

2024 OPERATING STATEMENT

OF CRNOGORSKI
ELEKTROPRENOSNI
SISTEM AD

OPENING STATEMENT

Ivan Asanović,
Executive Director



Dear colleagues, respected partners and friends of the company,

In front of you is the operating statement of our company for 2024, which is marked by significant results, strategic directions and joint success. Looking back on the past period, we can rightly say that we achieved stable and sustainable growth, improved our operations and further strengthened our position as a leader in the energy sector.

The year in which numerous capital projects were successfully brought to an end is behind us. By completing the planned investments and modernising the transmission network, we significantly improved the quality and security of electricity supply, increased the efficiency of the system and laid the foundations for further technological development. Our focus on innovation and modern technological standards has proven to be the right path to long-term sustainable operations.

Our vision, as well as determination and commitment to sustainable solutions, ensured us not only financial prosperity, but also the trust of the community in which we operate, as well as business partners outside the Montenegrin borders.

The financial results we achieved are the best confirmation of our decisions and courses of action. Thanks to responsible

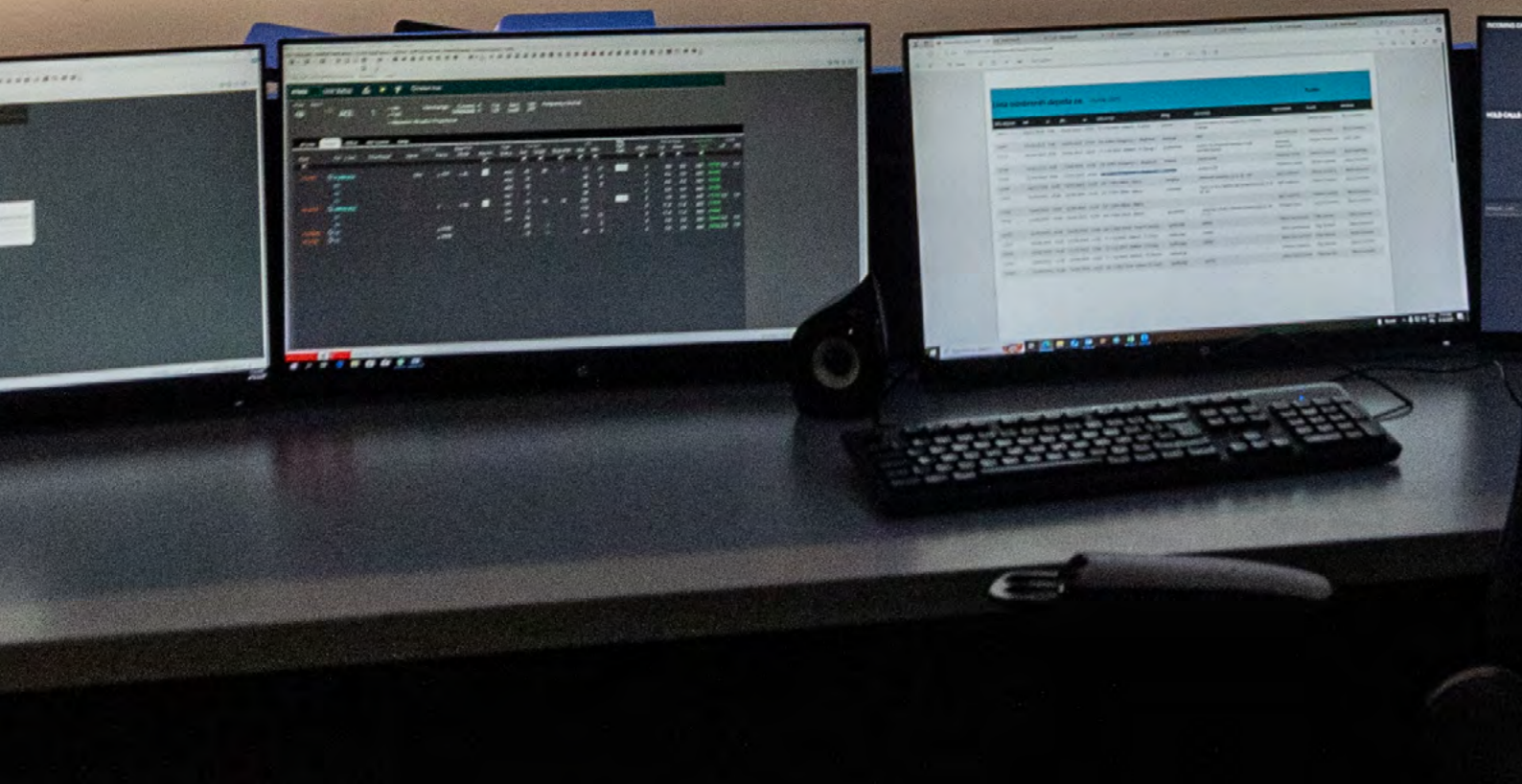
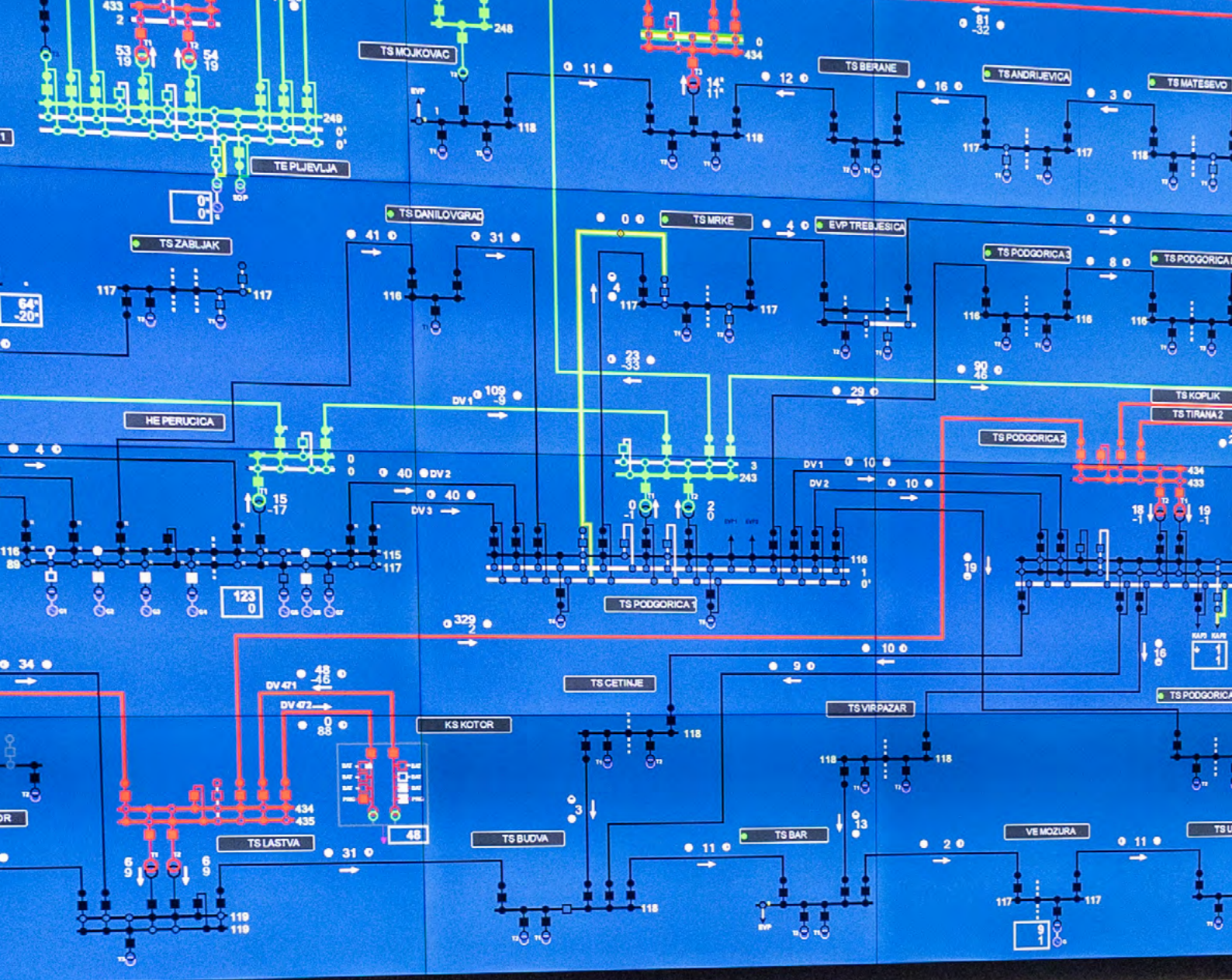
management, cost optimisation and well-thought-out business decisions, we recorded excellent financial indicators that exceeded projected goals. The net income for 2024 in the amount of 24.8 million euros is the result that says it all.

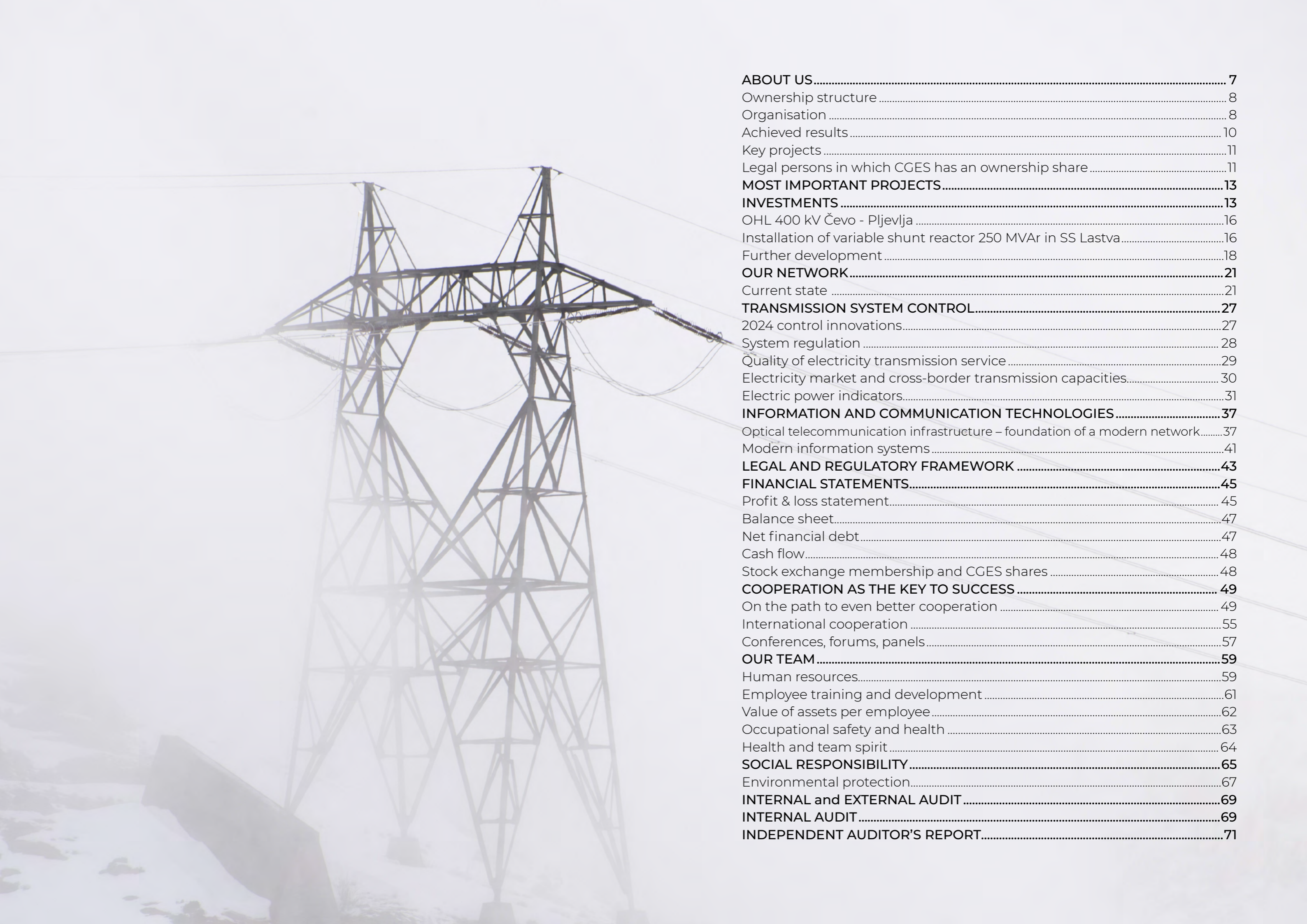
Thanks to the tireless engagement and expertise of our team, the company has achieved enviable business success. Commitment, innovation and team spirit enabled us to achieve outstanding results and set new standards.

In addition, we remained consistent with our values and responsibility towards the community. We have implemented a number of social responsibility projects, investing in education, development of local communities, humanitarian projects and sports because we believe that energy progress must be accompanied by social development.

The company continues to build the energy system of the future - reliable, sustainable and aligned with the goals and needs of the state, with the necessity of preserving the stability and security of functioning within the European interconnection.

Thank you to everyone who contributed to this success. Together we continue to build a strong and sustainable energy future.





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ABOUT US

We are a modern and responsible energy company specialising in electricity transmission. Our basic role is to provide stable, secure and efficient transmission of electricity to all end users, with constant improvement of the infrastructure and application of the most modern technological solutions.

As a leader in the energy sector, we are committed to the transformation of the electric power system in the direction of sustainability and energy transition. The focus of our business is the integration of renewable energy sources into the transmission system, thereby actively contributing to the development of green energy and energy efficiency, both at the national and regional levels.

In accordance with EU regulations related to the liberalisation of the electricity market, CGES was registered as an independent joint-stock company on 27 March 2009. The reliability and quality of the service we provide to our customers are guaranteed by decades of experience in the development, operation, maintenance and control of the transmission system, acquired through a number of organisational forms within the Montenegrin electricity sector since 1957, when the first facility of the Montenegrin transmission network was put into operation.

In addition to controlling the operation of the transmission system in compliance with operational parameters, procedures of importan-

ce for operation in European interconnection and market principles, Crnogorski elektroprivredni sistem AD maintains, improves and develops the transmission network using the latest technologies. Thereby, the transmission of electricity in Montenegro, as an activity of public interest, continuously provides the pre-conditions for proper power supply to users, reliable placement of energy produced and significant transits through our territory. Wise business decisions are necessary in order to overcome periods of extensive works, significant investments and fluctuations in business costs without negative impact on users.

In addition to electricity transmission, the Company also has a license to provide telecommunication services, thanks to its network of optical telecommunication fibres, about 730 kilometres long, throughout the country.

Since the connection of the first substation in Nikšić until today, the electricity transmission system of Montenegro has come a long way. The main goal of the Company, during all these decades of change and innovation, has always been and remains a satisfied transmission system user.

CGES has a license to carry out electricity transmission activities, issued by the Energy and Water Regulatory Agency. The last license, number L-E-032, was issued on 26 July 2024 and confirms compliance with all applicable technical and regulatory standards.

CGES mission

Secure and reliable operation of the electric power system in Montenegro, quality transmission and supply of electricity and system control in accordance with the international operational standards.

