

Annual Report

2023





2023 MANAGEMENT REPORT

OF ELEKTROPRIVREDA
CRNE GORE AD NIKŠIĆ



Dear Sir/Madam,

With immense pleasure, I present to you the 2023 Annual Report of Elektroprivreda Crne Gore. The year behind us was marked by both significant challenges and remarkable achievements. Our results confirm that we have managed to achieve our set goals and lay the foundations for future development.

Elektroprivreda Crne Gore achieved impressive business results in 2023. Total revenues amounted to 501,608,345 EUR, and net profit reached 52,494,741 EUR, significantly surpassing the achievements of 2022. This is a result of dedicated resource management and continuous improvement of operational processes.

Despite challenging market conditions, we have managed to maintain the stability of our business, both through preserving liquidity and credit-worthiness, and through the level of collection and the number of regular payers.

During 2023, we executed several capital projects of essential importance for our company and Montenegro's energy infrastructure. We invested in the modernization of our key facilities - HPP Piva, HPP Perućica, and TPP Pljevlja. These investments will enable improved generation efficiency, reduced operational costs, and a significant reduction in harmful gases emissions, thereby contributing to environmental protection and sustainable development.

We continued to invest intensively in renewable energy sources, and the construction of new capacities will contribute to the diversification of our energy portfolio and the reduction of dependence on fossil fuels.

Bearing in mind the socioeconomic characteristics of our society, we have implemented a discount policy for regular payers. Additionally, as part of the "Let's Share the Burden" campaign, we have continued the good practice of allowing households to repay their outstanding debt in fixed monthly installments, without interest, while simultaneously settling the new invoices. The exceptionally high collection rate best demonstrates our success in the domain of receivables collection for supplied electricity.

Recognizing the importance of socially responsible business practices, we have been closely observing the needs of the most important and vulnerable segments of Montenegrin society. Through our donation and sponsorship programs, we have eased the functioning of healthcare, educational, cultural, sports, and religious institutions, with a particular focus on scientific research projects and scholarships for talented students.

High priority is given to investing in the training and development of our employees, as we believe that they are the key to our success. Through continuous improvement and development, our team acquires the competencies to be able to respond to the future challenges.

Looking ahead, Elektroprivreda Crne Gore (EPCG) remains committed to sustainable development, innovation, and social responsibility. We will continue to invest in hydropower, solar, and wind power plants, with the aim of increasing the capacity of renewable energy sources and reducing CO2 emissions.

Our vision is for Elektroprivreda Crne Gore to be a leader in energy transition and sustainable development. I would like to thank all employees for their hard work and commitment, as well as our shareholders and partners for their support and trust. Together, we will continue to build a bright future for the Company and the community.

**Respectfully,
Ivan Bulatović
Chief Executive Officer
Elektroprivreda Crne Gore**

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| 1. The company in general |

Elektroprivreda Crne Gore a.d. Nikšić (hereinafter referred to as EPCG or the Company) is a vertically integrated company, functionally separated the company with delineated assignments, competences and management at all levels, its core activity including electricity generation and supply in Montenegro. Apart from the mentioned, the Company deals with the construction and maintenance of power facilities, electricity trading, designing and surveillance as well as other activities provided for in EPCG Articles of Association.



EPCG has been registered as

- The business company registered with the Tax Administration - Central Registry of the Commercial Entities under No. 4-0000330,
- The issuer of the securities registered with the Capital Market Commission,
- The holder of two licences for energy activity registered with the Energy Regulatory Agency:
 - E-001 – electricity generation
 - E-021 electricity supply

Company Corporate Bodies



Shareholders' Meeting



Board of Directors



Chief Executive Officer

The Company has the total of **877,38 MW** gross installed capacity for electricity generation, whereof:

342 MW
HPP Piva

307 MW
HPP Perućica

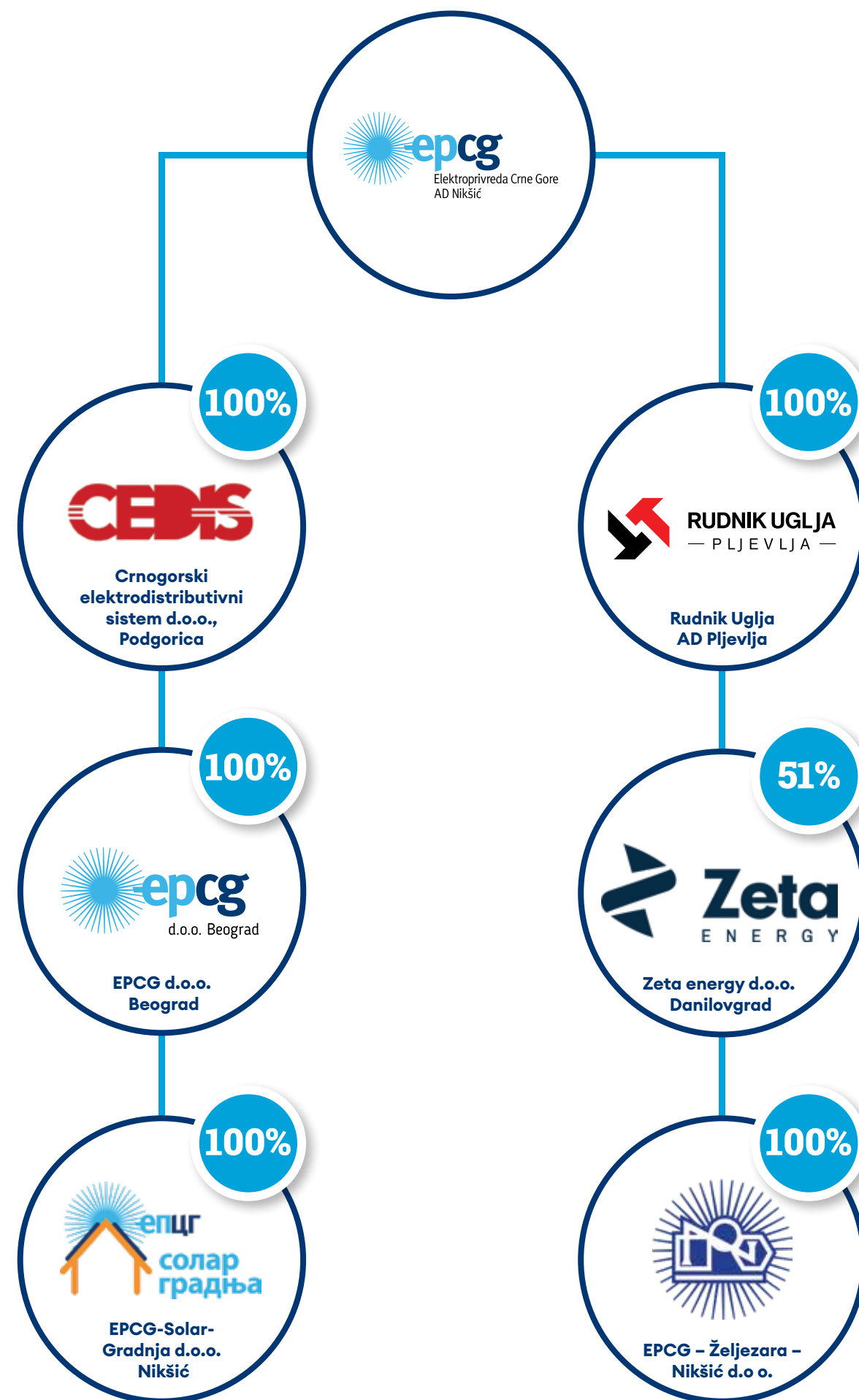
225 MW
TPP Pljevlja

3,38 MW
SHPP*

* Rijeka Mušovića, Šavnik, Lijeva Rijeka, Podgor i Rijeka Crnojevića.

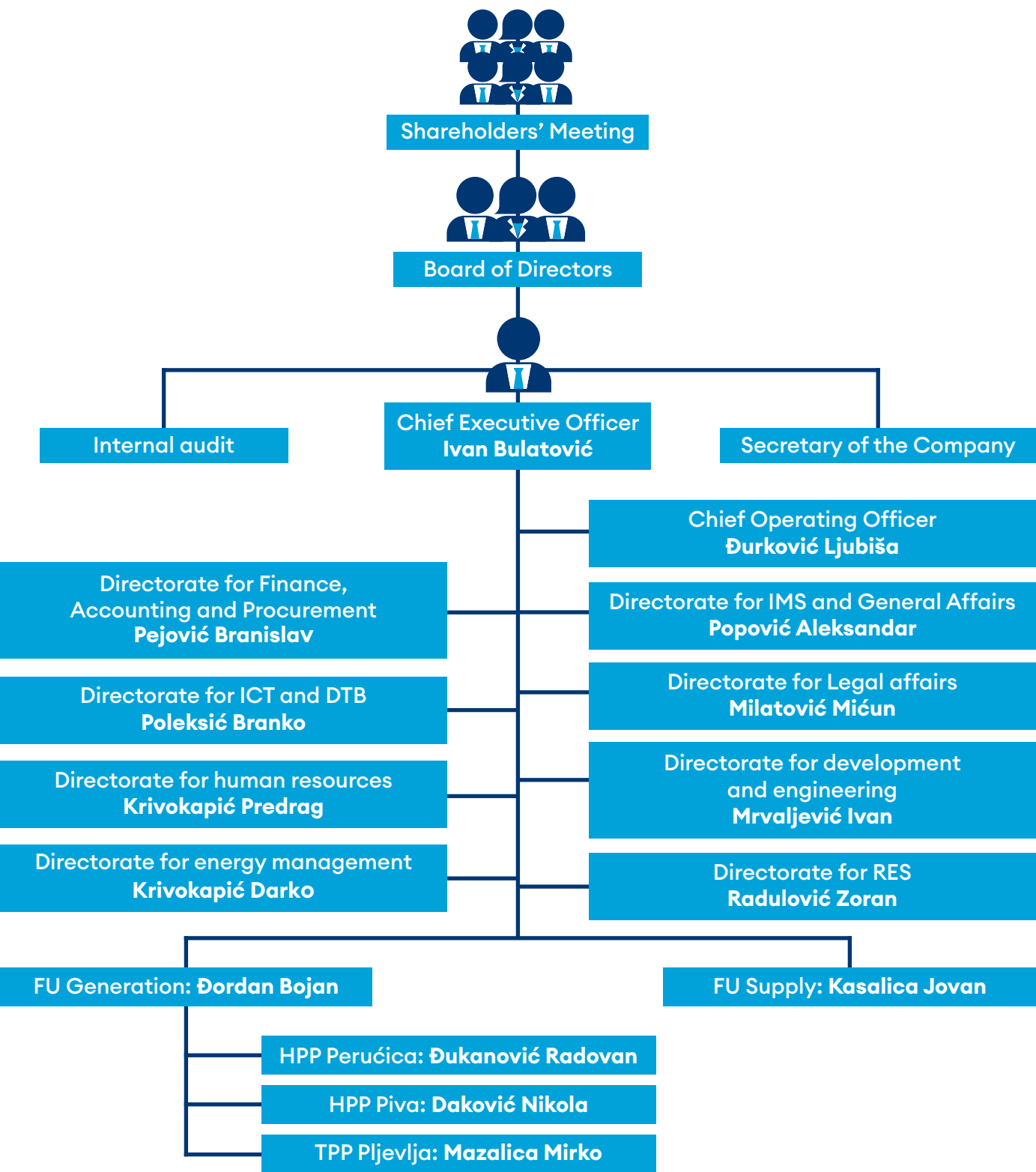
Activities of EPCG are carried out in the manner which secures efficient electricity generation, quality and regular supply of electricity which meets requirements of the Montenegrin consumption, business profitability, management efficiency and establishment of good business relations with all the partners.

