem primarily from the anticipated increase in public and private spending in terms of sustainable technologies, changes in the industrial structure, and the adaptation of policies to reduce greenhouse gas emissions, as envisaged by the European Green Deal. In doing so, we considered that, according to research by the International Energy Agency (IEA) (*IEA Net Zero by 2050 Report*), the role of the renewable energy sector will become even more important in the coming decades, with the current estimate that, by 2050, almost 90% of global electricity generation will come from low-carbon sources. Energy requirements will be influenced by climate targets and the adaptation of new sources, with energy consumption declining in many sectors while, at the same time, demand for electricity from renewable sources will increase. Both the International Energy Agency and the Intergovernmental Panel on Climate Change (IPCC) estimate that the global energy mix by 2050 will be based on decarbonisation, with a significant decline in fossil fuel consumption and a shift towards wind, solar and hydropower (*IPCC 6th Assessment Report*).

We are aware that these are the early stages of conducting a resilience analysis in accordance with the ESRS requirements, which is why the system for identifying all possible risk and impact scenarios is not yet fully established. It is currently not possible to determine with certainty whether any material risks have been excluded from the analysis, as their significance has not yet been adequately identified or evaluated in line with the expectations of the standards. In the coming

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[54] ESRS 2 SBM-3 (18; 19 a; AR 6; AR 13; 19 b; AR 7 a; AR 7 b; AR 13; 19 c; AR 8 a; AR 8 b; AR 13); E1.ESRS 2 IRO-1 (20 a; 20 b i; 20 b ii; 20 c i; 20 c ii; 21; AR 11; AR 12).

[55] A description of the general procedure for identifying material climate-related impacts, risks and opportunities, including the results of the resilience analysis and the results of the application of scenario analysis, is described in more detail in chapter 2.9.5 Double materiality analysis.

[56] E1.ESRS 2 IRO-1 (20 b ii, 20 c ii; AR 11).

[57] E1.ESRS 2 IRO-1 (AR 6; AR 7 a, AR 7 b).

years, the analysis will be enhanced with an in-depth inclusion of more scenarios, broader treatment of the value chain, and an extension to other systemic risks that affect the long-term resilience of the business model.[58]

Resilience analysis

Analysing the resilience of the strategy and business model to the impacts of climate change is an important part of risk management in the energy sector, and therefore also of the HSE Group. Given the uncertainties associated with the future development of climate and regulatory conditions, we are developing the resilience analysis as a dynamic process that we regularly update and enhance. In 2026, we plan to adopt the HSE Group climate resilience plan, which will form the basis for a further comprehensive analysis of the resilience of the strategy and business model of the HSE Group when faced with climate change. We understand climate change as a key strategic issue that directly affects our business models, long-term viability, and role in the energy transition of Slovenia.

We are aware that, despite the strategic support for the energy transition in national and European policies, significant challenges remain, especially in siting new facilities and reconciling the requirements of various stakeholders. We therefore strive to achieve a proactive involvement in policy-making processes, improved cooperation with local communities, and the pursuit of solutions that enable the implementation of sustainable energy projects in the environment. We systematically identify and monitor impacts and risks related to climate change mitigation and adaptation, and we implement measures to reduce our impacts and manage physical and transition climate risks.

Within the risk management system, we regularly monitor and assess **physical climate risks** related to electricity generation, including acute and chronic hazards such as natural disasters, extreme weather events, generation unit outages, changes in river water levels (hydrology), and other key natural factors. The management of these risks was an integral part of our regular procedures for identifying, evaluating and managing risks, even before the reporting period. In 2024 and 2025, we enhanced the system with additional assessments of the impacts of physical risks, carried out in accordance with climate scenarios, which enables us to better understand and prepare for changed operating conditions and to strengthen the resilience of the business model.

In 2024, we carried out an **assessment of physical climate risks** covering 56 sites where the HSE Group performs its generation and business activities in Slovenia. The assessment was carried out on the basis of international climate change analyses, satellite information, and emission scenarios in accordance with the IPCC guidelines. We analysed 11 climate hazards on the basis of the Classification of Climate-related Hazards (Commission Delegated Regulation (EU)

[58] E1.ESRS 2 IRO-1 (AR 6).

2021/2139), which were assessed, in view of our activities and plans, to be relevant for the activities of the companies within the HSE Group. The assessment included three time periods (2030, 2040 and 2050), as well as three emission development scenarios: an orderly transition (SSP1 RCP2.6), a disorderly transition (SSP2 RCP4.5) and a high-warming scenario (SSP5 RCP8.5), as well as an assessment of the exposure of generation and business units to acute and chronic physical risks. The results of this study formed the basis for the enhancement and more detailed analyses for identifying and assessing physical climate risks.

We identify the key physical climate-related risks primarily in the area of electricity generation, which is why, in 2024 and 2025, an **additional independent study called the Analysis of climate resilience and physical risks related to electricity generation by HSE Group companies** was also carried out, prepared by the Milan Vidmar Electric Power Research Institute (EIMV). The study of physical climate-related risks is based on methodologically sound climate scenarios, and includes the use of interdisciplinary data sources, national and international climate models, and local project and geographical characteristics. The scenarios used, which are consistent with the IPCC projections (SSP1 RCP2.6, SSP2 RCP4.5, SSP5 RCP8.5), enabled the identification of risks across various time periods up to the year 2100, as well as the assessment of potential impacts on the reliability of operations and the long-term stability of generation capacity. In the framework of this scope, we gained insight into how the assets and business activities related to electricity generation are exposed and sensitive to climate-related hazards, taking into account the probability, magnitude and duration of the hazards, as well as the geospatial coordinates of selected sample electricity generation units in the Republic of Slovenia. In 2025, the results of the studies were incorporated into the enhancement of the climate risk and opportunity management system and into the preparation for the adoption of the HSE Group climate resilience plan.

Within the risk management system, we also regularly monitor and assess **transition climate risks**. We primarily focus on regulatory, market and other systemic risks that may affect our operations, investment decisions, and the long-term viability of the business model. The management of these risks is incorporated into standardised procedures for their identification, evaluation and management at the level of the entire Group.

Through the adopted Long-term Business Strategy of the HSE Group, we are adapting our strategy and business model to climate change, not only through extensive investments in renewable energy sources, but also by introducing flexibility systems and, consequently, diversifying our dependence on hydrological fluctuations to the broadest possible extent. The diversification of sources, which in the long term reduces the risk of dependence on the same type of climate impacts, is consequently also linked to decisions regarding the deployment, upgrading or decommissioning of existing assets, the reorientation of the product and service portfolio, and the reskilling of the workforce. In the short term, the hydro segment will still account for the larger share, since such a large amount of generated energy is extremely difficult to replace or diversify quickly due to the technically different characteristics of the generation sources; in addition, the high-voltage and medium-voltage electricity grid infrastructure must be strengthened in parallel. Given the sector in which we operate, which is, among other things, a

priority development area at the EU level, and also a part of the so-called resilience strategy, we consider that, with stable operations and a relatively conservative attitude towards risk-taking, we can ensure continued access to financing at acceptable costs of capital.

In 2024, we enhanced the risk management system by carrying out a basic analysis of transition risks based on the classification of the Task Force on Climate-related Financial Disclosures (TCFD), taking into account the key risks for the energy sector as defined by the report *Climate Risks in the Power Generation Sector (IEA, 2023)*. In 2025, we used the models developed in 2024, which we will enhance within the framework of the climate resilience plan of the HSE Group in 2026 and in subsequent years.

Actions and resources in relation to climate change policies[59]

The actions in the field of **climate change mitigation and adaptation** are closely related to the strategy and business plans of the HSE Group, as described in chapters *2.9.4 Strategy, business model and value chain – Development strategy of the HSE Group, Business model of the HSE Group, and Interests and views of stakeholders*.

In 2025, key measures in this area include the following activities:

In 2025, almost 100% of our electricity generation in Slovenia was provided from renewable sources and flexibility systems (pumped-storage hydropower plants). With the Avče pumped-storage hydropower plant, we efficiently store electricity and supply it to the market when needed. In 2024, when TEŠ and the PV Group were still part of the HSE Group, this share amounted to 57%.

We plan and carry out activities to increase capacity and investment in renewable energy sources. In doing so, we mainly focus on **investments and capacity increases in the area of solar power plants combined with battery storage,** with an emphasis on utilising degraded areas and the development of wind and hydropower plants, including research in the area of geothermal energy and biomass. We complement the development of our own projects with the possibility of strategic partnerships. Through the development of battery energy storage and pumped-storage hydropower plants and investments in those devices, we **increase the systemic flexibility of the energy system**. As a temporary strategic capacity to ensure flexibility, self-sufficiency and stability of the electricity system during the period of gradual transition to a low-carbon society, this strategy also includes possible gas power plant capacities. In 2025, we realised approximately EUR 30.3 million of investments in renewable energy sources in the form of investments in new-build construction and reconstruction of existing

[59] ESRS E1-3 (26; 28; 29 a; 29 b; 29 c i; 29 c ii; 29 c iii; AR 21); MDR-A (68 a; 68 b; 68 c).

energy facilities, whereas in 2024, this amount stood at EUR 29.8 million (more details are available in chapter *2.8.5 Investments of the HSE Group*). To carry out the investments planned by 2030, we plan approximately EUR 1.3 billion of investment outlays in new generation units and the renewal of existing generation infrastructure, plus an additional EUR 1.2 billion by 2035, i.e. a total of EUR 2.5 billion of investments in renewable energy sources and flexibility systems by 2035.[60] In this regard, the implementation of these projects is associated with risks of carrying out investment projects, especially in the area of spatial siting and project economics.

Our business operations **are aligned with the principles and criteria of the EU regulation on the taxonomy of sustainable activities**, whereby we regularly check the alignment of our activities and investments with the sustainability criteria, increase the degree of alignment of our activities with the EU taxonomy, and gradually enhance it through process improvements, measurement of contributions to sustainability objectives, and the inclusion of new activities that support decarbonisation and sustainable development. The performance indicators of capital expenditure, capital expenditure plans, operating expenditure and the alignment of economic activities (turnover, capital expenditure, operating expenditure) in accordance with Commission Delegated Regulation (EU) 2021/2178 and Commission Delegated Regulation 2021/2139 are presented in chapter 2.9.6 *Climate change mitigation and adaptation – EU Taxonomy*.

In the framework of supplying electricity to business and household customers, we develop and offer solutions such as solar power plants, heat pumps, energy storage, charging stations for electric vehicles and smart consumption-management systems, thereby **encouraging an active role for customers in the energy transition**.

We regularly monitor and analyse the carbon footprint (Scopes 1, 2 and 3) at the level of the HSE Group, and report on the results in accordance with the requirements of European and national legislation and international guidelines.

Through appropriate **awareness-raising and training of key internal stakeholders**, we strengthen the development of internal competences for understanding climate scenarios, impacts on the business model, and the preparation of responsive strategies.

Through **optimisation of the operation and maintenance of existing generation units, effective asset management** and the implementation of reconstructions, upgrades and renewals of existing generation capacities in accordance with the ISO 55001 standard, we extend the service life, increase efficiency, and improve the

[60] The aforementioned amounts take into account new investments and investment maintenance of existing facilities for generating electricity from renewable energy sources.

sustainable use of resources for electricity generation. Within this framework, we will renew approximately half of the existing generation portfolio of the HSE Group by 2035.

We identify, assess and monitor climate risks and opportunities with an emphasis on scenario analyses. We will continue to implement measures to strengthen climate resilience and to integrate climate data, analyses and risk assessments into investment, financial and management decision-making processes. We manage the identified climate risks through numerous measures with which we proactively respond to them and ensure the resilience of our activities. With the HSE Group climate resilience plan, which we plan to adopt in 2026, we will prepare the basis for more precise scenario-based assessment of individual business risks, as they arise from various climate hazards, and the envisaged measures for their effective management.

Among the key risks in the area of climate change mitigation and adaptation, we identified the following physical and transition climate risks and implemented measures for their effective management in 2025:

- **Risks in forecasting electricity generation from renewable sources**, primarily associated with fluctuations in water levels and flows or solar irradiance, may affect electricity generation. Drought periods and other weather-related phenomena reduce the available water and solar energy, which can jeopardise the reliability of generation and affect market performance and financial stability. We manage the risks continuously, i.e. within regular operations, by planning the generation on the basis of multi-year historical data on multi-year average monthly flows, preparing the projected likelihood of hydrological conditions occurring, and drawing up an operational business plan (OBP) for various time periods on the basis of weather forecasts, introducing new forecasting models and comparing them to historical data.
- **Risks of natural disasters, catastrophes and extraordinary events**, which can affect the reliability and continuity of generation, especially at hydropower plants. Exceptionally high flows or other weather-related conditions may require an adjustment of our operation or a temporary shutdown of generation, which affects operations and market results. We manage the risks of unplanned outages due to possible failures of infrastructure or equipment through measures to reduce the exposure to hazards and the vulnerability of people and property. Key approaches include the prudent management of land and the environment, regular monitoring of weather forecasts, preventive maintenance, improving preparedness, and establishing early-warning systems. Action instructions, staff competence, regular monitoring and business continuity plans also play an important role.
- **Regulatory risks** are closely linked to climate and energy policies, as well as to the requirements relating to the transition to a low-carbon economy. Across all of the activities of the HSE Group, we identify these risks as material from the perspective of their impact on the timing dynamics and feasibility of investments, especially in the area of renewable energy sources. Changes in legislation, the complexity of administrative procedures, and ambiguities in

interpreting requirements can affect the implementation of planned projects, their cost-effectiveness and the achievement of strategic objectives. We therefore treat this risk as key when planning long-term development directions. We manage the risks by regularly monitoring regulatory changes on the domestic and foreign markets, training and raising awareness of regulatory changes, actively cooperating with stakeholders, and performing public consultations about changes to sectoral legislation at national and EU level.

- **The successful implementation of planned investments in renewable energy sources** is crucial for achieving the strategic objectives of the HSE Group in the area of electricity generation. At the same time, this transition is associated with numerous risks, such as time delays due to lengthy procedures and consents, resource shortages, regulatory obstacles, changes in legislation, cost instability, and the technical complexity of carrying out projects. To manage the risks, we have established a system of regular oversight of investments in accordance with the internal regulations of the HSE Group. We actively maintain professional and constructive communication with all stakeholders involved in the investment development processes.

As at the reporting date, the HSE Group has not yet formally adopted a transition plan or a comprehensive climate resilience plan in the sense of the requirements of the ESRS standards. Individual measures are not yet linked to specific targets for reducing greenhouse gas emissions. However, the plan is currently being prepared. The conception of the transition plan and the climate resilience plan of the HSE Group, which are planned for 2026 in line with the Sustainable Development Strategy of the HSE Group, will follow the principles, requirements and guidelines for the preparation of transition plans in accordance with the applicable ESRS standards. The final content, timeline and ambition of the plans will be defined by taking into consideration the dynamic geopolitical environment, the development of regulatory requirements in the field of sustainable operations, and the key role of the HSE Group in ensuring a reliable and stable supply of electricity. These factors may affect the scope, structure and implementation timeline of the plans.[61]

Due to its historical exposure to lignite and coal extraction and use activities, the HSE Group did not meet the conditions for inclusion in the EU benchmarks aligned with the goals of the Paris Agreement in 2024, in accordance with Delegated Regulation (EU) 2020/1818, as more than 1% of the Group's revenue originated from activities that are not in line with the principle of transition to a carbon-free economy, in particular from the mining and use of fossil fuels. These activities were excluded from the HSE Group at the end of 2024, so that the retained HSE Group is included in the EU benchmarks in 2025. The HSE Group's revenue from the use of fossil fuels is minimal (approximately 0.03%). It originates predominantly from the operation of electricity generation from the gas turbines of HSE EDT, which

[61] ESRS E1-1 (17).

operate exclusively when this is necessary to ensure the stability and support of the electricity grid – we use fossil fuels only when this is necessary to ensure the stability and support of the electricity grid.[62]

Targets[63]

With the **Sustainable Development Strategy of the HSE Group**, we have set the following targets in the field of climate change mitigation and resilience from 2026 onwards. These targets were also informed by the views of stakeholders. The targets provide the basis for further activities in this field. In line with this purpose, we plan to adopt the HSE Group's transition plan and the HSE Group's climate resilience plan in 2026, which will allow us to upgrade and further specify these targets in a systematic and transparent manner.

Targets	Indicator (KPI)	Short-term targets 2026	Medium-term targets 2028	Long-term targets 2020/2035
Cumulative capacity of renewable energy sources and flexibility systems in the HSE Group*	MW	1,100	1,500	2,000/3,500
Upgrade of the HSE Group's transition plan for climate change mitigation	Achieved/Not achieved	Preparation and adoption of the new HSE Group transition plan	Implementation in business processes, control and monitoring, strengthening of efficiency	Implementation in business processes, control and monitoring, strengthening of efficiency
Degree of alignment of our activities with the EU Taxonomy	Number of activities aligned with the EU Taxonomy	3	3	5

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[62] ESRS E1 (16 f).

[63] MDR-T (78; 8o a; 80 b; 80 c; 80 d; 80 e; 80 f; h).

Targets	Indicator (KPI)	Short-term targets 2026	Medium-term targets 2028	Long-term targets 2020/2035
Upgrade of the system for identifying, assessing and monitoring climate risks and opportunities	Achieved/Not achieved	Preparation and adoption of the new HSE Group climate resilience plan	Implementation in business processes, control and monitoring, strengthening of efficiency	Implementation in business processes, control and monitoring, strengthening of efficiency

* Includes electricity generation capacity from solar, wind and hydropower plants (large-scale and small), biomass, battery electricity storage capacity and pumped-storage hydropower plants in the HSE Group.

Energy consumption and mix [64]

This table presents energy consumption and the energy source mix in high climate impact activities, i.e. electricity generation from fossil fuels. In 2025, the HSE Group consumed the most energy products in HSE EDT for the generation of electricity from gas oil, which in 2025 represents 6.94% of all energy products consumed; in 2024, this share amounted to 17.59% for the retained Group. Together with TEŠ and the PV Group, the HSE Group had the largest share of coal consumption in 2024, i.e. 96.21% of the consumption of all energy products. The largest consumption of fossil fuels in the existing Group in 2025 is due to machinery and vehicles owned by the companies of the HSE Group where, due to the nature of the activity, more than 70% is represented by consumption in RGP. This is followed by the electricity and heat consumption of the other companies of the HSE Group.

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

Energy and resource consumption (in MWh)	2025	2024	2024*
Fuel consumption from coal and coal products	/	/	8,180,716
Fuel consumption from crude oil and petroleum products	15,094	21,197	13,244
Fuel consumption from natural gas	207	205	117.922
Fuel consumption from other non-renewable sources	/	/	/
Consumption of purchased or acquired electricity, heat, steam and cooling	8,537	6,850	59,796
TOTAL NON-RENEWABLE SOURCES OF ENERGY CONSUMPTION	**22,233**	**26,966**	**8,364,503**
Share of non-renewable sources in total energy consumption (in %)	**89.13**	**92.50**	**98.46**
Consumption from nuclear sources	**1,107**	**901**	**8,103**
Share of consumption from nuclear sources	**4.44****	**3.09****	**0.10****
Fuel consumption from renewable sources (including biomass, biogas, non-fossil waste, hydrogen from renewable sources, etc.)	0	0	123,016

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Energy and resource consumption (in MWh)	2025	2024	2024*
Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	1,605	1,285	7,641
Consumption of energy from renewable sources, other than self-generated fuel	0	0	0
TOTAL CONSUMPTION FROM RENEWABLE SOURCES	**1,605**	**1,285**	**130,716**
RATIO BETWEEN RENEWABLE AND NON-RENEWABLE SOURCES OF ENERGY CONSUMPTION	**10.87**	**7.50**	**1.54**
TOTAL ENERGY CONSUMPTION	**24,945*** **	**29,153*** **	**8,503,322*** **

* HSE Group, together with TEŠ and the Premogovnik Velenje Group.

** In 2025, we are adding the item **Share of consumption** from nuclear sources, and also report its data for 2024.

*** In 2025, we are adding the item **Total energy consumption**, and also report its data for 2024.

In accordance with Commission Delegated Regulation (EU) 2022/1288, high-impact climate sectors include sectors in NACE areas A to H and L. Most companies of the HSE Group operate in sector D – Electricity, gas, steam and air conditioning supply, which includes the generation and sale of electricity, which is why we also consider the companies HSE, DEM, SENG, HSE EDT, HSE Invest, ECE and Energija plus as part of this segment. RGP operates in sector F – Construction, which is why we also consider it in the high climate impact sector. The data is therefore prepared at the level of the entire HSE Group or for the companies whose data is disclosed in accordance with Section 2.9.2 General information– Level of consolidation of sustainability disclosures.[65]

[65] MDR-M; ESRS E1-5 (42).

Energy intensity based on net revenue[66]

In 2025, the energy intensity ratio in the HSE Group's high climate impact sectors amounted to 0.00000798 MWh/EUR. In 2024, this ratio, recalculated based on the current structure of the HSE Group, amounted to 0.00000971 MWh/EUR.

Year	Total energy consumption from activities in high climate impact sectors in MWh	Net revenue from activities in high climate impact sectors in EUR	Energy intensity ratio (MWh/EUR)
2025	24,945	3,124,988,072	0.00000798
2024 – retained Group	29,153	3,001,723,806	0.00000971
2024 – HSE Group, together with TEŠ and the PV Group	8,503,322	3,613,161,955	0.00235

ENERGY INTENSITY PER NET REVENUE	2025	2024	2025/2024 %
Total energy consumption in activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh/EUR)	0.00000798	0.00000971	82.18

In accordance with Commission Delegated Regulation (EU) 2022/1288, high-impact climate sectors include sectors in NACE areas A to H and L. Most companies of the HSE Group operate in sector D – Electricity, gas, steam and air conditioning supply, which includes the generation and sale of electricity, which is why we also consider the companies HSE, DEM, SENG, HSE EDT, HSE Invest, ECE and Energija plus as part of this segment. RGP operates in sector F – Construction, which is why we also consider it in the high climate impact sector. The data is therefore prepared at the level of the entire HSE Group or for the companies whose data are in accordance with Section 2.9.2 General information, Level of consolidation of sustainability disclosures. In 2024, the data was only reported for the companies that generated electricity from fossil fuels or produced fossil fuels (TEŠ, PV, HSE EDT). In 2024, the data was only reported for the companies that generated electricity from fossil fuels or produced fossil fuels (TEŠ, Premogovnik Velenje, HSE EDT), and their net revenues from sales. Their energy intensity amounted to 0.015 MWh/EUR.[67]

[66] ESRS E1-5 (40, 41, 42, 43).

[67] MDR-M; ESRS E1-5 (42).

The carbon footprint of the HSE Group

Gross greenhouse gas emissions of the HSE Group[68]

			BASE YEAR		INDEX	
	2025	2024	2024*	2023	2023*	2025/2024	2025/2023
SCOPE 1 GREENHOUSE GAS EMISSIONS	t eq CO_2	t eq CO_2	t eq CO_2	t eq CO_2	t eq CO_2	%	%
Scope 1 (gross emissions)[69]	5,335	7,193	3,234,769	5,205	3,091,400	74.17	102.50
% of Scope 1 emissions under EU ETS[70]	12.37	21.37	95.55	3.48	87.73	57.88	355.21
SCOPE 2 GREENHOUSE GAS EMISSIONS							
Scope 2 (gross location emissions) [71]	2,089	1,599	17,372	1,890	19,315	129.31	106.67
Scope 2 (gross market emissions) [72]	3,692	2,845	29,655	3,101	30,177	129.77	119.06
Total (SCOPE 1 and 2 pursuant to the location-based method)	7,424	8,791	3,252,141	7,095	3,110,715	83.99	103.61
Total (SCOPE 1 and 2 pursuant to the market-based method)	9,027	10,038	3,264,424	8,306	3,121,577	89.93	108.68

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[68] ESRS E1-6 (44 a; 44 b; 44 c; 44 d; AR 39 a; AR 39 b; AR 39 c; AR 39 d; AR 40; AR 41; 45 a; 45 b; 45 c; 45 d; 46, 50 a, 50 b; 51; 52 a; 52 b).

[69] ESRS E1-6 (48 a; AR 43 a; AR 43 b; AR 44 c; AR 44 d; AR 44 e).

[70] ESRS E1-6 (48 b).

[71] ESRS E1-6 (49 a).

[72] ESRS E1-6 (49 b).

				BASE YEAR		INDEX	
	2025	2024	2024*	2023	2023*	2025/2024	2025/2023
	t eq CO_2	t eq CO_2	t eq CO_2	t eq CO_2	t eq CO_2	%	%
SCOPE 3 – IMPORTANT GREENHOUSE GAS EMISSIONS[73]							
Scope 3 (total gross emissions)	**25,269**	**26,610**	**131,067**	**/**	**/**	**94.90**	**/**
3.1 Purchased goods and services	10,280	15,324	58,942	/	/	67.06	/
3.2 Capital goods	11,469	4,119	11,322	/	/	278.44	/
3.3 Fuel and energy-related activities not included in Scope 1 or 2	1,116	1,441	50,250	/	/	76.47	/
3.4 Upstream transportation and distribution (included in 3.1 and 3.2)	0	755	1,585	/	/	0	/
3.5 Waste generated in operations	16	20	39	/	/	80.00	/
3.6 Business trips	64	67	937	/	/	95.52	/
3.7 Employee commuting	975	907	1,680	/	/	107.50	/
3.8 Upstream leased assets	0	0	29	/	/	0	/
3.9 Downstream transportation and distribution (included in 3.1 and 3.2)	0	2,295	4,603	/	/	0	/
3.10 Processing of sold products	0	0	0	/	/	0	/

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[73] ESRS E1-6 (51).

				BASE YEAR		INDEX	
	2025	2024	2024*	2023	2023*	2025/2024	2025/2023
	t eq CO_2	t eq CO_2	t eq CO_2	t eq CO_2	t eq CO_2	%	%
3.11 Use of sold products	0	0	0	/	/	0	/
3.12 End-of-life treatment of sold products	0	0	0	/	/	0	/
3.13 Downstream leased assets	0	0	0	/	/	0	/
3.14 Franchises	0	0	0	/	/	0	/
3.15 Investments	1,350	1,682	1,682	/	/	80.25	/
Total emissions pursuant to the location-based method[74]	**32,693**	**35,401**	**3,383,208**	**/**	**/**	**92.40**	**/**
Total emissions pursuant to the market-based method	**34,296**	**36,648**	**3,395,491**	**/**	**/**	**93.54**	**/**

* HSE Group, together with TEŠ and the Premogovnik Velenje Group.

Due to the divestment of companies in the 2025 reporting year, the base year for Scopes 1 and 2 was recalculated to reflect the organisational structure of the HSE Group for the 2025 reporting year. The emissions of the divested companies were removed from the base year. This ensures the comparability of the data. The recalculation of the base year does not affect the methodology for calculating emissions, but only affects the scope of the organisational units included. The high-quality primary and secondary data available for the base year are comparable and verifiable. In accordance with the requirements of ESRS E1, the base year is not older than three years, as for the target year 2030 and for the period between 2025–2030, any year from 2022 and 2025 can be chosen.[75]

[74] ESRS E1-6 (52 a; 52 b).

[75] ESRS E1-6 (47).

Greenhouse gas emissions intensity based on net revenues from sales[76]

GREENHOUSE GAS EMISSIONS INTENSITY DEPENDING ON NET REVENUES FROM SALES	2025	2024	2024*
Total emissions– location-based method (t/EUR)	0.0000105	0.0000118	0.0009360
Total emissions– market-based method (t/EUR)	0.0000110	0.0000122	0.0009390

* HSE Group, together with TEŠ and the Premogovnik Velenje Group.

Methodologies used in calculating the carbon footprint of the HSE Group[77]

The carbon footprint of the HSE Group for Scopes 1, 2 and 3 is calculated on the basis of the principles, requirements and guidelines of the **GHG Protocol for companies**. The methodology, data collection procedures and calculation of the carbon footprint for Scopes 1 and 2 are verified by a certified independent external institution in accordance with the requirements of the GHG Protocol and the ISO 14064-1:2018 standard. The methodology, data collection method and calculation for Scope 3 were developed together with an external certified institution in accordance with the GHG Protocol and the ISO 14064-3:2019 standard. We are aware that Scope 3, in particular, is especially complex due to the dispersion and diversity of emission sources within the value chain. We therefore regularly upgrade the methodology, data sources and calculations in line with data availability, best practices and the development of international standards, in order to ensure the greatest possible reliability, transparency and comparability of the reported data. We report on greenhouse gas emissions within the same organisational frameworks as described in chapter *2.9.2 Level of consolidation of sustainability disclosures*. In addition to CO_2 emissions, the calculation also takes into account CH4, N2O, HFC, PFC, SF6 and NF3 emissions, which are expressed as tonnes of CO_2equivalent. Where we manually converted an emission factor into tonnes of CO_2 equivalent, we used the most recent global warming potential values (i.e. *GWP Global Warming Potential*) AR 6 for the conversion. In other cases, we considered values from recognised international collections of emission factors.

[76] ESRS E1-6 (53; 54; 55).

[77] ESRS E1-6 (44; AR 39 a; AR 39 b; AR 39 c; AR 39 d; AR 40; 50; AR 41; AR 46 d; AR 50; AR 52; 48 a; AR 43; 48 b; AR 44; 49 a; 52 a; AR 45; AR 47; 49 b; 52 b; AR 45; AR 47; 51; AR 46; 44; 52 a; AR 47; 52 b; AR 47, 47; AR 39 b; AR 42 a; AR 42 b; AR 42 c; AR 43 c; AR 43 d; AR 46 g; AR 46 i; 53 AR 53); ESRS 2 BP-2 (11 a; 11 b).

Scope 1[78]

The calculation of Scope 1 greenhouse gas emissions is based on the calculation or measurement of greenhouse gas emissions consumed directly for the activities of the HSE Group companies from stationary combustion sources (e.g. natural gas, gas oil, light heating oil) and mobile combustion sources, emissions from production processes and fugitive emissions. They are calculated in accordance with nationally determined characteristic net calorific values and emission factors for each individual year. This includes the consumption of gas oil for the production of electricity in the gas units of the company HSE EDT and the consumption of fuels for machinery and company vehicles, where the company RGP stands out in terms of consumption. Under Scope 1, we also report on biogenic emissions due to reservoirs in the production of electricity from hydropower. The majority, 55.55%, of Scope 1 emissions stems from the consumption of fossil fuels for the machinery and vehicles of the HSE Group companies, of which most is consumed by the RGP. Just under 24% of emissions in 2025 arose from reservoirs in the production of electricity in hydropower plants. Approximately 12% of Scope 1 emissions arose from the production of electricity from gas oil (HSE EDT), which are included in the EU ETS scheme; the calculation of the latter was additionally verified in accordance with the EU ETS methodology by an independent or external certified institution. The calculation does not include removals or purchased, sold or transferred carbon credits, or greenhouse gas emission allowances.

Scope 2[79]

In accordance with the GHG Protocol, Scope 2 of the HSE Group includes emissions associated with the consumption of purchased or acquired electricity and heat, while preventing the double consideration of greenhouse gas emissions already captured under Scope 1 or 3. Emissions are calculated using the location-based and market-based methods. The location-based method reflects the average emissions of energy grids in specific geographical areas in individual time periods, whereby we use the emission factors for purchased electricity and heat calculated by the Jožef Stefan Institute (IJS) for the latest available year, namely 2025. The market-based method, on the other hand, reflects the actual emissions associated with the electricity and heat consumed, which is why we use the emission factors of suppliers in our calculations; in rare cases, where these are not available, we apply a conservative approach using the emission factor of the Energy Agency of the Republic of Slovenia for 2024. Scope 2 thereby represents indirect emissions due to the consumption of electricity and heat, whereby the total gross emissions of the HSE Group were calculated separately for both energy sources using both methods. The differences between the methods stem mainly from the differences between the IJS emission factor (reduced by grid losses, which are captured under Scope 3, category 3.3) and the suppliers' emission factors. The calculation of

[78] ESRS E1-6 (44 a; 48 a; AR 43 a; AR 43 b; AR 44 c; AR 44 d; AR 44 e; 48 b; AR 43 a; AR 43 b; AR 43 c; AR 43 d; AR 43 e; AR 44 a; AR 44 b; AR 44 c; AR 44 d).

[79] ESRS E1-6 (44 b; 49 a; 49 b; AR 45 a; 45 b; 45 c; 45 d; 45 e; 45 f).

Scope 2 emissions also includes the guarantees of origin of the company Energija plus for all purchased electricity; at the level of the HSE Group, however, these represent a negligible share of the contractual instruments for reducing the carbon footprint, as they cover approximately 2% of total electricity consumption.

The calculation does not include removals or purchased, sold or transferred carbon credits, or greenhouse gas emission allowances.

Scope 3[80]

Scope 3 emissions are all other indirect greenhouse gas emissions that arise within the value chain of the company, but are not included in Scope 1 or 2. These include emissions from the supply chain, transport and business travel, use and handling of products, and waste. In calculating **Scope 3**, we used primary data where available; otherwise, secondary data obtained from databases and scientific sources were used. The primary data were collected through measurements or from the accounting or other information systems of the companies. These data may include activity-specific data or emissions data calculated by suppliers that are directly linked to their activities. Secondary data include industry average data (e.g. from published databases, government statistics, literature studies and industry associations), financial data (the so-called *spend-based method*) and environmentally extended input-output emission factors, proxy data and other generic data. Within the HSE Group, we identified significant sources of emissions in the downstream part of the value chain; in the upstream part our investments, where we do not have operational control, are particularly significant.

In calculating Scope 3 greenhouse gas emissions, we considered the emissions in the following categories, based on the materiality analysis at the level of the HSE Group companies:

- 3.1 Purchased goods and services
- 3.2 Capital goods
- 3.3 Fuel and energy-related activities not included in Scope 1 or 2
- 3.4 Upstream transportation and distribution (considered as categories 3.1 and 3.2 in the calculation)
- 3.5 Waste generated in operations
- 3.6 Business trips
- 3.7 Employee commuting

[80] ESRS E1-6 (44c; 51; AR 46 a; AR 46 c; AR 46 d; AR 46 d; AR 46 e; AR 46 f; AR 46 g; AR 46 h i ii iii; AR 46 i; AR 46 j; AR 46 k).

- 3.9 Downstream transportation and distribution is taken into consideration in 3.1 and 3.2
- 3.15 Investments

The calculation of the Scope 3 carbon footprint includes the categories presented in the previous paragraphs. In setting the boundaries of impact, we considered the materiality analysis, on the basis of which the following types of categories were included in the calculation:

- the categories in which we have a significant impact on the generation of GHG emissions,
- the categories where credible data are available,
- the categories in which it is possible to identify emission factors,
- the categories for which we assessed the impact to be financially or operationally significant.

In 2025, no other categories were taken into consideration. In future years, we expect an improvement in the accuracy of the calculation, based on the improved accessibility or availability of data within the value chain.

Within the HSE Group, electricity production is organised within the companies that are directly responsible for the operation of energy facilities (DEM, SENG, HSE EDT). These companies report on Scope 1 greenhouse gas emissions in accordance with the GHG Protocol, as these are direct emissions from controlled sources. The majority of Scope 3 emissions of the HSE Group in 2025 arose in the upstream part of the value chain (90%). The majority of emissions in the upstream part arose in categories 3.1 (purchased goods and services), 3.2 (capital goods) and 3.3 (fuel- and energy-related activities). In 2024, we calculated Scope 3 emissions more comprehensively for the first time, which is why the calculations in subsequent periods will report on these emissions even more accurately. Based on the materiality analysis, the HSE Group does not have significant greenhouse gas emissions in categories 3.10, 3.11, 3.12, 3.13 and 3.14.

Limitations and uncertainties

A higher degree of uncertainty applies to the calculation of Scope 3 emissions, primarily due to:

- a lack of accurate or locally adjusted emission factors,
- the diversity of supply chains,
- limited input data from the data systems of individual companies,
- limited access to third-party data, and

- internal assessments of financial or operational significance.

In accordance with the GHG Protocol and the ISO 14064-1 standard, we used the most accurate and verifiable data available; in the absence of accurate data, we applied a conservative approach that does not underestimate emissions. We calculated the carbon footprint of the HSE Group for the first time in 2024, which is why this year was set as the base or reference year for the Scope 3 calculation.

Greenhouse gas emission removals and internal carbon prices[81]

Within the HSE Group, we do not reduce our carbon footprint through the use of greenhouse gas removals (e.g. sinks) or through the purchase of carbon credits from external emission reduction projects. Emission reductions are therefore based exclusively on actual measures within the Group, such as process optimisation and increasing the share of low-carbon energy sources. The HSE Group also does not have an internal carbon price in place, which is why this is currently not included in decision-making processes regarding investments, business planning, or the assessment of climate risks.

EU Taxonomy[82]

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

The Taxonomy Regulation is part of the broader EU legislative framework for sustainable finance, including Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) and Regulation (EU) 2021/2178 on disclosures regarding the share of sustainable economic activities (Disclosures Delegated Act under the Taxonomy). These acts form a legal framework whose purpose is to channel capital into sustainable activities and increase transparency in the sustainable investment market.

Taxonomy-eligible activities under the EU Taxonomy

We reviewed the economic activities carried out by the companies in the HSE Group and compared them with those defined in the Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139), the Complementary Climate Delegated Act (Commission Delegated Regulation (EU) 2022/1214), the

[81] ESRS E1-7 (56 a; 56 b); ESRS E1-8 (62).

[82] ESRS E1-1 (16 d; AR 3; 16 e; AR 4).

Environmental Delegated Act (Commission Delegated Regulation (EU) 2023/2486) and the amendments to the Climate Delegated Act (Commission Delegated Regulation (EU) 2023/2485), which together lay down the technical screening criteria (*Technical Screening Criteria*) in accordance with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

On the basis of the aforementioned review of delegated acts, in accordance with Article 10 of Regulation (EU) 2020/852, we identified the following economic activities of the HSE Group as **eligible activities** under the environmental objectives of climate change mitigation and climate change adaptation (*taxonomy-eligible activities*):

According to net revenues from sales:

- 4.1 – Electricity generation using solar photovoltaic technology (CCM)
- 4.10 – Electricity storage (BPS)
- 4.5 – Electricity generation from water energy (BPS)
- 7.3 – Installation, maintenance and repair of energy efficient equipment (BPS)
- 7.4 – Installation, maintenance and repair of charging stations for electric vehicles in buildings (BPS)

According to investments in fixed assets (CAPEX):

- 6.5 – Transportation by motorcycles, passenger cars and light commercial vehicles (BPS)

The activity was defined as a taxonomy-eligible activity because it appears as a supporting activity in the performance of core operational tasks within the operations of the HSE Group. In carrying out their activities, the HSE Group companies use company vehicles for the transport of employees, access to energy facilities, the performance of maintenance work and other operational tasks related to the management and operation of energy facilities. Since such use of vehicles forms part of regular operations and is included in the category of economic activities that the EU Taxonomy defines as potentially relevant from the perspective of environmental objectives, the activity was identified as taxonomy-eligible (*taxonomy-eligible*). The companies do not have revenue from this activity, but investments in this activity are, in accordance with Annex I of Delegated Regulation (EU) 2021/2178, considered as type C CAPEX.

Activities aligned with the EU Taxonomy

Article 3 of Delegated Regulation (EU) 2020/852 (the “Regulation”) lays down the criteria that an economic activity must meet in order to be classified as aligned with the EU Taxonomy (*taxonomy-aligned activities*):

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

The taxonomy alignment of our identified activities was assessed on the basis of Annex I to the Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139), which lays down the technical screening criteria for economic activities that contribute substantially to climate change mitigation. The analysis was carried out for each activity and each location of operation, taking into consideration the technical parameters such as emission limit values, operating conditions, and documentation and data related to individual facilities. Compliance with the criteria for the prevention of significant harm (DNSH) was assessed for the relevant environmental objectives set out in Article 9 of Regulation (EU) 2020/852, drawing, among other things, on construction, operating and environmental permits, monitoring results, internal environmental reports and practices for managing environmental impacts. The assessment included both legal requirements and additional technical conditions from the delegated acts. Compliance with the minimum safeguards as laid down in Article 18 of Regulation (EU) 2020/852 was verified at the level of the HSE Group companies for which we assessed compliance with the individual criteria under the EU Taxonomy. The full assessment of taxonomy alignment was carried out in accordance with a methodological framework based on the applicable delegated acts, the European Commission's guidelines and internal procedures for the collection and validation of data.

Minimum safeguards

The HSE Group is committed to respecting, protecting and fulfilling human rights in all employment relationships, in accordance with international and European standards, as well as with Slovenian legislation. These commitments apply to all companies in the Group and all forms of employment, including regular employees, employees with special conditions (e.g. persons with disabilities), and other forms of employment relationships. Our commitment is set out in the HSE Group Code of Ethics and implemented through applicable labour legislation, collective agreements, participation agreements, and internal documents that systematically

regulate individual aspects of human rights in the workplace. In doing so, we refer to the UN Universal Declaration of Human Rights, the fundamental principles of the ILO, the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises and the European Social Charter, and the EU Charter of Fundamental Rights. The HSE Group has zero tolerance for child labour, forced labour and human trafficking, in accordance with legislation and applicable international guidelines. We do not identify such cases or risks in our own operations. Ethical business conduct and corporate culture within the HSE Group are based on an integrated management system which is, in turn, based on the HSE Group Code of Ethics, which sets out the key values and principles that guide the conduct of all employees and business partners in accordance with moral, ethical and professional standards, as well as generally accepted social values. On this basis, numerous internal policies and procedures have also been developed, along with the implementation of ISO standards, which ensure a high level of business compliance. The details of procedures for handling reports of irregularities are set out in the Rules on Handling Reports of Suspected Irregularities and the Protection of Whistleblowers, which apply to all companies in the HSE Group and to all business partners. In 2025, no decisions were issued by the competent authorities against the HSE Group companies or members of their management boards regarding violations of rules relating to corruption, breaches of tax regulations, or breaches of competition protection legislation.

Taxonomy-aligned activities of the HSE Group

On the basis of a review of compliance with Regulation (EU) 2020/852 and the relevant delegated acts, the following types of economic activities were classified as*taxonomy-aligned activities*:

- activities that contribute substantially to climate change mitigation (Article 10 of the Regulation),
- activities that meet the relevant technical criteria as laid down in the relevant delegated acts of the EU Taxonomy,
- activities that meet the do no significant harm (DNSH) criteria for the remaining environmental objectives, and
- activities that meet the minimum safeguards requirements.

In 2025, we identified the following activities as aligned with the EU Taxonomy (*taxonomy-aligned activities*), which meet the conditions for **substantial contribution to climate change mitigation (CCM)**:

- **4.1 – Electricity generation using solar photovoltaic technology**

The activity of electricity generation from photovoltaic sources is among the activities that are already classified as environmentally sustainable in accordance with Commission Delegated Regulation (EU) 2021/2139 (activity 4.1). All of our solar power plants meet the technical screening criteria for a substantial contribution to

climate change mitigation. We carried out an assessment of physical risks associated with climate change for the locations[83] and confirmed that these risks are adequately managed. No impact on ecosystems and biodiversity was identified, as the solar power plants are installed exclusively on the roofs of existing buildings or on degraded areas (e.g. SPP Prapretno), which implies a minimal impact on soil and natural habitats. In accordance with the condition for the prevention of significant harm (*i.e. Do No Significant Harm – DNSH*) in the field of the transition to a circular economy, we also ensure compliance with the requirements regarding extended producer responsibility. At the end of the service life of the photovoltaic modules, financing for their decommissioning and recycling will be ensured, including handover to authorised collectors or recycling schemes, in accordance with legislative requirements.

- **4.10 – Electricity storage**

The storage of electricity at the Avče pumped-storage hydropower plant is among the activities defined as environmentally sustainable under Commission Delegated Regulation (EU) 2021/2139, under activity 4.10. The activity is an enabling activity, as it provides support to the electricity system and enables greater integration of production from renewable energy sources. The facility meets the technical screening criteria for a substantial contribution to climate change mitigation, as the calculated carbon footprint over the entire service life of the facility is significantly lower than the threshold of 100 g CO_2e/kWh. An environmental impact assessment was also carried out for the facility. In accordance with the Do No Significant Harm (DNSH) requirements with respect to other environmental objectives, the ecological status of water is regularly monitored, confirming the good status of water bodies in accordance with the Water Framework Directive (2000/60/EC). Based on the available analyses and monitoring of impacts, no significant negative impacts on other environmental objectives, such as the transition to a circular economy, pollution prevention, and the protection of biodiversity and ecosystems, were identified.

- **4.5 – Electricity generation from water energy in hydropower plants**

The generation of electricity in the HSE Group's hydropower plants meets the technical screening criteria of the EU Taxonomy for a substantial contribution to climate change mitigation in accordance with Commission Delegated Regulation (EU) 2021/2139 (activity 4.5). Using the G-res Tool, which is recommended by the International Energy Agency (IEA) and the International Hydropower Association (IHA) and is also cited as a reference by the ESRS E1 standard, we assessed greenhouse gas emissions over the entire service life of the facilities, which are significantly lower than the threshold of 100 g CO_2e/kWh. For all hydropower plants, we carried out an assessment of physical risks associated with climate change and have already introduced appropriate measures to increase resilience and

[83] The climate resilience analysis was carried out by EIMV using the procedure and methodology as defined in chapter *2.9.6 Climate change mitigation – Resilience analysis*. This analysis does not explicitly include the analysis for the SPP Hubelj, which, in terms of capacity, net revenue and CapEx combined, has a negligible impact on the calculation of EU Taxonomy data (less than 0.001% of revenue). An internal analysis was used for this power plant, based on data and information from the climate resilience analysis for the SPP Kanalski Vrh.

adaptation in accordance with the requirements for not causing significant harm (DNSH). The ecological status of water bodies is checked regularly in all facilities, and no significant negative impacts on water quality or quantity have been detected. We place particular emphasis on ensuring and regulating the minimum ecological flow, which is adapted to local hydrological conditions and ecological requirements. Where this is sensible and technically feasible, we have prepared plans for the construction of fish passes to improve the passability of watercourses. Until then, we carry out substitute measures to enable fish migration in cooperation with the Fisheries Research Institute of Slovenia and local fishing families, thereby contributing to the conservation of fish populations and biodiversity.

Taxonomy-eligible activities

In addition to these activities, the activities that are defined in Commission Delegated Regulation (EU) 2021/2139 were also defined as *taxonomy-eligible*, whereby we additionally identified a potential substantial contribution to the objective of climate change mitigation for selected activities: we did not comprehensively verify the DNSH criteria at this stage, so we do not treat the activities as aligned.

- **6.5 – Transportation by motorcycles, passenger cars and light commercial vehicles.** The activity relates to investments in fixed assets for own use. In the framework of fleet management, we are gradually replacing internal combustion vehicles with electric ones, thereby pursuing decarbonisation objectives. In accordance with the Delegated Regulation (EU) 2021/2139, the activity is defined as eligible, whereby compliance with the technical criteria for a substantial contribution and DNSH was not verified at this stage, so we do not treat the activity as taxonomy-aligned.
- **7.3** – **Installation, maintenance and repair of energy efficient equipment.** The activity of installing, maintaining and repairing energy-efficient equipment such as solar power plants, heat pumps, battery storage units and other solutions for the efficient use of energy by end users is an eligible activity in accordance with Commission Delegated Regulation (EU) 2021/2139. In the framework of the performance of this activity, the HSE Group develops and introduces solutions aimed at improving energy efficiency and reducing greenhouse gas emissions among end users, thereby addressing the objectives of climate change mitigation. We did not comprehensively verify the conditions for not causing significant harm (DNSH) at the level of individual projects within this activity, which is why we do not treat the activity as aligned with the EU Taxonomy.
- **7.4 – Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces connected to buildings)**. The activity of installing, maintaining and repairing charging stations for electric vehicles in buildings (and parking spaces connected to them) is included in Commission Delegated Regulation (EU) 2021/2139, which is why we treat it as eligible for the EU Taxonomy. Within this activity, the HSE Group develops and establishes infrastructure for charging electric vehicles, thereby supporting the transition to e-mobility and contributing to the reduction of greenhouse gas

emissions in the transport sector. We did not comprehensively verify compliance with the technical screening criteria for a substantial contribution to climate change mitigation or the “do no significant harm” (DNSH) criteria at this stage, which is why we do not treat the activity as aligned with the EU Taxonomy.

Taxonomy of the key performance indicators

Our accounting policies for calculating the taxonomy key performance indicators (KPIs) are based on the interpretation of Commission Delegated Regulation (EU) 2021/2178 on disclosures and on the available European Commission guidelines, which supplement the disclosure obligations in accordance with Regulation (EU) 2020/852. We report the indicators of **net sales revenue, capital expenditure (CAPEX)** and **operating expenditure** (OPEX) at the consolidated level, which includes the companies HSE, DEM, SENG, ECE, Energija plus, HSE Invest, RGP and HSE EDT.

In our reporting, we use the International Financial Reporting Standards (IFRS).

Principle of connectedness

We determine the net sales revenue, capital expenditure (CAPEX) and operating expenditure (OPEX) associated with the activities included in the EU Taxonomy on the basis of the principle of connectedness, as defined in Annex I to Commission Delegated Regulation (EU) 2021/2178. In doing so, we use direct attribution where possible; in other cases, we use appropriate allocation keys based on the nature of the activity and the available data.

Avoiding double consideration

In determining the shares of net sales revenue, CAPEX and OPEX that we include in the numerator, we avoided double consideration by using appropriate activity-adjusted factors that allow the allocation of financial indicators to taxonomy-aligned activities.

KPI: Net sales revenue

The share of net sales revenue associated with activities aligned with the EU Taxonomy is calculated as a share of the HSE Group's total net sales revenue. The sources of revenue included in the numerator for 2025 are as follows:

- generation of electricity from photovoltaic power plants[84];

[84] Revenue also includes revenue from electricity generation that generation companies realise indirectly through the trading companies of the Group, which sell energy on wholesale markets.

- generation of electricity from a pumped-storage hydroelectric power plant[85];
- generation of electricity from hydro power plants[86].

The denominator of the KPI for net revenue from sales includes all net revenue from sales of the HSE Group in 2025 in accordance with the financial report.[87]

KPI: Investments in fixed assets (CAPEX)

CAPEX associated with activities included in the EU Taxonomy is presented as a proportion of total capital expenditure, calculated in accordance with the requirements of Delegated Regulation (EU) 2021/2178.

The KPI denominator includes acquisitions of property, plant and equipment, intangible assets and right-of-use assets in 2025, recognised in accordance with IAS 16, IAS 38 and IFRS 16. The counter of aligned capital expenditure (CAPEX) in 2025 includes:

- investment maintenance and reconstruction of existing hydroelectric power plants,
- investment maintenance of the pumped-storage hydroelectric power plant,
- construction and planning of new renewable energy generation units.

The denominator of the KPI includes acquisitions from the accounting items Movement in intangible assets, Movement in property, plant and equipment, Movement in right-of-use leased assets and Movement in investment property of the HSE Group in 2025. The data are consistent with the data from the financial statements as set out in the financial report.[88]

KPI: Investments in working assets (OPEX)

OPEX for 2025 shows the proportion of operating expenditure associated with activities included in the EU Taxonomy and is calculated in accordance with the requirements of Delegated Regulation (EU) 2021/2178. The counter includes costs related to cleaning, maintenance, repairs and operation of assets relating to

[85] Revenue also includes revenue from electricity generation that generation companies realise indirectly through the trading companies of the Group, which sell energy on wholesale markets.

[86] Revenue also includes revenue from electricity generation that generation companies realise indirectly through the trading companies of the Group, which sell energy on wholesale markets.

[87] Financial report of the HSE Group: 3.4.2 Consolidated income statement.

[88] Financial report of the HSE Group: 3.5.6 Disclosures to the consolidated financial statements.

activities defined in the EU Taxonomy, primarily associated with renewable energy generation units. Where a direct link was not possible, appropriate estimation approaches based on available data were used.

The KPI denominator includes operating costs related to the maintenance and repair of assets, short-term leases and other direct operating costs of the HSE Group in 2025, such as maintenance and cleaning materials, spare parts and related services.

Labour costs and depreciation are not included in the KPI calculation.

Comparison of key performance indicators (KPIs) for HSE Group:

Performance indicator/reporting year	2025	2024 *	2024 **
Share of net revenue from sales of the HSE Group from taxonomy-aligned activities	12.88%	17.81%	14.96%
Share of net revenue from sales of the HSE Group from taxonomy-acceptable activities	0.18%	0.17%	0.17%
Share of investments in fixed assets (CAPEX) of the HSE Group for taxonomy-aligned activities	62.46%	53.82%	27.59%
Share of investments in fixed assets (CAPEX) of the HSE Group for taxonomy-acceptable activities	2.34%	5.76%	3.66%
Share of investments in working assets (OPEX) of the HSE Group for taxonomy-aligned activities	20.58%	15.53%	10.27%
Share of investments in working assets (OPEX) of the HSE Group for taxonomy-acceptable activities	1.60%	0.06%	0.04%

* The HSE Group as constituted in 2025.

** The HSE Group as constituted in 2025, together with TEŠ and the PV Group companies.

The share of net revenue from sales of aligned activities was lower in 2025 than in 2024, due to lower electricity generation in hydroelectric power plants. Compared with 2024, an increase in capital expenditure is also evident, primarily in the reconstruction of hydroelectric power plants and other renewable electricity generation units. The somewhat higher share of operating expenditure on aligned activities in 2025 compared to 2024 is mainly the result of higher costs of regular maintenance, renovation and management of generation assets. To carry out the investments planned by 2030, we plan approximately EUR 1.3 billion of investment outlays in new generation units and the renewal of existing generation infrastructure, plus an additional EUR 1.2 billion by 2035, i.e. a total of EUR 2.5 billion of investments in renewable energy sources and flexibility systems by 2035.

Share of net revenues from sales for the HSE Group for 2025

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

Financial year N	2025			Criteria for substantial contribution						Criteria for non-material harm						Minimum safeguards	Taxonomy-adjusted revenue share, year N-1	Category (enabling activity)	Category (transitional activity)
Economic activities	Code	Absolute revenue, EUR	Revenue share, year N	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
Text		Currency	%	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	%	E	T
A. ACTIVITIES ACCEPTABLE FOR TAXONOMY																			
A.1. Environmentally sustainable activities (aligned with taxonomy)																			
4.1. Generating electricity using photovoltaic technology	BPS 4.1	626,909	0.02%	**YES**	NO	NAC	NAC	NAC	NAC	N/R	YES	N/R	YES	N/R	YES	YES	0.05%		
4.10. Electricity storage	BPS 4.10	50,551,981	1.62%	**YES**	NO	NAC	NAC	NAC	NAC	N/R	YES	YES	YES	N/R	YES	YES	1.38%	E	
4.5. Hydroelectric power generation	BPS 4.5	351,411,357	11.25%	**YES**	NO	NAC	NAC	NAC	NAC	N/R	YES	YES	N/R	N/R	YES	YES	16.38%		
Revenue from environmentally sustainable activities (aligned with taxonomy) (A.1)		**402,590,248**	**12.88%**	**12.88%**	0%	0%	0%	0%	0%	N/R	YES	YES	YES	N/R	YES	YES	**17.81%**		
Of which enabling		**50,551,981**	**1.62%**	1.62%						N/R	YES	YES	YES	N/R	YES	YES	1.38%	E	
Of which transitional		0	0.00%	0%													%		T
A.2. Activities acceptable for taxonomy but not environmentally sustainable (activities that are not aligned with the taxonomy)																			
				AC; NAC	AC; NAC	AC; NAC	AC; NAC	AC; NAC	AC; NAC										
7.3 Installation, maintenance and repair of energy efficient equipment	BPS 7.3	5,579,835	0.18%	**AC**	**AC**	NAC	NAC	NAC	NAC								0.17%		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces connected to buildings)	BPS 7.4	35,128	0.00%	**AC**	**AC**	NAC	NAC	NAC	NAC								0.00%		
Revenue from activities acceptable for taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		**5,614,962**	**0.18%**	0.18%													**0.17%**		
Revenue from activities acceptable for taxonomy (A.1 + A.2)		**408,205,210**	**13.06%**	13.06%													**17.98%**		
B. ACTIVITIES UNACCEPTABLE FOR TAXONOMY																			
Revenue from activities unacceptable for taxonomy (B)		2,716,782,862	86.94%																
Total (A + B)		**3,124,988,072**	**100.00%**																

YES, the activity is aligned and acceptable for the taxonomy regarding the respective environmental objective

NO, the activity is acceptable but not aligned with the taxonomy regarding the respective environmental objective

AC, activity acceptable for the taxonomy for the respective objective

NAC, activity unacceptable for the taxonomy for the respective objective

Share of investments in fixed assets for the HSE Group for 2025

Share of investments in fixed assets (CAPEX) in products or services related to economic activities aligned with the taxonomy

Financial year N		2025		Criteria for substantial contribution						Criteria for non-material harm									
Economic activities	Code	Investments in fixed assets, EUR	Share of investments in fixed assets, year N	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Share of investments in fixed assets aligned with or acceptable for taxonomy, year N-1	Category (enabling activity)	Category (transitional activity)
Text		Currency	%	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	%	E	T
A. ACTIVITIES ACCEPTABLE FOR TAXONOMY																			
A.1. Environmentally sustainable activities (aligned with taxonomy)																			
4.1. Generating electricity using photovoltaic technology	BPS 4.1	5,433,327	12.61%	**YES**	NO	NAC	NAC	NAC	NAC	YES	YES	N/R	YES	N/R	YES	YES	4.04%		
4.10. Electricity storage	BPS 4.10	2,544,830	5.91%	**YES**	NO	NAC	NAC	NAC	NAC	YES	YES	YES	YES	N/R	YES	YES	0.26%	E	
4.5. Hydroelectric power generation	BPS 4.5	18,937,363	43.94%	**YES**	NO	NAC	NAC	NAC	NAC	YES	YES	YES	N/R	N/R	YES	YES	49.52%		
Investments in fixed assets in sustainable activities (aligned with taxonomy) (A.1)		**26,915,520**	**62.46%**	62.46%	0%	0%	0%	0%	0%	YES	YES	YES	YES	N/R	YES	YES	53.82%		
Of which enabling		**2,544,830**	**5.91%**	5.91%						YES	YES	YES	YES	N/R	YES	YES	0.26%	E	
Of which transitional		0	0%	0%													%		T
A.2. Activities acceptable for taxonomy but not environmentally sustainable (activities that are not aligned with the taxonomy)																			
				AC; NAC	AC; NAC	AC; NAC	AC; NAC	AC; NAC	AC; NAC										
4.3 Electricity generation from wind energy	BPS. 4.3	0	0.00%	**AC**	**AC**	NAC	NAC	NAC	NAC								4.55%		
6.5 Transportation by motorcycles, passenger cars and light commercial vehicles	BPS 6.5	966,845	2.24%	**AC**	NAC	NAC	NAC	NAC	NAC								1.03%		
7.3 Installation, maintenance and repair of energy efficient equipment	BPS 7.3	0	0.00%	**AC**	**AC**	NAC	NAC	NAC	NAC								0.11%		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces connected to buildings)	BPS 7.4	41,449	0.10%	**AC**	**AC**	NAC	NAC	NAC	NAC								0.08%		
Investments in fixed assets in activities acceptable for taxonomy but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		**1,008,294**	**2.34%**	**2.34%**													5.76%		
Investments in fixed assets in activities acceptable for taxonomy (A.1 + A.2)		**27,923,814**	**64.80%**	**64.80%**													59.58%		
B. ACTIVITIES UNACCEPTABLE FOR TAXONOMY																			
Investments in fixed assets unacceptable for taxonomy (B)		15,171,739	**35.20%**																
Total (A + B)		**43,095,553**	**100.00%**																

YES, the activity is aligned and acceptable for the taxonomy regarding the respective environmental objective

NO, the activity is acceptable but not aligned with the taxonomy regarding the respective environmental objective

AC, activity acceptable for the taxonomy for the respective objective

NAC, activity unacceptable for the taxonomy for the respective objective

Share of investments in working assets the HSE Group for 2025

Financial year N		2025		Criteria for substantial contribution						Criteria for non-material harm						Minimum safeguards	Share of investment in working capital aligned with the taxonomy, year N-1	Category (enabling activity)	Category (transitional activity)
Economic activities	Code	Absolute investments in working capital, EUR	Share of investment in working capital, year N	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Mitigating climate change	Adapting to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
Text		Currency	%	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO; NAC	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	YES; NO	%	E	T
A. ACTIVITIES ACCEPTABLE FOR TAXONOMY																			
A.1. Environmentally sustainable activities (aligned with taxonomy)																			
4.1. Generating electricity using photovoltaic technology	BPS 4.1	6,412	0.04%	**YES**	NO	NAC	NAC	NAC	NAC	N/R	YES	N/R	YES	N/R	YES	YES	0.03%		
4.10. Electricity storage	BPS 4.10	572,981	3.56%	**YES**	NO	NAC	NAC	NAC	NAC	N/R	YES	YES	YES	N/R	YES	YES	1.43%	E	
4.5. Hydroelectric power generation	BPS 4.5	2,730,225	16.98%	**YES**	NO	NAC	NAC	NAC	NAC	N/R	YES	YES	N/R	N/R	YES	YES	14.07%		
Investments in working capital in environmentally sustainable activities (aligned with taxonomy) (A.1)		**3,309,618**	**20.58%**	20.58%	0%	0%	0%	0%	0%	N/R	YES	YES	YES	N/R	YES	YES	**15.53%**		
Of which enabling		**572,981**	**3.56%**	3.56%						N/R	YES	YES	YES	N/R	YES	YES	1.43%	E	
Of which transitional		**0**	**0.00%**	0.00%													%		T
A.2. Activities acceptable for taxonomy but not environmentally sustainable (activities that are not aligned with the taxonomy)																			
				AC; NAC	AC; NAC	AC; NAC	AC; NAC	AC; NAC	AC; NAC										
6.5 Transportation by motorcycles, passenger cars and light commercial vehicles	BPS 6.5	250,088	1.56%	**AC**	NAC	NAC	NAC	NAC	NAC								0.00%		
7.3 Installation, maintenance and repair of energy efficient equipment	BPS 7.3	0	0.00%	**AC**	**AC**	NAC	NAC	NAC	NAC								0.00%		
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces connected to buildings)	BPS 7.4	7,587	0.05%	**AC**	**AC**	NAC	NAC	NAC	NAC								0.06%		
Investments in working capital acceptable for taxonomy but not environmentally sustainable (activities aligned with the taxonomy) (A.2)		**257,675**	**1.60%**	1.60%													0.06%		
Investments in working capital acceptable for taxonomy (A.1 + A.2)		**3,567,293**	**22.18%**	22.18%													15.59%		
B. ACTIVITIES UNACCEPTABLE FOR TAXONOMY																			
Investments in working capital unacceptable for taxonomy (B)		12,515,533	**77.82%**																
Total (A + B)		**16,082,826**	**100.00%**																

YES, the activity is aligned and acceptable for the taxonomy regarding the respective environmental objective

NO, the activity is acceptable but not aligned with the taxonomy regarding the respective environmental objective

AC, activity acceptable for the taxonomy for the respective objective

NAC, activity unacceptable for the taxonomy for the respective objective

Nuclear energy and natural gas activities for 2025

In accordance with Commission Delegated Regulation (EU) 2022/1214 and its Annex III for 2025, we also explain our activities in the field of nuclear energy and natural gas.

	Activities of the HSE Group in the field of nuclear energy	2025	2024	2024*
1.	Carrying out, or financing, the research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the nuclear fuel cycle, or having exposures thereto.	NO	NO	NO
2.	Carrying out, or financing, the construction and safe operation of new nuclear installations for the generation of electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies, or having exposures thereto.	NO	NO	NO
3.	Carrying out, or financing, the safe operation of existing nuclear installations for the generation of electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, or having exposures thereto.	NO	NO	NO
	Activities of the HSE Group in the field of natural gas			
4.	Carrying out, or financing, the construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels, or having exposures thereto.	NO	NO	YES
5.	Carrying out, or financing, the construction, renovation and management operation of heat/cooling and electricity cogeneration facilities that produce electricity using fossil gaseous fuels, or having exposures thereto.	NO	NO	YES
6.	Carrying out, or financing, the construction, renovation and management operation of heat generation facilities that produce heat/cooling using fossil gaseous fuels, or having exposures thereto.	NO	NO	NO

* HSE Group, together with TEŠ and the Premogovnik Velenje Group.

Instead of the tables set out in templates 2 to 5 in Annex III to Regulation 2022/1214 (Standard templates for the disclosure referred to in Article 8(6) and (7)), we hereby provide a statement explaining the actual situation in the field of natural gas. For all key performance indicators in the field of natural gas (net revenue from sales, capital expenditure, operating expenditure), we report an amount of EUR 0 for 2025; likewise, for 2025, the share of eligibility, alignment and non-eligibility for the activities under points 4 and 5 for the objectives of climate change mitigation (CCM) and climate change adaptation (CCA) amounts to zero, because we did not carry out activities in this field in 2025. The same applies to the retained group, excluding TEŠ and the PV Group, for 2024.

2.9.7 Biodiversity and ecosystems (ESRS E4)

We are aware that healthy and resilient ecosystems are essential for climate stability, quality of life, good status of bodies of water and the long-term sustainability of energy systems. Our aim is that, through responsible management of impacts and the transition to low-carbon and nature-friendly energy solutions, we not only reduce negative impacts but also actively contribute to restoring the natural environment where this is possible. **We incorporate the principles of biodiversity protection into strategic planning, the implementation of investments and day-to-day operations.**

Activities related to the spatial planning of hydropower facilities or their refurbishment may affect biodiversity in the vicinity of these facilities. For this reason, we plan and carry out the related activities with the aim of minimising interference with ecosystems, particularly during the sensitive life stages of individual plants and animals (e.g. the fish spawning season and bird nesting). In doing so, we cooperate and coordinate with competent experts and nature conservation stakeholders. At the same time, through various activities we **make a significant contribution to preserving and improving the status of biodiversity**. We carry out projects to restore the natural environment, implement mitigation measures defined during the preparation of project documentation, conduct studies to monitor ecosystems, respond to stakeholder initiatives for nature conservation and, where necessary, adjust our activities accordingly. In this way we contribute to the long-term stability of ecosystems, protect important animal and plant species and introduce new solutions to improve conditions in affected areas[89].

Transition plan and consideration of biodiversity and ecosystems in strategy and business model[90]

The impacts, dependencies, risks and opportunities related to biodiversity and ecosystems stem from the business model and strategic orientations of the HSE Group, which address the planning, construction, operation, maintenance and decommissioning of energy infrastructure. Impacts may arise primarily in connection with spatial interventions and the management of water ecosystems and ecological connectivity at the sites of hydropower facilities. Details of how biodiversity and

[89] ESRS E4 SBM-3 (16 a i).

[90] ESRS E4-1 (11; 12; 13 a; 13 b; 13 f).

ecosystem aspects are taken into account and integrated into the development of strategies and business models are set out in Chapter *2.9.4 Strategy, business model and value chain – HSE Group Development Strategy, HSE Group Business Model and Interests and views of stakeholders*.[91] In doing so, we follow local, national and European public policy objectives and regulatory requirements, and carefully address the relevant requirements and expectations of stakeholders.

A dedicated comprehensive resilience analysis or transition plan at the level of the HSE Group has not yet been prepared; however, we carry out individual aspects of the identification, assessment and management of physical, transition and systemic risks related to biodiversity and ecosystems by integrating nature conservation requirements into the planning of installations and facilities, we observe the hierarchy of mitigation and compensatory measures as determined by the competent authorities, and we monitor the effects by means of monitoring activities and appropriate indicators. In the future, we will take a more intensive approach to preparing a transition plan at the level of the HSE Group, taking as our reference framework the relevant local, national and EU orientations and global public policy objectives for biodiversity within the scope of our activities.

We incorporate aspects of biodiversity and ecosystem conservation into **decisions as early as the initial stages of projects**. When preparing individual projects, risks and impacts are addressed in spatial planning and permitting procedures, where alternative solutions are assessed and measures with environmentally acceptable impacts are selected. We define measures to reduce impacts during construction and operation; where necessary, we also determine compensatory measures and conditions that guide the implementation of the project so that impacts on biodiversity and ecosystems are prevented or minimised as far as possible.

In planning and implementing projects, we **observe the mitigation hierarchy**: we focus as a priority on avoiding impacts through design and siting, then on reducing them through the optimisation of technical and organisational solutions, followed by restoration or remediation where impacts cannot be fully prevented, and only exceptionally on compensation, where this is justified and required. In doing so, we take into account that certain natural values are irreplaceable, and therefore we **regard the precautionary principle as a key guiding principle**.

We also place great emphasis on taking stakeholders' views into account, as we are aware that the risks associated with spatial planning, the economics and the social acceptability of projects are key to the successful implementation of our investments and to the resilience of our business model. **We maintain a transparent dialogue on these aspects with local communities and other relevant stakeholders.**

[91] ESRS E4-1 (14).