CGES vision

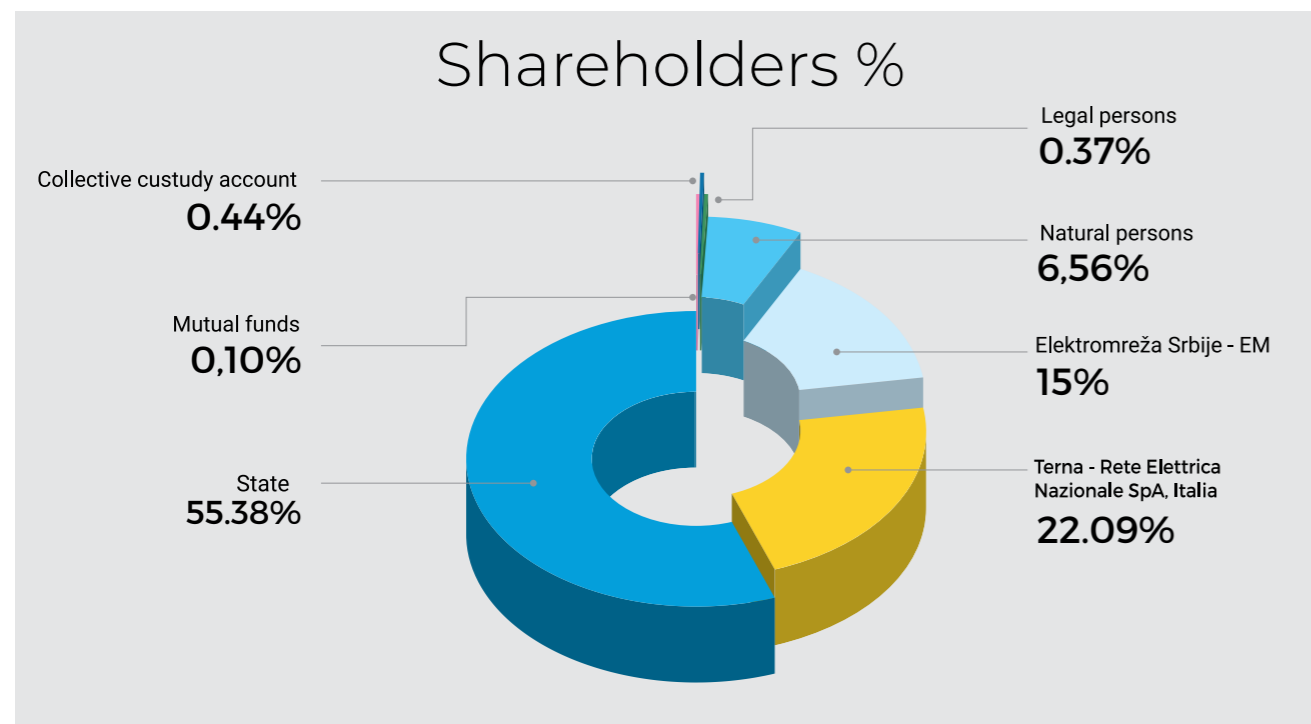
By valorising our potentials, with a focus on the development of the transmission system, our vision is to be a company recognised for the best quality services, ready to face challenges and to be an initiator of changes aimed at sustainable development and innovations.

Ownership structure

As of 31 December 2024, the share capital structure was the following:

The share capital of CGES amounts to €155,108,283.124, divided into 146,176,876 shares with the nominal value of €1.0611.

The ownership structure of CGES as of 31 December 2024 was the following: The State of Montenegro holds 55.38%, Terna Rete Nazionale S.p.A. 22.09%, Akcionarsko društvo Elektromreža Srbije - Beograd 15.00%, natural persons 6.63%, collective custody accounts 0.37%, mutual funds 0.44%, legal persons 0.10%.



Organisation

The authorities of the Company and their responsibilities are determined by the Companies Act and the By-Laws of the Company.

The Shareholder Meeting is the ultimate authority of the Company. Through the Meeting, shareholders pass and approve the most important acts, property, election and status related decisions.

During 2024, two Shareholder Meetings were held:

XIII Extraordinary Shareholder Meeting, held on 25 January 2024, in which the XXI Convocation of the Board of Directors was appointed;

XV Annual General Shareholder Meeting, held on 28 June 2024, in which the most important decisions regarding operations and corporate governance were adopted.

In the annual meeting, the 2023 Operating Statement, 2023 Financial Statements with the Auditor's Report, and the Decision on selection of an auditor for 2024 were adopted.

In addition, a decision was adopted on the distribution of the realised net income for 2023, which envisaged the payment of dividends to shareholders. The right to a dividend is exercised by all shareholders who were registered in the Central Depository Register on the reference date.

Moreover, the members of the XXII Convocation of the Board of Directors were appointed, which confirmed the continuity and confidence in the majority of the current members. The following members were reappointed:

- Aleksandar Mijušković, BSc in Electrical Engineering
- Jelena Matejić, BSc in Economics
- Guido Guida (Terna – Rete Elettrica Nazionale S.p.A.)
- Slavoljub Todorović, BSc in Mining Engineering
- Vučko Fatić, BSc in Economics
- Violeta Vuljaj, Spec. Sci in Applied Management

Instead of Giacomo Donnini, **Maria Rosaria Guarniere**, a representative of the strategic partner from Italy - the company Terna, was appointed as a new member.

The Board of Directors is authorised to manage the Company, give guidelines to the Executive Director in terms of managing the Company's operations and monitor the Company's operations. CGES Board of Directors consists of seven members who, after the removal of the previous convocation, were elected at the XV Annual General Shareholder Meeting held on 28 June 2024.



Aleksandar Mijušković
Chairman of the Board of Directors



Maria Rosaria Guarniere
Deputy Chairwoman of the Board of Directors



Guido Guida
Member of the Board of Directors



Jelena Matejić
Member of the Board of Directors



Violeta Vuljaj
Member of the Board of Directors



Slavoljub Todorović
Member of the Board of Directors



Vučko Fatić
Member of the Board of Directors

The Executive Director is authorised to manage the Company's assets and organise and lead the business activities of the Company, to represent the Company and to take care of the legality of the Company's operation.

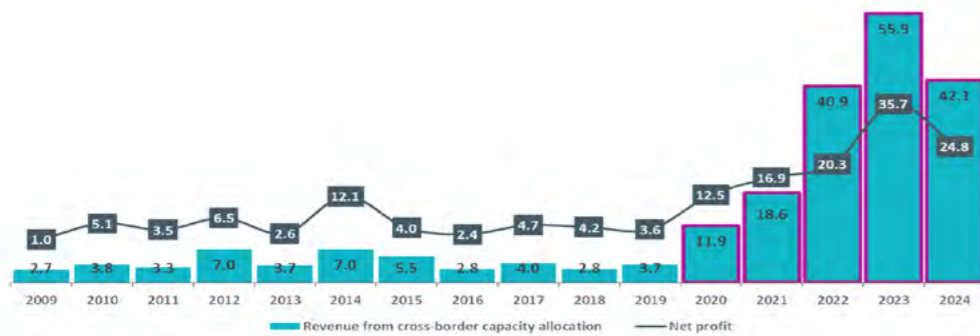
In November 2021, the Board of Directors of Crnogorski elektroprenosni sistem AD appointed Ivan Asanović, BSc in Electrical Engineering, the former Acting Executive Director, to the position of Executive Director with a four-year term. Significant business experience and continuous professional development of Ivan Asanović, have determined the members of the CGES Board of Directors to unanimously decide on his appointment to this position. His contribution to running the company, improving operations and achieving the strategic goals of CGES was also recognised by the **Association of Managers of Montenegro**, whose Board of Directors elected Mr Asanović for **manager of the year in the category of state-owned enterprises**.

Achieved results

Crnogorski elektroprenosni sistem (CGES) continued its positive financial trend in 2024, achieving a net income of 24.8 million euros. Thus, the total income of the company in the last four years reached the amount of almost 100 million euros, thereby achieving a historic operating result since its establishment.

Net income by year:

2021 16,9 milion euros **2022** 20,3 milion euros **2023** 35,7 milion euros **2024** 24,8 milion euros



The achieved results are reflected in responsible management, consistent implementation of investment plans and continuous improvement of business processes. The company has maintained high liquidity and financial stability, while simultaneously implementing a significant investment cycle.

The realised net income enabled the fulfilment of regulatory obligations in accordance with the rules of the Energy and Water Regulatory Agency (REGAGEN), as well as specific support for end users. Based on the adjustment of the regulatory allowed revenue for 2024, the total cost for electricity transmission was reduced by 9.5 million euros, which contributed to mitigating the increase in the price of electricity for households. The share of transmission in the total consumer bill was reduced from 6.6% to 4.5%, with a direct effect on the largest consumer group.

As of 31 March 2024, CGES had 340 employees, which is an increase of only 24 compared to 2009. In the same period, the number of substations increased from 19 to 30, and the length of overhead lines from 1,270 to 1,550 kilometres. The volume of technical and operational activities has also increased, which additionally confirms the high level of efficiency in human resource management.

CGES actively monitors and responds to the challenges of the energy transition. The changing nature of generation from renewable sources requires precise and flexible system control. The company invests in strengthening the internal infrastructure, develops and maintains key international connections, and participates in regional initiatives to strengthen the security and stability of electricity flows.

In 2024, CGES maintained a stable financial position, improved its infrastructural base and additionally strengthened its role as a reliable regional operator. In the coming period, the company's priorities remain:

- ▶ implementation of capital investments,
- ▶ strengthening the security and resilience of the system,
- ▶ rational and responsible management of all available resources.

CGES continues to conduct its operations transparently, responsibly and in accordance with applicable regulations and the highest professional standards of the electricity transmission sector.

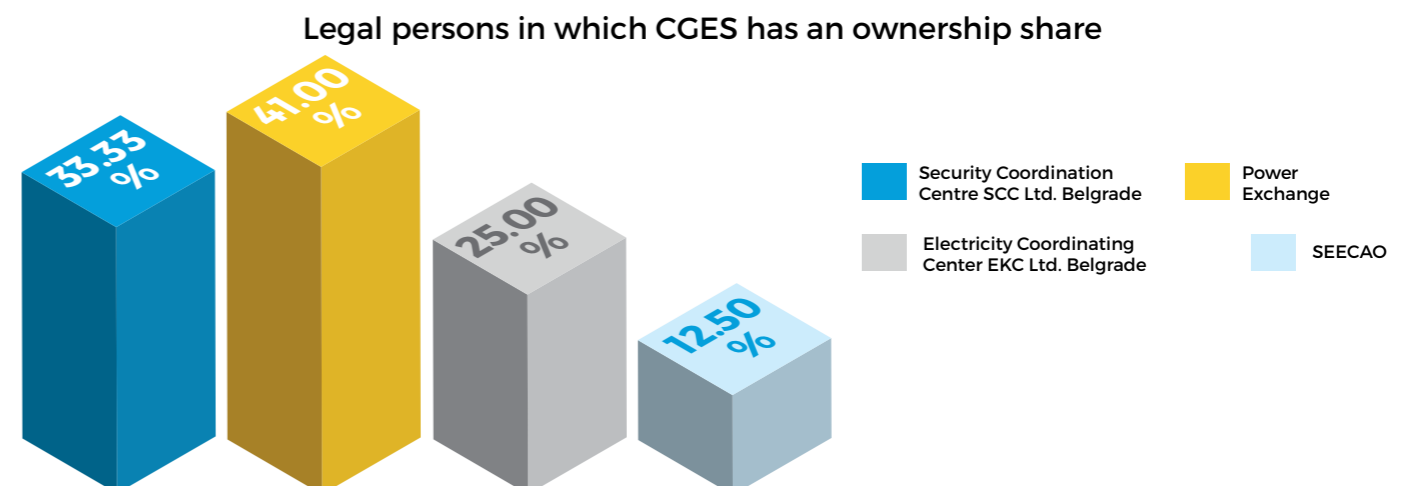
Key projects

- ▶ the construction of the Trans-Balkan Corridor, which will enable an increase in the capacity of the Western Balkan interconnection, in the east-west and north-south directions, and which will also enable the integration of renewable sources,
- ▶ strengthening interconnections with Serbia, Bosnia and Herzegovina and Albania,
- ▶ improvement of the internal network for the integration of renewable energy sources,
- ▶ digitalisation and modernisation of the control and monitoring system.

The aforementioned activities are aimed at increasing system stability, reducing losses, improving operational efficiency and better preparedness for energy changes in the region and Europe.

Legal persons in which CGES has an ownership share

CGES has control and impact on the operations and decision-making, proportionally to its ownership share, of the following legal persons:

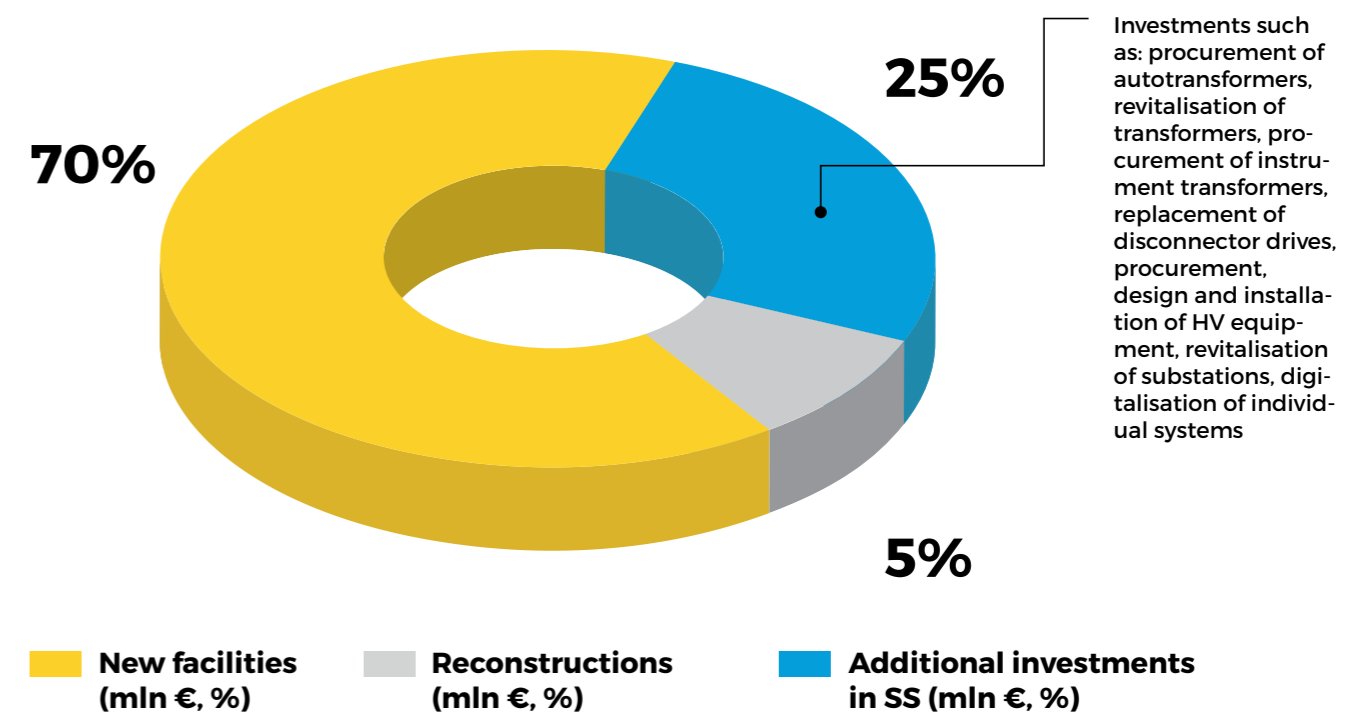


MOST IMPORTANT PROJECTS

INVESTMENTS

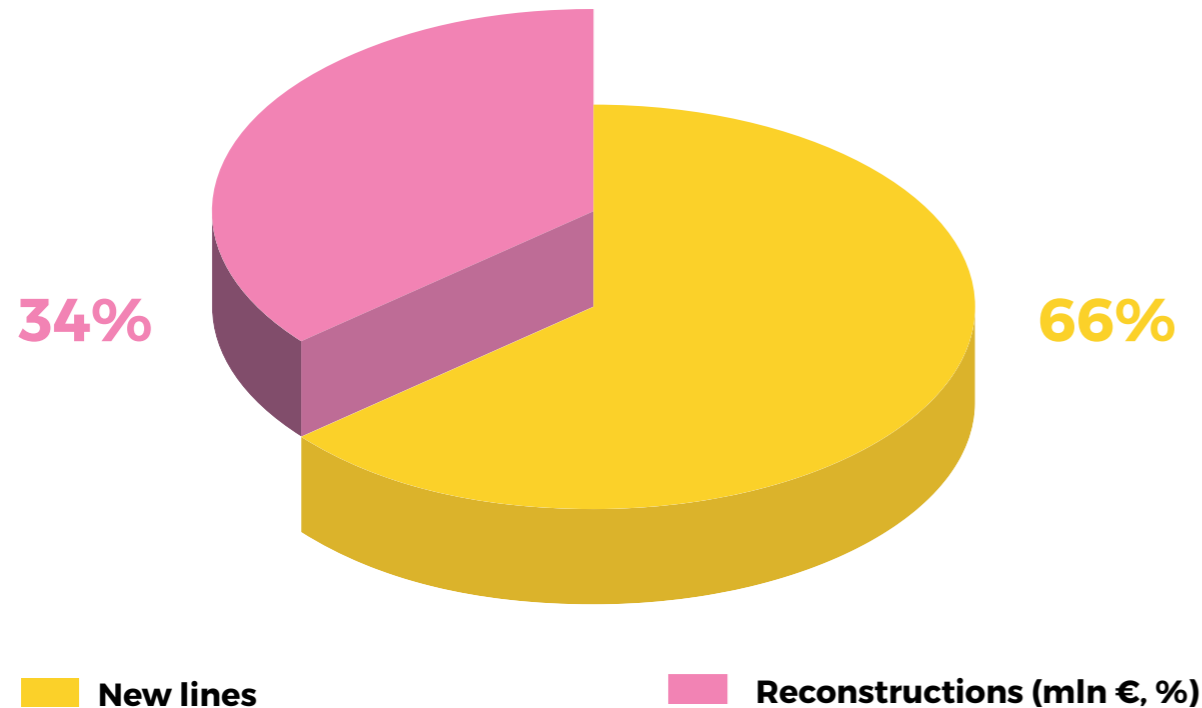
The Investment Plan 2024 envisaged activities on 61 investments amounting to 37.547 million euros. Observing by individual investments, the largest budget was planned for the implementation of the investment Construction of 110/35 kV SS Luštica and connection to 110 kV network in the amount of 10.026 million euros, while eight projects and programmes had a budget for 2024 greater than 1 million euros. For the needs of operational security, the budget for 2024 also envisaged 900 thousand euros for unforeseen investments. The share of investments in the budget for 2024 by separate categories/related groups of investments is given in the following graphs:

Substations - investments in 2024



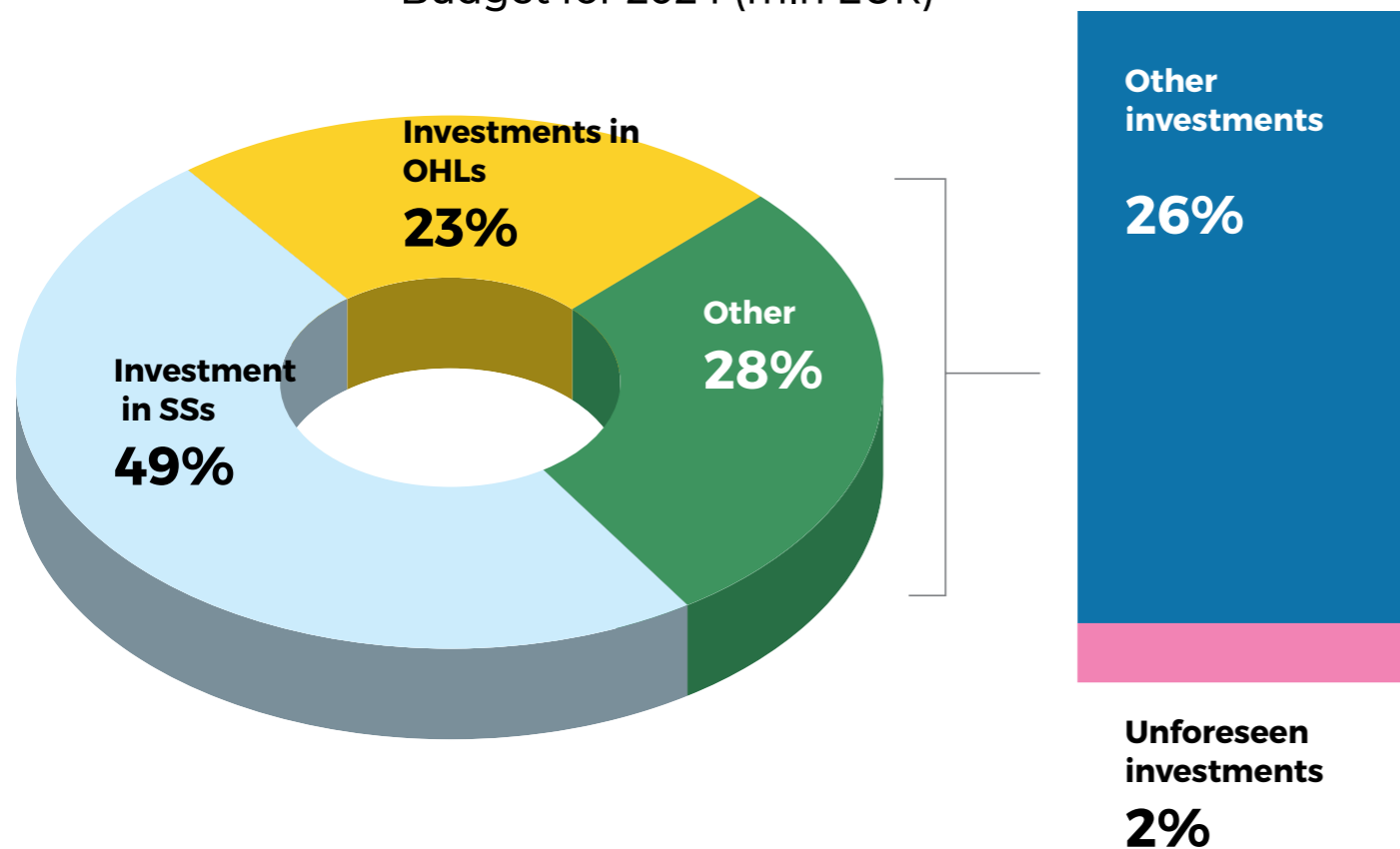
Investment in facilities of the type substations (new facilities vs reconstructions)

Lines - investments in 2024



Investment in facilities of the type lines - overhead lines and cables
(new facilities vs reconstructions)

Budget for 2024 (mln EUR)



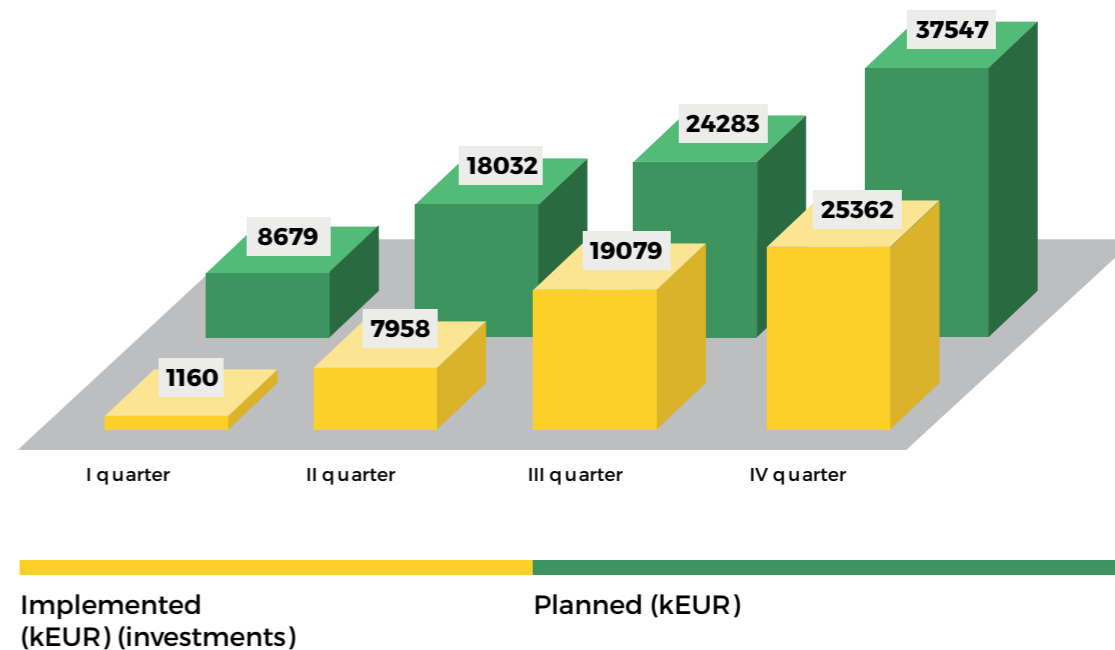
Budget breakdown for 2024 by investment category

As a logical continuation of investments in previous years, in 2024, the implementation of the following investments was actively continued:

- construction of OHL 400 kV Čevo - Pljevlja – the only remaining investments within the associated infrastructure group that also included the construction of SS 400/110/35 kV Lastva and OHL 400 kV Lastva - Čevo;
- construction of SS 400/110/35 kV Brezna and OHL 400 kV Pljevlja 2 - Bajina Bašta - Višegrad within the Trans-Balkan Corridor group that also included the reconstruction of the protection system in the transmission network and replacement of HV equipment in CGES substations;
- group of projects Luštica and associated projects that includes the construction of SS 110/35 kV Luštica with connection to the 110 kV network, reconstruction of SS 110/35 kV Tivat, reconstruction of 110 kV OHL Lastva - Tivat and construction of 110 kV OHL Lastva - Kotor;
- other projects representing investments in modernisation and new projects.

Implementation vs the 2024 plan by quarter is shown in the below diagram:

Plan/implementation for 2024 by quarter



During 2024, 68% of the planned investments were completed (25.362 million euros were implemented of the planned 37.547 million euros).

OHL 400 kV Čevo - Pljevlja

Activities continued on the completion of the construction of OHL 400 kV Čevo - Pljevlja as another segment in the connection of the electric power systems of Montenegro and Italy, further as part of the wider Trans-Balkan interconnection project that extends from Romania to Italy. The construction of such grandiose facilities represents a great challenge because it is necessary to harmonise ecological, social, financial and technical-technological requirements, which is why the vast majority of such projects are very difficult to implement not only in our country, but also in the world. Despite this, in the previous period, great steps forward towards the completion of the project were made. The overhead line was constructed in several previously disputed locations, and special technical solutions were applied in certain locations (such as the installation of special conductors made of aluminium alloys that reduce the noise produced by the corona effect), which contributed to overcoming the problems in the construction of the overhead line.

The time schedule of the construction of the overhead line Čevo - Pljevlja during 2024 was very intense. The double-circuit section Brezna - Njegovuđa was completed, and from 01 November 2024, the completed part of the route is again in permanent operation as part of the 110 kV section Lastva - Brezna - Žabljak. The project implementation level has reached 98%, that is, for the completion of the project, it is necessary to create conditions for executing works in the village of Đurđevića Tara, that is, to solve the problem of the passage of the OHL through NP Durmitor. In order to solve the mentioned problem, several options/technical solutions were developed from the aspects of feasibility, design, costs and time required for the execution of the works.

Installation of variable shunt reactor 250 MVar in SS Lastva

During 2024, activities continued on the implementation of the project of installation of variable shunt reactor 250 MVar in SS Lastva. The installation of a shunt reactor is a particularly important project for our electric power system because its implementation will enable the absorption of excess reactive power in the system, which will make a major contribution to solving the regional problem of high voltages in the Western Balkans region. In the first half of 2024, a contract was signed for the development of a final design and the execution of works. By the end of the year, activities were carried out on the approval of documentation for the shunt reactor and the associated bay GIS 400 kV, the definition of the disposition, as well as the development of the final design.

During 2024, CGES continued intensive activities on the construction and reconstruction of the internal transmission network, as well as on the analysis of possibilities and the harmonisation of technical solutions/development of feasibility studies for new interconnections.

In the first half of 2024, contracts were signed for the development of a final design and the execution of works for the construction of **SS 110/35 kV Luštica** and its connection to the transmission network. Contractors were given access to and possession of the site. For the substation project, activities were carried out to harmonise the disposition. The FAT for the cable to connect SS Luštica to the transmission network was successfully completed and by the end of 2024, about 1/3 of the cable was delivered.

During the previous year, the first implementation of a high temperature low sag (**HTLS**) conductor in the transmission network was carried out, replacing the existing conductor on OHL 110 kV Perućica - Danilovgrad - Podgorica 1. The dimensions of the HTLS conductor correspond to the existing conductor Al/Fe 150/25 mm². In this way, the transmission capacity is increased (in this case, the capacity was doubled) with the use of existing tower structures, which is the key advantage of applying this solution. The use of this conductor does not affect the statics of

towers because the forces on towers that occur due to the installation of the new conductor are not greater than the forces that were caused by the existing conductor that was originally in operation, Al/Fe 150/25 mm². The implementation of this investment will solve the problem of congestion due to the winter mode of utilisation of HPP Perućica and the possible outage of one of the neighbouring overhead lines, and the conditions will be created for future projects such as the connection of WPP Gvozd and the increase of generation capacities at HPP Perućica. For the full completion of the project, there are still works remaining on the replacement of the earth wire, anti-corrosion protection of towers and additional measures on the earthing on OHL 110 kV Perućica - Danilovgrad - Podgorica 1. The works from the construction phase are shown in the images below:



Bearing in mind that the summer season of 2024 was marked by increased demands for electricity, which caused overloads, especially in the coastal part, it was decided that as a short-term measure to increase the security of supply to consumers in Budva and Boka Kotorska, the existing conductors will be replaced with high-temperature conductors on the 110 kV overhead lines Budva - Lastva - Tivat. For this purpose, at the end of 2024, the tender procedure for the selection of a contractor was started.

During 2024, the execution of works was continued on the **reconstruction and extension of SS 110/35 kV Pljevlja 1**, which has been in operation since 1961, and which will enable increased reliability of power supply and remote control. The implementation of the project will reduce maintenance costs, and the connection of OHL 110 kV Žabljak will increase the security of pow-

er supply to distribution consumers of the municipalities of Pljevlja and Žabljak. Regarding the 400 kV interconnection with the transmission network of Serbia (construction of 2x400 kV OHL Pljevlja - border with Serbia), in 2024, the multi-year problem with the adoption of the planning document, detailed spatial plan, for OHL 2x400 kV Pljevlja - border with Serbia was resolved, which caused a delay in the implementation of planned activities. After obtaining the conditions, the urban planning and technical conditions were obtained in November, which created the conditions for the continuation of the project implementation. In order to achieve a real energy transition, enabling the connection of renewable energy sources, improving the efficiency of the electricity network, reducing electricity losses, increasing cross-border capacities and improving the reliability of power supply, CGES has a clear initiative in the direction of constructing new interconnections, and in these terms, during 2024, the preparatory activities for the implementation of projects for the construction of interconnections for Bosnia and Herzegovina (OHL 400 kV with the construction of SS on Pivska planina) and Albania (110 kV connection) were continued.

By implementing its projects, CGES opens a new perspective towards a green transition, the connection of renewable sources and the reduction of carbon dioxide emissions. For the needs of the Operation Department, CGES acquired seven new vehicles, three of which are electric. In addition, the installation of chargers for electric vehicles has been completed in the substations Lastva, Tivat and Bar. With these activities, CGES participates in the development of electromobility in Montenegro, improves efficiency in the field and contributes to the reduction of carbon dioxide emissions in traffic.

It is of great importance to note that even in 2024, great interest in the construction and connection of renewable energy power plants to the transmission network - predominantly solar power plants - continued. At the end of 2024, eight agreements were signed for the construction of connection infrastructure and connection for solar power plants with a total installed capacity of 2.2 GW, one agreement for a wind power plant with an installed capacity of 118.8 MW, as well as an agreement for the connection of the eighth unit in HPP Perućica, with an installed capacity of 58.5 MW. The above data, as well as the fact that so far 25 connection possibility analyses have been prepared for facilities with a respectable installed capacity, clearly point to the need to improve the internal network, strengthen existing interconnections and construct new ones.