EPCG GROUP STRUCTURE



| Organizational Structure |

Organizational structure of the Company consists of the Company's Corporate Bodies and organizational units (operational and functional units and branch offices).
Organisational units (hereinafter referred to as OU) of the Company are: OU Directorate for Finance, Accounting and Procurement, OU HR Directorate, OU Directorate for IMS and General Affairs, OU Directorate for Legal Affairs, OU Directorate for Development and Investments, OU Directorate for ICT and DTB, OU Energy Management Directorate and Functional Units – FU Generation and FU Supply.
Branch offices: HPP Perućica, HPP Piva, TPP Pljevlja, Regional Centre Podgorica, Regional Centre Nikšić, Regional Centre Bijelo Polje and Regional Centre Bar.
Organisational units are established as profit centres consisting of cost centres and lower organisational units.



| Mission, Vision and General Objectives |

Vision

EPCG's vision is to hold a leading position in Montenegro's economic development, achieve competitiveness at the European market and actively participate in new market challenges through investment in people, green energy, new technologies and capacities, maintenance and optimum use of resources.

Mission

Reliable and quality generation, electricity supply and trading in addition to full compliance with requirements and needs of our customers and other interested parties, improvement of the environmental care and high degree of corporate responsibility. Improvement of business operations in compliance with and application of highest professional and ethical standards, responsible behaviour while performing activities in line with applicable regulations, compliance and provision of trust both in EPCG as well as in wider business environment.

General objectives of EPCG

- Achieving as high electricity generation as possible along with optimum use of resources
- Safe and reliable electricity supply of customers
- Reliable and efficient generation
- Increase in business efficiency and effectiveness
- Satisfied customer
- Increase in energy efficiency throughout all generating segments
- Efficient energy management – trading with electricity and resource management
- Attractive employer to accumulate human potentials
- Compliance with ecological standards
- Compliance with safety standards and occupational health and safety
- Presence at international markets

| Corporate Management |

The international financial group, within the World Bank's Group, defines corporate management as a relation between different interest holders compared to the control of companies. Primarily, corporate management deals with the relations between the company's owners - shareholders and those who manage the company's business operations - administrative staff hired by shareholders to run the company.
Corporate management rules in the Company are based on the relevant legal frameworks, Company's Articles of Association and in-house procedures.



| Shareholders' Meeting |

The Shareholders' Meeting is the supreme management body of the Company. Some of the exclusive rights of the Shareholders' Meeting, in accordance with the Articles of Association of EPCG, are the following: to enact the Articles of Association and amendments thereto, to elect and dismiss members of the Board of Directors, to elect and dismiss the Auditor, to elect and dismiss the liquidator, to decide on disposal of the high-value Company's assets, to adopt annual financial statements and reports on the Company's business operations, as well as all the other rights in accordance with the EPCG Articles of Association.

EPCG Articles of Association also defines obligations of the Shareholder's Meeting, as well as all the relevant actions under its competence.

Two Shareholders' Meetings were held in 2023, the first one on June 28, 2023 (the 21st ordinary session), the second on September 21, 2023 (the 27th extraordinary session).

At XXI Ordinary Shareholders' Meeting held on June 28, 2023 the following decisions were made:

- Decision on the adoption of the 2022 Financial Statements of EPCG including the Notes and draft Auditor's Opinion provided by BDO d.o.o. Podgorica (BDO LLC Podgorica)

- Decision on the adoption of 2022 Business Report of EPCG AD Nikšić
- Decision on distribution of profit of Elektroprivreda Crne Gore AD Nikšić as at December 31, 2022
- Decision on the adoption of the Remuneration Policy of EPCG AD Nikšić together with the Methodology for calculation of a variable remuneration for persons tasked with special duties in EPCG AD
- Decision on the appointment of EPCG AD Nikšić Auditor for the year of 2023
- Decision on dismissal of EPCG AD Nikšić BoD members
- Decision on election of EPCG AD Nikšić BoD members
- Decision on the adoption of the 2022 Consolidated Financial Statements of EPCG AD Nikšić
- Decision on approving the BoD Decision of EPCG AD Nikšić concerning the increase of interest in CEDIS d.o.o. Podgorica (Montenegrin Electric Distribution System LLC Podgorica)

At XXVII Extraordinary Shareholders' Meeting of the Company, held on September 21, 2023, the following decisions were made:

- Decision on distribution of dividends of Elektroprivreda Crne Gore AD Nikšić for the year of 2021



| Board of Directors |



The Board of Directors is a collective body in charge of management and supervision of current operations and business of the Company. According to the Law, the Board of Directors consists of seven members, whereof at least three members are independent, which makes two fifths of total number of members. Members are elected by the Shareholders' Meeting while tasks and duties of this body are

defined by EPCG Articles of Association. During 2023, the Board of Directors held twenty-seven sessions. At the time of drawing up the Management Report, the Board of Directors is composed of the following members: Milutin Đukanović / Prof. Vladimir Katić, Ph.D. / Neven Gošović / Jovica Milanović, Ph.D. / Tahir Gjonbalaj / Zoran Miljanić / Simo Jokić.



Milutin Đukanović



Prof. Vladimir Katić, Ph.D.



Neven Gošović



Jovica Milanović, Ph.D.



Tahir Gjonbalaj



Zoran Miljanić



Simo Jokić

| Audit Committee and Internal Audit Team |

The Audit Committee and the Internal Audit Team have been established for performing auditing activities in the Company.

In accordance with the authorizations provided for in the Law on Accounting and the Law on Auditing, the Audit Committee monitors financial reporting, internal control and legal and ethical management of the Company. At the time of preparing this Management Report, the members of the EPCG Audit Committee are Milan Lakicević, chairman, Milijana Novovic-Burić, member and Borislav Ivanković, member.

The Internal Audit Team, in accordance with the law, performs independent and objective activities aimed at improving the Company’s operations through a systematic approach to assessing and improving the efficiency of the risk management and corporate governance control. The structure and composition of the Internal Audit Team is determined by the Board of Directors.



| Equity and Ownership Structure |

EPCG registered share capital amounts to	Shares	The nominal value per share stands at
€714.708.535,1175	109.659.921	€6,5175

The review below shows the registered ownership structure of the equity including nominal and percentage data on share in the EPCG equity:

Table No. 1: EPCG Equity Structure as at December 31, 2023

	Number of shares	Ownership (%)	December 31, 2023
State of Montenegro	108.060.759	98,5417%	704.285.996,7825
EPCG – treasury shares	110.015	0.1003%	717.022,7625
Physical entities	1.333.382	1.2159%	8.690.317,185
Legal entities	155.765	0.1421%	1.015.198,3875
	109.659.921	100%	714.708.535,1175

| Important Events in the Company |



The Board of Directors of Elektroprivreda Crne Gore (EPCG), in its capacity of the company founder, adopted a decision on incorporation of a daughter company EPCG-Željezara Nikšić DOO. EPCG ceded to its newly incorporated daughter company the use of the property acquired through the Sales and Purchase Agreement for the purpose of providing additional support to the development of solar and other renewable energy sources which represent the future of Montenegro’s energy sector.

Due to great interest of the public, the deadline for applying for the SOLARI 5000+ Project (70 MW) has been extended.

EPCG, CEDIS and the Ministry of Education signed the Agreement on Cooperation which implies strategic determination of the vocational educational sys-





tem. It is aimed at developing a system that provides an individual with an opportunity to acquire employment-oriented knowledge and skills, personal and professional growth, faster and more efficient adjustment of the education system to the volatile requirements of the labour market.

Representatives of Elektroprivreda Crne Gore (EPCG) and of the Planetsoft Consortium signed an Agreement on procurement and implementation of DMS software for management of documents and project activities, as well as of the software for the monitoring and management of the in-field teams. The Agreement is valued at cca €1.8 million, VAT included.