Policies – Systemic management of environmental aspects[92]

Title	Description	Responsibility for implementation	Scope
Environmental policy of the HSE Group	The environmental policy of the HSE Group sets out the framework for the systematic management of environmental impacts, risks and opportunities and for the responsible use of natural resources across all companies of the Group, in accordance with legislation, permits, standards and the principle of continuous improvement. It places particular emphasis on preserving biodiversity and ecosystems: integrating biodiversity aspects into the planning and implementation of investments, implementing mitigation and compensatory measures to reduce impacts on habitats, cooperating with nature conservation organisations and local communities, and supporting projects for the protection of habitats and endangered species.	employees, expert services, management of HSE Group companies	HSE Group (I, P)
HSE Group Sustainable Development Strategy	The HSE Group's strategy in the field of biodiversity is geared towards preventing and reducing impacts on ecosystems and towards their restoration. It is based on the mitigation hierarchy (prevention, reduction, restoration, compensation), the integration of nature conservation aspects into project planning, and the implementation of measures such as conserving habitats, improving the ecological connectivity of watercourses and the regular monitoring of biodiversity status.	employees, expert services, management of HSE Group companies	HSE Group (I, P)

continues on the next page

[92] ESRS E4-2 (20; 21; 22; 23 a (AR4); 23 b, 23 c; 23 f; 24 a); ESRS 2 MDR-P (65 a; 65 b; 65 c; 65 d; 65 e; 65 f).

Title	Description	Responsibility for implementation	Scope
ISO 14001 – Environmental management system	ISO 14001 is an internationally recognised standard for an environmental management system that sets out requirements for an organisation to identify and manage environmental aspects, fulfil legal obligations, set objectives, implement measures, monitor effectiveness (monitoring, indicators), manage non-conformities, and ensure continuous improvement and regular audits.	employees, expert services, management of HSE Group companies	HSE, DEM, SENG, RGP (I, P)
Environmental management in the HSE Group	The HSE Group's environmental management is based on the systematic identification, assessment and management of environmental aspects and their impacts. It is intended to ensure compliance with legislation, reduce environmental impacts and continuously improve environmental performance through the implementation of measures, monitoring and reporting.	employees, expert services, management of HSE Group companies	HSE Group (I)
Concession agreement for the commercial use of the Soča, Idrijca and Bača rivers for electricity generation	The concession agreement sets out the obligations to protect biodiversity and native habitats and to carry out monitoring of the ecological status, to maintain riparian land, to remove sediments (deposits) and to handle them appropriately in order to ensure flood safety, good ecological potential and other functions of the hydropower plant reservoirs.	employees, expert services, management of HSE Group companies	SENG (I)
Concession agreement for the commercial use of water from the Drava river for electricity generation	The concession agreement sets out the obligations to protect biodiversity and native habitats and to carry out monitoring of the ecological status, to maintain riparian land, to remove sediments (deposits) and to handle them appropriately in order to ensure flood safety, good ecological potential and other functions of the hydropower plant reservoirs.	employees, expert services, management of HSE Group companies	DEM (I)

* I – Internal publication; P – Public publication.

We manage significant impacts, risks, dependencies and opportunities related to biodiversity and ecosystems within the framework of the overarching **Environmental policy of the HSE Group**, which we revised in 2025. This sets out a common framework for managing environmental impacts and for the responsible use of natural resources in the parent company HSE and in all subsidiaries of the Group. The policy provides the basis for planning, implementing, monitoring and reporting on environmental and climate activities in accordance with the applicable European and national regulatory framework, environmental permits and concessions, international standards and good practices. In accordance with the **ISO 14001 standard** (**and ISO 9001**), which ensures the systematic identification of environmental aspects, the definition of measures, operational management, the monitoring of indicators, audits and continuous improvement, a **unified environmental management system** has been established at the level of the HSE Group.

In carrying out our activities, we act in accordance with EU and Slovenian legislation and with the conditions set out in administrative permits, concession agreements and project/technical documentation. **We act preventively** and strive to reduce environmental impacts at source. We incorporate environmental and climate aspects into strategic, investment and operational planning and decision-making.

Aspects of biodiversity conservation and functioning ecosystems are addressed as part of the responsible management of natural resources and the management of environmental impacts. We particularly highlight: (i) integrating biodiversity aspects into the planning and implementation of investments; (ii) implementing mitigation and compensatory measures to reduce impacts on habitats and species; (iii) cooperating with local communities and with nature conservation and expert organisations; and (iv) supporting projects to conserve habitats and protect endangered species. Operationally, the requirements are translated into the implementation of measures defined in environmental impact assessment procedures, nature conservation consents and other binding administrative acts, particularly in areas with nature conservation status (e.g. Natura 2000 and protected areas) or in their vicinity.

The environmental policy is primarily applied to our own activities and to the management of impacts at the Group's sites. The **competent environmental expert services of the individual companies and of the Group, or the management of the individual companies, are responsible** for carrying out systemic activities in the field of environmental protection and thus the policies. We provide organisational, human and financial resources, training for employees and oversight of the implementation of measures. We regularly monitor implementation through audits, monitoring activities, measurements and the tracking of environmental indicators; deviations are addressed through corrective measures and continuous improvements. We update the policy as necessary, and we ensure transparent reporting within the framework of legal requirements and sustainability reporting.

We communicate and cooperate transparently and regularly with stakeholders, particularly with local communities in the areas of intervention, and we encourage the involvement of the interested public in the procedures prescribed by legislation (e.g. EIA procedures). Social consequences related to impacts on ecosystems (e.g.

impacts on land use, recreation, local ecosystem services) are addressed within the framework of spatial planning procedures, the acquisition of permits and cooperation with stakeholders.

Impacts, risks and opportunities[93]

A description of the process for identifying material impacts, risks and opportunities, including the conduct of consultations with stakeholders, is set out in Chapter *2.9.5 Double materiality analysis*. As part of the analysis, we identified and assessed potential and actual impacts and risks at our own sites, namely during regular operation, construction or maintenance, and emergency operation (extraordinary events). The materiality assessment covered an assessment of the contribution to the direct drivers of impact on biodiversity loss, the impact on the state of species, the impact on the extent and condition of ecosystems through land degradation, desertification and soil sealing, and impacts on and dependencies on ecosystem services. In the preliminary analysis, we did not identify any significant risks related to transition and physical factors or systemic risks. In our assessment we took the LEAP approach (*Locate, Evaluate, Assess, Prepare*), on the basis of which we prepared a list of locations of direct assets and activities that interact at sites within sensitive biodiversity areas, granted water rights and legislative requirements. On the basis of the assessments carried out in relation to the **existing activities** of the HSE Group, and taking into account the available environmental and spatial analyses, we did not find that these activities cause significant negative impacts on affected communities in connection with biodiversity, ecosystems or related ecosystem services. In the case of **new projects and the construction of facilities**, potential impacts on biodiversity, ecosystems and affected communities are addressed as early as the planning stage. The public and local communities are involved in these procedures in various ways, in accordance with legislation and good practices, including through environmental impact assessment (EIA) procedures, public displays and hearings, project presentations and direct dialogue with local stakeholders, as explained in more detail in Chapter *2.9.9 Cooperation with communities (ESRS S3)*.

An analysis of potential impacts, risks and opportunities in the upstream and downstream parts of the value chains was carried out to a limited extent, as explained in more detail in point *2.9.5 Double materiality analysis,* and we will further develop it in the future in accordance with the adopted action plan.

[93] ESRS 2 E4.IRO-1 (17 a; 17 b; 17 c; 17 d;17 e i-iii; AR 4 a; AR 4 b; AR 4 c; AR 4d; AR 7).

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Biodiversity restoration projects and innovations			
We are committed to preserving and improving biodiversity, which is reflected in concrete habitat restoration projects and innovative approaches to offsetting impacts on ecosystems. Positive actual impacts arise from our efforts to protect and restore supporting ecosystems and target species. We implement measures both within the framework of mandatory compensatory measures and within the framework of voluntary nature conservation initiatives. Within these projects, environmental monitoring is carried out systematically – before the start of interventions to establish the baseline status, and subsequently to monitor the effects of the measures implemented. Such an approach enables the timely identification of any deviations and the appropriate adjustment of management practices, while at the same time ensuring a long-term contribution to preserving the stability of ecosystems and increasing biodiversity in affected areas.	Positive actual impact	Own activity	S, M, L
Protection of ecological connectivity and ecosystems			
Within hydropower generation, changes in water flow affect the connectivity of habitats and the movement of aquatic organisms. In the HSE Group, we manage these impacts through measures such as fish passes, ecologically acceptable flows and environmental monitoring, thereby preserving biodiversity and the natural balance of water ecosystems. During the implementation of works, different species may experience disturbance due to noise, vibration, light pollution and the presence of machinery, which can affect animal behaviour, reproduction, migration or feeding, particularly during sensitive life stages. During works in and alongside watercourses, temporary changes in hydromorphological conditions are also possible (e.g. turbidity, sediment displacement), which can affect aquatic habitats and related ecosystem	Negative actual impact	Own activity	S, M, L

services. The impacts are generally limited in time to the period in which the works are carried out and limited in space to the area of the construction site or maintenance intervention.

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

Actions and resources related to biodiversity and ecosystems[94]

Comprehensive environmental management system

We implement a **comprehensive approach to managing the impacts of hydropower facilities on aquatic and riparian** ecosystems. We pay particular attention to **preserving biodiversity** and **the ecological connectivity of habitats**. We are aware that water ecosystems are sensitive to changes in the water regime and to interventions in the natural dynamics of rivers, and we therefore actively strive to reduce their negative impacts. Within the operation and development of hydropower facilities, we implement measures to improve the passability of watercourses and to enable the natural migration of fish and other aquatic organisms, which makes a significant contribution to preserving the functionality of water ecosystems and the natural balance. Our efforts are based on technical foundations, legislative requirements and the results of environmental monitoring, which enable the planning of targeted and effective measures. We do not use or purchase biodiversity offsets (e.g. offset credits or biodiversity certificates).

We contribute to improving biodiversity through the following **key measures**:

- We establish **longitudinal connectivity of watercourses by constructing passages for aquatic organisms** on the Drava river, thereby enabling the free migration of fish and other aquatic species.
- We are preparing **implementation plans for further improvements**, which include the remediation and refurbishment of existing passages at selected sites.
- In areas where, due to technical constraints, passages are not yet feasible, we implement **compensatory measures, such as stocking certain fish species in cooperation with angling associations and in accordance with the fish-breeding plan**. In 2025, the company DEM, together with local anglers[95],

[94] ESRS E4-3 (25; 26; 27; 28 a; 28 b; 28 c); ESRS 2 MDR-A (68 a; 68 b; 68 c; 69 b).

[95] ESRS E4-3 (28 c).

launched a project to restore the brown trout population in order to establish the stability of the population. In preserving the marble trout population, the company SENG has been cooperating with angling associations in the Soča basin for many years.

- We regularly monitor the status of surface waters, and remove floating debris and non-native species.
- **We adjust maintenance works to the fish spawning season** in order to prevent negative impacts on fish life and ensure the best possible conditions for their reproduction.
- To improve the quality of spawning grounds and nesting sites, we clean gravel bars in the Drava riverbed.
- Using sediment from the bottom of reservoirs, and following the instructions of the competent organisations, we build islands for bird nesting and carry out the ecological remediation of asphalted parts of the banks[96].
- By removing sediment from the bottom, we ensure depths for fish spawning and refuge, and create favourable conditions for the development of certain macrophyte species.

Ecologically acceptable flow (Qes) and habitat protection

In the operation of hydropower facilities, we regularly monitor and ensure the statutory ecologically acceptable flow (Qes), which enables a balance between the generation of renewable energy and the protection of water ecosystems.

Sustainable sediment management

Large quantities of sediment in the bed of the Drava river and its reservoir lakes can have numerous negative consequences, as accumulated sediment reduces energy potential and also increases the flood risk. The company DEM deposits sediment removed from the reservoirs on the surfaces of embankments, where it gradually becomes overgrown and creates new riparian structures that are important for fish and birds. It also creates nesting islands from the sediment in the reservoirs. A Sustainable Sediment Management Strategy has also been adopted, which includes an action plan for the implementation of measures.

Siting of new RES facilities

In the planning and operation of new hydropower facilities, we follow the **principle of multifunctional land use, thereby combining energy, environmental and social benefits**. New renewable energy source (RES) projects are sited as a priority on degraded areas, such as former landfills (e.g. SPP Prapretno and SPP

[96] ESRS E4-3 (28 c).

Dekani), the banks of canal riverbeds (SPP Zlatoličje), the shores of reservoir lakes (SPP Kanalski Vrh) and an anthropogenic lake (the Družmirje floating solar power plant). In this way we reduce impacts on natural habitats and preserve biodiversity. In the case of siting facilities and installations that require more extensive interventions in the area, during the preparation of documentation we follow the legislation and carry out environmental impact assessment procedures, thereby ensuring a comprehensive assessment of potential impacts on the environment, including biodiversity, and the determination of conditions and measures to reduce them. Stakeholders are also involved in the assessment procedures. If it is found that a planned intervention could have a significant negative impact on nature (particularly on protected areas or endangered species), appropriate mitigation or compensatory measures are determined in accordance with the Nature Conservation Act. In 2025 there was no need to implement compensatory measures.

Pilot projects for renaturation and biodiversity conservation

We carry out numerous pilot projects to restore the natural state[97] (renaturation) of individual areas and to conserve biodiversity, through which we strive to reduce the impacts of energy facilities on the natural environment and to contribute to improving the status of habitats and species. One of the more important projects is the establishment of artificial islands for bird nesting on Lake Ptuj, which is being carried out in cooperation with DOPPS (the BirdLife Slovenia association) and the Institute of the Republic of Slovenia for Nature Conservation (ZRSVN). The measure makes a significant contribution to preserving species such as the common tern, the common gull and the black-headed gull, with the monitoring results confirming the effectiveness of the measures. In the same area, we also carry out the ecological remediation of the banks of Lake Ptuj with the aim of improving living conditions for migratory birds, including endangered and rare species. By displacing and removing sediment from certain areas of the bottom of Lake Ptuj, we improve the ecological potential of the water body and ensure depths for the spawning of certain fish species and the growth of individual macrophytes.

Further examples of good practice are provided by the multifunctional use of hydropower facilities: the intake channel of the Tolmin small hydropower plant combined with fish farming, the Zadlaščica small hydropower plant, which simultaneously provides a water supply for drinking water, the Klavžarica small hydropower plant in connection with the establishment of a habitat at the Kanomlja klavže (timber-floating dams), and the establishment of a replacement habitat in the area of the Avče pumped-storage hydropower plant. These examples confirm the successful integration of energy generation and nature conservation objectives in a shared area.

In 2025, the companies DEM and SENG allocated EUR 2,502,849.49 to the protection and improvement of soil, groundwater and surface waters and to the protection of biodiversity and the landscape.

[97] ESRS E4-3 (28 c).

Targets[98]

We approach the management of impacts on biodiversity and ecosystems systematically and taking into account the local characteristics of the natural environment and the specific impacts of individual facilities. We therefore generally set targets in this field at the level of the companies and sites where impacts arise, and we implement them through the environmental management system (ISO 14001) and the obligations arising from valid permits, technical foundations and monitoring. We place our targets in the context of global and European orientations, particularly the Kunming-Montreal Global Biodiversity Framework and the EU Biodiversity Strategy for 2030, focusing on the protection and restoration of ecosystems, the sustainable use of natural resources and the integration of biodiversity into the planning, construction and management of energy facilities. For water ecosystems, we also align our targets in substance with the objectives of the **Water Framework Directive** and the national **Water Management Plan**. In doing so, the setting of targets is also informed by the views of stakeholders of which we are aware. A key set of targets is geared towards preserving or improving the ecological potential of water bodies in the areas where our hydropower plants operate. In this regard, we give priority to measures that reduce the impacts of hydropower dams on the longitudinal connectivity of watercourses and the associated negative effects on the migration of fish and other aquatic organisms. We achieve these targets through measures to improve passability (e.g. the construction of passages for aquatic organisms), through the regular stocking of fish life on sections where passability is not yet ensured or where, due to natural and spatial constraints, passages cannot be built (e.g. on the Soča river), and through the implementation of requirements related to the ecologically acceptable flow (Qes) and sediment management, where relevant to preserving habitat conditions.

Our targets are currently not directly linked to uniformly defined ecological thresholds at Group level, as the relevant limit values and target parameters are highly site-dependent and are defined within the framework of the management of individual water bodies and the requirements set out in permits. As an operational reference we therefore use the concept of ecological potential (defined within the framework of the Water Management Plan) and the associated obligations, measures and monitoring. In setting the targets described, we do not use *biodiversity offsets*; where compensatory measures are necessary, they are defined on a project basis, in accordance with the requirements of permits and the mitigation hierarchy.

Within the framework of the **Sustainable Development Strategy of the HSE Group**, which was adopted in 2025, we have set measurable targets and performance indicators with which we will monitor the success of our efforts in the field of protecting biodiversity and ecosystems. The strategy is upgraded and updated annually.

[98] ESRS E4-4 (29; 30; 31; 32 a; 32 b; 32 c; 32 d; 32 e); ESRS 2 MDR-T (78; 79 a; 79 b; 79 c; 80 a; 80 b; 80 c; 80 d; 80 e; 80 f; 80 g; 80 h; 80 j).

From 2026 onwards, we also plan to deliver annual training on environmental topics for all employees, with the aim of strengthening the awareness, knowledge and responsibilities of HSE Group employees.

	Indicator			Short-term targets	Medium-term targets	Long-term targets
Targets	**(KPI)**	**2024**	**2025**	**2026**	**2028**	**2030/2035**
Keeping the ISO 14001 certificate for the environmental management system	Achieved/ Not achieved	Achieved	Achieved	Maintenance and continuous upgrading of the processes and effectiveness of the management system in accordance with the ISO 14001 standard	Maintenance and continuous upgrading of the processes and effectiveness of the management system in accordance with the ISO 14001 standard	Maintenance and continuous upgrading of the processes and effectiveness of the management system in accordance with the ISO 14001 standard
Improvement of ecological connectivity in the catchment areas of the HSE Group's hydropower plants	Cumulative no. of fish passages	1/6	1/6	2/6	2/6	6/6

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	Indicator			Short-term targets	Medium-term targets	Long-term targets
Maintaining a favourable state of fish populations through regular stocking of fish in places where fish passages are not feasible	Achieved/ Not achieved	Achieved	Achieved	Maintaining a favourable state of fish populations in accordance with the applicable expert bases and the opinions of competent institutions and angling organisations	Maintaining a favourable state of fish populations in accordance with the applicable expert bases and the opinions of competent institutions and angling organisations	Maintaining a favourable state of fish populations in accordance with the applicable expert bases and the opinions of competent institutions and angling organisations
Maintaining the functionality of the arranged nesting sites on the artificial islands on Lake Ptuj	Yes/No	Yes	Yes	Maintaining functional habitats and the presence of target species	Maintaining functional habitats and the presence of target species	Maintaining functional habitats and the presence of target species

Activities in areas with a protection regime[99]

Individual electricity production facilities of the HSE Group are located in areas with a protection regime. Most of the hydropower facilities on the list below, with the exception of the Doblar 2 and Plave 2 HPPs, were built and in operation before the establishment of the areas with a protection regime in which they are now located. The analyses did not establish that specific mitigation measures concerning biodiversity, as set out in the Birds Directive (2009/147/EC), the Habitats Directive (92/43/EEC) or the Environmental Impact Assessment Directive (2011/92/EU), would need to be implemented. We coordinate any interventions within these areas with the spatial planning authorities, with the aim of ensuring that the interventions do not worsen natural habitats and that temporary disturbances to

[99] ESRS E4 SBM-3 (16 a ii – iii; 16 b; 16 c); ESRS E4 IRO-1 (19 a; 19 b; AR7 a; AR7 d; AR7 e); ESRS E4-5 (35).

species are reduced. Our activities do not endanger threatened or protected species, nor have we identified significant negative impacts in connection with desertification, soil degradation and soil sealing.

Locations of activities (17) in biodiversity-sensitive areas as at 31/12/ 2025.

Watercourse	Electricity production facility	Area of the operational site overlapping with the protection regime (ha)	Areas with a protection regime*
Drava	HPP Dravograd	153	SI3000172 Upper Drava with tributaries (SAC)
	HPP Vuzenica	180	ID: 4430 Upper Drava (EIA)
	HPP Vuhred	253	
	HPP Ožbalt	158	
	HPP Fala	103	
Drava	HPP Mariborski Otok	239	SI5000011 Drava (SPA)
			ID: 4430 Upper Drava (EIA)

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Watercourse	Electricity production facility	Area of the operational site overlapping with the protection regime (ha)	Areas with a protection regime*
Drava	HPP Zlatoličje	90	SI5000011 Drava (SPA)
	SPP Zlatoličje (on the embankment)	0.49	SI3000220 Drava (SAC)
			ID: 41500 Drava – lower (EIA)
			ID: 42500 Dravsko Polje (EIA)
Drava	HPP Formin	346	SI5000011 Drava (SPA)
	SHPP Rogoznica		SI3000220 Drava (SAC)
	SHPP Markovci		ID: 41500 Drava – lower (EIA)
Mura	SHPP Ceršak	5.3	ID: 42100 Mura – Radmožanci (EIA)
Soča	HPP Doblar 1 and 2 (Podselo dam)	81.54	ID: 5540 Soča (EIA)
	SHPP Podselo		
Soča	HPP Plave 1 and 2 (Ajba dam)	29.3	ID: 55400 Soča (EIA)
	SHPP Ajba 1		
	HPP Solkan	74.6	
	Total (ha)	**1,713.23**	

* SAC – Natura 2000 Special Areas of Conservation; SPA – Natura 2000 Special Protection Areas; EIA – Ecologically Important Area.

Calculation methods[100]*. The matrix contains the operational sites of facilities which, on the basis of the double materiality assessment, we have established to be located in areas with a protection regime and potentially capable of affecting biodiversity. The key assumptions used in the data presented are as follows: We considered only electricity production facilities (HPPs and SPPs) from our inventory that spatially overlap with recorded protection regimes. We defined the operational site of an HPP by the surface area of the reservoir, as it is directly related to operation and represents the main surface element of the facility. The surface area of the reservoir does, however, depend on the operating regime and water*

[100] ESRS 2 MDR-M (77 a, 77 b, 77 c).

level. The calculation uses the available reservoir geometry. We defined the operational site of an SPP as the area required to install the technology. Additional areas (e.g. internal traffic arrangements, turning areas, any separate transformer stations) were not taken into account. Protection regimes are addressed on the basis of publicly available spatial layers of the Institute of the Republic of Slovenia for Nature Conservation (Natura 2000 and EIA programmes). The presence of a facility within a protection regime is determined on the basis of the spatial intersection between the facility's operational site and the protection regime area. Each protection regime with which the facility's operational site has a non-zero overlap is relevant. The calculations have not been verified by an external or independent body.

2.9.8 Employees (ESRS S1)[101]

Our employees are the foundation of the operation and development of the HSE Group. Their dedication, knowledge and experience are key to achieving strategic objectives, successfully implementing the green transition and ensuring a reliable and sustainable energy supply. In the HSE Group, we focus on caring for their safety and health, ensuring their professional development, advancement and the promotion of a positive working environment.

To address the key impacts, risks and opportunities related to employees and the working environment, as defined in the chapter *2.9.8 Employees – impacts, risks and opportunities*, appropriate systems, policies and internal acts relating to HSE Group employees have been established. Where necessary (e.g. depending on the nature of the work, for part-time employees, vulnerable groups of employees, etc.), the systems, policies and activities are adapted to specific groups of employees. The disclosures on employees that follow also relate to all employees in HSE Group companies in Slovenia and abroad (2 employees in HSE BE). The HSE Group has no self-employed individuals in its own workforce or agency workers. More detailed information on the structure of employees can be found in the chapter *2.9.8 Employees – Characteristics of employees*.

Employees' views are regularly reviewed through direct or indirect engagement with employees and are taken into account in shaping the strategies and business models of individual companies. Details on this are available in the chapters *2.9.4 Strategy, business model and value chain – HSE Group Long-term Business Strategy, HSE Group Business Model and Interests and views of stakeholders* and in the chapter *2.9.8 Employees – Procedures for engaging with employees and their representatives.*

[101] ESRS 2 S1.SBM-2 (12; AR 4; AR 5); ESRS 2 S1.SBM-3 (13 a; 13 b; 14 a; 14 c, 14 d; 15; 16).

Impacts, risks and opportunities[102]

The table below describes our material impacts, risks and opportunities related to employees. A description of the procedure for identifying material impacts, risks and opportunities can be found in the chapter *2.9.5 Double materiality analysis.*

Material sustainability impacts, risks and opportunities of the HSE Group in the area of employees	Impact, risk or opportunity	IRO in the value chain	Period
Employment security and social security			
In 2025, we provided employment for more than 1,000 employees, almost entirely on a permanent and full-time basis. Part-time employment is adapted, for example, to individuals with disabilities or to the need to balance private and professional life. Employees are included in mandatory and voluntary social protection schemes.	Positive actual impact	Own activity	S, M, L
Ensuring and caring for appropriate working time and rest			
Working time is regulated in all companies in accordance with Slovenian legislation, collective agreements and internal acts.	Positive actual impact	Own activity	S, M, L
Among employees who perform shift work, night work or other forms of work with unevenly distributed working time, we recognise potential negative impacts, which are appropriately managed by ensuring adequate breaks and rest in accordance with legislation, collective agreements and internal acts.	Potential negative impact	Own activity	S, M, L

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[102] ESRS 2 S1.SBM-2 (14 d).

Material sustainability impacts, risks and opportunities of the HSE Group in the area of employees	Impact, risk or opportunity	IRO in the value chain	Period
Decent pay for work			
All HSE Group employees receive decent pay for the work performed in accordance with applicable legislation, collective agreements and internal arrangements. Pay determination policies are based on the principles of fairness, transparency and respect for social dialogue. The level of pay is determined on the basis of job classification schemes, the responsibilities that come with different positions, and sectoral and company collective agreements.	Positive actual impact	Own activity	S, M, L
Social dialogue and freedom of association			
Through works councils, trade union representation and other forms of engagement with employees, we ensure a high level of freedom of association and the rights of employees to be informed, consulted and to participate in management.	Positive actual impact	Own activity	S, M, L
Developed and active system of collective bargaining and collective worker participation			
We ensure a high level of respect for the right to freedom of association, collective bargaining and worker participation in management. Employees' rights to be informed, consulted and to participate are exercised through works councils, trade union representatives and other forms of worker representation. Regular social dialogue enables the interests of employees to be incorporated into decision-making processes, contributes to transparency of management and strengthens trust between management and employees. Collective agreements and participatory arrangements further support fair and inclusive working conditions.	Positive actual impact	Own activity	S, M, L

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Material sustainability impacts, risks and opportunities of the HSE Group in the area of employees	Impact, risk or opportunity	IRO in the value chain	Period
Work-life balance			
Through various measures such as flexible working conditions and adjustments to working time, we ensure a high level of work-life balance in all HSE Group companies. Individual companies have also obtained various certificates confirming their commitment to social responsibility and care for the well-being of employees.	Positive actual impact	Own activity	S, M, L
Professional development and strengthening of employee competences			
We are aware of the importance of continuous professional development of employees as a key factor in the success, adaptability and innovativeness of our organisation. We enable employees to take part in various forms of training, internal education and external professional development, thereby strengthening professional competences and contributing to personal and professional development.	Positive actual impact	Own activity	S, M, L
Occupational health and safety system			
Ensuring a safe and healthy working environment is our fundamental responsibility and a key factor for the health, safety and long-term success and satisfaction of employees. The HSE Group's policy on occupational health and safety and fire safety is embedded in all key processes within the Group. All employees in the Republic of Slovenia (100%) are included in the occupational health and safety system in accordance with the Occupational Health and Safety Act (ZVZD-1). Most companies in the Group have established an occupational health and safety management system in accordance with the international standard ISO 45001 as well.	Positive actual impact	Own activity	S, M, L

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Material sustainability impacts, risks and opportunities of the HSE Group in the area of employees	Impact, risk or opportunity	IRO in the value chain	Period
Impacts on the health and safety of employees in higher-risk activities			
In certain activities of the HSE Group, particularly in construction and other operationally demanding environments, we recognise potential negative impacts on employee health and safety due to the nature of the work and specific stresses. These impacts are associated with physical risks, work in hazardous conditions and exposure to environmental factors, which requires the continuous implementation of various measures to prevent extraordinary events (accidents at work and injuries to workers) or near misses and to ensure a safe working environment.	Potential negative impact	Own activity	S, M, L
Ensuring a safe and respectful working environment			
We ensure a safe and respectful working environment. Appropriate procedures have been established for the prevention and handling of cases of discrimination, harassment or bullying in the workplace.	Positive actual impact	Own activity	S, M, L
Promoting diversity and inclusion in the workplace			
We strive for an inclusive working environment with equal opportunities and social inclusion for all employees, regardless of race, gender, religious belief, etc., including various forms of disability. We are committed to ensuring the equal inclusion of persons with disabilities in the working environment. Our commitments in this area stem from the HSE Group's Code of Ethics, legislation, collective agreements and internal acts.	Positive actual impact	Own activity	S, M, L

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Material sustainability impacts, risks and opportunities of the HSE Group in the area of employees	Impact, risk or opportunity	IRO in the value chain	Period
Ensuring an appropriate staffing structure and number of employees			
The HSE Group recognises risks associated with ensuring an appropriate staffing structure and a sufficient number of employees. Key risks include attracting suitably qualified staff, retaining key employees and addressing factors that affect employee satisfaction and engagement. Such risks can significantly affect operational efficiency, the implementation of strategic objectives and the long-term resilience and adaptability of the organisation in a changing environment. We manage these risks through numerous measures.	Actual risk	Own activity	S, M, L

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

Policies[103]

The area of employment relationships for all employees in the HSE Group is governed by a set of policies stemming from the **HSE Group Code of Ethics**, the applicable legislation of the Republic of Slovenia, collective and company agreements and the SSH Recommendations and Guidelines. Implementation of the policies is the responsibility of employees, the relevant departments and the management bodies of the individual companies in the HSE Group. Although not all policies are adopted at the HSE Group level, most companies have established systems or internal acts that are comparable in content (e.g. rules on employment relationships and on working time). The list below includes the key policies related to employees, while individual additional policies and internal acts are defined in the individual thematic sections of Chapter *2.9.8. Employees*.[104]

[103] ESRS S1-1 (17; 19; 23; 24 a); ESRS 2 MDR-P (65 a, 65 b, 65 c).

[104] ESRS S1-1 (19).

Title	Description	Responsibility for implementation	Scope of application
Rules on employment relationships	The rules govern the rights, obligations and responsibilities of employees and the employer in relation to the establishment, duration and termination of the employment relationship. They set out the fundamental rules regarding the organisation of work, working time, absences, disciplinary responsibility and the protection of employees' rights, with the aim of ensuring a lawful, transparent and orderly working environment.	employees, expert services, management of HSE Group companies	HSE Group (I)
Rules on working time	The rules on working time govern the organisation of working time, the method of recording working time, the recording of presence and absence from work, and breaks. They also define the right to disconnect. They define the working time system, which comprises fixed and flexible working time, shift work and work in unevenly distributed working time, as well as breaks and rest periods during work.	employees, expert services, management of HSE Group companies	HSE Group (I)
Rules on salaries and other earnings from employment relationships and on monitoring, assessing and rewarding work performance	The rules govern the criteria and procedures for monitoring, assessing and rewarding work performance. The purpose of the rules is to ensure a transparent, fair and motivating reward system aligned with the company's objectives and the contribution of employees.	employees, expert services, management of HSE Group companies	HSE Group (I)

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Title	Description	Responsibility for implementation	Scope of application
HSE Group occupational health and safety and fire safety policy	The policy sets out commitments and orientations for ensuring safe and healthy working conditions and an effective fire safety system. It is based on the principles of risk prevention, improvement, compliance with legislation and the active involvement of employees, with the aim of reducing accidents, injuries and occupational diseases and ensuring a safe working environment throughout the Group.	employees, expert services, management of HSE Group companies	HSE Group (I, P)
Diversity policy for the company's management and supervisory bodies	The policy promotes the achievement of diversity in the management and supervisory bodies. It is aimed at ensuring diversity in terms of gender, age, professional profile, experience and other personal circumstances, and at strengthening a culture of respect, cooperation, independence and personal integrity, with the option of ensuring continuity.	employees, expert services, management of HSE Group companies	HSE Group (I, P)
HSE Group Code of Ethics	The HSE Group Code of Ethics sets out the fundamental principles and standards of ethical conduct applicable to employees and management in the performance of their work. It defines the expected conduct in the areas of integrity, conflict-of-interest prevention, compliance with legislation, responsible attitude towards colleagues, business partners and the environment, and establishes a framework for reporting and handling violations. The purpose of the Code is to strengthen a culture of honesty, responsibility and trust in the HSE Group.	employees, expert services, management of HSE Group companies	HSE Group (I, P)

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Title	Description	Responsibility for implementation	Scope of application
Rules on the protection of workers against discrimination, harassment and bullying in the workplace (mobbing)	The rules set out preventive measures, reporting and handling procedures and responsibilities for ensuring a safe and respectful working environment. The purpose of the rules is to prevent all forms of inappropriate conduct, protect the dignity of employees and establish a culture of zero tolerance towards discrimination, harassment and mobbing.	employees, expert services, management of HSE Group companies	HSE Group (I)
HSE Group Sustainable Development Strategy	Our human resources policies and practices reflect our commitment to creating a safe, inclusive and supportive working environment based on respect for human rights, decent work, equal opportunities and care for the development of employees. Our efforts are aimed at strengthening the competences, satisfaction and loyalty of employees, as we believe that sustainable development, and thus the competitiveness of the HSE Group, stems from a professional, motivated and healthy workforce.	employees, expert services, management of HSE Group companies	HSE Group (I, P)

* I – Internal publication; P – Public publication.

Commitment to respecting human rights in employment relationships[105]

We are committed to respecting, protecting and realising human rights in employment relationships in accordance with international and European standards and Slovenian legislation. These commitments apply to all companies in the Group and all forms of employment, including regular employees, employees with special conditions (e.g. persons with disabilities) and other forms of employment relationship. Our commitment is set out in the **HSE Group Code of Ethics**, which is publicly available, and is implemented through the applicable **employment legislation, collective agreements, participation agreements** and **internal**

[105] ESRS S1-1 (20 a, 20 b, 20 c; 21; 22).

documents that systematically regulate individual aspects of human rights in the workplace. Our commitment to respecting, protecting and realising human rights in employment relationships is also reflected in the **HSE Group Sustainable Development Strategy**, which was adopted in 2025.

HSE has committed to respecting human rights in its business operations and to introducing the important principles of the **National Action Plan of the Republic of Slovenia on Business and Human Rights**, which HSE confirmed on 21 December 2020 by signing the **commitment to respecting human rights in business** (hereinafter the 'commitment'). The commitment is based on the Universal Declaration of Human Rights, adopted by the UN General Assembly in 1948, on other relevant international human rights instruments and on international documents in the area of protecting and promoting human rights in business activities (the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the Tripartite Declaration of the International Labour Organization concerning Multinational Enterprises and Social Policy, and the guidelines in the area of social responsibility). We respect the right to decent work, occupational safety, equal pay for equal work, the freedom of association and collective bargaining, and the prohibition of discrimination on any grounds. Within this framework, sectoral and company collective agreements and internal acts are in force, which also include provisions for protection against harassment, discrimination and retaliatory measures. Through compliance with the relevant employment legislation, we respect and implement the relevant conventions of the International Labour Organization (ILO), including Convention Nos. 87, 98, 100, 111 and 155. We have established mechanisms for monitoring and managing risks related to human rights in the working environment, and we provide employees with access to internal grievance channels. Human rights violations, including bullying or discrimination, are handled in accordance with internal rules that apply in all companies of the Group. In accordance with Slovenian employment legislation, there is zero tolerance for child labour, forced labour and human trafficking. We do not identify any such cases or risks in our own business operations.[106]

In 2025, the HSE Group did not receive any reports of irregularities regarding alleged violations of employment relationships in the area of human rights or harassment in the workplace.[107] During this period, three individual cases of labour disputes were addressed, which related to rights arising from the employment relationship and were handled in accordance with legislation and internal procedures. None of the cases indicated systemic violations or impacts that would constitute a serious risk to the human rights of employees. In all three cases, the judicial proceedings had not yet been concluded by the end of 2025. Any corrective measures are implemented in accordance with the procedures described in Chapter *2.9.8 Employees – Mechanisms for reporting violations and implementing*

[106] ESRS S1-1 (22).

[107] ESRS S1-17 (100).

corrective measures. Any violations may also be reported through other channels, e.g. to a superior, the human resources department or via whistleblower handling mechanisms, as defined in Chapter *2.9.11 Business conduct*.[108]

Equal treatment and opportunities for all[109]

We strive to create an inclusive working environment in which **respect for diversity**, **equal opportunities** and **non-discrimination** are the fundamental principles of operation. In all areas of operation, the principle of equal treatment applies, regardless of nationality, race, gender, language, religion, political or other belief, social status, disability or any other personal circumstance. We consistently respect and protect internationally recognised human rights and fundamental freedoms that are in line with the aims and principles of the UN Universal Declaration of Human Rights, as well as the fundamental rights defined in the International Labour Organization Declaration on Fundamental Principles and Rights at Work. Our commitment to these values also stems from the **HSE Group Code of Ethics**, which goes beyond legislative requirements and promotes diversity, inclusion and respect for cultural differences in all environments in which we operate, and is reflected in the internal organisation system.

To realise the principles of equal treatment and respect for diversity, **appropriate procedures have been established for the prevention and handling of cases of discrimination, harassment or bullying in the workplace**. In all companies, in addition to the **HSE Group Code of Ethics**, **internal rules** have been adopted that clearly define the prohibition of any form of discrimination, sexual and other harassment, and retaliatory measures. Procedures are established for reporting, investigating and sanctioning inappropriate conduct, in which professionalism, confidentiality and protection of the reporting person are ensured. Employees may also report violations through other channels, e.g. to a superior, the human resources department or via whistleblower handling mechanisms, as defined in Chapter *2.9.11 Business conduct*. Through the established internal mechanisms, we ensure that every case of unequal treatment is handled **promptly, professionally and in accordance with legislation**.

Procedures for cooperation with employees and their representatives[110]

We are aware of the importance of **social dialogue** and **the active, direct and indirect involvement of employees and their representatives in managing working conditions and business decisions** that may affect them. Through formal and informal channels, we maintain and strengthen an open, two-way and

[108] ESRS S1-1 (20 c); ESRS S1-3 (30; 32 a; 32 b; 32 c; 32 d).

[109] ESRS S1-1 (24 a; 24 b; 24 c; 24 d); MDR-P (65 a, 65 b, 65 c).

[110] ESRS S1-2 (25; 27 a; 27 b; 27 c; 27 e; AR 24 a; AR 24 b; AR 24 c; AR 24 e).

inclusive dialogue. Key institutionalised forms of cooperation include **works councils** and **trade union representation**, whose effectiveness is reflected, among other things, in **numerous sectoral and company collective agreements** that regulate employees' rights at the national level, and **participation agreements at the level of individual companies**. In the HSE Group companies (except in foreign companies, which employ a total of two people), works councils are active, and at the Group level there is also the **Joint Works Council of the HSE Group,** within which the coordination of positions and the handling of topics important for employees throughout the Group is ensured. All these forms of cooperation play an important role in shaping the organisation of work and the obligations of employees, as they provide an opinion on changes to rights arising from work. The management bodies regularly attend works council meetings and are regularly informed of their positions, while also being responsible for implementing cooperation and incorporating positions and the results of cooperation into business and strategic decisions. Consultations with workers' representatives are appropriately documented and recorded in the minutes of cooperation and consultation. Employees exercise their rights of **worker co-management** in accordance with the **Worker Participation in Management Act**. Regular information, consultation and cooperation with employees takes place systematically and at certain time intervals, primarily upon the adoption of internal acts relating to the rights and obligations of workers, planned organisational changes and other important decisions.

Within the framework of information and joint consultations, topics related to impacts on employees, changes in working conditions, organisational changes and other important issues relating to employees are addressed. Management staff and the relevant professional departments in the individual companies, as well as the management bodies of the companies, are responsible for implementing these procedures. The results of formal and informal forms of cooperation are taken into account in strategic planning, where topics such as health and safety, working conditions, development of competences and human resources planning are incorporated into objectives and priorities; in the development of business models, where the expressed needs of employees for knowledge and training influence development plans and ensure business resilience; in the revision of internal policies, e.g. adjustments for remote work, additional measures for safety and well-being, and improvements to working conditions; and in change management, where employees are involved in planning reorganisations and introducing new technologies. Such cooperation makes an important contribution to sustainable development and the adaptation of business orientations.

The result of cooperation with employees and their representatives is also a high level of coverage by collective agreements, which at the HSE Group level in 2025 represented 99.1% of all employees, meaning that almost all HSE Group employees are covered by them, with the exception of members of the management bodies and two employees abroad. Workers' representatives (works councils) represented 97% of employees in 2025. This means practically all the employees, except for management bodies and senior staff who have authority to represent the employer, as well as two employees abroad, where there is no works council.

This high level of involvement demonstrates an effective and trustworthy cooperation system.[111]

	2025	2024*	2024**
Level of coverage of employees by collective agreements	99.1%	99.0%	99.5%
Percentage of employees represented by workers' representatives	97.0%	97.0%	98.6%

* HSE Group as composed in 2025.

** HSE Group as composed in 2024, together with TEŠ and the companies of the Premogovnik Velenje Group.

Cooperation also takes place through other direct forms, such as **regular satisfaction surveys, the collection of initiatives for improving the working environment and open discussions with management**. All these procedures are incorporated into the business models of the companies and the Group and contribute to the ongoing identification and handling of impacts on employees.

As a tool for identifying employee satisfaction and potential risks, as well as the effectiveness of forms of cooperation, in addition to the institutionalised forms we use **a survey measuring organisational climate,** which is conducted every two years. Each company is required to address the reports based on the survey and to adopt appropriate measures to improve the lower-rated categories.

In 2025, we also undertook the **measurement of organisational culture**, where, by means of **questionnaires** and **cooperation with focus groups** of employees, we measured the kind of culture we have in the HSE Group companies and adopted measures aimed at strengthening those aspects that will help us achieve the HSE Group strategy. Activities to strengthen organisational culture at the HSE Group level are described in more detail in Chapter *2.9.8 Employees – Continuous development of knowledge and skills*.

[111] ESRS S1-8 (58; 60 a; 63 a; AR 66; AR 69; AR 70).

Mechanisms for reporting violations and implementing corrective measures[112]

Within the framework of all the aforementioned forms of cooperation with employees, **mechanisms have been established through which employees can directly (e.g. at the relevant departments or via an anonymous form on the intranet) or through their representatives (e.g. works council, trade unions) communicate their concerns and needs**, as well as **grievance mechanisms** on the basis of which appropriate further measures are taken. Employees are informed about the appropriate channels and the substantive aspects of cooperation through various channels, e.g. by being informed by the representatives of the works councils and the trade union, through publication of relevant documents and minutes of the works councils and the trade union on the websites, etc. In view of the above, we assess that employees are well and appropriately informed about the structures and procedures for expressing and addressing concerns.

Effective mechanisms and channels for reporting violations have been established, which enable a safe, anonymous and confidential means of reporting any irregularities in accordance with EU requirements and national legislation on the protection of whistleblowers. Details are provided in Chapter *2.9.11 Business conduct*. In the case of reports handled by the compliance department, reports relating to employment relationships or possible human rights violations in employment relationships are referred to the human resources department or the appropriate commission (e.g. the mobbing commission). On the basis of feedback, we adopt appropriate measures for improvements.

[112] ESRS S1-3 (30; 32 a; 32 b; 32 c; 32 d; 32 e; 33; AR 31); ESRS S1-1 (20 c).

Characteristics of HSE Group employees[113]

As at 31 December 2025, the HSE Group employed 1,081 workers. Of these, 1,063 were employed for an indefinite period (301 women (28%) and 762 men (72%)) and 18 for a fixed term, of which 2 women (11%) and 16 men (89%). 1,072 were employed full-time (298 women (28%) and 774 men (72%)) and 9 part-time (5 women (56%) and 4 men (44%)). 1,079 were employed in Slovenia and 2 abroad.[114] The HSE Group has no self-employed persons within its own workforce or agency workers.[115] [116]

	2025		2024*		2024**	
	Women	Men	Women	Men	Women	Men
Type of employment contract						
Number of permanent employees	301	762	288	726	481	2,566
Number of fixed-term employees	2	16	2	23	11	144
Total	**303**	**778**	**290**	**749**	**492**	**2,710**
Type of employment by working hours						
Number of full-time employees	298	774	284	745	467	2,676
Number of part-time employees	5	4	6	4	25	34
Total	**303**	**778**	**290**	**749**	**492**	**2,710**

* HSE Group as composed in 2025.

** HSE Group as composed in 2024, together with TEŠ and the companies of the Premogovnik Velenje Group.[117]

[113] ESRS 2 S1.SBM-2 (14 a); ESRS S1-6 (48; 50 a; AR 55; 50 b; 51; 50 d; AR 60; 50 d i; 50 d ii; AR 58; AR 59; 50 f).

[114] MDR-M (73, 75, 76).

[115] S1.ESRS 2 SBM-3 (14 a).

[116] Chapter 3.5.6.2 Consolidated income statement – labour costs.

[117] MDR-M (77 a; 77 b; 77 c).

Long-term employee engagement and access to social rights[118]

At the HSE Group, we ensure a high level of employment stability. Most employees are employed on **a permanent basis (98.3%) and full-time (99.2%)**. Fixed-term and part-time employment is present only to a limited extent and is, as a rule, justified by specific circumstances, such as parenting needs, health-related limitations or temporary organisational needs. In accordance with legislation, collective agreements, participation agreements and internal acts, all employees are **included in social protection systems** provided by both the public and internal systems. Social protection includes, among other things, rights in the event of loss of income due to illness, unemployment, injury or disability arising at work, in the case of maternity, paternity and parental leave, and upon retirement. In addition to statutory obligations, individual companies also provide **additional forms of social security**, such as supplementary pension and health insurance, solidarity funds, additional days of absence and other measures set out in collective agreements or internal acts. The HSE Group strives to maintain and gradually enhance the level of social protection, particularly for vulnerable groups of employees, and to ensure that workers are appropriately informed of their rights. In the event of social hardship or difficult life circumstances, financial assistance mechanisms are available to employees. Cooperation with employee representatives at company level enables measures to be adapted to the actual needs of the workforce, contributing to greater social security, satisfaction and stability in the working environment.

In addition to the mandatory forms of social protection, employees of the HSE Group companies are also provided with additional benefits that significantly contribute to the goals of ensuring their greatest possible social security and overall quality of life. **Supplementary pension insurance** has been introduced in all Group companies, and in most companies there is also the option of joining **above-standard health and collective accident insurance**. In the event of illness, employees have access to sick leave benefits that exceed the statutory level. Within this framework, employees also have access to numerous measures to strengthen physical and mental health, which are described in more detail in chapter *2.9.8 Employees – Care for occupational health and safety*. These measures are implemented in close cooperation with employee representatives and are continuously adapted to the needs of employees at the level of individual companies. The measures are implemented on an ongoing basis or form part of the commitments undertaken by the HSE Group companies as an employer in collective agreements, participation agreements and internal acts, and are carried out in accordance with those commitments. Together, they represent an important part of our commitment to creating a healthy, supportive and inclusive working environment.[119] We will continue to strive to maintain a high level of job security and social security as one of the key foundations of responsible management of employee relations.[120]

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[118] ESRS S1-11 (72; 74 a; 74 b; 74 c; 74 d; 74 e; AR 75).

[119] ESRS S1-4 (35; 37; 38 a; 38 c; 38 d; 39; 40 a); MDR-A (66; 68 a, 66 b, 66 c).

[120] MDR-T (81b).

Turnover rate[121]

The turnover rate at the HSE Group level in 2025 amounted to 5.0% and decreased by 1.9 percentage points compared to 2024. In 2025, we newly employed 69 colleagues, while the employment of 53 colleagues was terminated. The most common reasons for the termination of employment relationships are retirements and the termination of employment by mutual agreement, due to colleagues continuing their careers in other working environments.

	2025		2024*		2024**	
	Number of employees who left the company	Turnover rate	Number of employees who left the company	Turnover rate	Number of employees who left the company	Turnover rate
HSE Group	53	5.0%	71	6.9%	306	9.4%

* HSE Group as composed in 2025.

** HSE Group as composed in 2024, together with TEŠ and the companies of the Premogovnik Velenje Group.

[121] ESRS S1-6 (50 c; AR 59).

Structure of employee representation by age[122]

The average age of employees in the HSE Group at the end of 2025 was 44.6 years, slightly higher than at the end of 2024, when it stood at 43.5 years. 60% of employees in the HSE Group are aged between 31 and 50 (648 employees), 29% are over 51 years old (316 employees), and 11% of employees are up to 30 years old (117 employees).

	2025		2024*		2024**	
	Number	Share (%)	Number	Share (%)	Number	Share (%)
Age group						
Up to 30 years	117	11%	104	10%	399	12%
From 31 to 50 years	648	60%	627	60%	1.922	60%
51 and over	316	29%	308	30%	881	28%
Total	**1,081**	**100%**	**1,039**	**100%**	**3,202**	**100%**
Gender						
Men	777	72%	749	72%	2,709	85%
Women	304	28%	290	28%	493	15%
Total	**1,081**	**100%**	**1,039**	**100%**	**3,202**	**100%**

* HSE Group as composed in 2025.

** HSE Group as composed in 2024, together with TEŠ and the companies of the Premogovnik Velenje Group.

[122] ESRS S1-9 (66 b).

Structure of management representation by gender[123]

	2025				2024*				2024**			
	Women	Share (%)	Men	Share (%)	Women	Share (%)	Men	Share (%)	Women	Share (%)	Men	Share (%)
Number and share of employees at management level	0	0%	8	100%	0	0%	8	100%	1	5%	18	95%
Number and share of employees at B-1 level	5	17%	25	83%	6	19%	25	81%	6	19%	26	81%
Number and share of employees at B-2 level	32	40%	49	60%	31	42%	42	58%	45	36%	81	64%
Total	**37**	**31%**	**82**	**69%**	**37**	**33%**	**75**	**67%**	**52**	**29%**	**125**	**71%**

* HSE Group as composed in 2025.

** HSE Group as composed in 2024, together with TEŠ and the companies of the Premogovnik Velenje Group.

*Data on employees, as shown in the individual metrics, are based on records from the HR information systems of the individual companies of the HSE Group and are determined as the number of employees at the end of the reporting period. The number of employees represents the actual number of employees in the HSE Group, regardless of whether they work full-time or part-time, whereby full-time is taken to be 40 hours per week. There are no employees in the HSE Group without a guaranteed number of working hours. To calculate the turnover rate, we added together all employee departures of those who voluntarily left an individual company in the HSE Group, were dismissed, whose employment relationship ended due to the expiry of a fixed-term employment contract, who retired, died, or whose termination of employment was the result of a suspension. To calculate the average number of employees, we used the following formula: (number of employees on the last day of the year + number of employees on the last day of the period)/2. To calculate the turnover rate, we used the following formula: (departures in the period/average number of employees in the period)*100.*[124]

[123] ESRS S1-9 (64; 66 a; AR 71).

[124] ESRS MDRD-M (77a; 77 c); S1-6 (50d).

Inclusion of people with disabilities[125]

We strive for an inclusive working environment in which equal opportunities and the social inclusion of employees, including various forms of disability, are a self-evident component of our operations. Our commitments in this area stem from the **HSE Group Code of Ethics, legislation, collective agreements, internal guidelines and the practices of individual companies**. To support employees with disabilities and to create an inclusive working environment, we act in accordance with the Vocational Rehabilitation and Employment of Persons with Disabilities Act, the Decree on Setting the Quota for the Employment of Persons with Disabilities, and the Equalisation of Opportunities for Persons with Disabilities Act.[126] In 2025, the HSE Group employed 24 persons with recognised disability, representing 2% of all employees in the HSE Group.

To this end, we implement numerous measures, such as providing adapted workplaces, adjustments to work tasks, and support in continuing employment or reassignment to a more suitable workplace. We strive for the long-term preservation and strengthening of an inclusive working environment in which persons with disabilities have equal opportunities for employment, the performance of adapted work, and social and professional inclusion.[127]

Continuous development of knowledge and skills[128]

We are aware of the key importance of the **continuous professional development of employees' knowledge and skills** as a foundation for long-term success, occupational safety and adaptability to changes in the energy sector, and thereby for strengthening our competitive position in the market. We believe that competent and motivated colleagues are the foundation for safe, efficient and sustainably oriented operations. The area of training and education is regulated by **internal acts at the level of individual companies** and supported by agreed practices at Group level that have been in place for many years. As early as 2008, the **Agreement on the Organisation of Education** was adopted at Group level, defining the basic rules, competences and methods of carrying out joint educational activities, and the system is regularly upgraded. The relevant professional services or company managements are responsible for implementation.[129]

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[125] ESRS S1-12 (77; 79; AR 76); ESRS S1-1 (17); ESRS S1-4 (35; 37; 38 a; 38 c; 38 d; 39; 40 a); MDR-A (66; 68 a, 66 b, 66 c).

[126] ESRS 2 MDR-P (65 a, 65 b, 65 c).

[127] ESRS 2 MDR-A (66; 68 a; 68 b; 68 c); ESRS S1-4 (35; 37; 38 a; 38 c; 38 d; 39; 40 a); ESRS 2 MDR-T (81 b).

[128] ESRS S1-13 (81; 82; 83; 84; 85; AR 78; AR 79); ESRS 2 MDR-A (66; 68 a; 68 b; 68 c); ESRS S1-4 (35; 37; 38 a; 38 c; 38 d; 39; 40 a).

[129] MDR-P (65 a; 65 b; 65 c).

In all companies of the HSE Group, we systematically plan and implement **annual training programmes** for employees, which include **professional education, certification, e-learning, workshops and mentoring**. In doing so, we also use digital platforms that enable access to learning content on demand. In addition to professional knowledge, we place particular emphasis on the development of **leadership competences, soft skills and the transfer of knowledge and experience** among employees. We pay particular attention to intergenerational learning, involvement in educational processes and the sharing of knowledge in everyday work through presentations, internal training or other forms of collaboration. We prepare the **annual education plan** on the basis of discussions with employees, the needs of work processes and applicable regulatory requirements. Our approach is based on **promoting lifelong learning** and **enabling access to knowledge for all employees** in accordance with business needs and their individual development goals.

At the level of the HSE Group companies, we encourage the use of the internal **e-learning platform (sHSE e-Academy)** with more than 500 up-to-date items of content from various fields – leadership, professional, language, IT, legally mandatory and others, which contribute significantly to achieving our goals. We also use the portal to deliver certain internal educational content. In 2025, at the level of the HSE Group, we delivered, among other things, several mandatory e-learning courses in the field of information security and compliance and integrity (code of ethics). The portal is supplemented monthly with new, up-to-date content, including the development of our own content. With the e-learning portal, we aim to create a dynamic learning environment that adapts and grows according to our needs.[130]

In 2025, we launched the **leadership academy called Leadership Compass.** This comprehensive development programme is intended to support young, new and future managers of the HSE Group companies in their transition from professional roles to effective and unifying leadership roles. Within this framework, participants develop key areas of leadership – such as leadership styles, communication, goal-setting, team-building, motivating colleagues and resolving challenging situations – through educational workshops at various HSE Group company locations across Slovenia, while co-creating a culture based on trust, collaboration and continuous learning. We also continued the activities of **managing key personnel and succession,** which form an important part of the **personnel development system at the level of the HSE Group and ensure stable staffing of key positions and long-term retention of key personnel**, thereby also managing, among other things, personnel risks. On the basis of the plans for upgrading the **Key Personnel Pool** (KPP) programme, outlined in 2024, we adapted the programme in 2025 in terms of content and methodology to the current needs of the HSE Group and the goals of its long-term business strategy. We will continue the implementation of

[130] MDR-A (68 a; 68 b; 68 c); ESRS S1-4 (35; 37: 38 a; 38 c; 38 d; 39; 40 a).

the programme in 2026 with the aim of ensuring the stability and continuity of leadership, enabling the long-term career development of employees, and strengthening the resilience of the HSE Group companies to sudden changes.[131]

Through various training courses and workshops, in 2025 we also devoted a great deal of attention to the **development of corporate culture** – a culture of virtues and values – and within this framework, in 2025, we also conducted a survey of corporate culture in the HSE Group companies. We build this development through numerous activities (encouraging collaboration, team-building, organising training and internal events) on the values of collaboration, responsibility, efficiency and creativity. [132] We will carry out a repeat measurement of the state of corporate culture in 2027 using the same methodology and questionnaires, which will enable comparability of results over time.[133]

Systematic management of competences and employee development[134]

We want our employees to be motivated and committed. That is why we have established **systems for employee development, performance appraisal, and a system of promotions and rewards with precisely defined criteria**. With these measures, we aim to strengthen the personal and professional development of employees and to enhance motivation and commitment while simultaneously achieving the business goals of the companies and the HSE Group.

Through regular annual interviews, we monitor employees' development, their satisfaction and the achievement of set goals. Annual interviews are one of the central tools for supporting employee development and monitoring the effectiveness of the measures adopted. They enable managers to gain a comprehensive overview of the goals achieved, to plan further activities and to formulate proposals for an individual's further professional and career development. On the basis of annual interviews and the needs of work processes, we prepare **education plans** annually.

[131] MDR-A (68 a; 68 b; 68 c); ESRS S1-4 (35; 37: 38 a; 38 c; 38 d; 39; 40 a).

[132] ESRS G1-1 (9).

[133] MDR-T (81b).

[134] ESRS S1-4 (35; 37; 38 a; 38 c; 38 d; 39; 40 a); MDR-A (68 a; 68 b; 68 c).

Regular annual interviews[135]

In 2025, 831 annual interviews (RAIs) were conducted with employees in the HSE Group, representing 77% of employees in the HSE Group (applies only to the Republic of Slovenia). Among those included were 256 women, representing 84% of employed women in the Group, and 575 men, representing 74% of employed men.[136]

	2025				2024*				2024**			
Training and development of knowledge and skills	**Women**	**Share (%)**	**Men**	**Share (%)**	**Women**	**Share (%)**	**Men**	**Share (%)**	**Women**	**Share (%)**	**Men**	**Share (%)**
Number and share (%) of employees by gender	304	28%	777	72%	290	28%	749	72%	493	15%	2.709	85%
Number and share (%) of employees with whom a regular annual interview was conducted	256	84%	575	74%	253	87%	600	80%	313	63%	816	30%
Total	**/**	**31%**	**/**	**69%**	**/**	**30%**	**/**	**70%**	**/**	**28%**	**/**	**72%**

* HSE Group as composed in 2025.

** HSE Group as composed in 2024, together with TEŠ and the companies of the Premogovnik Velenje Group.

Education and training of employees[137]

The total number of hours of education and training increased by 16.2% compared to 2024. In 2025, employees in the HSE Group undertook 29,743 hours of training, compared to 25,599 hours in 2024. The average number of training hours per employee increased to 28 hours in 2025, which is on average 3 hours more per employee than in 2024. We attribute the lower share of women in the average number of training hours in the HSE Group to the gender representation in the energy sector, which is traditionally dominated by male personnel, especially in technical and operational professions, where there is more mandatory training. We

[135] ESRS S1-13 (83 a; AR 77; 83 b; AR 78).

[136] ESRS 2 MDR-M (76; 77 a; 77 c).

[137] ESRS S1-13 (81; 83 b; 84).

are aware of the importance of inclusion and equal opportunities for access to knowledge for all employees, which we also implement in practice. In future, too, we will monitor the differences between groups of employees and carry out additional analyses and measures to ensure fair access to education and training for everyone, regardless of gender or other personal circumstance.[138]

	2025			2024*			2024**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Total number of training hours	7,839	21,904	29,743	7,282	18,317	25,599	11,426	93,232	104,658
Total number of employees	304	777	1,081	290	749	1,039	493	2.709	3,202
Average number of training hours per employee by gender	26	28	/	25	24	/	23	34	/
Average number of training hours per employee	/	/	28	/	/	25	/	/	33

* HSE Group as composed in 2025.

** HSE Group as composed in 2024, together with TEŠ and the companies of the Premogovnik Velenje Group.

The average number of training hours per employee by gender is calculated using the following formula: the total number of hours of training of all employees in the HSE Group companies by gender divided by the total number of all employees in the HSE Group companies by gender. The presentation covers data for the following companies: SENG, DEM, HSE, RGP, ECE, Energija plus, HSE Invest. Data for 2024 are presented in relation to the existing HSE Group (i.e. without the data of companies that were excluded from the HSE Group at the end of 2024 and were included in the consolidation within the framework of the 2024 sustainability report).[139]

Ensuring occupational health and safety[140]

Ensuring a safe and healthy working environment is our fundamental responsibility and a key factor for the health, safety and long-term success and satisfaction of employees. **The HSE Group's policy on occupational health and safety and fire safety is embedded in all key processes within the Group.** All employees

[138] ESRS 2 MDR-M (76; 77 a; 77 c).

[139] ESRS 2 MDR-M (77 a; 77 c).

[140] ESRS S1-1 (23); ESRS S1-14 (86; 88 a; AR 80; AR 81; 88 b; AR 82; AR 89;- AR 91; 88 c; 88 d; 88 e, AR 95).

(100%) are included in the occupational health and safety system in accordance with the Occupational Health and Safety Act (ZVZD-1). Most companies in the Group have established an occupational health and safety management system in accordance with the **international standard ISO 45001** as well.

The training and education of employees in the field of health and safety are carried out in accordance with legislation, collective and company agreements, and the internal acts of the companies. We actively promote occupational health and safety through internal communication channels, by cooperating with employee representatives (works councils), and through regular monitoring and assessment of working conditions.

We achieve our occupational health and safety and fire safety objectives for all employees in the HSE Group through an **integrated system for planning, implementing, monitoring and continuously improving measures to prevent accidents, work-related injuries and other emergencies**. Occupational health and safety is integrated into all key business processes, responsibilities are clearly defined, and a safety culture forms part of the everyday working environment. **Key measures** include **preparing safety statements with risk assessments**, producing and applying safe working instructions, **conducting regular training and knowledge assessments** – both theoretical and practical – and carrying out regular monitoring of work processes. We place particular emphasis on addressing all identified hazards, incidents and accidents, involving all those concerned and encouraging open dialogue with employees on matters relating to the working environment, equipment, work procedures, personal protective equipment and suggestions for improvements. The competent occupational health and safety and fire safety services prepare **occupational health and safety programmes** each year, setting out the measures, the persons responsible for implementation, the estimated costs and the deadlines for completion.[141]

In the event of emergencies or other safety incidents, these are recorded in the appropriate internal systems, whereby the necessary measures to eliminate the causes or consequences, the persons responsible and the deadlines for completion, and an assessment of the effectiveness of the measures, are envisaged. We monitor the effectiveness of all occupational health and safety measures against the achievement of objectives at individual company level. Respect for the fundamental rights of employees, particularly in the area of **occupational health and safety**, always takes precedence over business objectives or other interests. All processes, from strategic planning to operational implementation, are designed first and foremost to ensure a **safe and healthy working environment** for all employees and external contractors. This commitment is a key part of the HSE Group's responsibility. The central objective, common to all companies in the Group, is the commitment to preventing all cases of work-related accidents, work-related illnesses and other events that could endanger the safety of employees. At the level of individual companies, quantitative objectives are also defined according to specific activities and identified risks, such as preventing and reducing the

[141] ESRS 2 MDR-A (68 a; 68 b; 68 c); ESRS S1-4 (37; 38 a; AR 42; 38 b; 38 c; 38 d; 39; 40 a); ESRS S1-1 (23); ESRS S1-5 (47 a; 47 b; 47 c).

number of accidents, improving the safety culture, increasing participation in training, and reducing absenteeism due to work-related injuries. By setting these objectives and monitoring the results achieved, we ensure an effective risk management system and strengthen the safety culture. The measures and indicators are regularly reviewed and adjusted as necessary, enabling responsive and responsible management of this key area.

In 2025, we continued our activities in the area of **mental health** – free psychological support is available to all employees, and we delivered training on a healthy lifestyle and stress management techniques. Through these measures, we promote employee well-being, their long-term satisfaction and greater organisational resilience.

The central objective, common to all companies in the Group, is the commitment to preventing all cases of work-related accidents, work-related illnesses and other events that could endanger the safety of employees. At the level of individual companies, internal quantitative objectives are also defined in the individual companies of the HSE Group, according to specific activities and identified risks, such as preventing and reducing the number of accidents, improving the safety culture, increasing participation in training, and reducing absenteeism due to work-related injuries. By setting these objectives and monitoring the results achieved, we ensure an effective risk management system and strengthen the safety culture. The measures and indicators are regularly reviewed and adjusted as necessary, enabling responsive and responsible management of this key area.

Occupational health and safety at HSE Group	Unit	2025	2024*	Corrected for 2024**	Reported 2024***
% of persons in the own workforce covered by the company's health and safety management system in accordance with legal requirements and/or recognised standards or guidelines	%	100	100	100	100
Number of fatalities due to work-related injuries and illnesses	Number	0	0	0	0
Number of work-related injuries	Number	8	15	193	193
Rate of work-related injuries		4.23	7.37	35.52	33.98
Number of cases of occupational disease	Number	0	0	1	1
Number of days lost due to work-related injuries, illnesses and fatalities	Number	584.25	577.00	13,558.00	13,616.50

* HSE Group as composed in 2025.

** HSE Group as composed in 2024, together with TEŠ and the companies of the Premogovnik Velenje Group.

The rate of work-related injuries is calculated using the formula (annual number of injury cases across all HSE Group companies / total number of working hours completed by all employees in HSE Group companies in 2024) x 1,000,000. The presentation covers data for the following companies: SENG, DEM, HSE, RGP, ECE, Energija plus, HSE Invest, PV, TEŠ, HTZ, PLP, SIPOTEH.[142]

**** Compared with 2024, the differences in reporting for 2024 arose due to an incorrect summing of the annual fund of regular work and overtime and the number of days lost due to work-related injuries and occupational diseases, which was reflected in the rate of work-related injuries. We do not consider the error material within the meaning of the ESRS 2 definition (14(a) or 14(b)), as it constitutes a deviation of less than 1%).*[143]

Work-life balance[144]

We believe that work-life balance is of key importance for employees' well-being and performance, and therefore, in the HSE Group, we strive to support employees in balancing their professional and family or private lives. Across all companies, we implement measures that provide employees with flexible working conditions and enable effective balancing of professional and family or private obligations, regardless of the certificates obtained. Individual companies in the Group have obtained the Family-Friendly Company certificate or other certificates that confirm their commitment to social responsibility and care for employees. Caring for the well-being of employees is our key guiding principle and an integral part of our organisational culture.

Among the key measures for ensuring work-life balance, we count the introduction of **flexible working hours, the option of hybrid working** and **reduced working hours due to parental obligations**. All employees in the HSE Group are entitled to leave for family reasons. The right to **digital disconnection** is implemented in accordance with legislation and internal guidelines. Employees have access to **additional days of paid leave** in cases of personal circumstances, such as caring for children or elderly family members. We provide families and parents with supportive measures to help them balance their professional and private lives, including on returning to work after a longer absence. In urgent cases, the temporary presence of children at the workplace is also permitted.

We are aware that this area significantly affects employee satisfaction, productivity and long-term retention, and therefore, going forward, we strive to establish a systematic approach to setting measurable objectives, monitoring their achievement and integrating these objectives into the broader human resources

[142] ESRS 2 MDR-M (77 a; 77 c).

[143] ESRS 2 (14 a; 14 b).

[144] ESRS S1-15 (93 b; 94); MDR-A; ESRS S1-4 (35; 37 ; 38 a; 38 c; 38 d; 39; 40 a).

management system. Our aim is for the focus on work-life balance to continue developing as an integral part of the organisational culture, and to use measurable indicators to monitor the effects of existing and future measures in support of employees.

Decent pay for work[145]

All employees in the HSE Group receive pay that complies with the statutory minimum standards or exceeds the decent pay threshold, as defined by the reference values for the sector and the region. When determining our pay policy, we take into account employees' ability to make a decent living, the cost of living, and equal treatment regardless of gender, position and form of employment. Wages and allowances are structured in a transparent and fair manner, and are regularly coordinated with workers' representatives within works councils, trade unions and other forms of social dialogue. Such an approach ensures stability, equality and long-term employee satisfaction. Key elements are represented by sectoral and company collective agreements, participation agreements and compliance with applicable Slovenian labour and social legislation, which together ensure respect for the right to decent pay for all employees. The principle of fair and equal pay is also incorporated into the **HSE Group Code of Ethics** and supported by regular social dialogue with employee representatives. This approach enables the coordination of pay policy, ensuring transparency, equality and responsiveness to changes in living conditions and the labour market. In accordance with this commitment, we carry out regular coordination with works councils, trade unions and other workers' representatives, and within this framework compare reference values of average wages for the sector and the region. The systematic adjustment of wages and other remuneration takes place in cooperation with employees and social partners, taking into account both legislative requirements and good practices in the sector. In the future, we will continue to strengthen the mechanisms for monitoring and adjustment in order to ensure fair and decent working conditions for all employees. Matters relating to the level of pay, remuneration and pay structure are addressed regularly within the framework of social dialogue. Within the Group's companies, we also strive to monitor the fairness and competitiveness of pay and to eliminate any imbalances, including by monitoring the gender pay gap in 2024 and 2025.

[145] ESRS S1-10 (69, AR 72 – AR 74).

Objectives in the area of responsibility towards employees[146]

Through the HSE Group Sustainable Development Strategy, adopted in 2025, we have also set ourselves certain objectives and performance indicators in the area of employees. We will report on the objectives set and the achievement of the indicators in the next reporting period.