In addition, it is important to point out that despite the challenges that CGES faced in 2024, which are of particular importance for the implementation of investments (increase in the prices of materials and works on the market, problems with solving property-legal issues/expropriation issues, problems with providing spatial-planning assumptions), a respectable achievement is noted both in financial implementation and in the part of the implementation of most of the planned activities, whereby special emphasis is placed on a carefully conceived plan for the next period, all with the aim of ensuring quality prerequisites for the implementation of the core tasks of the transmission system operator and the profitable functioning of the company.

Further development

In accordance with its business plan, Crnogorski elektroprenosni sistem will invest approx. 207 million euros in the construction and maintenance of the electricity transmission network in the next 5 years. In order to provide secure, reliable and high-quality electricity supply, a series of reconstructions are planned in terms of strengthening the existing network, but also constructing new facilities that will enable the connection of new users, primarily power plants with renewable energy sources. As previously mentioned, so far, a large number of applications

was received for the issuance of conditions for the connection of dominantly solar and wind power plants with a significant installed capacity. Calculations carried out as part of connection possibility analyses show that the state of the transmission network does not allow the connection of additional new power plants without certain conditions, meaning that for further connections it will be necessary to make significant reinforcements in the transmission network in the form of the construction of new interconnection overhead lines with the countries of the region. Bearing in mind such inputs, the transmission system operator plans to implement investments with such defined implementation dynamics that will prevent a situation where the transmission network would become a bottleneck for system functioning. All the existing elements that there are indications that they will reach overload are included in the long-term plan of CGES. As stated, an important segment of the strategic development of the transmission system in the next ten-year period remains the construction of interconnections towards neighbouring systems, primarily with Bosnia and Herzegovina (BiH), Serbia, Kosovo and Albania, which ensures a high level of security of power supply to consumers in the entire territory of Montenegro in the observed period. The project of connecting BiH and Serbia with new 400 kV interconnections is part of the construction of the so-called Trans-Balkan Corridor, which aims to increase the capacity of the Western-Balkan interconnection, in the east-west and north-south directions, and which also enables the integration of renewable sources, primarily in Montenegro, and the distribution of energy to neighbouring countries.

CGES also invests in smart grid projects, i.e. smart networks whose goal is the optimal operation of the transmission system. In this regard, a number of projects have already been implemented, and projects whose implementation will provide remote monitoring, control and regulation of new facilities by including them in the new NDC SCADA/EMS system, extend the system for remote access and SGM applications, as well as the old NDC SCADA to new facilities that will be constructed in the coming years, are ongoing. In addition, it is planned to install sensors to control the temperature of wires and additional load, procure software for monitoring the state of vegetation in overhead line routes, introduce technologies for monitoring, photographing and analysing overhead line corridors and implement a system for integral operation planning and electric power system reliability assessment.

Finally, it is concluded that CGES is constantly working to maintain and construct a network with multiple objectives, the most important of which are:

- ▶ elimination of observed uncertainties in the past period;
- ▶ contribution to national system security;
- ▶ contribution to the security of uninterrupted electricity trade in the region;
- ▶ minimisation of capital investments in the transmission network;
- ▶ enabling the connection of renewable electricity sources and increasing socio-economic benefits;
- ▶ coupling the European electricity market;
- ▶ strategic directions of improvement and development in order to protect the environment.

OUR NETWORK

Current state

Pursuant to the Energy Law, the transmission system in Montenegro consists of plants (substations) and lines (overhead lines and cables) at 400 kV, 220 kV and 110 kV voltage level.

Crnogorski elektroprenosni sistem AD Podgorica manages 1,549 km of overhead lines as follows:

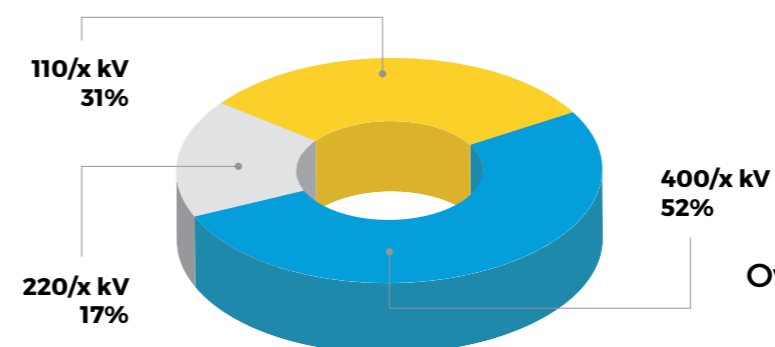
- ▶ six 400 kV overhead lines, 348.8 km long, of which 36 km of the 2x400 kV overhead line,
- ▶ one 400 kV section Čevo - Brezna, 54 km long, which is in operation under 110 kV voltage,
- ▶ eight 220 kV overhead lines, 374.7 km long,
- ▶ thirty-eight 110 kV overhead lines, 662 km long, of which three 2x110 kV overhead lines, 65.3 km long,
- ▶ four 110 kV overhead lines that are in operation under 35 kV voltage, 97 km long,
- ▶ two underground 110 kV cable lines, 7.3 km long,
- ▶ one combined 110 kV line, 5.15 km long (2.48 km of overhead line and 2.67 km of cable length);

as well as 4,464.5 MVA of installed transformation capacity in:

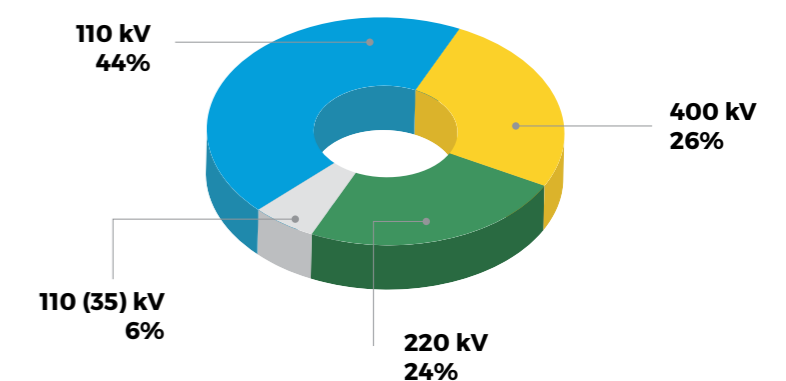
- ▶ four 400/x substations (2,335 MVA),
- ▶ three 220/x substations (741 MVA),
- ▶ twenty-two 110/x substations (1,388.5 MVA).

CGES also controls 110 kV plants in WPP Krnovo (owned by KGE) and WPP Možura.

Transformation capacity by voltage levels



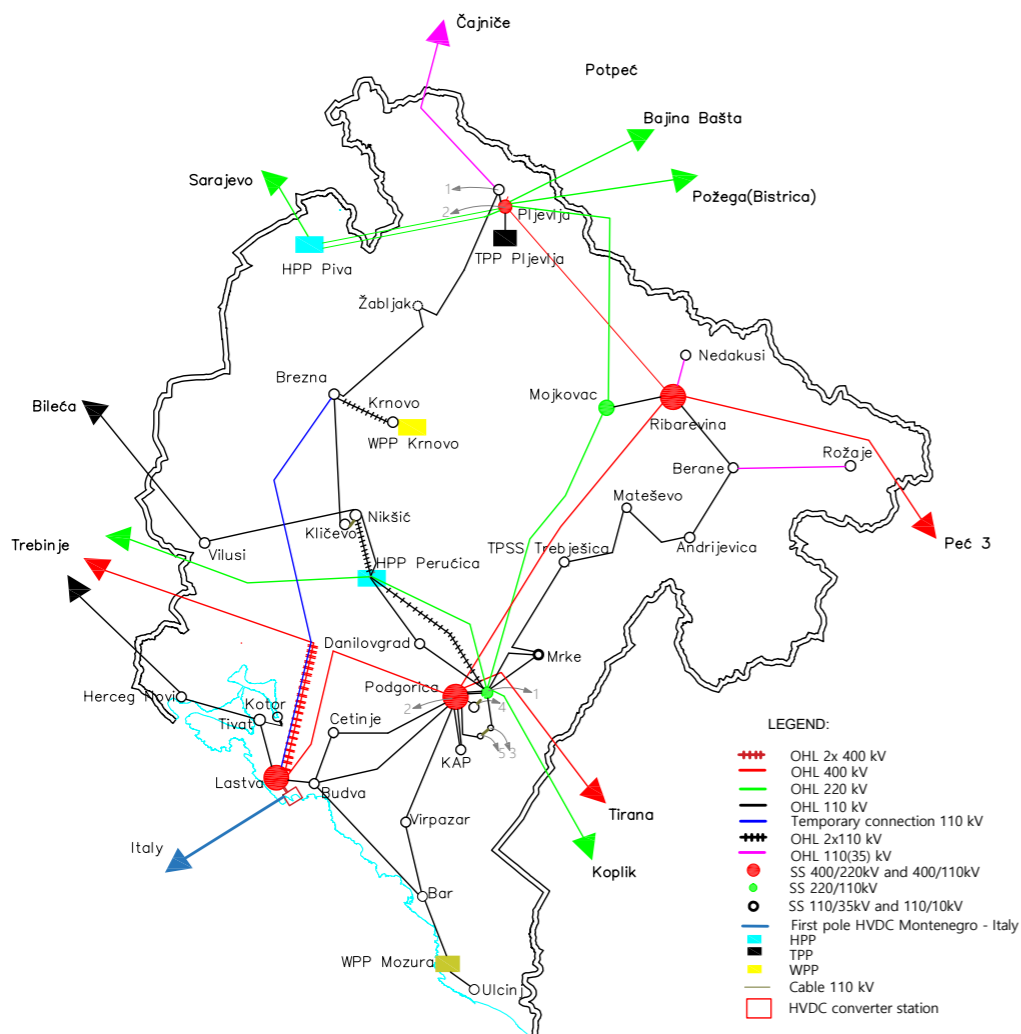
Overhead line lengths by voltage levels



The transmission system of Montenegro has a considerable number of interconnective overhead lines with neighbouring electric power systems:

- with the electric power system of Serbia, the transmission system of Montenegro is connected via two 220 kV OHLs and with one 110 kV OHL;
- with the electric power system of Kosovo, the transmission system of Montenegro is connected via one 400 kV OHL;
- with the electric power system of Bosnia and Herzegovina, the transmission system of Montenegro is connected via one 400 kV OHL, two 220 kV OHL, one 110 kV OHL and one 110 (35) kV OHL;
- with the electric power system of Albania, the transmission system of Montenegro is connected via 400 kV OHL and one 220 kV OHL;
- with the electric power system of Italy, the transmission system of Montenegro is connected via 500kV HVDC submarine cable..

CGES AD PODGORICA MONTENEGRO TRANSMISSION SYSTEM NETWORK



The following facilities are connected to the electricity transmission network owned by CGES:

- ▶ Hydroelectric power plants Perućica (installed capacity 310 MW) and Piva (347 MW);
- ▶ Thermal power plant Pljevlja (210 MW);
- ▶ Wind power plants Krnovo (72 MW) and Možura (46 MW);
- ▶ Direct consumers:
 - ▶ Kombinat aluminijuma Podgorica (Aluminium Plant Podgorica),
 - ▶ Željezara Nikšić (Steelworks Nikšić),
 - ▶ Željeznička infrastruktura Crne Gore (Railway Infrastructure of Montenegro);
- ▶ CEDIS, which through distribution network supplies around 400.000 registered distribution consumers with electricity.

Substation and overhead line maintenance, relay protection and testing

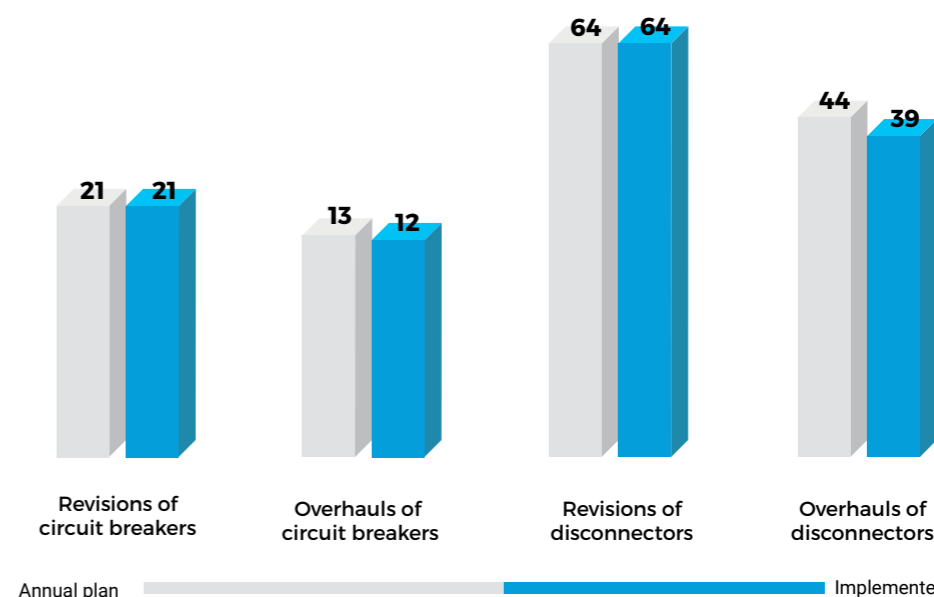
In the previous year, the **Substation Maintenance Division** implemented 299 work orders. Among the more significant works, the replacement of 110/35 kV transformers in SS Vilusi stand out, thanks to which the transformation capacity in this substations was doubled. The existing 10 MVA transformer was replaced with a new, stronger 20 MVA transformer. The works also included the laying of service cables in SS Vilusi and SS Nikšić in order to ensure a stable power supply during execution. The complete work was carried out independently by the CGES teams.

At the end of the year, in a record short time, the Substation Maintenance Division managed to dismantle the equipment and prepare for the transport of the damaged transformer 110/35 kV, 63 MVA in SS Podgorica 1. The transformer was then successfully transported to the factory, where it will be repaired.

CGES employees from the Transformer Substation Maintenance Department replaced oil cables on transformer T5 (110/35 kV, 63 MVA) in SS Podgorica 1. The works were carried out independently and completely professionally, which improved the reliability and security of one of the key transformers in the network.

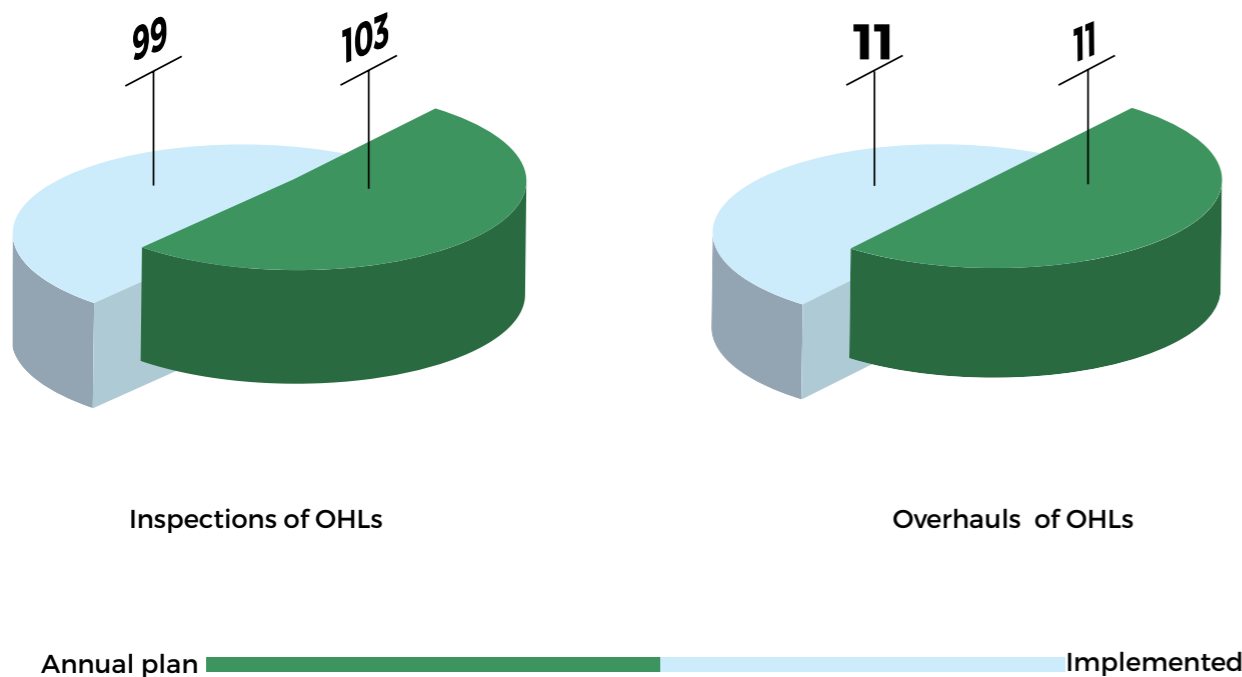
The overhaul and revision annual plan was implemented, except for the work in SS Pljevlja 2, which requires the presence of an authorised service technician. A corresponding contract was signed for this service and implementation is expected in the first half of the current year. The graph below shows the distribution of implementation.