The Chairman of the Board of Directors, the CEO and representatives of EPCG management participated in many professional gatherings and conferences in 2023:

- Regional workshop on integration of the regional power utilities into ETS System and use of dedicated funds for financing development of replacement capacities. The workshop aimed to recommend enabling of the WB integration into the EU electricity and carbon market, energy safety improvement and stimula-

tion of a faster decarbonisation of the overall energy sector via planned integration of the contracting parties from the Western Balkans participating in the Contract on Energy Community into the EU ETS System

- Belgrade Economy Forum organised by the Balkan Green Energy
- WB ESG Summit in Porto Montenegro
- VI Jahorina Economy Forum entitled Regional Integrations and Bosnia and Herzegovina: Berlin Process and/or the Open Balkans
- Sarajevgo Energy Forum – SEF, organised by the Solar Academy Foundation under the auspices of the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina

In 2023, EPCG organised the second EPCG Net Symposium 2023 – New Energy Tendencies, which took place in Budva. The symposium gathered the most prominent experts in the energy sector from the country, region and Europe whilst the following topics were discussed during four panels: REGIONAL AND EU RESPONSE TO THE ENERGY CRISIS; OPTIMAL ENERGY MIX FO THE FUTURE AND CHALLENGES IN RES INTEGRATION; TENDENCIES AND PERSPECTIVE IN IMPLEMENTATION OF BATTERIES IN ELECTRICITY SYSTEMS, SOLAR 5000+ PROJECT; OPTIMUM LOCATION



OF THE DISTRIBUTED ENERGY SOURCES – SCIENCE AND PRACTICE; IMPLEMENTATION AND FINANCING OF THE PROJECTS IN RES SECTOR, COAL REGIONS IN TRANSITION – CAN TRANSITION BE JUST TO ALL?

Elektroprivreda Crne Gore (EPCG) signed the €82 million worth Loan Agreement for Financing the Project on Development of WPP Gvozđ with the European Bank for Reconstruction and Development (EBRD).

Having fulfilled the contract obligations arising from the Agreement on Joint Construction, Elektroprivreda Crne Gore handed to the Municipality of Nikšić the use of the Krupac Park Forest. The Agreement on the Joint Implementatikon of the Project on Construction of the Krupac Park Forest entailed reconstruction of the green areas with construction of recreation-related contents and play-grounds. The total value of this project stands at cca €235,000.

The Company celebrated its 114th anniversary.

The 11th action „SHARE THE BURDEN” has been initiated with the intention to enable household customers

to repay outstanding electricity debt under severely favourable conditions.

EPCG Board of Directors has decided to extend the time period for application of the discount to electricity bills of the distributive customers which, according to the original decision, was set to July 31 of this year, until the end of the year of 2023. The right to discount is granted to end customers supplied by EPCG and connected to the electricity distribution system with no outstanding electricity debt at the end of the billing period.

The chairman of EPCG Board of Directors, Milutin Đukanović, and the the President of Nikšić Municipality Marko Kovačević signed a Memorandum of Understanding concerning the Sunčani Grad Project (Sunny Town Project) which reflects a common interest of Elektroprivreda Crne Gore and the Municipality of Nikšić targeting both further urban development of the town and the overall improvement of the social and economic environment.

EPCG Delegation has been on a business trip to the USA.



The ceremony organised in TPP Pljevlja marked the 41st anniversary of the existence and successful operation of the mentioned EPCG's power facility.

EPCG and DEC signed the Agreement on execution of works on refurbishment of the interior lining of TPP Pljevlja's chimney. The agreement is valued at €6,980,000 and the Contractor is bound to complete the internal linings of the chimney within 165 days.

Elektroprivreda Crne Gore (EPCG), Crnogorski elektroprenosni sistem (CGES) and Crnogorski elektrodistributivni sistem (CEDIS) signed the Agreement on Co-operation with the Montenegrin Academy of Sciences and Arts (CANU) aimed at improving the efficiency of the power system and AI application in electrical engineering.

EPCG and the Polish company Respect Energy Holding signed a Memorandum on Understanding about the upcoming projects tied to RES development and exploitation in Montenegro.

The competition for development of the preliminary urban development and architectural design of the business-residential complex Sunčani Grad Project

(Sunny Town Project) has been launched.

DOBRILLO GAČEVIĆ Foundation launched a public competition for awarding of scholarships to the students attending state faculties of electrical engineering.

Elektroprivreda Crne Gore was amongst the winners of the awards within the TOP BUSINESS MONTENEGRO Project in 2023 as well. EPCG received an award as the first-ranked company in the area of achieved business revenues.



2. Generating capacities and electricity supply |



The capacity of each electricity system is based on construction and generating index of generating facilities, which are primarily expected to provide sufficient electricity quantities i.e. an increasingly difficult task to achieve. Nowadays, when the need for energy sources is growing, it is not necessary to prove the essence of electricity generation in the power system stability since it is an indispensable prerequisite to commercial and economic growth.



Generating Capacities |

The capacity of our energy system is based on the generating capacities of HPPs Piva and Perućica and TPP Pljevlja.



HPP Perućica

is the oldest large-scale hydropower plant in Montenegro, commissioned in 1960. It was named after the natural spring Perućica originating in the plant's vicinity. It is located at the territory of the Municipality of Nikšić, in the northern part of Bjelopavlička field, while small-scale hydropower plants are located at the territory of the municipalities of Kolašin, Podgorica, Cetinje and Šavnik. Its gross installed capacity amounts to 307 MW.



HPP Piva

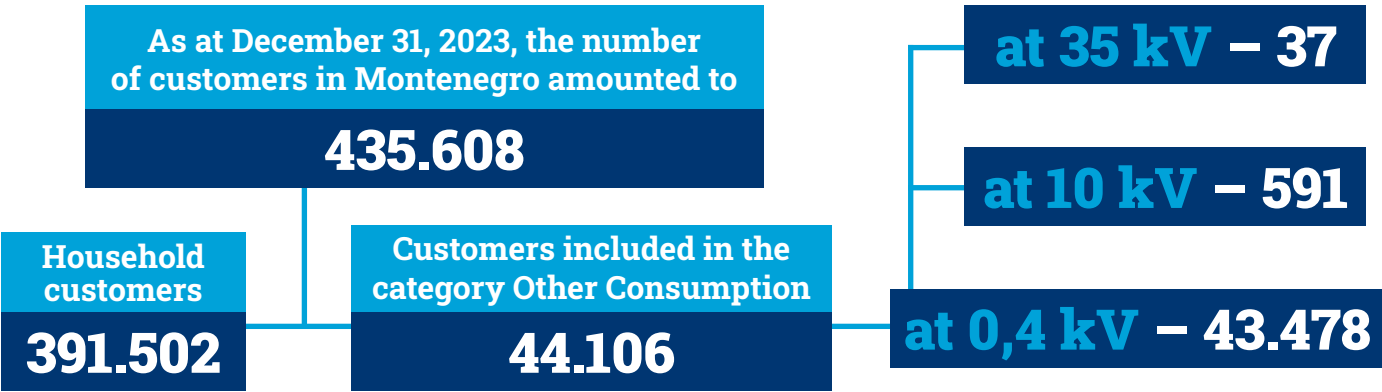
is a hydropower plant with the dam toe powerhouse, one of the world's highest arch dams. The Plant has been in operation since 1976. Its core activity is electricity generation during peak operating regime, given that it has the possibility of fast starting-up and synchronizing to 220 kV OHL grid. It is located in the massif at the north-western part of Montenegro. Due to specific topography features the whole powerhouse was built underground. Its gross installed capacity amounts to 342 MW.



TPP Pljevlja

is the first condensation thermal power plant in Montenegro commissioned in 1982. TPP is located at the 4th kilometre of Pljevlja – Đurđevića Tara – Žabljak road. TPP has been supplied by water for cooling and other needs, from the reservoir Otilovići located at the Čehotina River and it is approximately 8 asphalted km away from the thermal power plant. The gross installed capacity of TPP Pljevlja amounts to 225 MW.

Electricity Supply |



As at December 31, 2023, the number of direct customers stands at 9 whilst there were six (6) customers within the Closed Distribution System.

| The Golden Team Project |

The Golden Team Project has started in August 2012, with the aim to increase the number of customers, who regularly settle their obligations for the consumed electricity. As a result of this project, the number of regular Household-payers has had a linear growth and amounted to 242.808 at the end of 2023, i.e. 8.476 customers more compared to the same period last year.

The average number of regular customers amounted to 230.118 during 2023 which is by 10,862 more compared to the average number of regular customers in 2022 (5% increase).

In July 2022, the Board of Directors adopted a new Discount Policy which was also in effect during 2023. The Decision determining the electricity discount for distribution customers approved discount for households, connected to the distribution system and supplied by EPCG but who had no outstanding electricity debt at the end of the billing period. The Decision encompassed:

- Households – Golden Team members – having

the average consumption below 500 KWh, who were granted 13% discount on the value of the calculated active electricity and network services;

- Households – other regular customers – having the average consumption below 500 KWh who were granted 5% discount on the value of the calculated active energy and network services.

The purpose of this discount policy was to encourage frugality.

Furthermore, mindful of the vast contribution that Pljevlja provide to securing energy stability of the power system and aiming to reduce air pollution in that town, the Board of Directors granted to the citizens of Pljevlja, i.e. the household customers, additional discount on the active energy in January, February and March. Given the additional discount, the citizens of Pljevlja enjoyed the total discount of 50% in January, i.e. 30% in February and March respectively.

The total cost of the discount in 2023 amounted to

€4,298,674.33



| ³. Actual electricity balance |

| Electricity generation |

Total electricity volume generated by the power plants of Elektroprivreda Crne Gore in 2023 amounted to **3,499,076.39 GWh**, which stands for the **114.27%** implementation rate.

TPP Pljevlja generated
43,52%

Large-scale hydropower plants
56,34%

EPCG SHPPs
0,14%

HPP Perućica generated
1.038,96 GWh
which is **118.96 GWh i.e. 12.93%** more than planned, **i.e. 45,17%** more than the volume generated in 2022.