Objectives	Indicator (KPI)	Short-term objectives 2026	Medium-term objectives 2028	Long-term objectives 2020/2035
Increasing the proportion of employees who have had their annual interview	%	≥ 90	≥ 90	≥ 90
Increasing the number of training hours per employee	no. of hours/employee	≥ 22	≥ 23	≥ 24
Maintaining employee turnover	turnover rate (%)	≤ 10	≤ 10	≤ 10
Increasing the employee response rate in measuring the organisational climate (response rate)	response rate (%)	≥ 50	≥ 53	≥ 55
Reducing sickness absence (absenteeism)	sickness absence (%)	≤7	≤6	≤5
Inclusion in occupational health and safety systems	proportion of employees (%)	100	100	100
Inclusion/coverage of employees by collective agreements	proportion of employees (%)	98	98	98
Absence of confirmed cases of discrimination or harassment in the workplace	no. of confirmed cases	0	0	0

[146] ESRS 2 MDR-T (80 a; 80 b; 80 c; 80 d; 80 e; 80 f; 80 h).

2.9.9 Cooperation with communities (ESRS S3)

Interests and views of stakeholders[147]

The activities of the HSE Group's companies have a significant and long-term impact, above all on local and regional communities in the vicinity of our electricity production units and on the wider environment in which we operate. We are aware that their trust is essential for successful coexistence and sustainable development, and therefore we treat them as one of the key stakeholder groups whose views, interests and rights we systematically take into account in shaping our strategy and business model. In doing so, we respect human rights and pay particular attention to understanding and taking into account the needs of the local and regional environment. The results of these collaborations shape our strategic directions and business models, particularly in the area of siting new energy facilities and the scope of our regular operation of electricity production plants. The details of how community views are taken into account in the development of strategies and business models can be found in chapter *2.9.4 Strategy, business model and value chain – HSE Group Development Strategy, HSE Group Sustainable Development Strategy, HSE Group Business Model and Interests and views of stakeholders*. Within the HSE Group, we establish and implement various mechanisms and procedures for cooperation that enable open, transparent and inclusive dialogue with local communities and other relevant stakeholders, as well as their meaningful involvement in key decisions related to our activities and projects. A more detailed description of the approaches is presented in chapter *Cooperation with communities – Cooperation procedures*. As part of our due diligence, we did not identify any communities with particular characteristics or any special circumstances or activities on the basis of which they would be exposed to greater risks of harm.

[147] ESRS 2 S3.SBM-2 (7); ESRS 2 S3.SBM-3 (8 a i; AR 3; AR 4; 9; AR 5).

Impacts, risks and opportunities

In the following table, we present the significant impacts on local and wider communities in Slovenia in which the HSE Group's companies operate. A description of the process for identifying significant impacts, risks and opportunities is set out in more detail in chapter *2.9.5 Double materiality analysis.*

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Promoting local and regional development			
By creating jobs, investing in culture and sport, cooperating with local businesses and supporting socially vulnerable groups, we contribute to the sustainable development of the local communities and regions in which we operate.	Positive actual impact	Own activity	S, M, L
Involving local communities in planning and development			
We encourage open and inclusive dialogue with local communities, particularly in the planning of energy projects and other activities with impacts on the environment and communities. Involvement at early stages enables a better understanding of local needs, reduces the risk of misunderstandings and increases the social acceptability of projects. Such an approach strengthens trust and contributes to long-term responsible development.	Positive actual impact	Own activity	S, M, L
Contribution to the safety of local communities			
Within the management of hydropower facilities, through flood protection measures we contribute to protecting people, property and the environment. In this way, we strengthen the resilience of local communities to natural disasters and demonstrate broader responsibility towards the environment in which we operate.	Positive actual impact	Own activity	S, M, L

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

Policies[148]

The key aspects of our efforts in promoting local development and the quality of life of local communities, involving local communities in planning and development, contributing to the safety of individual local communities, and our commitment to a just transition to a low-carbon economy are guided by the **HSE Group Sustainable Development Strategy** and the **HSE Group Code of Ethics**. We have also incorporated into the strategy the key guidelines of the Stakeholder engagement and cooperation strategy of the HSE Group, which is no longer a stand-alone strategy and will gradually be further integrated into the upgrade of the Sustainable development strategy in 2026. The policies are further implemented by other overarching documents at HSE Group level, such as, for example, the **HSE Group Communications Policy** and the **HSE Group Strategy for Awarding Sponsorships and Donations**. Our policies are based on respect for human rights, care for the environment and a responsible attitude towards society, and also include cooperation with stakeholders in value chains, whereby we expect suppliers and partners to follow our ethical and sustainability standards.

The policies are based on national and international standards, including the UN Guiding Principles on Business and Human Rights, regulations, good practices and legislation governing matters of cooperation with affected communities or stakeholders. The HSE Group has committed to respecting human rights in its business operations and to introducing the important principles of the **National Action Plan of the Republic of Slovenia on Business and Human Rights**, which the HSE Group confirmed on 21 December 2020 by signing the **commitment to respecting human rights in business** (hereinafter: the commitment). The commitment is based on the Universal Declaration of Human Rights, adopted by the UN General Assembly in 1948, on other relevant international human rights instruments and on international documents in the area of protecting and promoting human rights in business activities (the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the Tripartite Declaration of the International Labour Organization concerning Multinational Enterprises and Social Policy, and the guidelines in the area of social responsibility). Mechanisms for protecting whistleblowers reporting irregularities or human rights violations have also been established, as described in chapter *2.9.11 Business conduct.*[149]

[148] ESRS S3-1 (12; 14; 16; 16 b; 16 c; 17; 18; AR 9; AR 10); MDR-P (65 a, 65 b, 65 c).

[149] ESRS S3-3 (25; 27 a; AR 22; 27 b; AR 18; 27 c; 27 d; AR 21; 28; 33 c).

Title	Description	Responsibility for implementation	Scope of application
HSE Group Sustainable Development Strategy	Within the framework of social responsibility, the strategy emphasises active cooperation with communities. We build relationships on open, transparent and inclusive dialogue and encourage regular communication and the involvement of local communities in the development of our activities. By supporting projects and through sponsorships and donations, we contribute to the development of the social environment, while, by strengthening trust, transparency and understanding, we actively involve communities in the energy transition and increase the social acceptability of our investments. As key strategic directions in the area of human rights, we highlight strengthening responsible business through a systematic approach to respecting human rights in our own activities and value chain, and raising awareness of respecting and protecting human rights and responsible business conduct among HSE Group employees.	employees, expert services, management of HSE Group companies	HSE Group (I, P)
HSE Group Strategy for Awarding Sponsorships and Donations	The strategy defines the criteria, procedures and priority areas of support, and ensures transparent and responsible management of these activities. It is focused on projects that contribute to sustainable development, social responsibility and the strengthening of the reputation and connectedness of the HSE Group with the local and wider community.	employees, expert services, management of HSE Group companies	HSE Group (I)

continues on the next page

Title	Description	Responsibility for implementation	Scope of application
HSE Group Communication Strategy	The HSE Group Communication Strategy defines the principles, target audiences, objectives and tools of internal and external communication with the aim of building a positive recognition and reputation of the Group, emphasising proactivity, transparency, timeliness, comprehensiveness and a coordinated approach by all companies in the Group under the coordination of the Public Relations and Corporate Communications Service.	employees, expert services, management of HSE Group companies	HSE Group (I)
HSE Group Code of Ethics	The Code sets out the fundamental principles and standards of ethical conduct applicable to employees and management in the performance of their work. It defines the expected conduct in the areas of integrity, conflict-of-interest prevention, compliance with legislation, responsible attitude towards colleagues, business partners and the environment, and establishes a framework for reporting and handling violations. The purpose of the Code is to strengthen a culture of honesty, responsibility and trust in the HSE Group.	employees, expert services, management of HSE Group companies	HSE Group (I, P)

* I – Internal publication; P – Public publication.

Cooperation procedures[150]

We strive for **open, transparent and inclusive cooperation with local communities and other stakeholders**, particularly during the phases of **planning, development and implementation of projects that may affect the environment, the area or the lives of the local population**. We establish dialogue directly with the local population, e.g. through information points and meetings, as well as with representatives of local communities, such as municipalities, associations and civil initiatives. We carry out communication and information provision across all companies in a coordinated manner, in accordance with legislation and the common principles set out in our policies and internal acts. Cooperation with local and wider communities is based on regular, structured and transparent communication. We use various communication and engagement approaches, such as meetings with stakeholders, public presentations, publications in local media and information provision through digital channels. In this way, we ensure the timely and understandable provision of information about our activities and planned interventions, and enable the collection and consideration of the community's opinions, comments and initiatives. When planning larger investment projects, we carry out comprehensive **spatial planning procedures**, which include studies of variants, assessments of impacts on the environment and society, and the preparation of mitigation measures. Communities and other stakeholders are involved in these procedures already at the early stages, and their comments and views are collected, considered and taken into account in further planning and decision-making. In addition to the legally prescribed procedures, we also use additional forms of engagement, such as direct discussions with the local population, public debates and cooperation with non-governmental and expert organisations. Similar channels are also established within the framework of regular operations, which enables stakeholders to express their opinions and initiatives either directly or through their representatives. In addition to the forms of cooperation described above, accessible communication channels are available for expressing concerns and complaints, including publicly published contact and information points at project locations. Mechanisms for protecting whistleblowers are also available to all, as described in chapter *2.9.11 Business conduct*.[151] In 2025, no serious issues or incidents related to human rights were identified in the context of cooperation with communities.[152]

Such an approach contributes to establishing stable relationships with the local community, reducing the risks of misunderstandings and increasing the acceptability of projects in the area. For the implementation of cooperation with local communities and other affected stakeholders, the HSE Group has defined responsibilities at the level of project managers, company management and communication functions. They ensure that stakeholders are informed, that their opinions and views are collected, and that these are considered in the decision-making processes.

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[150] ESRS S3-2 (19; 21; 21 a; 21 b; 21 c; 21 d; 22); ESRS S3-4 (AR 25 b; AR 25 c; AR 25 d).

[151] ESRS S3-3 (25; 27 a; 27 b; AR 18; 27 c; 27 d; 28); ESRS S3-4 (33 c; 35).

[152] ESRS S3-4 (36).

We monitor the effectiveness of cooperation on the basis of the course and implementation of projects, the continuity of relationships with local communities, and regular dialogue with stakeholders. On selected projects, we additionally monitor stakeholder responses, which enables better insight into the perceived impacts and the appropriateness of the approaches used. In the future, we will upgrade the monitoring system with more structured methods for assessing the quality of engagement and the perceived effects on communities, with the aim of strengthening transparent and responsible impact management.[153]

Measures – Responsible action in the social environment[154]

Promoting local and regional development

The companies of the HSE Group actively cooperate with local communities, stakeholders and organisations. To this end, we implement numerous measures, which include **support for local associations, initiatives and projects** that contribute to the development of the local environment, encouraging the involvement of stakeholders in the design of projects and decision-making, **awareness-raising and educational measures, the promotion of the local economy and employment, ensuring access to information** and **targeted sponsorships and donations**.

The management of these activities is based on the **HSE Group Strategy for Awarding Sponsorships and Donations**, which defines the criteria, procedures and priority objectives of such support for projects in sport, culture, science and charity, as well as the realisation of social responsibility at the local and regional level. Donations are primarily aimed at supporting the wider community and vulnerable groups, and at projects that contribute to improving the quality of life in the environment where the HSE Group operates. In 2025, the HSE Group allocated sponsorships and donations totalling more than EUR 2 million to individual communities and initiatives, as well as to other cultural and sporting initiatives, for these purposes.[155] The allocation of sponsorships and donations is coordinated by the **sponsorship and donation committee**, which considers and approves the proposals.

[153] ESRS S3-3 (27 d; AR 21; 28; 32 d).

[154] ESRS S3-4 (30; 32 b; 32 c; AR 25 b; AR 25 c; AR 25 d; AR 37; AR 32; 35; 38); MDR-A (66; 68 a; 68 b; 68 c).

[155] ESRS S3-4 (38).

Sponsorships and donations of the HSE Group	2025	2024*	2024**
Amount of sponsorships and donations of the HSE Group companies	2,401,970	1,509,502	1,887,531

* HSE Group as composed in 2025.

** HSE Group as composed in 2024, together with TEŠ and the companies of the Premogovnik Velenje Group.

Among the more significant projects in the field of cooperation with local and wider communities in the HSE Group in 2025, we include the following activities and initiatives:

- **The establishment of information points for larger infrastructure projects.** Within the framework of larger infrastructure projects, we established information points with the aim of direct, transparent and open communication with local communities. Residents, associations, non-governmental organisations and other stakeholders can use these points to gain insight into the development of projects, ask questions or express any concerns. The practice has proven to be effective, which is why we plan to extend it to all upcoming projects in the HSE Group.
- **Support for the Eco-Schools programme**. In 2025, too, HSE actively participated in raising the awareness and education of young people about the importance of sustainable development, renewable energy sources and energy efficiency. In cooperation with Eco-Schools, we carry out educational events in local communities, with the goal of holding at least five such events per year.
- **Donation of 15 bicycles to the Maribor Friends of Youth Association**. The company DEM donated 15 new bicycles to the Maribor Friends of Youth Association (ZPM), intended for pupils within the framework of two important programmes – Outdoor School and Holidays for Children and Adolescents, which take place at the VIRC Poreč. The bicycles were assembled by DEM employees as part of DEM's charitable-themed day, which added a personal touch of solidarity and shared responsibility to the project.
- **Donation of a portable ultrasound device to the Department of Paediatric Surgery at UKC Maribor**. During Children's Week, the company DEM officially handed over a new portable ultrasound device to UKC Maribor, which will significantly contribute to better, faster and less invasive care for young patients, both those who are hospitalised and those who come for outpatient examinations at the Department of Paediatric Surgery there.
- **Sponsorship of the Lent Festival**. This year too, the company DEM supported the preservation and development of the Lent Festival, one of the largest cultural events in Slovenia and beyond. The Lent Festival is a symbol of creativity, openness and community.

- **Sponsorship of NK Maribor**. The sponsorship of NK Maribor's youth teams is an important example of responsible cooperation with the local and wider community. By investing in young footballers, we support not only sporting achievements, but also values such as perseverance, teamwork and a healthy lifestyle. NK Maribor has a special, almost cult role in our area, as it is a symbol of pride, belonging and an important part of the identity of the city and the region. The partnership therefore goes beyond classic sponsorship; it is long-term support for young talents and the community in which DEM operates.
- **The general sponsorship of the Soške Elektrarne Kayak Club** is a decades-long partnership through which the company SENG supports the development of top-level sport, young talents and the sustainable use of the Soča River and its environment.
- **The opening of the Doblar Museum**. By starting the museum, the company SENG preserves and presents the industrial and technical heritage of the Soča Valley, while at the same time bringing the importance of hydropower, renewable sources and responsible environmental management closer to the wider public.
- **New Year's donation to the Dr. Franc Derganc Nova Gorica General Hospital**. The company SENG traditionally allocates funds for the purchase of pre-agreed medical equipment, thereby contributing to improving the quality of healthcare in the region.
- **E-Mobility partner at the Poli Marathon**. As an e-Mobility partner, the company Energija plus contributed to reducing the carbon footprint of the event by providing accompanying electric vehicles, and actively supported the green transition in mobility. In doing so, we confirm our commitment to sustainable development and support for local initiatives for a more sustainable future.
- **The ZZrolano mesto event**. As part of European Mobility Week, the company Energija plus, as the main sponsor, supported the ZZrolano mesto event, which promotes sustainable forms of mobility. Every year, the event brings together numerous individuals who occupy the streets of Maribor with bicycles, scooters, roller skates and other environmentally friendly means of transport, thereby symbolically showing how cities can breathe with less dependence on motor traffic.
- **Energija plus Cinema Day**. In cooperation with the Social Work Centres of northeastern Slovenia and partners, we organised an unforgettable cinema day in October for children from socially disadvantaged families. Children from eleven social work centres ranging from Ljutomer to Slovenska Bistrica had the opportunity to enjoy two film screenings, socialising and an acrobatic show that brightened their day. The project, which we carry out in cooperation with local partners, is intended to create warm, relaxed moments for children and families who often face more challenging life circumstances.
- **Energy projects**. In 2025, the company Energija plus signed several contracts for the installation of solar power plants on the roofs of public buildings in the municipalities of Ormož, Ptuj, Murska Sobota, Ljutomer, Hoče and several other municipalities in northeastern Slovenia, which were part of consortia for obtaining funds.

- **Rehabilitation of the stilling basin of the Mesto small hydropower plant dam in Idrija**. By rehabilitating the multi-purpose facility (sewerage, process water intake, bank stability), the company SENG ensured reliable operation and the reduction of environmental risks.

Involvement of local communities in planning and development

We encourage open and inclusive dialogue with local communities, particularly in the planning of energy projects and other activities with impacts on the environment and communities. Involvement at early stages enables a better understanding of local needs, reduces the risk of misunderstandings and increases the social acceptability of projects. Such an approach strengthens trust and contributes to long-term responsible development. The procedures are described in more detail in chapter *2.9.9 Cooperation with communities – Cooperation procedures.*

Contribution to the safety of local communities

In addition to their energy role, hydropower plants also play an important role in water management and reducing flood risk. By retaining and regulating flows, they enable more controlled conveyance of high waters and contribute to greater stability of the water regime. Their importance is particularly pronounced on the Drava River, where the chain of hydropower plants and the associated retention areas significantly contribute to the regulation of flows and complement flood protection measures at the river basin level. On the Soča River, this impact is less pronounced due to the river's torrential character, but the hydropower plants nevertheless contribute, through adapted operation, to greater predictability of water conditions and to the local mitigation of flow fluctuations. Therefore, the hydropower plants on the Soča, and particularly on the Drava River, represent an important element of sustainable water management, as in addition to the production of renewable electricity they also contribute to greater safety for local communities and property.

Objectives[156]

In the field of cooperation with communities, our objectives are aimed at successful coexistence of our companies and local and wider communities, which we assess and monitor on the basis of numerous successful community cooperation projects and the support of the local population, as well as the realisation of our objectives in the field of spatial planning.

[156] MDR-T (81 b).

Also on the basis of the **HSE Group Sustainable Development Strategy**[157]**,** we will continue to strive to develop additional processes for the systematic collection of data, the use of good practices and the establishment of appropriate indicators, which will enable the definition of objectives in this field and the monitoring of their achievement in accordance with the principles of sustainability reporting and responsible action in communities.

2.9.10 Consumers and end users (ESRS S4)

Impacts, risks and opportunities[158]

Within the framework of the activities of the HSE Group companies, we recognise significant impacts related to the supply of electricity to household customers through retail companies (ECE and Energija plus). In carrying out our activities and shaping our strategies and business models, we take into account their interests, views and rights. A description of the process for identifying significant impacts, risks and opportunities is described in more detail in chapter *2.9.5 Double materiality analysis*.

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Equal opportunities for access and information for end users			
We ensure equal treatment of all end customers of electricity in terms of access to services and transparent, understandable and timely provision of information, regardless of their social, demographic or geographical situation. We enable customers non-discriminatory access to supply and ensure that the conditions and possibilities for using services are clearly presented.	Positive actual impact	Own activity	S, M, L

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[157] A description of the HSE Group Sustainable Development Strategy, including the manner of stakeholder engagement, is in chapter 2.9.4 – Strategy, business models and value chain – HSE Group Sustainable Development Strategy.

[158] S4.SBM-3 (9 a; 9 b; 10 a; 10 c; AR 3); ESRS 2 S4.SBM-2 (8).

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Ensuring access to quality information			
We provide customers with clear, understandable and timely information about the offer, prices and contractual terms through various communication channels. In this way, we enable informed decision-making and transparent treatment of customers.	Positive actual impact	Own activity	S, M, L

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

Policies[159]

Our policies on relations with electricity customers regarding the provision of access to safe, reliable and affordable energy, the protection of customers' rights and the provision of remedial measures are based directly on the obligations arising from EU and Slovenian legislation governing the field of electricity supply and consumer protection, within the framework of which commitments to respecting the human rights of customers are also implemented, although we do not summarise them in separate or special documents. These human rights policies include commitments to providing affordable electricity, in particular for household and vulnerable customers; respecting customers' rights as set out in the Consumer Protection Act (ZVPot) and the Electricity Supply Act (ZOEE). This includes obligations of information provision and transparency, meaning that customers receive clear, understandable and complete information about the supply conditions; the prevention of energy poverty and respect for measures that ensure vulnerable groups uninterrupted access to electricity and access to out-of-court resolution of consumer disputes (IRPS). Slovenian legislation in this field precisely defines the rules of operation. The policies apply to all our customers in Slovenia, where we carry out the activity of electricity supply. As they are based on the legal framework, changes in legislation also trigger changes in our practice. We regularly monitor legislative changes and adapt our internal procedures accordingly. The implementation of the policies is incorporated into the operational and sales processes and into the customer relationship management (CRM) systems, complaints management, procedures for identifying vulnerable groups and meeting the requirements of the regulator (the Energy Agency). All procedures are aligned with the legislation and internal instructions that ensure compliance. We plan to further strengthen the

[159] ESRS S4-1 (13; 15; 16, 16 a; 16 b; 16 c; 17; AR 9, AR 10; AR 11); MDR-P (65 a, 65 b, 65 c).

approaches and systems with which we will ensure even more structured management of relationships with household electricity customers. In carrying out all activities, we are also guided by the principles set out in the **HSE Group Code of Ethics**. Also through the **HSE Group Sustainable Development Strategy**, which was adopted in 2025, we have committed to acting in accordance with the principles of responsibility, professionalism and trust. Our actions are aimed at ensuring reliable, high-quality and sustainable supply for households, the economy and public institutions. We build relationships with customers based on honesty, transparency, equal treatment and responsiveness, paying particular attention to consumer protection, transparent communication and the development of sustainable energy services that contribute to more efficient energy use and the decarbonisation of society.

The policies apply to all customers in Slovenia, where the HSE Group carries out the activity of electricity supply, and are adapted to changes in legislation. Their implementation is incorporated into the operational and sales processes, customer relationship management (CRM) systems, complaints handling and procedures for identifying vulnerable groups, taking into account the requirements of the regulator (the Energy Agency). In the future, we will upgrade the approach by developing more structured processes for managing relationships with customers and monitoring their effectiveness.

Title	Description	Responsibility for implementation	Scope of application
HSE Group Code of Ethics	The Code sets out the fundamental principles and standards of ethical conduct applicable to employees and management in the performance of their work. It defines the expected conduct in the areas of integrity, conflict-of-interest prevention, compliance with legislation, responsible attitude towards colleagues, business partners and the environment, and establishes a framework for reporting and handling violations. The purpose of the Code is to strengthen a culture of honesty, responsibility and trust in the HSE Group.	employees, expert services, management of HSE Group companies	HSE Group (I, P)

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Title	Description	Responsibility for implementation	Scope of application
HSE Group Sustainable Development Strategy	In providing the supply of electricity, natural gas and comprehensive energy solutions, we act in accordance with the principles of responsibility, professionalism and trust. Our actions are aimed at ensuring reliable, high-quality and sustainable supply for households, the economy and public institutions. We build relationships with customers based on honesty, transparency, equal treatment and responsiveness, paying particular attention to consumer protection, transparent communication and the development of sustainable energy services that contribute to more efficient energy use and the decarbonisation of society.	employees, expert services, management of HSE Group companies	HSE Group (I, P)
Consumer Protection Act (ZVPot)	The Act governs the rights of consumers and the obligations of suppliers of goods and services with the aim of ensuring fair, safe and transparent business. It defines the rules regarding consumer information, unfair commercial practices, liability for defects, warranties and dispute resolution. The purpose of the Act is to ensure a high level of consumer protection and to strengthen trust in the market.	employees, expert services, management of HSE Group companies	ECE, Energija plus (P)
Electricity Supply Act (ZOEE)	The Act governs the conditions for the production, transmission, distribution, trading and supply of electricity, as well as the rights and obligations of market participants. It defines the rules for the operation of the electricity system, the protection of customers, the promotion of competition and the integration of renewable energy sources. The purpose of the Act is to ensure a reliable, safe, sustainable and efficient supply of electricity in accordance with European legislation.	employees, expert services, management of HSE Group companies	ECE, Energija plus (P)

* I – Internal publication; P – Public publication.

Measures and procedures for cooperation with electricity customers and procedures for remedial measures[160]

Equal opportunities for access and information for end users and ensuring access to quality information

Procedures for cooperation with consumers, including mechanisms for implementing remedial measures, are established as an ongoing practice, independent of the occurrence of any negative impacts. They are intended to regularly monitor user experiences within everyday operations and to enable customers to express their views, opinions and any concerns. Within this framework, any impacts on consumers are also assessed. We assess awareness of the available communication channels, including those for implementing remedial measures, in terms of their accessibility and actual use by users, both through websites and during personal contact. Measures in the event of non-payment (e.g. additional reminders, instalment payment arrangements, cooperation with social work centres, humanitarian organisations and free counselling) are also aimed at enabling access to the basic energy service for all users and are carried out within the framework of regular operations.

Within the framework of our activities, we **respect the principle of non-discrimination** and ensure **equal treatment of all users.** In 2025, no serious issues or incidents related to human rights connected with end customers were reported.

Cooperation is based on the principles of **transparency, timely information provision and responsiveness**. Customers have at their disposal **clear and accessible communication channels** through which they can obtain information about conditions, prices, services and any changes. A multi-channel communication system is established, which includes web portals, telephone services, electronic and traditional mail, information offices, advice on energy solutions, a call centre and social networks. The information and responses that we receive in this way are taken into account in the appropriate shaping of business decisions or activities, with which we strengthen positive impacts and prevent negative impacts. In the supply of electricity, these are available e.g. through the regular publication of updated supply conditions and price lists, automated notification by SMS/email about changes in prices and conditions, survey assessments of customer satisfaction based on a call or email, an established system for monitoring the average response time to customer calls/emails, and internal training programmes for employees working with customers. Cooperation is carried out either directly with electricity consumers or through their representatives or associations (e.g. the Slovenian Consumers' Association), either regularly and continuously or in response to any requests.

The individual expert services or management bodies of the companies carrying out these activities are responsible for ensuring appropriate cooperation and its consideration in the company's approaches. The HSE Group's retail companies have established an internal and external system for identifying and ensuring energy

[160] ESRS S4-2 (18; 20; 20 a, AR 14; 20 b; 20 c; 20 d); ESRS S4-3 (23; 25 a; 25 b; AR 19; 25 c; 25 d; 26); S4-4 (28; 30; 31 a; 31 b 31 d; 32 c; 34; 35); ESRS 2 MDR-A (68 a; 68 b; 68 c).

inclusion, which operates directly on the basis of monthly monitoring of the number of consumer disconnections due to non-payment, agreements with consumers who have arranged a deferral of debt payment or payment in instalments, as well as the number of consumer referrals to social work centres and humanitarian organisations. The above is also reported annually to the Energy Agency. This also gives us insight into the views of vulnerable consumers. We monitor and assess the effectiveness of cooperation through successful cases of providing measures.

In addition to providing information, we also enable the simple and effective submission of complaints, questions or commendations, which are handled by the competent services. In accordance with the provisions of the Out-of-Court Settlement of Consumer Disputes Act, an out-of-court dispute resolution procedure has been established, which is conducted by an external and impartial person, further strengthening user protection. Within this framework, channels regarding the protection of whistleblowers are also available to all, as set out in Section *2.9.10 Business conduct*.

Targets[161]

At present, in the area of relations with consumers and end-users, we do not yet have formally defined, time-bound and measurable targets in accordance with the ESRS. Nevertheless, we focus on ensuring reliable, affordable and inclusive supply, transparent communication and the equal treatment of all users. We monitor the effectiveness of our measures in the manner described in Section *2.9.10 Consumers and end users – Measures and procedures for cooperation with electricity customers and procedures for remedial measures*. In future, we will strengthen data collection and establish measurable targets relating to access, information provision and the treatment of vulnerable groups, for more structured management and reporting.

[161] MDR-T (81 a; 81 b).

2.9.11 Business conduct (ESRS G1)

At the HSE Group, we strive for the highest standards of integrity, ethical conduct and transparency across all areas of our operations. We are aware of our responsibility to our stakeholders and to wider society, which is why we have established appropriate mechanisms for ensuring compliance with legislation, preventing corruption and protecting whistleblowers. Our operations are based on the code of business ethics, clear risk management systems and regular training for employees.

Impacts, risks and opportunities[162]

The table below describes our material impacts, risks and opportunities related to business conduct. A description of the procedure for identifying material impacts, risks and opportunities can be found in Section *2.9.5 Double materiality analysis*.

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Comprehensive system for preventing and detecting corruption, bribery, fraud and abuse			
A systematic approach to the prevention and detection of corruption, bribery, fraud and other abuse has been established, based on internal regulations, control mechanisms and a culture of zero tolerance towards unethical conduct. This approach contributes to transparent and lawful operations, reduces regulatory and financial risks, and strengthens the trust of employees, business partners and other stakeholders in the Group's operations.	Positive actual impact	Own activity	S, M, L

continues on the next page

[162] ESRS G1.IRO-1 (6).

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Comprehensive whistleblower protection system			
A comprehensive system for the protection of whistleblowers has been established, including confidential reporting channels, protective measures against retaliation and clear procedures for handling reports. The system encourages the detection and prevention of unethical conduct, strengthens a culture of integrity, increases the trust of employees and stakeholders, and contributes to reducing legal and financial risks.	Positive actual impact	Own activity	S, M, L
Promoting ethical business conduct and corporate culture			
We strive for a high level of ethical business conduct and the development of a corporate culture based on integrity, responsibility and compliance with legislation. Such an approach strengthens stakeholder trust, encourages employee engagement, reduces the risks of unethical conduct, and contributes to the long-term stability and reputation of the Group.	Positive actual impact	Own activity	S, M, L

continues on the next page

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk or opportunity	IRO in the value chain	Period
Risks of corruption, fraud and misuse of inside information			
The HSE Group recognises systemic risks related to corruption, fraud and the misuse of inside information, which are present in every larger business system. Despite the mechanisms established for preventing and detecting such conduct, these risks may affect the lawfulness and integrity of operations, cause material financial consequences (e.g. fines under the REMIT Regulation or other legislation) and negatively affect the reputation and trust of stakeholders.	Actual risk	Own activity	S, M, L

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

Business conduct policies and corporate culture[163]

Ethical business conduct and corporate culture in the HSE Group are based on an integrated management system, which in turn is based on the **HSE Group Code of Ethics**, which sets out the key values and principles guiding the conduct of all employees and business partners in accordance with moral, ethical and professional standards and generally accepted social values. On this basis, numerous internal policies and procedures have also been developed, along with the implementation of ISO standards (more on this in Section *2.9.3 Sustainable development management system – Due diligence statement*), which ensure a high level of business compliance. In their work in the area of business compliance, or in the areas of corporate culture, the prevention and detection of corruption and fraud, and whistleblower protection, the companies of the HSE Group also apply, in accordance with the comply-or-explain principle, the **Code of Ethics of the Slovenian Sovereign Holding** and the **Recommendations and Expectations of the Slovenian Sovereign Holding**.

[163] ESRS G1-1 (7; 9; 10 a; 10 c; 10 e; 10 g); MDR-P (65 a; 65 b; 65 c).

The policies in the area of business conduct and corporate culture are binding on all employees of the HSE Group, including the management bodies of companies, who are responsible for implementing the policies, and the supervisory bodies, which oversee the implementation of these policies. The documents are accessible to all employees on the intranet, while some of the more important umbrella documents are also available on the website.

Title	Description	Responsibility for implementation	Scope of application
HSE Group Code of Ethics	The HSE Group Code of Ethics sets out the fundamental principles and standards of ethical conduct applicable to employees and management in the performance of their work. It defines the expected conduct in the areas of integrity, conflict-of-interest prevention, compliance with legislation, responsible attitude towards colleagues, business partners and the environment, and establishes a framework for reporting and handling violations. The purpose of the Code is to strengthen a culture of honesty, responsibility and trust in the HSE Group.	employees, expert services, management of HSE Group companies	HSE Group (P)
Rules on handling reports of suspected irregularities and protecting whistleblowers	The rules set out the procedures for reporting, handling and investigating alleged breaches, as well as measures for protecting whistleblowers against retaliation. They define the competences of responsible persons, the methods for ensuring confidentiality and the protection of personal data, and ensure the safe and transparent handling of reports. The purpose of the rules is to strengthen integrity, ethical conduct and a culture of zero tolerance towards irregularities within the company.	employees, expert services, management of HSE Group companies	HSE Group (I)

continues on the next page

Title	Description	Responsibility for implementation	Scope of application
Corporate Governance Code for Companies with State Capital Investment	The Code sets out the principles, recommendations and expected practices for the effective, responsible and transparent governance of state-owned companies. It defines the roles and responsibilities of the management and supervisory bodies, the requirements regarding integrity, risk management, internal controls and the disclosure of information. The purpose of the Code is to ensure long-term value creation, the protection of the owner's interests and a high level of corporate governance in companies with state capital investment.	employees, expert services, management of HSE Group companies	HSE Group (P)
Recommendations and Expectations of the Slovenian Sovereign Holding	The recommendations and expectations represent the owner's guidelines regarding the governance, operations and reporting of companies with state capital investment. They define standards in the areas of corporate governance, integrity, risk management, sustainable operations, human resources policy and the disclosure of information. Their purpose is to ensure coordinated, responsible and long-term-oriented governance of companies in accordance with the interests of the Republic of Slovenia as the owner.	employees, expert services, management of HSE Group companies	HSE Group (P)

continues on the next page

Title	Description	Responsibility for implementation	Scope of application
Code of Ethics of the Slovenian Sovereign Holding	The Code of Ethics sets out the fundamental principles and values of responsible, lawful and transparent conduct of employees and management. It is aimed at strengthening integrity, preventing unethical conduct and corruption, and promoting trust, respect, professionalism and responsibility in relations with stakeholders.	employees, expert services, management of HSE Group companies	HSE Group (P)
Governance Policy of the HSE Company and Group	The Governance Policy of the HSE Company and Group sets out the fundamental principles of corporate governance of the controlling and subsidiary companies, as well as the division of competences between the management, the supervisory board and the founder. The policy defines the relationship with key stakeholders, the rules regarding transactions with related parties, the prevention of conflicts of interest, and the commitment to transparent, lawful and responsible operations. The purpose of the policy is to ensure coordinated, effective and sustainable governance of the HSE Group in the interest of the owner and other stakeholders.	employees, expert services, management of HSE Group companies	HSE Group (I, P)

continues on the next page

Title	Description	Responsibility for implementation	Scope of application
Corporate Governance Rules of the HSE Company and Group	The rules regulate the organisation, supervision and management of the companies and the HSE Group with the aim of establishing a unified system of rules, good practices and procedures. They define the roles and responsibilities of the management and supervisory bodies, the key holders of business processes, and the mechanisms for planning, reporting, supervision and coordination between the controlling company and the subsidiaries. The rules ensure the standardisation and harmonisation of operations, effective risk management, and transparent cooperation with stakeholders, with the aim of strengthening the responsible, sustainable and lawful operations of the entire HSE Group.	employees, expert services, management of HSE Group companies	HSE Group (I)
HSE Group Business Compliance Rules	The rules set out the purpose, objectives, principles and organisational framework of the business compliance system at HSE and its subsidiaries. They define the role of the business compliance function as an independent control function of the second line of defence, its competences, responsibilities, and the manner of planning and reporting to the management. The system is based on the preventive management of non-compliance risks, a clear division of responsibilities between business functions, internal controls, and the strengthening of lawful, fair and ethical conduct of all employees. The purpose of the rules is to reduce legal and reputational risks and to strengthen the integrity and transparency of the HSE Group's operations.	employees, expert services, management of HSE Group companies	HSE Group (I)

continues on the next page

Title	Description	Responsibility for implementation	Scope of application
Protocol on the implementation of the HSE Group's obligations in accordance with the REMIT Regulation	The protocol sets out the procedures, responsibilities and internal control mechanisms for ensuring the compliance of the HSE Group's operations on wholesale energy markets. It regulates the handling of inside information, the prohibition of insider trading and market manipulation, the registration obligations of market participants, the reporting of transactions to ACER, and the implementation of internal supervision and reporting.	employees, expert services, management of HSE Group companies	HSE, DEM, SENG (I)

* I – Internal publication; P – Public publication.

The procedures for handling reports of irregularities are set out in detail in the **Rules on handling reports of suspected irregularities and protecting whistleblowers**, which apply to all companies in the HSE Group and to all business partners. The objectives include reducing the risks of fraud, raising awareness among employees, providing education on recognising fraud, and protecting reputation and assets. The mechanisms for identifying, reporting and examining concerns regarding unlawful conduct or conduct contrary to the HSE Group Code of Ethics or other HSE Group policies and internal documents in this area, and the procedures for handling reports from external and internal stakeholders, are set out in more detail in the sections *2.9.11 Business conduct – Handling reports of irregularities in the HSE Group*[164] and *2.9.11 Business conduct – Prevention and detection of corruption and bribery in the HSE Group*[165]. We strive for a high level of ethical business conduct and the development of a corporate culture based on integrity, responsibility and compliance with legislation.

The business compliance and integrity system falls under the responsibility of the **HSE Business Compliance Department**, which is made up of experts in the relevant field who possess the required professional knowledge and regularly undergo education and further training in this area. The work of the department within the internal control system is defined by internal documents, with its principal task being the management of risks arising from non-compliance with legislation and internal documents at the level of the HSE Group. Its main subject areas include participation in the management of the internal control system, the prevention and detection of corruption and fraud, the implementation of the HSE Group Code of Ethics, the management of conflicts of interest, communication and reporting to

[164] ESRS G1-1 (7; 10 a, 10c (i, ii)).

[165] ESRS G1-1 (7, 10 e).

external institutions and supervisory bodies, the performance of tasks in the area of the REMIT, EMIR and MiFID II regulations, and the implementation of collective activities to strengthen compliance and integrity, including education that emphasises the importance of compliance, ethics and responsible conduct.

The management bodies of the HSE Group companies lead by example in supporting zero tolerance towards breaches, which, together with regular (annual) training on ethical conduct, corruption and bribery for all employees, management and supervisory bodies, as well as more in-depth and targeted training of individual groups of employees regarding specific risks (e.g. misuse of inside information), carried out by the Business Compliance Department, strengthens employees' awareness of the importance of the timely recognition and reporting of irregularities. In this way, we protect the Group's reputation and assets.[166]

In accordance with the HSE Group Code of Ethics and other policies, all employees, regardless of their organisational level or function, are informed about and receive regular training and awareness-raising on measures for preventing corruption. This approach stems from the principle of a comprehensive preventive culture of zero tolerance towards all forms of corrupt, unethical or unlawful conduct, which is why the measures for preventing corruption and bribery are implemented equally for all functions (all – i.e. 100% – are treated as the same risk). We currently carry out separate corruption risk assessments for individual processes, and in the coming years we will examine the possibilities for upgrading the internal assessment of these risks.[167]

In the individual companies of the HSE Group, confidential officers have been appointed for the area of handling reports of suspected irregularities. The Business Compliance Department, or another confidential officer to whom the report is assigned for handling, handles the report carefully, confidentially, independently and autonomously from the management chain involved in the matter, and is not bound by any instructions in the individual matter.

Such an approach strengthens stakeholder trust, encourages employee engagement, reduces the risks of unethical conduct, and contributes to the long-term stability and reputation of the Group. More on the development, promotion and monitoring of corporate culture among employees can be found in Section *2.9.8 Employees – Continuous development of knowledge and skills*.[168]

[166] ESRS G1-3 (21 c).

[167] ESRS G1-1 (7, 10 g, 10 h); ESRS G1-3 (16; 20; 21 a; 21 b; 21 c).

[168] ESRS G1-1 (7; 9, AR 1a, 1b, 1c, 1d).

Handling reports of irregularities in the HSE Group[169]

We handle alleged irregularities of all kinds effectively, impartially and with the highest level of integrity. The Business Compliance Department, which operates independently and ensures objectivity and confidentiality at all stages of the procedure, is responsible for establishing, implementing and supervising the procedures. The procedures are designed to prevent any influence from the decision-making chain or from potentially involved management personnel.

A secure and accessible internal reporting channel has been established for reporting irregularities, enabling whistleblowers – both internal and external stakeholders – to submit a report in several ways, namely in person, by telephone, in writing, by email or via an online form. If the whistleblower judges that internal reporting does not enable effective handling or that there is a risk of retaliation, they may also use external reporting channels.

All reports received, regardless of the manner or form, are received and verified by the HSE Business Compliance Department, which, when handling reports relating to the HSE company, the management or the Supervisory Board, conducts the entire procedure carefully, confidentially, autonomously and independently from the management chain. If the report relates to employees in subsidiaries of the HSE Group, the Business Compliance Department assigns it for handling to the confidential officers in those companies.

The procedure for handling reports is carried out in the following steps:

- receipt of the report – recording the received report in a secure system,
- examination of the report – initial assessment of eligibility and jurisdiction,
- handling of the report – carrying out an investigation or further measures,
- preparation of a statement – with findings and proposed measures,
- notification – of the whistleblower and the competent authorities about the outcome of the procedure.

On the basis of the findings, the confidential officer or the Business Compliance Department prepares a draft statement and submits it to the management of the HSE Group with appropriate measures and recommendations. Where necessary, the report is forwarded for handling to other competent services within the company. All procedures are also precisely defined in the internal Rules on handling reports of suspected irregularities and protecting whistleblowers in the HSE Group, which ensure clear rules for protecting whistleblowers, the confidentiality of the procedure and the effective handling of irregularities. An online form for

[169] ESRS G1-3 (16; 18 a; AR 5 – AR 6; 18 b; 18 c); G1-1 (10 c ii).

reporting irregularities in the HSE Group is also available to all potential whistleblowers, enabling everyone who is aware of any form of irregularity in any company of the HSE Group to submit an appropriate report, and containing information on the manner of reporting, the reporting and handling procedures for reports of irregularities, the conditions for exercising the right to protection, measures for protecting identity and confidentiality, protective and support measures, and the options for external reporting.

Reporting and supervision[170]

In the HSE Group, reporting and supervision are key elements of an effective compliance and risk management system. The confidential officers meet with the Business Compliance Department quarterly at meetings, where they report on any reports of irregularities handled.

At least once a quarter, the Business Compliance Department prepares regular reports for the HSE management, in which it presents the reports of breaches handled and the measures adopted, reports quarterly to the Audit Committee of the HSE Supervisory Board and to the Supervisory Board, and, where necessary, to the audit committees of companies within the HSE Group or to their Supervisory Boards. These reports include an overview of the systems and procedures established for the prevention and detection of fraud, as well as a summary of the findings from the regular reports. The competent confidential officer of the individual company participates in the preparation of reports for the audit committee of a subsidiary of the HSE Group. The expert knowledge of the administrative, management and supervisory bodies regarding business conduct matters is of key importance for the effective, lawful and ethical operation of the organisation. The management and supervisory bodies must meet standards of conduct and possess appropriate knowledge – in accordance with legislation (ZSDH-1, ZIntPK, ZGD-1). In doing so, they take into account good corporate governance practice from the reference SDH Code and the SDH Recommendations and Expectations. Continuous education is the duty of all members of the management and supervisory bodies.

In addition to monitoring reports, the Business Compliance Department regularly informs the risk management committee about identified risks, proposed improvements to internal controls and progress in implementing recommendations. Particular emphasis is placed on the detection of systemic risks and proposals for optimising processes.

By 1 February of the current year, the Business Compliance Department, in cooperation with the confidential officers, prepares an annual report for the previous year, which includes the number of reports received, the number of anonymous and substantiated reports, and the number of retaliation cases handled. This report is submitted to the Commission for the Prevention of Corruption (CPC) in accordance with statutory obligations. Such a system of reporting and supervision enables

[170] ESRS 2 G1.GOV-1 (5 a; 5 b); ESRS G1-3 (18 a; AR 5 – AR 6; 18 b; 18 c; 20), ESRS G1-4 (22; 24 a; 24 b).

a comprehensive overview of the operation of the mechanisms for detecting irregularities and ensures the transparency, effectiveness and reliability of the internal control procedures throughout the HSE Group.

Prevention and detection of corruption and bribery[171]

Zero tolerance towards all forms of bribery and corruption is in place at the HSE Group. To ensure that this commitment is respected, we have established several measures that enable us to successfully prevent, detect and handle any suspicions or cases of corruption and bribery. The procedures for handling reports of irregularities are set out in detail in Section *2.9.11 Business conduct – Handling reports of irregularities in the HSE Group.*

We also effectively identify and manage risks within our business activities through a thorough due diligence procedure, in the course of which we carry out counterparty checks (*know-your-counterparty – KYC*). This procedure includes assessing suppliers and other business partners regarding compliance with regulations on the prevention of bribery and corruption, sanctions, government lists of monitored entities, and negative media reports.

Within the framework of the risk management systems and the procurement and public procurement systems, we carry out thorough checks of all potential business partners, including a business review, a credit review and an assessment of risk indicators. The aim of the comprehensive review is to identify and manage potential risks in business cooperation and to prevent cooperation with high-risk partners or those for which there is a suspicion of a link to unlawful acts, such as, among others, fraud, corruption, financial fraud, money laundering and the financing of terrorism. The business review of a partner is based on a questionnaire for the initiator/owner of the business proposal and a KYC analysis, in which the risk is assessed on the basis of factors such as ownership, geographical area, length of operation and reputation on the market. The credit review is based on financial statements and credit rating reports and enables the partner to be classified into an appropriate internal credit rating class. The assessment of risk indicators includes verifying the data from the questionnaire and KYC, analysing publicly accessible and credible sources, identifying suspicious transactions, reviewing beneficial owners, assessing the partner's reputation, and checking sanctions and legal restrictions. In case of doubt, an additional expert opinion may also be obtained, whereby cooperation with a partner is unconditionally refused if it is on the list of sanctioned entities.

[171] ESRS G1-3 (18 a; AR 5 – AR 6; 18 b; 18 c).

Incidents involving corruption and bribery[172]

In 2025, the Business Compliance Department investigated 4 reports of alleged irregularities within the HSE Group, 3 of which related to the same case of carrying out an investment outlay. Up to the issue of the annual report, there were no confirmed cases of corruption and bribery, and in 2025 there were also no final convictions or sanctions of employees due to corruption and bribery. In accordance with internal rules, the HSE Business Compliance Department carried out supervision of the entire project of implementing the investment outlay with the aim of comprehensively and impartially establishing the actual state of affairs regarding any breaches in the course of the project's implementation, including alleged irregularities. In accordance with the competences of the HSE Supervisory Board and HSE management, an external contractor was also engaged to carry out a review of the investment implementation transaction, applying mutatis mutandis the rules on special audits under the ZGD-1. At the time of preparing this report, further activities are under way based on the external contractor's recommendations.

In 2024, the Compliance Department dealt with 11 reports of alleged irregularities within the HSE Group, of which 5 related to the company TEŠ or to the companies of the Premogovnik Velenje Group. Incidents relating to companies or employees of companies that were excluded from the HSE Group at the end of 2024 were no longer dealt with by HSE in 2025 and are not reported on.

Whistleblower protection[173]

Within the HSE Group, all companies implement the provisions of the UN Convention against Corruption and meet the requirements of the Whistleblower Protection Act (ZZPri), which transposes Directive (EU) 2019/1937 into the Slovenian legal order. The Rules on handling reports of suspected irregularities and protecting whistleblowers apply to all companies within the HSE Group and to all business partners. The objectives include reducing the risks of fraud, raising awareness among employees, providing education on recognising fraud, and protecting reputation and assets.

Employees of the HSE Group, including company management, are made aware of the importance of whistleblowing and its legal basis through training. Reporting suspected violations is not an activity with negative connotations (snitching, informing, tattling), but rather an act of loyalty to the individual company. Information on how to submit a report is set out in the internal acts of the HSE Group companies and is published on the website.

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[172] ESRS G1-4 (22; 24 a; 24 b; 26).

[173] ESRS G1-1 (10 c i, 10 c ii; 10 e).

Whistleblowers are entitled to protection against retaliatory measures if, on reasonable grounds, they believed that the reported information about violations was true at the time of reporting. A whistleblower is no longer entitled to protection if they submitted the report two years or more after the cessation of the violation.

The following protective and support measures are available to the whistleblower:

- judicial protection and interim orders in the event of retaliatory measures;
- free legal aid,
- unemployment benefit,
- psychological support.

The protective and support measures are defined in the Rules on handling reports of suspected irregularities and protecting whistleblowers in the HSE Group.

Objectives[174]

With the **HSE Group Sustainable Development Strategy**[175], which was adopted in 2025, we continue with activities of regular annual awareness-raising and training of management staff and employees on ethics, integrity, and business compliance, and with monitoring the effectiveness of handling complaint and reporting procedures.

Objectives	Indicator (KPI)	Short-term targets 2026	Medium-term targets 2028	Long-term targets 2020/2035
Raising awareness among management staff and employees about ethics, integrity, and business compliance	no. of training sessions/year	1 x per year	1 x per year	1 x per year
Appropriate handling of received reports of irregularities	share of appropriately handled reports (%)	100	100	100

[174] MDR-T (79, 80 a, 80 b, 80 c, 80 d, 80 e, 80 f, 80 h).

[175] A description of the HSE Group Sustainable Development Strategy, including the manner of stakeholder engagement, is in chapter 2.9.4 – Strategy, business models and value chain – HSE Group Sustainable Development Strategy.

2.9.12 Corporate security

Corporate security is key to ensuring the **resilience of the organisation** and the **uninterrupted performance of business processes** across all Group companies. Our activities are focused on **integrated management of security risks** that may affect **the safety of people**, **the protection of assets**, and **the stable and reliable operation of critical processes**.

Impacts, risks, and opportunities

The table below describes our material impacts, risks and opportunities related to business conduct. A description of the procedure for identifying material impacts, risks and opportunities can be found in Section *2.9.5 Double materiality analysis*.

Material sustainability impacts, risks and opportunities of the HSE Group	Impact, risk, or opportunity	IRO in the value chain	Period
Corporate security/physical asset protection			
Risk of physical security incidents at production facilities or business premises. Risks include the possibility of physical security incidents, such as unauthorised access, sabotage, infrastructure damage, or other events that may affect the availability and reliability of electricity production or business operations. Such events may cause direct damage to assets, production outages, increased remediation costs, and loss of revenue, and in certain cases also broader impacts on the operation of the energy system.	Actual risk	Own activity	S, M, L

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

Policies[176]

A **uniform corporate security management framework** has been established at Group level. This includes the **integrated security system of the HSE Group**, which, together with numerous internal and implementing acts and instructions, ensures effective management of the impacts and risks of corporate security and

[176] MDR-P (65 a, 65 b, 65 c).

asset management. It includes overarching guidelines as well as more detailed procedures for the protection of facilities, access control, technical security, and responding to security incidents, as well as ensuring uninterrupted operation. We also incorporate asset protection requirements into cooperation with external contractors and suppliers, who must meet the prescribed security standards and contractual obligations.

Within the framework of the **integrated security system**, we plan, implement, and upgrade measures in the area of physical, technical, and organisational security, and effectively connect security subsystems such as video surveillance, physical and technical security, fire safety, and information security. We place particular emphasis on a preventive approach, regular risk assessment, monitoring of security events, and management of vulnerabilities, thereby strengthening the system's resilience to disruptions, emergency events, and crisis situations. The company management and the competent security functions are responsible for implementing the corporate security system.

HSE Group policies in the area of corporate security

Title	Description	Responsibility for implementation	Scope of application
Corporate security of the HSE Group	The HSE Group's systemic corporate security regulation establishes a uniform framework for ensuring a high level of security and reducing risks in the areas of physical, technical, and business security. It includes measures to protect employees, facilities, processes, and information, and ensures the coordinated implementation of security procedures in accordance with the guidelines of the Corporate Security Department. It applies to all processes, activities, and stakeholders related to the operation of HSE. This means that it concerns all employees, organisational units, affiliated companies within the HSE Group, as well as internal and external partners (e.g. suppliers, security contractors) who participate in ensuring security or may affect the security of operations.	employees, expert services, management of HSE Group companies	HSE Group (I)

Title	Description	Responsibility for implementation	Scope of application
ISO 55001 Asset management system	An international standard for asset management systems, which sets out the requirements for the establishment, implementation, maintenance, and continuous improvement of an asset management system. The standard is based on an asset lifecycle approach and on risk management, with the aim of creating value from assets while simultaneously ensuring compliance, safety, reliability, and the long-term financial sustainability of the organisation.	employees, expert services, management of HSE Group companies	HSE Group (P)
HSE Group asset management policy	The policy sets out the principles and guidelines for the effective, safe, and sustainable management of physical assets throughout their entire lifecycle. It is based on balancing risks, costs, investments, and expected efficiency and effectiveness, taking into account the economic, social, and environmental aspects of sustainable business operations. Through its established asset management system, the HSE Group ensures compliance with legislation and international standards (in particular ISO 55001), makes decisions based on an assessment of lifecycle costs, risks, and opportunities, promotes reliability-oriented maintenance and the digitalisation of processes, and ensures appropriate resources, competences, and continuous improvement. The objective of the policy is the long-term creation of value from assets while ensuring operational safety and the reliable and high-quality supply of electricity to customers.	employees, expert services, management of HSE Group companies	HSE Group (I)

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Title	Description	Responsibility for implementation	Scope of application
Rules on the business continuity management policy in the controlling and production companies of the HSE Group	The business continuity management system policy defines the framework for ensuring the uninterrupted operation of HSE Group companies by establishing the key concepts of business continuity management, the strategy, and its components, including the business continuity plan and its constituent elements.	employees, expert services, management of HSE Group companies	HSE Group (I)
HSE Group Sustainable Development Strategy	The HSE Group Sustainable Development Strategy in the area of corporate security emphasises ensuring a high level of protection for key assets, processes, and information in an increasingly complex energy environment. A comprehensive security system has been established, encompassing physical, technical, information, and cyber protection, with the aim of increasing resilience and reducing security risks. Particular emphasis is placed on regular risk assessment, rapid detection of and response to incidents, and the continuous improvement of security systems in accordance with legislation and international standards (e.g. ISO 27001). An important element is also the strengthening of security culture through regular employee training and cooperation with state institutions and professional organisations, which contributes to comprehensive security and stakeholder trust.	employees, expert services, management of HSE Group companies	HSE Group (I, P)

* I – Internal publication; P – Public publication.

Measures[177]

The management of production resource security is based on a preventive approach, which includes the systematic identification of risks, assessment of vulnerabilities, and implementation of appropriate protective measures. The key objective is to prevent security incidents and to limit their consequences for operations and the reliability of the electricity supply.

To achieve these objectives, we implement a combination of organisational and technical measures. Organisational measures include risk assessment, the definition of responsibilities, employee training, updating security plans, and cooperation with external institutions (e.g. the police, civil protection). Technical measures comprise physical protection of facilities, access control, video surveillance systems, technical security solutions, and systems for detecting and managing incidents.

We monitor the effectiveness of security management using internal indicators, such as the number of security events, response times, and the success of incident handling. Monitoring is carried out regularly, and the findings are used for the continuous improvement of the security system. Owing to the changing security environment and the importance of energy infrastructure, the approach is based on continuous improvement, compliance with regulatory requirements, and the introduction of good practices, with the aim of ensuring the safe, reliable, and uninterrupted operation of production resources.

Business continuity system

An important milestone in 2025 is the **successful introduction of the business continuity management system (BCMS)** in the companies HSE, DEM, and SENG, which ensures a structured and coordinated response to disruptions and enables the rapid restoration of key business and production processes. We have improved the ability to recover quickly from unexpected events and ensured lasting reliability in electricity production. In 2026, we plan to introduce the business continuity management system in the companies ECE and Energija plus as well, thereby further strengthening the HSE Group's preparedness for unforeseen events and ensuring the conditions for uninterrupted and continuous electricity production.[178]

In our work, we **cooperate closely with external institutions and competent authorities and ensure the continuous alignment of security and BCMS solutions with legislative and regulatory requirements** (the Private Security Act, the Regulation on the Mandatory Organisation of Security, the Critical

[177] MDR-A (66, 68 a, 68 b, 68 c).

[178] MDR-T (81 a, 81 b).

Infrastructure Act, the Information Security Act, etc.). At the same time, we **strengthen the security culture among employees**, which represents an important foundation for the long-term resilience and sustainable operation of the HSE Group.

Protection of production resources

We implement a **systematic and comprehensive approach to improving the security of production resources and protecting critical energy infrastructure**. We direct measures towards the continuous upgrading of physical and technical security systems, the modernisation of security equipment, and the strengthening of information and cyber security across all HSE Group companies. Such an integrated approach enables the effective management of security risks and increases the resilience of key production and support systems.

Within the framework of the strategy of integration and coordinated operation, we actively **cooperate with key stakeholders** such as ELES, the Ministry of Infrastructure, and related organisations, as well as with relevant state authorities and institutions (the Police, the Ministry of Defence, the Administration of the Republic of Slovenia for Civil Protection and Disaster Relief, the Slovenian Intelligence and Security Agency, SI-CERT, etc.). The purpose of this cooperation is the exchange of information, the coordination of procedures, and the joint upgrading of security measures, whereby we strengthen preparedness to address security and cyber threats and ensure uninterrupted operation and reliable electricity production.

An important technical measure for ensuring uninterrupted operation is the establishment of redundant communication paths via the state radio network, which is based on the Digital Mobile Radio (DMR) system and the radio system of Civil Protection and Disaster Relief of the Republic of Slovenia (ZARE). The solution enables reliable voice communication between key stakeholders of the HSE Group, even in the event of a cyberattack on information systems or an outage of fixed and mobile telecommunications networks. Communication resilience is key to the coordinated management of processes, crisis response, and maintaining the uninterrupted operation of energy facilities.

Cyber and digital security

In cooperation with the Information Technology Department, we ensure the stable, secure, and highly available operation of **technical security systems** (more in the chapter *2.9.13 Cyber security and digitalisation*). The management of security solutions is based on the **integration of physical security systems with information and network platforms**, with the central role played by a **centralised operational control system** (the Genetec environment). This enables unified control over video surveillance systems, access control, and other security subsystems, as well as effective connection with protected areas and facilities.

The cooperation of both departments brings numerous benefits in the area of information security, such as **better protection against cyber threats**, **faster detection of and response** to security incidents, **better integration of security systems**, and **increased resilience** of the technical security system infrastructure against potential attacks. Joint operation enables the proactive management of security risks and ensures a high level of protection for critical systems and data.

Objectives[179]

At present, the HSE Group does not yet have formally adopted, time-bound, and quantified targets that fully meet the criteria for reporting under the ESRS. In the coming period as well, we will operate on the basis of comprehensive and proactive management of security risks, which includes regular assessments of the threat, vulnerability, and exposure of critical processes. Based on the analyses carried out, we will systematically plan and implement technical, organisational, and preventive measures to reduce security risks and strengthen the resilience of the entire security system. In parallel, we will continue upgrading security processes and the integrated security system in the HSE Group companies. Activities will be directed towards the further integration of physical, technical, information, and organisational security, the strengthening of preventive measures to reduce damaging events, and the limitation of potential business and financial consequences. Particular attention will be paid to the development and consolidation of a security culture at all organisational levels.

In 2026, we will place particular emphasis on testing and introducing advanced solutions for detecting and managing modern security threats, which will enable improved situational awareness, faster detection of anomalies, and a more effective response to security incidents. Through the consistent implementation of planned activities, in 2026 we will continue to ensure a high level of security and make a significant contribution to the stable, secure, and uninterrupted operation of the HSE Group companies. In doing so, we will create a reliable foundation for uninterrupted electricity production and achieve high standards of resilience and sustainable operation.

[179] MDR-T (81 a, 81 b).

2.9.13 Cyber security and digitalisation

In the energy sector, cyber or information security represents a key pillar of reliable operation, as it directly affects the uninterrupted supply of energy, the protection of critical infrastructure, and the safeguarding of sensitive data. Owing to increasing digitalisation, the interconnection of systems, and rising risks, a comprehensive approach to security management is essential for maintaining resilience, stakeholder trust, and the long-term stability of operations.

Impacts, risks, and opportunities

The table below describes our material impacts, risks and opportunities related to business conduct. A description of the procedure for identifying material impacts, risks and opportunities can be found in Section *2.9.5 Double materiality analysis*.

Material sustainability impacts, risks, and opportunities of the HSE Group	Impact, risk, or opportunity	IRO in the value chain	Period
Cyber security			
Risk of cyberattacks or disruptions in information systems, which may cause an interruption or limitation of operations, costs of restoring operation, loss of revenue, and potential damage claims and regulatory sanctions due to breaches of data protection or the unavailability of services.	Actual risk	Own activity	S, M, L

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

Policies[180]

A **uniform cyber security management framework** has been established at Group level, for which the management is responsible. This includes the overarching **Information Security Management Policy** and more detailed security guidelines that govern the areas of information protection, access management, detection of

[180] MDR-P (65 a, 65 b, 65 c).

and response to incidents, and ensuring business continuity. We also incorporate cyber security requirements into relationships with suppliers, who must meet the relevant standards and contractual obligations, in accordance with applicable regulations (e.g. ZInfV-1, GDPR, ISO/IEC 27001).

Title	Description	Responsibility for implementation	Scope of application
ISO 27001 Information security management system	An international standard for information security management systems (ISMS), which sets out the requirements for the establishment, implementation, maintenance, and continuous improvement of an information protection system. It is based on a risk management approach and provides a structured framework for protecting the confidentiality, integrity, and availability of information, taking into account the legislative, contractual, and business requirements of the organisation.	employees, expert services, management of HSE Group companies	HSE Group (P)
HSE Group information security management policy	The policy sets out the commitments and guidelines for protecting the confidentiality, integrity, and availability of information and data. It is based on the established information security management system in accordance with the ISO/IEC 27001 standard, which ensures the systematic management of information risks, continuous monitoring, and the continuous improvement of security controls. The HSE Group ensures the physical, logical, and environmental protection of information, compliance with legislation and contractual requirements, incident management, business continuity, and the regular awareness-raising and training of employees and external contractors. The purpose of the policy is to reduce security risks and ensure reliable and secure support for business processes in accordance with the strategic guidelines of the HSE Group.	employees, expert services, management of HSE Group companies	HSE Group (I)

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Title	Description	Responsibility for implementation	Scope of application
ISO 55001 Asset management system	An international standard for asset management systems, which sets out the requirements for the establishment, implementation, maintenance, and continuous improvement of an asset management system. The standard is based on an asset lifecycle approach and on risk management, with the aim of creating value from assets while simultaneously ensuring compliance, safety, reliability, and the long-term financial sustainability of the organisation.	employees, expert services, management of HSE Group companies	HSE Group (P)
HSE Group asset management policy	The policy sets out the principles and guidelines for the effective, safe, and sustainable management of physical assets throughout their entire lifecycle. It is based on balancing risks, costs, investments, and expected efficiency and effectiveness, taking into account the economic, social, and environmental aspects of sustainable business operations. Through its established asset management system, the HSE Group ensures compliance with legislation and international standards (in particular ISO 55001), makes decisions based on an assessment of lifecycle costs, risks, and opportunities, promotes reliability-oriented maintenance and the digitalisation of processes, and ensures appropriate resources, competences, and continuous improvement. The objective of the policy is the long-term creation of value from assets while ensuring operational safety and the reliable and high-quality supply of electricity to customers.	employees, expert services, management of HSE Group companies	HSE Group (I)

continues on the next page

Title	Description	Responsibility for implementation	Scope of application
HSE Group Sustainable Development Strategy	The HSE Group Sustainable Development Strategy in the area of corporate security emphasises ensuring a high level of protection for key assets, processes, and information in an increasingly complex energy environment. A comprehensive security system has been established, encompassing physical, technical, information, and cyber protection, with the aim of increasing resilience and reducing security risks.	employees, expert services, management of HSE Group companies	HSE Group (I, P)

* I – Internal publication; P – Public publication.

Measures[181]

Cyber, information and digital security

Cyber security management is based on a **preventive approach**, which involves embedding security principles in all phases of the information systems' lifecycle, i.e. from design and implementation to use and maintenance. The key objective is to reduce the likelihood of security incidents occurring and to limit their impact on operations.

To achieve these objectives, we implement a combination of **organisational** and **technical measures**. Organisational measures include regular (quarterly) risk assessments and, where necessary, updates to policies and plans (e.g. business continuity and incident response), defining responsibilities, monitoring compliance with legislation, and raising employee awareness of current threats. Technical measures encompass access control, data protection, monitoring of security events, the use of advanced protection mechanisms, and the upgrading of systems in line with the evolution of threats and good practice. We carry out activities to raise employee awareness of cyber and information security.

[181] MDR-A (68 a, 68 b, 68 c).

In 2025, we carried out numerous **upgrades to solutions for the detection and management of security events** (SIEM, SOC)[182], strengthened identity management procedures (IAM), prepared a gap/fit analysis of compliance with the ZInfV-1 (Information Security Act), set up an implementation project for compliance, conducted several penetration tests, incorporated rules on the use of artificial intelligence into our policies, and introduced additional protection measures in the network, user and server environments. We placed particular emphasis on **supply chain security** (we introduced a tool for monitoring the information security level of suppliers) and on strengthening cooperation with external partners, with whom we are continuing to carry out all activities for compliance with the Information Security Act (ZInfV-1).

In 2025, the HSE Group recorded no security incidents that caused notable problems or business damage. Individual security events and attempted abuses were detected in good time and handled in accordance with the established procedures. We carried out additional improvements to security policies, technical controls and employee awareness, which further strengthens the organisation's resilience.

Introduction of key information solutions

The year 2025 was marked by the further introduction and consolidation of the HSE Group's core information solutions, which form the backbone of day-to-day operations and enable greater transparency, efficiency and reliability of the Group's operations. In the area of core business systems, the emphasis was on the development and upgrading of the ERP environment, which supports key financial, human resources and support processes. The upgrades and adjustments carried out simplified procedures in companies focused on working with end customers and contributed to greater standardisation of key tools across the Group. We strengthened the team that develops and supports energy trading and implemented a range of improvements that support trading, reporting and analytics. In doing so, we established a stable basis for the further development of new products and services.

Renovations, improvements, optimisations and digitalisation

In the area of customer relationship management, we continued to introduce modern CRM solutions that support sales and service processes and improve the user experience. The solutions enable a better overview of interactions with customers, support for new sales products, and greater operational flexibility. We upgraded the document management system and carried out activities to establish long-term electronic archiving compliant with legislative and regulatory requirements, thereby strengthening the transparency, traceability and secure management of business documentation. In the area of working time management, human

[182] SIEM – Security Information and Event Management. SOC – Security Operations Centre.

resources and support processes, we introduced or upgraded solutions for greater automation, the standardisation of procedures and improved support for employees throughout the Group.

We also began designing a comprehensive data platform that, in the coming years, will better connect data from production, trading, sales and support systems.

Owing to rapid technological development, including digitalisation, artificial intelligence and connected devices, the field of information and cyber security remains dynamic and requires constant adaptation. Our approach is based on continuous improvement, compliance with regulatory requirements and the adoption of good practice, with the aim of ensuring a secure and reliable digital environment.

To ensure an appropriate level of information and cyber security, financial, human and other resources were provided in 2025.

Objectives[183]

In the coming period, we will continue to develop information technology as one of the key pillars supporting operations and the achievement of the Group's strategic objectives. The focus remains on the **stabilisation and standardisation of information solutions**, **strengthening cyber resilience** and **the gradual upgrading of core business systems**. Particular emphasis will be placed on developing data capabilities and the efficient use of data, which are becoming an increasingly important factor in managing production, trading and services for end customers. We will introduce new digital solutions prudently and gradually, with a clear emphasis on security, compliance and genuine added value for the business. Informatisation will remain closely linked to the needs of business functions and supported by the appropriate competences of employees.

We monitor the effectiveness of information and cyber security management using internal indicators such as the number of detected incidents, security events handled and response times. Monitoring is carried out regularly, and the findings are used for the continuous improvement of the management system.

With the **HSE Group Sustainable Development Strategy**[184], adopted in 2025, we are continuing the activities of regular annual awareness-raising and training for management staff and employees on cyber security.

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[183] MDR-T (79, 80 a, 80 b, 80 c, 80 d, 80 e, 80 f, 80 h; 80 j)

[184] A description of the HSE Group Sustainable Development Strategy, including the manner of stakeholder engagement, is in chapter 2.9.4 – Strategy, business models and value chain – HSE Group Sustainable Development Strategy.

Objectives	Indicator (KPI)	Short-term objectives 2026	Medium-term objectives 2028	Long-term objectives 2020/2035
Raising awareness of cyber security among management staff and employees	no. of training sessions/year	1 x per year	1 x per year	1 x per year

3 FINANCIAL REPORT OF THE HSE GROUP

BOOSTING HIGH-FLYING GOALS

Outstanding results require outstanding preparation. Just as the achievements of our athletes are the result of hard work, our financial stability is the result of process optimisation and careful portfolio management. The consolidated financial statements reflect the capital fitness necessary to realise the planned investments and represent a firm springboard for an accelerated transition to green



3.1 Auditor's report for the HSE Group

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

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of the company HOLDING SLOVENSKE ELEKTRARNE d.o.o. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities (EU Regulation). Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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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Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from the sale of electricity

Key audit matter	*How our audit addressed the key audit matter*
In the consolidated profit or loss statement for the year ended 31 December 2025, the Group recognized revenue from contracts with customers in the amount of EUR 3,124,988 thousand, of which EUR 2,890,690 thousand relates to the sale of electricity. More detailed disclosures are provided in the chapter *Revenue from Contracts with Customers* under *Significant Accounting Policies* and in Note 3.5.3 *Significant Accounting Policies*. As explained in the chapter *Revenue from Contracts with Customers* under *Significant Accounting Policies*, revenue from the sale of electricity is recognized at the point in time when the Group satisfies a performance obligation, i.e., when the electricity is transferred to the customer. Revenue from contracts with customers is one of the key indicators of the Group's business performance. Due to the materiality of this item in the financial statements, we identified this area as a key audit matter.	As part of our audit procedures, we assessed the appropriateness of the accounting policies related to revenue recognition from contracts with customers and their compliance with IFRS 15, and we performed the following audit procedures: • evaluated the design and implementation of internal controls related to revenue recognition, focusing on the appropriateness of revenue recording; • tested the operating effectiveness of identified internal controls in the area of electricity trading revenue, which we considered significant from an audit perspective; • performed detailed testing, based on a selected sample, to assess the appropriateness of recognized revenue; at the consolidated financial statement level, this included testing revenue from electricity trading and revenue from the sale of electricity to end customers. We also reviewed the information disclosed in the financial statements to assess whether the disclosures related to revenue from contracts with customers are appropriate.