Implementation of the HV equipment overhaul and revision annual plan in 2024



The Overhead Line Maintenance Division successfully completed 477 work orders, which is 30% higher than in 2023. Overhauls of 11 overhead lines were implemented, which represents 100% implementation compared to the plan. A total of 99 inspections was implemented, which represents implementation in the amount of 96.12% compared to the plan. Inspections of four 110 kV overhead lines were not implemented, mainly due to bad weather conditions, as well as due to the engagement of teams for the implementation of a large number of unplanned activities. On the overhead lines, after regular inspections, defects were eliminated that were estimated to affect the operational security of the overhead lines. In addition to regular and planned work, 34 emergency interventions were also carried out. The planned activities of the Overhead Line Maintenance Division and their implementation as well as their implementation are shown in the graph below.

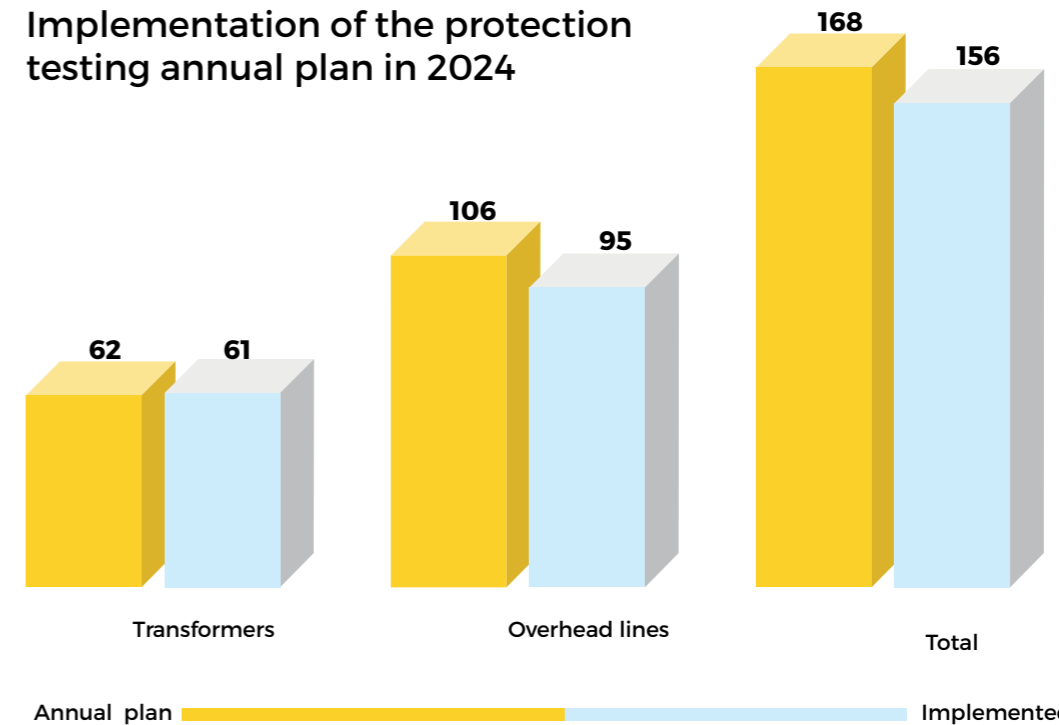
Implementation of the overhead line inspection and overhaul annual plan in 2024



In addition to regular activities on the implementation of the maintenance plan, during the year, the employees of the Overhead Line Maintenance Division also implemented activities of great importance within investment projects.

During the previous year, **the Relay Protection Division** implemented 269 work orders, which is an increase of 11.6% compared to 2023. The annual plan was fully implemented, except for 11 connecting overhead lines and block transformers of HPP Perućica and HPP Piva plants, which were transferred to the ownership of CGES at the end of 2023, and which, in accordance with the takeover agreement, were examined as part of the regular tests by the competent EPCG department.

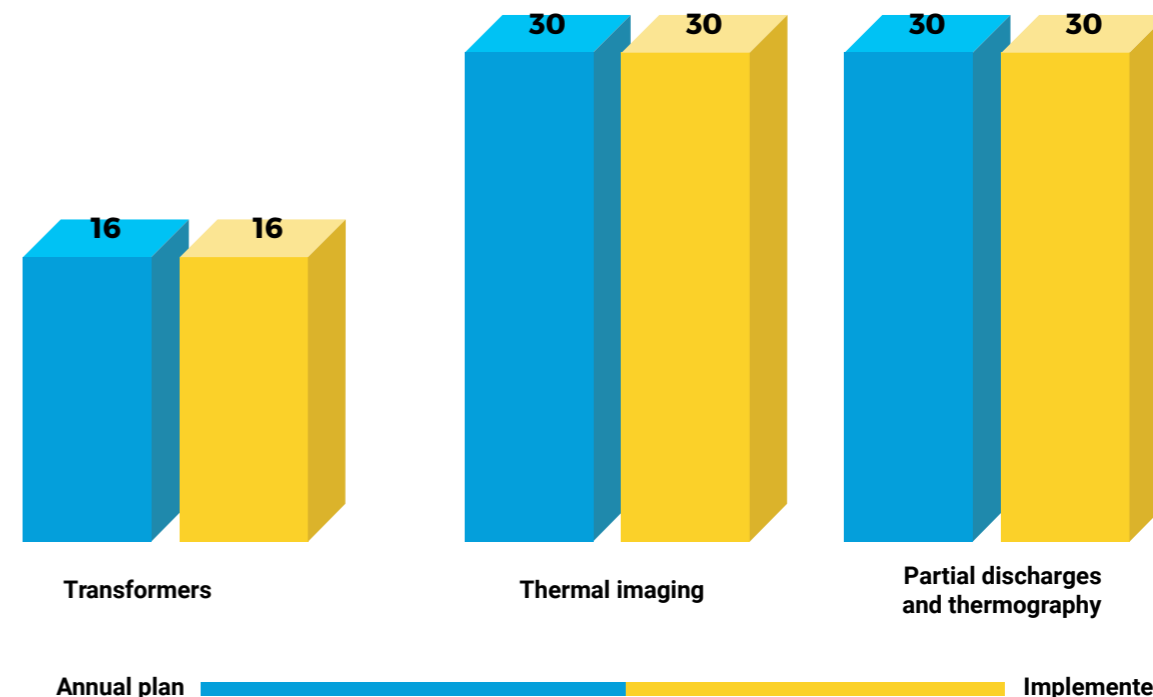
Implementation of the protection testing annual plan in 2024



The Relay Protection Division is part of the working group for the project of testing remote control of switching equipment from NDC. During the previous year, the working group successfully completed the remote control testing process in all 27 substations of CGES, in which the technical conditions existed. In addition to the mentioned activities, the Division performed metering of parameters of 19 overhead lines and kept daily statistics on the response of protection devices.

In the past year, the Testing Division implemented 191 work orders and completely fulfilled the annual plan.

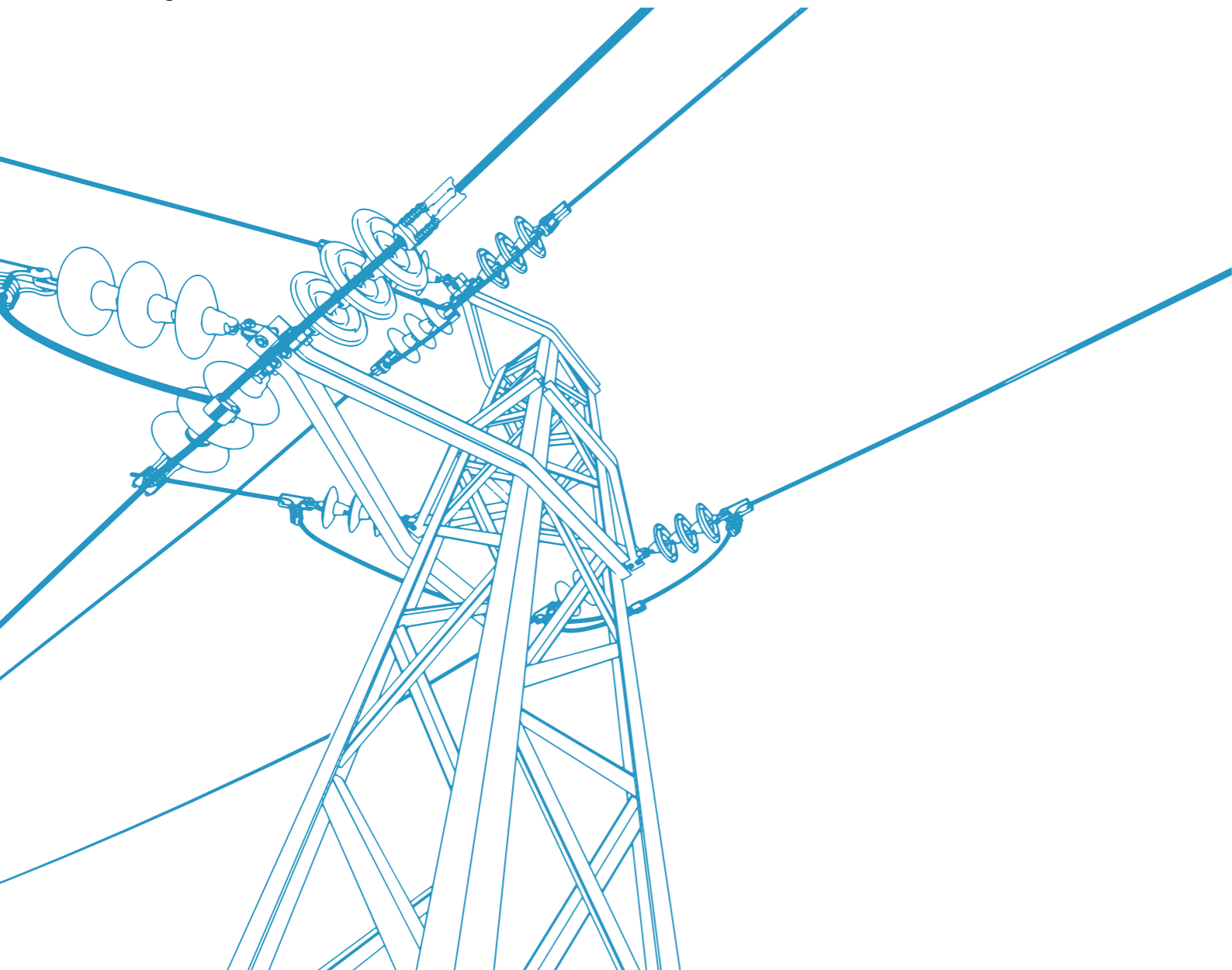
Implementation of the Testing Division annual plan in 2024



During the previous year, the procurement and training for two new test devices were carried out, the Testrano 600 transformer testing device and the Aquila partial discharge measuring device. Compared to previous test equipment, testing has been improved by using new methods such as dynamic winding resistance and transformer demagnetisation, and previous methods have been improved by shortening the measurement time and increasing the reliability and sensitivity of the measurement due to the very possibility of demagnetisation. In addition, the testing of the condition of the bushing insulation system has been improved through a new relation for measuring capacitance using the new Testrano device.

Care for electric power facilities includes regular monitoring and testing of equipment, regular inspections, examinations and overhauls as well as fast, efficient and quality elimination of defects and handling emergency situations, all in such a way as to ensure that the voltage-free time of any electricity transmission system user does not exist or is minimal.

During 2024, the **Operation Department** was in charge of collecting data on operational events, the condition of high-voltage and other electric power equipment, as well as activities organised in CGES substations. Based on the collected data, daily reports were prepared and the competent departments were informed about the observed deficiencies, which contributed to increasing the speed and efficiency of solving them. In addition, within this Department, the shift work of substation staff, who performed regular visits, checked the condition of HV equipment, as well as the necessary operations and took care of the operational facilities, was organised.



TRANSMISSION SYSTEM CONTROL

2024 control innovations

As the founder and member of ENTSO-E (European Network of Transmission System Operators for Electricity), CGES continuously works on improving internal rules and procedures of transmission system control, while respecting the requirements that apply to all European transmission system operators and the specifics of our network, and all in order to provide the highest quality transmission service for system users. During 2024, harmonisation with the legal legislation of the EU continued by transposing network rules into the national legislation of Montenegro, primarily through the Energy Law and the Law on Cross-Border Exchange.

Transmission system monitoring and control, which includes planned activities and activities that are performed in real time, is performed from the National Dispatch Centre (NDC) and the Reserve Dispatch Centre (RDC) by using SCADA systems and other modern software tools. This means that operational planning, among other things, refers to the procurement of ancillary and balancing services, development of disconnection plans, electric power system operation plans, security models and analyses, calculation of cross-border transmission capacities, forecasts of generation from renewable sources, electricity losses in the transmission system, etc.

During 2024, the remote control of transmission system elements was commissioned. In accordance with the appropriate procedure, remote control is carried out from NDC, in coordination with the competent services of Elektroprenos. This function enables further modernisation and optimisation of the performance and operation of the transmission

system. In addition, by means of CGES SCADA, the distribution system operator (DSO) is enabled to monitor and remotely control the 35 kV facilities at the TSO-DSO separation border. Regarding real-time activities, electric power system control includes system management (maintenance of frequency stability, voltage stability, application of defensive measures and restoration of operation after disturbances), system monitoring in terms of static and transient stability, changes to operation plans. During 2024, activities in regional teams continued with the aim of establishing a coordinated cross-border capacity calculation and a coordinated security analysis.

A special challenge for operational control and planning of system operation is to provide the prerequisites for the implementation of development projects and activities of preventive maintenance of substations and overhead lines through numerous disconnections of transmission system elements, without having a negative impact on the quality of the power supply to users. Several timely interventions that stopped cascading disturbances of a regional character vividly confirm the readiness of the operational staff of the National Dispatch Centre for quality work.

Operational event of 21 June 2024

On 21 June 2024, at 12:24:40, there was a disturbance in the Southeast Europe system, when users of the transmission system in Albania, most of Montenegro, Bosnia and Herzegovina and part of Croatia were left without power. Previously, there was an outage of OHL 400 kV Ribarevine - Podgorica at 12:09 and OHL 400 kV Zemblak (AL) - Kardia (GR) at 12:21. After that, there was a cascading outage of several elements in the region and a loss of voltage in the mentioned systems. All transmission system users in Montenegro received voltage at 14:28.

This event, as well as a number of other circumstances before and after it, have confirmed our beliefs that there is no "green energy transition" without a strong, resilient, flexible and smart transmission network.

In addition, we accepted this as an additional impulse and argument for our determination to improve the internal network, construct new and improve existing interconnections, as well as to additionally invest in modern maintenance and system control technologies.