HPP Piva generated
932,55 GWh
i.e. **182.55 GWh (24.34%)** more than planned and **66.89%** more than the volume generated in 2022.

TPP Pljevlja generated
1.522,98 GWh
which is **135,98 GWh (9.8%)** more, **i.e. 4.73%** more than last year.

EPCG small-scale hydropower plants generated the total of
4,58GWh
i.e. **114.55%** of the plan.

The highest monthly generation was achieved in January
429,14 GWh

The lowest was achieved in April
200,39 GWh

| Reservoirs and water inflow |

At the year beginning, there was 153.7 GWh in the reservoirs of HPP Perućica, which is 2.5% more than planned. At the end of the year, there was 134.1 GWh in the reservoirs of HPP Perućica i.e. 10.6% less than planned. As for HPP Piva, there was 236.3 GWh in the reservoir at the beginning of the year, which was about 81.7% more than planned, and 209.3 GWh at the end of the year, i.e. 61% more than planned.



| Operational readiness of the plants |

Due to the overhaul and total shutdown HPP Perućica was out of operation in the period 30 July – 18 September, 2023. In 2023, due to the annual overhaul, HPP Piva was in the total shutdown for 22 days, between October 2nd and October 23rd. Due to the annual overhaul, TPP Pljevlja was out of operation between April 18th and June 5th.

Individually, the power plants have achieved the following coefficients of operating availability and reliability:

Plant	Reliability coefficient	Availability coefficient
HPP Perućica	99,89%	85,06%
HPP Piva	54,95%	60,57%
TPP Pljevlja	98,77%	85,61%

- Reliability coefficient (in %) amounts to: (operation time)*100/(operation time + malfunction time)
- Availability coefficient (in %) amounts to: (operation time + spare time)*100/number of hours
Low reliability and availability coefficients in HPP Piva stem from the outage of the Unit 2 caused by breakdown of the step-up transformer 2T1. This breakdown took place in mid-May 2023; it was eliminated and the transformer has been commissioned on 9th of November 2023.



| Electricity consumption by EPCG customers |

The total electricity delivered to the customers of EPCG FU Supply in 2023 amounted to

2.697,8 GWh.

whereof customers connected to 110 kV were delivered approximately 88.06 GWh, while 38.7 GWh was delivered to CDS Uniprom. FU Supply customers connected to 35 kV, 10 kV and 0.4 kV were delivered 2.609.8 GWh in total.

The highest monthly delivery to the customers of EPCG FU Supply was realized in December

258,03 GWh

The lowest monthly delivery to the customers of EPCG FU Supply was realized in December

184,2 GWh

- The following represents the structure of electricity delivered to the FU Supply customers in 2023:
- 2.46 GWh i.e. 41.4% of the plan to Željezara-Tošćelik + EPCG-Željezara Nikšić;
 - 12.18 GWh i.e. 85.68% of the plan to the Railways Infrastructure of Montenegro;
 - Approximately 8.18 GWh i.e. 2% more than planned to Monteput d.o.o.;
 - 24.55 GWh i.e. 212.73% more than planned for TPP Pljevlja's own needs;
 - 2.6 GWh, i.e. 0.4% more than planned to other customers supplied through 110 kV network
 - 38.07 GWh i.e. 49.35% of the planned to CDS Un-

- iprom
- 2,609.77 GWh i.e. 3.03% more than planned and 5.16% more than in 2022 to FU Supply customers connected to the distribution grid.
- The structure of electricity delivery to the domestic customers in 2023, according to the Energy Management Directorate:
- 331.84 GWh to CEDIS for covering of the distribution network losses
 - 67.33 GWh to CGES for covering the transmission grid losses and 16.68 GWh for the tertiary and the secondary regulation

| Electricity procurement and supply |

Purchase from RES through COTEE (Montenegrin Electricity Market Operator)

The total of **426.33 GWh** or 15.6% less than planned was taken from COTEE on grounds of the appurtenant part of generation from the privileged producers.

Agreement on Long-Term Business-Technical Cooperation with Elektroprivreda Republike Srpske

Based on the Agreement on Long-Term Business and Technical Cooperation concluded with Elektroprivreda Republike Srpske, the total of **5.5 GWh** was taken over in 2023 for the purpose of supplying border areas. **5.2 GWh** was delivered to Elektroprivreda Republike Srpske on the above basis.

Purchase

Od proizvođača (malih elektrana koje nisu u 100% vlasništvu EPCG) preuzeto je **19,08 GWh**. **19.08 GWh**

was taken over from producers (small-scale power plants that are not 100% owned by EPCG).

Sale

The volume of **1,347.16 GWh** was sold on the market in 2023, whereof **683.65 GWh** via long-term trading and **663.51 GWh** via short-term trading **331.84 GWh** was sold to CEDIS (for covering the distribution network losses) **67.33 GWh** was sold to CGES for loss coverage

Miscellaneous

48.23 GWh was taken from CGES on grounds of the Agreement on provision of ancillary services for tertiary and secondary regulation. **16.68 GWh** was delivered to CGES based on the Agreement on provision of ancillary services for tertiary and secondary regulation.



| Tabular overview of the EPCG Electricity Balance Actual Values |

Table No. 3: Overview of actual values of 2023 EPCG Electricity Balance

ACTUAL ELECTRICITY BALANCE (GWh)	Actual 2023	Plan 2023	Actual /Plan 2023	Actual 2022	2023/2022
1.GENERATION	3.499,08	3.061,65	114,3%	2.732	128%
1.1. Generation from HPPs and SHPPs	1.976,10	1.674,65	118,0%	1.278	155%
- HPP Perućica	1.038,96	920,00	112,9%	716	145%
- HPP Piva	932,55	750,00	124,3%	559	167%
- EPCG SHPPs	4,58	4,65	98,5%	3	148%
1.2 Generatopn TPP 'Pljevlja	1.522,98	1.387,00	109,8%	1.454	105%
2. PURCHASE	982,43	606,45	162,0%	1.330	74%
2.1. Purchase on electricity market*	453,75	17,38	2611,3%	722	63%
2.2. ERS – Based on Agreement on LTBTC	5,53	7,00	79,0%	6	85%
2.3. CGES–tertiary and secondary regulation	48,23	40,00	120,6%	36	135%
2.4. COTEE – Pertaining portion from the privileged sources	426,33	504,87	84,4%	492	87%
2.5. Purchase from new sources in trial operation	19,08	0,00		15	129%
2.6. Prosumers	13,79	37,20	37,1%	1	2462%
2.7. Deviation**	15,71			59	27%
3. AVAILABLE	4.481,50	3.668,10	122,2%	4.062	110%
4. SUPPLY	4.481,50	3.668,10	122,2%	4.062	110%
4.1. Sale on electricity market*	1.347,16	972,32	138,6%	888	152%
4.2. ERS – Based on Agreement on LTBTC	5,16	7,00	73,7%	6	83%
4.3. CGES–tertiary and secondary regulation	16,68	40,00	41,7%	17	96%
4.4. CEDIS – for losses	331,84			390	85%
4.5. CGES – for losses	67,33			138	49%
4.6. Miscellaneous	15,51			2	994%
4.7. Sale to customers of FU Supply	2.697,83	2.648,78	101,9%	2.620	103%
4.7.1. Customers connected to 110kV	49,98	38,63	129,4%	61	81%
- Steelworks	2,46	5,95	41,4%	3	74%
- Railways Infrastructure	12,18	14,22	85,7%	12	98%
- TPP Pljevlja – auxilliary consumption	24,55	7,85	312,7%	37	67%
- Other customers at 110kV	10,79	10,61	101,6%	9	121%
4.7.2. ZUDS Uniporm	38,07	77,14	49,4%	77	49%
4.7.3. Customers connected to 35 kV, 10 kV and 0.4kV	2.609,77	2.533,01	103,0%	2.482	105%

*Montenegro and Serbia

**Data available at the moment of compiling of this report

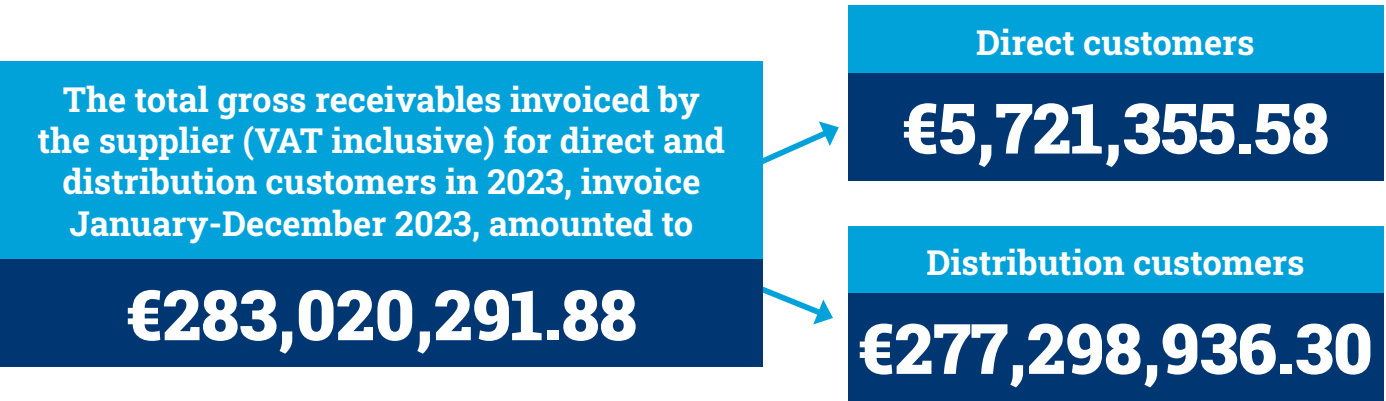
- The key factors that marked, i.e. affected the actual volume and the average electricity selling price in 2023 comprise:

 - Extremely favourable hydrology in Q1 and in the period November-December (18% more than the corresponding level of precipitation, thus generation from inflows to HPP Perućica exceeded the plan by 23%). 66% of the sale and 19% of the purchase took place during the mentioned period. It is important to remark that the prices at the European markets maintained the level of cca 150 €/MWh in January and February, showing dropping tendencies to the level of 80 €/MWh in December so the Q1-related surplus was sold at a relatively high price.
- Favourable hydrology in the period April-October (at the corresponding level of precipitation, while the generation from the inflows of HPP Perućica amounted to 74% of the plan). 19% of the total sale and 81% of the total purchase took place during the mentioned period.
 - The planned annual overhaul of TPP (second half of April and May), the overhaul of HPP Perućica (August) and significant consumption during summer resulted in significant volumes of the missing energy in this period. Long-term procurement of a portion of the missing volumes, which was executed in two parts, for the mentioned period was an attempt of protection against the price soaring during the high-demand period.

| 4. Collection of accounts receivable for electricity supply |

The total of €283,151,343.70 was collected out of the total amount invoiced by the supplier in 2023 and outstanding accounts receivable from previous years with 100.05% collection rate in respect to the total amount invoiced in 2023. The

amount of €6,301,809.78 was collected from direct customers achieving thereby 110.15% rate of collection, and €276,849,533.92 from distribution customers achieving thereby 99.84% rate of collection.