Other information
Management is responsible for the other information. The other information comprises the information included in Annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained other information prior to the date of the auditor's report, except for the supervisory board report, which will be available later.

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

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

- Other information is, in all material respects, consistent with the audited consolidated financial statements;
- Other information, except sustainability report on which we issued separate limited assurance report dated 29 May 2026, 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 Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

Confirmation to the Audit Committee

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

Prohibited Services

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

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

Appointment of the Auditor and responsible certified auditor
Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company and the Group on General Shareholders' Meeting held on 15 September 2025, while the president of the Supervisory Board signed the audit contract on 28 October 2025. The audit contract was signed for three years. Our total uninterrupted engagement as statutory auditors has lasted since 30 September 2019.

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

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

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 29 May 2026

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

3.2 Statement of Management's responsibility

The Management is responsible for preparing the consolidated financial statements for each financial year in accordance with the International Financial Reporting Standards as adopted by the European Union and applicable legislation, in such a way that they present a true and fair view of the operations of the HSE Group.

The Management has a reasonable expectation that the HSE Group will have adequate resources to continue its operations in the near future, and the consolidated financial statements have therefore been prepared on the going concern basis.

The Management's responsibility in the preparation of the consolidated financial statements is to ensure that:

- accounting policies are appropriately selected and consistently applied,
- judgements and estimates are reasonable and prudent.

The Management is responsible for keeping appropriate records that, at any time, reflect with reasonable accuracy the financial position of the HSE Group and for ensuring that the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards. The Management is also responsible for safeguarding the assets of the HSE Group and for preventing and detecting fraud and other irregularities.

The Management confirms that the consolidated financial statements of the HSE Group for the financial year 2025 have been prepared in accordance with the provisions of the International Financial Reporting Standards as adopted by the European Union and other relevant legislation.

The Management adopted the consolidated financial statements of the HSE Group for the financial year ended 31 December 2025 on 29 May 2026.

Ljubljana, 29 May 2026

Uroš Podobnik
CBO of HSE



Dr. Tomaž Štokelj
CEO of HSE



3.3 Introductory notes to the preparation of the consolidated financial statements

The consolidated financial report comprises the consolidated financial statements of the HSE Group, together with notes to the statements.

Pursuant to the decision of the Slovenian Sovereign Holding of 29 November 2010, then acting as the founder's representative, the HSE Group has, since 1 January 2011, prepared its consolidated financial statements and explanatory notes in accordance with the International Financial Reporting Standards as adopted by the European Union.

The audit firm Deloitte revizija, d.o.o. audited the consolidated financial statements with explanatory notes and prepared the independent auditor's report, which is included at the beginning of the chapter.

3.4 Consolidated financial statements

3.4.1 Consolidated statement of financial position

Consolidated statement of financial position (in EUR)	Explanatory note	31/12/2025	31/12/2024
ASSETS		**1,551,821,001**	**1,694,968,420**
A. NON-CURRENT ASSETS		**810,009,152**	**790,645,536**
I. Intangible assets	1	26,263,670	28,428,516
II. Property, plant and equipment	2	556,826,324	554,255,622
III. Right of use assets	3	4,879,698	5,973,220
IV. Investment property	4	1,564,010	122,397
VI. Other financial investments and loans	5	148,065,291	146,222,972
VII. Operating receivables	6	23,434,233	12,372,122
VIII. Other assets		166,505	185,753
IX. Deferred tax receivables	7	48,809,421	43,084,934
B. CURRENT ASSETS		**741,811,849**	**904,322,884**
II. Inventories	8	24,692,392	3,215,954
III. Financial investments and loans	9	30,014,619	4,501,460
IV. Current trade receivables	10	296,868,183	365,806,705
V. Contract assets	11	2,116,089	663,305
VI. Current tax receivables	32	1,675,791	47,942,974
VII. Other assets	12	71,666,882	110,468,315
VIII. Cash and cash equivalents	13	314,777,893	371,724,171

Consolidated statement of financial position (in EUR)	Explanatory note	31/12/2025	31/12/2024
EQUITY AND LIABILITIES		**1,551,821,001**	**1,694,968,420**
A. EQUITY	14	**1,244,460,444**	**1,143,641,965**
I. Called-up capital		29,558,788	29,558,788
II. Capital reserves		561,243,182	561,243,182
III. Reserves from protif		7,152,384	7,152,384
IV. Risk hedging reserve		1,427,250	-6,014,837
V. Fair value reserves		-871,852	-6,490,475
VI. Retained profit/loss		644,889,742	557,346,439
VII. Translation reserve		-91,360	-100,981
VIII. Capital of owners of non-controlling shares		1,152,311	947,465
B. NON-CURENT LIABILITIES		**20,034,780**	**168,220,262**
I. Provisions for severance pays and anniversary boı	15	8,592,330	8,654,975
II. Other provisions	16	2,285,768	2,250,417
III. Other liabilities	17	2,561,538	3,303,788
IV. Financial liabilities	18	3,201,819	149,844,930
V. Financial liabilities from leases	18	3,280,876	4,056,441
VI. Operating liabilities		112,449	101,526
VII. Deferred tax liabilities	7	0	8,185
C. CURRENT LIABILITIES		**287,325,777**	**383,106,193**
II. Financial liabilities	19	590,530	44,824,285
III. Financial liabilities from leases	19	1,247,551	1,416,828
IV. Operating liabilities	20	203,544,679	245,910,439
V. Contract liabilities		161,567	115,026
VI. Current tax liabilities	32	29,183,675	1,158,987
VII. Other liabilities	21	52,597,775	89,680,628

continued

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

3.4.2 Consolidated income statement

Consolidated income statement (in EUR)	Explanatory note	2025	2024
1. Net sales revenues	23	3,124,988,072	3,001,723,806
2. Change in value of product inventories and work in progress		-11,957	121,446
3. Other operating income	24	35,057,361	22,450,750
GROSS OPERATING INCOME		**3,160,033,476**	**3,024,296,002**
4. Costs of goods, materials and services	25	2,706,437,275	2,373,992,370
5. Labour costs	26	71,801,684	66,125,394
6. Value write-offs	27	41,616,012	43,637,024
7. Capitalised own products and services	28	-12,211,469	-10,357,107
8. Other operating expenses	29	69,864,098	123,100,527
OPERATING PROFIT/LOSS		**282,525,876**	**427,797,794**
9. Financial revenue		5,763,914	5,921,941
a) financial revenue from equity interests		10,775	6,734
b) financial revenue from loans and deposits given		5,753,139	5,915,207
10. Financial expenses		5,577,785	30,504,663
a) financial expenses from financial liabilities		4,164,745	11,784,507
b) financial expenses from other liabilities		1,413,040	18,720,156
FINANCIAL OUTCOME	30	**186,129**	**-24,582,722**
11. Shares in affiliated and jointly-controlled companies	31	1,815,482	1,471,550
PROFIT (LOSS) BEFORE TAX		**284,527,487**	**404,686,622**
TAX	32	**26,642,364**	**-36,049,872**
12. Current tax		32,390,108	5,370,013
13. Deferred tax		-5,747,744	-41,419,885
NET PROFIT/LOSS OF CONTINUING OPERATIONS		**257,885,123**	**440,736,494**
NET PROFIT/LOSS OF DISCONTINUED OPERATIONS		**0**	**-207,970,186**
TOTAL NET PROFIT/LOSS FOR THE YEAR		**257,885,123**	**232,766,308**
Owner of parent company		257,679,486	232,633,719
Non-controlling interest		205,638	132,589

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

3.4.3 Consolidated statement of other comprehensive income

Consolidated statement of other comprehensive income (in EUR)	Explanatory note	2025	2024
Net profit/loss for the year		**257,885,123**	**232,766,308**
Change in fair value reserves for real property, plant and equipment		0	-19,122
- continuing operations		0	0
- discontinued operations		0	-19,122
Actuarial profits and losses of programmes with certain income of employees		428,966	-338,274
- continuing operations		428,966	47,867
- discontinued operations		0	-386,141
Gains and losses arising from the translation of the financial statements of foreign companies		9,623	39,940
Items that will subsequently not be included in the income statement	14	**438,589**	**-317,456**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss		22	-513,636
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows		7,442,065	74,320
Change in reserve for fair value of financial assets via other comprehensive income		56,893	14,739
Items that will subsequently be included in the income statement	14	**7,498,980**	**-424,577**
Total comprehensive income for the reporting period		**265,822,692**	**232,024,275**
Owner of parent company		265,617,847	231,891,664
Non-controlling interest		204,845	132,611

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

3.4.4 Consolidated cash flow statement

Consolidated cash flow statement (in EUR)	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss	257,885,123	232,766,308
Adjustments for:		
Depreciation of property, plant and equipment, investment property and rights to use assets	33,019,401	98,502,024
Impairments/write-offs, sales of real property, plant and equipment, intangible assets and investment property	7,770,608	232,493,793
Write-offs of inventories	67,338	2,959,572
Operating receivables write-offs	758,665	11,343,655
Elimination of operating receivables write-off/impairment	-321,458	-472,217
Financial revenue	-5,763,914	-5,933,753
Financial expenses	5,577,785	44,607,836
Shares in affiliated and jointly-controlled companies	-1,815,482	-1,471,550
Profit from sale of property, plant and equipment	-808,408	-1,881,624
Taxes	26,642,364	-35,566,394
Operating profit before changes in net current assets and taxes	**323,012,022**	**577,347,650**
Changes in net current assets and provisions		
Change in:		
Inventories	-21,543,776	113,170,186
Trade receivables and other assets	94,807,101	316,836,277
Operating liabilities to suppliers and other liabilities	-42,895,294	65,493,597
Assets held for sale	0	7,400
Provisions	327,848	-90,950,234
Profit tax paid	41,901,763	-95,009,122
Cash from operations	**395,609,664**	**886,895,754**

continued

Consolidated cash flow statement (in EUR)	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	5,738,874	5,926,464
Remuneration from other financing	1,053	267
Dividends received	10,775	6,734
Proceeds from sale of property, plant and equipment	1,426,668	2,379,870
Proceeds from sales of investment property	0	898,605
Proceeds from reduction of current loans given	34,851,096	14,901,050
Acquisitions of property, plant and equipment	-36,407,196	-68,326,608
Acquisitions of intangible assets	-32,926,531	-95,093,646
Acquisitions of investment property	-1,564,010	-148,859
Acquisitions of subsidiaries without acquired financial assets	0	-10,925,074
Acquisitions of leases	-2,177,918	-2,639,226
Payments for increase of current loans given	-60,364,389	-19,127,585
Payments for increase of non-current loans given	0	-686
Cash from investment	**-91,411,578**	**-172,148,694**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from leases	2,568,561	2,502,272
Proceeds from non-current loans received	2,046,600	1,150,000
Proceeds from current loans received	41,900,000	52,000,000
Returns of capital reserves	0	-150,000,000
Payments of loan interest	-4,166,214	-20,972,853
Payments of other financial liabilities	-1,454,736	-23,767,921
Payments of non-current loans	-191,380,273	-107,653,686
Payments of current loans	-43,400,000	-65,500,000
Payment of other current financial liabilities	-2,258,302	-2,283,900
Payments of dividends	-165,000,000	-100,000,000
Cash from financing	**-361,144,364**	**-414,526,088**
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	**371,724,172**	**111,284,259**
Financial result in the period	-56,946,278	300,220,972
Cash and cash equivalents from discontinued operations	0	-39,781,059
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**314,777,893**	**371,724,172**

3.4.5 Consolidated statement of changes in equity

	CALLED-UP CAPITAL	RESERVE FROM PROFIT				RETAINED PROFIT/LOSS				
Consolidated statement of changes in equity (in EUR)	Share capital	CAPIRAL RESERVES	Other profit reserves	RISK HEDGING RESERVE	FAIR VALUE RESERVES	Retained net earnings	Net profit/loss for the year	TRANSLATION RESERVE	EQUITY OF MINORITY OWNERS	Total
Balance as at 1/1/2024	**29,558,788**	**711,243,182**	**0**	**-5,575,521**	**-12,924,886**	**399,693,658**	**29,166,276**	**-153,249**	**22,316,331**	**1,173,324,578**
B.1. Transactions with owners	**0**	**-150,000,000**	**3,014,442**	**0**	**0**	**-100,000,000**	**0**	**0**	**0**	**-246,985,558**
Disbursement of dividends	0	0	0	0	0	-100,000,000	0		0	-100,000,000
Return of capital	0	-150,000,000	0	0	0	0	0	0	0	-150,000,000
Other changes in equity	0	0	3,014,442	0	0	0	0	0	0	3,014,442
B.2. Changes in total comprehensive income	**0**	**0**	**0**	**-439,316**	**-342,657**	**0**	**232,633,719**	**39,940**	**132,610**	**232,024,296**
Entry of net profit for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**232,633,719**	**0**	**132,589**	**232,766,308**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**-357,396**	**0**	**0**	**39,940**	**21**	**-317,435**
Change in surplus from revaluation of real property, plant and equipment	0	0	0	0	-19,122	0	0	0	0	-19,122
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	-338,274		0	0	21	-338,253
Gains and losses arising from the translation of the financial statements of foreign companies	0	0	0	0	0	0	0	39,940	0	39,940
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**-439,316**	**14,739**	**0**	**0**	**0**	**0**	**-424,577**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	74,320	0	0	0	0	0	74,320
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	-513,636	0	0	0	0	0	-513,636
Change in reserve for fair value of financial assets via other comprehensive income	0	0	0	0	14,739	0	0	0		14,739
B.3. Changes in equity	**0**	**0**	**4,137,942**	**0**	**6,777,068**	**25,019,062**	**-29,166,276**	**12,328**	**-21,501,476**	**-14,721,352**
Allocation of the remainder of net profit of the comparative reporting period to other components of capital	0	0	0	0	0	29,166,276	-29,166,276	0	0	0
Other changes in equity	0	0	4,137,942	0	6,777,068	-4,147,214	0	12,328	-21,501,476	-14,721,352
Balance as at 31/12/2024	**29,558,788**	**561,243,182**	**7,152,384**	**-6,014,837**	**-6,490,475**	**324,712,720**	**232,633,719**	**-100,981**	**947,465**	**1,143,641,965**
Balance as at 1/1/2025	**29,558,788**	**561,243,182**	**7,152,384**	**-6,014,837**	**-6,490,475**	**324,712,720**	**232,633,719**	**-100,981**	**947,465**	**1,143,641,965**
B.1. Transactions with owners	**0**	**0**	**0**	**0**	**0**	**-165,000,000**	**0**	**0**	**0**	**-165,000,000**
Disbursement of dividends	0	0	0	0	0	-165,000,000	0	0	0	-165,000,000
B.2. Changes in comprehensive income	**0**	**0**	**0**	**7,442,087**	**486,653**	**0**	**257,679,486**	**9,623**	**204,846**	**265,822,693**
Entry of net profit for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**257,679,486**	**0**	**205,638**	**257,885,123**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**429,760**	**0**	**0**	**9,623**	**-792**	**438,590**
Change in surplus from revaluation of real property, plant and equipment	0	0	0	0	0	0	0	0	0	0
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	429,760	0	0	0	-792	428,967
Gains and losses arising from the translation of the financial statements of foreign companies	0	0	0	0	0	0	0	9,623	0	9,623
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**7,442,087**	**56,893**	**0**	**0**	**0**	**0**	**7,498,980**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	7,442,065	0	0	0	0	0	7,442,065
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	22	0	0	0	0	0	22
Change in reserve for fair value of financial assets via other comprehensive income	0	0	0	0	56,893	0	0	0	0	56,893
B.3. Changes in equity	**0**	**0**	**0**	**0**	**5,131,970**	**227,497,536**	**-232,633,719**	**0**	**0**	**-4,213**
Allocation of the remainder of net profit of the comparative reporting period to other components of capital	0	0	0	0	0	232,633,719	-232,633,719	0	0	0
Other changes in equity	0	0	0	0	5,131,970	-5,136,183			0	-4,213
Balance as at 31/12/2025	**29,558,788**	**561,243,182**	**7,152,384**	**1,427,250**	**-871,852**	**387,210,256**	**257,679,486**	**-91,360**	**1,152,311**	**1,244,460,444**

3.5 Explanatory notes to the consolidated financial statements

3.5.1 Reporting company

The consolidated financial statements of the HSE Group are prepared by the controlling company Holding Slovenske elektrarne d. o. o. The registered address of the controlling company is Koprska ulica 92, 1000 Ljubljana, where the consolidated financial statements are available as part of the Annual report of the HSE Company and Group.

The consolidated financial statements as at 31 December 2025 reflect the operations of the Group, which comprises the controlling company and its subsidiaries, interests in jointly-controlled companies and interests in associates.

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

The financial year of the Group corresponds to the calendar year.

The HSE Group as at 31 December 2025

Company	% ownership 31/12/2025	% ownership 31/12/2024	Country of the company's headquaters
HSE	100%	100%	Slovenia
DEM	100%	100%	Slovenia
SENG	100%	100%	Slovenia
RGP	90.90%	90.90%	Slovenia
HSE EDT	100 %	100%	Slovenia
HSE Invest	84.21%	84.21%	Slovenia
SRESA	60%	60%	Slovenia
MHE Lobnica	65%	65%	Slovenia
ECE	100%	100.00%	Slovenia
Energija plus	100%	100%	Slovenia
HSE SaŠa	100%	100%	Slovenia
HSE MAK Energy	100%	100%	North Macedonia
HSE BH	100%	100%	Bosnia and Herzegovina
HSE Balkan Energy	100%	100%	Serbia

The following section presents the more significant data from the original financial statements of the subsidiaries of the HSE Group in 2025 or as at 31 December 2025:

Company	Assets	Liabilities (excluding capital)	Revenue	Net profit/loss for the year	Amount of total capital
HSE	1,263,232,175	276,860,910	3,206,621,354	236,924,700	986,371,265
DEM	520,643,191	19,760,401	83,448,624	9,993,323	500,882,790
SENG	253,888,910	13,902,663	62,369,394	3,270,102	239,986,247
RGP	20,255,451	12,477,580	26,411,538	2,124,687	7,777,871
HSE EDT	3,261,696	1,004,260	898,478	76,546	2,257,436
HSE Invest	4,722,666	3,299,120	11,062,948	125,571	1,423,546
SRESA	33,938	0	0	-264	33,938
MHE Lobnica	595,478	7,155	14,936	-21,982	588,323
ECE	80,510,718	41,902,143	268,365,945	4,749,545	38,608,575
Energija plus	65,238,396	42,399,529	228,073,604	2,046,189	22,838,867
HSE SaŠa	504,867	0	0	-2,572	504,867
HSE MAK Energy	7,870,858	5,563,985	36,403,332	223,976	2,306,873
HSE BH	16,308,915	12,565,726	110,986,139	775,476	3,743,189
HSE Balkan Energy	831,530	14,427	187,320	23,825	817,103

Associates

Name of the company	Co-owner	Country of the company headquarters	% of co-ownership	% of ownership of HSE Group
HESS	DEM	Slovenia	30,8%	49%
	HSE	Slovenia	15,4%	
	SENG	Slovenia	2,8%	

Company	Address	Activity
HESS	Cesta bratov Cerjakov 33a, 8250 Brežice	Production of electricity from renewable energy sources

Significant amounts from statements of associate in 2025 or as at 31 December 2025 (in EUR)	Assets	Liabilities (excluding capital)	Revenue	Net profit/loss for the year	Amount of total capital
HESS	327,616,565	26,501,973	27,331,469	3,600,359	301,114,592

Jointly-controlled company

Company	Address	Activity	% of ownership
SOENERGETIKA	Stara cesta 3, 4000 Kranj	Combined heat and power generation	25%

Significant amounts from statements of jointly-controlled companies in 2025 or as at 31 December 2025 (in EUR)	Assets	Liabilities (excluding capital)	Revenue	Net profit/loss for the year	Amount of total capital
SOENERGETIKA	1,903,906	568,356	2,360,022	205,228	1,335,550

Affiliate

The HSE Group has an affiliate abroad in the Czech Republic. In 2025, it did not trade in electricity, as trading was transferred to the HSE Company. The affiliate's operations are included in the financial statements of the HSE Company.

3.5.2 Basis for preparation

a) Statement of compliance

In preparing the consolidated financial statements as at 31 December 2025, the HSE Group took into account:

- the International Financial Reporting Standards, which include the International Accounting Standards, Explanatory notes of the Standing Interpretations Committee, International Financial Reporting Standards and Explanatory notes of the International Financial Reporting Interpretations Committee, as adopted by the European Union,
- the Companies Act,

- the HSE Accounting Rules.

b) Accounting assumptions and qualitative characteristics of the financial statements

The Group's financial statements have been prepared in accordance with the fundamental accounting assumptions of:

- accrual basis of accounting and
- going concern.

The effects of transactions and other business events are recognised when they occur, and not when they are paid, and they are recorded and reported in the periods to which they relate. The consolidated financial statements thus also contain information on liabilities for future cash payments and on assets that will generate cash in the future.

The Group's financial statements have been prepared on the assumption that the Group will not significantly curtail its operations or even discontinue them, i.e. that it will continue to operate for the foreseeable future.

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

- **Fair presentation and compliance with the International Financial Reporting Standards**: the consolidated financial statements present fairly the financial position, financial performance and cash flows of the Group.
- **Consistency of presentation**: for the sake of comparability of data, the presentation and classification of items in the financial statements is the same from one period to another.
- **Materiality and aggregation**: each material group of similar items is presented separately in the consolidated financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.
- **Offsetting**: neither assets and liabilities nor income and expenses are offset, unless required or permitted by a standard or explanatory note.
- **Comparative information**: comparative information from the previous period is disclosed for all amounts presented in the consolidated financial statements, unless a standard or explanatory note permits or requires otherwise. Comparative information is included in narrative and descriptive information where relevant to an understanding of the current period's consolidated financial statements.

- **Changes in significant accounting policies**: the same accounting bases and policies and recognition and measurement principles were applied in the preparation of the consolidated financial statements as in 2024.

c) Basis for measurement

The financial statements have been prepared on the basis of original values, except for financial instruments (including equity instruments and derivative financial instruments) measured at fair value through profit or loss or other comprehensive income, and investment property measured at fair value.

d) Functional and presentation currency

The consolidated financial statements in this report are presented in euros (EUR) without cents, which is both the functional and presentation currency of the Group. Due to the rounding of monetary data, minor discrepancies may arise in the totals in the tables.

e) Use of estimates and judgements

The preparation of the consolidated financial statements requires the management of the Group's companies to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and liabilities in the reporting period. The estimates made and the related assumptions and uncertainties are disclosed in the notes to the individual items.

Estimates and assumptions are based on past experience and other factors considered reasonable in the given circumstances, on the basis of which judgements are expressed about the carrying amounts of assets and liabilities. Estimates and assumptions are subject to subjective judgement and a degree of uncertainty, so subsequent actual results may differ from the estimates. These are reviewed on a regular basis. Changes in accounting estimates are recognised in the period in which the estimates were changed if the change affects only that period, or in the period of change and future periods if the change affects future periods.

Estimates and assumptions are mainly present in the following judgements:

- assessment of the useful life of assets subject to depreciation,
- impairment testing of non-current assets, including goodwill,
- identification of lease contracts,
- assessment of the recoverable amount of receivables,
- assessment of the net realisable value of inventories,

- assessment of provisions for post-employment and other non-current employee benefits,
- assessment of other provisions,
- judgement of whether contracts are onerous and assessment of the related provisions, and
- assessment of contingent liabilities.

Additional estimates and judgements of the Management in preparing the statements as at 31 December 2025 are as follows:

1. Assessment of the estimated value of the call option

   The HSE Group has the right to repurchase the 35.6% business share in the company HESS that it has sold (call option), and the buyers/acquirers are obliged to sell their business share to it no later than 31 December 2028, whereby HSE may exercise the call option between 30 June 2026 and 30 June 2028. The call option relates to the repurchase of the entire business share of 35.6%, namely the entire business share from the company SEL amounting to 14.7% of the share capital in HESS and the entire business share from the company GEN amounting to 20.9% of the share capital in HESS. The Group must exercise the call option from both shareholders/acquirers simultaneously. The estimated value of the option as at 31 December 2025 is EUR 0, since we estimate that the option will be exercised at a price higher than the fair value as defined by IFRS.

2. Assessment of the classification of contracts as a derivative financial instrument (IFRS 9)

   The HSE Group treats contracts for the purchase and sale of electricity, gas and emission allowances entered into for trading purposes in accordance with IFRS 9.2.6 as derivative financial instruments, since they are contracts under which the Group typically receives the subject of the contract and sells it soon after receipt for the purpose of generating a profit on the basis of short-term price fluctuations or a resale margin (which corresponds to the IFRS 9 rules on net settlement of contracts). In accordance with IFRS 9.2.4, the Group treats such contracts as derivative financial instruments and measures them at fair value through profit or loss.

3.5.3 Material information on accounting policies

The consolidated financial statements have been prepared on the basis of the material information on accounting policies presented below. This information has been applied to both years presented, unless stated otherwise. Where necessary, comparative information has been adjusted to conform to the presentation of information in the current year.

Translation of foreign currencies

Transactions denominated in a foreign currency are translated into the relevant functional currency at the exchange rate on the date of the transaction.

Cash and cash equivalents and liabilities denominated in a foreign currency at the end of the reporting period are translated into the functional currency at the exchange rate applicable at that time.

Positive or negative foreign currency differences are the differences between the amortised value in the functional currency at the beginning of the period, adjusted for the effective interest rate and payments made during the period, and the amortised value in the foreign currency translated at the exchange rate at the end of the period.

Foreign currency differences are recognised in the income statement on a net basis.

When translating the financial statements of subsidiaries abroad whose functional currency differs from the Group's presentation currency, the following foreign exchange rates are used:

- assets and liabilities (excluding equity), translated at the exchange rate on the reporting date,
- equity at the historical exchange rate, and
- revenue and expenses at the average exchange rate in the reporting year.

Basis for consolidation

The consolidated financial statements comprise the financial statements of the controlling company and the subsidiaries. Subsidiaries are entities controlled by the controlling company. This means that the controlling company has the power to decide on the financial and operating policies of an individual company so as to obtain benefits from its operations. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

Associates are companies in which the Group has significant influence, but does not control their financial and operating policies. Investments in associates are initially recognised at purchase cost and subsequently accounted for using the equity method. The Group's consolidated financial statements include the Group's share in the profits and losses of associates, calculated using the equity method, after harmonisation of accounting policies, from the date significant influence

commences until the date it ceases. If the Group's share of losses of an associate exceeds its interest, the carrying amount of the Group's interest is reduced to nil and recognition of further losses is discontinued.

Transactions with owners of non-controlling interests are treated in the same way as transactions with external partners. Profits and losses attributable to owners of non-controlling interests are shown in the consolidated income statement. The capital of owners of non-controlling shares is shown in the consolidated statement of financial position separately from other items of equity.

The financial statements of the Group's companies are aggregated into the consolidated financial statements on the basis of full consolidation.

In the preparation of the consolidated financial statements, balances of receivables and liabilities between Group companies, income and expenses, and realised profits and losses arising from intra-group transactions, are eliminated.

Foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currency is not the same as the Group's presentation currency are recognised in the translation reserve in equity, or in the statement of other comprehensive income.

Business mergers are accounted for using the acquisition method. It is important to determine the acquirer, which identifies the date on which it obtains control over the acquiree. At the acquisition date, the acquirer must measure and recognise the amount of the non-controlling interest in the acquiree at fair value or at the proportionate share of the identifiable net assets of the acquiree, and the assumed liabilities and acquired assets at fair value at the acquisition date.

Arising from a business merger, goodwill or a gain on a negotiated purchase (negative goodwill) is recognised in the consolidated financial statements. Goodwill is accounted for at initial measurement as the excess of the aggregate amount of the payment transferred, which the company usually measures at fair value at the acquisition date, and the amount of the non-controlling interest in the acquiree over the net amount of identifiable acquired assets and assumed liabilities at the acquisition date. However, if the payment received by the acquirer is lower than the fair value of the identifiable net assets of the acquired subsidiary, this difference is recognised as negative goodwill or a gain on a negotiated purchase in the income statement of the current year in full.

The Group accounts for purchases of non-controlling interests that do not result in changes in control of a company as transactions with owners, as a result of which goodwill is not recognised. The Group recognises the difference between the investment and the net value of the assets merged, taking into account any goodwill, within other profit reserves.

Intangible assets

Intangible assets comprise other non-current property rights, goodwill, other intangible assets and intangible assets being acquired.

On initial recognition, an intangible asset is measured at purchase cost. This also includes import or non-refundable purchase duties, after deduction of trade and other discounts, and all costs directly attributable to preparing the asset for its intended use. Borrowing costs directly attributable to the purchase of an intangible asset under preparation (i.e. until the asset is brought into use) are recognised as part of the purchase cost of such asset.

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

On the recognition of intangible assets, the Group does not determine a residual value, since it estimates that the residual value of these assets at the end of their useful life is zero.

Goodwill arises on consolidation and represents the excess of the purchase cost over the acquirer's share in the fair value of identifiable assets acquired and liabilities and contingent liabilities of the subsidiary at the acquisition date. Goodwill has an indefinite useful life and is not amortised. Goodwill is recognised as an asset and is tested for impairment at least once a year. Any impairment is immediately recognised in the consolidated income statement and is not subsequently reversed. On disposal of a subsidiary, the relevant amount of goodwill is included in determining the gain/loss on sale and affects the Group's profit or loss.

Amortisation is calculated using the straight-line method, taking into account the useful life of each individual (component) part of an intangible asset. Amortisation is charged from the purchase cost from the time the asset is available for use. Goodwill is not amortised, but is revalued for any impairment.

Estimated useful life of intangible assets	2025
Software	2-20 years
Licences	2-10 years
Non-current property rights	2-30 years
Other intangible assets	2-10 years

The useful lives of categories of intangible assets are reviewed at the end of each financial year and adjusted if necessary. In the event of an extension of the useful life, the depreciation and amortisation costs charged in the financial year are reduced, and in the event of a shortening of the useful life, they are increased. The adjustment of the useful life must be recalculated so that the intangible asset will be fully amortised over the new estimated useful life. A change in useful life is treated as a change in accounting estimate and affects only the period in which the accounting estimate was changed and each subsequent period over the remaining useful life. The estimated useful lives did not change in 2025.

Subsequent costs related to intangible assets are capitalised only where they increase the future economic benefits flowing from the asset to which the costs relate. All other costs are recognised in profit or loss as expenses as soon as they are incurred.

An intangible asset is derecognised from the books on disposal, and the difference between the net selling value and the carrying amount of the disposed intangible asset is transferred to other operating revenue or value write-offs.

Property, plant and equipment

Property, plant and equipment are part of the non-current assets owned by the Group and are used in carrying out its activity. Property, plant and equipment include buildings, production and other equipment, and assets under construction and in production.

Property, plant and equipment are disclosed at purchase cost less accumulated depreciation and accumulated impairment losses. Purchase cost includes costs that can be directly attributed to the acquisition of the individual asset. The purchase cost includes borrowing costs related to the acquisition of property, plant and equipment until they are put into use and, depending on the type of property, plant and equipment, also dismantling costs.

Parts of plant and equipment that have different useful lives are accounted for as separate assets. Spare parts of greater value are recorded under plant and equipment and depreciated over the useful life of the asset for which they were purchased.

The estimated costs of regular inspections and repairs of plant and equipment are treated as parts of fixed assets. These are repairs that are usually performed every few years (cyclically) and are significant in value.

The purchase cost of property, plant and equipment constructed or produced within the Group is made up of the costs of their construction or production, and indirect costs attributable to them.

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

Depreciation is calculated using the straight-line method, taking into account the useful life of each individual (component) part of property, plant and equipment. Depreciation begins to be charged once an asset is available for use. Land, quarries and assets under construction or in production are not depreciated.

Assets acquired free of charge are depreciated, and at the same time a portion of non-currently deferred revenue equal to the value of depreciation charged is transferred to other operating revenue.

Estimated useful life of property, plant and equipment	2025
Buildings	10–80 years
Parts of buildings	17–50 years
Production equipment	5–65 years
Parts of production equipment	2-4 years
Computer equipment	2–20 years
Furniture	4–33 years
Small tools	2–16 years
Cars	5–8 years
Other vehicles	5–20 years
Other plant and equipment	3–35 years

The useful lives of categories of property, plant and equipment are reviewed at the end of each financial year and adjusted if necessary. In the event of an extension of the useful life, the depreciation costs charged in the financial year are reduced, and in the event of a shortening of the useful life, they are increased. The adjustment of the useful life must be recalculated so that the property, plant and equipment will be fully depreciated over the new estimated useful life. A change in useful life is treated as a change in accounting estimate and affects only the period in which the accounting estimate was changed and each subsequent period over the remaining useful life. The estimated useful lives did not change in 2025.

The costs of replacement of a part of property, plant and equipment are added to the carrying amount of that asset if it is probable that the future economic benefits associated with the part of that asset will flow to the Group and the purchase cost can be reliably measured. All other costs (e.g. ongoing maintenance) are recognised in profit or loss as expenses as soon as they are incurred.

Gains and losses arising on the disposal of property, plant and equipment are determined as the difference between the net selling value and the carrying amount of the disposed property, plant and equipment and are recognised under other operating revenue or value write-offs.

Each year, the Group assesses whether there are any indications of impairment in relation to property, plant and equipment under acquisition. The following circumstances are considered significant indications of impairment:

- a decision to discontinue investments in an individual investment, and

- a significant deterioration in circumstances relating to the economic efficiency of an individual investment.

Leases

The Group leases real estate (office premises), plant and equipment. Upon entering into a contract, the Group assesses whether the contract is a lease, i.e. whether it conveys the right to control the use of an identified asset for a period of time in exchange for payment.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, which is measured by discounting future cash flows for the lease term.

The amount of the liability is reduced by repayments, while the value of the right of use of leased assets is reduced by depreciation charged over the lease term. Financing costs are charged to financial expenses.

For contracts for an indefinite period with the right to terminate the contract, the HSE Group assesses, in accordance with point 18 of IFRS 16, with reasonable certainty, that the lease will not be terminated for at least five more years, while a longer contractual lease cannot be assessed with reasonable certainty. Therefore, for contracts for an indefinite period, the lease term is estimated at five years.

If the interest rates agreed upon when entering into leases are not disclosed in the contracts, IFRS 16 in point 26 directs the lessee to use its incremental borrowing rate, i.e. the borrowing rate that the Group would pay if it purchased the asset and borrowed funds to do so. In most cases, the Group does not have such interest rates, since the analysis of sources of financing shows that the existing sources are used to finance working capital.

If the lessee cannot obtain information on the level of the borrowing interest rate from a financial institution or other sources, it uses the average interest rates on loan agreements concluded with non-financial companies in credit institutions in the month of the lease, which are published by the Bank of Slovenia in its Bulletin.

The Group has applied the exemption regarding the recognition of the right-of-use asset for low-value leases. The cost of rent is recognised on a straight-line basis over the lease term.

Investment property

Investment property is real estate owned by the Group to earn rent or for capital appreciation of a non-current investment, or both.

In the event that part of the property is used for carrying out an activity and part as investment property, separation or calculation of shares is required. If this cannot be done, an assessment is made of which part is more significant, and it is recorded as such in the books.

Fair value is used for valuation, determined by applying the market comparison approach and the income capitalisation method (an income-based approach). A change in fair value is recognised in the income statement.

Non-current financial investments in associates and jointly-controlled companies

Investments in associates are made into companies in which the Group has significant influence. As a rule, the share in such companies ranges from 20% to 50%.

Investments in jointly-controlled companies are made into companies, in which the Group, together with other owners, jointly controls the operations of that company on the basis of a contractually agreed sharing of control.

Both investments in associates and in jointly-controlled companies are recognised in the consolidated financial statements on acquisition at purchase cost. They are subsequently measured using the equity method, whereby the carrying amount of the investment is increased or decreased by the Group's share of the profit or loss, reduced by dividends received, and adjusted accordingly for any impairment of value.

Financial assets

Financial assets comprise cash and cash equivalents, receivables and loans, and financial investments (excluding investments in associates and jointly-controlled companies). Within financial investments, the Group reports investments in financial instruments, while investments in associates and jointly-controlled companies are treated separately in accordance with IAS 28.

The Group initially recognises loans and receivables and deposits on the date of their occurrence. Other financial assets are initially recognised on the date of the exchange or when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from that asset expire, or when the Group transfers the rights to the contractual cash flows from the financial asset on the basis of a transaction in which all the risks and rewards of ownership of the financial asset are transferred.

Upon initial recognition, the Group's financial instruments are classified into one of the following groups:

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

The classification depends on the chosen business model for managing the assets and on whether the Group obtains contractual cash flows from financial instruments that are solely payments of principal and interest on the outstanding principal amount. With the exception of operating receivables that do not contain a significant financing component, on initial recognition the Group measures the financial asset at fair value, increased by transaction costs. Operating receivables that do not contain a significant financing component are measured at the transaction price, which is in line with the provisions of IFRS 15.

Financial assets at fair value through profit or loss are stated in the statement of financial position at fair value, including the net change in fair value, which is recognised in the income statement. Financial assets at fair value through profit or loss mainly include unrealised and valued derivative financial instruments at the reporting date.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on accounts with banks, cash in hand, bank deposits up to three months, and other short-term, highly liquid investments with an original maturity of three months or less.

b) 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 classified at fair value through profit or loss upon initial recognition, and financial assets that the Group must measure at fair value.

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

Financial assets that generate cash flows that are not solely payments of principal and interest 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 stated in the statement of financial position at fair value, including the net change in fair value, which is recognised in the income statement.

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

Financial assets measured at fair value through other comprehensive income that have the nature of a debt instrument are those financial assets that the Group holds within the framework of a business model for obtaining contractual cash flows that represent solely payments of principal and interest on the outstanding principal, and for sale.

For debt instruments recognised at fair value through other comprehensive income, interest income, foreign currency differences and losses on impairment or reversal are recognised in the income statement and accounted for in the same way as for financial assets at amortised cost. All other changes in fair value are recognised in the statement of other comprehensive income. On derecognition, the cumulative change in fair value recognised in other comprehensive income is reclassified to the income statement.

d) Financial assets at fair value through other comprehensive income (equity instrument)

Financial assets recognised at fair value through other comprehensive income that have the nature of an equity instrument are those financial assets that meet the definition of equity in accordance with IAS 32 – Financial Instruments and for which the Group elects an irrevocable classification within equity instruments at fair value through other comprehensive income and does not hold them for trading purposes. Classification is determined for each individual financial instrument.

Gains and losses from these financial assets are never reclassified to the income statement, with the exception of dividends received, which are recognised in profit or loss.

e) Financial assets at amortised cost

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

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

Financial liabilities

Financial liabilities of the Group include loans received and trade payables. With the exception of loans received, all financial liabilities are measured at fair value upon initial recognition. Loans received are measured at amortised cost using the effective interest rate. According to their maturity, loans are classified as either current financial liabilities (maturity of up to 12 months after the date of the statement of financial position) or non-current financial liabilities (maturity of over 12 months after the date of the statement of financial position). All gains and losses are recognised in the income statement upon derecognition of the financial liability and within the framework of effective interest rate amortisation.

The Group derecognises a financial liability when the obligations specified in the contract are fulfilled, cancelled or have expired.

Derivatives

Derivatives are used to hedge the Group's cash flow exposure to risks (price and currency) and for trading. Within the framework of risk hedging, the Group has entered into standardised forward contracts for the purchase of electricity and gas in the coming years.

These are financial instruments that do not require an initial financial investment, and whose value changes due to commodity prices or exchange rates.

Derivative financial instruments are initially recognised at fair value on a net basis. This means that the value of the concluded transaction itself is not shown in the financial statements.

After initial recognition, derivative financial instruments are measured at fair value, and the related changes are treated differently depending on whether the derivative financial instrument qualifies for hedge accounting or not. Derivative financial instruments that do not qualify for hedge accounting are measured at fair value through profit or loss.

When a derivative financial instrument is designated as a hedge against the risk of exposure to the variability of cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transactions that may affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognised in other comprehensive income for the period and disclosed in the risk hedging reserve. The ineffective portion of changes in the fair value of the derivative financial instrument is recognised directly in profit or loss. The Group is expected to discontinue hedge accounting if the hedging instrument no longer meets the criteria for hedge accounting or if the hedging instrument is sold, terminated or exercised. The cumulative gain or loss recognised in other comprehensive income remains recognised in the risk hedging reserve until the forecast transaction affects profit or loss. If the forecast

transaction is no longer expected to occur, the amount in other comprehensive income must be recognised directly in profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period in which the hedged item affects profit or loss.

The effects of other derivatives that are not designated as hedges of exposure to cash flow variability or that cannot be attributed to a particular risk associated with a recognised asset or liability are recognised in profit or loss under other operating income or other operating expenses on a net basis, while the realisation of physical contracts is recognised under net revenue or expenses, likewise on a net basis.

Where forward purchases and sales for the physical delivery of electricity are treated as contracts concluded within the framework of the Group's ordinary business ("own use"), they are then not within the scope defined in IFRS 9. This is the case when the following conditions are met:

- part of all such contracts is physical delivery,
- the volume of electricity purchased or sold under the contracts corresponds to the Group's operational needs, and
- the contract cannot be treated as an option as defined in the Standard. In the case of electricity sales contracts, the contract is equivalent to a fixed forward sale or can be considered as a sale of capacity.

Inventories

Inventories of materials, goods and emission allowances held for trading are measured at the lower of cost and net realisable value. Cost comprises the purchase cost, consisting of the purchase price, import duties and direct purchase costs. The purchase price is reduced by discounts received. Direct purchase costs are transport costs, loading, transshipment and unloading costs, costs of monitoring goods and other costs that can be directly attributed to the goods or materials acquired. Discounts on the purchase price include both those stated on the invoice and those received subsequently and relating to a particular purchase. The consumption of inventories is valued using the moving weighted average price method.

The value of finished products and work in progress includes all production costs in the narrower sense, which comprise direct costs of materials, direct costs of services, direct labour costs, direct depreciation costs and general production costs. General production costs are the costs of materials, services, salaries and depreciation incurred within the production process but which cannot be directly attributed to the resulting business performance. The share of production costs in total costs (costs of materials, services, labour and depreciation) is determined once a year on the basis of data from the previous year.

Net realisable value is estimated on the basis of the selling price in the ordinary course of business, less estimated completion costs and estimated selling costs. Write-offs of damaged, expired and unusable inventories are carried out regularly throughout the year for individual items.

At least once a year, namely as at the date of preparation of the annual financial statements, evidence of impairment of inventories is assessed. The impairment of inventories is assessed for each individual type of inventory. Individual types of inventories are allocated to groups of inventories with similar characteristics on the basis of the time component of inventory movements. When assessing impairment for an individual group, the criteria of expert judgement, further use or sale are applied.

Impairment of assets

Financial assets

A financial asset is considered impaired when there is objective evidence of impairment indicating that, as a result of one or more events occurring after the initial recognition of the asset, the expected future cash flows from that asset have decreased and such decrease can be reliably estimated.

Objective evidence of impairment of financial assets may include the following: default or breach by the debtor, deterioration of the borrowers' ability to pay, indications that the debtor will enter bankruptcy, and the disappearance of an active market for the instrument concerned.

Impairment of receivables

The Group impairs receivables in accordance with IFRS 9 based on the expected credit loss model. Expected credit losses represent a probability-weighted estimate of credit losses, taking into account past experience, current conditions and reasonable and supportable expectations regarding future economic conditions. The recognition of impairments is not tied to a comparison of the book value with the fair or recoverable value and is not conditional on the occurrence of a credit event.

Appropriate supporting documents are required for the final write-offs of receivables: final decisions on receiverships, bankruptcy proceedings, court decisions or other appropriate documents.

The impairment assessment is based on the expected credit losses associated with the probability of default on receivables and deposits in the next 12 months, unless there has been a significant increase in credit risk since initial recognition. In such cases, the impairment assessment is based on the probability of default over the entire lifetime of the financial asset (LECL). Expected credit losses represent the difference between the contractual cash flows due under the contract and all cash flows that the Group expects to receive. The expected cash flows will include cash flows from the sale of collateral.

Impairments for expected credit losses are assessed in two phases. For credit exposures where there has been no significant increase in credit risk since 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 where credit risk has significantly increased since initial recognition, the Group recognises an allowance for losses expected over the remaining life of the exposure, regardless of the period of default.

Receivables from others that are not settled within 180 days from the due date are disclosed as doubtful receivables.

Disputed receivables are those that meet one of the following conditions:

- judicial recovery proceedings have been initiated at court, or
- a decision on the initiation of receivership, liquidation or bankruptcy proceedings has been published.

The impairment of receivables which are not individually significant is assessed collectively by grouping receivables with similar risk characteristics. The Group forms groups of receivables based on their maturity. When assessing collective impairment, the Group uses the historical development of the probability of default, the recovery period and the amount of loss incurred, adjusted for the Management's estimate of whether actual losses, due to current economic and credit conditions, may be greater or less than the losses predicted by historical development.

If all actions have been taken with the diligence of a good manager to achieve the payment of a specific outstanding receivable, and if, due to the amount of the receivable, it would be uneconomical for the Group to pursue judicial recovery, the receivable is fully and finally written off based on a decision of the Management.

The impairment loss in respect of a financial asset stated at its recoverable amount is calculated as the difference between the carrying value of the asset and the expected future cash flows. Losses are recognised under operating expenses in consolidated profit or loss.

Non-financial assets

At each reporting date, the HSE Group reviews the book value of significant non-financial assets to determine whether there are any indications of impairment. If such indications exist, the recoverable value of the asset is estimated by means of an impairment test. The impairment assessment of non-financial assets is performed once a year before the preparation of the annual financial statements. Impairment of a cash-generating unit is recognised when its book value exceeds its recoverable value.

The recoverable value of an asset or a cash-generating unit is the higher of value in use and fair value less costs to sell. In determining the value in use of an asset, the expected 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 into the smallest possible

group of assets that generate cash flows from continuing use and that are largely independent of receipts from other assets or groups of assets (a cash-generating unit). To test goodwill for impairment, the cash-generating units to which goodwill is allocated are subject to a separate test. The cash-generating units to which goodwill is allocated are aggregated or grouped so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Impairment is recognised in the consolidated income statement. The loss recognised in respect of a cash-generating unit due to impairment is allocated first to reduce the book value of any goodwill allocated to the cash-generating unit (or group of cash-generating units), and then to other assets of the cash-generating unit (group of cash-generating units) in proportion to the book value of each asset in the unit.

At the end of the reporting period, the Group assesses impairment losses from previous periods to determine whether the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used by the Group to determine the recoverable value of an asset. The impairment loss of an asset is reversed up to the amount by which the increased book value of the asset does not exceed the book value that would have been determined, net of depreciation, had no impairment loss been recognised on the asset in previous years. An impairment loss on goodwill is not reversed.

Equity

Share capital and capital reserves represent the cash and non-cash contributions of the owner of the controlling company.

As at 31 December 2002, general revaluation adjustments of equity included, in accordance with the Slovenian Accounting Standards in force at the time, the revaluation of share capital before 2002. The said adjustment was later transferred to capital reserves.

Other profit reserves were formed from profits of previous years and are used mainly to cover losses.

The risk hedging reserve contains the effect of changes in the fair value of derivatives that have been designated as effective in hedging exposure to cash flow variability for hedging self-generated electricity and for part of the hedging of cash flows for gas purchases. The fair value reserve represents the amounts of revaluations of financial assets at fair value through other comprehensive income, the cumulative value of attributed actuarial gains/losses from provisions for post-employment and other non-current employee benefits (severance pay on retirement), and the excess of the fair value of the additional purchase of an ownership share over the net book value of the assets.

Retained profit/loss comprises the past and current profit or loss of the Group.

The translation reserve in equity shows foreign currency differences arising from the translation of items in the financial statements of Group companies operating abroad, where a different reporting currency is used for reporting.

The capital of owners of non-controlling shares represents their share in the total equity of subsidiaries.

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

In accordance with statutory regulations, collective agreements and internal rules, the HSE Group is obliged to pay anniversary bonuses to employees and severance pay upon their retirement, for which provisions have been formed. There are no other pension obligations.

Provisions are formed in the amount of estimated future payments for severance pay on retirement and anniversary bonuses, discounted to the end of the financial year. The calculation is made for each employee and takes into account the costs of severance pay on retirement and the costs of all expected anniversary bonuses up to retirement. The calculation using the projected unit credit method is prepared by an actuary for all Group companies. Payments of severance pay on retirement and payments of anniversary bonuses reduce the formed provisions.

Labour costs and costs of interest are recognised in the income statement, while the remeasurement of post-employment benefits, i.e. unrealised actuarial gains or losses from severance pay upon retirement, is recognised in other comprehensive income of equity.

Employee benefits

Obligations for short-term employee benefits are measured on an undiscounted basis and are recognised as expenses when the employee's work in respect of a particular short-term benefit has been performed. Liabilities are recognised in the amount expected to be paid in the form of short-term benefits if the Group has a present legal or constructive obligation for such payments as a result of past services rendered by the employee and the obligation can be reliably measured.

Other provisions

Within other provisions, the Group discloses in particular provisions for legal actions, provisions for the maintenance of a chimney and demolition of an old bridge, provisions for a non-hazardous waste landfill, provisions for liabilities related to the transfer of real estate to the Farmland and Forest Fund of the Republic of Slovenia, and provisions for the remediation of the exploited part of a quarry.

Provisions are recognised if, as a result of past events, the Group has legal or constructive obligations that can be reliably estimated, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The value of a provision must be equal to the present value of the expenditure required to settle the obligation. Provisions are intended to cover probable but not certain liabilities, and therefore the amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the date of the consolidated statement of financial position. In achieving the best estimate of a provision, the risks and uncertainties that inevitably accompany events and circumstances are taken into account.

Provisions are reduced directly by the costs or expenses for which they were formed to cover. This means that such costs or expenses no longer appear in the consolidated income statement in the financial year. The effects of discounting are recognised within financial expenses.

If the anticipated liabilities do not arise or the period of drawing on provisions is extended, the amount of provisions formed is reversed to operating revenue.

Government grants

All types of government grants are initially recognised in the consolidated financial statements as deferred revenue within other non-current liabilities, at the time when there is reasonable assurance that the Group will receive the grants and meet the conditions related to them. They are subsequently recognised in the consolidated income statement under other operating income over the useful life of the individual asset. Government grants received to cover costs are recognised as revenue in the periods in which the related costs that they are intended to offset are incurred.

Other assets and other liabilities

Other assets include advances given, receivables due from state and other institutions and current accrued income and deferred expenses, which represent deferred costs and accrued revenue that are not related to sales contracts. Deferred costs are amounts that, at the time of their occurrence, do not yet burden the consolidated profit or loss.

Other liabilities include advances received, liabilities to employees, state institutions and others, and non-current and current accruals and deferrals, which represent accrued costs and deferred revenue that are not related to liabilities from sales contracts. Accrued costs are amounts that have not yet been incurred but will be incurred in the future and currently already affect the consolidated profit or loss.

Within other current liabilities, the Group discloses formed current provisions arising from onerous contracts, when, due to market conditions, the costs of fulfilling contractual obligations exceed the expected economic benefits from the contracts concluded. The Group has formed current provisions for onerous contracts for the household customer segment, for the period from January 2026 to December 2026. By definition, an onerous contract is recognised in cases where the unavoidable costs of fulfilling the contractual obligations exceed the economic benefits expected from the contract.

Contract assets and contract liabilities

With the introduction of IFRS 15, accrued revenues related to sales contracts with customers are no longer part of other assets, but are disclosed under the item Contract assets and represent the right to payment in exchange for goods or services that have been transferred to the customer.

With the introduction of IFRS 15, deferred revenue from sales contracts with customers is no longer part of other liabilities, but is disclosed under the item Contract liabilities and is recognised as revenue when the Group fulfils its performance obligation under the contract.

Contingent liabilities

A contingent liability is:

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

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

Revenue from contracts with customers

In accordance with IFRS 15, the Group applies a five-step model to determine when and to what extent revenue is to be recognised. The model stipulates that revenue is recognised upon the transfer of control of goods or services to the customer, in the amount to which the Group expects to be entitled. Depending on the criteria fulfilled, revenue is recognised:

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

The Group recognises revenue from contracts with customers on the basis of contracts concluded with customers and when control of the goods or services is transferred to the customer, in an amount that reflects the payment to which the Group expects to be entitled. Each promised service or delivery of goods is treated as a separate performance obligation if it is distinct. It is distinct when the customer benefits from the service provided or goods delivered. A performance obligation is a promise to provide a service or goods to a customer.

Revenue is recognised at the point in time when the Group fulfils its performance obligation. This is when control over the service and goods is transferred to the customer. Control means that the customer can direct the use of the asset and receive all material benefits from it and can prevent others from using and receiving benefits from the asset.

Discounts granted upon the signing of a contract are allocated to all performance obligations and deferred over the life of the contract. All discounts granted subsequently are recognised in the period for which they are granted and reduce revenue.

Sale of goods

The performance obligation in the sale of goods arises upon their delivery. Goods are invoiced on a 14-day or monthly basis. Within the sale of goods, the largest share is represented by the sale of electricity, followed by the sale of secondary and tertiary energy, deviations from the sale of electricity, and the sale of heat energy and other products. This part also includes the sale of emission allowances from trading and gas, as well as the sale of other merchandise and material.

If the Group has more positive than negative foreign currency differences from operations, it discloses them under net sales revenues on a net basis.

Sale of services

In the sale of services, the performance obligation arises at the time the services are performed, and invoicing is performed on a monthly basis. Within the sale of services, the largest share is represented by services performed in connection with electricity, as well as construction and maintenance services.

Revenue from construction contracts is recognised over time, as the customer gradually obtains control of the asset being constructed. The stage of revenue recognition is measured on the basis of the stage of completion of the works, determined according to the costs incurred compared with the total estimated costs of the contract.

Accrued revenue is revenue that is recognised in the consolidated profit or loss even though it has not yet been invoiced. In accordance with IFRS 15, it is presented in the consolidated statement of financial position as Contract assets and represents the right to consideration in exchange for goods or services transferred to the customer.

Deferred revenue is presented in accordance with IFRS 15 as Contract liabilities and is recognised as revenue when the Group fulfils its performance obligation under the contract.

Other operating and financial revenue

Revenue from default interest charged and the related receivables are recognised when they arise if it is probable that the economic benefits associated with the transaction will flow to the Group. Otherwise, default interest accruals are recorded as contingent assets and recognised in the Group's books upon payment. The recording of default interest is treated individually.

Other operating income related to business performance comprises revenue from withdrawal of provisions, except for provisions for anniversary bonuses and severance pay on retirement, revenue from drawing deferred revenue, profit from the sale of fixed assets, revenue from the revaluation of investment property, reversals of impairments of receivables, compensation received and contractual penalties, and similar revenue (e.g. government grants).

Financial revenue comprises revenue from shares in investments (dividends), interest on loans granted and deposits, profits of associates and gains on hedging instruments, which are recognised in the income statement. Interest revenue is recognised as it arises at the agreed interest rate.

Operating and financial expenses

Expenses are recognised if the decrease in economic benefits in the accounting period is associated with a decrease in assets or an increase in debt, and if this decrease can be reliably measured. Operating expenses are recognised when costs are no longer retained in the value of inventories, products and work in progress, or when the merchandise has been sold. Costs that cannot be retained in inventories of products and work in progress are recognised as operating expenses upon their incurrence.

In the cost of goods sold, we disclose expenses related to the sale of electricity, gas, emission allowances for trading, and their related costs. If the Group has more negative than positive foreign currency differences from operations, it discloses them in the cost of goods sold.

Costs of material are the original costs of purchased material that is directly consumed in the creation of business performance (direct costs of material), as well as costs of material that are not of such a nature and are included in the appropriate functional groups of indirect operating costs. The first sub-group includes costs of raw materials, other materials and purchased parts and semi-finished products whose consumption can be associated with the creation of business performance. The second group includes costs of supplementary material for the maintenance of property, plant and equipment, small inventory whose useful life does not exceed one year, spare parts for servicing products after their sale, office supplies, expert literature and other. Costs of material also include accrued costs of waste, spillage, breakdowns and breakage.

Costs of services are the original costs of purchased services that are directly necessary for the creation of business performance (costs of direct services), as well as costs of services that are not of such a nature and are included in the appropriate functional groups of indirect operating costs. The first group mainly includes costs of services in the manufacture of products, while the second group mainly includes costs of transport, fair and advertising services, maintenance services, hospitality, insurance premiums, payment transactions and other banking services (except interest), rentals, consulting services, business travel and similar services.

Value write-offs include amortisation and depreciation costs related to the consistent transfer of the value of intangible assets, property, plant and equipment, and right-of-use assets to the consolidated profit or loss. Value write-offs also include write-offs, impairments and losses on the sale of intangible assets and property, plant and equipment, expenses from the revaluation of investment property, and impairments or write-offs of operating receivables and inventories.

Labour costs are the original costs relating to accrued salaries and similar amounts in gross amounts, as well as contributions calculated from this base and not forming an integral part of the gross amounts. These costs may directly burden the creation of business performance (costs of direct labour) or may be of an indirect nature and included in the appropriate functional groups of indirect costs.

Other operating expenses arise in connection with the forming of provisions, environmental protection charges, concessions, donations and other charges.

Financial expenses comprise interest on borrowings received, borrowing costs and impairments of financial assets. Interest expenses are recognised as they arise at the agreed interest rate. Impairments of financial assets are included within value write-offs or operating expenses in accordance with the Group's consistent accounting policy.

Taxation

Taxes include liabilities for current tax, deferred tax and the minimum tax or top-up tax.

Current tax liabilities are based on the taxable tax base for the financial year. The taxable tax base differs from profit or loss reported in the income statement because it excludes items of revenue or expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible. The current tax liability of the Group's companies is calculated using the tax rate in force at the reporting date. The current tax liability is reduced by tax advances paid during the year.

Deferred tax is recognised in full using the liability method on the statement of financial position for temporary differences arising between the tax values of assets and liabilities and their book values in the financial statements. Deferred tax is determined using the tax rates (and laws) that were in force as at the date of the consolidated statement of financial position and are expected to apply when the deferred tax receivable is realised or the deferred tax liability is settled.

A deferred tax receivable is recognised if it is probable that taxable profit will be available in the future against which the temporary differences can be utilised. It represents the amount of corporate income tax levied on deductible temporary differences.

A deferred tax liability represents the amount of corporate income tax levied on taxable temporary differences, meaning higher tax payments in the future.

For taxable persons under the Minimum Tax Act, a value threshold of consolidated annual revenue applies. The Act stipulates that the top-up tax regime applies to constituent entities located in Slovenia and abroad that are part of a multinational group of enterprises or large domestic groups, whose annual revenue, including revenue of excluded entities reported in the consolidated financial statements of the ultimate parent entity, amounts to EUR 750 million or more in at least two of the four financial years immediately preceding the tested financial year.

The Group will take advantage of the legal basis that sets out the conditions for the application of the temporary safe harbour, i.e. the reduction of tax to zero in a transitional five-year period. The purpose of the arrangement under Article 17 of the Minimum Tax Act is to enable international groups in the initial phase of their activity to reduce the amount of the top-up tax liability to zero during the first five years of the initial phase of the activity of the international group of companies.

The rules for determining whether an international group of companies is in the "initial phase of activity" are set out in paragraph 3 of Article 17 of the Minimum Tax Act, namely an international group is considered to be in the initial phase of its activity if, for the financial year, it is the case that:

- it has constituent entities in no more than six jurisdictions, and
- the sum of the book values of the tangible assets of all constituent entities of the international group of companies located in all jurisdictions, other than the reference jurisdiction, does not exceed EUR 50,000,000.

Consolidated cash flow statement

The consolidated cash flow statement shows the changes in the balance of cash and cash equivalents for the financial year for which it is prepared. The consolidated cash flow statement is prepared using the indirect method from data of the consolidated statement of financial position and the consolidated income statement, in accordance with the International Financial Reporting Standards as adopted by the EU.

The Group's cash and cash equivalents are cash on hand, money in bank accounts, call deposits and deposits with up to 3 month maturity.

Amended IFRS accounting standard applicable in the current year

In the current year, the Group has applied several amendments to **IAS 21 "Lack of Exchangeability",** issued by the International Accounting Standards Board (IASB) and adopted by the EU, that are mandatory for the reporting period 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 has not had a material impact on the disclosures or amounts presented in these financial statements.

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

At the date of authorisation of these financial statements, the Group has not applied the following amended IFRS accounting standards, which have been issued by the IASB and adopted by the EU but are not yet effective:

- **IFRS 18 – Presentation and Disclosure in Financial Statements**, issued by the IASB on 9 April 2024, will replace IAS 1 – Presentation of Financial Statements. The standard introduces three sets of new requirements to improve companies' reporting on financial performance and provides investors with a better basis for analysing and comparing companies. The main changes in the new standard compared to IAS 1 include: (a) the introduction of categories (operating, investing, financing, income tax and discontinued operations) and the inclusion of subtotals in the income statement; (b) the introduction of requirements to improve aggregation and disaggregation; (c) the introduction of disclosures on management-defined performance measures in the notes to the financial statements.
- **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 environmental, social and governance (ESG) related characteristics. The amendments also clarify the date of derecognition of a financial asset or financial liability and introduce additional disclosure requirements regarding investments in equity instruments designated as measured at fair value through other comprehensive income, and disclosures regarding 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 are amended to include factors that an entity must consider when applying IFRS 9:2.4 to contracts for the purchase and offtake of renewable electricity, the production of which is nature-dependent. The hedge accounting requirements in IFRS 9 are amended to permit an entity that uses a nature-dependent renewable electricity contract with certain characteristics as a hedging instrument to designate a variable volume of forecast electricity transactions as the hedged item if certain criteria are met, and to measure the hedged item using the same volume assumptions as those used for the

hedging instrument. The amendments to IFRS 7 and IFRS 19 introduce disclosure requirements for nature-dependent electricity contracts with certain characteristics.

- **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 for first-time adopters of IFRS (IFRS 1); (b) gain or loss on derecognition (IFRS 7); (c) disclosure of deferred difference between fair value and transaction price (IFRS 7); (d) introductory disclosures and disclosures regarding credit risk (IFRS 7); (e) lessee's derecognition of lease liabilities (IFRS 9); (f) transaction price (IFRS 9); (g) determination of a "de facto agent" (IFRS 10); (h) cost method (IAS 7).

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

Currently, the IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which were not yet effective at the date of publication of the financial statements (the effective dates indicated below apply to IFRS as issued by the IASB):

- **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 when applying the IFRS accounting standards in the financial statements. IFRS 19 is optional for subsidiaries meeting certain conditions 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. The objective of the standard is to enable companies that adopt IFRS for the first time and that currently recognise regulatory deferral accounts in accordance with previous national accounting standards to continue such recognition upon the 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**, issued by the IASB on 11 September 2014. The amendments concern the inconsistency between the requirements of IAS 28 and IFRS 10 and clarify that the extent of recognition of gain or loss in a transaction with an associate or a joint venture depends on whether the assets sold or contributed constitute a business.

The Group estimates that the introduction of these new standards and amendments to existing standards in the period of initial application will not have a material impact on the Group's financial statements.

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

The Group estimates that the application of hedge accounting in respect of financial assets and liabilities in accordance with **IAS 39 – Financial Instruments: Recognition and Measurement** would not have a material impact on the Group's financial statements if it were applied at the date of the statement of financial position.

3.5.4 Determination of fair value

For the recognition and disclosure of the fair value of both non-financial and financial assets and liabilities, the determination of fair value is required either for the measurement of individual assets or for additional disclosures of fair values. Fair value is the amount for which an asset can be sold or a liability exchanged between knowledgeable and willing parties in an arm's length transaction.

In determining the fair value of financial instruments, the following hierarchy of fair value levels is observed:

- Level 1 includes (unadjusted) quoted prices in active markets for identical assets or liabilities,
- Level 2 includes inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3 includes inputs for the asset or liability that are not based on observable market data.

Quoted prices are used as the basis for determining the fair value of financial instruments. If a financial instrument is not listed on an organised market or the market is assessed as inactive, Level 2 and Level 3 inputs are used to estimate the fair value of the financial instrument.

To determine the fair value of currency swaps, data is used that is provided to the company by the bank with which it has concluded the individual swap. The values are verified within the company.

To determine the fair value of derivative financial instruments relating to electricity, gas and emission allowances, known quoted prices are used as at the date of the statement of financial position.

For determining or calculating the fair value of commodity contracts as at 31 December 2025 without option features, Level 1 and Level 2 market prices were used.

To determine the fair value of options, models with Level 3 inputs are used.

3.5.5 Financial risk management

The identification of financial risks and their management are defined in the business section of the annual report; in the notes to the consolidated financial statements, financial risks are presented in connection with the items in the consolidated financial statements (chapter Financial instruments and risk management), namely:

- credit risk,
- liquidity risk,
- currency risk,
- interest rate risk, and
- price risk.

3.5.6 Disclosures to the consolidated financial statements

3.5.6.1 Consolidated statement of financial position

Intangible assets (1)

Intangible assets (in EUR)	31/12/2025	31/12/2024
Non-current property rights	8,312,884	8,781,437
Goodwill	13,692,056	17,938,690
Intangible assets being acquired	4,258,730	1,708,389
Total	**26,263,670**	**28,428,516**

Movement of intangible assets (in EUR)	Emission allowances	Non-current property rights	Goodwill	Other intangible assets	Intangible assets being acquired	Total
Purchase cost as at 1/1/2024	**157,207,525**	**31,875,788**	**18,374,888**	**24,078**	**112,195**	**207,594,474**
Acquisition	92,100,125	0	0	0	2,993,527	95,093,652
Disposals – write-offs, sales	-249,173,085	0	0	0	0	-249,173,085
Transfer from investments	0	1,642,385	0	0	-1,642,385	0
Transfers – restatements	0	-6,880	0	0	257,426	250,546
Write-offs	0	-966,704	0	0	-12,370	-979,074
Divestment/exclusion of companies	-134,565	-5,149,050	-436,198	-24,078	0	-5,743,891
Purchase cost as at 31/12/2024	**0**	**27,395,539**	**17,938,690**	**0**	**1,708,393**	**47,042,622**
Written-off value as at 1/1/2024	**0**	**22,226,891**	**0**	**24,078**	**0**	**22,250,969**
Amortisation	0	2,027,463	0	0	0	2,027,463
Write-offs	0	-966,704	0	0	0	-966,704
Transfers – restatements	0	-6,880	0	0	0	-6,880
Divestment/exclusion of companies	0	-4,666,667	0	-24,078	0	-4,690,745
Written-off value as at 31/12/2024	**0**	**18,614,106**	**0**	**0**	**0**	**18,614,106**
Book value as at 1/1/2024	**157,207,525**	**9,648,897**	**18,374,888**	**0**	**112,195**	**185,343,505**
Book value as at 31/12/2024	**0**	**8,781,433**	**17,938,690**	**0**	**1,708,393**	**28,428,516**
Purchase cost as at 1/1/2025	**0**	**27,395,539**	**17,938,690**	**0**	**1,708,393**	**47,042,622**
Acquisition	0	0	0	0	2,946,428	2,946,428
Disposals – write-offs, sales	0	-322,055	0	0	0	-322,055
Transfer from investments	0	1,134,074	0	0	-1,134,074	0
Transfers – restatements	0	177,953	0	0	737,983	915,936
Write-offs	0	-110,992	0	0	0	-110,992
Purchase cost as at 31/12/2025	**0**	**28,274,519**	**17,938,690**	**0**	**4,258,730**	**50,471,939**
Written-off value as at 1/1/2025	**0**	**18,614,106**	**0**	**0**	**0**	**18,614,106**
Amortisation	0	1,770,880	0	0	0	1,770,880
Disposals – write-offs, sales	0	-321,894	0	0	0	-321,894
Transfers – restatements	0	9,535	0	0	0	9,535
Write-offs	0	-110,992	0	0	0	-110,992
Impairments	0	0	4,246,634	0	0	4,246,634
Written-off value as at 31/12/2025	**0**	**19,961,635**	**4,246,634**	**0**	**0**	**24,208,269**
Book value as at 1/1/2025	**0**	**8,781,433**	**17,938,690**	**0**	**1,708,393**	**28,428,516**
Book value as at 31/12/2025	**0**	**8,312,884**	**13,692,056**	**0**	**4,258,730**	**26,263,670**

Among the non-current property rights, the highest value is represented by licensed software, which the Group uses for information support in carrying out its activities. In 2025, new acquisitions amounted to EUR 2,946,428.

The increase in intangible assets in 2025 mainly relates to the implementation and expansion of the SAP system and the introduction and development of the CRM system, which support the optimisation of business processes.

In 2025, the useful lives of major software were reviewed. For certain software, the useful life was changed such that, before the change, the calculated amortisation amounted to EUR 210,576, and after the adjustment to EUR 152,544. The difference amounts to EUR 58,032.