ENTSO-E published a detailed report on the causes of disturbances with recommendations for improving operation. The report is available on the CGES website.

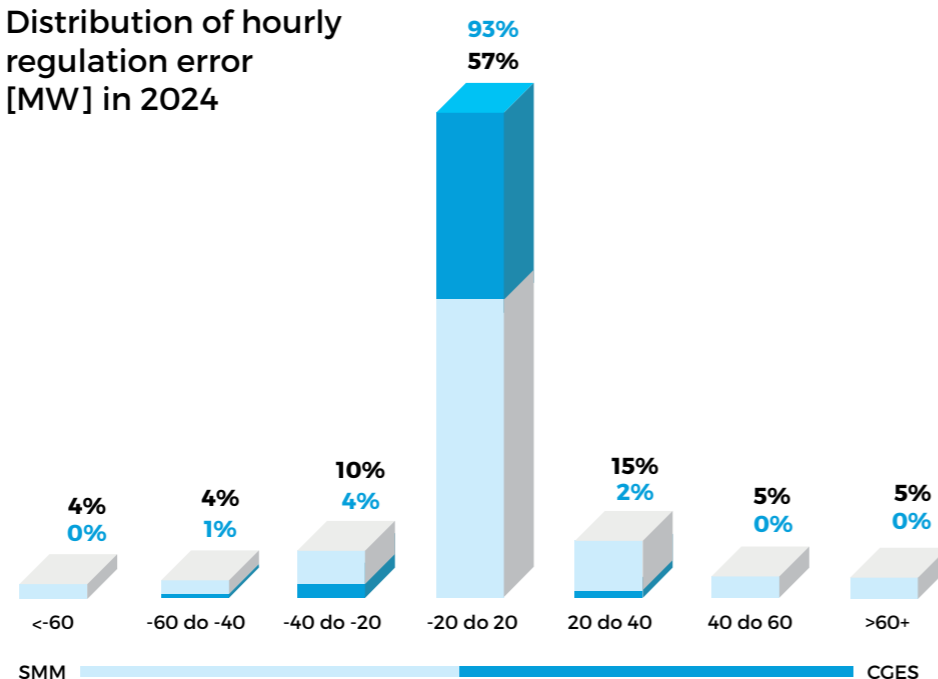
CGES considers the implementation of all recommendations to be a priority task, with an emphasis on those related to the adaptation of EU regulations in Montenegro and the region, and especially those related to regional coordination of system operation and consistent application of all relevant procedures.

System regulation

CGES is obliged to regulate the power of exchange with the neighbouring electric power systems, limiting unexpected unbalances in the range from -20 MW to +20 MW. The diagram shows the regulation error of CGES as a member of the SMM block. The trend of good regulation from the previous period (between 70% and 90% of the time the deviation was within the desired range) was maintained in 2024, so the desired level of quality was achieved in 93% of the time, and deviations outside the scope of ± 60 MW were present in less than 4% of the time. During 2024, the quality of regulation of the control area managed by CGES was significantly above comparable regulations (e.g. the average quality of reg-

ulation of the SMM block, which, in addition to Montenegro, also includes Serbia and North Macedonia).

Distribution of hourly regulation error [MW] in 2024



Further adjustments additionally improved the monitoring and control system, which contributed to the described quality of regulation of the Montenegrin electric power system. The implemented INOM (Imbalance Netting Optimization Module) option relieved the regulation capacities of domestic power plants participating in secondary regulation, and the level of regulation was further improved. During 2024, HPP Perućica and HPP Piva actively participated in the secondary regulation system.

In order to improve the operation of frequency regulation and exchange power in addition to the existing contracts for the provision of ancillary and balancing services, CGES initiated a series of activities to amend the operating agreement with the Albanian transmission system operator (OST) in order to include the procurement of cross-border tertiary regulation energy. Namely, through OST, for the

purpose of the aforementioned procurement, CGES prepared a draft contract with the Albanian electricity company (KESH) as a service provider.

During 2024, new criteria were adjusted for monitoring the quality of regulation in the area of Continental Europe within ENTSO-E, where transmission system operators will have the opportunity to compare quality not only within the control block, but also in the entire synchronous zone of Continental Europe by applying a new methodology for determining limits for quality monitoring.

The mentioned facts indicate that the regulation of the frequency and power of the exchange is becoming an increasingly complex process, which in the nearest future will require a significant improvement in terms of available resources.

Quality of electricity transmission service

CGES, in accordance with the Rules of Minimum Quality Requirements for Electricity Delivery and Supply, records and processes data relevant for service quality assessment. The purpose of these rules is to encourage transmission system operators, distribution system operators and suppliers to reach and maintain the levels of general and individual indicators of the minimum quality requirements of electricity supply set out in these rules.

Data on interruptions are recorded through monthly reports that are submitted to the Agency and based on which the quality indicators related to the transmission system are determined, namely:

- ▶ AIT (Average Interruption Time) - provides information on the average duration of interruptions in power supply to customers, parts of distribution systems and closed distribution systems connected to the transmission system, expressed in hours on a yearly basis;
- ▶ ENS (Energy Not Supplied) - provides information on energy not supplied to customers, parts of distribution systems and closed distribution systems connected to the transmission system due to planned and unplanned interruptions in power supply, in cases where the use of alternative routes of the transmission and distribution network provides power supply to users, expressed in MWh on an annual basis.

The table below shows the quality indicators in 2023 and 2024 due to unplanned interruptions in power supply:

Year	2023	2024
ENS (MWh)	381.5	1259
AIT (h)	1.16	3.71

Considering that the prescribed deadline for fulfilling the obligations of the transmission system operator is 24 hours, we point out that this standard was met in 98.3% of the total of 117 recorded events.

It is important to point out that the ratio of energy not supplied and energy transmitted for 2024 amounts to 0.042%.

Through the improvement of both network infrastructure and operational procedures, CGES is constantly making efforts to improve the indicator of the general minimum of transmission quality.

During 2024, a large number of planned works on the modernisation of the network were implemented in cooperation with the distribution system operator, during which end customers were supplied from alternative directions. The total duration of planned interruptions in power supply for 2024 is lower than for 2023, which is shown in the table below:

Total interruption time	Planned		Unplanned	
	2023	2024	2023	2024
Total interruption time since the beginning of the year (min)	74,684	61,716	2,512	9,759

Electricity market and cross-border transmission capacities

CGES continued its activities regarding the liberalisation of the electricity market during 2024. The functioning of day-ahead and forward markets in a transparent and reliable manner is an indicator of the interest of market participants, which there were 29 at the end of 2024, in registering. Namely, through Berza električne energije d.o.o. (Montenegrin Power Exchange LLC), of which CGES is one of the founders, a total volume of 791.3 GWh was traded, while for the needs of CGES, 46 auction processes were carried out on the forward market, where 149.2 GWh were traded.

In May 2024, in cooperation with CGES, Berza električne energije was appointed as the Nominated Electricity Market Operator in order to jointly couple day-ahead markets with the single European market, in accordance with European regulations. By coupling with the single European electricity market, the transparency of the market in Montenegro will be improved, efficiency will increase, and significant progress will be made in improving security of supply in Montenegro, establishing regional wholesale electricity prices, optimal distribution of available cross-zonal capacities, as well as more efficient integration of renewable energy sources based on transparent and non-discriminatory market principles.

Although it is necessary to adopt the Market Coupling Operation Integration Plan (MCO IP) and NEMO designation for the implementation of the market coupling project with complete transposition and implementation of the EU Electricity Integration Package – EIP, CGES, in cooperation with Terna, is intensively working on its preparation.

These activities resulted in the approval of **including the border of Montenegro - Italy in the European Single Day-ahead Coupling (SDAC)** under the auspices of the Italian **Border Working Table (IBWT)** project, which was decided by the IBWT regulators on 08 November 2024 at the request of CGES and BELEN. The aforementioned is one of the prerequisites for the formation of the Local Implementation Project (LIP) and the further definition of the road map.

In addition, at the meeting of the **Market Coupling Steering Committee (MC SC)** held on 18 September 2024, we were granted **observer status in the MC SC Only TSOs and MC SC Joint NEMOs and TSOs committees**.

In addition to the above, with the aim of operationalising the ITME CCR, a draft **coordinated capacity calculation methodology (CCM)** at this border was prepared.

During 2024, CGES continued to organise the allocation of cross-border capacities through the SEECAO allocation platform at all borders except at the border with EMS, where the allocation is made in accordance with the signed contract on organising joint auctions at the bilateral level, in such a way that EMS allocates available cross-border capacity on an annual and monthly basis, while CGES is in charge of daily and intraday auctions. Allocation at the annual, monthly and daily level is done using the "marginal price" method - the last accepted price, while intraday allocation is done according to the "first come, first served" principle.

The total number of participants with whom CGES signed contracts on balance responsibility, registered to participate in auctions organised by CGES in 2024, was 68.

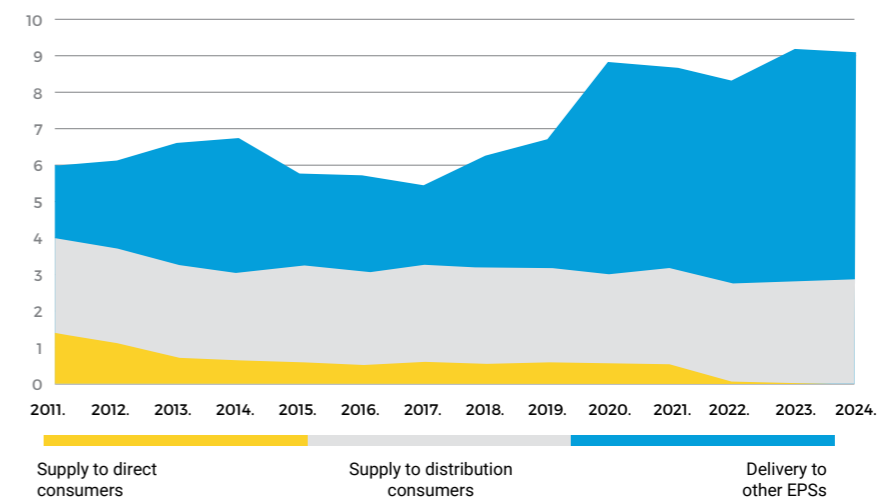
Electric power indicators

Electricity transmitted

In 2024, the CGES transmission system transmitted a total of 9,085.12 GWh of electricity for the needs of the Montenegrin electric power system and the transit of electricity for the needs of other systems and the interconnection.

In 2024, we note the continuation of the trends of record amounts of total transmitted energy since the launch of the HVDC, which was made possible by CGES through its transmission system and which can be seen in the following diagram:

Energy transmitted in the period 2011-2024 (TWh)



Compared to the period before the commissioning of the HVDC submarine cable, in 2024, we note significant values of electricity transit through the transmission system of Montenegro in the amount of 5,410.22 GWh, which is an increase compared to 2023 by 3.94%.

2024	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	SUM
Transit (GWh)	507	465	498	449	445	472	408	453	355	504	417	439	5410

Electricity transit by month in 2024

Rate of losses

Higher utilisation of the network of the highest voltage level continued in 2024, so the rate of transmission losses compared to the total energy that entered the transmission system was 1.56%, which is slightly lower than in 2023, when it had a value of 1.6%.

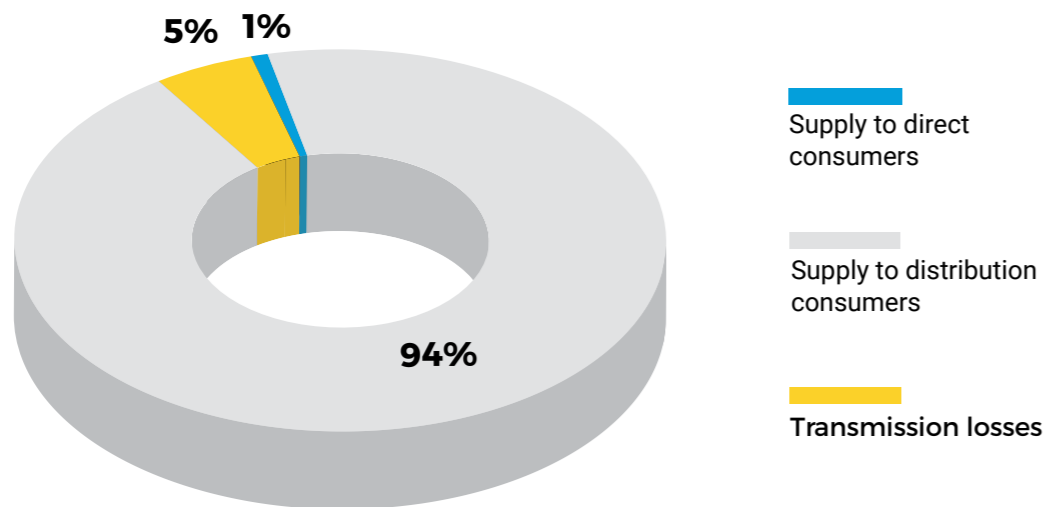
Electricity consumption

The total electricity consumption in Montenegro in 2024 was 3,114.028 GWh, which is an increase of 3.23% compared to the values from 2023.

Consumption (GWh)			
Year	2023.	2024.	Difference
Supply to distribution consumers	2782,439	2927,554	5,2%
Supply to direct consumers	88,058	43,247	-50,9%
Transmission losses	146,228	143,227	-2,1%
Total:	3.016,725	3,114.028	3,2%

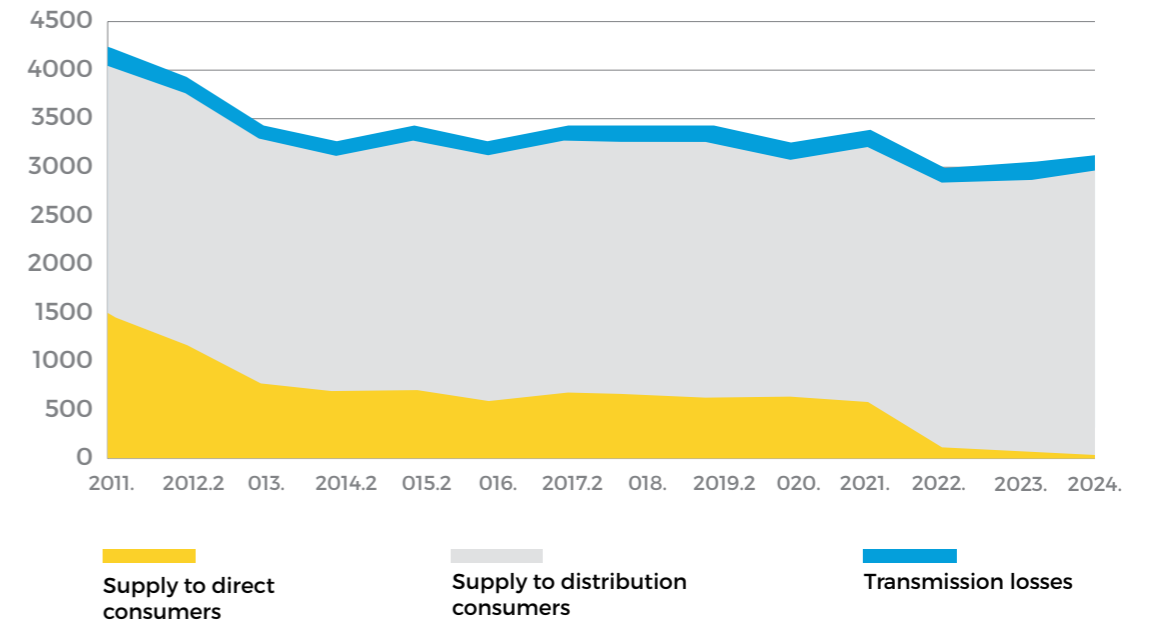
The table shows the continuation of the decreasing trend in the supply of electricity to direct consumers also during 2024, while a slight increase in the supply to distribution consumers is recorded due to less generation of electricity in the distribution network.