The remainder of the sales revenues is invoiced by the Energy Management Directorate and it refers to electricity sale on the market, sale to CEDIS for distribution losses coverage, sale to CGES for covering of transmission losses, as well as for the needs of the grid services.

| 5. HR Policy |

In 2023, 1,202 employees, on average, were employed in EPCG. This number comprises temporary and permanent employees, trainees, and employees hired through the Temporary Employment Agency. The total number of employees of EPCG stands at 1,161 as at December 31, 2023, whereof 1,709 are permanent employments, 81 temporary employments and 1 trainee. In addition to these three categories, 43

employees hired through the Temporary Employment Agency. Four employees passed away within January 1, 2023 – December 31, 2023, and twenty-two exercised the right to retire. Twenty-three employees terminated their employment on a voluntary basis, the severance included, and one employee was consensually taken by another employer.

Below is the tabular overview of the employee structure by units and professional qualifications:

Table No. 4: EPCG Employee Structure as at December 31, 2023

EPCG Organizational Unit	Number of employees
FU Generation	439
FU Supply	244
Head Office	478
TOTAL	1161

Table No. 5: Professional qualifications of EPCG employees as at December 31, 2023

Level of education	No. of employees
I2	13
II	23
III	94
IV1	395
IV2	70
V	20
VI	16
VII	529
trainees	1
TOTAL	1161

| 6. Occupational health and safety and environmental protection |

Occupational Health and Safety

All the activities pertaining to occupational health and safety and environmental protection are carried out in accordance with all the relevant laws and regulations governing this area, aimed at environmental protection and protection of employees. Mayn activities were carried out during 2023, fully complied with the legislation and ISO 45001.

The Company's normative and system acts on occupational health and safety are developed/revised:

- The Risk Assessment Act of Elektroprivreda Crne Gore AD Nikšić was developed by experts for occupational health and safety in EPCG AD Nikšić, in line with KINNEY methodology. The CEO was informed that the Committee developed the Risk Assessment Act for job positions in EPCG (No. 11-00-2657 dated January 22, 2024). Highest-risk job positions in EPCG AD Nikšić and the Plan of Measures for the Risk Level Reduction, Prevention or Elimination were submitted in addition to the said Report.
- Standards for occupational personal protective equipment
- Production/revision of normative and system acts of the Company: IMS procedures IMS.PR11, IMS.PR12, IMS.PR18, IMS.PR21; IMS.PR24 Guideline: IMS.PR12.UP01

Based on the 2023 Audit Plan, the Internal Audit Team completed the audit Employees Training for Safe Work. It was recommended to prepare and adopt the Rulebook on the Occupational Health and Safety, which would be compliant with the applicable Law on Occupational Health and Safety. The Chief Executive Officer appointed the task force which prepared the

Rulebook on Occupational Health and Safety and forwarded it to the decision-maker for further analysis.

Training of employees for safe work and verification of employees' competences for safe work is carried out by OHS experts, based on the Authorization that EPCG obtained from the Ministry of Labour and Social Welfare of Montenegro, in line with the EPCG Programme on Employees Training for Safe Work. In addition to the permanently employed, training of both the employees hired through the Temporary Employment Agency and of the newly employed who signed the agreement with EPCG AD Nikšić was also performed. The total number of EPCG employees trained within 2023 is 184.

Medical examinations of employees (earlier, periodical, extraordinary and sanitary) were organized in line with the legal regulations. Within the scope of the mentioned activity, 365 medical and 28 sanitary employee examinations were carried out in 2023.

Testing of the working equipment was organized in accordance with legal regulations, standards, technical regulations and IMS.PR20, so as to verify if the necessary safety measures were applied thereto. All expert persons timely processed the procurement requests according to the maturity date. Testing of the equipment in HPP Perućica, HPP Piva and TPP Pljevlja was completely carried out. The request for procurement was launched in 2023 in OU and FU concerning testing of electrical installations, grounding and lightning protection in the premises of OU and FU and submitted for further proceeding. However, the processing of the request did not happen so it has not been implemented.

Testing of the working environment was performed in 2023 in OU and FU Supply (summer regime). As regards TPP Pljevlja the bid for the contractor was ap-



proved, and the correspoing Contract on Provision of Services was signed with them on January 22, 2024.

As regards the procurement of personal protective equipment, the procurement for the requirements of HPP Perućica and HPP Piva was fully completed. The procurement request for TPP Pljevlja has not been fully completed (the remaining protective equipment has not been supplied). As regards safety footwear, no bid was received for OU and FU Supply.

Procurement of electrical insulation protective equipment was completed for the requirements of HPP Perućica and HPP Piva. The procurement request for TPP Pljevlja has not been implemented.

During 2023, 6 (six) injuries at work took place in EPCG. Five were not classified by a doctor, no classification of severity was given for them and one was classified as a severe injury. In compliance with procedures IMS.PR13 and IMS.PR11, the corresponding committee and the team for conducting incident investigation were set-up and tasked with identifying circumstanes and all aspects of occurence of the injury at work and to comply a report. The reports state that when it comes to the work position of the employee, all the OHS measures were taken and the employee trained for safe work. Immediately upon start of the employment, the employee was referred to a medical examination to PHI Health Care Centre Pljevlja, when

the physician specialised in occupational medicine stated that the employee is capable to perform his job.

Out of the remaining activities conducted with reference to occupational health and safety which required intensive involvement of OHS expert persons, the most important are the following:

- - preparation of contracts on organisation and implementation of OHS measures and mutual rights, duties an obligations in terms of performance of works/service provision;
- - OHS professionals throughout all organizational units (OUs) perform regular control of the implementation of OHS measures by all the process participants, while handling and maintaining the equipment and facilities. Particular attention is being paid to the overhaul activities in plants as well as to eco retrofitting of TPP Pljevlja,
- - control of use of addictive substances,
- - activities on the system maintenance for detection of SO2 and NO2 gases in TPP Pljevlja,
- - organizing regular and extraordinary deratisation, disinfection, disinfestation in the facilities of EPCG AD.

As for the inspection control of OHS, there were no inspection controls in EPCG AD in 2023.



Environmental protection

Environmental protection is governed by all the relevant laws and regulations so as to ensure sustainability and conservation of natural resources. Numerous activities were carried out in 2023, fully complied with legal regulations and ISO 14001.

Overview of the most important activities conducted in 2023 with reference to the environmental protection is presented below:

- Implementation of the monitoring and measurement in EPCG
- Monitoring of utilization of natural resources
- Monitoring of flow of waste and emissions into the environment
- Monitoring of CO2 emission

The following documents have been prepared:

- Annual Environmental Monitoring Report

- Annual Waste Report
- Annual Resource Consumption Report,
- Report on CO2 emissions from TPP Pljevlja

Submission og the reports to the competent authorities, i.e. the Environmental Protection Agency, the Administration for Inspection Affairs, the Environmental Protection Fund of Montenegro (Eco Fund) and the Statistical Office of Montenegro in its capacity of the interested party.

Implementation of the eco retrofitting of TPP Pljevlja is an important step towards improvement of citizens' quality of life through reduction in air pollution, economic growth, conservation of resources and improvement in public health.

Continuous implementation of the activities whih contribute to the improvement of environmental performance.

| 7. Risk management |

Risk management implies identification, evaluation, monitoring and control of the risks which might have adverse effect on fulfilment of the set Company's objectives, as well as taking of necessary measures aimed at risk mitigation.

In 2022, the Company's Board of directors adopted the corporate Policy of risk management aimed at improvement of the capability to achieve the Company's objectives via management of the hazards and chances, i.e. via creating the environment which contributes to higher quality and results of the activities at all the levels.

Framework of the Risk Management Policy:

- Efficient and effective risk management
- Identifying, monitoring, control and minimizing of all the risks
- Focus on the key risks of the business processes
- Improvement of the company's profitability via reduction of costs and improvement of efficiency
- Planning the future with higher reliability
- Protection and preparation for losses in the most economic manner
- Defining of action plans which would enable continuous operation and stability in revenues in case of losses,
- Cooperation and communication between all the participants in the risk management process
- Timely reporting

Chief Executive Officer shall be responsible for implementation of the Risk Management Policy.

Key risks:

- Market risks
- Credit risks
- Liquidity risks
- Operational risks

Market risks: include risks of change in electricity prices at the selling and purchasing market. Some of the risks of change in electricity price is eliminated by means of concluding long-term contracts on electric-

ity trading. The risk may be mitigated via day-ahead purchase provided that weather forecast is favourable, while on the other side there is risk of decrease in electricity prices in the concerned period.