In 2025, the Group did not capitalise borrowing costs (interest) to the purchase cost of intangible assets, as their preparation for use was not long-lasting.

The Group has no pledged intangible assets.

As at 31 December 2025, the Group has contractual commitments for the acquisition of intangible assets in the coming years amounting to EUR 373,238.

Goodwill relates to the company SENG in the amount of EUR 12,387,056 and to Energija plus in the amount of EUR 1,305,000.

As at 31 December 2025, the recoverable value of the cash-generating units SENG and Energija plus, from which goodwill is derived, was assessed by means of an impairment test. On the basis of the estimated value of the cash-generating units, an impairment of Energija plus goodwill in the amount of EUR 4,246,634 was carried out.

The assumptions used in the goodwill impairment test and the results of the impairment test performed are presented below.

SENG GOODWILL

2025	2024
Value in use (present value of expected free cash flow).	Value in use (present value of expected free cash flow).
Date of performance of the impairment testing	
31/12/2025	31/12/2024
Significant assumptions used in performing the impairment test	
Going concern assumption.	Going concern assumption.
Discount rate at a nominal level of 7.90%, adjusted to a real level of 5.80%, which was applied over the entire forecast period.	Discount rate at a nominal level of 6.89%, adjusted to a real level of 4.80%, which was applied over the entire forecast period.
The electricity price is forecast on the basis of forecasts of "futures contracts" (2026–2028) and a combination of forecasts by the consulting companies ICIS and AFRY for the Slovenian market (from 2029 onwards).	The electricity price is forecast on the basis of forecasts of "futures contracts" (2025–2027) and a combination of forecasts by the consulting companies ICIS and AFRY for the Slovenian market (from 2028 onwards).
The growth rate of the normalised free cash flow is 0.0%. Inflation expectations are taken into account through the WACC adjustment.	The growth rate of the normalised free cash flow is 0.0%. Inflation expectations are taken into account through the WACC adjustment.
An average production of 819 GWh/year is taken into account. The average production of the HPPs on the Soča River is determined on the basis of statistical data on average hydrology on the Soča River. In 2027 (762 GWh) and 2028 (775 GWh), lower electricity production is expected due to the overhaul of the Avče PSH.	An average production of 711 GWh/year is taken into account. The average production of the HPPs on the Soča River is determined on the basis of statistical data on average hydrology on the Soča River. An 80% probability is taken into account. In 2027 (667 GWh) and 2028 (635 GWh), lower electricity production is expected due to the overhaul of the Avče PSH.
CAPEX over the projection period (2026–2035) amounting to EUR 180.5 million. From 2036 onwards at the level of EUR 14.8 million.	CAPEX over the projection period (2025–2034) amounting to EUR 135,082,028. From 2035 onwards at the level of EUR 13,486,443.
Results of impairment testing carried out	
Book value of fixed assets and goodwill before the impairment test in the amount of EUR 175,299,000.	Book value of fixed assets and goodwill before the impairment test in the amount of EUR 178,489,011.
Recoverable value of the CGU (cash-generating unit) in the amount of EUR 383,064,248.	Recoverable value of the CGU in the amount of EUR 287,398,571.
Revaluation expenses due to impairment in the amount of EUR 0.	Revaluation expenses due to impairment in the amount of EUR 0.

ENERGIJA PLUS GOODWILL
2025
Value in use (present value of expected free cash flow).
Date of performance of the impairment testing
31/12/2025
Significant assumptions used in performing the impairment test
Going concern assumption.
Discount rate of 7.7% (2026–2028) and 7.8% from 2029 onwards.
A premium for specific risks of 2 percentage points was taken into account, reflecting the risks of achieving the planned level of revenue and margins. The reason lies in the materially changed circumstances on the energy market in the last 12 months.
The valuation represents the equal weighting of four business scenarios. The business scenarios envisage lower prices/lower margins, lower prices/higher margins, higher prices/lower margins, higher prices/higher margins, for the period up to 2035, i.e. 10 years.
The growth rate of the normalised real free cash flow is 2%.
CAPEX in the projection period (2026–2035) of EUR 5,791,000.
The EBITDA margin is forecast in the long term at between 1.4% and 1.8% (depending on the scenario).
Results of impairment testing carried out
The book value of goodwill before the impairment test was carried out amounts to EUR 5,551,634.
The recoverable value of goodwill amounts to EUR 1,305,000.
Revaluation expenses due to impairment amount to EUR 4,246,634.

Energija plus 2024 goodwill

The HSE Group completed the process of purchasing the remaining 49% share in Energija plus, d.o.o. on 18 December 2024, with the purchase price being substantiated by an independent valuation; the company's operations in 2024 were in line with plans or above the planned values, and the Group also estimates that the cash flow projections for the period 2025–2034 used in the valuation are appropriate. In addition, no impairment indicators (e.g. a fall in revenue, loss of key customers or a material deterioration in macroeconomic conditions) were identified by the end of 2024, so the Group did not recognise impairment of goodwill related to Energija plus, d.o.o. in 2024.

Sensitivity analysis–test of goodwill impairment

Goodwill	Recoverable value in EUR	Sensitivity (change) of recoverable value in EUR: Change in discount rate (WACC) in % points –0.5	0.5
in SENG	383,064,248	37,496,022	-31,607,364
in Energija plus	24,100,000	1,434,000	-1,243,000

Goodwill	Recoverable value in EUR	Sensitivity (change) of recoverable value in EUR: Change in EBITDA margin of +/- 0.2 percentage points: Upper limit of the value range	Lower limit of the value range
in Energija plus	1,305,000	3,138,000	-527,000

Property, plant and equipment (2)

Property, plant and equipment (in EUR)	31/12/2025	31/12/2024
Land	17,270,318	17,162,497
Buildings	273,810,483	274,325,983
Production equipment	191,244,101	193,410,436
Other equipment	4,990,919	4,725,747
Property, plant and equipment being acquired	69,510,503	64,630,959
Total	**556,826,324**	**554,255,622**

The largest share of the Group's assets is represented by property, plant and equipment used for the production of electricity.

Movement of real property, plant and equipment (in EUR)	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 1/1/2024	**30,180,523**	**1,303,387,166**	**3,286,264,035**	**69,669,916**	**83,194,868**	**4,772,696,508**
Acquisition	0	0	0	0	68,326,608	68,326,608
Disposals	-537,115	-61,935	-495,484	-269,719	-44,590	-1,408,843
Transfer from investments	485,478	15,014,493	57,057,252	3,145,637	-75,702,860	0
Transfers – restatements	33,391	-68,091	55,192	74,971	-257,426	-161,963
Change in discount on assets under construction	0	7,203,000	287,688	0	0	7,490,688
Foreign currency differences	0	0	-1	101	-1	99
Write-offs	-125,620	-335,367	-14,442,072	-812,953	-27,953	-15,743,965
Divestment/exclusion of companies	-12,633,314	-579,502,522	-2,673,584,380	-24,977,845	-10,857,686	-3,301,555,747
Purchase cost as at 31/12/2024	**17,403,343**	**745,636,744**	**655,142,230**	**46,830,108**	**64,630,960**	**1,529,643,385**
Written-off value as at 1/1/2024	**4,985,704**	**960,314,246**	**2,694,798,166**	**60,368,849**	**8,017,289**	**3,728,484,254**
Disposals	-183,475	-21,793	-450,441	-254,888	0	-910,597
Transfers – restatements	0	-20,087	55,192	27,369	0	62,474
Depreciation	5,955	17,364,674	74,693,097	2,238,965	0	94,302,691
Foreign currency differences	0	0	1	94	0	95
Impairments	0	29,374,827	77,606,327	0	-8,017,289	98,963,865
Write-offs	-19,521	-219,131	-14,235,311	-811,203	0	-15,285,166
Divestment/exclusion of companies	-4,547,818	-535,481,975	-2,370,735,237	-19,464,823	0	-2,930,229,853
Written-off value as at 31/12/2024	**240,845**	**471,310,761**	**461,731,794**	**42,104,363**	**0**	**975,387,763**
Book value as at 1/1/2024	**25,194,819**	**343,072,920**	**591,465,869**	**9,301,067**	**75,177,579**	**1,044,212,254**
Book value as at 31/12/2024	**17,162,498**	**274,325,983**	**193,410,436**	**4,725,745**	**64,630,960**	**554,255,622**
Purchase cost as at 1/1/2025	**17,403,343**	**745,636,744**	**655,142,230**	**46,830,108**	**64,630,960**	**1,529,643,385**
Acquisition	0	0	0	0	36,407,196	36,407,196
Disposals	-128,486	-871,060	-1,137,896	-512,333	-22,812	-2,672,587
Transfer from investments	253,226	12,210,814	13,571,904	1,642,878	-27,678,822	0
Transfers – restatements	0	31,961	671,819	18,367	-737,983	-15,836
Change in Group perspective	12,946	109,451	0	0	0	122,397
Foreign currency differences	0	0	0	-87	0	-87
Write-offs	-29,866	-331,357	-3,798,167	-669,417	-2,605,687	-7,434,494
Purchase cost as at 31/12/2025	**17,511,163**	**756,786,553**	**664,449,890**	**47,309,516**	**69,992,852**	**1,556,049,974**
Written-off value as at 1/1/2025	**240,845**	**471,310,761**	**461,731,794**	**42,104,363**	**0**	**975,387,763**
Amortisation	0	12,590,840	15,924,797	1,189,907	0	29,705,544
Disposals	0	-635,763	-928,433	-490,131	0	-2,054,327
Transfers – restatements	0	10,889	78,655	39,438	0	128,982
Foreign currency differences	0	0	0	-82	0	-82
Impairments	0	0	0	144,122	482,349	626,471
Write-offs	0	-300,657	-3,601,024	-669,020	0	-4,570,701
Written-off value as at 31/12/2025	**240,845**	**482,976,070**	**473,205,789**	**42,318,597**	**482,349**	**999,223,650**
Book value as at 1/1/2025	**17,162,498**	**274,325,983**	**193,410,436**	**4,725,745**	**64,630,960**	**554,255,622**
Book value as at 31/12/2025	**17,270,318**	**273,810,483**	**191,244,101**	**4,990,919**	**69,510,503**	**556,826,324**

Among the most important investments in property, plant and equipment of the Group companies in 2025 are investments in the renovation, modernisation and reconstruction of production facilities and the purchase of equipment for performing the core activity, totalling EUR 36,407,196.

Among property, plant and equipment under acquisition, the Group discloses investments in the reliability of production and modernisation of equipment, the investment in the Kozjak PSH, HPPs in the central Sava Valley, investments in wind and solar power plants, and investments in the preparation of pre-investment, investment and other documentation required for the spatial planning procedures for power plants.

Transfers – restatements relate to transfers between the categories of property, plant and equipment, intangible assets and right of use assets.

Write-offs mainly represent write-offs of obsolete production equipment due to modernisation. In the financial year, an assessment of the recoverable value of property, plant and equipment under acquisition was carried out. On the basis of available information and technical assessments, the Group fully wrote off those assets which were established as not to be used or which no longer have future economic benefits, while it impaired part of the assets where the final usability has not yet been definitively confirmed but indicators of a decrease in recoverable value exist on the basis of current estimates.

Based on a review of the remaining useful lives of significant fixed assets, the Group estimates that they are appropriate.

To secure loans, the Group has pledged land with a book value of EUR 335,466.

At the end of 2025, the Group had EUR 123,900,494 of contractual commitments for the purchase of property, plant and equipment in future years.

Right of use assets (3)

Right of use assets (in EUR)	31/12/2025	31/12/2024
Right of use assets	4,879,698	5,973,220
Total	**4,879,698**	**5,973,220**

Movement of right of use assets (in EUR)	Land	Buildings	Production equipment	Other equipment	Total
Purchase cost as at 1/1/2024	**2,682,657**	**4,916,444**	**1,998,209**	**1,676,070**	**11,273,380**
Acquisition	0	1,086,653	926,558	716,485	2,729,696
Transfers - restatements	0	0	-53,205	0	-53,205
Exclusions	0	-827,769	-22,832	-759,153	-1,609,754
Change of Group perspective	0	793,944	0	0	793,944
Divestment/exclusion of companies	-2,682,657	-248,455	-309,876	-292,827	-3,533,815
Purchase cost as at 31/12/2024	**0**	**5,720,817**	**2,538,854**	**1,340,575**	**9,600,246**
Written-off value as at 1/1/2024	**1,572,586**	**1,611,214**	**813,676**	**863,225**	**4,860,701**
Amortisation	555,035	804,214	413,372	399,249	2,171,870
Transfers - restatements	0	13,770	-53,205	-13,770	-53,205
Exclusions	0	-439,798	0	-720,745	-1,160,543
Change of Group perspective	0	321,000	0	0	321,000
Divestment/exclusion of companies	-2,127,621	-44,444	-253,480	-87,252	-2,512,797
Written-off value as at 31/12/2024	**0**	**2,265,956**	**920,363**	**440,707**	**3,627,026**
Book value as at 1/1/2024	**1,110,071**	**3,305,230**	**1,184,533**	**812,845**	**6,412,679**
Book value as at 31/12/2024	**0**	**3,454,861**	**1,618,491**	**899,868**	**5,973,220**
Purchase cost as at 1/1/2025	**0**	**5,720,817**	**2,538,854**	**1,340,575**	**9,600,246**
Acquisition	0	584,465	446,888	1,146,566	2,177,919
Exclusions	0	-1,863,958	-24,845	-127,229	-2,016,032
Transfers - restatements	0	0	-900,100	0	-900,100
Purchase cost as at 31/12/2025	**0**	**4,441,324**	**2,060,797**	**2,359,912**	**8,862,033**
Written-off value as at 1/1/2025	**0**	**2,265,956**	**920,363**	**440,707**	**3,627,026**
Amortisation	0	829,108	246,507	467,224	1,542,839
Exclusions	0	-903,915	-24,845	-120,253	-1,049,013
Transfers - restatements	0	0	-138,517	0	-138,517
Written-off value as at 31/12/2025	**0**	**2,191,149**	**1,003,508**	**787,678**	**3,982,335**
Book value as at 1/1/2025	**0**	**3,454,861**	**1,618,491**	**899,868**	**5,973,220**
Book value as at 31/12/2025	**0**	**2,250,175**	**1,057,289**	**1,572,234**	**4,879,698**

The Group has lease agreements for office premises, cars and other equipment. The duration of the lease is estimated based on the type of lease. The values of right of use assets and lease liabilities are estimated on the basis of discounting future cash flows for the term of the lease.

Transfers – restatements relate to the transfer of assets from the category of right of use assets to property, plant and equipment. The transfer occurred due to the repayment of liabilities under leasing agreements, whereby the company acquired ownership of the assets previously disclosed as right of use.

The Group does not sublease leased assets.

In 2025, the Group reviewed and analysed all lease agreements in accordance with IFRS 16, using the exemptions for leases of low-value assets in the amount of EUR 280,964 and short-term leases of other assets in the amount of EUR 658,646, as permitted by the standard.

Investment property (4)

Book value of investment property (in EUR)	31/12/2025	31/12/2024
Land	425,511	12,945
Buildings	1,138,499	109,452
Total	**1,564,010**	**122,397**

Movement of investment property (in EUR)	Land	Buildings	Total
Fair value as at 1/1/2024	**1,744,564**	**16,051,551**	**17,796,115**
Acquisition	0	148,859	148,859
Disposals	-898,605	0	-898,605
Revaluation to fair value	47,393	42,421	89,814
Divestment/exclusion of companies	-880,406	-16,133,380	-17,013,786
Fair value as at 31/12/2024	**12,946**	**109,451**	**122,397**
Fair value as at 1/1/2025	**12,946**	**109,451**	**122,397**
Acquisition	425,511	1,138,499	1,564,010
Change in Group perspective	-12,946	-109,451	-122,397
Fair value as at 31/12/2025	**425,511**	**1,138,499**	**1,564,010**

In 2025, the Group increased its investment property due to the purchase of land and buildings which are currently leased to third parties. The properties were acquired in connection with the planned expansion of activity, and their future use has not yet been definitively determined.

In 2025, the Group transferred properties worth EUR 122,397 from investment property to property, plant and equipment, as these are leased to companies within the Group and therefore no longer meet the definition of investment property in the consolidated financial statements.

The Group has no pledged investment property.

Other non-current financial investments and loans (5)

Other non-current financial investments and loans (in EUR)	31/12/2025	31/12/2024
Financial investments in associates	147,385,578	145,621,403
Investments in jointly-controlled companies	318,757	312,570
Financial assets at fair value through other comprehensive income	194,622	172,482
Other financial investments	163,400	113,583
Financial receivables and loans	2,934	2,934
Total	**148,065,291**	**146,222,972**

a) Investment in an associate

Investmensts in an associate (in EUR)	31/12/2025	31/12/2024
HESS	147,385,578	145,621,403
Total	**147,385,578**	**145,621,403**

Movement of non-current financial investments in an associate (in EUR)	2025	2024
Balance as at 1/1/	**145,621,403**	**144,194,973**
Profits as per capital method	1,764,175	1,426,430
Balance as at 31/12/	**147,385,578**	**145,621,403**

No indicators of impairment were identified in the investment in the associate in 2025, so the Group did not recognise impairment of this investment.

b) Investment in a jointly-controlled company

Investment in a jointly-controlled company (in EUR)	31/12/2025	31/12/2024
SOENERGETIKA	318,757	312,570
Total	**318,757**	**312,570**

Movement of investment in a jointly-controlled company (in EUR)	2025	2024
Balance as at 1/1	**312,570**	**311,843**
Payment of profit	-45,120	-44,393
Profits as per capital method	51,307	45,120
Balance as at 31/12	**318,757**	**312,570**

Non-current operating receivables (6)

Non-current operating receivables (in EUR)	31/12/2025	31/12/2024
Operating trade receivables	395,744	186,414
Advances given	12,153,795	0
Operating receivables from others	10,884,694	12,185,708
Total	**23,434,233**	**12,372,122**

Among non-current operating receivables from others, the Group discloses financial collateral provided for the purposes of trading in electricity. Advances given are linked to the contractually agreed supply of goods and services and will be drawn down in 2027.

Deferred tax receivables and tax liabilities (7)

Deferred tax receivables (in EUR)	31/12/2025	31/12/2024
Provisions	310,357	378,655
Impairment of receivables	3,179,233	3,242,373
Impairment of investments	155,698	39,463,906
Uncovered tax loss	45,211,220	0
Total	**48,856,508**	**43,084,934**

Deferred tax liabilities (in EUR)	31/12/2025	31/12/2024
Financial assets at fair value through other comprehensive income	-47,087	-8,185
Total	**-47,087**	**-8,185**

The netted value of deferred tax receivables and deferred tax liabilities as at 31 December 2025 amounts to EUR 48,809,421.

Deferred tax receivables are calculated using a tax rate of 19% or 22% for deferred receivables expected to be used in a period of 3-5 years. They are formed on the basis of expenses which affect the profit or loss of the individual year but are not fully or partially tax-recognised in that year (provisions for anniversary bonuses and severance pay on retirement, impairments of investments and receivables, and the fair value of financial instruments). In forming deferred tax receivables, the Group considers the possibility of their realisation in the future based on future operations.

The bulk of the changes in deferred tax receivables in 2025 are represented by receivables arising from tax losses and the estimate that the Group will be able to use them within the three years following the date of the statement of financial position.

Deferred tax liabilities arise from financial assets at fair value through other comprehensive income, for which the fair value can be reliably measured.

Movement in deferred tax assets/liabilities (in EUR)	Provisions	Impairments of receivables	Impairment of investments	Uncovered tax loss	Total (1)	Financial assets at fair value	Total (2)	Total (1+2)
Balance as at 1/1/2024	**449,344**	**1,223,167**	**39,566**	**0**	**1,712,077**	**-6,881**	**-6,881**	**1,712,077**
Added to/deducted from profit or loss statement	-70,689	2,019,206	39,424,340	0	41,372,857	0	0	41,372,857
Added to/deducted from other comprehensive income	0	0	0	0	0	-1,304	-1,304	-1,304
Balance as at 31/12/2024	**378,655**	**3,242,373**	**39,463,906**	**0**	**43,084,934**	**-8,185**	**-8,185**	**43,076,749**
Balance as at 1/1/2025	**378,655**	**3,242,373**	**39,463,906**	**0**	**43,084,934**	**-8,185**	**-8,185**	**43,076,749**
Added to/deducted from profit or loss statement	-68,298	-23,017	5,263,892	575,160	5,747,737	0	0	5,747,737
Added to/deducted from other comprehensive income	0	0	0	0	0	-15,065	-15,065	-15,065
Transfers - restatements	0	-40,123	-44,572,100	44,636,060	23,837	-23,837	-23,837	0
Balance as at 31/12/2025	**310,357**	**3,179,233**	**155,698**	**45,211,220**	**48,856,508**	**-47,087**	**-47,087**	**48,809,421**

Inventories (8)

Inventories (in EUR)	31/12/2025	31/12/2024
Material	1,625,629	1,404,933
Emission allowances	21,756,535	0
Products and merchandise	1,310,228	1,811,021
Total	**24,692,392**	**3,215,954**

The largest value in inventories of material is represented by inventories of spare parts and maintenance material, which are required for the quick elimination of faults in production equipment and thus for ensuring the reliable operation of production.

The increase in inventories in 2025 is almost entirely linked to the inventory of emission allowances intended for trading.

The Group has no pledged inventories.

Current financial investments and loans (9)

Current financial investments and loans (in EUR)	31/12/2025	31/12/2024
Financial receivables and loans given to others without interest	0	51
Financial receivables and loans given to others for interest	13,500	288
Deposits to others	30,001,119	4,501,121
Total	**30,014,619**	**4,501,460**

The Group has a short-term deposit with a commercial bank with a maturity date of 23 June 2026.

Current operating receivables (10)

Current trade receivables (in EUR)	31/12/2025	31/12/2024
Operating receivables from associates	23,994	98,302
Trade receivables	296,844,189	365,708,403
Total	**296,868,183**	**365,806,705**

Most current operating receivables relate to receivables arising from the sale of electricity. Compared to 2024, the amount is lower as a result of smaller quantities sold.

Disclosures regarding maturity, the formation of value adjustments to operating receivables and their security are presented in the chapter Financial instruments and risk management in this report.

Contract assets (11)

Contract assets (in EUR)	31/12/2025	31/12/2024
Accrued revenues	2,116,089	663,305
Total	**2,116,089**	**663,305**

Accrued revenue is revenue recognised in profit or loss although it has not yet been invoiced and represents the right to consideration in exchange for a good or service transferred to a customer.

Other current assets (12)

Other current assets (in EUR)	31/12/2025	31/12/2024
Advances given	2,112,087	5,053,814
Operating receivables from state and other institutions	39,183,854	53,386,519
Operating receivables from others	25,169,665	43,911,613
Deferred costs and expenses	5,201,276	8,116,369
Total	**71,666,882**	**110,468,315**

The bulk of receivables among other current assets are receivables from state and other institutions related to receivables for input value added tax.

Operating receivables from others include the amount of funds reserved for trading on exchanges (a decrease in 2025) and receivables arising from the fair value measurement of commodity contracts, which were disclosed under liabilities in 2024.

Current deferred costs and expenses relate to transactions related to trading or the sale of electricity.

Cash and cash equivalents (13)

Cash and cash equivalents (in EUR)	31/12/2025	31/12/2024
Cash in hand and received cheques	50	507,772
Cash in banks	68,171,352	102,668,253
Call deposits	24,410,659	20,745,482
Deposits with up to 3 month maturity	222,195,832	247,802,664
Total	**314,777,893**	**371,724,171**

Equity (14)

Equity (in EUR)	31/12/2025	31/12/2024
Called-up capital	29,558,788	29,558,788
Capital reserves	561,243,182	561,243,182
Other profit reserves	7,152,384	7,152,384
Risk hedging reserve	1,427,250	-6,014,837
Fair value reserves	-871,852	-6,490,475
Retained profit/loss	644,889,742	557,346,439
Translation reserve	-91,360	-100,981
Non-controlling interests' equity	1,152,311	947,465
Total	**1,244,460,444**	**1,143,641,965**

Capital reserves (in EUR)	31/12/2025	31/12/2024
Paid-in capital surplus	561,243,070	561,243,070
Amount on the basis of elimination of general revaluation capital adjustment	113	113
Total	**561,243,182**	**561,243,182**

Risk hedging reserves in the amount of EUR 1,427,250 are presented in more detail in the table below.

Risk hedging reserve movement (in EUR)	Standardised futures contracts for electricity	Standardised futures contracts for emission allowances	Standardised futures contracts for gas	Currency swaps	Total
Balance as at 1/1/2024	**16,420,903**	**-21,205,540**	**-716,542**	**-74,342**	**-5,575,521**
Net effect of increase/decrease	-36,590,382	39,618,950	2,369,222	74,320	5,472,110
Transfer to expenses	13,166,975	-18,413,410	-664,991	0	-5,911,426
Balance as at 31/12/2024	**-7,002,504**	**0**	**987,689**	**-22**	**-6,014,837**
Balance as at 1/1/2025	**-7,002,504**	**0**	**987,689**	**-22**	**-6,014,837**
Net effect of increase/decrease	-12,603,475	0	-2,053,060	0	-14,656,535
Transfer to expenses	22,158,392	0	-59,792	22	22,098,622
Balance as at 31/12/2025	**2,552,413**	**0**	**-1,125,163**	**0**	**1,427,250**

Movement of fair value reserve (in EUR)	Revaluation of investment property	Financial assets at fair value through other comprehensive income	Actuarial profits/losses on severance payments upon retirement	Other	Total
Balance as at 1/1/2024	**105,215**	**71,076**	**-6,339,612**	**-6,761,565**	**-12,924,886**
Formation, increase	0	14,739	-699,265	0	-684,526
Decrease, elimination	-19,122	0	365,522	6,724,200	7,070,600
Divestment/exclusion of companies	-86,093	0	134,430	0	48,337
Balance as at 31/12/2024	**0**	**85,815**	**-6,538,925**	**-37,365**	**-6,490,475**
Balance as at 1/1/2025	**0**	**85,815**	**-6,538,925**	**-37,365**	**-6,490,475**
Formation, increase	0	67,750	-167,213		-99,463
Decrease, elimination	0	-10,858	596,978		586,120
Transfer to retained net profit/loss	0	0	5,180,864	-48,898	5,131,966
Transfers - restatements	0	31,608	-31,608	0	0
Balance as at 31/12/2025	**0**	**174,315**	**-959,904**	**-86,263**	**-871,852**

Retained profit/loss (in EUR)	2025	2024
Net profit/loss for the year	257,679,486	232,633,719
Retained profit/loss	387,210,256	324,712,720
Total	**644,889,742**	**557,346,439**

Non-controlling interests (in EUR)	31/12/2025 Non-controlling interests' equity	1-12 2025 Share in profit/loss	31/12/2024 Non-controlling interests' equity	1-12 2024 Share in profit/loss
SRESA	13,575	-106	13,681	-1,440
MHE Lobnica	205,913	-7,694	213,606	-2,977
HSE Invest	224,772	19,827	201,387	25,993
RGP	708,051	193,347	518,791	111,013
Total	**1,152,311**	**205,374**	**947,465**	**132,589**

Provisions for severance pay and anniversary bonuses (15)

Provisions for severance pay upon retirement and anniversary bonuses (in EUR)	31/12/2025	31/12/2024
Provisions for severance pays upon retirement	7,193,904	7,324,348
Provisions for anniversary bonusese	1,398,426	1,330,627
Total	**8,592,330**	**8,654,975**

The Group discloses provisions for severance pay and anniversary bonuses, which are formed on the basis of an actuarial calculation as at 31 December 2025. Severance pay relates to severance pay on retirement.

Movement of provisions for severance pay and anniversary bonuses (in EUR)	Provisions for severance pay	Provisions for anniversary bonuses	Total
Balance as at 1/1/2024	**24,542,013**	**3,800,974**	**28,342,987**
Formation, increase	3,495,852	819,447	4,315,299
Decrease, drawing	-3,045,755	-374,454	-3,420,209
Decrease, elimination	-579,264	-140,780	-720,044
Divestment/exclusion of companies	-17,088,497	-2,774,561	-19,863,058
Balance as at 31/12/2024	**7,324,349**	**1,330,626**	**8,654,975**
Balance as at 1/1/2025	**7,324,349**	**1,330,626**	**8,654,975**
Formation, increase	1,032,791	320,581	1,353,372
Decrease, drawing	-398,577	-113,127	-511,704
Decrease, elimination	-764,658	-139,655	-904,313
Balance as at 31/12/2025	**7,193,905**	**1,398,425**	**8,592,330**

The bases for the actuarial calculation taken into account:

- employee data (gender, date of birth, date of first employment in the Group, employment for an indefinite or fixed term, pensionable service as at 31 December 2025, length of service prior to first employment in the Group, type of contract, average gross salary, etc.), employee turnover by age groups,
- demographic assumptions (mortality tables, employee turnover and retirement),
- the rate of increase in average salaries in the Republic of Slovenia (monthly and annual) is based on the Review of Macroeconomic Developments with Forecasts, December 2025, and for 2029 on the Autumn Forecast of Economic Trends, IMAD, September 2025. From 2030 onwards, it is anticipated that average salaries in the Republic of Slovenia will increase annually in line with inflation (IMF, October 2025) and by a real growth rate of 1.4%,
- the rate of salary increase in the Company represents the growth of basic gross salaries and the variable part of salaries by the level of annual inflation, increased by real growth of 0.4%, but not more than the anticipated average salary growth in the Republic of Slovenia,
- the discount rate, which for the calculation as at 31 December 2025 is set in the range of 3.9–4.1% and reflects the yield of high-quality corporate bonds as at 31 December 2025, denominated in EUR,

- the provisions of corporate collective agreements that define entitlement to anniversary bonuses and severance pay and their amounts.

Sensitivity analysis of changes in the discount interest rate and salary growth on provisions for severance pay and anniversary bonuses in 2025:

Sensitivity analysis for provisions for severance pay and anniversary bonuses (in EUR)	Discount rate		Salary growth	
	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%
Provisions for severance pay upon retirement	410,497	-461,644	-373,884	386,635
Provisions for anniversary bonuses	160,017	15,036	745	119,428
Total in year 2025	**570,514**	**-446,608**	**-373,139**	**506,063**
Provisions for severance pay upon retirement	432,771	-442,486	-363,293	393,615
Provisions for anniversary bonuses	69,131	-68,199	-54,437	57,936
Total in year 2024	**501,902**	**-510,685**	**-417,730**	**451,551**

Other provisions (16)

Other provisions (in EUR)	31/12/2025	31/12/2024
For legal actions	144,547	44,205
For damages	0	20,493
Other provisions	2,141,221	2,185,719
Total	**2,285,768**	**2,250,417**

Movement of other provisions (in EUR)	For legal actions	For closing works of coal mine caves	For decommissioning	For damages	Other provisions	Total
Balance as at 1/1/2024	**1,010,823**	**47,917,052**	**14,640,986**	**2,070,320**	**2,683,513**	**68,322,694**
Formation, increase	7,095,920	7,690,000	436,587	304,705	501	15,527,713
Decrease, drawing	-80,000	0	0	-195,835	-82,048	-357,883
Decrease, elimination	-117,418	0	0	0	-8,886	-126,304
Divestment/exclusion of companies	-7,865,121	-55,607,052	-15,077,573	-2,158,697	-407,360	-81,115,803
Balance as at 31/12/2024	**44,204**	**0**	**0**	**20,493**	**2,185,720**	**2,250,417**
Balance as at 1/1/2025	**44,204**	**0**	**0**	**20,493**	**2,185,720**	**2,250,417**
Formation, increase	100,344	0	0	0	0	100,344
Decrease, drawing	0	0	0	0	-44,458	-44,458
Decrease, elimination	0	0	0	-20,493	-41	-20,534
Balance as at 31/12/2025	**144,547**	**0**	**0**	**0**	**2,141,221**	**2,285,768**

Other non-current liabilities (17)

Other non-current liabilities (in EUR)	31/12/2025	31/12/2024
Other received government grants	1,004,345	1,475,427
Other liabilities	1,557,193	1,828,361
Total	**2,561,538**	**3,303,788**

Movement of other non-current liabilities (in EUR)	Emission allowances	Other received government grants	Other	Total
Balance as at 1/1/2024	**26,705**	**1,257,803**	**9,209,204**	**10,493,712**
Acquisition	0	9,397,944	406,843	9,804,787
Divestment/elimination	-13,541	-8,583,831	-7,546,075	-16,143,447
Divestment/exclusion of companies	-13,164	-596,489	-241,611	-851,264
Balance as at 31/12/2024	**0**	**1,475,427**	**1,828,361**	**3,303,788**
Balance as at 1/1/2025	**0**	**1,475,427**	**1,828,361**	**3,303,788**
Acquisition	0	206,059	71,444	277,503
Divestment/elimination	0	-49,318	-342,612	-391,930
Release	0	-627,823	0	-627,823
Balance as at 31/12/2025	**0**	**1,004,345**	**1,557,193**	**2,561,538**

Among other non-current liabilities, the Group discloses funds received from co-financing in European projects and other state support. The bulk of other non-current liabilities relate to funds received for the North Adriatic Hydrogen Valley (NAHV) project.

Non-current financial liabilities and lease liabilities (18)

Non-current financial liabilities (in EUR)	31/12/2025	31/12/2024
Financial liabilities to banks	3,201,819	149,844,930
Financial liabilities from leases	3,280,876	4,056,441
Total	**6,482,695**	**153,901,371**

Among non-current liabilities to banks, the Group discloses non-current financial loans. The principal values of the non-current loans received which fall due for payment in 2026 are disclosed under current liabilities to banks.

The Group has approved revolving loans of EUR 80,000,000 which had not been drawn as at 31 December 2025. The repayments take into account the early repayment of loans.

The Group has included bank covenants in its non-current loan agreements, which were not breached in 2025.

The loans bear interest at a variable interest rate based on the market Euribor interest rate, which equals 0 in the case of negative Euribor, plus a margin ranging from 0.66% to 0.80%.

The Group regularly pays principal and interest instalments as they fall due.

The two non-current loans to banks are secured by bills of exchange and a pledge on land.

Movement of non-current financial liabilities (in EUR)	Financial liabilities to banks	Financial liabilities from leases	Total
Balance as at 1/1/2024	**508,230,148**	**4,257,640**	**512,487,788**
Acquisition	1,150,000	2,416,829	3,566,829
Transfers to current liabilities	-63,421,265	-1,769,923	-65,191,188
Repayments	-40,300,000	-548,543	-40,848,543
Other	0	-392,558	-392,558
Change in Group perspective	0	385,548	385,548
Divestment/exclusion of companies	-255,813,953	-292,552	-256,106,505
Balance as at 31/12/2024	**149,844,930**	**4,056,441**	**153,901,371**
Balance as at 1/1/2025	**149,844,930**	**4,056,441**	**153,901,371**
Acquisition	2,046,600	2,529,588	4,576,188
Transfers to current liabilities	-255,825	-1,315,660	-1,571,485
Repayments	-148,433,886	-1,141,996	-149,575,882
Other	0	-847,497	-847,497
Balance as at 31/12/2025	**3,201,819**	**3,280,876**	**6,482,695**

Current financial liabilities (19)

Current financial liabilities (in EUR)	31/12/2025	31/12/2024
Financial liabilities to banks without interest	555,825	44,746,387
Financial liabilities to banks for interest	9,089	10,558
Derivatives	0	28
Other financial liabilities	25,616	67,312
Financial liabilities from leases	1,247,551	1,416,828
Total	**1,838,081**	**46,241,113**

Movement of current financial liabilities (in EUR)	Financial liabilities to banks without interest	Financial liabilities to banks for interest	Derivatives	Other financial liabilities	Financial liabilities from leases	Total
Balance as at 1/1/2024	**82,353,685**	**473,687**	**95,310**	**37,121**	**1,911,807**	**84,871,610**
Increase	52,300,000	20,756,163	0	4,876,002	85,443	78,017,608
Transfers from non-current liabilities	63,421,265	0	0	0	1,769,923	65,191,188
Current repayments	-65,500,000	-21,206,171	0	-4,840,862	-1,046,400	-92,593,433
Non-current repayments	-67,353,686	-120,553	0	0	-688,957	-68,163,196
Other	0	107,559	-95,282	-4,949	4,949	12,277
Change in Group perspective	0	0	0	0	113,811	113,811
Divestment/exclusion of companies	-20,474,877	-127	0	0	-733,748	-21,208,752
Balance as at 31/12/2024	**44,746,387**	**10,558**	**28**	**67,312**	**1,416,828**	**46,241,113**
Balance as at 1/1/2025	**44,746,387**	**10,558**	**28**	**67,312**	**1,416,828**	**46,241,113**
Increase	41,900,000	4,409,551	0	1,472,914	38,973	47,821,438
Transfers from non-current liabilities	255,825	0	0	0	1,315,660	1,571,485
Current repayments	-43,400,000	-4,411,020	0	-1,514,610	-1,116,306	-50,441,936
Non-current repayments	-42,946,387	0	0	0	0	-42,946,387
Other	0	0	-28	0	-407,604	-407,632
Balance as at 31/12/2025	**555,825**	**9,089**	**0**	**25,616**	**1,247,551**	**1,838,081**

Current operating liabilities to suppliers (20)

Current operating liabilities (in EUR)	31/12/2025	31/12/2024
Operating liabilities to associates	1,147,445	1,145,733
Operating liabilities to suppliers	202,397,234	244,764,706
Total	**203,544,679**	**245,910,439**

Disclosures regarding the maturity of liabilities to suppliers are presented in the chapter Financial instruments and risk management.

Other current liabilities (21)

Other current liabilities (in EUR)	31/12/2025	31/12/2024
Operating advance payables	9,214,243	10,942,212
Operating liabilities to employees	6,952,847	6,289,047
Operating liabilities to state and other institutions	26,140,253	31,807,685
Operating liabilities to others	280,631	14,723,480
Accrued costs or expenses	8,091,682	14,241,490
Current provisions	1,918,119	11,676,714
Total	**52,597,775**	**89,680,628**

Other current liabilities mainly represent liabilities to state and other institutions and accrued costs or expenses.

Other current liabilities to employees represent liabilities to employees relating to December earnings paid in January 2026. The Group also discloses liabilities arising from unused leave among them.

Among current operating liabilities to others, liabilities arising from the fair value measurement of commodity contracts were disclosed in 2024, while in 2025 they form part of other current assets.

Current accrued costs represent costs related to purchases of electricity.

In 2025, the Group also formed current provisions in accordance with IAS 37 from onerous contracts in the amount of EUR 1,918,119 for expected losses from concluded contracts, which were lower than in 2024. As part of the assessment of provisions for onerous contracts, the Group took into account known purchase prices arising from purchase transactions concluded in previous years with expected delivery in 2026, and selling prices from the published valid price list for household customers.

Contingent liabilities (22)

Contingent liabilities (in EUR)	31/12/2025	31/12/2024
Performance bonds/warranties for the rectification of defects	7,181,729	4,169,144
Total	**7,181,729**	**4,169,144**

3.5.6.2 Consolidated income statement

Revenue from contracts with customers (23)

Revenue from contracts with customers (in EUR)	2025	2024
On the domestic market	**1,106,871,730**	**765,578,809**
Electricity	919,044,363	710,449,039
Heat energy	23,985	19,323
Natural gas	54,089,602	29,416,386
Other products	6,540,257	7,328,873
Emission allowances	93,634,717	301,557
Other goods and material	9,123,310	5,979,821
Other services - recognised immediately	24,454,157	12,095,072
Other services - recognised over time - calculated revenue	119,572	100,431
Other services - recognised over time - deferred revenue	-158,234	-111,693
On foreign market	**2,018,116,342**	**2,236,144,997**
Electricity	1,971,645,604	2,140,781,080
Natural gas	13,708,062	13,683,684
Emission allowances	0	33,921,100
Other services - recognised immediately	32,762,676	47,759,133
Total	**3,124,988,072**	**3,001,723,806**

The bulk of revenue from contracts with customers is represented by revenue from the sale of electricity at the parent company. The amount of revenue from this source represents 93% of all net sales revenue.

Revenue from other merchandise and material includes the sale of waste material and other merchandise (solar power plants, charging stations, air conditioners, etc.)

The Group mainly generated revenue from other services with services related to electricity (transmission capacities, certificates of origin, etc.), while the remainder comprises construction and maintenance services, real estate rentals and other services.

Other operating income (24)

Other operating revenue (in EUR)	2025	2024
Revenue from withdrawal of provisions	203,155	194,742
Drawing deferred revenue	126,977	4,830
Elimination of impairment of receivables	304,872	406,297
Revenue from damages and contractual penalties	4,411,683	7,780,409
Default interest	599,917	1,126,306
Profit from the sale of fixed assets	808,408	962,598
Profit from derivatives due to trading with electricity and emission allowances	5,408,790	9,394,202
Fair value measurement of commodity contracts	22,610,867	0
Other	582,692	2,581,366
Total	**35,057,361**	**22,450,750**

The majority of other operating income comprises the positive net effect of the fair value measurement of commodity contracts and gains from trading in derivative financial instruments for electricity and emission allowances.

Costs of goods, materials and services (25)

Costs of goods, materials and services (in EUR)	2025	2024
Purchase value of sold goods	2,601,834,236	2,274,185,900
Contingent costs of sold goods	51,383,826	56,784,085
Total purchase value of sold goods	**2,653,218,062**	**2,330,969,985**
Costs of material	3,539,905	4,042,016
Cost of supplementary material	167,553	126,829
Costs of energy	5,544,244	3,144,875
Costs of spare parts	840,174	957,621
Costs of small tools	240,794	233,956
Other	1,205,365	1,071,731
Total costs of material	**11,538,035**	**9,577,028**
Costs of services from product generation	10,408,458	8,788,475
Costs of transport services	2,958,558	2,525,170
Costs of maintenance	6,423,396	5,807,339
Costs of rents	2,299,509	2,387,772
Costs of reimbursements of work-related expenses to employees	443,041	307,593
Costs of insurance and bank services	3,960,876	3,751,800
Costs of intellectual and personal services	5,096,111	4,898,016
Costs of fairs, advertising and representation	3,106,941	2,289,066
Costs of services provided by individuals	1,028,622	856,178
Other	5,955,666	1,833,950
Total costs of services	**41,681,178**	**33,445,359**
Total	**2,706,437,275**	**2,373,992,370**

The cost of goods sold, which represents the bulk of all operating expenses, comprises expenses for the purchase of electricity and their related costs.

Audit costs

(in EUR)	2025	2024
Annual report audit	173,361	228,476
Other services of providing guarantees	71,700	123,000
Total	**245,061**	**351,476**

For 2025, the audit of the financial statements of the Group companies in Slovenia was carried out by the audit firm Deloitte revizija, d.o.o., which also carried out a review of the accounting information of foreign subsidiaries included in the consolidated financial statements. The audit firm Deloitte revizija, d.o.o. also provided other assurance services, namely a review of the report on relations with related companies in the amount of EUR 14,500 and a review of the sustainability report in the amount of EUR 57,200.

Two companies registered abroad were audited by independent local audit firms, one company being audited by an audit firm from the Deloitte network and the other by the audit firm Baker Tilly.

Labour costs (26)

Labour costs

(in EUR)	2025	2024
Salaries	52,640,117	49,238,909
Pension insurance costs	7,323,180	6,503,724
Other insurance costs	3,756,142	3,483,820
Other labour costs	8,082,245	6,898,941
Total	**71,801,684**	**66,125,394**

Labour costs include costs of salaries and allowances, costs of social security, costs of supplementary pension insurance and other labour costs (lunch allowance, transport to and from work, voluntary personal insurance, holiday allowance, solidarity assistance, provisions for anniversary bonuses and severance pay on retirement, etc.). Costs of allowances for unused leave from 2025, which employees can use until 30 June 2026, are also included. The increase in labour costs is the result of a higher average number of employees compared to the previous year, winter holiday allowance, an increase in basic salaries in accordance with the sectoral collective agreement, and the calculated variable part of business performance for 2025 in accordance with the provisions of corporate collective agreements.

Average number of employees by educational structure	31/12/2025	31/12/2024
1	3	3
2	18	21
3	37	39
4	60	80
5	221	219
6/1	145	124
6/2	201	188
7	294	269
8/1	68	69
8/2	15	16
Total	**1,060**	**1,027**

Value write-offs (27)

Value write-offs (in EUR)	2025	2024
Amortisation of intangible assets	1,770,880	1,743,511
Amortisation of property, plant and equipment	29,705,546	29,004,153
Amortisation of leased assets	1,542,975	1,426,632
Impairments/write-offs of receivables	758,665	11,080,354
Impairments/write-offs of inventories	67,338	71,538
Impairments in property, plant and equipment and intangible assets	4,728,983	0
Impairments of property, plant and equipment	2,835,593	310,310
Loss on sale property, plant and equipment and investment property	206,032	526
Total	**41,616,012**	**43,637,024**

Capitalised own products (28)

Capitalised own products (in EUR)	2025	2024
Capitalised own products and services	-12,211,469	-10,357,107
Total	**-12,211,469**	**-10,357,107**

Capitalised own products and services relate to:

- engineering services in the construction and reconstruction of HPPs, and
- construction works on facilities.

Other operating expenses (29)

Other operating expenses (in EUR)	2025	2024
Forming of provisions	2,020,728	12,055,982
Fee for the use of construction land	2,462,691	2,459,168
Concessions	11,688,878	16,469,283
Environmental protection expenses	9,552,516	9,550,490
Donations	794,338	560,879
Fair value measurement of commodity contracts	0	79,056,022
Loss of derivatives due to trading with electricity and gas	41,144,058	0
Other operating expenses	2,200,889	2,948,703
Total	**69,864,098**	**123,100,527**

Other operating expenses mainly comprise the loss on derivative financial instruments from trading in electricity and gas.

Financial outcome (30)

In 2025, the Group generated a positive financial outcome of EUR 186,129.

Financial revenue (in EUR)	2025	2024
Financial revenue from dividends and other profit shares	10,775	6,734
Financial revenue from loans and deposits given	5,752,086	5,915,207
Other financial revenue	1,053	0
Total	**5,763,914**	**5,921,941**

Financial expenses (in EUR)	2025	2024
Financial expenses for interest	4,164,745	11,784,507
Other financial expenses	1,160,639	18,509,026
Other financial expenses from leases	252,401	211,130
Total	**5,577,785**	**30,504,663**

Among other financial expenses, the Group discloses costs of withholding tax for foreign loans and costs related to the taking up of loans, and interest costs arising from the actuarial calculation of severance pay on retirement and anniversary bonuses. These are lower than in 2024, when they also included the loss on the sale of derivative financial instruments.

Financial expenses for interest comprise accrued interest on non-current and current loans received from banks, which were lower in 2025 than in 2024 due to the repayment of the major part of the loans.

Financial revenue from equity interests in associates and jointly-controlled companies (31)

Share of the profit from investments using the equity method (in EUR)	2025	2024
HESS	1,764,175	1,426,430
SOENERGETIKA	51,307	45,120
Total	**1,815,482**	**1,471,550**

Taxes (32)

Taxes (in EUR)	2025	2024
Current tax	32,390,108	5,370,013
Deferred tax	-5,747,744	-41,419,885
Total tax from profit recognised in the income statement	**26,642,364**	**-36,049,872**
Deferred tax recognised in capital	-15,065	-7,577

The Group companies are liable for corporate income tax.

For 2025, seven companies in Slovenia and all three foreign companies disclosed a liability or receivable for corporate income tax. Three companies did not establish a basis for its payment due to negative results achieved, and one company disclosed a tax loss.

The current tax of the Group companies for 2025 amounts to EUR 32,390,108. At the end of 2025, the Group companies disclosed EUR 1,675,791 of tax receivables and EUR 29,183,675 of tax liabilities arising from current tax.

Deferred tax relates to deferred tax receivables, which are recognised in the amount of the probable available profit against which they will be able to be used in the future. Deferred receivables are reduced by the amount for which it is no longer probable that it will be possible to claim tax-recognised expenses, or where the expenses have been included in the tax statements for the current year.

Among deferred tax, the Group discloses deferred tax receivables in the amount of EUR 48,809,421. More detailed disclosures of deferred tax receivables are in Note 7 of the consolidated statement of financial position.

At the end of 2025, the Group companies had unused tax losses in the amount of EUR 866,294,567.

In determining the basis for current tax, revenue and expenses established in accordance with IFRS were adjusted in terms of the increase and decrease of the tax base, as shown in the following table.

In 2025, in accordance with the applicable tax legislation, the applicable corporate income tax rate was 22%.

Effective tax rate calculation (in EUR)	2025	2024
Profit (loss) before tax	284,527,487	404,686,622
Calculated tax at the applicable tax rate	62,596,047	89,031,057
Tax on revenues that lower the tax base	-1,259,998	-60,296
Tax on tax deductions	-30,677,338	-1,602,871
Tax on expenses that lower the tax base	-330,695	-282,995,603
Tax on non-deductible expenses	2,167,318	6,572,918
Tax from other changes in the tax balance sheet	34,667	10,724
Tax effects of unrecognised deferred assets arising from tax losses	-4,746	194,503,637
Effect of higher/lower tax rate of companies abroad	-135,146	-89,865
Calculated tax	**32,390,108**	**5,369,701**
Deferred tax	**-5,747,744**	**-41,419,885**
Total taxes	**26,642,364**	**-36,050,184**
Effective tax rate	**9.36%**	**1.33%**

3.5.6.3 Related parties

Related parties are companies in which the Group has significant influence, companies whose operations the Group jointly controls together with other owners, and companies that are majority state-owned.

The Group conducted business with related parties on the basis of sales and purchase agreements concluded. Sales and purchases show the turnover of all transactions (excluding VAT), including financial revenue. Transactions with associates mainly relate to the purchase of electricity from HESS and the attribution of profits in that company.

Among the more important transactions with related parties, we highlight the following below:

- transactions with associates and jointly-controlled companies, and

- transactions with companies in direct or indirect ownership of the Republic of Slovenia (more than 50% ownership) which are material to the Group from the point of view of the materiality of transactions according to the criterion of transaction size (revenue or expenses in the year 2025 exceed EUR 2,000,000), except for banks, where all transactions are disclosed. The bulk of transactions relate to trading in electricity and to the financing of the HSE Group.

The parent company is 100% owned by the Republic of Slovenia. Dividends in 2025 were paid in the amount of EUR 165,000,000.

Transactions with associated companies (in EUR)	Sales	Purchases	Revenue from share in profit/loss	Receivables as at 31/12/2025	Liabilities as at 31/12/2025
Associates	439,247	11,781,214	1,764,175	23,994	1,147,445
Jointly-controlled company	0	0	51,307	0	0
Total	**439,247**	**11,781,214**	**1,815,482**	**23,994**	**1,147,445**

Transactions with the Republic of Slovenia and legal entities directly owned by the Republic of Slovenia (in EUR)	Outstanding receivables as at 31/12/2025	Outstanding liabilities as at 31/12/2025	Revenue in the year 2025	Expenses in the year 2025
Borzen	939,033	3,063,925	7,961,206	12,860,866
ELES	4,300,624	9,827,032	24,191,833	59,954,518
GEN energija	3,305,577	5,548,803	13,674,908	34,420,065
GEN-I	14,000,637	5,328,268	103,739,839	45,464,371
ELEKTROGOSPODARSTVO SLOVENIJE	2,413,081	16,076,394	4,887,671	17,295,113
Termoelektrarna Šoštanj	1,938,854	5,053,392	114,815,346	225,345,649
Premogovnik Velenje	1,149,993	10,941	7,407,567	52,359
Energy companies – total	**28,047,799**	**44,908,755**	**276,678,370**	**395,392,941**
TALUM	403,251	0	3,927,221	0
Aluminium production	**403,251**	**0**	**3,927,221**	**0**
Zavarovalnica Triglav	0	651	599	684,706
Other – total	**0**	**651**	**599**	**684,706**
SID	3,424	1,982,644	7,966	1,048,252
Banks – total	**3,424**	**1,982,644**	**7,966**	**1,048,252**
Total	**28,454,474**	**46,892,050**	**280,614,156**	**397,125,899**

3.5.6.4 Remuneration

The remuneration shown below by individual category relates to payments in 2025.

Members of the management boards and members of the supervisory boards of Group companies did not receive any profit shares pursuant to a resolution of the General Assembly in 2025, nor were they granted advances, loans or guarantees by the companies.

Remuneration of members of the Management Board

Management remuneration (in EUR)	Period of function	Function	Fixed remuneration - gross (1)	Variable remuneration - gross (2)	Deferred remuneration (3)	Severance pay (4)	Bonunes (5)	Total (1+2+3+4+5)
Tomaž Štokelj, Ph.D.		CEO of HSE	206,595	14,214	14,214	0	2,858	237,881
Uroš Podobnik		CBO of HSE	185,936	12,793	12,793	0	1,408	212,930
Damjan Seme, M.Sc.		CEO of DEM	165,276	11,371	0	0	1,146	177,793
Mitja Gorjan		CEO of SENG	165,276	11,353	0	0	972	177,600
Jure Šimic, M.Sc.		Director of HSE Invest	122,272	6,456	0	0	1,232	129,960
Aleksander Erkić, M.Sc.		CEO of RGP	148,272	0	9,531	0	721	158,524
Sebastijan Roudi, M.Sc.		Director of ECE	165,276	10,232	0	0	2,825	178,333
Alan Perc		Directof of Energija plus	164,579	9,784	9,784	0	6,048	180,411

NOTE: The period of the function is indicated only when it is not the same as the reporting period.

Remuneration of members of the Supervisory Board

Remuneration of members of the Supervisory Board (in EUR)	Period of function	Function	Function performance remuneration - gross			Annual gross SB and commissions meeting fees (2)	Total gross (1+2)	Travel expenses
			Basic function remuneration	Supplementary function remuneration	Total (1)			
Nevenka Hrovatin, Ph.D.		President of SB of HSE	13,000	6,500	19,500	3,685	23,185	165
David Valentinčič		Deputy President of SB of HSE	13,000	1,300	14,300	3,960	18,260	1,476
Barbara Gorjup, M.Sc.		Member of SB of HSE	13,000	0	13,000	3,794	16,794	75
Denis Bele		Member of SB of HSE	13,000	0	13,000	3,960	16,960	973
Boštjan Grešak		Member of SB of HSE	13,000	0	13,000	3,960	16,960	85
Miha Šebenik		Member of SB of HSE	13,000	0	13,000	3,685	16,685	59
Blanka Povh	until 1/3/2025	Representative of employees of SB of HSE	3,250	0	3,250	1,265	4,515	0
Matej Kovač	until 1/3/2025	Representative of employees of SB of HSE	3,250	0	3,250	1,265	4,515	0
Uroš Žibret		Representative of employees of SB of HSE	13,000	0	13,000	3,960	16,960	960
Borut Kamnikar	since 1/3/2025	Representative of employees of SB of HSE	9,750	0	9,750	2,695	12,445	677
Aleš Žagar	since 1/3/2025	Representative of employees of SB of HSE	9,750	0	9,750	2,695	12,445	643
Tomaž Štokelj, Ph.D.		President of SB of DEM	8,934	4,466	13,400	963	14,363	0
Urška Gašperlin, M.Sc.		Deputy President of SB of DEM	8,934	893	9,827	963	10,790	0
Marjan Kirbiš		Member of SB of DEM	8,934	0	8,934	963	9,897	0
Tomaž Štokelj, Ph.D.		President of SB of SENG	8,887	4,443	13,330	770	14,100	0
Kristina Rovšek		Deputy President of SB of SENG	8,887	889	9,776	770	10,546	0
Boštjan Čopi		Member of SB of SENG	8,887	0	8,887	770	9,657	0
Aleksander Brunčko		President of SB of RGP	6,300	3,150	9,450	3,366	12,816	0
Urh Šuštar		Deputy President of SB of RGP	6,300	630	6,930	3,230	10,160	0
Matej Bračič		Member of SB of RGP	6,300	0	6,300	3,366	9,666	0
Tomaž Štokelj, Ph.D.		President of SB of ECE	9,466	4,733	14,199	853	15,052	0
Jana Pogačnik, M. Sc.		Deputy President of SB of ECE	9,466	948	10,414	853	11,267	0
Andrej Kerk		Member of SB of ECE	9,466	0	9,466	853	10,319	0
Uroš Podobnik	since 22/1/2025	President of SB of Energija plus	8,586	3,906	12,491	952	13,443	0
Jana Pogačnik, M. Sc.	until 22/1/2025	President of SB of Energija plus	478	239	717	0	717	0
Jana Pogačnik, M. Sc.	since 22/1/2025	Deputy President of SB of Energija plus	8,517	1,134	9,651	1,227	10,878	0
Uroš Podobnik	until 21/1/2025	Member of SB of Enegija plus	478	0	478	0	478	0
Andreja Žinkovič	until 19/1/2025	Member of SB of Enegija plus	433	43	476	275	751	0
Boštjan Majč		Member of SB of Enegija plus	8,995	0	8,995	1,227	10,222	0

NOTE: The period of the function is indicated only when it is not the same as the reporting period.

Remuneration of members of the Audit Committee

Remuneration of members of the Audit Committee (in EUR)	Period of function	Function	Function performance remuneration - gross: Basic function remuneration	Function performance remuneration - gross: Supplementary function remuneration	Function performance remuneration - gross: Total (1)	Meeting fees gross (2)	Total gross (1+2)	Travel expenses
Barbara Gorjup, M.Sc.		President of AC of HSE	0	4,063	4,063	2,156	6,219	48
Marko Hočevar, Ph.D.		Independent member of AC of HSE	13,000	0	13,000	2,926	15,926	0
Miha Šebenik		Member of AC of HSE	0	2,708	2,708	1,936	4,644	37
Matej Kovač	until 1/3/2025	Member of AC of HSE	0	813	813	440	1,253	0
Aleš Žagar	since 1/3/2025	Member of AC of HSE	0	2,438	2,438	1,936	4,374	482
Urška Gašperlin, M.Sc.		President of AC of DEM	0	3,350	3,350	1,047	4,397	0
Marjan Kirbiš		Member of AC of DEM	0	2,233	2,233	1,047	3,280	0
Sonja Anadolli		External member of AC of DEM	8,934	0	8,934	1,309	10,243	190
Kristina Rovšek		President of AC of SENG	0	3,333	3,333	1,509	4,842	0
Boštjan Čopi		Memeber of AC of SENG	0	2,222	2,222	1,509	3,731	0
Romana Jontes		External member of AC of SENG	8,887	0	8,887	1,887	10,774	655
Urh Šuštar		President of AC of RGP	0	2,363	2,363	789	3,152	387
Sonja Anadolli		External member of AC of RGP	6,300	0	6,300	1,326	7,626	510
Matej Bračič		Memeber of AC of RGP	0	1,575	1,575	1,061	2,636	0
Jana Pogačnik, M.Sc.		President of AC of ECE	0	5,915	5,915	1,236	7,151	0
Darinka Virant		External member of AC of ECE	3,390	0	3,390	1,672	5,062	0
Andrej Kerk		Memeber of AC of ECE	0	2,367	2,367	1,236	3,603	0
Andreja Žinkovič	until 19/1/2025	President of AC of Energija plus	0	162	162	220	382	0
Jana Pogačnik, M.Sc.	since 22/1/2025	President of AC of Energija plus	0	3,106	3,106	1,267	4,373	0
Jana Pogačnik, M.Sc.	until 21/1/2025	Deputy President of AC of Energija plus	0	120	120	0	120	0
Boštjan Majč	since 22/1/2025	Memeber of AC of Energija plus	0	1,953	1,953	1,047	3,000	0
Danijel Zdolšek, Ph.D.		External memrber of AC of Energija plus	8,475	0	8,475	1,716	10,191	0

NOTE: The period of the function is indicated only when it is not the same as the reporting period.

Remuneration of members of the Personnel Committee of Supervisory Board

Remuneration of members of the Personnel Committee (in EUR)	Period of function	Function	Function performance remuneration - gross: Basic function remuneration	Function performance remuneration - gross: Supplementary function remuneration	Function performance remuneration - gross: Total (1)	Meeting gross fee (2)	Total gross (1+2)	Travel expenses
Nevenka Hrovatin, Ph.D.		President of the Personnel Committee	0	4,875	4,875	660	5,535	17
Denis Bele		Member of the Personnel Committee	0	3,250	3,250	660	3,910	237
Boštjan Grešak		Member of the Personnel Committee	0	3,250	3,250	660	3,910	14
Blanka Povh	until 1/3/2025	Member of the Personnel Committee	0	813	813	0	813	0
Borut Kamnikar	since 1/3/2025	Member of the Personnel Committee	0	2,437	2,437	660	3,097	154

NOTE: The function period is stated only if it differs from the reporting period.

Remuneration of members of the Trading and Investment Committee

Remuneration of members of the Trading and Investment committee (in EUR)	Period of function	Function	Function performance remuneration - gross: Basic function remuneration	Function performance remuneration - gross: Supplementary function remuneration	Function performance remuneration - gross: Total (1)	Meeting gross fee (2)	Total gross (1+2)	Travel expenses
Miha Šebenik		President of the Trading and Investment Committee	0	4,063	4,063	1,319	5,382	11
Barbara Gorjup, M.Sc.		Member of the Trading and Investment Committee	0	2,708	2,708	1,319	4,027	14
David Valentinčič		Member of the Trading and Investment Committee	0	3,250	3,250	1,320	4,570	369
Uroš Žibret		Member of the Trading and Investment Committee	0	3,250	3,250	1,320	4,570	339

NOTE: The period of the function is indicated only when it is not the same as the reporting period.

3.5.6.5 Financial instruments and risk management

This chapter is linked to the chapter Risk management in the business section of the report.

Credit risk

95% of the Group's net sales revenue relates to the area of sales and trading of electricity, which is why the majority of credit risk management activities are concentrated in the parent company. HSE manages credit risks in accordance with the procedures described in the chapter Credit risk in the Financial report of the company, which describes in more detail the structure of the company's current receivables and their management. HSE, which purchases the bulk of production from its subsidiaries or the Group's production units, settles its liabilities in accordance with the provisions of electricity purchase agreements which HSE concludes annually with the production subsidiaries. The electricity is then sold on the market, which means that HSE is most exposed to credit risks. Credit risks of subsidiaries are managed in accordance with the internal acts and procedures of each subsidiary.

The Group companies manage credit risk by carefully reviewing and prudently selecting business partners before their approval, regularly monitoring the business partner's operations after approval, and taking a conservative approach to setting limits on the volume of business with an individual business partner.

Operating receivables are secured by bank and corporate guarantees, the pledge of receivables under transaction account management agreements, deposits, prepayments, bonds, bills of exchange and writs of execution. The Group companies have secured approximately 51% of current operating receivables, which are the bulk of all the Group's receivables.

In the event of late payment, contractually agreed default interest is charged to customers in Slovenia and abroad.

The tables below show the maturity of receivables based on contractual maturity and do not represent an estimate of expected recovery or exposure to credit risk.

Non-current operating and financial receivables by maturity dates (in EUR)	Due for payment			
	up to 2 years after SFP date	from 3 to 5 years after SFP date	over 5 years after SFP date	Total
Deposits to others	0	2,934	0	2,934
Operating trade receivables	378,087	17,657	0	395,744
Advances given	0	0	0	0
Operating receivables from others	0	0	10,884,694	10,884,694
Total as at 31/12/2025	**378,087**	**20,591**	**10,884,694**	**11,283,372**
Deposits to others	0	2,934	0	2,934
Operating trade receivables	181,524	4,890	0	186,414
Operating receivables from others	4,617	0	12,181,091	12,185,708
Total as at 31/12/2024	**186,141**	**7,824**	**12,181,091**	**12,375,056**

Current operating and financial receivables by maturity date (in EUR)	Due for payment						
	Not past due	Overdue up to 3 months (up to 90 days)	Overdue from 3 to 6 months (from 91 to 180 days)	Overdue from 6 to 9 months (from 181 to 270 days)	Overdue from 9 to 12 months (from 271 to 360 days)	Over for more than a year (from 361 days)	Total
Financial receivables and loans to others for interest	13,500	0	0	0	0	0	13,500
Deposits to others	30,001,119	0	0	0	0	0	30,001,119
Operating receivables from affiliated companies	23,994	0	0	0	0	0	23,994
Operating receivables from buyers	280,617,849	14,934,540	459,981	330,045	13,728	15,285,388	311,641,531
Advances given	0	0	0	0	0	0	0
Operating receivables from state and other institutions	39,183,854	0	0	0	0	0	39,183,854
Operating receivables from others	25,169,665	0	0	0	0	0	25,169,665
Total as at 31/12/2025	**375,009,981**	**14,934,540**	**459,981**	**330,045**	**13,728**	**15,285,388**	**406,033,663**
Financial receivables and loans from others	51	0	0	0	0	0	51
Financial receivables and loans to others for interest	288	0	0	0	0	0	288
Deposits to others	4,501,121	0	0	0	0	0	4,501,121
Operating receivables from affiliated companies	98,301	0	0	0	0	0	98,301
Operating receivables from buyers	354,795,597	15,945,907	178,015	111,029	57,462	9,596,891	380,684,901
Advances given	0	0	0	0	0	0	0
Operating receivables from state and other institutions	53,386,519	0	0	0	0	0	53,386,519
Operating receivables from others	43,903,265	8,348	0	0	0	0	43,911,613
Total as at 31/12/2024	**456,685,142**	**15,954,255**	**178,015**	**111,029**	**57,462**	**9,596,891**	**482,582,794**

Movement of value adjustments of current operating receivables (in EUR)	2025	2024
Balance as at 1/1	**14,976,497**	**8,610,168**
Recovered written-off receivables	-618,559	-509,676
Allowances set up for receivables	984,079	11,520,564
Final write-offs of receivables	-544,675	-870,047
Divestment/exclusion of companies	0	-3,774,512
Balance as at 31/12	**14,797,342**	**14,976,497**

At the end of 2025, the Group had EUR 14,797,342 of value adjustments for doubtful and disputed current operating receivables.

In addition to qualitative measures for managing and securing receivables, credit risk is also quantified using the expected credit loss (ECL) model in accordance with IFRS 9. The Group estimates expected credit losses on operating receivables, deposits and other financial receivables based on the probability of default, the exposure at default and the expected recovery period. A more detailed methodology for calculating expected credit losses and the related impairments is presented in the chapter Impairment of assets. The calculated ECL in relation to the total value of operating receivables does not have an impact on the fair presentation of assets; the Group has already in the past adequately disclosed and formed value adjustments to current operating receivables, with the largest receivable adjustments formed individually and therefore not re-captured in the impairment calculation model.

The Group's credit risks were adequately managed in 2025.

Liquidity risk

Liquidity risk or solvency risk is the risk associated with a shortage of available financial resources and the consequent inability of the Group to settle its liabilities by the agreed deadlines. For this purpose, the Group has an approved liquidity reserve in the form of long-term revolving loans.

We manage liquidity risk by planning daily, monthly and annual cash flows and, on this basis, by efficiently allocating surpluses within the Group, matching the maturities of receivables and liabilities, collecting receivables, and providing adequate available credit lines with commercial banks. In addition, we actively monitor developments in the financial markets, which helps with greater control and management of liquidity risk.

We monitor the management of liquidity risk by individual categories of the Group's operations, namely:

Management of liquidity risk from operations, which is closely linked to credit risk. Liquidity risk from operations is managed primarily by matching the payment terms of receivables and liabilities arising from the core activity – trading in electricity – and the payment terms of other liabilities in such a way that the Group companies settle their liabilities to suppliers in a timely manner. The aim of measures to manage liquidity risk from operations is to ensure optimal solvency for the settlement of current liabilities of the Group companies both in normal and in critical and unforeseeable circumstances arising from trading in electricity, transmission capacities, emission allowances and related energy products. The measures include the continuous monitoring of supplier payments, extending payment terms, agreements on deferred payments, and ensuring sufficient liquid funds to cover initial and variable margins on electricity exchanges and at the clearing bank. Liquidity risk from operations is assessed as adequately managed in 2025.

Management of liquidity risk from investing, which is closely linked to investment risk. The management of liquidity risk from investing represents the provision of financing for investments in accordance with investment programmes in such a way that sufficient resources foreseen in the financial plans are provided in good time so that no delays occur in the implementation of projects. The liquidity risk arising from investing is also reflected in inflows – through the realisation of divestments, which are carried out within the framework of the Group companies for the purpose of optimising operations. Liquidity risk from investing is assessed as adequately managed in 2025.

Management of liquidity risk from financing is the risk associated with ensuring sufficient financial resources. This covers an active relationship with financial markets, the acquisition of sufficient short-term fixed and revolving loans, and non-current sources of financing for the purpose of timely settlement of the Group companies' liabilities while respecting the commitments made under loan agreements with financial institutions. Cash management is in place in the Group, within the framework of which short-term borrowing is carried out between Group companies. The basic source of financing for short-term shortfalls of the Group companies is the surplus free cash of the other Group companies and short-term loans from commercial banks, while optimising the liquidity of individual companies and the Group.

The maturity of the Group's non-current liabilities is shown in the tables below.

Non-current operating and financial liabilities by maturity dates (in EUR)	Due for payment			
	Up to 2 years after SFP date	From 3 to 5 years after SFP date	Over 5 years after SFP date	Total
Financial liabilities to banks	1,667,459	1,667,448	422,739	3,757,646
Financial liabilities from leases	1,325,529	1,955,347	0	3,280,876
Operating liabilities to suppliers	4,813	0	0	4,813
Other operating liabilities	107,636	0	0	107,636
Total as at 31/12/2025	**3,105,437**	**3,622,795**	**422,739**	**7,150,971**
Financial liabilities to banks	86,492,777	106,023,540	575,000	193,091,317
Financial liabilities from leases	2,827,128	1,229,313	0	4,056,441
Operating liabilities to suppliers	4,813	0	0	4,813
Other operating liabilities from leases	96,713	0	0	96,713
Total as at 31/12/2024	**89,421,431**	**107,252,853**	**575,000**	**197,249,284**

As at 31 December 2025, the Group had settled all due current liabilities.