Share by type of consumption in 2024



Customers at the distribution level cover 94 % of the total electricity consumption in Montenegro.

Total electricity consumption in the period 2011-2024 (GWh)

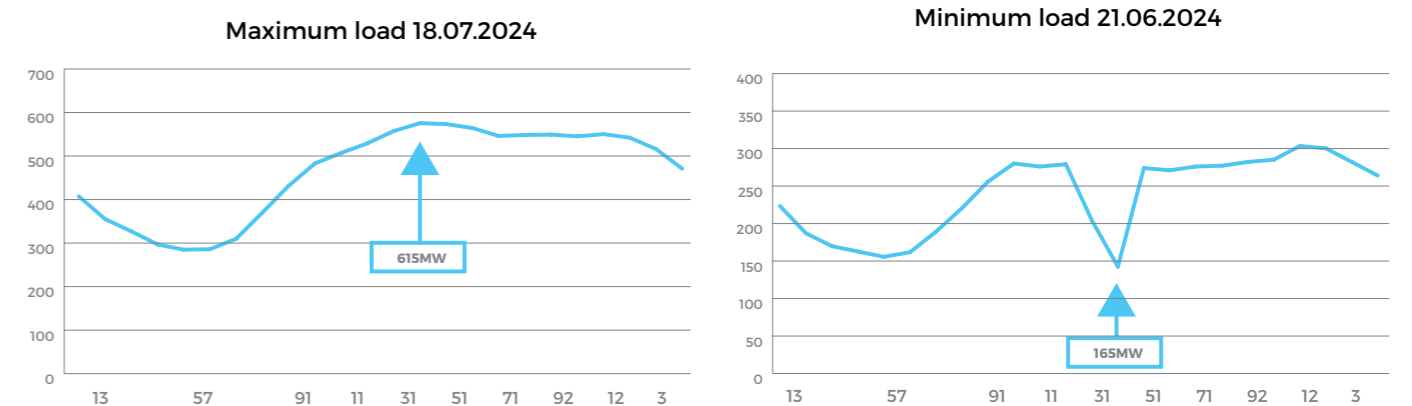


The maximum load of the Montenegrin transmission network was recorded on 18 July 2024 and it amounted to 11,981 MWh, with import of 3,777 MWh and transit of 9,363 MWh. The maximum consumption value of 615 MW at 14h was also realised on that day.

Maximum power			Maximum daily consumption	
MW	Hour	Day	MWh	Day
615	14	18.07.2024.	11981	18.07.2024.

Maximum power			Maximum daily consumption	
MW	Hour	Day	MWh	Day
165	14	21.06.2024.	6035	05.05.2024.

Below is an overview of the maximum/minimum system load as well as the achieved maximum and minimum consumption on a daily basis in 2024.

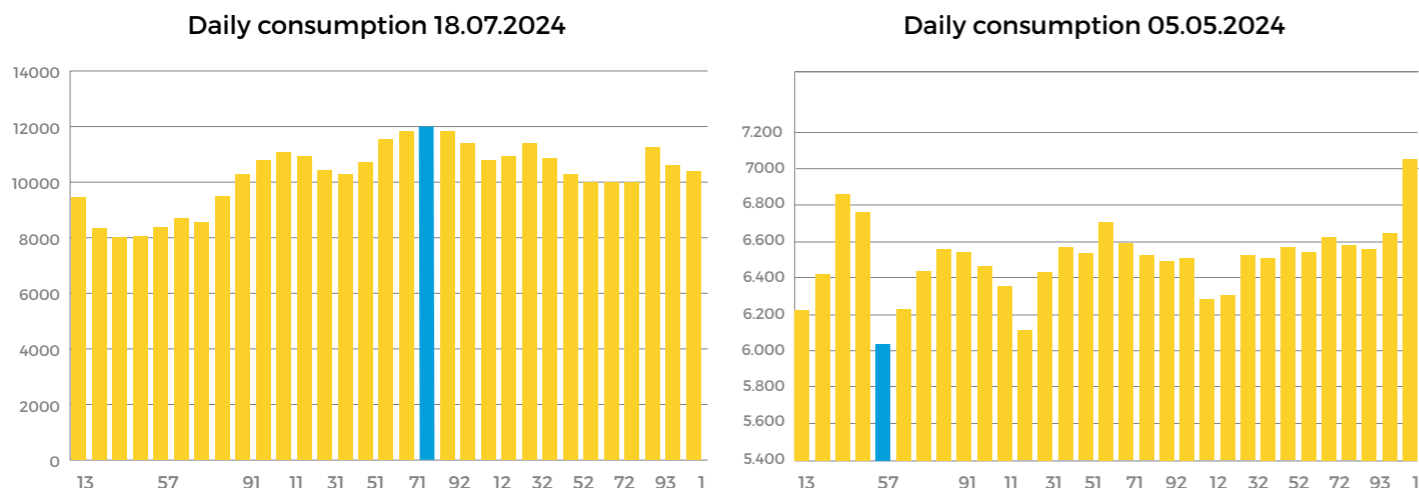


In 2024, peak consumption in Montenegro was 615 MW, compared to 568 MW in 2023.

The minimum consumption of 165 MW was recorded on 21 June 2024 at 14h

Daily consumption

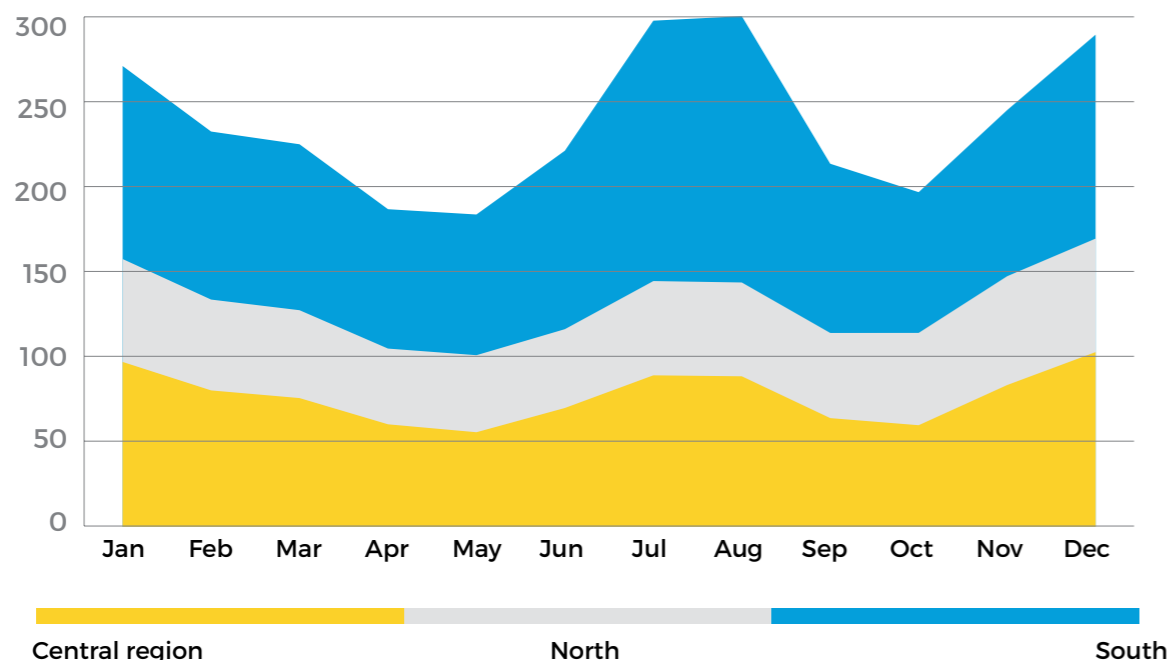
The highest daily consumption was realised on 18 July, while the lowest on 5 May 2024.



Electricity delivered to the distribution network

We recorded the usual maximum consumption on the coast with a characteristic "peak" in this period of the year also in 2024. The trend of energy delivered to the distribution network is presented in the following diagram:

Energy delivered to the distribution network in 2024 [GWh]



Electricity generation

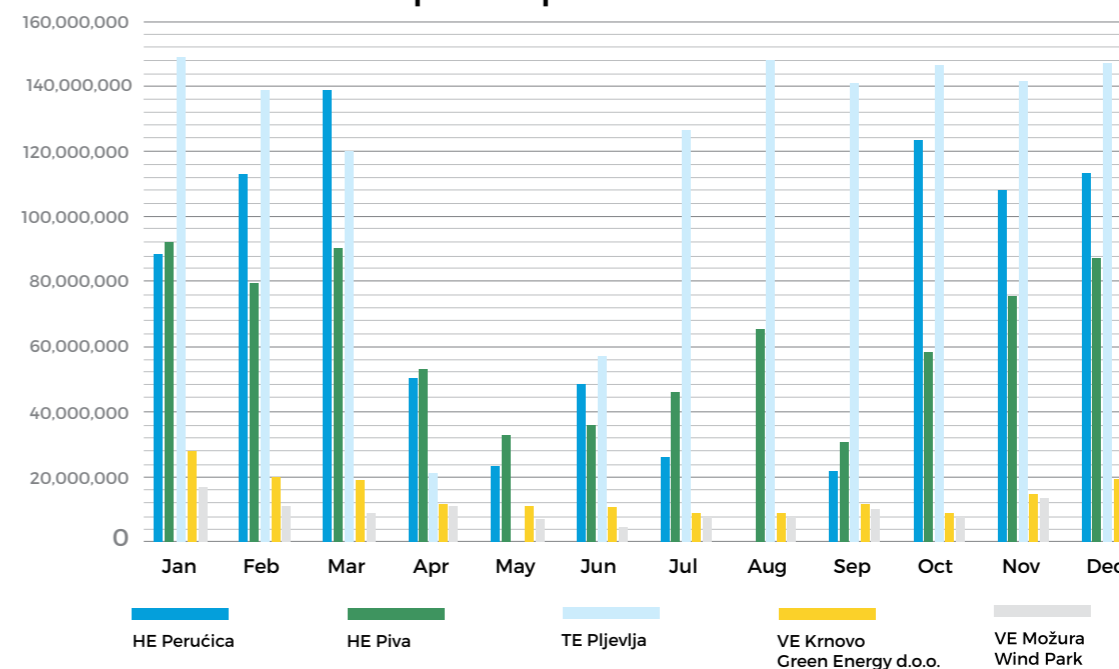
The electricity delivered from generation facilities to the transmission system in 2024 amounted to 3,230,238 GWh. Thermal power plant Pljevlja generated 1,337,838 GWh, while hydropower plants connected to the transmission system generated 1,600,936 GWh. Electricity generated in wind power plants amounted to 291,464 GWh.

A comparative presentation of electricity production in 2024 and 2023 is shown in the table below:

Electricity generation (GWh)			
POWER PLANTS	2023	2024	Difference
HPP Perućica	1,038.96	854.94	-18%
HPP Piva	932.55	746.00	-20%
TEP Pljevlja	1,522.98	1,337.84	-12%
WPP Krnovo Green Energy d.o.o.	187.40	172.76	-8%
WPP Možura Wind Park	122.56	118.70	-3%
Total:	3,804.46	3,230.24	-15%

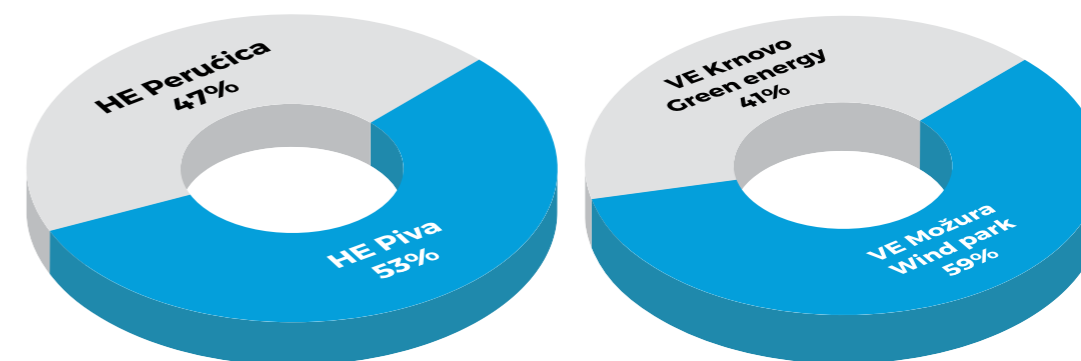
Electricity generation by generation facilities connected to the transmission system of Montenegro by months in 2024 is shown in the following diagram:

Electricity generation by power plants in 2024

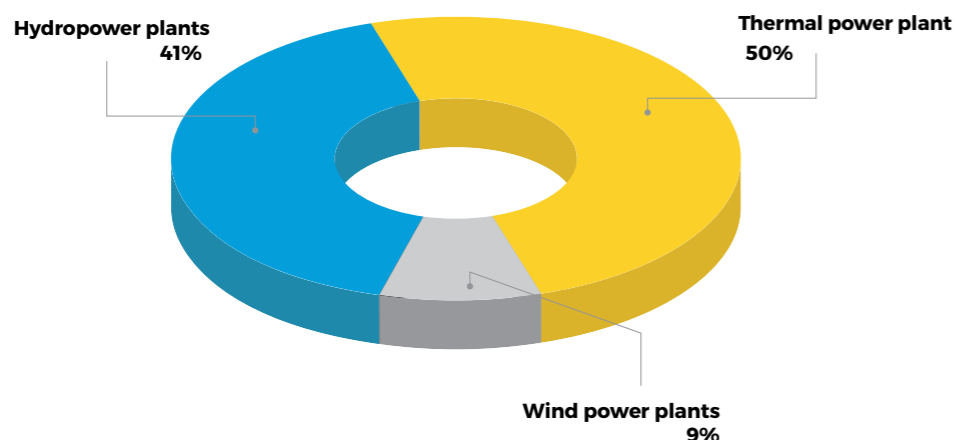


Hydropower plants

Wind power plants

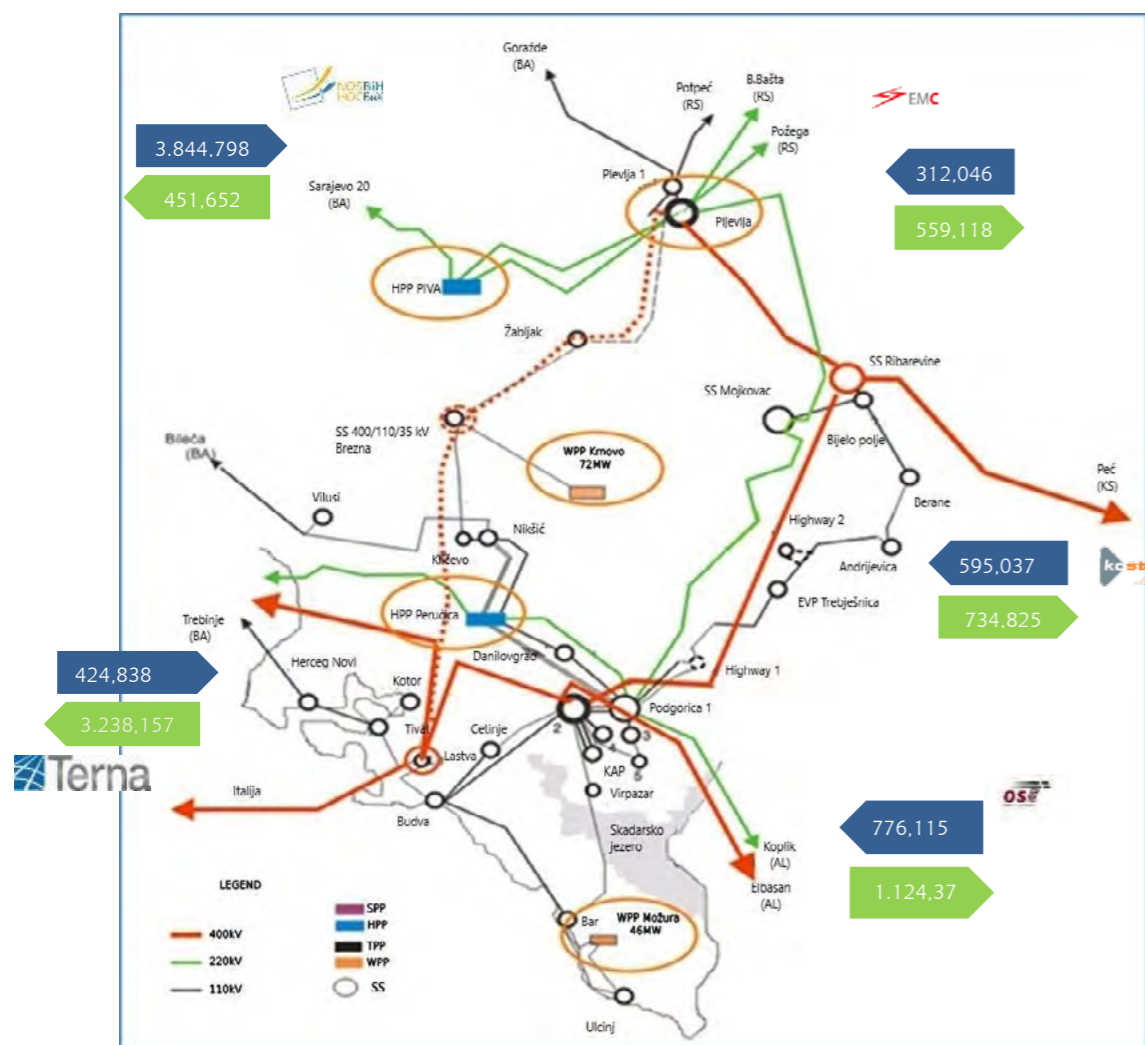


Share by generation type



Electricity exchange by borders

Below is a diagram of the Montenegrin electric power system with an overview of electricity exchange flows by borders (GWh) in 2024. It is noticeable that, in contrast to 2023, the flows to Albania, Kosovo and Serbia have increased as a result of higher imports of electricity by HVDC.