Interest risks: volatility of interest rates. The Company analyses the risk exposure and uses alternative financing sources. Portion of loan arrangements concluded at variable interest rate is exposed to the risk of change in the interest rates. The Company invests its funds at fixed interest rate, thus it has been exposed to the risk of increase in market interest rates, as well as the risk that interest rates will considerably exceed rates of interest at which the Company placed its funds.

Credit risks: risk of failure to settle the liabilities and that the other contracting party will not be able to settle its due liabilities. The Company diversifies its risks through risk dispersion into various categories of customers and business partners. In order to reduce the credit risk, in addition to the advance payment, collaterals are contracted with the business partners, such as bank guarantees, letter of intent, corporate guarantees from respectable partners, etc.

Liquidity risk: sustaining sufficient amount of cash and adequate financing sources. The overall cash flow forecast is performed at the level of the Company which continuously monitors liquidity so as to ensure sufficient cash for the purpose of running the business. Liquidity risk implies the Company's inability to settle its liabilities within the timeline agreed in the contract.

The Company manages its liquidity risks by applying the following measures:

- Creation of liquidity reserve via opening credit lines with several commercial banks,
- Financial liability diversification,
- Alignment of deadlines for accounts receivable and accounts payable

Operational risks: continuous improvement of the Integrated Management System through permanent improvement of the quality of our products and services, environmental protection and occupational health and safety, in line with the requirements set forth in ISO 9001, ISO 14001 and ISO 45001.



| 8. Corporate philanthropy and sponsorship |

As part of its public relations EPCG has implemented sponsorships and donations (corporate philanthropy), in order to contribute to the improvement of quality of life at the national and the local level. As far as activities implemented in this area are concerned, EPCG received two prestigious awards: “Iskra”, special recognition awarded for philanthropy, aimed at acknowledging and publicly distinguishing business entities and individuals who set an example to others by their material and financial support, and who establish standards to be pursued when it comes to investment in general welfare as well as the award for corporate responsibility granted by the Chamber of Commerce of Montenegro. NGO “Ozon” awarded EPCG with the award “Green Star”

| Corporate Phylanthropy |



Important donations were implemented during 2023 in the area of health care, education, civil society, religious communities, out of which the following are singled out:

PHI “Vaso Ćuković”, Special Hospital for Orthopaedics, Neurosurgery and Neurology in Risan	PHI General Hospital Nikšić	Clinical Center of Montenegro	University of Montenegro – Faculty of Electrical Engineering	PHI General Hospital Pljevlja
€8.000	€60.000	€25.000	€50.000	€70.000
Dobriilo Gačević Foundation	Serbian Orthodox Church Municipality of Nikšić, Eparchy of Budimlja and Nikšić, Serbian Orthodox Church – Restauration of the Orthodox Cathedral of St.Vasilije Ostroški in Nikšić			Red Cross of Montenegro
10.000€	€100.000			€10.000
Budi Human Foundation	Islamic Community of Montenegro			
€40.000	€30.000			

EPCG has donated significant amounts to a multitude of primary and secondary schools in Montenegro, Seniors Home in Podgorica, cultural and artistic associations (AKORD and ZAHUMLJE from Nikšić, VOLODA from Pljevlja), Museums and Galleries Nikšić, Faculty of Economy, and etc.



| Sponsorships |

In 2023, EPCG implemented a number of strategic sports-related sponsorships both at the national and local level.

The Swimming and Water Polo Federation of Montenegro, the Volleyball Federation of Montenegro, the Boxing Federation of Montenegro, “Sutjeska” Football Club Nikšić, “Sutjeska” Basketball Club Nikšić, “Rudar” Football Club Pljevlja, “Breznica” Football Club Pljevlja, “Igalo” Football Club, “Rudar” Volleyball Club Pljevlja, “Zeta” Football Club, “Budućnost” Boxing Club, athlete Marija Vuković, Paralympic Committee, Kolašin Basketball Camp etc. Sponsorship cooperation was also established with a number of cultural organizations: Public Institution “Nikšićko pozorište”, LAKE FEST, International Book Fair, etc.

We considerably contribute to the strengthening of our Company’s image through efficient PR and marketing tools, sponsorship activity in the area of sports and culture, as well as by applying corporate responsible activities.



9. Capital investments |

The capital investments in EPCG in 2023 amounted to €75.310.239,42, the majority whereof, €32.645.373,79, was invested in the Company's Head Office; the amount of €16.135.427,68 was invested in the projects implemented by the Renewable Energy Sources Directorate, €15.270.302,97 was invested in FU Generation and €11.194.034,22 in Development & Engineering Directorate.

Below is an overview of capital investments made by EPCG throughout the Company's units.

Table no. 6: Overview of the capital investments in EPCG (€)

OVERVIEW OF CAPITAL INVESTMENTS IN EPCG(€)			
COMPANY PART	2023	2022	(2023 - 2022)
Directorate for development and engineering	11,194,034.22	7,178,599.67	4,015,434.55
HPP Perućica	1,558,643.04	1,273,303.40	285,339.64
HPP Piva	1,242,311.17	1,565,471.44	-323,160.27
TPP Pljevlja	12,463,963.76	8,987,120.95	3,476,842.81
FU Generation - Head Office	5,385.00	-74,563.48	79,948.48
FU Generation	15,270,302.97	11,751,332.31	3,518,970.66
FU Supply	65,100.48	340,880.60	-275,780.12
Company head office	32,645,373.79	20,692,577.81	11,952,795.98
Directorate for renewable resources	16,135,427.68	7,345,488.45	8,789,939.23
TOTAL	75,310,239.14	47,308,878.84	28,001,360.30

The most important investments fully or partially implemented in 2023 comprise as follows:



EPCG „Željezara“



Investments for the requirements of the Solari Project



Ecological retrofitting of TPP Pljevlja



Reconstruction of small HPPs „Rijeka Mušovića, Lijeva Rijeka, Šavnik, Rijeka Crnojevića, Podgor“



Overhaul of the step-up transformer 2T1 HPP Piva



Phase II of HPP Perućica's Modernisation



WF Gvozđ

| 10. Financial statements and the analysis of the balance sheet and income statement |

| Income Statement |

The overall income of the Company in 2023 amounted to
€501,608,345

Operating income
€494,112,451

Financial income
€7,495,894

The overall expenditure stood at
€449,113,604

Cost of business operations
€382,999,532

Cost of salaries
34,285,387€

Other operating expenditures
€4,150,711

Financial expenditures
€2,463,632

Amounting to net taxation costs (current and deferred taxes)
€12,880,964

The actual 2023 profit following taxation amounts to **€52,494,741** and it exceeds by **€48,208,229** i.e. **1,124.65%** the result attained in 2022 when the profit stood at €4,286,512, being, however, lower than planned (**€128,296,950**) by **€75,802,209** or **59.08%**.

The overall operating income generated in 2023 amounts to **€494,112,451** and the overall operating expenditure in 2023 amounts to **€421,435,630**. The total 2023 business result amounts to **€72,676,821** and it exceeds by **€85,904,008** i.e. **649.45%** that of 2022 when the overall business result was negative and stood at **-13,227,187€**, while in comparison to the planned (**€159,255,816**), it remains lower by **€86,578,995** i.e. **54.36%**.

Sales income – the 2023 net income amounts to €453,000,710, i.e. **€63,560,398 (12.30%)** less than in the same period of the last year when it amounted to **€516,561,108**, while in comparison to the plan (**€545,443,267**) it remains lower by **€92,442,557** i.e. **16.95%**.

The 2023 operating costs, comprising purchase value of sold goods, cost of the material, depreciation and other operating costs, amount to **€382,999,532** being by **€124,165,528** i.e. **24.48%** lower as compared to the same period of the previous year when they achieved the level of **€507,165,060**, whereas exceeding the planned amount (**€355,930,158**), by **€27,069,374** i.e. **7.60%**. The cost of salaries in 2023 amounted to **€34,285,387** which is by **€7,756,738 (29.24%)** higher than the last year when it amounted to **€26,528,649** being, however, less than planned (**€34,499,829**) by **€214,442** i.e. **0.62%**.

The overall income generated in 2023 amounts to **€7,495,894**, and the overall expenditure in 2023 amounts to **€14,797,010**. The financial income for the most part arises from the income on grounds of interest rates, exchange ratios and other effects of the contract hedging, thus amounting to **4,649,694€**, while the remaining portion comprises the income from cancellation of provisions as well as income from other financial investments.

The financial result of 2023 is negative and it amounts to **-7,301,116€** which is by **25,545,805€** i.e. **140.02%** less than in the previous year when it stood at **18,244,689€**, being lower than planned (**674,692€**) by **7,975,808€** i.e. **818.06%**.

Over the course of the past year, the Company's management succeeded to preserve liquidity, credit solvency, increase the rate of collection and the number of regular payers, as well as to retain the same level of electricity prices charged from citizens and the economy. It is important to point out that all the above results were generated without the State's support, alongside professional relation to the Company both by the Board of Directors and the management, as well as by all employees.