At the end of 2025, the HSE Group's available liquidity of EUR 292,582,061 consists of unused approved long-term revolving loans of EUR 80,000,000, a EUR 500,000 limit on the current account, and available cash and cash equivalents of EUR 224,410,659 in the form of short-term deposits given and EUR 68,171,402 of balances on transaction accounts.

The exposure to liquidity risk arising from financial liabilities to banks as at 31 December 2025 is shown in the table below. The amounts in the table are not discounted.

Exposure to liquidity risk from financial liabilities to banks (in EUR)	Estimated cash flows					
	Up to 2 months after SFP date	From 2 to 12 months after SFP date	From 1 to 2 years after SFP date	From 3 to 5 years after SFP date	Over 5 years after SFP date	Total
Financial liabilities to banks without interest rate hedging						
Non-current loans	-92,636	-463,180	-555,816	-1,667,448	-978,566	-3,757,646
Total as at 31/12/2025	**-92,636**	**-463,180**	**-555,816**	**-1,667,448**	**-978,566**	**-3,757,646**
Financial liabilities to banks without interest rate hedging						
Non-current loans	-19,280,769	-23,965,619	-43,246,389	-106,023,540	-575,000	-193,091,317
Total as at 31/12/2024	**-19,280,769**	**-23,965,619**	**-43,246,389**	**-106,023,540**	**-575,000**	**-193,091,317**

Currency risk

The Group is exposed to currency risk to a lesser extent, as the bulk of inflows and outflows are in the domestic currency, EUR.

The Group's currency risk was adequately managed in 2025. The Group manages currency risks in accordance with the system regulation of HSE's finance department and the internal rules of the HSE Group subsidiaries. Currency risk is faced primarily by the parent company when trading in electricity in foreign currencies on electricity exchanges abroad, where settlement is carried out daily and therefore no major exposure to currency risk arises. If greater exposure occurs, the Group hedges itself by using derivative financial instruments.

Currency risk is also present to a lesser extent in the operations of subsidiaries based in Southeast Europe, but the exposure to currency risk from this source is minimal, as the operations of subsidiaries based in Southeast Europe represent a smaller part of the operations compared to the overall operations of the Group.

Other currencies are present in operations to a lesser extent, so the Group does not prepare a sensitivity analysis for changes in other currency exchange rates, as a change in these rates would not significantly affect the Group's results. The following foreign exchange rates were used to translate the Group's assets and liabilities as at 31 December 2025:

Country	Currency code	Closing rate in EUR for 2025	Closing rate in EUR for 2024
Czech Republic	CZK	24.2370	25.1850
Hungary	HUF	385.1500	411.3500
Romania	RON	5.0968	4.9743
USA	USD	1.1750	1.0389
Great Britain	GBP	0.8726	0.8292
Bulgaria	BGN	1.9558	1.9558
Turkey	TRY	50.4838	36.7372
Serbia	RSD	117.3600	116.9600
North Macedonia	MKD	61.5950	61.5860
Bosnia and Herzegovina	BAM	1.9558	1.9558

Exposure to risk of change of exchange rates (in EUR)	EUR	HUF	BAM	Other currencies	Total
Non-current financial receivables and loans	2,934	0	0	0	2,934
Non-current operating receivables	22,143,509	0	0	1,290,724	23,434,233
Current financial receivables and loans	30,013,500	0	0	1,119	30,014,619
Current operating receivables	363,330,406	0	0	3,382	363,333,788
Non-current financial liabilities	-6,482,695	0	0	0	-6,482,695
Non-current operating liabilities	-112,449	0	0	0	-112,449
Current financial liabilities	-1,838,081	0	0	0	-1,838,081
Current operating liabilities	-243,669,588	0	0	-371,556	-244,041,144
Net exposure of the SFP as at 31/12/2025	**163,387,536**	**0**	**0**	**923,669**	**164,311,205**
Non-current financial receivables and loans	2,934	0	0	0	2,934
Non-current operating receivables	11,069,742	0	0	1,302,380	12,372,122
Current financial receivables and loans	4,500,288	0	51	1,121	4,501,460
Current operating receivables	454,412,988	0	13,528,153	217,512	468,158,653
Non-current financial liabilities	-153,901,371	0	0	0	-153,901,371
Non-current operating liabilities	-101,526	0	0	0	-101,526
Current financial liabilities	-46,241,112	0	0	0	-46,241,112
Current operating liabilities	-302,779,863	-120,643	-3,544,488	-1,277,303	-307,722,297
Net exposure of the SFP as at 31/12/2024	**-33,037,920**	**-120,643**	**9,983,716**	**243,710**	**-22,931,137**

Concluded contracts for currency swaps (in EUR)	31/12/2025	31/12/2024
Concluded contracts for currency swaps – purchase hedging	0	120,512
Concluded contracts for currency swaps – sale hedging	0	0
Total	**0**	**120,512**

Currency swap effect (in EUR)	2025	2024
Unrealized loss of effective transactions	0	22
Realised loss of effective transactions	0	-69,781

Interest rate risk

The Group manages interest rate risks in accordance with the system regulation of HSE's finance department and the internal rules of the HSE Group subsidiaries. Interest rate risk was adequately managed in 2025. At the end of 2025, the Group was not debt-free.

We regularly monitor developments on the money market and movements in interest rates and, in connection with this, adopt appropriate measures to reduce the impacts of interest rate risk. In 2025, we did not conclude any transactions to hedge against an increase in interest rates and we have no interest rate derivative financial instruments concluded.

Cash flow sensitivity analysis for variable-rate instruments

The sensitivity analysis takes into account an increase/decrease in the reference interest rate of +/– 50 basis points.

	Net profit or loss 2025		Net profit or loss 2024	
Financial instruments (in EUR)	Increase by 50 basis points	Decrease by 50 basis points	Increase by 50 basis points	Decrease by 50 basis points
Financial instruments with variable interest rates	**-442,266**	**442,266**	**-1,183,580**	**1,183,580**
Financial liabilities	-442,266	442,266	-1,183,580	1,183,580

We do not calculate a sensitivity analysis for financial liabilities with an agreed fixed interest rate.

Price risk

Price risk arises from fluctuations in market prices of electricity and emission allowances, which result from changes in market factors such as the market prices of other energy products (coal, gas, oil, etc.), changes in the structure of supply and demand on the market, and regulatory and other influences.

The impact of price risk on the Group's operations can be quantified on the basis of key variables:

- the Group's market position by individual markets and products at a given moment of delivery,
- volatility or fluctuations in prices on individual markets and for products at a given moment of delivery, and
- correlation or interconnectedness of prices between individual markets and products at a given moment of delivery.

The Group uses an internal VaR metric to monitor and quantify price risk, which is the main measure of exposure to price changes. Given the nature of the operations and the use of a portfolio approach, the Group does not prepare a separate sensitivity analysis for energy prices, as the VaR adequately reflects the potential impact of changes in market prices on the result.

For the purpose of managing price risks in the area of trading, three key parameters and limits were used in 2025, namely the VaR parameter, the trailing stop-loss limit and the risk capital limit.

The VaR parameter is the central metric representing the current exposure to price risk. It includes the key influences of risk exposure, which covers the market position of the observed portfolio, the price fluctuations to which the portfolio is exposed, and the statistical correlation between the prices of markets and products affecting the portfolio's value. The parameter, given the selected length of the time interval and the confidence level of the price exposure, indicates the level of risk. In the Group, we monitor the 5-day VaR with a 95% confidence interval. The parameter represents the size of the potential loss of value of the trading portfolio over five days, which in 95% of cases of normal market movements will not be exceeded given the market prices, correlations and volatilities and given the quantitative position. The *trailing stop-loss* limit is intended to protect the values of the portfolio already achieved. The *risk capital limit* represents the limit of loss of value still acceptable to the Group for a given portfolio, beyond which the portfolio activities are discontinued.

The sale of electricity and the purchase of emission allowances arising from own production are regulated on the basis of the strategy for the sale of own production and the purchase of emission allowances for the needs of the Group's own production. The aim of the strategy is to spread price risk over a longer trading period. The parent company reduces risks arising from electricity prices through partial sales of quantities of own production and purchases of emission allowances on

energy markets years in advance. The length of the future period is, however, limited by the liquidity of the market for long-term products. As the markets develop, the liquidity of long-term products in the region tends to increase, which means that we can also hedge prices for more distant delivery periods. The procedures related to the implementation of the own production sales strategy are regularly monitored and assessed within the framework of the meetings of the own production sales group.

The Group manages and controls price risks with the following activities and methods:

- by daily monitoring of the market position at Group level as well as at the parent company level by country and by individual groups of transactions,
- by daily market activities – concluding counter-transactions with the same quantity on the same market or by purchasing and selling forward contracts, depending on the type of trading transaction,
- by daily monitoring and analysis of energy prices and forecasting expected changes in energy prices on different markets,
- by daily monitoring of market activities on the emission allowances market,
- by monitoring investment decisions in the energy sector in the European Union and the economic growth of leading countries,
- by daily monitoring and analysis of the values of the VaR and MtM (Mark-to-Market) parameters by individual groups of transactions, taking into account the limits or levels of VaR values set by internal rules, and
- through regular consideration of changes in values and risk parameters within the framework of the market risk management subcommittee.

Forward contracts for electricity

The Group carries out purchases and sales of forward contracts in order to hedge long-term positions arising from own production against price risks and for the purpose of position trading.

In the case of carrying out price hedging, upon concluding a transaction for physical delivery, the Group also concludes a forward contract with the opposite quantity and the same maturity, or concludes a forward contract with a maturity in accordance with the planned quantities of own production. In this way, the Group financially fixes the profit, which means that, for example, a loss arising from the purchase of forward contracts is compensated by a profit arising from the physical quantity of electricity purchased/sold or produced. The basis for implementing the strategy of price hedging of the planned quantities of own production is the planned production of electricity in the Group. The Group thus sells electricity already in the current year for several years in advance, with the main aim of the strategy being to maximise profit and ensure stable revenue from the sale of electricity.

On this basis, at the end of the year the Group had EUR 3,064,339,876 of forward contracts concluded for the purpose of hedging purchases and sales of electricity. The effects of these transactions in 2025 are presented in the Equity (14) disclosure.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2025	31/12/2024
For electricity - to hedge procurement	1,572,036,113	1,173,331,812
For electricity - to hedge sales	1,492,303,763	1,077,623,068

The purchase or sale of a forward contract for the purpose of position trading at the time of opening the position increases the Group's price exposure, as the contract is concluded with the aim of generating profit on the basis of fluctuations in electricity prices. The price exposure is reduced only in the case of the conclusion of a forward or physical contract with the opposite position. Disclosures of these transactions are in the chapter Equity. At the end of the year, the Group had EUR 80,764,517 of open forward contracts for the purpose of trading.

Concluded standardised forward contracts for trading (in EUR)	31/12/2025	31/12/2024
For electricity - trading - purpose of purchase	20,501,842	74,764,002
For electricity - trading - purpose of sale	60,262,675	86,969,762

Emission allowances

At the end of 2025, the Group had no forward contracts concluded for the purchase of emission allowances for the purpose of price hedging of quantities of emission allowances arising from the needs of its own production. To a limited extent, however, the Group concluded forward contracts for purchase and sale arising from trading activity not related to own production. At the end of 2025, the Group had EUR 1,278,860 of open contracts for hedging the purchase of emission allowances or contracts arising from purchases for the purpose of trading.

Concluded standardised forward contracts for trading (in EUR)	31/12/2025	31/12/2024
For emission allowances - trading - purpose of purchase	1,278,860	0
For emission allowances - trading - purpose of sale	0	0

Gas

In 2025, the Group concluded forward contracts for the purchase and sale of natural gas for the purpose of managing natural gas portfolios intended to supply end users, and to a limited extent the Group also concluded forward contracts for purchase and sale arising from trading activity. At the end of 2025, it had EUR 10,480,470 of open contracts for the purpose of hedging the purchase and sale of gas concluded for hedging purposes. There were no contracts arising from purchases and sales for the purpose of trading at the end of 2025. The effects of these transactions in 2025 are presented in the Equity (14) disclosure.

Concluded standardised forward contracts for hedging (in EUR)	31/12/2025	31/12/2024
For gas - trading - intended for procurement	9,927,949	5,961,424
For gas - trading - intended for sale	552,521	534,103

Concluded standardised forward contracts for trading (in EUR)	31/12/2025	31/12/2024
For gas - trading - intended for procurement	0	1,730,590
For gas - trading - intended of sale	0	1,515,939

Capital management

Capital management (in EUR)	31/12/2025	31/12/2024
Non-current financial liabilities	3,201,819	149,844,930
Non-current financial liabilities from leases	3,280,876	4,056,441
Current financial liabilities	590,530	44,824,285
Current financial liabilities from leases	1,247,551	1,416,828
Total financial liabilities	8,320,776	200,142,484
Capital	1,244,460,444	1,143,641,965
Financial liabilities/capital	**0.00**	**0.18**
Non-current financial investments	30,014,619	4,501,460
Cash and cash equivalents	314,777,893	371,724,171
Net financial liability	-336,471,736	-176,083,147
Net debt/capital	**-0.27**	**-0.15**

The main purpose of capital management is to ensure the best possible credit rating and capital adequacy for the needs of financing operations and investments. An adequate level of equity provides the Group with the confidence of creditors, partners and potential investors, and supports the future development of the Group's activities.

The Group monitors changes in equity using the financial leverage ratio, calculated by dividing net financial liabilities by total equity. Net liabilities comprise loans received and other financial liabilities, reduced by cash and cash equivalents and short-term financial investments.

The debt-to-equity ratio shows the relationship between the Group's debt and equity. At year-end, the ratio was 0, indicating no indebtedness; the financial leverage ratio also decreased compared with 2025, as a result of the reduction in net debt compared with the previous year.

Carrying amounts and fair values of financial instruments

Carrying amounts and fair values of financial instruments (in EUR)	31/12/2025 Book value	31/12/2025 Fair value	31/12/2024 Book value	31/12/2024 Fair value
Non-derivative financial assets at fair value	**1,922,035**	**1,922,035**	**408,462**	**408,462**
Financial assets at fair value through other comprehensive income	1,922,035	1,922,035	408,462	408,462
Derivative financial assets at fair value	**8,585,299**	**8,585,299**	**0**	**0**
Derivatives (receivables)	8,585,299	8,585,299	0	0
Non-derivative financial assets at amortised cost	**788,957,390**	**788,957,390**	**956,752,673**	**956,752,673**
Financial receivables	30,017,553	30,017,553	4,504,394	4,504,394
Operating and other receivables	444,161,944	444,161,944	580,524,108	580,524,108
Cash and cash equivalents	314,777,893	314,777,893	371,724,171	371,724,171
Total	**799,464,724**	**799,464,724**	**957,161,135**	**957,161,135**
Derivative financial liabilities at amortised cost	**0**	**0**	**13,910,835**	**13,910,835**
Derivatives (liabilities)	0	0	13,910,835	13,910,835
Non-derivative financial liabilities at amortised cost	**296,482,459**	**296,482,459**	**520,740,407**	**520,740,407**
Bank loans	3,766,733	3,766,733	194,601,875	194,601,875
Other financial liabilities	4,554,043	4,554,043	5,540,609	5,540,609
Operating and other liabilities	288,161,683	288,161,683	320,597,923	320,597,923
Total	**296,482,459**	**296,482,459**	**534,651,242**	**534,651,242**

The Group estimates that the carrying amounts of financial instruments represent a sufficiently accurate approximation of their fair values, except for financial instruments measured at fair value, i.e. derivative financial instruments and financial assets measured at fair value through other comprehensive income, whose values are recorded at fair value.

Presentation of financial assets and liabilities disclosed at fair value according to the fair value hierarchy.

Carrying amounts and fair values of financial instruments (in EUR)	31/12/2025				31/12/2024			
	1. Level	2. Level	3. Level	Total	1. Level	2. Level	3. Level	Total
Non-derivative financial assets at fair value	**227,802**	**0**	**1,694,233**	**1,922,035**	**155,844**	**0**	**252,618**	**408,462**
Financial assets at fair value through other comprehensive income	227,802	0	1,694,233	1,922,035	155,844		252,618	408,462
Derivatives financial assets at fair value	**8,564,931**	**20,368**	**0**	**8,585,299**	**0**	**0**	**0**	**0**
Derivatives (receivables)	8,564,931	20,368	0	8,585,299	0	0	0	0
Non-derivative financial assets at amortised cost	**0**	**788,957,390**	**0**	**788,957,390**	**0**	**956,752,673**	**0**	**956,752,673**
Financial receivables	0	30,017,553	0	30,017,553		4,504,394		4,504,394
Operating and other receivables	0	444,161,944	0	444,161,944		580,524,108		580,524,108
Cash and cash equivalents	0	314,777,893	0	314,777,893		371,724,171		371,724,171
Total	**8,792,733**	**788,977,758**	**1,694,233**	**799,464,724**	**155,844**	**956,752,673**	**252,618**	**957,161,135**
Derivative financial liabilities at amortised cost	**0**	**0**	**0**	**0**	**8,663,985**	**5,246,850**	**0**	**13,910,835**
Derivatives (liabilities)	0	0	0	0	8,663,985	5,246,850		13,910,835
Non-derivative financial liabilities at amortised cost	**0**	**296,482,459**	**0**	**296,482,459**	**0**	**520,740,407**	**0**	**520,740,407**
Bank loans	0	3,766,733	0			194,601,875		194,601,875
Other financial liabilities	0	4,554,043	0			5,540,609		5,540,609
Operating and other liabilities	0	288,161,683	0			320,597,923		320,597,923
Total	**0**	**296,482,459**	**0**	**296,482,459**	**8,663,985**	**525,987,257**	**0**	**534,651,242**

3.5.7 Events after the reporting date

After the date of the statement of financial position, the following significant events occurred in the Group, which, however, did not affect the 2025 financial statements:

- Following the US-Israeli attacks on Iran, geopolitical tensions in the Middle East intensified further, increasing uncertainty on the energy markets. The impact of geopolitical tensions in the Middle East on the HSE Group primarily entails an increase in already identified market, liquidity, credit, regulatory, operational and security risks. The HSE Group's direct physical exposure is limited, but the impact of the tensions may be significantly reflected indirectly through European electricity and gas markets. Disruptions in LNG logistics, maritime traffic or transport insurance have already increased price volatility and, if tensions continue, may in the future reduce market liquidity and strengthen the need for financial collateral.

  For the HSE Group, the most important effect of geopolitical tensions is increased uncertainty in managing sales and purchasing positions. Higher volatility of electricity, gas and related energy product prices increases the risk of mismatches between planned and actual production and between hedged sales and

actual quantities. In the event of a possible combination of poorer hydrological conditions, production outages and high market prices, the costs of replacement procurement and portfolio balancing could increase, which would burden EBITDA and cash flow. Potential short-term favourable effects of higher prices on the unhedged part of production are generally also associated with greater volatility of results.

The overall effect of the geopolitical tensions in the Middle East on the HSE Group's operations should therefore be understood primarily as an increase in uncertainty, complexity of management and the risk of deviations from planned business results, and not necessarily as an immediate direct disruption to supply. If geopolitical tensions do not intensify further or end within a month or two, the prevailing impact will probably remain primarily at the level of price, financial and regulatory uncertainty. In the case of more prolonged tensions and thus more prolonged disruptions in LNG and oil supplies, or in the event of an extension of tensions to additional energy infrastructure or a more pronounced tightening of regulatory measures, the impact could be reflected more significantly in margins, liquidity, investment dynamics and relations with end consumers. In the case of a heavily prolonged duration of geopolitical tensions, the risk of stagflation or even recession scenarios materialising at the global level will increase. One of the key issues in the EU remains the level of gas storage fill at the start of winter 2026/2027, since insufficient storage gas levels significantly increase the probability of escalation of the energy and economic crisis in the EU.

- At the end of March, the HSE Group submitted a concentration notification to the Slovenian Competition Protection Agency regarding the acquisition of control over the company HESS d.o.o., which operates in the field of electricity production. The notice of the concentration notification was published on the Agency's website on 31 March 2026. The concentration review procedure is still ongoing on the date of preparation of the annual report.
- At the end of April, a purchase and sale agreement for production capacities was signed between HSE as buyer and Rudis as seller, namely a 100% business share in Balkan Electric d.o.o., which owns the Alibunar I wind farm, and assets representing the Blate solar power plant together with two battery storage units.

4 FINANCIAL REPORT OF THE HSE COMPANY

BOOSTING THE FLOW OF CHANGE

Even in times of turbulent conditions on international markets, we ensure a smooth boost to innovation and investment. By steering the flow of change and maintaining reliable liquidity, we safeguard the stability of the entire energy system. In doing so, we remain resilient to rapids and shocks, emerging from them even stronger and more focused on our goals.



4.1 Auditor's report for the company HSE

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INDEPENDENT AUDITOR'S REPORT
to the owners of HOLDING SLOVENSKE ELEKTRARNE

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of the company HOLDING SLOVENSKE ELEKTRARNE d.o.o. (hereinafter 'the Company'), which comprise the separate statement of financial position as at 31 December 2025, and the separate profit or loss statement, separate statement of other comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities (EU Regulation). Our responsibilities under those rules are further described in *the Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the year ended 31 December 2025. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenues from sale of electricity

Key audit matter	*How our audit addressed the key audit matter*
The Company recognized revenue from contracts with customers in the amount of EUR 3,174,118 thousand in the separate profit or loss statement for the year ended 31 December 2025, of which EUR 2,976,458 thousand relates to the sale of electricity. More detailed disclosures on this matter are provided in the chapter *Revenue from Contracts with Customers* under *Significant Accounting Policies* and in Note 4.5.3 *Significant Accounting Policies*. As explained in the chapter *Revenue from Contracts with Customers* under *Significant Accounting Policies*, revenue from the sale of electricity is recognized at the point in time when the Company satisfies a performance obligation, i.e., when the electricity is transferred to the customer. Revenue from contracts with customers is one of the key indicators of the Company's business performance. Due to the materiality of this item in the financial statements, we have identified this area as a key audit matter.	As part of our audit procedures, we assessed the appropriateness of the accounting policies related to revenue recognition from contracts with customers and their compliance with IFRS 15. We performed the following audit procedures: • evaluated the design and implementation of internal controls related to revenue recognition in terms of the appropriateness of their recording; • tested the operating effectiveness of those identified internal controls that we deemed relevant for audit purposes; • performed detailed testing, based on a selected sample, to assess the appropriateness of revenue recognition; • for revenue from transactions with related parties presented in the separate income statement, we obtained confirmations of transactions from the related parties. We also reviewed the disclosures in the financial statements to assess whether the information related to revenue from contracts with customers is appropriate.

Other information

Management is responsible for the other information. The other information comprises the information included in Annual report, other than the separete financial statements and our auditor's report thereon. We obtained other information prior to the date of the auditor's report, except for the supervisory board report, which will be available later.

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the separate financial statements, legal requirements, except those related to sustainability report which was subject of separate limited assurance report, 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:

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- Other information is, in all material respects, consistent with the audited separate financial statements;
- Other information, except sustainability report on which we issued separate limited assurance report dated 29 May 2026, is prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

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

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

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

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

Report on other legal and regulatory requirements

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

Confirmation to the Audit Committee

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

Prohibited Services

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

Other services performed by the audit company

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

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 15 September 2025, while the president of the Supervisory Board signed the audit contract on 28 October 2025. The audit contract was signed for three years. Our total uninterrupted engagement as statutory auditors has lasted since 30 September 2019.

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

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The auditor's report on the adequacy of the criteria used and the correctness of their use

We have performed reasonable assurance engagement as to whether the criteria used to allocate direct and indirect assets and liabilities, costs, expenses and revenues that entity takes into account when keeping separate statements for energy activities, and which are used in the preparation of the disclosure 1.5.9 "Additional disclosures on the basis of the Electricity and Gas Supply Act" for the financial year ended on 31 December 2025, were appropriate and properly used, all in accordance with the Act on Transparency of Financial Relations and Separate Recording of Various Activities (ZPFOLERD-1), Electricity Supply Act (ZOEE) and Gas Supply Act (ZOP).

Criteria used
When assessing the suitability of the internal regulations used by the company to allocate direct assets and liabilities, costs and expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE and ZOP, we checked whether assets, liabilities, costs and expenses and revenues are allocated directly related to the activity to which they are assigned.

When assessing the suitability of the criteria used by the company to allocate indirect assets and liabilities, costs and expenses and income to individual activities in accordance with ZPFOLERD-1, ZOEE and ZOP, we took into account whether the criteria were determined on the basis of activities that these assets and liabilities, costs and expenses and revenues cause. If these activities cannot be determined, the rules for dividing indirect costs based on the proportion of direct costs are used.

When assessing the suitability of the allocation criteria used we carried out procedures of an audit nature, with which we checked whether the individual criteria is used for the distribution of the economic category for which it was adopted and in the way it was determined.

Responsibility of management and those charged with governance.
The management is responsible for the adoption of appropriate criteria and for their correct use in the preparation and presentation of the disclosure of the "Additional disclosures on the basis of the Electricity and Gas Supply Act" in accordance with the requirements of ZPFOLERD-1, ZOEE and ZOP, as well as for such internal control as management determines is necessary to enable the preparation of such statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for accepting criteria for distribution and the supervising their implementation in line with ZPFOLERD-1, ZOEE and ZOP.

Auditor's responsibility
Our responsibility is to carry out reasonable assurance engagement and conclude whether the criteria used to allocate direct assets and liabilities, costs, expenses and income that the company considers when keeping separate accounting records and when compiling separate financial statements for energy activities, and which were used in the preparation of the disclosure 4.5.8 "Additional disclosures on the basis of the Electricity and Gas Supply Act" for the financial year that ended on 31 December 2024, were appropriate and properly used. Our reasonable assurance engagement was carried out in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the International Auditing and

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Assurance Standards Board. Pursuant to the standard, the auditor shall plan and perform the engagement in the way that will allow the auditor to obtain reasonable assurance.
We performed our work in accordance with independence and ethical requirements of EU Regulation no. 537/2014 and the IESBA Code. The Code is prepared based on the principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

As a part of its compliance with International Standard on Quality Management (ISQM) 1, our company maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work done
Within the scope of the work performed, we carried out procedures of an audit nature, namely:

- We recognized and assessed risk of material misstatement of the appropriateness of the distribution criteria and the correctness of their use in accordance with ZPFOLERD-1, ZOEE and ZOP.
- We have obtained an understanding of internal control that is relevant to the reasonable assurance engagement in order to design procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control;
- We have obtained and reviewed the company's internal regulations, which determine the criteria regarding the allocation of direct and indirect assets and liabilities, costs and expenses and revenues to individual activities in accordance with ZPFOLERD-1, ZOEE and ZOP.
- We checked whether the criteria from the first indent were accepted by those charged with governance, in accordance with Article 8 of ZPFOLERD-1 and whether they are consistently used every business year in accordance with Article 107 of the ZOEE and Article 102. of the ZOP.
- For the criteria used by the company for allocating indirect costs, we checked whether they are based on the activities that cause these costs; if these activities cannot be determined, the criteria for dividing indirect costs based on the share of direct costs are used.
- We inquired with the management and professional services regarding the method, procedures and controls established in the context of cost accounting and the allocation of costs and expenses to individual activities.
- Through additional testing of the data, we checked whether the criteria, as adopted in accordance with Article 8 of ZPFOLERD-1, were correctly used for keeping separate accounting records for individual activities.
- We checked whether the client uses public and other funds received in connection with the activities it performs based on exclusive or special rights or authorization to finance its other activities in violation of paragraph 2 of Article 7 of ZPFOLERD-1.

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- We have checked whether the company has fully disclosed the annual report together with the financial statements for energy activities for which separate disclosure is required in accordance with ZOEE and ZOP.

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

Conclusion

In our opinion, the criteria used to allocate direct and indirect assets and liabilities, costs and expenses and income, which the company considers when keeping separate accounting records and when compiling separate financial statements for energy activities, and which were used in the preparation of disclosure 4.5.8 "Additional disclosures on the basis of the Electricity and Gas Supply Act" for the financial year ended on 31.12.2025, in all material respects adequate and correctly applied according to the requirements of ZPFOLERD-1, ZOEE and ZOP.

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

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

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 29 May 2026

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

4.2 Statement of Management's responsibility

The Management is responsible for preparing financial statements for each individual financial year in accordance with the International Financial Reporting Standards as adopted by the European Union, and applicable legislation, in such a way that they present a true and fair view of the operations of Holding Slovenske elektrarne, d.o.o.

The Management has reasonable expectations that the company will have adequate resources to continue its operations in the foreseeable future, and therefore the financial statements are prepared on the basis of the going concern assumption.

The Management's responsibility in preparing the financial statements is to ensure that:

- accounting policies are appropriately selected and consistently applied,
- judgements and estimates are reasonable and prudent.

The Management is responsible for keeping appropriate records that, at any given time, accurately reflect the financial position of the HSE Company with reasonable precision, and for ensuring that the separate financial statements of the company are prepared in accordance with the International Financial Reporting Standards. The Management is also responsible for safeguarding the assets of the HSE Company and for preventing and detecting fraud and other irregularities.

The Management confirms that the financial statements of the HSE Company for the financial year 2025 have been prepared without reservation in accordance with the provisions of the International Financial Reporting Standards as adopted by the European Union, and other relevant legislation.

The Management adopted the financial statements of Holding Slovenske elektrarne, d.o.o. for the financial year ended 31 December 2025 on 29 May 2026.

Ljubljana, 29 May 2026

Uroš Podobnik
CBO of HSE



Tomaž Štokelj, Ph.D.
CEO of HSE



4.3 Introductory notes to the preparation of the financial statements

The financial report of Holding Slovenske elektrarne, d.o.o. consists of separate financial statements with an annex containing explanatory notes to the statements.

Pursuant to the decision of the Capital Assets Management Agency of the Republic of Slovenia of 29 November 2010, acting in its capacity as the then representative of the founder, the company has, since 1 January 2011, prepared separate financial statements and explanatory notes in accordance with the International Financial Reporting Standards as adopted by the European Union.

The audit firm Deloitte revizija, d.o.o. audited the separate financial statements with explanatory notes and prepared the auditor's report with an opinion, which is included at the beginning of the chapter.

4.4 Separate financial statements of the HSE Company

4.4.1 Separate statement of financial position of the HSE Company

Statement of financial position (in EUR)	Explanatory note	31/12/2025	31/12/2024
ASSETS		**1,263,232,175**	**1,702,475,940**
A. NON-CURRENT ASSETS		**716,824,639**	**960,952,096**
I. Intangible assets	1	2,534,344	252,037,539
II. Property, plant and equipment	2	24,134,718	21,862,109
III. Right of use assets	3	2,945,586	3,740,807
V. Financial investments in subsidiaries	4	588,159,980	588,159,980
VI. Other financial investments and loans	5	40,880,442	40,880,442
VII. Operating receivables	6	10,884,693	12,181,091
IX. Deferred tax receivables	7	47,284,876	42,090,128
B. CURRENT ASSETS		**546,407,536**	**741,523,844**
II. Inventories	8	21,762,281	3,916
III. Financial investments and loans	9	0	190,898
IV. Trade receivables	10	267,139,117	361,294,012
V. Contract assets	11	1,216,082	1,589,832
VI. Current tax receivables	12	0	43,960,997
VII. Other assets	13	56,984,136	89,487,522
VIII. Cash and cash equivalents	14	199,305,920	244,996,667

continued

Statement of financial position (in EUR)	Explanatory note	31/12/2025	31/12/2024
EQUITY AND LIABILITIES		**1,263,232,175**	**1,702,475,940**
A. EQUITY	15	**986,371,265**	**906,890,817**
I. Called-up capital		29,558,789	29,558,789
II. Capital reserves		561,243,185	561,243,185
III. Reserves from profit		111,882,766	111,882,766
IV. Risk hedging reserve		1,427,250	-6,014,837
V. Fair value reserves		-155,877	-269,538
VI. Retained profit/loss		282,415,152	210,490,452
B. NON-CURENT LIABILITIES		**5,865,563**	**154,925,773**
I. Provisions for severance pays and anniversary bonuses	16	2,173,320	2,104,136
II. Other provisions	17	104,547	44,205
III. Other liabilities	18	1,450,871	1,786,979
IV. Financial liabilities	19	0	148,069,930
V. Financial liabilities from leases	20	2,136,825	2,920,523
C. CURRENT LIABILITIES		**270,995,347**	**640,659,350**
II. Financial liabilities	21	25,469	43,013,028
III. Financial liabilities from leases	22	924,824	885,666
IV. Operating liabilities	23	208,545,956	260,603,313
V. Contract liabilities	24	0	31,585,393
VI. Current tax liabilities	25	28,367,683	0
VII. Other liabilities	26	33,131,415	304,571,950

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

4.4.2 Separate income statement of the HSE Company

Income statement (in EUR)	Explanatory note	2025	2024
1. Net sales revenues	27	3,174,118,465	3,620,312,806
3. Other operating income	28	28,492,113	14,741,185
GROSS OPERATING INCOME		**3,202,610,578**	**3,635,053,991**
4. Costs of goods, materials and services	29	2,874,125,049	3,103,256,884
5. Labour costs	30	22,943,390	21,261,608
6. Value write-offs	31	2,159,797	12,460,014
8. Other operating expenses	32	42,134,540	80,716,449
OPERATING PROFIT/LOSS		**261,247,802**	**417,359,036**
9. Financial revenue	33	4,010,776	3,867,016
a) financial revenues from dividends and other shares in profit		45,121	44,393
b) financial revenue from loans and deposits given		3,965,351	3,548,129
c) other financial revenues		304	274,494
10. Financial expenses	34	5,160,949	252,458,164
a) financial expenses fot interest		4,020,928	11,967,830
b) impairment of investment in subsidiaries		0	221,741,253
c) other financial expenses		1,140,021	18,749,081
FINANCIAL OUTCOME		**-1,150,173**	**-248,591,148**
PROFIT (LOSS) BEFORE TAX		**260,097,629**	**168,767,888**
TAX	35	**23,172,929**	**-41,722,564**
12. Current tax		28,367,683	0
13. Deferred tax		-5,194,754	-41,722,564
NET PROFIT/LOSS FOR THE YEAR	36	**236,924,700**	**210,490,452**

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

4.4.3 Separate statement of other comprehensive income of the HSE Company

Statement of other comprehensive income (in EUR)	Explanatory note	2025	2024
Net profit/loss for the year	36	**236,924,700**	**210,490,452**
Actuarial profits and losses of programmes with certain income of employees		113,661	114,903
Items that will subsequently not be included in the income statement	15	**113,661**	**114,903**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows		7,442,065	74,320
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss		22	-513,636
Items that will subsequently be included in the income statement	15	**7,442,087**	**-439,316**
Total comprehensive income for the reporting period		**244,480,448**	**210,166,039**

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

4.4.4 Separate cash flow statement of the HSE Company

Cash flow statement (in EUR)	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/loss	236,924,700	210,490,452
Adjustments for:		
Amortisation of intangible assets	488,937	580,455
Depreciation of property, plant and equipment	604,797	555,304
Depreciation of right of use assets	969,038	911,005
Write-off of property, plant and equipment	0	466
Operating receivables write-offs	0	10,412,775
Loss from sale of real property, plant and equipment	5	8
Financial revenue	-4,010,776	-3,867,026
Financial expenses	5,160,914	252,458,164
Profit from sale of property, plant and equipment	-15,011	-18,782
Profit on lease disposals	0	-451
Taxes	23,172,929	-41,722,564
Operating profit before changes in net current assets and taxes	**263,295,533**	**429,799,806**
Changes in net current assets and provisions		
Change in:		
Inventories	-21,758,364	41,359,217
Trade receivables and other assets	128,328,429	207,681,942
Operating liabilities to suppliers and other liabilities	-347,977,329	-46,495,885
Provisions	129,527	118,598
Profit tax paid	43,960,997	-85,378,796
Cash from operations	**65,978,793**	**547,084,882**

continued

Cash flow statement (in EUR)	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Interests received	8,659	237,352
Dividends received	45,121	44,393
Remuneration from other financing	3,957,893	3,804,474
Proceeds from sale of property, plant and equipment	17,075	31,391
Proceeds from disposal of intangible assets	279,287,754	297,329,475
Proceeds from reduction of current loans given	190,000	180,000
Acquisitions of property, plant and equipment	-2,879,475	-1,873,502
Acquisitions of intangible assets	-30,273,495	-197,599,476
Acquisitions of leases	-173,817	-1,789,674
Purchase of subsidiaries	0	-19,404,500
Cash from investment	**250,179,715**	**80,959,933**
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity changes	0	-150,000,000
Proceeds from leases	240,784	1,670,830
Proceeds from non-current loans received	0	0
Proceeds from current loans received	0	79,000,000
Payments of loan interest	-4,020,928	-12,059,352
Payments of other financial liabilities	-1,067,469	-18,839,303
Payments of non-current loans	-191,016,317	-86,764,569
Payments of current loans	0	-127,000,000
Lease payments	-985,324	-739,851
Paid dividends	-165,000,000	-100,000,000
Cash from financing	**-361,849,254**	**-414,732,245**
INITIAL BALANCE OF CASH AND CASH EQUIVALENTS	**244,996,667**	**31,684,098**
Financial result in the period	-45,690,746	213,312,569
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**199,305,921**	**244,996,667**

4.4.5 Separate statement of changes in equity of the HSE Company

	CALLED-UP CAPITAL	RESERVES FROM PROFIT				RETAINED PROFIT/LOSS		
Statement of changes in equity (in EUR)	Share capital	CAPIRAL RESERVES	Other profit reserves	RISK HEDGING RESERVE	FAIR VALUE RESERVES	Retained net earnings	Net profit/loss for the year	Total
Balance as at 1/1/2024	29,558,789	711,243,185	107,744,824	-5,575,521	-384,441	104,137,942	0	946,724,778
B.1. Transactions with owners	**0**	**-150,000,000**	**0**	**0**	**0**	**-100,000,000**	**0**	**-250,000,000**
Return on capital	0	-150,000,000	0	0	0	0	0	-150,000,000
Disbursement of dividends	0	0	0	0	0	-100,000,000	0	-100,000,000
B.2. Changes in total comprehensive income	**0**	**0**	**0**	**-439,316**	**114,903**	**0**	**210,490,452**	**210,166,039**
Entry of net profit for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**210,490,452**	**210,490,452**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**114,903**	**0**	**0**	**114,903**
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	114,903	0	0	114,903
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**-439,316**	**0**	**0**	**0**	**-439,316**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	74,320	0	0	0	74,320
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	-513,636	0	0	0	-513,636
B.3. Changes in equity	**0**	**0**	**4,137,942**	**0**	**0**	**-4,137,942**	**0**	**0**
Other changes	0	0	4,137,942	0	0	-4,137,942	0	0
Balance as at 31/12/2024	29,558,789	561,243,185	111,882,766	-6,014,837	-269,538	0	210,490,452	906,890,817
Balance as at 1/1/2025	29,558,789	561,243,185	111,882,766	-6,014,837	-269,538	0	210,490,452	906,890,817
B.1. Transactions with owners	**0**	**0**	**0**	**0**	**0**	**-165,000,000**	**0**	**-165,000,000**
Disbursement of dividends	0	0	0	0	0	-165,000,000	0	-165,000,000
B.2. Changes in total comprehensive income	**0**	**0**	**0**	**7,442,087**	**113,661**	**0**	**236,924,700**	**244,480,448**
Entry of net profit or loss for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**236,924,700**	**236,924,700**
Items that will subsequently not be included in the income statement	**0**	**0**	**0**	**0**	**113,661**	**0**	**0**	**113,661**
Actuarial profits and losses of programmes with certain income of employees	0	0	0	0	113,661	0	0	113,661
Items that will subsequently be included in the income statement	**0**	**0**	**0**	**7,442,087**	**0**	**0**	**0**	**7,422,087**
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows	0	0	0	7,442,065	0	0	0	7,442,065
Net effective part of change in the fair value of instrument for hedging against the variability of cash flows, retained in net profit/loss	0	0	0	22	0	0	0	22
B.3. Changes in equity	**0**	**0**	**0**	**0**	**0**	**210,490,452**	**-210,490,452**	**0**
Other changes	0	0	0	0	0	210,490,452	210,490,452	0
Balance as at 31/12/2025	29,558,789	561,243,185	111,882,766	1,427,250	-155,877	45,490,452	236,924,700	986,371,265

4.5 Explanatory notes to the separate financial statements of the HSE Company

4.5.1 Reporting company

Holding Slovenske elektrarne, d.o.o. (hereinafter: the "Company") is a company with its registered office in Slovenia and is the controlling company of the HSE Group. Its registered office is at Koprska ulica 92, 1000 Ljubljana. The company's main activity is electricity trading.

The company's financial year is the same as the calendar year..

Basis of preparation

a) Statement of compliance

In preparing the financial statements as at 31 December 2025, the Company took into account:

- the International Financial Reporting Standards, which include the International Accounting Standards, Explanatory notes of the Standing Interpretations Committee, International Financial Reporting Standards and Explanatory notes of the International Financial Reporting Interpretations Committee, as adopted by the European Union,
- the Companies Act,
- the Energy Act,
- the Electricity Supply Act and the Gas Supply Act,
- the Corporate Income Tax Act,
- the Rules on the Implementation of the Corporate Income Tax Act and its implementing regulations,
- the HSE Accounting Rules,
- the Minimum Tax Act and
- other relevant applicable legislation.

b) Accounting assumptions and qualitative characteristics of the financial statements

The financial statements have been prepared taking into account the fundamental accounting assumptions:

- accrual basis of accounting and
- going concern.

The effects of transactions and other business events are recognised when they occur, and not when they are paid for, and are recorded and reported for the periods to which they relate. The financial statements thus also contain information on obligations regarding cash payments in the future and on assets that will generate cash in the future.

The financial statements of the Company are prepared on the assumption that the Company will not significantly reduce the scope of its operations or even discontinue them, i.e. that it will continue to operate for the foreseeable future.

The following qualitative characteristics of the financial statements are taken into account:

- **Fair presentation and compliance with the International Financial Reporting Standards**: the financial statements fairly present the financial position, financial performance and cash flows of the Company.
- **Consistency of presentation**: the presentation and classification of items in the financial statements is the same from period to period.
- **Materiality and aggregation**: each material group consisting of similar items is presented separately in the financial statements. Items of a different nature or function are presented separately, unless they are immaterial.
- **Offsetting**: neither assets and liabilities nor income and expenses are offset, unless a standard or explanatory note requires or permits offsetting.
- **Comparative information**: for all amounts presented in the financial statements, comparative information from the previous period is disclosed, unless a standard or explanatory note permits or requires otherwise. Comparative information is included in narrative and descriptive information where this is necessary for an understanding of the financial statements of the period under review.
- **Changes in significant accounting policies**: in preparing the financial statements, the same accounting bases and policies and the same principles of recognition and measurement were taken into account as in 2024.

c) Basis for measurement

The Company's financial statements are prepared on the basis of original values, except for derivative financial instruments held for trading, which are presented at fair value.

d) Functional and presentation currency

The financial statements in this report are presented in euros (EUR) without cents, which is also the functional and presentation currency of the Company. Due to rounding of monetary data, immaterial discrepancies may occur in the totals in the tables.

e) Use of estimates and judgements

The preparation of financial statements requires the Management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities in the reporting period. The formation of estimates and the related assumptions and uncertainties are disclosed in the explanatory notes to the individual items.

Estimates and assumptions are based on past experience and other factors considered reasonable in the given circumstances, on the basis of which judgements are expressed about the carrying amounts of assets and liabilities. Estimates and assumptions are subject to subjective judgement and a degree of uncertainty, so subsequent actual results may differ from the estimates. These are reviewed on a regular basis. Changes in accounting estimates are recognised in the period in which the estimates were changed if the change affects only that period, or in the period of change and future periods if the change affects future periods.

Estimates and assumptions are present in the following significant judgements:

In estimating the useful life of assets being depreciated: When estimating the useful life of assets, the Company takes into account the expected physical wear and tear, technical and economic ageing, as well as the expected legal and other restrictions on use. For significant assets, the Company reviews the useful life and determines whether circumstances have changed, requiring a change in the useful life.

In testing the impairment of non-financial assets: At least once a year, the Company checks whether there are indicators of impairment of an individual cash-generating unit, with the recoverable value of non-financial assets being determined on the basis of the present value of cash flows. This is based on both the estimate of expected cash flows from the cash-generating unit and the determination of an appropriate discount rate. In assessing whether real estate impairment is necessary, the Company takes into account that an individual property as a whole generates cash inflows depending on other properties.

In estimating the realisable value of receivables and assets from contracts with customers: When preparing the financial statements, the Company estimates value adjustments based on the expected credit loss model, according to which the expected losses that will arise in the future are estimated.

In estimating provisions for post-employment and other long-term employee benefits (severance pay on retirement, jubilee awards): Within the framework of obligations for employee benefits, the present value of severance pay on retirement and jubilee awards is recorded. It is recognised on the basis of an actuarial calculation, which is based on assumptions and estimates valid at the time the calculation is made and which, due to changes in the future, may differ from the actual assumptions that will be valid at that time. This relates in particular to the determination of the discount rate and estimates of employee turnover, mortality and salary growth. Obligations for post-employment employee benefits are sensitive to changes in the stated estimates due to the complexity of the actuarial calculation and their long-term nature.

In recognising the forming of provisions for legal actions and contingent liabilities: A provision is recognised when the Company has, as a result of a past event, legal or indirect obligations that can be reliably estimated, and if it is likely that the settlement of the obligation will require an outflow of factors that provide economic benefits. The Company's Management regularly reviews whether the settlement of a possible liability is likely to result in an outflow of assets that provide economic benefits. If it becomes probable, the possible liability is reclassified by forming a provision for it in the financial statements at the moment the probability changes.

Additional estimates and judgements of the Management in preparing the statements as at 31 December 2025 are as follows:

1. Assessment of the estimated value of the call option

   HSE has the right to repurchase the 35.6% business share in HESS that it sold (call option), and the purchasers/acquirers are obliged to sell their business share to HSE no later than 31 December 2028, whereby HSE may exercise the call option from 30 June 2026 to 30 June 2028. The call option relates to the repurchase of the entire business share totalling 35.6%, namely the entire business share from the company SEL amounting to 14.7% of the share capital of HESS and the entire business share from the company GEN amounting to 20.9% of the share capital of HESS. HSE must exercise the call option against both partners/acquirers simultaneously. The estimated value of the option as at 31 December 2025 is EUR 0, as it is estimated that the option will be exercised at a price that is higher than the fair value as defined by IFRS 13.

2. Assessment of the classification of contracts as derivative financial instruments in accordance with IFRS 9

   The Company treats contracts for the purchase and sale of electricity, gas and emission allowances for trading purposes in accordance with IFRS 9.2.6. as derivative financial instruments, because these are contracts where the Company usually receives the subject of the contract and sells it shortly after receipt with the aim of generating a profit from short-term price fluctuations or resale margins (which corresponds to IFRS 9 rules on net settlement of contracts). In accordance with IFRS 9.2.4., the Company treats such contracts as derivative financial instruments and measures them at fair value through profit or loss.

3. Assessment of the recognition of the contractual value in accordance with IFRS 15

   Contracts entered into by the Company and continuing to be held for the purpose of receiving or delivering a non-financial asset in accordance with expected purchase, sale or use requirements, e.g. sales contracts for the sale of electricity produced within the HSE Group (or "own use" contracts), continue to be recognised by the Company at the contractual value in accordance with IFRS 15 on the date the contract is executed.

4.5.2 Affiliate and representative office

The Company has an affiliate in the Czech Republic. In 2025, the Company did not conduct any business through the Czech affiliate, as it transferred electricity trading to the Company itself. The affiliate's operations are included in the Company's financial statements.

4.5.3 Material information on accounting policies

The Company's financial statements have been prepared on the basis of the accounting policies set out below. The accounting policies stated have been applied for both years presented, unless otherwise indicated. Where necessary, comparative information has been adjusted to be in line with the presentation of information in the current year.

Translation of foreign currencies

Transactions denominated in a foreign currency are translated into the relevant functional currency at the exchange rate on the date of the transaction.

Cash and cash equivalents and liabilities denominated in a foreign currency at the end of the reporting period are translated into the functional currency at the exchange rate applicable at that time.

Positive or negative foreign currency differences are the differences between the amortised value in the functional currency at the beginning of the period, adjusted for the effective interest rate and payments made during the period, and the amortised value in the foreign currency translated at the exchange rate at the end of the period.

Foreign currency differences are recognised in the income statement on a net basis.

Intangible assets

Intangible assets fall under non-current assets and enable the Company to carry out its activities, while not existing physically. The Company recognises other non-current property rights among intangible assets.

An intangible asset is, at initial recognition, valued at purchase cost. This includes costs that can be directly attributed to the acquisition of an individual intangible asset. The Company did not finance purchases of intangible assets with loans, so the purchase cost does not include borrowing costs.

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

The Company does not determine a residual value upon recognition of intangible assets, as it estimates that the residual value of these assets at the end of their useful life is zero. The Company has no intangible assets with an indefinite (infinite) useful life.

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

Amortisation methods and useful lives of groups of intangible assets are reviewed at the end of each financial year and adjusted if necessary. In the event of an extension of the useful life, the costs of amortisation calculated in the financial year are reduced; in the event of a reduction in the useful life, they are increased. The adjustment of the useful life must be recalculated so that the intangible asset is fully amortised over the new estimated useful life. A change in useful life is treated as a change in accounting estimate and affects only the period in which the accounting estimate was changed and each subsequent period in the remaining useful life.

Estimated useful life of intangible assets	2025	2024
Software	2-20 years	2-20 years

Subsequent expenditure relating to intangible assets is capitalised only in cases where it increases the future economic benefits arising from the asset to which the costs relate. All other costs are recognised in profit or loss as expenses as they occur.

Property, plant and equipment

Property, plant and equipment are part of the non-current assets owned by the Company and are used to carry out the Company's activities. Property, plant and equipment include buildings, production and other equipment, and assets under construction and being manufactured.

Property, plant and equipment are stated at purchase cost less accumulated depreciation. The purchase cost includes costs that can be directly attributed to the acquisition of the individual asset. Parts of plant and equipment that have different useful lives are accounted for as separate assets. Borrowing costs that can be directly attributed to the purchase, construction or production of an asset in preparation, i.e. until the asset is activated, are recognised as part of the purchase cost of such asset. The Company had no borrowings for the purchase of property, plant and equipment, so no borrowing costs have been attributed to assets under construction or being manufactured.

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

The Company has no property, plant and equipment for which a residual value would have been determined upon acquisition.

Depreciation is calculated using the straight-line method, taking into account the useful life of each individual (component) part of property, plant and equipment. Depreciation begins to be calculated from the purchase cost when property, plant and equipment are available for use. Property, plant and equipment under construction or being manufactured are not depreciated.

Estimated useful life of property, plant and equipment	2025	2024
Business premises	30-50 years	30-50 years
Solar power plant	25 years	25 years
Computer equipment	2-5 years	2-5 years
Furniture	10 years	10 years
Small tools	4-5 years	4-5 years
Cars	5 years	5 years
Other plant and equipment	5-10 years	5-10 years

The depreciation methods and useful lives of groups of assets are reviewed at the end of each financial year and adjusted if necessary. In the event of an extension of the useful life, the Company reduces the already calculated depreciation costs in the financial year under review; in the event of a reduction in the useful life, it increases them. The adjustment of the useful life must be recalculated so that the property, plant and equipment will be fully depreciated over the new estimated useful life. A change in useful life is treated as a change in accounting estimate and affects only the period in which the accounting estimate was changed and each subsequent period in the remaining useful life.

The costs of replacing a part of property, plant and equipment are added to the carrying amount of such property, plant and equipment if it is probable that future economic benefits associated with the part of such property, plant and equipment will flow to the Company, and if the purchase cost can be measured reliably. All other costs (e.g. routine maintenance) are recognised in profit or loss as expenses as they occur.

Gains and losses arising on the disposal of property, plant and equipment are determined as the difference between the net selling value and the carrying amount of the disposed property, plant and equipment and are recognised under other operating revenue or value write-offs.

Each year, the Company assesses whether there are any indications of impairment in relation to property, plant and equipment under acquisition. The following circumstances are considered significant indications of impairment:

- a decision to discontinue investments in an individual investment, and
- a significant deterioration in circumstances relating to the economic efficiency of an individual investment.

Right-of-use assets

On the basis of lease agreements, lessees recognise leased assets in the statement of financial position as right-of-use assets, in connection with lease liabilities. The value of leased assets is transferred to expenses through depreciation, while financing costs are charged to financial expenses. The standard provides lessees with two recognition exemptions, namely in the case of leases of low-value assets and short-term leases.

The Company reviewed and analysed concluded lease agreements with a term of more than one year. On the basis of the lease costs and the term of the lease agreements, the Company estimated the value of right-of-use assets and lease liabilities and recognised them in the statement of financial position for a period of three to five years. For agreements of indefinite duration with the right of termination, the Management estimates with reasonable certainty, in accordance with paragraph 18 of IFRS 16, that the lease will not be terminated for at least 5 years, while an estimate of a longer contractual lease cannot be made with reasonable certainty. Therefore, for agreements of indefinite duration, the lease term is estimated at 5 years.

Estimated useful life in years – leases	2025	2024
Buildings	5 years	5 years
Cars	3–5 years	3–5 years

The interest rates agreed upon when entering into leases are not disclosed in the agreements. IFRS 16, in paragraph 26, directs the lessee to use its incremental borrowing rate, i.e. the borrowing rate that HSE would pay if it purchased the asset and borrowed to do so. HSE does not have such interest rates, as the analysis of financing sources shows that HSE financed investments in subsidiaries with existing sources, and partly its working capital.

The values of right-of-use assets and lease liabilities are estimated on the basis of discounting future cash flows for the term of the lease.

If the lessee cannot obtain information on the level of the borrowing interest rate from a financial institution or other sources, then it applies the average interest rates of loan agreements concluded with non-financial companies in credit institutions in the month of the lease, which are published by the Bank of Slovenia in the Bulletin on its website, namely for maturities of 1 to 5 years, separately for amounts up to EUR 1 million and for amounts over EUR 1 million.

Non-current investments in subsidiaries

Investments in subsidiaries are made into subsidiary companies, in which the Company has a controlling influence, and for this group of companies it prepares consolidated financial statements.

In the financial statements, investments in subsidiaries are stated at purchase cost.

The Company recognises revenue from financial investments in the period in which the decision on the payment of profit shares is adopted.

Possible indications of impairment of investments in subsidiaries are determined on an annual basis. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the investment and its recoverable value (the higher value between the fair value less sales costs and the value in use) and recognised as a financial expense.

In the event of liquidation of a subsidiary, the difference between the carrying amount and the liquidation value of the investment is recorded under financial revenue or expenses.

In the event of the sale of a share in a subsidiary, the difference between the carrying amount and the selling value of the investment is recorded under financial revenue or expenses in accordance with IFRS 5.

Non-current investments in associates and jointly-controlled companies

Investments in associates are made into companies, in which the Company has a significant influence. As a rule, its share in such companies ranges from 20 to 50%.

Investments in jointly-controlled companies are made into companies, in which the Company, together with other owners, jointly controls the operations of that company on the basis of a contractually agreed sharing of control.

Both investments in associates and in jointly-controlled companies are stated in the Company's financial statements at purchase cost.

Financial assets

Financial assets include cash and cash equivalents, receivables and loans, and financial investments (except for investments in subsidiaries, associates and jointly-controlled companies).

The Company initially recognises loans, receivables, and deposits on the date of their occurrence. Other financial assets are initially recognised on the date of exchange or when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from that asset expire, or when the Company transfers the rights to the contractual cash flows from the financial asset on the basis of a transaction in which all the risks and rewards of ownership of the financial asset are transferred.

Upon initial recognition, the Company's financial instruments are classified into one of the following groups:

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

Classification depends on the selected business model for managing the assets and on whether the Company obtains the contractual cash flows from the financial instruments solely from payments of principal and interest on the outstanding principal amount.

With the exception of operating receivables that do not contain a significant financing component, the Company initially measures a financial asset at fair value, increased by transaction costs. Operating receivables that do not contain a significant financing component are measured at the transaction price, which is determined in accordance with the provisions of IFRS 15.

Financial assets at fair value through profit or loss are stated in the statement of financial position at fair value, including the net change in fair value, which is recognised in the income statement. Financial assets at fair value through profit or loss mainly include unrealised and valued derivative financial instruments at the reporting date.

a) Cash and cash equivalents

Cash and cash equivalents include bank deposits of up to three months and other short-term, readily convertible investments with an original maturity of three months or less.

For the translation of cash and cash equivalents from a foreign currency, the Company uses the reference rate of the European Central Bank (ECB), published by the Bank of Slovenia, taken from the ECB's exchange rate list, except for those currencies for which the ECB does not publish reference rates daily and for which a monthly exchange rate list is taken into account.

b) 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 classified at fair value through profit or loss upon initial recognition, and financial assets that the Company must measure at fair value.

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

Financial assets that generate cash flows that are not solely payments of principal and interest 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 stated in the statement of financial position at fair value, including the net change in fair value, which is recognised in the income statement.

c) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets recognised at fair value through other comprehensive income, which have the nature of an equity instrument, are those financial assets that meet the definition of equity in accordance with IAS 32 – Financial Instruments and for which the Company chooses to irrevocably classify them in the group of equity instruments at fair value through other comprehensive income and does not hold them for trading purposes. The classification is determined for each financial instrument.

Gains and losses from these financial assets are never reclassified to the income statement, with the exception of dividends received, which are recognised in profit or loss.

d) Financial assets at amortised cost

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

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

Financial liabilities

Financial liabilities of the Company include loans received and trade payables. With the exception of loans received, all financial liabilities are measured at fair value upon initial recognition. Loans received are measured at amortised cost using the effective interest rate. According to their maturity, loans are classified as either current financial liabilities (maturity of up to 12 months after the date of the statement of financial position) or non-current financial liabilities (maturity of over 12 months after the date of the statement of financial position). All gains and losses are recognised in the income statement upon derecognition of the financial liability and within the framework of effective interest rate amortisation.

The Company derecognises a financial liability when the obligations specified in the contract are fulfilled, cancelled or have expired.

Derivatives

Derivative financial instruments are used to hedge the Company's cash flow exposure to price and currency risks. Within the framework of risk hedging, the Company has concluded standardised forward agreements for hedging against risks for the purchase of electricity and gas in the coming years.

These are financial instruments that do not require an initial financial investment, and whose value changes due to commodity prices.

Derivative financial instruments are initially recognised at fair value on a net basis. This means that the value of the concluded transaction itself is not shown in the financial statements.

After initial recognition, derivative financial instruments are measured at fair value, and the related changes are treated differently depending on whether the derivative financial instrument qualifies for hedge accounting or not. Derivative financial instruments that do not qualify for hedge accounting are measured at fair value through profit or loss.

When a derivative financial instrument is designated as a hedge against the risk of exposure to the variability of cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transactions that may affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognised in other comprehensive income for the period and disclosed in the risk hedging reserve. The ineffective portion of changes in the fair value of the derivative financial instrument is recognised directly in profit or loss. The Company is expected to discontinue hedge accounting if the hedging instrument no longer meets the criteria for hedge accounting or if the hedging instrument is sold, terminated or exercised. The cumulative gain or loss recognised in other comprehensive income remains recognised in the risk hedging reserve until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, the amount in other comprehensive income must be recognised directly in profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period in which the hedged item affects profit or loss.

The effects of other derivative financial instruments arising from open physical contracts that are not designated as hedges against the risk of exposure to cash flow variability, or that cannot be attributed to a specific risk associated with a recognised asset or liability, are recognised in profit or loss under other operating revenue or other operating expenses on a net basis, and the realisation of physical contracts is recognised among net revenue or expenses, likewise on a net basis.

Where forward purchases and sales for the physical delivery of electricity and gas are treated as contracts concluded within the framework of the Group's ordinary business ("own use"), they are then not within the scope defined in IFRS 9. This is the case when the following conditions are met:

- physical delivery is part of all such contracts,
- the volume of electricity purchased or sold under the contracts corresponds to the Group's operational needs, and
- the contract cannot be treated as an option as defined in the Standard. In the case of electricity sales contracts, the contract is equivalent to a fixed forward sale or can be considered as a sale of capacity.

Inventories

Among inventories, the Company recognises inventories of materials and emission allowances intended for trading on the emission allowances market. Inventories of materials and merchandise are valued at the lower of original value or net realisable value. The original value comprises the purchase cost, which consists of the purchase price, import duties and direct procurement costs. The purchase price is reduced by the discounts obtained. Direct procurement costs are transport costs, costs of loading, transshipment and unloading, costs of monitoring goods and other costs that can be directly attributed to the goods or materials acquired. Discounts on the purchase price include both those stated on the invoice and those received later and relating to a particular purchase. Consumption of inventories is valued using the moving average price method.

At least once a year, namely as at the date of preparation of the annual financial statements, evidence of impairment of inventories is assessed. The impairment of inventories is assessed for each individual type of inventory. Individual types of inventories are allocated to groups of inventories with similar characteristics on the basis of the time component of inventory movements. When assessing impairment for an individual group, the criteria of expert judgement, further use or sale are applied.

Impairment of assets

Financial assets

A financial asset is considered impaired when there is objective evidence of impairment indicating that, as a result of one or more events occurring after the initial recognition of the asset, the expected future cash flows from that asset have decreased and such decrease can be reliably estimated.

Objective evidence of impairment of financial assets may include: default or breach by a debtor, indications that a debtor will go into bankruptcy, restructuring of an amount owed to the Company by others if the Company agrees to it, and the disappearance of an active market for that type of instrument.

Impairment of receivables and loans granted

The Company impairs receivables in accordance with IFRS 9 based on the expected credit loss model. Expected credit losses represent a probability-weighted estimate of credit losses, taking into account past experience, current conditions and reasonable and supportable expectations regarding future economic conditions. The recognition of impairments is not tied to a comparison of the book value with the fair or recoverable value and is not conditional on the occurrence of a credit event.

Appropriate supporting documents are required for the final write-offs of receivables: final decisions on receiverships, bankruptcy proceedings, court decisions or other appropriate documents.

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

Impairments for expected credit losses are assessed in two phases. For credit exposures where there has been no significant increase in credit risk since 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 where credit risk has significantly increased since initial recognition, the Company recognises an allowance for losses expected over the remaining life of the exposure, regardless of the period of default.

Disputed receivables are those that meet one of the following conditions:

- judicial recovery proceedings have been initiated at court, or
- a decision on the initiation of receivership, liquidation or bankruptcy proceedings has been published.

The impairment of receivables which are not individually significant is assessed collectively by grouping receivables with similar risk characteristics. The Company forms groups of receivables based on their maturity. When assessing collective impairment, the Company uses the historical development of the probability of default, the recovery period and the amount of loss incurred, adjusted for the Management's estimate of whether actual losses, due to current economic and credit conditions, may be greater or less than the losses predicted by historical development.

If all actions have been taken with the diligence of a good manager to achieve the payment of a specific outstanding receivable, and if, due to the amount of the receivable, it would be uneconomical for the Company to pursue judicial recovery, the receivable is fully and finally written off based on a decision of the Management.

The Company assesses evidence of impairment of loans on an individual basis for each loan.

The impairment loss in respect of a financial asset stated at its recoverable amount is calculated as the difference between the carrying value of the asset and the expected future cash flows. Losses are recognised under operating expenses in profit or loss.

Non-financial assets

At each reporting date, the Company reviews the book value of significant non-financial assets to determine whether there are any indications of impairment. If such indications exist, the recoverable value of the asset is estimated by performing an impairment test.

The recoverable value of an asset or a cash-generating unit is the value in use or fair value less costs of sale, whichever is the higher. In determining the value in use of an asset, the expected 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 allocated to the smallest possible group of assets that generates cash flows from continuing use and that is largely independent of the inflows from other assets or groups of assets (cash-generating unit).

Impairment of an asset or a cash-generating unit is recognised when its book value exceeds its recoverable value. The impairment is recognised under operating expenses in the income statement.

At the end of the reporting period, the Company assesses impairment losses from previous periods to determine whether the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used by the Company to determine the recoverable value of an asset. The impairment loss of an asset is reversed up to the amount by which the increased book value of the asset does not exceed the book value that would have been determined, net of depreciation, had no impairment loss been recognised on the asset in previous years.

Equity

The total equity of the Company is its obligation to the owners, which falls due if the Company ceases to operate, with the equity being adjusted according to the then attainable price of net assets. It is defined by the amounts contributed by the owners and by the amounts arising from operations and belonging to the owners. It is decreased by operating losses and payments to the owners, and increased by profits generated during the operating period.

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

General revaluation adjustments of equity as at 31 December 2002, in accordance with the then valid Slovenian Accounting Standards, included the revaluation of share capital prior to 2002. Subsequently, the said adjustment was transferred to capital reserves. The amount can only be used to increase share capital.

Other profit reserves were formed from the profits of previous years and are used primarily to settle losses. They are formed on the basis of a decision of the competent body.

The risk hedging reserve includes the effect of changes in the fair value of derivative financial instruments that were designated as successful in hedging the exposure to variability in cash flows for hedging self-generated electricity and for part of the cash flow hedging of gas purchases.

The fair value reserve includes actuarial gains or losses related to provisions for post-employment and other long-term employee benefits (severance pay upon retirement).

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

In accordance with the law, the collective agreement and internal rules, the Company is obliged to pay anniversary bonuses to employees and severance pay upon their retirement, for which long-term provisions are formed. There are no other pension obligations.

Provisions are formed in the amount of estimated future payments for severance pay upon retirement and anniversary bonuses, discounted as at the end of the financial year. The calculation is made for each employee, taking into account the cost of severance pay upon retirement and the cost of all expected anniversary bonuses until retirement. The calculation, using the projected unit credit method, is prepared by an actuary. Payments of severance pay upon retirement and anniversary bonuses in the current year reduce the provisions formed.

Labour costs and costs of interest are recognised in the income statement, while the remeasurement of post-employment benefits, i.e. unrealised actuarial gains or losses from severance pay upon retirement, is recognised in other comprehensive income of equity.

Employee benefits

Obligations for short-term employee benefits are measured on an undiscounted basis and are recognised as expenses when the employee's work in respect of a particular short-term benefit has been performed. Liabilities are recognised in the amount expected to be paid in the form of short-term benefits if the Company has a present legal or constructive obligation for such payments as a result of past services rendered by the employee and the obligation can be reliably measured.

Other provisions

Provisions are recognised if, as a result of a past event, the Company has legal or constructive present obligations that can be reliably estimated and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The value of a provision must be equal to the present value of the expenditure required to settle the obligation. Provisions are intended to cover probable but not certain liabilities, and therefore the amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the date of the statement of financial position. In achieving the best estimate of a provision, the risks and uncertainties that inevitably accompany events and circumstances are taken into account.

Provisions are reduced directly by the costs or expenses for the coverage of which they were formed. This means that, in the financial year, such costs or expenses no longer appear in profit or loss.

If the anticipated liabilities do not arise, the amount of the provisions formed is reversed and recognised as other operating income.

Other assets and other liabilities

Other assets include advances given, receivables due from state and other institutions and current accrued income and deferred expenses, which represent deferred costs and accrued revenue that are not related to sales contracts. Deferred costs are amounts that, at the time of their occurrence, do not yet burden the operating result.

Other liabilities include advances received, liabilities to employees, state and other institutions and non-current and current accrued expenses and deferred revenue, represented by accrued costs and deferred revenue that are not related to liabilities arising from sales contracts. Accrued costs are amounts which have not yet been incurred, but will be incurred in the future and currently already affect the operating result.

Contract assets and contract liabilities

With the introduction of IFRS 15, accrued revenue is no longer part of other assets, but is recognised under contracts of sale with customers in the Contract assets item.

With the introduction of IFRS 15, deferred revenue is no longer part of other liabilities, but is recognised under contracts of sale with customers in the Contract liabilities item.

Accrued revenue is revenue that is recognised in profit or loss even though it has not yet been invoiced. In accordance with IFRS 15, it is presented in the statement of financial position as Contract assets and represents the right to consideration in exchange for goods or services transferred to the customer.

Deferred revenue is presented in accordance with IFRS 15 as Contract liabilities and is recognised as revenue when the Company fulfils its performance obligation under the contract.

Contingent liabilities

A contingent liability is:

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

Among contingent liabilities, the Company discloses guarantees given and parent guarantees.

Revenue from contracts with customers

In accordance with IFRS 15, the Company applies a five-step model to determine when and to what extent revenue is to be recognised. The model stipulates that revenue is recognised upon the transfer of control of goods or services to the customer, in the amount to which the Company expects to be entitled. Depending on the criteria fulfilled, revenue is recognised:

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

The Company recognises revenue from contracts with customers on the basis of contracts concluded with customers and when control of the goods or services is transferred to the customer, in an amount that reflects the payment to which the Company expects to be entitled. Each promised service or delivery of goods is treated as a separate performance obligation if it is distinct. It is distinct when the customer benefits from the service provided or goods delivered. A performance obligation is a promise to provide a service or goods to a customer.

Revenue is recognised at the point in time when the Company fulfils its performance obligation. This is when control over the service and goods is transferred to the customer. Control means that the customer can direct the use of the asset and receive all material benefits from it and can prevent others from using and receiving benefits from the asset.

Discounts granted upon the signing of a contract are allocated to all performance obligations and deferred over the life of the contract. All discounts granted subsequently are recognised in the period for which they are granted and reduce revenue.

Sale of goods: The performance obligation in the sale of goods arises upon delivery. Goods are invoiced on a 14-day or monthly basis. Within the sale of goods, the largest share is represented by the sale of electricity, followed by the sale of secondary and tertiary energy and deviations from the sale of electricity. This part also includes the sale of emission allowances from trading and gas.

If the Company has more positive than negative foreign currency differences from operations, it discloses them under net sales revenues on a net basis.

Sale of services: For sales of services, the performance obligation arises during the provision of the services, and invoicing is performed on a monthly basis. Within the sale of services, the largest share is represented by services provided in connection with transmission capacities, certificate of origin services, services related to negative electricity prices and advisory services in the accounting, legal, human resources and financial fields.

Accrued revenue is revenue that is recognised in profit or loss even though it has not yet been invoiced. In accordance with IFRS 15, it is presented in the statement of financial position as Contract assets and represents the right to consideration in exchange for goods or services transferred to the customer.

Deferred revenue is presented in accordance with IFRS 15 as Contract liabilities and is recognised as revenue when the Company fulfils its performance obligation under the contract.

Other operating and financial revenue

Other operating revenue associated with operating effects is primarily represented by revenue from default interest, gains on derivative financial instruments and the fair value measurement of commodity contracts.

Revenue from accrued default interest and related receivables is recognised upon occurrence if it is probable that the economic benefits associated with the transaction will flow to the Company. If recovery is not probable, the default interest accruals are recorded as contingent assets and are recognised in the Company's books upon payment. The recording of default interest is treated on a case-by-case basis.

Financial revenue comprises revenue from shares in investments (dividends), interest on loans granted and deposits, revenue from parent guarantees given and gains on hedging instruments recognised in the income statement.

Operating and financial expenses

Expenses are recognised if a decrease in economic benefits during the accounting period is associated with a decrease in assets or an increase in debt and this decrease can be reliably measured.

Operating expenses are recognised when the merchandise has been sold.

In the cost of goods sold, we disclose expenses related to the sale of electricity, gas, emission allowances for trading, and their related costs. If the Company has more negative than positive foreign currency differences from operations, it discloses them in the cost of goods sold.

Costs of material are the original costs of purchased material, namely the costs of protective equipment, small tools with a useful life not exceeding one year, energy, office supplies, expert literature and other materials.

Costs of services are the original costs of purchased services, namely services for the maintenance of software, buildings and equipment, advertising services, representation, insurance premiums, payment transactions and other banking services (except interest), rentals, advisory services, business trips and similar services.

Value write-offs include depreciation and amortisation costs related to the consistent transfer of the value of amortisable intangible assets and property, plant and equipment to profit or loss. Value write-offs also include write-offs and losses on the sale of intangible assets and property, plant and equipment, and impairments or write-offs of operating receivables.

Labour costs are the original costs relating to accrued salaries and similar amounts in gross amounts, as well as charges levied on this basis and not forming an integral part of the gross amounts.

Other operating expenses arise in connection with the forming of provisions, donations and other charges, expenses from the fair value measurement of commodity contracts and compensation for undelivered electricity.

Financial expenses comprise borrowing costs and losses from the impairment of financial investments and the liquidation of subsidiaries, which are recognised in the income statement. Interest expenses are recognised upon occurrence at the agreed interest rate.

Taxation

Taxes include liabilities for current, deferred and minimum tax or top-up tax.

The liability for current tax is based on the taxable tax base for the financial year. The taxable tax base differs from the operating result reported in the income statement because it excludes items of revenue or expense that are taxable or deductible in other years, and also items that are never taxable or deductible. The Company's liability for current tax is calculated using the tax rate in force at the reporting date. The liability for current tax is reduced by advance payments of corporate income tax paid during the year.

Deferred tax is fully recognised using the liability method, based on the statement of financial position, for temporary differences arising between the tax values of assets and liabilities and their book values in the financial statements. Deferred tax is determined using the tax rate in force at the date of the statement of financial position and which is expected to apply when the deferred tax receivable is realised or the deferred tax liability is settled.

A deferred tax receivable is recognised if it is probable that taxable profit will be available in the future against which the temporary differences can be utilised. It represents the amount of corporate income tax levied on deductible temporary differences.

A deferred tax liability represents the amount of corporate income tax levied on taxable temporary differences, meaning higher tax payments in the future.

For taxpayers under the Minimum Tax Act, a value threshold of consolidated annual revenue applies. The Act stipulates that the top-up tax regime applies to constituent entities located in Slovenia that are part of an international group of companies or are large domestic groups whose annual revenues, including the revenues of excluded entities, reported in the consolidated financial statements of the ultimate parent entity in at least two financial years out of four financial years immediately preceding the tested financial year, amount to EUR 750 million or more.

HSE will take advantage of the legal basis that sets out the conditions for the application of the temporary safe harbour, i.e. the reduction of tax to zero in a transitional five-year period. The purpose of the arrangement under Article 17 of the Minimum Tax Act is to enable international groups in the initial phase of their activity to reduce the amount of the top-up tax liability to zero during the first five years of the initial phase of the activity of the international group of companies.

The rules for determining whether an international group of companies is in the "initial phase of activity" are set out in paragraph 3 of Article 17 of the Minimum Tax Act, namely an international group is considered to be in the initial phase of its activity if, for the financial year, it is the case that:

1. it has constituent entities in no more than six jurisdictions and
2. the sum of the book values of the tangible assets of all constituent entities of the international group of companies located in all jurisdictions, other than the reference jurisdiction, does not exceed EUR 50,000,000.

In 2025, in accordance with the applicable tax legislation, the corporate income tax rate was 22%.

Cash flow statement

The cash flow statement shows changes in cash and cash equivalents for the financial year for which it is prepared. The cash flow statement is prepared using the indirect method based on data from the statement of financial position and the income statement, in accordance with the International Financial Reporting Standards as adopted by the EU.

The Company's cash and cash equivalents are cash on bank accounts, call deposits and deposits with up to 3 month maturity.

Segment reporting

The Company does not disclose operations by segments in its annual report. Segment reporting must be disclosed in annual reports by companies with equity or debt instruments that are publicly traded and by companies that are only now issuing equity or debt instruments on the public markets.

Amended IFRS accounting standard applicable in the current year

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, which are mandatory for reporting periods beginning on or after 1 January 2025. The amendments provide guidance for 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 stated in these financial statements.

New and amended IFRS accounting standards adopted by the EU but not yet effective

At the date of approval of these financial statements, the Company/Group does not apply the following amendments to IFRS accounting standards that have been issued by the IASB and adopted by the EU but are not yet effective:

- **IFRS 18 – Presentation and Disclosure in Financial Statements**, issued by the IASB on 9 April 2024, will replace IAS 1 – Presentation of Financial Statements. The standard introduces three sets of new requirements to improve companies' reporting on financial performance and provides investors with a better basis for analysing and comparing companies. The main changes in the new standard compared to IAS 1 include: (a) the introduction of categories (operating, investing, financing, income tax and discontinued operations) and the inclusion of subtotals in the income statement; (b) the introduction of requirements to improve aggregation and disaggregation; (c) the introduction of disclosures on management-defined performance measures in the notes to the financial statements.
- **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 environmental, social and governance (ESG) related characteristics. The amendments also clarify the date of derecognition of a financial asset or financial liability and introduce additional disclosure requirements regarding investments in equity instruments designated as measured at fair value through other comprehensive income, and disclosures regarding 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 are amended to include factors that an entity must consider when applying IFRS 9:2.4 to contracts for the purchase and offtake of renewable electricity, the production of which is nature-dependent. The hedge accounting requirements in IFRS 9 are amended to permit an entity that uses a nature-dependent renewable electricity contract with certain characteristics as a hedging instrument to designate a variable volume of forecast electricity transactions as the hedged item if certain criteria are met, and to measure the hedged item using the same volume assumptions as those used for the hedging instrument. The amendments to IFRS 7 and IFRS 19 introduce disclosure requirements for nature-dependent electricity contracts with certain characteristics.
- **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 for first-time adopters of IFRS (IFRS 1); (b) gain or loss on derecognition (IFRS 7); (c) disclosure of deferred difference between fair value and transaction price (IFRS 7);

(d) introductory disclosures and disclosures regarding credit risk (IFRS 7); (e) lessee's derecognition of lease liabilities (IFRS 9); (f) transaction price (IFRS 9); (g) determination of a "de facto agent" (IFRS 10); (h) cost method (IAS 7).

New and amended IFRS accounting standards issued but not adopted by the EU

Currently, the IFRS accounting standards as adopted by the EU do not differ materially from the IFRS accounting standards issued by the International Accounting Standards Board (IASB), with the exception of the following new accounting standards and amendments to existing accounting standards that were not 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 when applying the IFRS accounting standards in the financial statements. IFRS 19 is optional for subsidiaries meeting certain conditions 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. The objective of the standard is to enable companies that adopt IFRS for the first time and that currently recognise regulatory deferral accounts in accordance with previous national accounting standards to continue such recognition upon the 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**, issued by the IASB on 11 September 2014. The amendments concern the inconsistency between the requirements of IAS 28 and IFRS 10 and clarify that the extent of recognition of gain or loss in a transaction with an associate or a joint venture depends on whether the assets sold or contributed constitute a business.

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

The accounting for the exposure of a portfolio of financial assets and liabilities to risks, the principles of which have not been adopted by the EU, remains unregulated. The Company estimates that the accounting for the exposure of a portfolio of financial assets and liabilities to risks in accordance with **IAS 39 – Financial Instruments: Recognition and Measurement** would not have a material impact on the financial statements if performed at the balance sheet date.

4.5.4 Determination of fair value

For the recognition and disclosure of the fair value of both non-financial and financial assets and liabilities, the determination of fair value is required either for the measurement of individual assets or for additional disclosures of fair values. Fair value is the amount for which an asset can be sold or a liability exchanged between knowledgeable and willing parties in an arm's length transaction.

When determining the fair value of financial instruments, the following hierarchy of levels of fair value determination is taken into account:

- Level 1 comprises quoted prices in active markets for identical assets or liabilities,
- Level 2 comprises values other than quoted prices within the meaning of Level 1, but which can nevertheless be obtained directly (i.e. as prices) or indirectly (i.e. as derived from prices) on the basis of comparable market data,
- Level 3 comprises inputs for the asset or liability that are not based on observable market data.

Quoted prices are used as the basis for determining the fair value of financial instruments. If a financial instrument is not listed on an organised market or the market is assessed as inactive, Level 2 and Level 3 inputs are used to estimate the fair value of the financial instrument.

To determine the fair value of currency swaps, data is used that is provided to the Company by the bank with which it has concluded the individual swap. The values are verified within the Company.

To determine the fair value of derivative financial instruments relating to electricity, gas and emission allowances, known quoted prices are used as at the date of the statement of financial position.

To determine the fair value of commodity contracts without optional features, Level 1 and Level 2 market prices were used.

To determine the fair value of options, models with Level 3 inputs are used.

4.5.5 Financial risk management

The identification of risks and their management is addressed in the business section of the annual report, while in the notes to the financial statements the risks are presented in connection with the items in the financial statements, in the chapter Financial instruments and risk management, namely:

- credit risk,
- liquidity risk,
- currency risk,
- interest rate risk and
- price risk.

4.5.6 Disclosures to the separate financial statements

4.5.6.1 Statement of financial position

Intangible assets (1)

Intangible assets (in EUR)	31/12/2025	31/12/2024
Emission allowances	0	249,307,651
Other property rights	1,967,394	2,445,433
Intangible assets being acquired	566,950	284,455
Total	**2,534,344**	**252,037,539**

Software is disclosed under intangible assets.

Movement of intangible assets (in EUR)	Emission allowances	Other property rights	Intangible assets being acquired	Total
Purchase cost as at 1/1/2024	**349,362,821**	**9,344,069**	**0**	**358,706,890**
Acquisition	197,274,305	0	325,171	197,599,476
Disposals - write-offs, sales	-297,329,475	0		-297,329,475
Transfers from investments	0	40,716	-40,716	0
Purchase cost as at 31/12/2024	**249,307,651**	**9,384,785**	**284,455**	**258,976,891**
Written-off value as at 1/1/2024	**0**	**6,358,897**	**0**	**6,358,897**
Amortisation	0	580,455	0	580,455
Written-off value as at 31/12/2024	**0**	**6,939,352**	**0**	**6,939,352**
Book value as at 1/1/2024	**349,362,821**	**2,985,172**	**0**	**352,347,993**
Book value as at 31/12/2024	**249,307,651**	**2,445,433**	**284,455**	**252,037,539**
Purchase cost as at 1/1/2025	**249,307,651**	**9,384,785**	**284,455**	**258,976,891**
Acquisition	29,980,103	0	293,392	30,273,495
Disposals - write-offs, sales	-279,287,754	-20,456	0	-279,308,210
Transfers from investments	0	10,897	-10,897	0
Purchase cost as at 31/12/2025	**0**	**9,375,226**	**566,950**	**9,942,176**
Written-off value as at 1/1/2025	**0**	**6,939,352**	**0**	**6,939,352**
Amortisation	0	488,937	0	488,937
Write-offs	0	-20,456	0	-20,456
Written-off value as at 31/12/2025	**0**	**7,407,833**	**0**	**7,407,833**
Book value as at 1/1/2025	**249,307,651**	**2,445,434**	**284,455**	**252,037,539**
Book value as at 31/12/2025	**0**	**1,967,394**	**566,950**	**2,534,344**

At the end of 2025, the Company has no balance of emission allowances. With the elimination of the thermal division in 2024, the Company no longer operates with emission allowances for the purpose of covering the needs of its own electricity production in subsidiaries.

The more significant value of long-term property rights is represented by the SAP software, the EDMS document management system, the Endur software, the software for the Control Centre, the system for the introduction of comprehensive production optimisation and the IBM QRadar System software.

The increase in intangible assets in 2025 represents the acquisition of additional accesses for the digital identity of employees and upgrades of software for access control and working time records. In 2025, the useful lives of significant software were reviewed. For certain software, the useful life was changed so that the depreciation calculated before the change amounted to EUR 210,576, and after the adjustment EUR 152,544. The difference amounts to EUR 58,032.

As at 31 December 2025, the Company has commitments amounting to EUR 349,194 for the upgrade of the Control Centre, the upgrade of the Tagetika software and the web portal in the amount of EUR 9,462. The Company has no pledges, leases or other restrictions on ownership of intangible assets.

Property, plant and equipment (2)

Property, plant and equipment (in EUR)	31/12/2025	31/12/2024
Land	230,764	230,764
Buildings	1,150,447	1,191,456
Production equipment	2,241,359	2,286,353
Other equipment	1,609,708	1,421,588
Property, plant and equipment being acquired	18,902,440	16,731,948
Total	**24,134,718**	**21,862,109**

Among buildings, the Company discloses part of the business premises in Ljubljana. Among production equipment, the Prapretno solar power plant is disclosed. Among other plant and equipment, the Company mainly discloses computer equipment. Under property, plant and equipment under acquisition, the Company discloses primarily the investment in hydropower plants in the central Sava Valley in the amount of EUR 16,779,618, which relates to the preparation of pre-investment, investment and other documentation required for the procedures for siting hydropower plants in the area, the SE Prapretno 2 and 3 investment, which has so far amounted to EUR 531,363, the SE Družmirje investment, which has so far amounted to EUR 686,847, and technical security amounting to EUR 158,519.

In 2025, the investment in hydropower plants in the central Sava Valley increased by EUR 909,527. All documentation and expert bases prepared so far are prepared in such a way that they do not become obsolete and can be used as a basis for further activities. All of the above confirms that, despite the slowdown of the investment due to current circumstances, it is not jeopardised.

Circumstances that would indicate the occurrence of signs of impairment did not arise in 2025.

In 2025, the useful lives of significant equipment were reviewed. It was established that the useful lives are appropriate and therefore remain unchanged.

As at 31 December 2025, the Company has commitments amounting to EUR 4,792,625 for the acquisition of buildings and other equipment.

The Company verified the existence of signs of impairment in investments in business premises by comparing their market values at the end of 2025 with their book values. It found that the differences do not indicate the need for an impairment.

The Company has no pledges, leases or other restrictions on ownership of property, plant and equipment.

Movement of property, plant and equipment (in EUR)	Land	Buildings	Production equipment	Other equipment	Property, plant and equipment being acquired	Total
Purchase cost as at 1/1/2024	**230,764**	**1,929,134**	**2,606,875**	**4,441,926**	**15,400,401**	**24,609,100**
Acquisition	0	0	0	0	1,873,502	1,873,502
Disposals	0	0	0	-157,804	0	-157,804
Transfers from investments	0	0	12,544	529,411	-541,955	0
Write-offs	0	0	-988	-101,796	0	-102,784
Purchase cost as at 31/12/2024	**230,764**	**1,929,134**	**2,618,431**	**4,711,737**	**16,731,948**	**26,222,014**
Written-off value as at 1/1/2024	**0**	**696,671**	**228,132**	**3,127,768**	**0**	**4,052,571**
Disposals	0	0	0	-145,652	0	-145,652
Amortisation	0	41,008	104,493	409,804	0	555,305
Write-offs	0	0	-547	-101,771	0	-102,318
Written-off value as at 31/12/2024	**0**	**737,679**	**332,078**	**3,290,149**	**0**	**4,359,906**
Book value as at 1/1/2024	**230,764**	**1,232,463**	**2,378,743**	**1,314,158**	**15,400,401**	**20,556,529**
Book value as at 31/12/2024	**230,764**	**1,191,455**	**2,286,353**	**1,421,588**	**16,731,948**	**21,862,108**
Purchase cost as at 1/1/2025	**230,764**	**1,929,134**	**2,618,431**	**4,711,737**	**16,731,948**	**26,222,014**
Acquisition	0	0	0	0	2,879,474	2,879,474
Disposals	0	0	0	-108,830	0	-108,830
Transfers from investments	0	0	64,141	644,564	-708,981	0
Write-offs	0	0	0	-9,486	0	-9,486
Purchase cost as at 31/12/2025	**230,764**	**1,929,134**	**2,682,845**	**5,237,988**	**18,902,441**	**28,983,172**
Written-off value as at 1/1/2025	**0**	**737,679**	**332,078**	**3,290,149**	**0**	**4,359,906**
Disposals	0	0	0	-106,761	0	-106,761
Amortisation	0	41,008	109,407	454,381	0	604,796
Write-offs	0	0	0	-9,486	0	-9,486
Written-off value as at 31/12/2025	**0**	**778,687**	**441,485**	**3,628,283**	**0**	**4,848,455**
Book value as at 1/1/2025	**230,764**	**1,191,455**	**2,286,353**	**1,421,588**	**16,731,948**	**21,862,108**
Book value as at 31/12/2025	**230,764**	**1,150,447**	**2,241,360**	**1,609,705**	**18,902,441**	**24,134,717**

Right of use assets (3)

The Company leases business premises at locations in Ljubljana, Šoštanj, Trbovlje, Nova Gorica and Maribor, which are monitored under non-current assets in accordance with IFRS 16 on the basis of lease contracts with a duration of more than one year.

Right of use assets (in EUR)	31/12/2025	31/12/2024
Right of use assets	2,945,586	3,740,807
Total	**2,945,586**	**3,740,807**

Movement of right of use assets (in EUR)	Buildings	Other equipment	Total
Purchase cost as at 1/1/2024	**4,854,240**	**531,350**	**5,385,590**
Acquisition	1,595,124	210,332	1,805,456
Purchase cost as at 31/12/2024	**6,449,364**	**741,682**	**7,191,046**
Written-off value as at 1/1/2024	**2,334,221**	**189,230**	**2,523,451**
Exclusions (extension)	15,782	0	15,782
Amortisation	740,024	170,982	911,006
Written-off value as at 31/12/2024	**3,090,027**	**360,212**	**3,450,239**
Book value as at 1/1/2024	**2,520,019**	**342,120**	**2,862,139**
Book value as at 31/12/2024	**3,359,337**	**381,470**	**3,740,807**

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Movement of right of use assets (in EUR)	Buildings	Other equipment	Total
Purchase cost as at 1/1/2025	**6,449,364**	**741,682**	**7,191,046**
Acquisition	56,486	205,866	262,352
Acquisition (extension)	5,046	0	5,046
Exclusions	-51,427	0	-51,427
Exclusions (extension)	-73,440	0	-73,440
Purchase cost as at 31/12/2025	**6,386,030**	**947,548**	**7,333,578**
Written-off value as at 1/1/2025	**3,090,027**	**360,212**	**3,450,239**
Exclusions	-31,286	0	-31,286
Amortisation	760,710	208,329	969,039
Written-off value as at 31/12/2025	**3,819,451**	**568,541**	**4,387,992**
Book value as at 1/1/2025	**3,359,337**	**381,470**	**3,740,807**
Book value as at 31/12/2025	**2,566,579**	**379,007**	**2,945,586**

Investments in subsidiaries (4)

Investments in subsidiaries (in EUR)	31/12/2025	31/12/2024
DEM	387,058,980	387,058,980
SENG	152,692,250	152,692,250
HSE EDT	2,153,668	2,153,668
HSE Invest	160,000	160,000
ECE	23,730,815	23,730,815
Energija plus	20,400,000	20,400,000
SRESA	60,000	60,000
HSE SaŠa	507,500	507,500
HSE Balkan Energy	856,000	856,000
HSE MAK Energy	26,778	26,778
HSE BH	513,990	513,990
Total	**588,159,981**	**588,159,981**

The majority of the Company's assets is represented by non-current financial investments in subsidiaries. These include investments in companies in which HSE has, directly or indirectly through other owners, a majority share, and for which group it prepares group financial statements.

Information on subsidiaries

Company	Address	Country	Activity	% of ownership	% of voting rights
DEM	Obrežna ulica 170, 2000 Maribor	Slovenia	Electricity production at hydro power plants	100.0%	100.0%
SENG	Erjavčeva 20, 5000 Nova Gorica	Slovenia	Electricity production at hydro power plants	100.0%	100.0%
HSE EDT	Ob železnici 27, 1420 Trbovlje	Slovenia	Electricity production at thermal power plants	100.0%	100.0%
HSE Invest	Obrežna ulica 170a, 2000 Maribor	Slovenia	Other technical engineering and consulting	42.1%	42.1%
ECE	Vrunčeva 2a, 3000 Celje	Slovenia	Electricity trading	100.0%	100.0%
Energija plus	Ulica Vita Kraigherja 5, 2000 Maribor	Slovenia	Electricity trading	100.0%	100.0%
SRESA	Ob železnici 27, 1420 Trbovlje	Slovenia	Electricity production at hydro power plants	60.0%	60.0%
HSE SaŠa	Cesta Lole Ribarja 18, 3325 Šoštanj	Slovenia	Renewable Energy Development Company	100.0%	100.0%
HSE Balkan Energy	Bulevar Mihaila Pupina 117, Beograd	Serbia	Electricity trading	100.0%	100.0%
HSE MAK Energy	Belasica no. 2, Skopje	North Macedonia	Electricity trading	100.0%	100.0%
HSE BH	Ul. Alije Isakovića br.1, Sarajevo	Bosnia and Herzegovina	Electricity trading	100.0%	100.0%

Significant amounts from statements of subsidiaries (in EUR)	Assets	Liabilities (excluding capital)	Revenue	Net profit/loss for the year	Amount of total capital
DEM	520,643,191	19,760,401	83,448,624	9,993,323	500,882,790
SENG	253,888,910	13,902,663	62,369,394	3,270,102	239,986,247
RGP	19,680,291	12,477,580	26,423,495	1,479,946	7,202,711
HSE EDT	3,261,696	1,004,260	898,478	76,546	2,257,436
HSE Invest	4,722,666	3,299,120	11,062,948	125,571	1,423,546
SRESA	33,938	0	0	-264	33,938
mHE Lobnica	595,478	7,155	14,936	-21,982	588,323
ECE	80,510,718	41,902,143	273,303,841	4,749,545	38,608,575
Energija plus	65,238,396	42,399,529	233,843,425	2,046,189	22,838,867
HSE SaŠa	504,867	0	0	-2,572	504,867
HSE MAK Energy	7,870,858	5,563,985	36,403,332	223,976	2,306,873
HSE BH	16,308,915	12,565,726	110,986,139	775,476	3,743,189
HSE Balkan Energy	831,530	14,427	187,320	23,825	817,103

The information presented in the table Significant amounts from statements of subsidiaries relates to 2025 or as at 31 December 2025.

Movement of non-current financial investments in subsidiaries (in EUR)	2025	2024
Purchase cost as at 1/1/	**703,696,273**	**1,973,617,636**
Purchase of share in the company ECE	0	9,897,000
Purchase of share in the company Energija plus	0	9,000,000
Establishment of the company HSE SaŠa	0	507,500
Sale of share in TEŠ	0	-1,048,185,777
Sale of share in PV	0	-241,140,086
Purchase cost as at 31/12/	**703,696,274**	**703,696,273**
Written-off value as at 1/1/	**-115,536,294**	**-1,183,120,904**
Sale of share in TEŠ	0	852,894,461
Sale of share in PV	0	214,690,149
Written-off value as at 31/12/	**-115,536,294**	**-115,536,294**
Book value as at 1/1/	**588,159,980**	**790,496,732**
Book value as at 31/12/	**588,159,980**	**588,159,981**

The potential reasons for the impairment of non-current financial investments were reviewed based on the operating result of subsidiaries and a comparison of the differences between the book value of HSE's non-current financial investment and the proportionate share of the book value of the total equity of the subsidiaries.

Other non-current financial investments and loans (5)

Other non-current financial investments and loans (in EUR)	31/12/2025	31/12/2024
Financial investments in associates	40,513,942	40,513,942
Investments in jointly-controlled companies	255,000	255,000
Financial assets available for sale	111,000	111,000
Other financial investments	500	500
Total	**40,880,442**	**40,880,442**

Among other non-current financial investments, the largest share is represented by the non-current financial investment in an associate.

Movement of other non-current financial investments and loans (in EUR)	Financial investments in associates	Investments in jointly-controlled companies	Assets available for sale	Other financial investments	Financial loans to Group companies	Total
Balance as at 1/1/2024	**40,513,942**	**255,000**	**111,000**	**500**	**190,000**	**41,070,442**
Transfers to current receivables	0	0	0	0	-190,000	-190,000
Balance as at 31/12/2024	**40,513,942**	**255,000**	**111,000**	**500**	**0**	**40,880,442**
Balance as at 1/1/2025	**40,513,942**	**255,000**	**111,000**	**500**	**0**	**40,880,442**
Balance as at 31/12/2025	**40,513,942**	**255,000**	**111,000**	**500**	**0**	**40,880,442**

a) Non-current financial investments in associates

In 2025, there were no changes in investments in associates and jointly-controlled companies. HSE did not identify any signs of impairment in its investment in the associate.

Significant amounts from statements of associates for 2025 or as at 31 December 2025 (in EUR)	Assets	Liabilities (excluding capital)	Revenue	Net profit/loss for the year	Amount of total capital
HESS	327,616,565	26,501,973	27,331,469	3,600,359	301,114,592

Company	Address	Activity	% of ownership
HESS	Cesta bratov Cerjakov 33a, 8250 Brežice	Production of electricity from renewable energy sources	15.4%

b) Non-current financial investments in jointly-controlled companies

Among investments in jointly-controlled companies, HSE discloses a 25% share in the company Soenergetika in the amount of EUR 255,000. HSE performed an impairment test for the investment in the jointly-controlled company, but no signs of impairment were detected.

Significant amounts from statements of associates for 2025 or as at 31 December 2025 (in EUR)	Assets	Liabilities (excluding capital)	Revenue	Net profit/loss for the year	Amount of total capital
SOENERGETIKA	1,903,906	568,356	236,002	205,228	1,335,550

Company	Address	Activity	% of ownership	% of voting rights
SOENERGETIKA	Stara cesta 3, 4000 Kranj	Combined heat and power generation	25%	25%

c) Other non-current financial investments

Among other non-current financial investments, the investment in the company Stelkom (12.13% share) in the amount of EUR 111,000 and the contribution to the CO NOT Institute in the amount of EUR 500 are disclosed. There were no changes in these investments in 2025.

d) Non-current financial loans to Group companies

Movement of non-current financial receivables and loans to Group companies (in EUR)	2025	2024
Balance as at 1/1/	**0**	**190,000**
Transfers to current receivables	0	-190,000
Balance as at 31/12/	**0**	**0**

At the end of 2025, the Company does not disclose non-current financial loans to companies in the HSE Group.

Non-current operating receivables (6)

Non-current operating receivables (in EUR)	31/12/2025	31/12/2024
Operating receivables from others	10,884,694	12,181,091
Total	**10,884,694**	**12,181,091**

Under non-current operating receivables from others, the Company discloses financial collateral given for the purpose of electricity trading.

Deferred tax receivables (7)

Deferred tax receivables (in EUR)	31/12/2025	31/12/2024
Provisions	78,197	71,709
Impairment of investments	18,597	39,487,735
Write-offs receivables	2,552,022	2,530,678
Other	0	6
Uncovered tax loss	44,636,060	0
Total	**47,284,876**	**42,090,128**

Deferred tax receivables are recalculated at a 19% or 22% tax rate for deferred receivables whose utilisation is expected within 3–5 years. They are formed from expenses that affect the operating result of an individual year but are not fully or partially tax-deductible in that year (provisions for anniversary bonuses and severance pay upon retirement, accounting depreciation above tax-recognised depreciation, impairments of investments and receivables).

Movement of deferred tax receivables (in EUR)	Provisions	Impairments	Uncovered tax loss	Other	Total
Balance as at 1/1/2024	**109,092**	**239,867**	**0**	**39,566**	**388,525**
Added to/deducted from profit or loss statement	-37,384	41,759,948	0	-20,962	41,701,602
Balance as at 31/12/2024	**71,708**	**41,999,815**	**0**	**18,604**	**42,090,127**
Balance as at 1/1/2025	**71,708**	**41,999,815**	**0**	**18,604**	**42,090,127**
Added to/deducted from profit or loss statement	6,488	5,206,864	0	-18,604	5,194,748
Transfers - restatements	0	-44,636,060	44,636,060	0	0
Balance as at 31/12/2025	**78,196**	**47,206,679**	**44,636,060**	**0**	**47,284,876**

The majority of the changes in deferred tax receivables in 2025 represent receivables from tax losses and the estimate that HSE will be able to utilise them within the next three years following the date of the statement of financial position.

Inventories (in EUR)	31/12/2025	31/12/2024
Material	5,746	3,916
Emission allowances	21,756,535	0
Total	**21,762,281**	**3,916**

Inventories represent emission allowances intended for trading in the following year, small tools and protective equipment.

Current financial investments and loans (9)

Current financial investments and loans (in EUR)	31/12/2025	31/12/2024
Financial receivables from Group companies	0	0
Financial loans to Group companies without interest	0	190,000
Financial receivables from and loans given to Group companies for interest	0	898
Total	**0**	**190,898**

In 2025, the Company does not disclose current financial receivables that would fall due for payment in 2026.

Movement of current financial receivables and loans (in EUR)	2025	2024
Balance as at 1/1/	**190,898**	**400,101**
Acquisition	3,832	18,149
Transfers from non-current receivables	0	190,000
Repayments	-194,730	-417,352
Balance as at 31/12/	**0**	**190,898**

As at 31 December 2025, there were no reasons for the impairment of current financial receivables and loans.

Current operating receivables (10)

Current operating receivables (in EUR)	31/12/2025	31/12/2024
Operating receivables from companies in the Group	80,001,218	110,781,848
Operating receivables from associates	3,906	4,428
Operating receivables from buyers	187,133,993	250,507,736
Total	**267,139,117**	**361,294,012**

Current operating receivables in the amount of EUR 187,133,993 are mainly composed of receivables from the sale of electricity in Slovenia and abroad. The amount is lower compared to 2024 due to lower quantitative sales of electricity. Disclosures regarding the maturity and securing of current operating receivables are presented in the Credit risk chapter.

Current operating receivables from companies in the Group (in EUR)	Country	31/12/2025	31/12/2024
DEM	Slovenia	267,013	240,944
SENG	Slovenia	8,047,946	9,499,467
HSE EDT	Slovenia	45,215	67,328
RGP	Slovenia	72,579	62,504
HSE Invest	Slovenia	43,085	46,895
ECE	Slovenia	29,100,939	42,014,846
Energija plus	Slovenia	27,523,262	33,310,996
HSE Balkan Energy	Serbia	3,308	3,308
HSE MAK Energy	North Macedonia	4,429,981	9,537,726
HSE BH	Bosnia and Herzegovina	10,467,890	15,997,833
Total		**80,001,218**	**110,781,847**

Current operating receivables from companies in the Group represent receivables for electricity sold and receivables for services (trading, financial function, IT function, etc.).

The amount of receivables is lower compared to 2024 due to the reduced volume of sales as well as the average selling price of electricity of the subsidiaries ECE, Energija plus and HSE BH.

Contract assets (11)

Contract assets (in EUR)	31/12/2025	31/12/2024
Contract assets to companies in the Group	1,008,837	1,026,959
Contract assets	207,245	562,873
Total	**1,216,082**	**1,589,832**

Contract assets represent accrued revenue that is recognised in profit or loss even though it has not yet been invoiced.

Tax receivables (12)

Current tax receivables (in EUR)	31/12/2025	31/12/2024
Current tax receivables	0	43,960,997
Total	**0**	**43,960,997**

In 2025, the Company did not pay advance corporate income tax on the basis of the 2024 tax return.

Other current assets (13)

Other current assets (in EUR)	31/12/2025	31/12/2024
Advances given	626,846	2,007,559
Trade receivables from state and other institutions	30,466,522	38,107,478
Trade receivables due from others	24,421,884	42,559,117
Deferred costs and expenses from others	1,468,884	6,813,368
Total	**56,984,136**	**89,487,522**

The majority of other current assets is represented by current operating receivables from state and other institutions, which mainly relate to receivables for input value added tax, receivables disclosed from the fair value measurement of commodity contracts in the amount of EUR 8,585,299 (in 2024, HSE disclosed liabilities from this title) and receivables from funds reserved for trading on exchanges in the amount of EUR 10,890,097. The decrease in the value of operating receivables from others compared to 2024 is mainly due to the decrease in the value of funds reserved for trading on exchanges.

Current deferred costs and expenses mainly comprise deferred membership contributions and access fees to portals, as well as the costs of electricity transmission capacities for the first two months of 2026.

Cash and cash equivalents (14)

Cash and cash equivalents (in EUR)	31/12/2025	31/12/2024
Cash in banks	26,999,429	70,448,521
Call deposits	110,659	745,482
Deposits with up to 3 month maturity	172,195,832	173,802,664
Total	**199,305,920**	**244,996,667**

For the performance of its activity, the Company has open bank accounts at home and abroad and, as at 31 December 2025, had no approved limits on its transaction accounts.

Equity (15)

Equity (in EUR)	31/12/2025	31/12/2024
Called-up capital	29,558,789	29,558,789
Capital reserves	561,243,185	561,243,185
Other profit reserves	111,882,766	111,882,766
Risk hedging reserve	1,427,250	-6,014,837
Fair value reserves	-155,877	-269,538
Retained profit/loss	282,415,152	210,490,452
Total	**986,371,265**	**906,890,817**

Capital reserves (in EUR)	31/12/2025	31/12/2024
Paid-in capital surplus	561,243,072	561,243,072
Amount on the basis of elimination of general revaluation capital adjustment	113	113
Total	**561,243,185**	**561,243,185**

Profit reserves (in EUR)	31/12/2025	31/12/2024
Other profit reserves	111,882,766	111,882,766
Total	**111,882,766**	**111,882,766**

Risk hedging reserve movement (in EUR)	Standardised futures contracts for electricity	Future contracts for emission allowances	Standardized futures contracts for gas	Currency swaps	Total
Balance as at 1/1/2024	**16,420,903**	**-21,205,540**	**-716,542**	**-74,342**	**-5,575,521**
Net effect of increase/decrease	-36,590,382	39,618,950	2,369,222	74,320	5,472,110
Transfer to expenses	13,166,975	-18,413,410	-664,991	0	-5,911,426
Balance as at 31/12/2024	**-7,002,504**	**0**	**987,689**	**-22**	**-6,014,837**
Balance as at 1/1/2025	**-7,002,504**	**0**	**987,689**	**-22**	**-6,014,837**
Net effect of increase/decrease	-12,603,475	0	-2,053,060	0	-14,656,535
Transfer to expenses	22,158,392	0	-59,792	22	22,098,622
Balance as at 31/12/2025	**2,552,413**	**0**	**-1,125,163**	**0**	**1,427,250**

As at 31 December 2025, the Company discloses under risk hedging reserves, in the total amount of EUR 1,427,250, the effects and results of forward contracts for electricity and gas.

Movement of fair value reserve (in EUR)	Actuarial gains/losses on severance pays upon retirement	Total
Balance as at 1/1/2024	**-384,440**	**-384,440**
Formation, increase	114,902	114,902
Balance as at 31/12/2024	**-269,538**	**-269,538**
Balance as at 1/1/2025	**-269,538**	**-269,538**
Formation, increase	113,661	113,661
Balance as at 31/12/2025	**-155,877**	**-155,877**

At the end of 2025, the Company discloses, in the fair value reserve in the total amount of EUR 155,877, the actuarial loss arising from the calculated liability to employees for severance pay upon retirement. The actuarial loss in 2025 decreased by EUR 113,661 compared to 2024.

Retained profit/loss (in EUR)	2025	2024
Retained profit/loss	282,415,152	210,490,452
Total	**282,415,152**	**210,490,452**

Balance sheet profit or loss (in EUR)	2025	2024
Net profit/loss for the year	236,924,700	210,490,452
Retained profit/loss	45,490,452	104,137,942
Transfer of retained earnings to profit reserves	0	4,137,942
Reduction (release) of profit reserves	0	0
Dividend payment from retained earnings	0	100,000,000
Balance sheet profit or loss	**282,415,152**	**210,490,452**

At the end of the year, the Company discloses an accumulated profit in the amount of EUR 282,415,152, comprising the net profit/loss for 2025 and the retained profit from 2024.

The Company's total equity increased by EUR 79,150,883 in 2025, namely due to:

- an increase in the net profit for the financial year in the amount of EUR 236,595,135,
- a decrease for the payment of dividends in the amount of EUR –165,000,000,
- a decrease in the negative change in the risk hedging reserve in the amount of EUR 7,442,086 and
- a decrease in the negative change in the fair value reserve in the amount of EUR 113,661.

Provisions for severance pay upon retirement and anniversary bonuses (16)

Provisions for severance pays upon retirement and anniversary bonuses (in EUR)	31/12/2025	31/12/2024
Provisions for severance pays upon retirement	1,968,697	1,908,318
Provisions for anniversary bonuses	204,623	195,818
Total	**2,173,320**	**2,104,136**

Provisions are formed in the amount of estimated future payments for severance pay and anniversary bonuses, discounted as at the end of the reporting period. The calculation is made for each employee, taking into account the cost of severance pay upon retirement and the cost of all expected anniversary bonuses until retirement.

At the end of the year, the Company discloses provisions for severance pay upon retirement and anniversary bonuses, which are formed on the basis of the actuarial calculation as at 31 December 2025.

The calculation of provisions for severance pay upon retirement and anniversary bonuses for employees is based on an actuarial calculation, which used the following actuarial assumptions:

Demographic assumptions

- mortality tables,
- employee turnover and
- retirement.

Financial assumptions

- The rate of increase in average salaries in the Republic of Slovenia (monthly and annual) is based on the Review of Macroeconomic Developments with Forecasts, December 2025, and for 2029 on the Autumn Forecast of Economic Trends, IMAD, September 2025. From 2030 onwards, it is anticipated that average salaries in the Republic of Slovenia will increase annually in line with inflation (IMF, October 2025) and by a real growth rate of 1.4%.
- The rate of salary increase in the Company represents the growth of basic gross salaries and the variable part of salaries by the level of annual inflation, increased by real growth of 0.4%, but not more than the anticipated average salary growth in the Republic of Slovenia.

- The discount rate used for the calculation as at 31 December 2025 is set at 4.0% and reflects the yield on high-quality corporate bonds as at 31 December 2025, denominated in EUR, taking into account the weighted average duration of the Company's obligations from the balance sheet date to payment for each type of benefit (13.8 years).

Movement of provisions for severance pays and anniversary bonuses (in EUR)	Provisions for severance pays	Provisions for anniversary bonuses	Total
Balance as at 1/1/2024	**1,926,751**	**168,477**	**2,095,228**
Costs of interest	54,019	4,753	58,772
Current service cost	208,965	27,586	236,551
Past service cost	-35,294	-1,307	-36,601
Actuarial profits and losses – amended act. item	9,398	16,478	25,876
Actuarial profits – elimination	-146,457	-8,873	-155,330
Actuarial losses – formation and use	22,156	196	22,352
Payments in the year	-131,219	-11,493	-142,712
Balance as at 31/12/2024	**1,908,319**	**195,817**	**2,104,136**
Balance as at 1/1/2025	**1,908,319**	**195,817**	**2,104,136**
Costs of interest	61,542	5,629	67,170
Current service cost	210,269	26,772	237,040
Past service cost	-81,456	10,382	-71,074
Actuarial profits and losses – amended act. item	-85,394	-15,290	-100,685
Actuarial profits – elimination	-34,055	-5,521	-39,575
Actuarial losses – formation and use	5,789	0	5,789
Payments in the year	-16,314	-13,167	-29,481
Balance as at 31/12/2025	**1,968,698**	**204,622**	**2,173,320**

Changes in actuarial gains and losses amounting to EUR 113,661 from retirement severance pay are recognised in movements of fair value reserves.

Sensitivity analysis for provisions for severance pays and anniversary bonuses (in EUR)	Discount rate		Salary growth	
	Decrease by 0.5%	Increase by 0.5%	Decrease by 0.5%	Increase by 0.5%
Provisions for severance pays upon retirement	114,777	-105,368	-106,785	116,082
Provisions for anniversary bonuses	8,241	-7,696	-8,118	8,612
Total in 2025	**123,018**	**-113,064**	**-114,903**	**124,694**
Provisions for severance pays upon retirement	116,072	-106,572	-107,715	116,771
Provisions for anniversary bonuses	7,744	-7,247	-7,595	8,039
Total in 2024	**123,816**	**-113,819**	**-115,310**	**124,810**

Other provisions (17)

Other provisions (in EUR)	31/12/2025	31/12/2024
For legal actions	104,547	44,205
Total	**104,547**	**44,205**

Among other provisions, the Company recognises provisions for lawsuits formed in 2025.

Movement of other provisions (in EUR)	For legal actions	Total
Balance as at 1/1/2024	**49,418**	**49,418**
Formation-increase	44,205	44,205
Decrease, elimination	-49,418	-49,418
Balance as at 31/12/2024	**44,205**	**44,205**
Balance as at 1/1/2025	**44,205**	**44,205**
Formation-increase	60,342	60,342
Balance as at 31/12/2025	**104,547**	**104,547**

Other non-current liabilities (18)

Other non-current liabilities (in EUR)	31/12/2025	31/12/2024
Other liabilities	1,450,872	1,786,979
Total	**1,450,872**	**1,786,979**

Among other non-current liabilities, the Company recognises funds received from co-financing in European projects. The majority of other non-current liabilities relates to funds received for the North Adriatic Hydrogen Valley project (NAHV).

Movement of other non-current liabilities (in EUR)	Other	Total
Balance as at 1/1/2024	**2,292,367**	**2,292,367**
Formation, increase	186,058	186,058
Drawing	-691,446	-691,446
Balance as at 31/12/2024	**1,786,979**	**1,786,979**
Balance as at 1/1/2025	**1,786,979**	**1,786,979**
Formation, increase	32,955	32,955
Transfer to NAHV project participants	-245,258	-245,258
Drawing	-123,804	-123,804
Balance as at 31/12/2025	**1,450,872**	**1,450,872**

Non-current financial liabilities (19)

Non-current financial liabilities (in EUR)	31/12/2025	31/12/2024
Financial liabilities to banks	0	148,069,930
Total	**0**	**148,069,930**

As at 31 December 2025, the Company does not recognise any non-current liabilities to banks.

The Company has approved revolving loans amounting to EUR 80,000,000, which were not drawn as at 31 December 2025. Early repayment of loans is taken into account in the repayments.

Movement of non-current financial liabilities (in EUR)	Non-current financial liabilities to banks	Total
Balance as at 1/1/2024	**231,016,317**	**231,016,317**
Transfers to current liabilities	-42,946,387	-42,946,387
Repayments	-40,000,000	-40,000,000
Balance as at 31/12/2024	**148,069,930**	**148,069,930**
Balance as at 1/1/2025	**148,069,930**	**148,069,930**
Repayments	-148,069,930	-148,069,930
Balance as at 31/12/2025	**0**	**0**

Non-current liabilities from finance leases (20)

Non-current financial liabilities (in EUR)	31/12/2025	31/12/2024
Financial liabilities from leases to companies in the Group	1,060,585	1,395,046
Financial liabilities from leases to others	1,076,240	1,525,477
Total	**2,136,825**	**2,920,523**

Among lease liabilities, the Company recognises liabilities based on concluded contracts for leased assets, the value of which was calculated in accordance with IFRS 16.

The Company has concluded lease contracts for office premises and cars. The lease term is assessed depending on the type of lease.

The majority of the increase in the right of use assets of leased assets in 2025 is represented by the consideration of the newly determined 5-year period and the acquisition of new cars under lease.

In 2025, the Company also reviewed and analysed all lease contracts in accordance with IFRS 16, while applying exemptions for low-value asset leases amounting to EUR 63,577, as permitted by the Standard.

Movement of non-current financial liabilities from leases (in EUR)	Financial liabilities from leases
Balance as at 1/1/2024	**2,152,453**
Acquisition	1,433,178
Transfers to current liabilities	-675,604
Exclusion/divestment	10,496
Balance as at 31/12/2024	**2,920,523**
Balance as at 1/1/2025	**2,920,523**
Acquisition	200,816
Transfers to current liabilities	-964,386
Exclusion/divestment	-20,128
Balance as at 31/12/2025	**2,136,825**

Current financial liabilities (21)

Current financial liabilities (in EUR)	31/12/2025	31/12/2024
Financial liabilities to banks without interest	0	42,946,387
Derivatives	0	28
Other financial liabilities	25,469	66,613
Total	**25,469**	**43,013,028**

Other financial liabilities mainly comprise the costs of managing guarantees.

Movement of current financial liabilities (in EUR)	Financial liabilities to companies in the Group without interest	Financial liabilities to companies in the Group for interest	Financial liabilities to banks, of which liabilities without interest	Financial liabilities to banks, of which interest payable	Derivatives	Other financial liabilities	Total
Balance as at 1/1/2024	**48,000,000**	**91,521**	**46,764,569**	**125,881**	**95,310**	**30,955**	**95,108,236**
Increase	79,000,000	463,532	0	11,699,734	0	1,262,076	92,425,342
Transfers from non-current liabilities	0	0	42,946,387	0	0	0	42,946,387
Current repayments	-127,000,000	-555,053	0	-11,825,615	0	-1,226,418	-140,607,086
Non-current repayments	0	0	-46,764,569	0	0	0	-46,764,569
Other	0	0	0	0	-95,282	0	-95,282
Balance as at 31/12/2024	**0**	**0**	**42,946,387**	**0**	**28**	**66,613**	**43,013,028**
Balance as at 1/1/2025	**0**	**0**	**42,946,387**	**0**	**28**	**66,613**	**43,013,028**
Increase	0	0	0	4,303,058	0	1,435,926	5,738,984
Current repayments	0	0	0	-4,303,058	0	-1,477,070	-48,726,515
Non-current repayments	0	0	-42,946,387	0	0	0	0
Other	0	0	0	0	-28	0	-28
Balance as at 31/12/2025	**0**	**0**	**0**	**0**	**0**	**25,469**	**25,469**

Current financial liabilities from leases (22)

Current financial liabilities from leases (in EUR)	31/12/2025	31/12/2024
Financial liabilities from leases to companies in the Group	362,674	338,369
Financial liabilities from leases to others	562,150	547,297
Total	**924,824**	**885,666**

Movement of current financial liabilities from leases (in EUR)	Financial liabilities from leases to companies in the Group	Financial liabilities from leases from others	Total
Balance as at 1/1/2024	**406,411**	**316,347**	**722,758**
Increase	230,023	0	230,023
Disposal of TEŠ	-58,313	58,313	0
Transfers from non-current liabilities	172,120	503,484	675,604
Non-current repayments	-409,006	-330,846	-739,852
Exclusion, divestment	-2,867	0	-2,867
Balance as at 31/12/2024	**338,368**	**547,298**	**885,666**
Balance as at 1/1/2025	**338,368**	**547,298**	**885,666**
Increase	995	38,973	39,968
Transfers from non-current liabilities	362,674	601,712	964,386
Non-current repayments	-339,364	-625,832	-965,196
Balance as at 31/12/2025	**362,674**	**562,150**	**924,824**

Current operating liabilities (23)

Current operating liabilities (in EUR)	31/12/2025	31/12/2024
Operating liabilities to companies in the Group	36,728,004	50,546,013
Operating liabilities to associates	1,147,445	1,145,733
Operating liabilities to suppliers	170,670,507	208,911,567
Total	**208,545,956**	**260,603,313**

Among current operating liabilities, the Company mainly recognises liabilities for purchased electricity.

Current operating liabilities to companies in the Group (in EUR)	Country	31/12/2025	31/12/2024
DEM	Slovenia	11,090,429	9,954,668
mHE Lobnica	Slovenia	1,735	2,495
SENG	Slovenia	11,770,757	14,573,729
HSE EDT	Slovenia	342,067	145,598
ECE	Slovenia	4,830,740	10,554,592
Energija plus	Slovenia	3,790,788	9,147,180
HSE Invest	Slovenia	307,369	367,880
HSE Balkan Energy	Serbia	31,645	15,444
HSE MAK Energy	North Macedonia	1,021,761	1,985,381
HSE BH	Bosnia and Herzegovina	3,540,713	3,799,046
Total		**36,728,004**	**50,546,013**

Contract liabilities (24)

Contract liabilities (in EUR)	31/12/2025	31/12/2024
Deferred revenue to companies in the Group	0	31,585,393
Total	**0**	**31,585,393**

As at 31 December 2025, the Company does not recognise current deferred revenue, since at the end of 2025 the primary compensation effect measure was no longer in force, which had resulted from the regulation of prices on the energy market between contracting parties in 2024 and at the beginning of 2025.

Tax liabilities (25)

Current tax liabilities (in EUR)	31/12/2025	31/12/2024
Current tax liabilities	28,367,683	0
Total	**28,367,683**	**0**

Tax liabilities represent the liability arising from corporate income tax levied for the financial year that had not yet been settled by the date of the statement of financial position. The increase in liabilities as at 31 December 2025 results from the tax calculation for 2025.

Other current liabilities (26)

Other current liabilities (in EUR)	31/12/2025	31/12/2024
Current operating liabilities based on advance payables	7,191,283	8,843,820
Current operating liabilities to employees	2,229,522	1,354,172
Current operating liabilities to state and other institutions	20,530,366	24,761,268
Current operating liabilities to others	87,581	13,925,865
Current accrued costs or expenses to companies in the Group	33,813	351,284
Current accrued costs or expenses to others	3,058,850	255,335,541
Total	**33,131,415**	**304,571,950**

Other current liabilities mainly comprise liabilities to state and other institutions, and security deposits received in connection with electricity.

Current liabilities to state and other institutions represent the liability for value-added tax, excise duty, and December liabilities for salary contributions and contributions on other employment-related income payable by the employer.

Accrued costs are costs relating to 2025 and included in the income statement, for which the Company had not yet received an invoice or settlement in 2025. The majority comprises purchases of electricity for 2025, which are lower compared to 2024 due to the exclusion of the thermal division from the HSE Group.

Contingent liabilities

Contingent liabilities (in EUR)	31/12/2025	31/12/2024
Bank guarantees for subsidiaries in Slovenia	146,129	155,950
Bank and parent guarantees for subsidiaries abroad	4,222,209	4,184,222
Total	**4,368,338**	**4,340,172**

Among contingent liabilities, the Company recognises the values of bank and parent guarantees given to subsidiaries.

4.5.6.2 Income statement

Revenue from contracts with customers (27)

Revenue from contracts with customers (in EUR)	2025	2024
On the domestic market	**1,134,579,171**	**1,328,502,865**
Electricity	984,552,402	1,294,853,614
Natural gas	50,512,722	28,351,115
Emission allowances	93,634,717	301,557
Other goods and material	0	586
Other services	5,879,330	4,995,994
On foreign market	**2,039,539,294**	**2,291,809,941**
Electricity	1,991,905,831	2,196,149,184
Natural gas	13,708,062	13,683,684
Emission allowances	0	33,921,100
Other services	33,925,401	48,055,973
Total	**3,174,118,465**	**3,620,312,806**

The Company mainly generates revenue from contracts with customers through the sale of electricity. The amount of revenue from this source accounts for 93.77% of all net sales revenue. Revenue from contracts with customers is lower compared to 2024 due to lower electricity prices and lower volumes of electricity sold.

The Company generated revenue from services rendered through services related to the sale of electricity (transmission capacities, the fee for the allocation of transmission capacities, and guarantees of origin) and through services rendered to subsidiaries.

Other operating income (28)

Other operating revenue (in EUR)	2025	2024
Revenue from withdrawal of provisions	0	37,125
Drawing deferred revenue	126,977	0
Revenue from damages and contractual penalties	9,749	3,913,886
Default interest	177,683	904,709
Profit from the sale of fixed assets	15,011	18,782
Profit from derivatives due to trading with electricity and emission allowances	5,408,790	9,394,202
Fair value measurement of commodity contracts	22,610,867	0
Other	143,036	472,481
Total	**28,492,113**	**14,741,185**

The majority of other operating income comprises the positive net effect of the fair value measurement of commodity contracts and gains from trading in derivative financial instruments for electricity and emission allowances.

Costs of goods, materials and services (29)

Costs of goods, materials and services (in EUR)	2025	2024
Purchase value of sold goods	2,812,337,585	3,034,867,505
Contingent costs of sold goods	51,604,813	57,458,250
Total purchase value of sold goods	**2,863,942,398**	**3,092,325,755**
Costs of energy	56,661	61,351
Costs of small tools	5,841	9,999
Other	780,753	524,476
Total costs of material	**843,255**	**595,826**
Costs of transport services	55,702	55,809
Costs of maintenance	1,246,872	1,333,206
Costs of rents	357,254	312,855
Costs of reimbursements of work-related expenses to employees	164,264	134,927
Costs of insurance and bank services	1,085,153	1,288,109
Costs of intellectual and personal services	2,047,732	3,444,448
Costs of fairs, advertising and representation	1,072,528	551,884
Costs of services provided by individuals	422,190	319,944
Costs of protection and supervision	991	978
Membership contributions	68,258	58,058
Services charged to companies in the Group	1,697,779	1,509,228
Maintenance services for leased premises and equipment	791,644	954,168
Other	329,029	371,690
Total costs of services	**9,339,396**	**10,335,304**
Total	**2,874,125,049**	**3,103,256,885**

The cost of goods sold, which accounts for 99.64% of the costs of goods, materials and services, includes the expenses for the purchase of electricity and the related costs of electricity purchases.

Among the costs of material, the most significant items are the costs of access to trading platforms, expert literature and electricity, and fuel for transport vehicles.

Among the costs of services, the largest items are the costs of intellectual services, insurance and banking services, the costs of sponsorships and advertising, the maintenance of computer equipment and programs, and services charged to Group companies.

Rental costs (in EUR)	2025	2024
Amortisation of rights of use	969,038	911,006
Financing expenses	189,802	148,099
Rental costs	1,862	7,467
Total	**1,160,702**	**1,066,572**

Audit costs (in EUR)	2025	2024
Annual report audit	59,500	68,200
Other certification services	57,200	80,000
Total	**116,700**	**148,200**

The contractual amount for the mandatory audit of the financial statements of HSE for 2025 is EUR 49,000, for the audit of the consolidated financial statements of the Group EUR 8,500, and EUR 2,000 for the review of compliance with financial covenants. The amount of other assurances of EUR 57,200 represents the consolidated sustainability report of the HSE Group.

Labour costs (30)

Labour costs (in EUR)	2025	2024
Salaries	17,163,264	16,032,714
Pension insurance costs	2,129,134	1,752,706
Other insurance costs	1,426,838	1,468,783
Other labour costs	2,224,154	2,007,405
Total	**22,943,390**	**21,261,608**

Labour costs include the costs of salaries and other employee benefits, including employer contributions. Costs of allowances for unused leave of employees for 2025, which employees can use until 30 June 2026, are also accrued. Compared to 2024, labour costs are higher due to a higher average number of employees compared to the previous year, the winter holiday allowance, and the alignment of salaries with the collective agreement.

Number of employees and average number of employees by educational structure	1/1/2025	31/12/2025	Average number of employees
1	0	0	0.0
2	0	0	0.0
3	0	0	0.0
4	3	3	3.0
5	18	21	20.0
6/1	20	23	22.0
6/2	68	78	73.0
7	118	123	121.0
8/1	22	22	22.0
8/2	8	8	8.0
Total	**257**	**278**	**268.0**

Value write-offs (31)

Value write-offs (in EUR)	2025	2024
Amortisation of intangible assets	488,937	580,455
Amortisation of property, plant and equipment	604,796	555,305
Amortisation of leased assets	969,039	911,005
Impairments/write-offs of receivables	97,020	10,412,775
Write-offs in property, plant and equipment	0	466
Sales in property, plant and equipment and investment property	5	8
Total	**2,159,797**	**12,460,014**

Among value write-offs, the largest item is the depreciation and amortisation of the Company's assets and the right of use of leased premises.

Other operating expenses (32)

Other operating expenses (in EUR)	2025	2024
Forming of provisions	60,342	44,205
Fee for the use of construction land	108,411	98,252
Donations	133,750	77,700
Fair value measurement of commodity contracts	0	79,056,022
Loss of derivatives due to trading with electricity and gas	41,144,058	0
Other operating expenses	304,352	1,440,270
Total	**42,134,540**	**80,716,449**

Other operating expenses mainly comprise the loss on derivative financial instruments from trading in electricity and gas.

Financial revenue (33)

Financial revenue (in EUR)	2025	2024
Financial revenue from dividends and other profit shares	45,121	44,393
Financial revenue from loans and deposits given	3,965,351	3,548,129
Other financial revenues	304	274,494
Total	**4,010,776**	**3,867,016**

Among financial revenue, the majority comprises interests received on deposits placed. The shares in profit represent dividends paid out by the jointly-controlled company Soenergetika.

Financial expenses (34)

Financial expenses (in EUR)	2025	2024
Financial expenses for interest	4,020,928	11,967,830
Impairment of investments in subsidiaries	0	221,741,253
Other financial expenses	950,219	18,600,981
Other financial expenses from leases	189,802	148,100
Total	**5,160,949**	**252,458,164**

Financial expenses for interest consist of accrued interest from non-current and current loans received from banks amounting to EUR 4,020,928, which is lower in 2025 compared to 2024, because the Company repaid all loans.

Other financial expenses comprise the costs of withholding tax on foreign loans and costs related to loan arrangements and are lower than in 2024, when they included the loss on the sale of derivative financial instruments.

Taxes (35)

Taxes (in EUR)	2025	2024
Current tax	28,367,683	0
Deferred tax	-5,194,754	-41,722,564
Total tax from profit recognised in the income statement	**23,172,929**	**-41,722,564**

The Company is a taxable person under the Value Added Tax Act, the Excise Duty Act, the Financial Services Tax Act and the Corporate Income Tax Act. The Company's branch office in the Czech Republic is liable for corporate income tax in the Czech Republic.

In accordance with the Corporate Income Tax Act, the corporate income tax rate for 2025 is 22%.

In 2025, the Company did not pay corporate income tax advances.

Among deferred taxes, the Company recognises deferred tax receivables arising from impairment of trade receivables and the tax loss recognised in the corporate income tax return for 2025. The amount of formation and drawing is presented in the disclosure of deferred tax receivables (Note 7 Statement of financial position).

In determining the basis for current tax, revenue and expenses determined in accordance with IFRS were adjusted by way of increase and reduction of the tax base, as shown in the following table.

Effective tax rate calculation (in EUR)	2025	2024
Profit (loss) before tax	260,097,629	168,767,888
Calculated tax at the applicable tax rate	57,221,478	37,128,935
Tax on revenues that lower the tax base	-14,135	12,308
Tax on tax deductions	-29,116,115	0
Tax on expenses that lower the tax base	-1,528	-282,936,771
Tax on non-deductible expenses	263,595	51,288,667
Tax from other changes in the tax balance sheet	14,388	9,422
Tax effects of unrecognised deferred assets arising from tax losses	0	194,497,439
Calculated tax	**28,367,683**	**0**
Deferred tax	**-5,194,754**	**-41,722,564**
Total taxes	**23,172,929**	**-41,722,564**
Effective tax rate	**8.91%**	**0.00%**

As at 31 December 2025, the unused tax losses amount to EUR 810,864,552, which the Company may use until 2029. For deductible temporary differences amounting to EUR 215,066,565, the Company formed deferred tax receivables in the amount of EUR 47,284,876, arising from unused tax losses and impairment of trade receivables. In accordance with IAS 12 – Income Taxes, deferred tax receivables are recognised only if there is a high probability that the temporary differences will be reversed in the foreseeable future.

Net profit/loss (36)

Net profit/loss (in EUR)	2025	2024
Gross operating income	3,202,610,578	3,635,053,991
Operating profit/loss	261,247,802	417,359,036
Financial outcome	-1,150,173	-248,591,148
Profit (loss) before tax	260,097,629	168,767,888
Net profit/loss for the year	**236,924,700**	**210,490,452**

The Company ended 2025 with a positive net profit/loss of EUR 236,924,700.

4.5.6.3 Related parties

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

Related parties also include companies in majority state ownership.

The sales and purchases columns show the turnover of all transactions (excluding VAT) between the Company and related companies in 2025. For loans given and received, the balance at the end of 2025 (principal with interest) is shown. Revenue from parent guarantees given in 2025 is shown separately at net value (excluding VAT). The values of parent guarantees are disclosed under contingent liabilities and contingent assets (Note 20 Statement of financial position).

The balance of outstanding operating receivables from related parties is disclosed in the section on Current operating receivables, and the balance of outstanding operating liabilities in the section on Operating liabilities to suppliers.

Transactions with associated companies (in EUR)	Sales	Purchases	Loans, guarantees and warranties given with interest	Revenue for given parent guarantees
DEM	674,545	77,610,333	0	0
mHE Lobnica	0	11,589	0	0
SENG	27,664,391	60,479,832	0	0
HSE EDT	37,020	412,966	0	0
RGP	181,718	0	0	0
HSE Invest	105,289	2,423,980	0	0
HSE Balkan Energy	6,615	186,486	0	0
HSE MAK Energy	30,646,021	21,063,946	0	0
HSE BH	82,282,185	36,559,955	0	0
Energija plus	196,025,245	25,362,925	0	0
ECE	243,692,455	50,406,673	0	0
Total 2025	**581,315,484**	**274,518,685**	**0**	**0**

The selling and purchase prices for services are defined on the basis of the applicable internal price list of HSE Group companies, while rental fees are based on comparable uncontrolled prices. The selling prices of electricity are determined on the basis of comparable uncontrolled prices and the cost-plus method, while the purchase prices of electricity are determined on the basis of the cost-plus method, the comparable uncontrolled price method, or a combination of the two.

The Company is 100% owned by the Republic of Slovenia. The Company did not conclude any transactions with the Government of the Republic of Slovenia in 2025. The Company paid the owner EUR 165,000,000 in dividends in 2025.

Data on associated companies – associates (in EUR)	Sales	Purchases	Loans given, guarantees and warranties with interest	Received loans with interest	Revenue from parent guarantees given
HESS	24,347	11,781,214	0	0	0
Total 2025	**24,347**	**11,781,214**	**0**	**0**	**0**

Data on associated companies – jointly-controlled companies (in EUR)	Sales	Purchases	Loans given, guarantees and warranties with interest	Received loans with interest	Revenue from dividends
Soenergetika	0	0	0	0	45,121
Total 2025	**0**	**0**	**0**	**0**	**45,121**

Business partner (in EUR)	Outstanding receivables as at 31/12/2025	Outstanding liabilities as at 31/12/2025	Revenue in the year 2025	Expenses in the year 2025
Borzen	915,476	3,034,684	7,663,471	12,845,995
ELEKTROGOSPODARSTVO SLOVENIJE	2,413,081	16,076,394	4,887,671	17,295,113
ELES	4,296,411	26,710	24,164,235	460,201
GEN energija	3,305,577	5,548,803	13,158,437	34,405,043
GEN-I	14,000,637	5,328,268	103,739,839	45,464,371
Hidroelektrarna na spodnji Savi	3,906	1,147,446	24,347	11,781,214
Premogovnik Velenje	450,948	1,120	4,455,378	0
TALUM	403,191	0	3,891,227	0
Termoelektrarna Šoštanj	966,425	4,993,986	110,225,406	225,287,445
Energy companies – total	**26,755,652**	**36,157,411**	**272,210,011**	**347,539,382**
SID	0	0	0	1,032,110
Banks – total	**0**	**0**	**0**	**1,032,110**
Total	**26,755,652**	**36,157,411**	**272,210,011**	**348,571,492**

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 to the Company from the perspective of materiality of transactions according to the criterion of transaction size (revenue or expenses in the year 2025 exceed EUR 2 million), 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 immaterial from the reporting perspective.

4.5.6.4 Remuneration

The remuneration shown below by individual categories of recipients refers to payments made in 2025.

The remuneration of members of the Supervisory Board includes gross attendance fees of all members, with travel expenses for performing functions on the Supervisory Board and the work of the Supervisory Board's committees.

In 2025, the Company did not grant any advances, loans or guarantees to these groups of persons. At the end of 2025, the Company has no receivables due from the Management and members of the Supervisory Board.

Current trade payables include the liabilities for December salaries to the company's Management Board and to employees who are not subject to the tariff part of the collective agreement, as well as December attendance fees to members of the Supervisory Board and members of the Supervisory Board's committees.

Remuneration of members of the Management Board

			Variable remuneration - gross				
Management remuneration (in EUR)	**Function**	**Fixed remuneration - gross (1)**	**Based on quantitative criteria**	**Total (2)**	**Deferred remuneration (3)**	**Benefits (5)**	**Total (1+2+3+4+5)**
Štokelj Tomaž	CEO	206,595	14,214	14,214	14,214	2,858	237,881
Podobnik Uroš	CBO	185,936	12,793	12,793	12,793	1,408	212,930
Total		**392,531**	**27,007**	**27,007**	**27,007**	**4,266**	**450,811**

Remuneration of members of the Supervisory Board

Remuneration of members of the Supervisory Board (in EUR)	Function	Function performance remuneration - gross: Basic function remuneration	Function performance remuneration - gross: Supplementray function remuneration	Function performance remuneration - gross: Total (1)	Meeting fees gross (2)	Total gross (1+2)	Travel expenses
Hrovatin Nevenka	President of the SB	13,000	6,500	19,500	3,685	23,185	165
Valentinčič David	Deputy President of the SB	13,000	1,300	14,300	3,960	18,260	1,476
Gorjup Barbara	Member of the SB	13,000	0	13,000	3,794	16,794	75
Bele Denis	Member of the SB	13,000	0	13,000	3,960	16,960	973
Šebenik Miha	Member of the SB	13,000	0	13,000	3,685	16,685	59
Grešak Boštjan	Member of the SB	13,000	0	13,000	3,960	16,960	85
Povh Blanka	Employee representative in the SB until 1/3/2025	3,250	0	3,250	1,265	4,515	0
Žibret Uroš	Employee representative in the SB	13,000	0	13,000	3,960	16,960	960
Kamnikar Borut	Employee representative in the SB since 1/3/2025	9,750	0	9,750	2,695	12,445	677
Kovač Matej	Employee representative in the SB until 1/3/2025	3,250	0	3,250	1,265	4,515	0
Žagar Aleš	Employee representative in the SB since 1/3/2025	9,750	0	9,750	2,695	12,445	643
Total		**117,000**	**7,800**	**124,800**	**34,924**	**159,724**	**5,113**

Remuneration of Members of the Audit Committee

Remuneration of members of the Audit Committee (in EUR)	Function	Function performance remuneration - gross: Basic function performance remuneration	Function performance remuneration - gross: Additional function performance remuneration	Function performance remuneration - gross: Total (1)	Gross meeting fee (2)	Total gross (1+2)	Travel expenses
Gorjup Barbara	President of the Audit Committee	0	4,063	4,063	2,156	6,219	48
Hočevar Marko	Independent member of the Audit Committee	13,000	0	13,000	2,926	15,926	0
Šebenik Miha	Member of the Audit Committee	0	2,708	2,708	1,936	4,644	37
Kovač Matej	Member of the Audit Committee until 1/3/2025	0	813	813	440	1,253	0
Žagar Aleš	Member of the Audit Committee since 1/3/2025	0	2,438	2,438	1,936	4,374	482
Total		**13,000**	**23,022**	**23,022**	**9,394**	**32,416**	**567**

Remuneration of Members of the Personnel Committee of Supervisory Board

Remuneration of members of the Personnel Committee (in EUR)	Function	Function performance remuneration - gross					
		Basic function remuneration	Supplementary function remuneration	Total (1)	Meeting fees gross (2)	Total gross (1+2)	Travel expenses
Nevenka Hrovatin	President of the Personnel Committee	0	4,875	4,875	660	5,535	17
Denis Bele	Member of the Personnel Committee	0	3,250	3,250	660	3,910	237
Boštjan Grešak	Member of the Personnel Committee	0	3,250	3,250	660	3,910	14
Blanka Povh	Member of the Personnel Committee until 1/3/2025	0	813	813	0	813	0
Borut Kamnikar	Member of the Personnel Committee since 1/3/2025	0	2,437	2,437	660	3,097	154
Total		**0**	**14,625**	**14,625**	**2,640**	**17,265**	**422**

Remuneration of Members of the Trading and Investment Committee

Remuneration of members of the Trading and Investment Committee (in EUR)	Function	Function performance remuneration - gross					
		Basic function remuneration	Supplementary function remuneration	Total (1)	Meeting fees gross (2)	Total gross (1+2)	Travel expenses
Miha Šebenik	President of the Trading and Investment Committee	0	4,063	4,063	1,319	5,382	11
David Valentinčič	Member of the Trading and Investment Committee	0	3,250	3,250	1,320	4,570	369
Barbara Gorjup	Member of the Trading and Investment Committee	0	2,708	2,708	1,319	4,027	14
Uroš Žibret	Member of the Trading and Investment Committee	0	3,250	3,250	1,320	4,570	339
Total		**0**	**13,271**	**13,271**	**5,278**	**18,549**	**733**

4.5.6.5 Financial instruments and risk management

This section is linked to the section on Financial Risk Management of the financial report and to the section on financial risks in the business part.