Table no. 7: Statement on the 2023 overall result

EPCG INCOME STATEMENT FOR THE YEAR OF 2023	December 31, 2023	December 31, 2022
1. Sales income – net income	453,000,710	516,561,108
2. Change in inventories value of finished goods and work in progress	0	0
3. Income from activation of goods and effects	0	0
4. Other operating income	41,111,741	5,860,619
a) Other even operating income	1,520,109	2,385,991
b) Other operating income	7,616,454	3,462,982
c) Income from value adjustment of assets	31,975,178	11,646
5. Operating expenses	-382,999,532	-507,165,060
a) Cost of goods sold and cost of materials	-196,320,189	-334,954,084
b) Other operating expenses (provisions and other operating expenses)	-160,583,247	-146,228,215
c) Depreciation	-26,096,096	-25,982,761
6. Costs of salaries, fringe benefits and other personal expenses	-34,285,387	-26,528,649
a) Net costs of salaries, fringe benefits and other personal expenses	-24,462,279	-19,048,005
b) Cost of taxes and contributions	-9,823,108	-7,480,644
1/ Cost of taxes	-3,179,456	-2,192,627
2/ Cost of pension contributions	-5,854,076	-5,044,382
3/ Cost of contributions	-789,576	-243,635
7. Expenses from assets valuation adjustments (except financial)	-209,467	-104,421
a) Expenses from non-current asset valuation adjustments (except financial)	0	-11,484
b) Expenses from current asset valuation adjustments (except financial)	-209,467	-92,937
8. Other operating expenses	-3,941,244	-1,850,784
I. BUSINESS RESULT	72,676,821	-13,227,187
9. Income from share in the capital	0	0
10. Income from other financial investments and loans (interest, exchange differentials and effects of agreed risk protection)	520,946	549,865
11. Other income from interest, exchange differentials and other effects of agreed risk protection	4,649,694	3,804,051
12. Valuation adjustment of short-term financial resources and financial placements which constitute part of current assets	-10,008,124	15,051,713

a) Revenues arising from valuation adjustment of short-term financial resources and financial placements which constitute part of current assets	2,325,254	15,052,218
b) Expenses arising from valuation adjustment of short-term financial resources and financial placements which constitute part of current assets	-12,333,378	-505
13. Expenses from interest, exchange differentials and other effects of agreed risk protection	-2,463,632	-1,160,940
II. FINANCIAL RESULT	-7,301,116	18,244,689
III. RESULT FROM REGULAR BUSINESS OPERATIONS BEFORE TAXATION	65,375,705	5,017,502
IV. NET RESULT FROM DISCONTINUED BUSINESS OPERATIONS	0	0
V. RESULT BEFORE TAXATION	65,375,705	5,017,502
14. Tax expenses for the period	-12,880,964	-730,990
1. Current income tax	-16,842,135	-2,660,604
2. Deferred tax expenses/incomes for the period	3,961,171	1,929,614
15. PROFIT OR LOSS AFTER TAXATION	52,494,741	4,286,512
VI. GROSS RESULT OF OTHER INCOME ITEMS / CAPITAL-RELATED/	1,814,671	-302,296
1. Change in revaluation reserves arising from revaluation of immovable property, plants, intangibles, PPE and biological assets	1,985,804	0
2. Change in unrealized gains and losses arising from conversion of foreign business financial statements	0	0
3. Change in unrealized gains and losses for investment into equity instruments of the capital	0	0
4. Change in actuarial gains and losses for plans on set actuarial gains (or losses) concerning defined plans on pension charges	-171,133	-302,296
5. Change in share in other income of associated company	0	0
6. Change in unrealized gains and losses for instruments of protection of net investment in foreign operations	0	0
7. Change in revaluation reserves for cash flow hedging	0	0
8. Other changes in unrealized gains and losses	0	0
VII. DEFERRED TAX EXPENDITURES OR REVENUES RELATED TO OTHER INCOME ITEMS / RELATED TO CAPITAL /	0	0
VIII. NET INCOME OF OTHER INCOME ITEMS/RELATED TO CAPITAL/ (249-258)	1,814,671	-302,296
IX. NET TOTAL RESULT	54,309,412	3,984,216

Balance Sheet |

Table no. 8: EPCG Balance Sheet as at 31 December, 2023 – Assets Overview

EPCG BALANCE SHEET AS AT 31 DECEMBER, 2023 – ASSETS OVERVIEW	31 December, 2023	31 December, 2022
A. SUBSCRIBED CAPITAL UNPAID	3,287	3,287
B. FIXED ASSETS	1,076,921,775	1,004,346,916
I INTANGIBLE INVESTMENTS	868,032	461,725
1. Investment in development	6,820	8,525
2. Concessions, patents, licenses and similar rights and other intangible investments	178,100	235,400
3. Goodwill	-	-
4. Advances for intangible investments and intangible investments in progress	683,112	217,800
II PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS	697,366,094	649,110,139
1. Land and buildings	396,909,135	408,705,791
2. Plant and equipment	147,756,771	160,242,057
3. Other built-in equipment, tools and equipment	51,082,251	477,293
3.1. Investment property	50,659,458	-
3.2. Biological assets	-	-
3.3. Other unmentioned tangible fixed assets	422,793	477,293
4. Advances for property, plant, equipment and biological assets and property, plant, equipment and biological assets in progress	101,617,937	79,684,998
III LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES	378,687,649	353,775,052
1. Share in the capital of subsidiaries	356,733,350	331,400,096
2. Long-term loans to the parent company and subsidiaries	1,126,018	1,811,951
3. Equity investments in legal entities (excluding subsidiaries)	4,816,112	4,816,112
4. Long-term loans to legal entities with share in equity (excluding subsidiaries)	6,391,021	6,491,266
5. Equity investments that are valued using the equity method	-	-
6. Long-term financial investments (loans and securities granted)	-	-
7. Other long-term financial placements and receivables	9,621,148	9,255,627
C. DEFERRED TAX ASSETS	407,613	204,965

EPCG BALANCE SHEET AS AT 31 DECEMBER, 2023 – ASSETS OVERVIEW	31 December, 2023	31 December, 2022
D. CURRENT ASSETS	196,670,893	337,673,437
I. INVENTORIES	<u>14,235,801</u>	<u>22,756,660</u>
1. Material (production material, spare parts, small inventories and car tires)	13,182,398	21,966,697
2. Work in progress	-	-
3. Finished products and goods	-	-
4. Advances paid	1,053,403	789,963
II. SHORT-TERM RECEIVABLES	<u>118,566,932</u>	<u>217,132,596</u>
1. Trade receivables	77,306,289	126,240,888
2. Receivables from the parent company and subsidiaries	21,098,915	38,191,000
3. Receivables from other related parties	975,452	3,777,173
4. Other receivables	19,186,276	48,923,535
4.1. Receivables for overpaid income tax	-	-
4.2. Value added tax receivables	9,940,470	38,091,172
4.3. Other unmentioned receivables	9,245,806	10,832,363
III. SHORT-TERM FINANCIAL INVESTMENTS	<u>14,168,512</u>	<u>58,727,674</u>
1. Share in the capital of subsidiaries held for sale	-	-
2. Own shares purchased	923,092	55,219,395
3. Other short-term investments	13,245,420	3,508,279
IV. CASH ON ACCOUNTS AND CASH IN HAND	48,850,309	38,207,168
V. FIXED ASSETS FOR SALE AND ASSETS FROM DISCONTINUED BUSINESS OPERATIONS	849,339	849,339
E. ACCRUALS	494,213	158,373
F. TOTAL ASSETS	1,274,497,781	1,341,386,978

Table no. 9: EPCG Balance Sheet as at 31 December, 2023 – Liabilities Overview

BALANCE SHEET AS AT 31 DECEMBER, 2023 – LIABILITIES OVERVIEW	31 December, 2023	31 December, 2022
A. CAPITAL	1,040,141,516	1,071,402,016
I. SHARE CAPITAL	714,708,535	769,927,930
II. SUBSCRIBED CAPITAL, UNPAID	-	-
III. ISSUANCE PREMIUM	50,859,589	50,859,589
IV. RESERVES	<u>179,280,992</u>	<u>181,986,139</u>
1. Legal reserves	-	-
2. Statutory reserves	-	-
3. Other reserves	6,410,492	6,367,627
4. Positive revaluation reserves and unrealized gain for financial assets and other components of the remaining total result	172,870,500	175,618,512
5. Negative revaluation reserves and unrealized losses for financial assets and other components of the remaining total result	-	-
VI. RETAINED PROFIT OR LOSS	<u>95,292,400</u>	<u>68,628,358</u>
1. Retained profit from previous years	42,797,659	64,341,846
2. Retained profit from the current year	52,494,741	4,286,512
3. Loss from previous years	-	-
4. Current year loss	-	-
VIII. SHARE THAT DOES NOT PROVIDE CONTROL	-	-
B. LONG-TERM PROVISIONS AND LONG-TERM LIABILITIES	60,658,435	63,073,590
I. LONG-TERM PROVISIONS	<u>12,297,627</u>	<u>13,472,288</u>
1. Provisions for fees and other employee benefits	5,594,047	5,129,605
2. Provisions for costs within the warranty period	-	-
3. Other long-term provisions	6,703,580	8,342,683
II. LONG-TERM LIABILITIES	<u>48,360,808</u>	<u>49,601,302</u>
1. Long-term loans	48,360,808	49,601,302
2. Other long-term liabilities	-	-

BALANCE SHEET AS AT 31 DECEMBER, 2023 – LIABILITIES OVERVIEW	31 December, 2023	31 December, 2022
C. DEFERRED TAX LIABILITIES	51,561,399	33,010,723
D. ONG-TERM DEFERRED INCOME AND DONATIONS	-	-
E. SHORT-TERM PROVISIONS AND SHORT-TERM LIABILITIES	113,027,643	158,285,696
I SHORT-TERM PROVISIONS	773,486	533,361
II SHORT-TERM LIABILITIES	112,254,157	157,752,335
1. Liabilities for loans and borrowings from persons other than lending institutions	-	-
2. Liabilities for loans from lending institutions	10,915,378	41,311,536
3. Advances, deposits and bails received	2,486,324	2,504,129
4. Accounts payable	24,919,270	51,343,790
5. Liabilities for bills of exchange	-	-
6. Liabilities to the parent company and subsidiaries	53,194,114	35,688,416
7. Liabilities to other subsidiaries	-	-
8. Other operating liabilities and other short-term liabilities	20,739,071	26,904,464
8.1. Other operating liabilities	219,362	232,763
8.2. Other short-term liabilities	3,344,012	2,457,825
8.3. Liabilities for value added tax and other public income	333,562	21,848,696
8.4. Income tax liabilities	16,842,135	2,365,180
8.5. Liabilities for assets held for sale and assets of discontinued business operations	-	-
F. ACCRUALS AND DEFERRED INCOME	9,108,788	15,614,953
G. TOTAL LIABILITIES	1,274,497,781	1,341,386,978

Ratio indicators

Ratio analysis is the fundamental instrument used while assessing the Company's financial position and potential. Below is the table of individual indicators of EPCG business operations in 2023 and comparative data for 2022, and they are adjusted to the new

forms of financial statements and the Rulebook on the Chart of Accounts and the Content of Accounts in the Chart of Accounts for Legal Entities Registered to Conduct Business Activities and Other Legal Entities (Official Gazette of Montenegro No. 011/20 dated 6 March, 2020).