Credit risk

The majority of the Company's activities in which it encounters credit risk arise primarily from electricity trading activities. The portfolio of partners with whom we enter into contractual relationships in the field of electricity sales and trading consists, to the largest extent, of companies with high creditworthiness and payment discipline. All credit risk management activities are carried out in accordance with adopted internal acts that precisely prescribe the procedures and due diligence in the selection and monitoring of business partners. The form of the business relationship with partners is decided on the basis of prior analyses of the partner's creditworthiness, which subsequently determines the potential scope and time framework of operations, the elements of the contractual relationship and the necessary scope of collateral acceptable to the Company (e.g. bank and corporate guarantees and advances received).

The Company monitors exposure to individual partners on a daily basis. An important credit risk reduction measure is the conclusion of contractual frameworks, i.e. general and umbrella agreements (e.g. EFET). Among other things, these define both monthly financial set-offs of receivables and liabilities, and set-offs of the widest possible range of mutual receivables and liabilities in the event of early termination of the agreement due to potential insolvency of the partner.

The maximum exposure of the Company to credit risk arising from current operating receivables is the carrying amount of current operating receivables, reduced by financial collateral and the financial set-off of receivables and liabilities with partners where this is legally and contractually possible. Receivables from partners are secured by bank and corporate guarantees, the pledge of receivables under transaction account management contracts, advance payments, deposits, enforcement notes and bills of exchange.

Operating receivables as at 31/12/2025 (in EUR)	Receivables	Secured receivables	%	Unsecured receivables	%
Current receivables from companies in the Group	80,001,218	69,593,242	87%	10,407,976	13%
Current receivables from affiliated companies	3,906	3,906	100%	0	0%
Current trade receivables	187,133,993	119,537,000	64%	67,596,992	36%
Total	**267,139,117**	**189,134,148**	**71%**	**78,004,968**	**29%**

Operating receivables as at 31/12/2024 (in EUR)	Receivables	Secured receivables	%	Unsecured receivables	%
Current receivables from companies in the Group	110,781,846	66,804,396	60%	43,977,451	40%
Current receivables from affiliated companies	4,429	4,429	100%	0	0%
Current trade receivables	250,507,735	175,217,372	70%	75,290,364	30%
Total	**361,294,011**	**242,026,196**	**67%**	**119,267,815**	**33%**

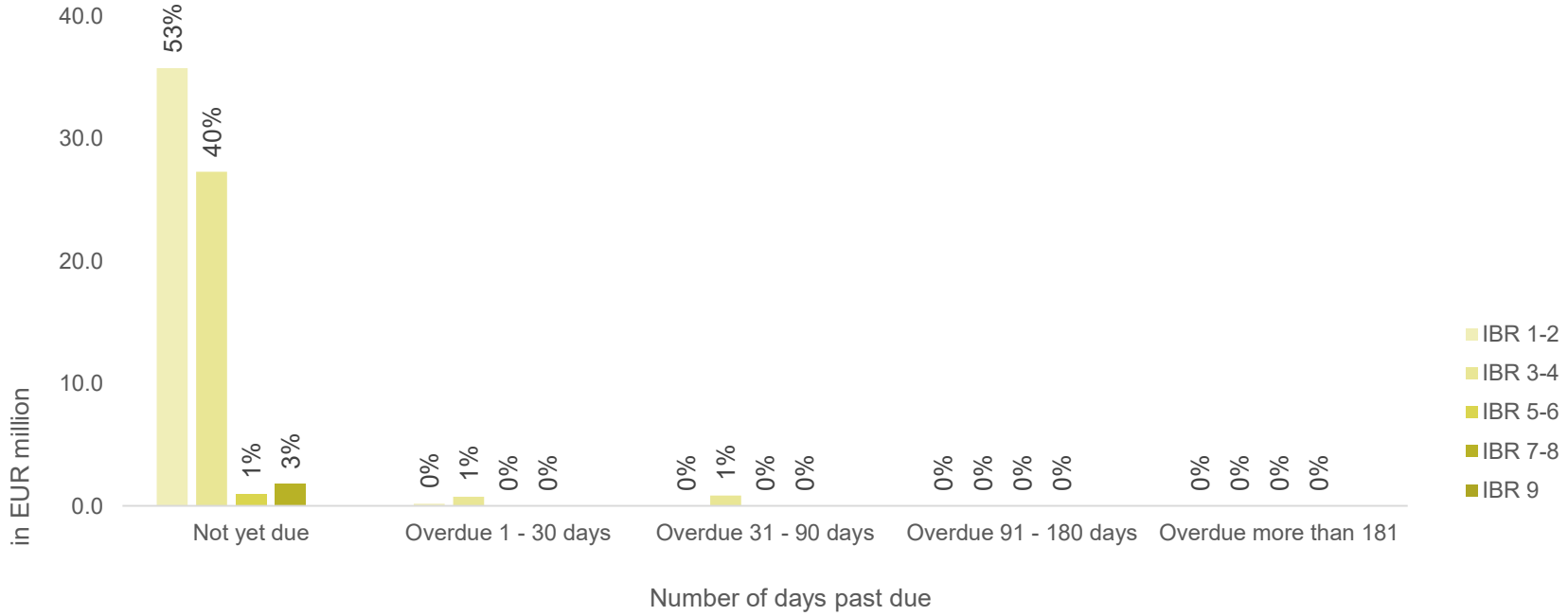
The unsecured share of receivables represents the sum of sales to partners on open account within approved credit limits in accordance with the applicable internal act, namely according to their financial strength and the risks to which we are exposed in operations with individual partners. Among unsecured receivables, the predominant share comprises receivables from partners with better credit ratings and from partners belonging to highly regulated activities, often state-owned (e.g. providers of system services). Current receivables due from Group companies are managed from the perspective of liquidity and solvency of Group companies and are therefore excluded from the further analysis of receivables from the perspective of IFRS 9 and additional needs for the formation of value adjustments of receivables.

The following is the analysis of unsecured current operating receivables as at 31 December 2025 from the perspective of the internal division of customers by individual credit rating classes, the ageing structure of unsecured receivables, and the structure of receivables by country.

In addition to qualitative measures for managing and securing receivables, credit risk is also quantified using the expected credit loss (ECL) model in accordance with IFRS 9. The Company assesses expected credit losses for operating receivables, deposits and other financial receivables on the basis of the probability of default, exposure at default and the expected recovery time. A more detailed methodology for calculating expected credit losses and related impairments is presented in the section Impairment of assets.

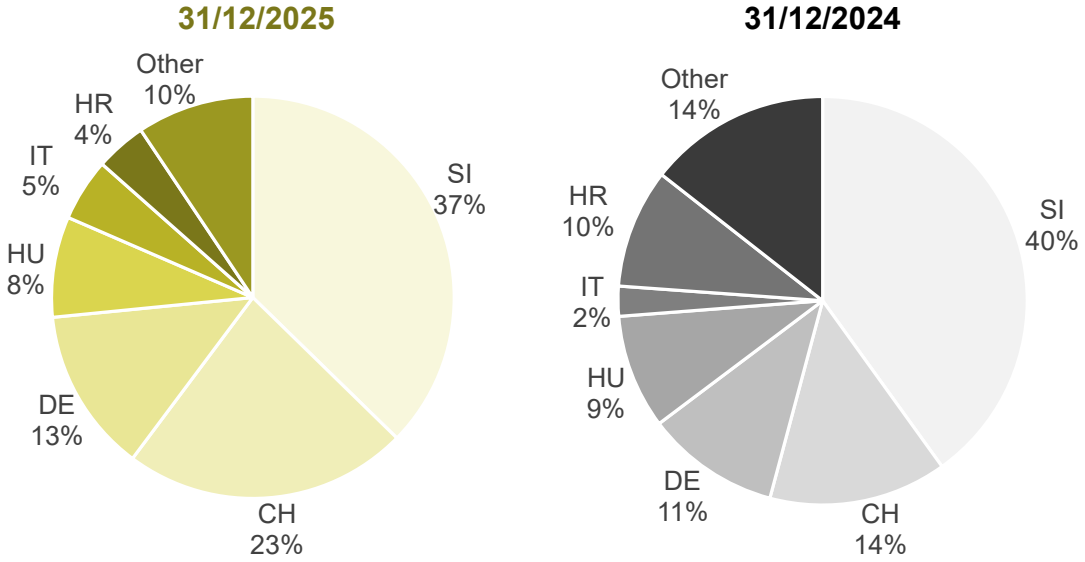
By assigning an internal credit rating class (ICR) to individual partners and their guarantors (in the case of financial collateral), which are determined on the basis of a combination of theoretical financial models and transition matrices of credit rating agencies, the Company also regularly monitors the risk of default by the partner or guarantor and adjusts the structure of collateral and approved limits accordingly. In accordance with the internal methodology, this consequently affects the quality and structure of the Company's operating receivables.

Unsecured operating receivables by ageing structure and ICR as at 31 December 2025



Compared to the end of 2024, the total value of both operating receivables and unsecured operating receivables decreased. Operating receivables from customers in Slovenia as at 31 December 2025 represent 37% of all operating receivables, which is 3 percentage points less than the previous year.

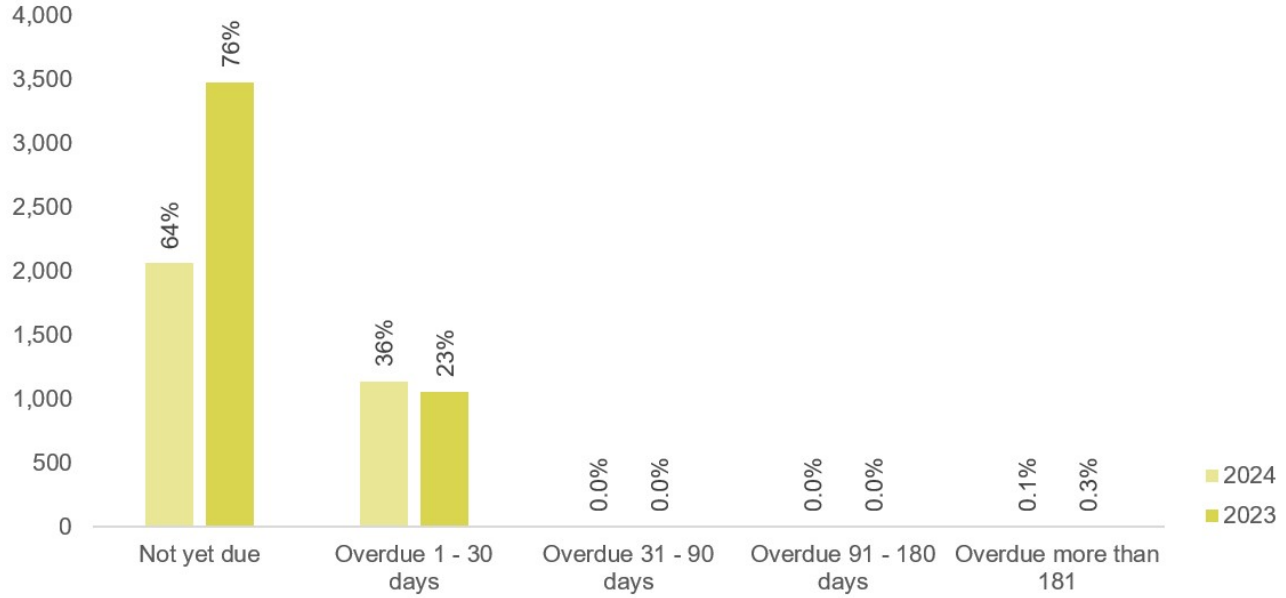
Operating receivables by individual country as at 31 December 2025 and 2024



The analysis of the dynamics and payment discipline of partners in 2024 and 2023 (shown in the figure below) indicates that partners have settled their liabilities regularly in the past.

In the event of late payment, contractually agreed default interest is charged to customers.

Dynamics of payment of receivables in total invoices issued in 2023 and 2024



The Company finds that the current internal policy of forming and impairing operating receivables is adequate and that the application of the disclosure guidelines under IFRS 9 from the perspective of estimating expected credit loss (ECL) on operating receivables does not have a material impact on the fair presentation of the Company's assets. Based on the guidelines of the said standards and the findings of the analysis of past payment patterns of the Company's customers by ageing structure, we do not expect material losses on operating receivables for the Company as at 31 December 2025, where the largest impairments of receivables were formed individually and are thus not included in the impairment calculation model.

We therefore conclude that the calculated ECL, in relation to the total value of operating receivables, has no impact on the fair presentation of assets and that the Company has already, in the past, adequately recognised and formed value adjustments of current operating receivables. In assessing potential credit losses, we took into account the balance of operating receivables as at 31 December 2025, the Company's ownership and business relationships with business partners, past dynamics of invoice payments, the probability of default of contractual obligations in relation to the partner's financial position, the type of collateral received, and the ageing structure of operating receivables as at 31 December 2025.

As at 31 December 2025, the Company recognises EUR 11,600,102 in doubtful receivables. Doubtful receivables mainly comprise receivables from the sale of electricity. A lawsuit has been filed at the competent court for the majority of doubtful receivables.

Movement of value adjustmenst of current operating receivables (in EUR)	2025	2024
Balance as at 1/1	**11,503,082**	**1,090,383**
Allowances set up for receivables	97,020	10,412,699
Balance as at 31/12	**11,600,102**	**11,503,082**

	Due for payment			
Non-current operating and financial receivables by contractual maturity (in EUR)	up to 2 years after SFP date	from 3 to 5 years after SFP date	over 5 years after SFP date	Total
Operating receivables from others	0	0	10,884,694	10,884,694
Total as at 31/12/2025	**0**	**0**	**10,884,694**	**10,884,694**
Operating receivables from others	0	0	12,181,091	12,181,091
Total as at 31/12/2024	**0**	**0**	**12,181,091**	**12,181,091**

Current operating and financial receivables by contractual maturity (in EUR)	Due for payment				
	Not yet due	Overdue up to 3 months (up to 90 days)	Overdue from 3 to 6 months (from 91 to 180 days)	Overdue for more than a year (from 361 days)	Total
Operating receivables from companies in the Group	80,001,218	0	0	0	80,001,218
Operating receivables from associates	3,906	0	0	0	3,906
Operating receivables from buyers	183,701,260	3,454,321	0	11,578,512	198,734,093
Advances given	626,846	0	0	0	626,846
Operating receivables from state and other institutions	30,466,522	0	0	0	30,466,522
Operating receivables from others	24,421,884	0	0	0	24,421,884
Total as at 31/12/2025	**319,221,636**	**3,454,321**	**0**	**115,878,512**	**334,254,469**
Financial receivables and loans given to companies in the Group	0	45,000	145,000	0	190,000
Financial receivables and loans given to companies in the Group for interest	898	0	0	0	898
Operating receivables from companies in the Group	110,781,848	0	0	0	110,781,848
Operating receivables from associates	4,428	0	0	0	4,428
Operating receivables from buyers	249,258,476	5,672,305	81	7,079,956	262,010,818
Advances given	2,007,559	0	0	0	2,007,559
Operating receivables from state and other institutions	38,107,478	0	0	0	38,107,478
Operating receivables from others	42,559,117	0	0	0	42,559,117
Total as at 31/12/2024	**442,719,804**	**5,717,305**	**145,081**	**7,079,956**	**455,662,146**

Liquidity risk

We manage liquidity risk by planning daily, monthly and annual cash flow, and on this basis by efficiently allocating surpluses within the Group and by ensuring adequate available credit lines with commercial banks. In addition, in 2025, HSE successfully managed the risk of short-term solvency by continuously matching the maturities of receivables and liabilities and by the timely collection of overdue receivables.

At the end of 2025, the Company's available liquidity, consisting of undrawn approved non-current revolving loans and available cash and cash equivalents, amounted to EUR 80,000,000 in the form of revolving loans, EUR 150,000,000 in short-term deposits placed and EUR 26,999,429 in the form of cash and cash equivalents. The Company's available liquidity is intended for cash flow management and significantly reduces the liquidity risk of the Company and the HSE Group.

As at 31 December 2025, the Company had settled all due current liabilities.

The maturity of non-current financial liabilities arising from the Company's leases in the following years is shown in the table below. The part of non-current financial liabilities arising from leases falling due within one year is recognised under current financial liabilities for leases.

Non-current financial liabilities by contractual maturity (in EUR)	up to 2 years after SFP date	from 3 to 5 years after SFP date	Total
Financial liabilities from leases to companies in the Group	362,674	697,911	1,060,585
Financial liabilities from leases to others	562,151	514,089	1,076,240
Total as at 31/12/2025	**924,825**	**1,212,000**	**2,136,825**
Financial liabilities to banks	85,892,777	105,123,540	191,016,317
Financial liabilities from leases to companies in the Group	669,432	725,614	1,395,046
Financial liabilities from leases to others	805,815	719,662	1,525,477
Total as at 31/12/2024	**87,368,024**	**106,568,816**	**193,936,840**

As at 31 December 2025, the Company is not exposed to liquidity risk, since there are no liabilities arising from loans received.

Exposure to liquidity risk arising on financial liabilities to banks (in EUR)	Estimated cash flows					
	Up to 2 months after SFP date	From 2 to 12 months after SFP date	From 1 to 2 years after SFP date	From 2 to 5 years after SFP date	Over 5 years after SFP date	Total
Financial liabilities to banks						
Non-current loans	0	0	0	0	0	0
Total as at 31/12/2025	**0**	**0**	**0**	**0**	**0**	**0**
Financial liabilities to banks						
Non-current loans	19,230,769	23,715,619	42,946,389	105,123,540	0	191,016,317
Total as at 31/12/2024	**19,230,769**	**23,715,619**	**42,946,389**	**105,123,540**	**0**	**191,016,317**

The Company's liquidity in 2025 was managed through centralised cash flow planning, the provision of an adequate liquidity reserve and an active relationship with financial markets.

Currency risk

Currency risk is the risk associated with operations in foreign currencies and is linked to changes in exchange rate movements. In operations, currency risk is present to a lesser extent, since most inflows and outflows are denominated in the domestic currency EUR. In 2025, in the framework of electricity trading, the Company was exposed to currency risk to a negligible extent.

Most of the operations are conducted in EUR, so the Company does not perform a sensitivity analysis for changes in exchange rates, as this would not significantly affect the operating result.

In connection with the above, we regularly monitor developments on the money market, movements in exchange rates and the values of concluded currency hedging transactions.

The following foreign exchange rates were used for the translation of the Company's assets and liabilities as at 31 December 2025:

Country	Currency code	Closing rate in EUR for 2025	Closing rate in EUR for 2024
Czech Republic	CZK	24.2370	25.1850
Hungary	HUF	385.1500	411.3500
Romania	RON	5.0968	4.9743
USA	USD	1.1750	1.0389
Great Britain	GBP	0.8726	0.8292
Bulgaria	BGN	1.9558	1.9558
Turkey	TRY	50.4838	36.7372
Serbia	RSD	117.3600	116.9600
North Macedonia	MKD	61.5950	61.5860
Bosnia and Herzegovina	BAM	1.9558	1.9558

Exposure to risk of change of exchange rates (in EUR)	EUR	USD	HUF	CZK	Other currencies	Total
Non-current operating receivables	9,593,970	0	0	319,255	971,469	10,884,694
Current operating receivables	322,654,369	0	0	0	0	322,654,369
Non-current financial liabilities from leases to companies in the Group	-1,060,585	0	0	0	0	-1,060,585
Non-current financial liabilities from leases from others	-1,076,240	0	0	0	0	-1,076,240
Current financial liabilities	-25,469	0	0	0	0	-25,469
Current financial liabilities from leases to companies in the Group	-362,674	0	0	0	0	-362,674
Current financial liabilities from leases to others	-562,150	0	0	0	0	-562,150
Current operating liabilities	-237,502,865	-30,979	0	-748	-328,789	-237,863,381
Net exposure of the SFP as at 31/12/2025	**91,658,356**	**-30,979**	**0**	**318,507**	**642,680**	**92,588,564**
Non-current financial receivables and loans	100,000	0	0	0	0	100,000
Non-current operating receivables	10,878,711	0	0	330,911	971,469	12,181,091
Current financial receivables and loans	90,898	0	0	0	0	90,898
Current operating receivables	443,968,166	0	0	0	0	443,968,166
Non-current financial liabilities	-148,069,930	0	0	0	0	-148,069,930
Non-current financial liabilities from leases to companies in the Group	-1,592,544	0	0	0	0	-1,592,544
Non-current financial liabilities from leases to others	-1,327,979	0	0	0	0	-1,327,979
Current financial liabilities	-43,013,028	0	0	0	0	-43,013,028
Current financial liabilities from leases to companies in the Group	-396,682	0	0	0	0	-396,682
Current financial liabilities from leases to others	-488,984	0	0	0	0	-488,984
Current operating liabilities	-309,344,211	-6,873	-120,643	-722	-15,989	-309,488,438
Net exposure of the SFP as at 31/12/2024	**-49,195,583**	**-6,873**	**-120,643**	**330,189**	**955,480**	**-48,037,430**

Concluded contracts for currency swaps (in EUR)	31/12/2025	31/12/2024
Concluded contracts for currency swaps – purchase hedging	0	120,512
Concluded contracts for currency swaps – sale hedging	0	0

Currency swap effect (in EUR)	2025	2024
Unrealized loss of effective transactions	0	22
Realised loss of effective transactions	0	-69,781

Interest rate risk

The extent of interest rate risk exposure generally depends on the share of financial liabilities and financial investments at variable interest rates in the Company. By monitoring developments on financial markets and on the basis of medium-term and long-term forecasts of market interest rate movements, we decide on further steps for managing risks arising from changes in market interest rates. As at 31 December 2025, HSE was debt-free.

Presentation of interest-bearing and non-interest-bearing financial assets and liabilities:

Financial instruments with variable interest rates (in EUR)	2025	2024
Financial liabilities	0	-191,016,317
Financial receivables	0	190,000
Net financial instruments with variable interest rates	**0**	**-190,826,317**

Cash flow sensitivity analysis for variable-rate instruments

The analysis is made taking into account an increase or decrease in the reference interest rate EURIBOR by +/– 50 basis points and would, as at the reporting date, increase/decrease the net profit/loss by the amounts stated below.

Financial instruments (in EUR)	Net profit/loss 2025		Net profit/loss 2024	
	Increase by 50 basis points	Decrease by 50 basis points	Increase by 50 basis points	Decrease by 50 basis points
Financial instruments with variable interest rates	0	0	-1,153,310	1,153,310
Financial receivables	0	0	1,843	-1,843
Financial liabilities	0	0	-1,155,153	1,155,153

Price risk

More detailed disclosures of price risk are presented in section 3.5.6.5 Financial Instruments and Risk Management – Price Risks in the accounting part of the HSE Group.

Forward contracts for electricity

The Company carries out purchases and sales of forward contracts in order to hedge non-current positions arising from its own electricity production against price risks, and for position trading purposes.

In the case of price hedging, when concluding a transaction for physical delivery, the Company also concludes a forward contract for the opposite quantity and the same maturity, or concludes a forward contract with maturity in accordance with the planned quantities of its own production. In this way, the Company financially fixes the price difference, meaning that, for example, the loss on the price difference from the purchase of forward contracts is offset by the price difference from the physical quantity purchased/sold or produced of electricity. The basis for the implementation of the price hedging strategy of planned quantities of own production is the planned electricity production in subsidiaries. The Company thus sells electricity of subsidiaries already in the current year for several years in advance, with the main aim of the strategy being to maximise profit and ensure stable revenue from the sale of electricity.

On this basis, at the end of the year, the Company had concluded forward contracts amounting to EUR 3,064,339,876 with the aim of hedging electricity purchases and sales. The effects of these transactions in 2025 are presented in the Equity (15) disclosure.

The purchase or sale of a forward contract for position trading purposes, at the time the position is opened, increases the Company's exposure to price risk, since the contract is concluded with the aim of generating profit from fluctuations in electricity prices. Price exposure is reduced only in the case of concluding a forward or physical contract with the opposite position. At the end of the year, the Company had open forward contracts amounting to EUR 80,764,517 for trading purposes.

Concluded standardised forward contracts for the purpose of securing electricity (in EUR)	31/12/2025	31/12/2024
For electricity – to hedge procurement	1,572,036,113	1,173,331,812
For electricity – to hedge sales	1,492,303,763	1,077,623,068

Concluded standardised forward contracts for electricity trading (in EUR)	31/12/2025	31/12/2024
For electricity – trading – purpose of purchase	20,501,842	74,764,002
For electricity – trading – purpose of sale	60,262,675	86,969,762

Emission allowances

At the end of 2025, the Company did not have concluded forward contracts for the purchase of emission allowances for the purpose of price hedging the quantities of emission allowances arising from the needs of its own production. To a limited extent, however, the Company concluded forward contracts for purchase and sale arising from trading activities not related to its own production. At the end of 2025, the Company had open contracts amounting to EUR 1,278,860 for hedging the purchase and sale of emission allowances or contracts for purchase and sale for trading purposes.

Concluded standardised forward contracts for the purpose of hedging emission allowances (in EUR)	31/12/2025	31/12/2024
For emission allowances – futures for hedging procurement	0	0
For emission allowances – futures for hedging sales	0	0

Concluded standardised forward contracts for trading (in EUR)	31/12/2025	31/12/2024
For emission allowances – trading – intended for procurement	1,278,860	0
For emission allowances – intended for sale	0	0

Gas

In 2025, the Company concluded forward contracts for the purchase and sale of natural gas for the purpose of managing natural gas portfolios intended for the supply of end consumers, and to a limited extent the Company also concluded forward contracts for purchase and sale arising from trading activities. At the end of 2025, the Company had open contracts for these purposes amounting to EUR 10,480,470 for the purpose of hedging the purchase and sale of gas. There were no contracts arising from purchase and sale for trading purposes at the end of 2025. The effects of these transactions in 2025 are presented in the Equity (15) disclosure.

Concluded standardised forward contracts for hedging

(in EUR)	31/12/2025	31/12/2024
For gas – futures for hedging procurement	9,927,949	5,961,424
For gas – futures for hedging sales	552,521	534,103

Concluded standardised forward contracts for trading

(in EUR)	31/12/2025	31/12/2024
For gas – trading – intended for procurement	0	1,730,590
For gas – trading – intended for sale	0	1,515,939

Capital management

Capital management (in EUR)	31/12/2025	31/12/2024
Non-current financial liabilities	0	148,069,930
Non-current financial liabilities from leases	2,136,825	2,920,523
Current financial liabilities	25,469	43,013,028
Current financial liabilities from leases	924,824	885,666
Total financial liabilities	3,087,118	194,889,147
Capital	986,041,700	906,890,816
Financial liabilities/capital	**0.00**	**0.21**
Cash and cash equivalents	199,305,920	244,996,667
Net financial liability	-196,218,802	-50,107,520
Net debt/capital	**-0.20**	**-0.06**

The main purpose of capital management is to ensure the best possible credit rating and capital adequacy of the Company for the purposes of financing operations and investments. An adequate volume of capital provides the Company with the confidence of creditors, partners and potential investors, and maintains the future development of the Company's activities.

The Company monitors capital movements using the financial leverage ratio, calculated by dividing net financial liabilities by total capital. Within net liabilities, the Company includes loans received and other financial liabilities, reduced by cash and cash equivalents.

The debt-to-capital ratio shows the relationship between the Company's indebtedness and capital. The ratio was 0 at the end of the year, indicating no indebtedness, and the financial leverage ratio decreased compared to the previous year and is negative, which is the result of a decrease in net debt compared to the previous year.

Carrying amounts and fair values of financial instruments

The Company estimates that the carrying amount is a sufficiently accurate approximation of the fair values of financial instruments, except for derivative financial instruments, the values of which are recorded at fair value.

Carrying amounts and fair values of financial instruments (in EUR)	31/12/2025 Book value	31/12/2025 Fair value	31/12/2024 Book value	31/12/2024 Fair value
Non-derivative financial assets at fair value	**111,500**	**111,500**	**111,500**	**111,500**
Financial assets available for sale	111,500	111,500	111,500	111,500
Derivative financial assets at fair value	**8,585,299**	**8,585,299**	**0**	**0**
Derivatives (receivables)	8,585,299	8,585,299	0	0
Non-derivative financial assets at amortised cost	**535,489,948**	**535,489,948**	**753,701,019**	**753,701,019**
Financial receivables	0	0	190,898	190,898
Operating and other receivables	327,598,729	327,598,729	508,513,454	508,513,454
Cash and cash equivalents	199,305,920	199,305,920	244,996,667	244,996,667
Total	**544,186,747**	**544,186,747**	**753,812,519**	**753,812,519**
Derivative financial liabilities at fair value	**0**	**0**	**13,910,835**	**13,910,835**
Derivatives (liabilities)	0	0	13,910,835	13,910,835
Non-derivative financial liabilities at amortised cost	**273,461,737**	**273,461,737**	**777,738,969**	**777,738,969**
Bank loans	0	0	191,016,317	191,016,317
Other financial liabilities	3,087,118	3,087,118	3,872,830	3,872,830
Operating and other liabilities	270,374,619	270,374,619	582,849,822	582,849,822
Total	**273,461,737**	**273,461,737**	**791,649,804**	**791,649,804**

Carrying amounts and fair values of financial instruments (in EUR)	31/12/2025 Carrying amount	Financial assets and liabilities at fair value by hierarchy as at 31/12/2025 Fair value	Level 1	Level 2	Level 3
Non-derivative financial assets at fair value	**111,500**	**111,500**	**0**	**0**	**111,500**
Financial assets available for sale	111,500	111,500	0	0	111,500
Derivative financial assets at fair value	**8,585,299**	**8,585,299**	**8,564,931**	**20,368**	**0**
Derivatives (receivables)	8,585,299	8,585,299	8,564,931	20,368	0
Non-derivative financial assets at amortised cost	**535,489,948**	**535,489,948**	**0**	**535,489,948**	**0**
Operating and other receivables	324,598,729	324,598,729	0	324,598,729	0
Cash and cash equivalents	199,305,920	199,305,920	0	199,305,920	0
Total	**544,186,747**	**544,186,747**			**111,500**
Non-derivative financial liabilities at amortised cost	**273,461,737**	**273,461,737**	**0**	**273,461,737**	**0**
Other financial liabilities	3,087,118	3,087,118	0	3,087,118	0
Operating and other liabilities	270,374,619	270,374,619	0	270,374,619	0
Total	**273,461,737**	**273,461,737**	**0**	**273,461,737**	**0**

4.5.7 Events after the reporting date

After the date of the statement of financial position, the following business events that were significant for the Company occurred, which did not affect the financial statements for 2025:

- Following the US-Israeli attacks on Iran, geopolitical tensions in the Middle East intensified further, increasing uncertainty on the energy markets. The impact of geopolitical tensions in the Middle East on HSE primarily entails an increase in already identified market, liquidity, credit, regulatory, operational and security risks. HSE's direct physical exposure is limited, but the impact of the tensions may be significantly reflected indirectly through European electricity and gas markets. Disruptions in LNG logistics, maritime traffic or transport insurance have already increased price volatility and, if tensions continue, may in the future reduce market liquidity and strengthen the need for financial collateral.

  For HSE, the most important effect of geopolitical tensions is increased uncertainty in managing sales and purchasing positions. Higher volatility of electricity, gas and related energy product prices increases the risk of mismatches between planned and actual production and between hedged sales and actual quantities. In the event of a possible combination of poorer hydrological conditions, production outages and high market prices, the costs of

replacement procurement and portfolio balancing could increase, which would burden EBITDA and cash flow. Potential short-term favourable effects of higher prices on the unhedged part of production are generally also associated with greater volatility of results.

The overall effect of the geopolitical tensions in the Middle East on HSE's operations should therefore be understood primarily as an increase in uncertainty, complexity of management and the risk of deviations from planned business results, and not necessarily as an immediate direct disruption to supply. If geopolitical tensions do not intensify further or end within a month or two, the prevailing impact will probably remain primarily at the level of price, financial and regulatory uncertainty. In the case of more prolonged tensions and thus more prolonged disruptions in LNG and oil supplies, or in the event of an extension of tensions to additional energy infrastructure or a more pronounced tightening of regulatory measures, the impact could be reflected more significantly in margins, liquidity, investment dynamics and relations with end consumers. In the case of a heavily prolonged duration of geopolitical tensions, the risk of stagflation or even recession scenarios materialising at the global level will increase. One of the key issues in the EU remains the level of gas storage fill at the start of winter 2026/2027, since insufficient storage gas levels significantly increase the probability of escalation of the energy and economic crisis in the EU.

- At the end of March, HSE submitted a concentration notification to the Slovenian Competition Protection Agency regarding the acquisition of control over the company HESS d.o.o., which operates in the field of electricity production. The notice of the concentration notification was published on the Agency's website on 31 March 2026. The concentration review procedure is still ongoing on the date of preparation of the annual report.
- At the end of April, a contract for the purchase and sale of production capacities was signed between HSE as buyer and Rudis as seller, namely for a 100% business share in the company Balkan Electric d.o.o., which is the owner of the Alibunar I wind farm, and assets representing the Blate solar power plant together with two battery storage units.

4.5.8 Additional disclosures based on the Electricity and Gas Supply Act

In 2011, the Company began producing electricity at the Solar Power Plant in Velenje, and in 2023 it began producing electricity at the Prapretno Solar Power Plant and trading in gas. In accordance with the provisions of the Electricity Supply Act, the Gas Supply Act and the Rules on the criteria for the allocation of revenue, expenses, assets and liabilities to sources of funds by individual activity, the Company must separately monitor the activity of electricity production and the activity of gas trading.

Presentation of criteria for the allocation of general revenue and costs and expenses to an individual segment

HSE records its revenue and expenses on orders, in cost centres and profit centres. Assets and liabilities to sources of funds are recorded by the Company mainly in segments, while intangible assets, property, plant and equipment are also recorded in cost centres. The majority of cost centres and profit centres belong directly to individual activities or segments, while some cost centres are general or indirect. For the classification of revenue, expenses and costs arising from the Company's operations as a whole, or arising from the performance of two or more activities, which cannot be allocated directly, the Company applies criteria/keys for allocation, as defined below. The criteria/keys for allocation are reviewed annually and adjusted in light of new facts.

The method of allocating costs by cost centres and expenses by profit centres, and determining operating results by activities, is based on methods for allocating indirect costs and expenses, which are a simple allocation calculation and the assignment of costs based on empirical analyses, experiential findings and the Company's objectives.

Costs of general business functions belonging to indirect cost centres are allocated on the basis of agreed keys. These are calculated each year by determining the share of net revenue from gas and electricity from solar sources in total net revenue. The same percentage is used in the reallocation of general costs to the gas profit centre and the Solar Power Plant profit centre.

Statement of financial position by segment

The data for compiling the statement of financial position by segment – activity is drawn from the general ledger and subsidiary ledgers based on reconciled balances as at the date of the statement of financial position. All documents recorded as accounting documents must have a designated cost centre or profit centre. Only a document completed in this way is considered a complete accounting document. The operating result is determined by preparing the income statement by profit centres and increases or charges items of equity by activity.

The statement of financial position for the activity of electricity production from a solar power plant and the production of gas is prepared on the basis of the following rules:

- among production equipment within the framework of property, plant and equipment, the book value of the solar power plant and the software for gas trading is recognised,
- inventories show the value of gas,
- current operating receivables include receivables from customers of electricity and gas and input value-added tax,
- equity reflects the operating result of the individual activity and the difference between asset and liability items of the statement of financial position,
- current operating liabilities reflect liabilities to suppliers for the operation and maintenance of the solar power plant and gas production, output value-added tax and tax liabilities for corporate income tax.

4.5.8.1 Statement of financial position by segment as at 31 December 2025

Statement of financial position (in EUR)	Electricity trading	SPP production	Gas trading	31/12/2025
ASSETS	**1,252,453,265**	**2,504,697**	**8,274,213**	**1,263,232,175**
A. NON-CURRENT ASSETS	**714,178,075**	**2,503,493**	**143,071**	**716,824,639**
I. Intangible assets	2,391,273	0	143,071	2,534,344
II. Property, plant and equipment	21,631,225	2,503,493	0	24,134,718
III. Right of use assets	2,945,586	0	0	2,945,586
IV. Financial investments in subsidiaries	588,159,979	0	0	588,159,979
V. Other financial investments and loans	40,880,442	0	0	40,880,442
VI. Operating receivables	10,884,694	0	0	10,884,694
VIII. Deferred tax receivables	47,284,876	0	0	47,284,876
B. CURRENT ASSETS	**538,275,190**	**1,204**	**8,131,142**	**546,407,536**
II. Inventories	21,762,281	0	0	21,762,281
IV. Operating receivables from buyers	259,323,805	739	7,814,573	267,139,117
V. Contract assets	1,216,082	0	0	1,216,082
VII. Other assets	56,667,102	465	316,569	56,984,136
VIII. Cash and cash equivalents	199,305,920	0	0	199,305,920
EQUITY AND LIABILITIES	**1,252,453,265**	**2,504,697**	**8,274,213**	**1,263,232,175**
A. EQUITY	**984,148,854**	**2,499,915**	**-277,504**	**986,371,265**
I. Called-up capital	29,558,789	0	0	29,558,789
II. Capital reserves	557,677,293	1,666,242	1,899,650	561,243,185
III. Reserves from profit	111,882,766	0	0	111,882,766
IV. Risk hedging reserve	2,552,413	0	-1,125,163	1,427,250
V. Fair value reserves	-155,877	0	0	-155,877
VI. Retained profit/loss	282,633,470	811,745	-1,051,991	282,415,152
B. NON-CURENT LIABILITIES	**5,865,563**	**0**	**0**	**5,865,563**
I. Provisions for severance pays and anniversary bonuses	2,173,320	0	0	2,173,320
II. Other provisions	104,547	0	0	104,547
III. Other liabilities	1,450,871	0	0	1,450,871
V. Financial liabilities from leases	2,136,825	0	0	2,136,825
C. CURRENT LIABILITIES	**262,438,846**	**4,782**	**8,551,719**	**270,995,347**
II. Financial liabilities	25,469	0	0	25,469
III. Financial liabilities from leases	924,824	0	0	924,824
IV. Operating liabilities	201,071,478	4,649	7,469,829	208,545,956
VI. Current tax liabilities	28,345,755	21,928	0	28,367,683
VII. Other liabilities	32,049,392	133	1,081,890	33,131,415

Income statement by segment

Revenue

Revenue is determined monthly and cumulatively by profit centres. With the issuance of an invoice, the Back Office Service determines the profit centre to which the invoiced revenue belongs. Revenue is determined and allocated between operating revenue and financial revenue. Revenue is generally direct.

Operating revenue is allocated directly to the profit centre in accordance with the chart of accounts of the general ledger and is combined into types of revenue by purpose and by individual profit centre.

Financial revenue is, due to the negligible values of revenue generated, allocated to the segments of electricity trading to individual profit centres.

Expenses

Expenses are broken down into operating and financial expenses.

The Company breaks down costs by type and place. By natural type, it breaks down costs into costs of material, costs of services, depreciation and amortisation costs, labour costs and other operating and financial expenses. The costs of material, services, depreciation and amortisation, labour and other operating expenses are treated separately as direct and indirect costs.

A cost centre is a purpose-, location- or substance-related rounded part of the Company at which or in connection with which costs arise in operations that can be allocated to individual cost objects and for which someone is responsible. Realised costs are allocated by cost centres based on accounting documents on their occurrence. Each accounting document must indicate the cost centre or profit centre (expenses) to which the cost/expense relates. Certain costs/expenses can be allocated to cost centres/profit centres directly, while others can be allocated on the basis of cost distribution keys. Cost allocation methods are addressed below for each type of cost.

Overview of costs and expenses and their allocation:

All costs recorded at indirect cost centres are allocated according to the relevant distribution keys. These are calculated each year separately on the basis of the determined key, calculated from the share of revenue for electricity produced from production units and the share of revenue generated from gas trading in total net revenue.

Financial expenses are allocated to the segments of electricity trading to individual profit centres.

The income statement for the activity of electricity production from the solar power plant and gas trading is therefore compiled on the basis of the following rules:

- net sales revenue reflects the value of invoices issued to customers for electricity from the solar power plant and gas trading,
- costs of material and services include the costs related to the maintenance and operation of the solar power plant and gas trading,
- labour costs represent the salaries of employees in individual activities,
- depreciation and amortisation costs represent the depreciation and amortisation of the solar power plant and software, and
- current tax is the calculated corporate income tax based on the operating result of the activity.

4.5.8.2 Income statement by segment for 2025

Income statement (in EUR)	Electricity trading	SPP production	Gas trading	2025
1. Net sales revenues	3,109,672,038	225,642	64,220,785	3,174,118,465
2. Other operating income	28,492,113	0	0	28,492,113
GROSS OPERATING INCOME	**3,138,164,151**	**225,642**	**64,220,785**	**3,202,610,578**
5. Costs of goods, materials and services	2,808,992,084	10,777	65,122,188	2,874,125,049
6. Labour costs	22,476,415	2,300	464,675	22,943,390
7. Value write-offs	1,989,542	110,787	59,468	2,159,797
8. Other operating expenses	42,125,793	2,106	6,641	42,134,540
OPERATING PROFIT/LOSS	**262,580,317**	**99,672**	**-1,432,187**	**261,247,802**
9. Financial revenue	4,010,776	0	0	4,010,776
10. Financial expenses	5,160,949	0	0	5,160,949
FINANCIAL OUTCOME	**-1,150,173**	**0**	**0**	**-1,150,173**
PROFIT (LOSS) BEFORE TAX	**261,430,144**	**99,672**	**-1,432,187**	**260,097,629**
TAX	**23,172,929**	**0**	**0**	**23,172,929**
11. Current tax	28,367,683	21,928	0	28,367,683
12. Deferred tax	-5,194,754	0	0	-5,194,754
NET PROFIT/LOSS FOR THE YEAR	**238,257,215**	**77,744**	**-1,432,187**	**236,924,700**

Signing of the Annual Report for 2025 and its constituent parts

The Management Board of HSE declares that it is familiar with the content of the constituent parts of the annual report of the HSE Group and the HSE Company for 2025, and thus also with the entire annual report of the HSE Group and the HSE Company for 2025. It agrees with it and confirms this with its signature.

Ljubljana, 29 May 2026

Uroš Podobnik
CBO of HSE



Tomaž Štokelj, Ph. D.
CEO of HSE



5 APPENDICES

MOMENTUM, SUPPORTED BY A BROADER PICTURE

Every measurable achievement is an indicator of our progress in energy production, in environmental indicators and in our relationships with the local communities with which we cooperate. However, we see our greatest strength in the broader picture, which figures do not fully capture: in a clearly charted path forward, long-term planning, and responsibility to nature, which drives us onward.



5.1 List of disclosure requirements from ESRS that are covered in the Sustainability Report

List of material disclosure requirements	Section
ESRS 2 – General disclosures	**2.9.2**
BP-1 – General basis for preparation of sustainability statements	2.9.2
BP-2 – Disclosures in relation to specific circumstances	2.9.2
GOV-1 – The role of the administrative, management and supervisory bodies	2.9.3
GOV-2 – Information provided to and sustainability matters addressed by the company's administrative, management and supervisory bodies	2.9.3
GOV-3 – Integration of sustainability-related performance in incentive schemes	2.9.3
GOV-4 – Statement on due diligence	2.9.3
GOV-5 – Risk management and internal controls over sustainability reporting	2.9.3
SBM-1 – Strategy, business model and value chain	2.9.4
SBM-2 – Interests and views of stakeholders	2.9.4
SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model	2.9.5
IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities	2.9.5
IRO-2 – Disclosure requirements in ESRS covered by the company's sustainability statement	2.9.5
E1 – Climate change	**2.9.6**
ESRS 2 GOV-3-E1 – Integration of sustainability-related performance in incentive schemes	2.9.6
E1-1 – Transition plan for mitigating climate change	2.9.6

List of material disclosure requirements	Section
ESRS 2 SBM-3-E1 – Material impacts, risks and opportunities and their interaction with strategy and business model	2.9.6
ESRS 2 IRO-1-E1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities	2.9.6
E1-2 – Policies related to mitigating climate change and adaptation	2.9.6
E1-3 – Actions and resources in relation to climate change policies	2.9.6
E1-4 – Targets related to mitigating climate change and adaptation	2.9.6
E1-5 – Energy consumption and mix	2.9.6
E1-6 – Gross scope 1, 2 and 3 GHG emissions and total GHG emissions	2.9.6
E1-7 – GHG removals and GHG mitigation projects financed through carbon credits	2.9.6
E1-8 – Internal carbon pricing	2.9.6
E4 - Biodiversity and ecosystems	**2.9.7**
E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model	2.9.7
ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model	2.9.7
ESRS 2 IRO-1 – Description of the processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	2.9.7
E4-2 – Policies related to biodiversity and ecosystems	2.9.7
E4-3 – Actions and resources related to biodiversity and ecosystems	2.9.7
E4-4 – Targets related to biodiversity and ecosystems	2.9.7
E4-5 – Impact metrics related to biodiversity and ecosystems change	2.9.7

List of material disclosure requirements	Section
S1 - Own workforce	**2.9.8**
ESRS 2 SBM-2 – Interests and views of stakeholders	2.9.8
ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model	2.9.8
S1-1 – Policies related to own workforce	2.9.8
S1-2 – Processes for engaging with own workers and workers' representatives about impacts	2.9.8
S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns	2.9.8
S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	2.9.8
S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	2.9.8
S1-6 – Characteristics of the company's employees	2.9.8
S1-8 – Collective bargaining coverage and social dialogue	2.9.8
S1-9 – Diversity metrics	2.9.8
S1-10 – Adequate salaries	2.9.8
S1-11 – Social protection	2.9.8
S1-12 – Persons with disabilities	2.9.8
S1-13 – Training and skills development metrics	2.9.8
S1-14 – Health and safety metrics	2.9.8
S1-15 – Work-life balance metrics	2.9.8
S1-17 – Incidents, complaints and severe human rights impacts	2.9.8

List of material disclosure requirements	Section
S3 - Affected communities	**2.9.9**
ESRS 2 SBM-2 – Interests and views of stakeholders	2.9.9
ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model	2.9.9
S3-1 – Policies related to affected communities	2.9.9
S3-2 – Processes for engaging with affected communities about impacts	2.9.9
S3-3 – Processes to remediate negative impacts and channels for affected communities to raise concerns	2.9.9
S3-4 – Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	2.9.9
S3-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	2.9.9
S4 - Consumers and end-users	**2.9.10**
ESRS 2 SBM-2 – Interests and views of stakeholders	2.9.10
ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model	2.9.10
S4-1 – Policies related to consumers and end-users	2.9.10
S4-2 – Processes for engaging with consumers and end-users about impacts	2.9.10
S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	2.9.10
S4-4 – Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	2.9.10
S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	2.9.10

List of material disclosure requirements	Section
G1 - Business conduct	**2.9.11**
ESRS 2 GOV-1 – The role of the administrative, supervisory and management bodies	2.9.11
ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities	2.9.11
G1-1 – Business conduct policies and corporate culture	2.9.11
G1-3 – Prevention and detection of corruption and bribery	2.9.11
G1-4 – Confirmed incidents of corruption or bribery	2.9.11

5.2 Disclosures arising from other legislation related to sustainability reporting

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS 2 GOV-1 Board's gender diversity, paragraph 21(d)	Indicator number 13 of Table 1 of Annex I		Commission Delegated Regulation (EU) 2020/1816(5), Annex II			General information (ESRS 2)
ESRS 2 GOV-1 Percentage of independent board members, paragraph 21(e)			Delegated Regulation (EU) 2020/1816, Annex II			General information (ESRS 2)
ESRS 2 GOV-4 Statement on due diligence, paragraph 30	Indicator number 10 of Table 3 of Annex I					General information (ESRS 2)
ESRS 2 SBM-1 Involvement in activities related to fossil fuels, paragraph 40(d)(i)	Indicator number 4 of Table 1 of Annex I	Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453(6), Table 1 Qualitative information on environmental risk and Table 2 Qualitative information on social risk	Delegated Regulation (EU) 2020/1816, Annex II			General information (ESRS 2)
ESRS 2 SBM-1 Involvement in activities related to chemical production, paragraph 40(d)(ii)	Indicator number 9 of Table 2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not material	/

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS 2 SBM-1 Involvement in activities related to chemical production, paragraph 40(d)(ii)	Indicator number 9 of Table 2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not material	/
ESRS 2 SBM-1 Involvement in activities related to controversial weapons, paragraph 40(d)(iii)	Indicator number 14 of Table 1 of Annex I		Delegated Regulation (EU) 2020/1818(7), Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material	/
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco, paragraph 40(d)(iv)			Delegated Regulation (EU) 2020/1818, Article 12(1), Delegated Regulation (EU) 2020/1816, Annex II		Not material	/
ESRS E1-1 Transition plan to reach climate neutrality by 2050, paragraph 14				Regulation (EU) 2021/1119, Article 2(1)		Climate change mitigation and adaptation (ESRS E1)
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks, paragraph 16(g)		Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 1: Banking book – Climate change transition risk: credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12(1), points (d) to (g), and Article 12(2)			Climate change mitigation and adaptation (ESRS E1)

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS E1-4 GHG emission reduction targets, paragraph 34	Indicator No 4 in Table 2 of Annex I	Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6			Climate change mitigation and adaptation (ESRS E1)
ESRS E1-5 Energy consumption from fossil sources, disaggregated by sources (only high climate impact sectors), paragraph 38	Indicator No 5 in Table 1 and Indicator No 5 in Table 2 of Annex I					Climate change mitigation and adaptation (ESRS E1)
ESRS E1-5 Energy consumption and mix, paragraph 37	Indicator No 5 in Table 1 of Annex I					Climate change mitigation and adaptation (ESRS E1)
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors, paragraphs 40 to 43	Indicator No 6 in Table 1 of Annex I					Climate change mitigation and adaptation (ESRS E1)
ESRS E1-6 Gross scope 1, 2, 3 GHG emissions and total GHG emissions, paragraph 44	Indicators No 1 and 2 in Table 1 of Annex I	Article 449a of Regulation (EU) No 575/2013; Commission Implementing	Delegated Regulation (EU) 2020/1818, Articles 5(1), 6 and 8(1)			Climate change mitigation and adaptation (ESRS E1)

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
		Regulation (EU) 2022/2453, Template 1: Banking book – Climate change transition risk: credit quality of exposures by sector, emissions and residual maturity				
ESRS E1-6 Gross GHG emissions intensity, paragraphs 53 to 55	Indicator No 3 in Table 1 of Annex I	Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)			Climate change mitigation and adaptation (ESRS E1)
ESRS E1-7 GHG removals and carbon credits, paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Not material	Climate change mitigation and adaptation (ESRS E1)
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks, paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II; Delegated Regulation (EU) 2020/1816, Annex II		/	/
ESRS E1-9 Disaggregation of monetary amounts by		Article 449a of Regulation (EU) No			/	/

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
acute and chronic physical risk, paragraph 66(a) ESRS E1-9 Location of significant assets at material physical risk, paragraph 66(C)		575/2013; Commission Implementing Regulation (EU) 2022/2453, paragraphs 46 and 47; Template 5: Banking book – Climate change physical risk: exposures subject to physical risk				
ESRS E1-9 Breakdown of the carrying value of the undertaking's real estate assets by energy-efficiency classes, paragraph 67(C)		Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, paragraph 34; Template 2: Banking book – Climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral			/	/
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities, paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		/	/

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS E2-4 Amount of each pollutant listed in Annex II of the European Pollutant Release and Transfer Register Regulation (European PRTR) emitted to air, water and soil, paragraph 28	Indicator No 8 in Table 1 of Annex I, Indicator No 2 in Table 2 of Annex I, Indicator No 1 in Table 2 of Annex I, Indicator No 3 in Table 2 of Annex I				Not material	/
ESRS E3-1 Water and marine resources, paragraph 9	Indicator No 7 in Table 2 of Annex I				Not material	/
ESRS E3-1 Dedicated policy, paragraph 13	Indicator No 8 in Table 2 of Annex I				Not material	/
ESRS E3-1 Sustainable oceans and seas, paragraph 14	Indicator No 12 in Table 2 of Annex I				Not material	/
ESRS E3-4 Total water recycled and reused, paragraph 28 C	Indicator No 6.2 in Table 2 of Annex I				Not material	/
ESRS E3-4 Total water consumption in m3 per net revenue in its own operations, paragraph 29	Indicator No 6.1 in Table 2 of Annex I				Not material	/
ESRS 2 – IRO-1 – E4, paragraph 16(a)(i)	Indicator No 7 in Table 1 of Annex I				Material	Ecosystems and biodiversity (ESRS E4)

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS 2 – IRO-1 – E4, paragraph 16(b)	Indicator No 10 in Table 2 of Annex I				Material	Ecosystems and biodiversity (ESRS E4)
ESRS 2 – IRO-1 – E4, paragraph 16 C	Indicator No 14 in Table 2 of Annex I				Not material	/
ESRS E4-2 Sustainable land/agriculture practices or policies, paragraph 24(b)	Indicator No 11 in Table 2 of Annex I				Not material	/
ESRS E4-2 Sustainable oceans/seas practices or policies, paragraph 24c	Indicator No 12 in Table 2 of Annex I				Not material	/
ESRS E4-2 Policies to address deforestation, paragraph 24(d)	Indicator No 15 in Table 2 of Annex I					/
ESRS E5-5 Non-recycled waste, paragraph 37(d)	ESRS E5-5 Non-recycled waste, paragraph 37(d)				Not material	/
ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39	ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39				Not material	/
ESRS 2 – SBM-3 – S1 Risk of incidents of forced labour, paragraph 14(f)	Indicator No 13 in Table 3 of Annex I				Not material	Own workforce (ESRS S1)
ESRS 2 – SBM-3 – S1 Risk of incidents of child labour, paragraph 14(g)	Indicator No 12 in Table 3 of Annex I				Not material	Own workforce (ESRS S1)

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS S1-1 Human rights policy commitments, paragraph 20	Indicator No 9 in Table 3 and Indicator No 11 in Table 1 of Annex I					Own workforce (ESRS S1)
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II			Own workforce (ESRS S1)
ESRS S1-1 Processes and measures for preventing trafficking in human beings, paragraph 22	Indicator No 11 in Table 3 of Annex I				Not material	/
ESRS S1-1 Workplace accident prevention policy or management system, paragraph 23	Indicator No 1 in Table 3 of Annex I					Own workforce (ESRS S1)
ESRS S1-3 Grievance/complaints handling mechanisms, paragraph 32(c)	Indicator No 5 in Table 3 of Annex I					Own workforce (ESRS S1)
ESRS S1-14 Number of fatalities and number and rate of work-related accidents, paragraph 88(b) and (c)	Indicator No 2 in Table 3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II			Own workforce (ESRS S1)

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness, paragraph 88(e)	Indicator No 3 in Table 3 of Annex I					Own workforce (ESRS S1)
ESRS S1-16 Unadjusted gender pay gap, paragraph 97(a)	Indicator No 12 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not material	/
ESRS S1-16 Excessive CEO pay ratio, paragraph 97(b)	Indicator No 8 in Table 3 of Annex I				Not material	/
ESRS S1-17 Incidents of discrimination, paragraph 103(a)	ESRS S1-17 Incidents of discrimination, paragraph 103(a)				Material	Own workforce (ESRS S1)
ESRS S1-17 Non-respect of UN Guiding Principles on Business and Human Rights and OECD Guidelines, paragraph 104(a)	ESRS S1-17 Non-respect of UN Guiding Principles on Business and Human Rights and OECD Guidelines, paragraph 104(a)		ESRS S1-17 Non-respect of UN Guiding Principles on Business and Human Rights and OECD Guidelines, paragraph 104(a)		Not material	/
ESRS 2 – SBM-3 – S2 Significant risk of child labour or forced labour in the value chain, paragraph 11(b)	Indicators No 12 and 13 in Table 3 of Annex I				Not material	/
ESRS S2-1 Human rights policy commitments, paragraph 17	Indicator No 9 in Table 3 and Indicator No 11 in Table 1 of Annex I				Not material	/

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS S2-1 Policies related to value chain workers, paragraph 18	Indicators No 11 and 4 in Table 3 of Annex I				Not material	/
ESRS S2-1 Non-respect of UN Guiding Principles on Business and Human Rights and OECD Guidelines, paragraph 19	Indicator No 10 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II; Delegated Regulation (EU) 2020/1818, Article 12(1)		Not material	/
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Not material	/
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain, paragraph 36	Indicator No 14 in Table 3 of Annex I				Not material	/
ESRS S3-1 Human rights policy commitments, paragraph 16	Indicator No 9 in Table 3 of Annex I and Indicator No 11 in Table 1 of Annex I					Affected communities (ESRS S3)
ESRS S3-1 Non-respect of UN Guiding Principles on Business and Human Rights, ILO Principles or OECD Guidelines, paragraph 17	Indicator No 10 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II; Delegated Regulation (EU) 2020/1818, Article 12(1)			/

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS S3-4 Human rights issues and incidents, paragraph 36	Indicator No 14 in Table 3 of Annex I					/
ESRS S4-1 Policies related to consumers and end-users, paragraph 16	Indicator No 9 in Table 3 and Indicator No 11 in Table 1 of Annex I					Consumers and end-users (ESRS S4)
ESRS S4-1 Non-respect of UN Guiding Principles on Business and Human Rights and OECD Guidelines, paragraph 17	Indicator No 10 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II; Delegated Regulation (EU) 2020/1818, Article 12(1)			/
ESRS S4-4 Human rights issues and incidents, paragraph 35	Indicator No 14 in Table 3 of Annex I				Not material	/
ESRS G1-1 United Nations Convention against Corruption, paragraph 10(b)	Indicator No 15 in Table 3 of Annex I					Business conduct (ESRS G1)
ESRS G1-1 Protection of whistleblowers, paragraph 10(d)	Indicator No 6 in Table 3 of Annex I					Business conduct (ESRS G1)
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws, paragraph 24(a)	Indicator No 17 in Table 3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not material	/

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material	Section
ESRS G1-4 Standards for anti-corruption and anti-bribery, paragraph 24(b)	Indicator No 16 in Table 3 of Annex I					Business conduct (ESRS G1)

5.3 List of abbreviations

AA1000SES	AccountAbility 1000 Stakeholder Engagement Standard
ACER	Agency for the Cooperation of Energy Regulators
AI	Artificial Intelligence
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
ARA	Amsterdam, Rotterdam, Antwerp
ARRS	Slovenian Research and Innovation Agency
ARSO	Slovenian Environment Agency
BAT	Best Available Techniques
BESS	Battery energy storage systems
CAPEX	Capital Expenditures
CBAM	Carbon Border Adjustment Mechanism
CCS	Carbon Capture and Storage
CfD	Contract for Difference
CISO	Chief Information Security Officer
CRM	Customer Relationship Management
CSD	Centre for Social Work
CSRD	Corporate Sustainability Reporting Directive
CV	Control Centre
DARS	Motorway Company in the Republic of Slovenia
DEM	Dravske elektrarne Maribor d.o.o.
DGD	Documentation for obtaining a building permit
DIIP	Investment project identification document
DNSH	Do No Significant Harm
DOOD	Socially responsible employer
DPN	National spatial plan
DPP	Family-friendly company
DRSI	Slovenian Infrastructure Agency
DUJPP	Public Passenger Transport Management Company
EBIT	Operating profit or loss
EBITDA	Operating profit or loss including value write-offs
EC	European Commission
ECB	European Central Bank
ECE	ECE d.o.o.
ECL	Expected Credit Loss
EE	Electricity
EES	Electric power system
EEX	The European Energy Exchange
EFET	European Federation of Energy Traders
EFRAG	European Financial Reporting Advisory Group
EGS-RI	Electric Power Industry of Slovenia
EIA	Environmental impact assessment

EIB	European Investment Bank
EIC	Energy Identification Code
EIMV	Milan Vidmar Electric Power Research Institute
ELES	ELES d.o.o., transmission system operator
EMIR	The European Market Infrastructure Regulation
Energija plus	Energija plus d.o.o.
EPIK	Energy professions and competences
EPO	Ecologically important area
ERP	Enterprise Resource Planning
ERS	Elektroprivreda Republike Srpske
ESG	Environmental, Social, and Governance Standards
ESRS	European Sustainability Reporting Standards
ETS	European Union Emissions Trading System
EU	European Union
EUA	European Union Allowance
EUR/€	Euro
EZ	Energy Act
FARCROSS	Facilitating Regional CROSS-border Electricity Transmission through Innovation
FAT	Factory Acceptance Test
FED	Federal Reserve System
Fit for 55	Fit for 55
FSRU	Floating Storage Regasification unit
GDP	Gross domestic product
GE	Geothermal power plant
GEN-I Sonce	GEN-I Sonce d.o.o.
GHG	Greenhouse gases
GHG	Greenhouse Gas
GIS	Gas Insulated Switchgear
GRI	Global Reporting Initiative
GWP	Global Warming Potential
GZS	Chamber of Commerce and Industry of Slovenia
HESS	Hidroelektrarne na Spodnji Savi d.o.o.
HOP	Hydraulic mining support
HPP	Hydroelectric power plant
HSE BE	HSE Balkan Energy d.o.o.
HSE BH	HSE Bosna in Hercegovina d.o.o.
HSE EDT	HSE Energetska družba Trbovlje d.o.o.
HSE MAK	HSE Mak Energy DOOEL
HSE SaŠa	HSE SaŠa, družba za razvoj obnovljivih virov energije d.o.o.
HSE	Holding Slovenske elektrarne d.o.o.
HTZ	HTZ harmonija tehnologije in znanja invalidsko podjetje d.o o. Velenje
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBR	Internal credit rating class
ICT	Information and Communication Technology
IDR	Conceptual design

IEA	International Energy Agency
IFC	International Finance Corporation
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS	International Financial Reporting Standards
IJS	Jožef Stefan Institute
ILO	International Labour Organization
IMF	International Monetary Fund
IP	Investment programme
IPCC	The Intergovernmental Panel on Climate Change
IRENA	International Renewable Energy Agency
IRO	Investment Recovery Opportunities
IS	Information system
ISCID	International Centre for Settlement of Investment Disputes
ISDA	International Swaps and Derivatives Association
ISO	International Organisation for Standardisation
ISO/IEC	Information security management system
ISSB	International Sustainability Standards Board
IT	Information technology
JROS	"Joint Resource Optimisation and Scheduler" project
JTF	Just Transition Fund
KK	HR Committee
KP	Restructuring Committee
KPI	Key Performance Indicator
KPK	Commission for the Prevention of Corruption
KRI	Key Risk Indicator
KTI	Trading and Investment Committee
KTP	Key talent pool
KUDD	Corporate Governance Code for Companies with State Capital Investment
KYC	Know-your-counterparty
KZPS	Kontrola zračnega prometa Slovenije d.o.o.
LEAP	Locate, Evaluate, Assess, Prepare
LECL	Lifetime Expected Credit Losses
LEI	Legal Entity Identifier
LNG	Liquefied natural gas
LNG	Liquefied natural gas
LoW	European List of Waste
LRF	Linear Reduction Factor
LTSA	Long-Term Service Agreement
Mbpd	Milion barrels per day
MC	Monte Carlo
MF	Ministry of Finance
MiFID	Markets in Financial Instruments Directive
MNVP	Ministry of Natural Resources and Spatial Planning
MOPE	Ministry of the Environment, Climate and Energy
MORS	Ministry of Defence
MSR	Market Stability Reserve

MtM	Mark-to-Market
MZI	Ministry of Infrastructure
NAHV	North Adriatic Hydrogen Valley
NCKU	National Crisis Management Centre
NEK	Nuklearna elektrarna Krško d.o.o.
NEPN	National Energy and Climate Plan of the Republic of Slovenia
NIS 2	Directive on measures for a high common level of cybersecurity across the Union
NNON	National Nature Restoration Plan
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
OHSAS	Occupational health and safety management system
OMM	Operation and Maintenance Manual
OP	Environmental report
OPEC	Organization of the Petroleum Exporting Countries
OPEX	Operating Expenditures
OPN	Operational business plan
OPPN	Municipal detailed spatial plan
OT	Operational technology
OUT	Risk Management Committee
PCI	Project of Common Interest
PLP	PLP Lesna industrija d.o.o. Velenje
PoI	Certificates of origin
PPA	Power purchase agreement
PPE	Combined cycle gas turbine power plant
PSE	Floating solar power plant
PSH	Pumped-storage hydro power plant
PV	Premogovnik Velenje d.o.o.
Qes	Ecological Acceptable Flow
RCP	Representative Concentration Pathways
REMIT	Regulation on Energy Market Integrity and Transparency
RES	Renewable energy sources
RGP	RGP Rudarski gradbeni program d.o.o.
RiTE Ugljevik	Rudnik i Termoelektrarna Ugljevik
RK	Audit Committee
RNC	Project development plan
ROA	Return on Assets
ROE	Return on Equity
RS	Republic of Slovenia
RVC	Price difference
SAŠA	Savinjska-Šaleška Region
SASB	Sustainability Accounting Standards Board
SB	Supervisory Board

SDG	Sustainable Development Goals
SDH	Slovenski državni holding d.d.
SEL	Savske elektrarne Ljubljana d.o.o.
SENG	Soške elektrarne Nova Gorica d.o.o.
SFDR	Sustainable Finance Disclosure Regulation
SHPP	Small hydroelectric power plant
SI-CERT	Slovenian National Cyber Security Response Centre
SIEM	Security Information and Event Management
SIPOTEH	SIPOTEH Strojna in proizvodna oprema d.o.o.
SMR	Small modular reactor
SODO	Electricity distribution system operator
SONDO	System operating instructions for the electricity distribution network
SONPO	System operating instructions for the electricity transmission system of the Republic of Slovenia
SOPO	Transmission system operator
SOVA	Slovenian Intelligence and Security Agency
SPF	Statement of financial position
SPP	Solar power plant
SRESA	Srednjesavske elektrarne d.o.o.
SRF	Solid recovered fuels
SSP	Compliance department
SSRN	Standard Setting and Regulatory Norms
STS	Slovenian technical approval
SURE	Sustainable Resources Verification Scheme
SUVI	Information security management system
ŠV	Variant study
TAB	Tovarna akumulatorskih baterij d.d.
TCFD	Task Force on Climate-related Financial Disclosures
TD	Thermal division
TE	Thermal power plant
TEŠ	Termoelektrarna Šoštanj d.o.o.
TNFD	Taskforce on Nature-related Financial Disclosures
TTF	Title Transfer Facility
TwinEU	European project/consortium in the field of digitalisation and energy systems
UE	Administrative unit
	Ugljevik Mine and Thermal Power Plant
UN	United Nations
UN	United Nations
UNGPs	United Nations Guiding Principles on Business and Human Rights

UNV	Decree on the most suitable variant
URE	Efficient use of energy
URSZR	Administration of the Republic of Slovenia for Civil Protection and Disaster Relief
USA	United States of America
USD	US Dollar
V2G	Vehicle-to-Grid
VaR	Value-at-Risk
VAT	Value added tax
VE	Wind power plant
VOC	Security Operations Centre
ZFPPIPP	Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act
ZGD	Companies Act
ZInfV-1	Information Security Act
ZIUPRPK	Act on Intervention Measures to Prevent Adverse Consequences in the Extension of Mining Rights and Concessions
ZOEE	Electricity Supply Act
ZOOP	Green renovation of existing projects
ZOP	Gas Supply Act
ZOTDS	Act on Heat Supply from Distribution Systems
ZPFOLERD	Act on the Transparency of Financial Relations and Separate Recording of Different Activities
ZPFPPIPP	Act on Transitional Financing of an Accelerated and Just Coal Phase-Out
ZPIZ	Pension and Disability Insurance Institute of Slovenia
ZPKEEKP	Act on the Guarantee of the Republic of Slovenia for Obligations Arising from Loans Raised to Ensure Liquidity on the Organised Electricity and Emission Allowance Markets and Obligations from the Purchase of Additional Quantities of Natural Gas Outside the European Union
ZRud	Mining Act
ZSDH	Slovenian Sovereign Holding Act
ZSDU	Worker Participation in Management Act
ZSROVE	Act on the Promotion of the Use of Renewable Energy Sources
ZUOKPOE	Act on Measures to Manage Crisis Situations in the Field of Energy Supply
ZURE	Energy Efficiency Act
ZUREP	Spatial Management Act
ZVZD	Occupational Health and Safety Act
ZZPri	Whistleblower Protection Act

5.4 Business Cards

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