Table no. 10: Quick liquidity ratio

RATIO INDICATORS EPCG			
br.	Item	31.12.2023.	31.12.2022.
1.	Cash equivalents – cash (€)	48.850.309	38.207.168
2.	Short-term liabilities (€)	112.254.157	157.752.335
Quick ratio (1/2)		0,44	0,24

Table no. 11: Current liquidity ratio

RATIO INDICATORS EPCG			
br.	Item	31.12.2023.	31.12.2022.
1.	Working capital (€)	196.670.893	337.673.437
2.	Short-term liabilities (€)	112.254.157	157.752.335
Current ratio (1/2)		1,75	2,14

Table no. 12: Accelerated liquidity ratio

RATIO INDICATORS EPCG			
br.	Item	31.12.2023.	31.12.2022.
1.	Short term receivables, investments and cash (€)	181.585.753	314.067.438
2.	Short-term liabilities (€)	112.254.157	157.752.335
Acceleration ratio (1/2)		1,62	1,99

Table no. 13: Indebtedness ratio

RATIO INDICATORS EPCG Financial leverage ratio			
br.	Item	31.12.2023.	31.12.2022.
1.	Total liabilities (€)	212.176.364	240.364.360
2.	Total assets (€)	1.274.497.781	1.341.386.978
Indebtedness ratio (1/2)		0,17	0,18

Table no. 14: Financial leverage ratio

RATIO INDICATORS EPCG			
br.	Item	31.12.2023.	31.12.2022.
1.	Total expense (€)	212.176.364	240.364.360
2.	Total capital (€)	1.040.141.516	1.071.402.016
Koeficjent finansijskog leveridža (1/2)		0,20	0,22

Table no. 15: Total business efficiency

RATIO INDICATORS EPCG			
br.	Item	31.12.2023.	31.12.2022.
1.	Total income (€)	501.608.345	541.827.861
2.	Total expense (€)	436.232.640	536.810.359
Total business efficiency (1/2)		1,15	1,01

Table no. 16: Regular business efficiency

RATIO INDICATORS EPCG			
br.	Item	31.12.2023.	31.12.2022.
1.	Operating income (€)	494.112.451	522.421.727
2.	Operating expenses (€)	421.435.630	535.648.914
Regular business efficiency (1/2)		1,17	0,98

Table no. 17: Organic structure of assets

RATIO INDICATORS EPCG			
br.	Item	31.12.2023.	31.12.2022.
1.	Fixed assets (€)	697.366.094	649.110.139
2.	Current assets (€)	196.670.893	337.673.437
Organic composition of assets (1/2)		3,55	0,92

Table no. 18: Financial stability ratio

RATIO INDICATORS EPCG			
br.	Item	31.12.2023.	31.12.2022.
1.	Long-term liabilities (€)	1.076.053.743	1.002.885.191
2.	Equity (€)	1.040.141.516	1.071.402.016
3.	Long-term assets (€)	48.360.808	49.601.302
Financial stability ratio 1/(2+3)		0,99	0,89

TOP BUSINESS MONTENEGRO 2024

Leading Montenegrin creditworthiness information provider, BI Consulting, has ranked the companies operating in Montenegro, according to the clearly defined, public available criteria and the business results indicated in the financial statements.

ELEKTROPRIVREDA CRNE GORE AD NIKŠIĆ has taken THE FIRST PLACE IN OPERATING REVENUES, in the category of LARGE enterprises

TOP Business Montenegro awards 21 recognitions to: micro, small, medium and large enterprises with the highest operating revenues, the largest employer in Montenegro, as well as market leaders in specific activities (15).

A special category is established to award the most successful enterprise among the new companies, founded from January 1, 2021, which already meet all other selection criteria.

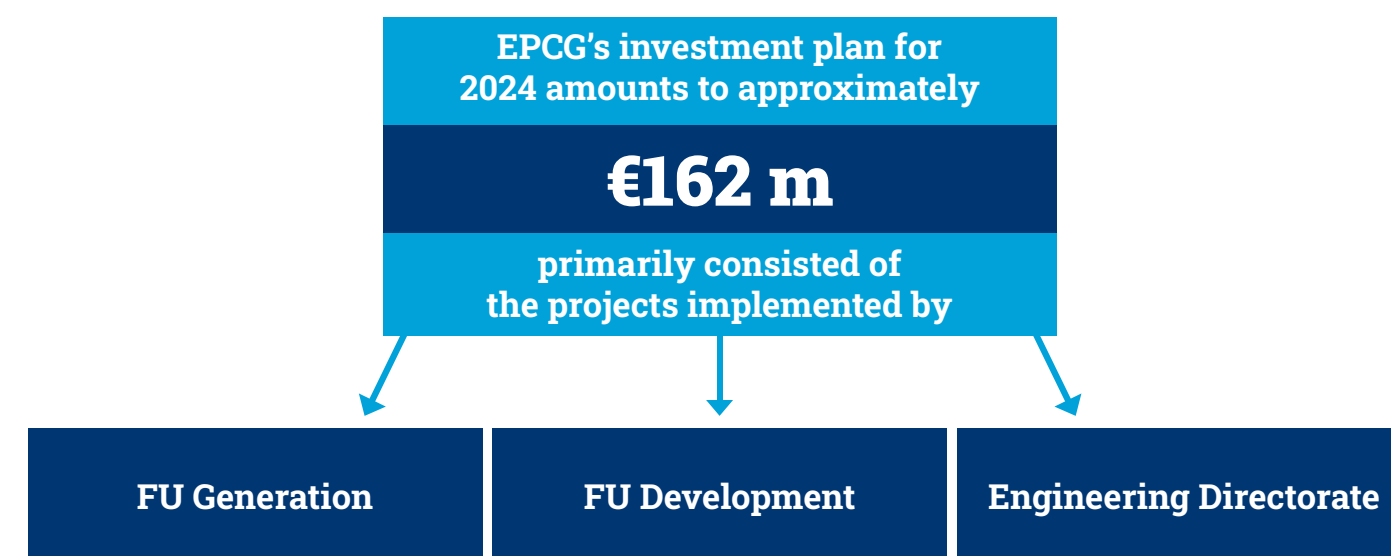


The focus of the Top Business Montenegro initiative is to highlight good examples of the successful business practice and promote successful Montenegrin companies, based on real results achieved in the previous business year. The activities they carry out aim to increase the culture of financial reporting and give advantage to the legal economy, which highlights another important role of the TBM initiative: a sincere commitment to the social responsibility.

The analysis conducted by TBM includes micro, small, medium, and large enterprises, while the indicators observed encompass revenues from sale achieved in the previous year and presented in the properly completed and timely furnished financial statements. Furthermore, the analysis also covers the fourteen activities that are of the highest significance to the Montenegrin economy.



11. Further development



The main objectives the Company will be focused on in the coming period are eco-retrofitting of TPP "Pljevlja" and continuation of reconstruction and modernization of the existing power plants (HPP "Piva" and HPP "Perućica" and Installation of U8), thus extending their service life, increasing the power plant's installed capacity to 365.5 MW and considering investment opportunities into new energy sources, in order to ensure energy stability of Montenegro.

The continuation of the Gvozd Wind Power Plant (WPP) projects is planned for 2024, which will complete the EPCG Group's electricity generation portfolio and contribute to increasing renewable energy generation.

In addition, considerable amount of funds has been appropriated for the implementation of HPP "Komarnica" project. The total estimated value of the investment involving construction of HPP "Komarnica" is €343.869.732, including costs pertaining to detailed geological exploration necessary for the development of the Detailed Design. Construction of HPP "Komarnica" is planned to be completed within 7 years, which timeline includes development of the Main Design, the plan being to commence this project following adoption of a detailed spatial plan and completion of negotiations on the project financing.

Diversion of a portion of water flow of the Zeta River to the reservoirs Krupac and Slano is planned to be implemented within the next investment cycle, which will ultimately enable better energy utilization of the available water potential, improvement of the utilization rate of the natural flow, and the energy effects of the newly designed facilities.

For the purpose of the construction of HPP Kruševo funds have been allocated for the preparation of investment and technical documentation in order to further utilize the hydropotential of the Piva River together with the energy effect of the HPP Piva and HPP Kruševo on the energy system of Montenegro.

In 2021 EPCG has launched the project "Solari 3.000+ and Solari 500+", as well as "Solari 5.000+", planned to be implemented in 2024. The project's objective is to reduce CO2 emission to the extent least possible, via energy transition, thus preserving the environment. "Solari 5.000+" project, being the continuation of the original project, will include installation of the new 5,000 systems aimed at sunlight valuating.

Furthermore, the plan includes the project on continuation of utilizing and phase reclamation of "Maljevac" landfill for the needs of TPP "Pljevlja", in order to contribute to further utilization of the landfill in compliance with the relevant legislation and industry standards.

Construction of SHPP "Otilovići" has been planned in the period to come. A public Invitation to tender for the design and construction of small hydropower plants (sHPP) is planned for 2024, as well as the signing of a contract with the best bidder while the planned timeline for manufacturing and assembling of the equipment, as well as the commissioning, is the period 2024 - 2026.

In addition to the aforementioned projects, activities are also planned for the following significant projects in the upcoming period: HPP 'Kruševo', Bilečko jezero - HPP 'Boka', HPP on the Čehotina River, SPP 'Brana Vrtac' (Dam Vrtac).





Good energy