IMPORT EXPORT

INFORMATION AND COMMUNICATION TECHNOLOGIES

Optical telecommunication infrastructure – foundation of a modern network

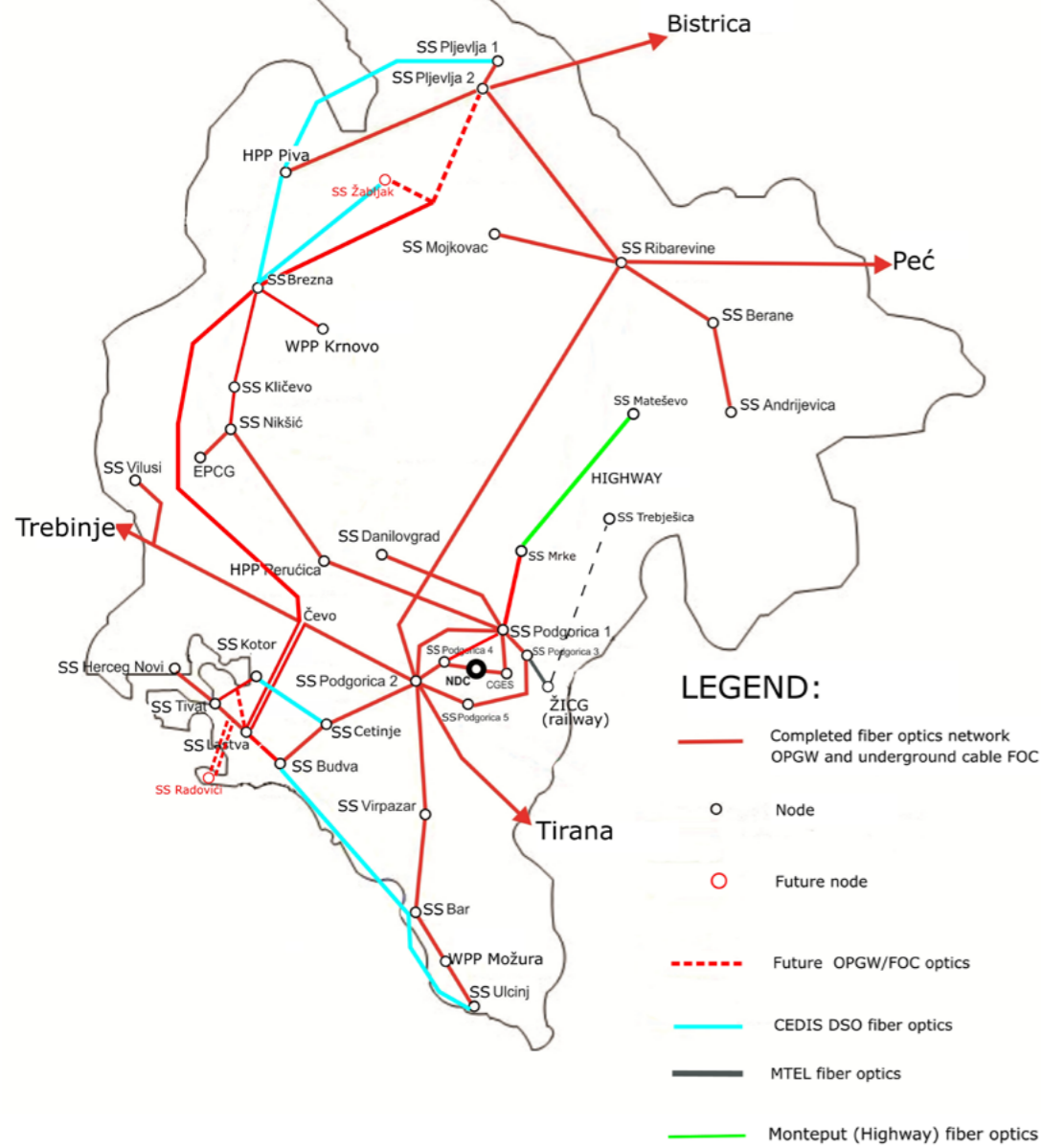
The functioning of a modern transmission system operator today cannot be imagined without modern technologies in the field of telecommunications, which requires that CGES follows modern trends both in the field of telecommunications and in the field of electric power system control.

The telecommunication network connects all CGES facilities and serves for the transmission of the control, measurement, and monitoring data and exchange of voice and digital data.

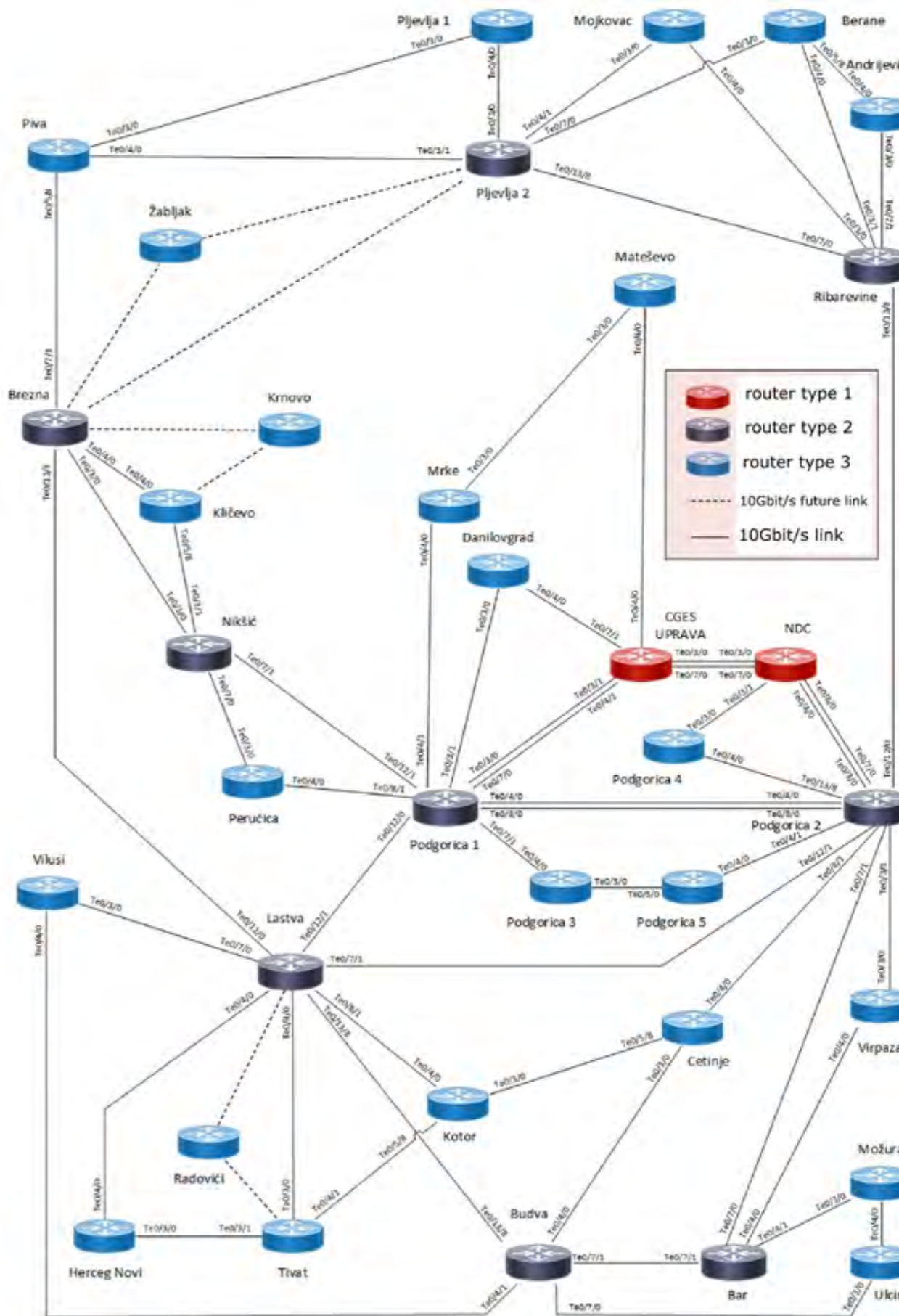
In 2023, the projects of the new TC transmission system and the project of the new IP telephone system were completed, and in 2024, the utilisation of the new systems began, as well as the complex process of migration of all services from the old telecommunications system to the new IP/MPLS telecommunications system. CGES performs this long-term and technologically complex process with its own forces, with priority given to systems for operational control of the electric power system such as the SCADA system and operational telephony. The system improves the security and quality of internal communication, and represents an important step in the modernisation of the technical infrastructure. The value of the project is 1.5 million euros and it is fully financed from CGES own funds.

In order to modernise the telecommunications system, a project was started to replace telecommunications power supplies in all TC hubs of CGES. The goal is for CGES staff to have a uniform power supply system for their telecommunication devices that is monitored in real time from a central location. In addition, the project of installing an automated system for monitoring optical fibres was launched. This system will enable CGES staff to receive critical information about the state of their passive optical infrastructure in real time.

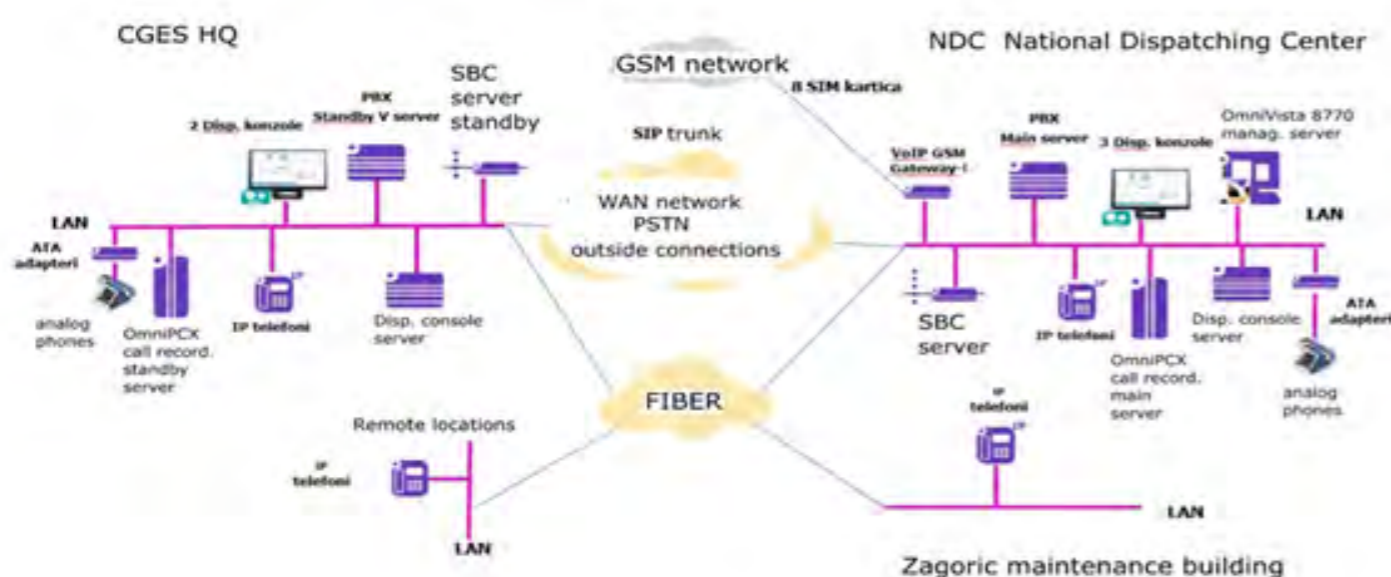
The telecommunications system of CGES consists of a passive optical cable network mainly implemented with OPGW (Optical Ground Wire) technology, a transmission system based on IP/MPLS technology, SDH and PDH multiplexers, IP/Ethernet equipment, as well as IP telephony for business and operational needs.



CGES optical network



Transmission system based on IP/MPLS technology



IP telephony for business and operational needs

In this way, it is possible to connect all facilities of interest to CGES, high-voltage substations, hydro power plants, wind power plants, office buildings with control centres in Podgorica (National Dispatch Centre - NDC and CGES head office), as well as the exchange of operational data with domestic partners EPCG, CEDIS and ŽICG. This satisfies the company's own needs regarding electric power system control.

The telecommunication network is also used to exchange real-time data on the operation of European countries' electricity systems, with the aim of ensuring the security of the electricity sector in Europe. The development of the CGES optical network is in line with the development of the networks of neighbouring transmission system operators.

This infrastructure enables connecting CGES with neighbouring systems, and through them to all TSOs in ENTSO-E, exchanging data in real time using the PCN and Electronic Highway network.

Implementation of modern digital technologies in the field of electric power system control and monitoring, as well as harmonisation with international practices and partners, increase the requirements in terms of technology, digital flow and capacity of active telecommunication equipment.

The optical transmission network with its configuration and capacities, on the one hand, meets the existing needs in terms of transfer of information of CGES complex technical and business system, and on the other hand, represents a potential commercial resource in the telecommunications market of Montenegro. CGES is an operator registered to provide optical fibre lease services, and currently leases around 1,000 km of optics.

In 2024, the successful cooperation with the Radio Broadcasting Centre continued. Negotiations with the Radio Broadcasting Centre regarding the lease of the CGES optical infrastructure began. CGES already has contractually defined relations regarding the leasing of optical fibres with large telecommunication operators such as Crnogorski Telekom and MTEL.

In addition, in the field of telecommunications, successful cooperation with our partner companies in the energy sector EPCG and CEDIS continued.

Modern information systems

Information technology (IT) and its systems in CGES play a key role in modernisation and operations, all with the aim of efficient electric power system control, complex business processes, ensuring better communication and system security. The focus is on the implementation of the most modern software solutions and network technologies, as well as digitalisation. Digitalisation is implemented through the use of advanced technologies that enable the automation of business processes, the use of advanced ICT systems and increased cyber security. In short, information technologies in CGES represent the basis for reliability, efficiency and security in the functioning of the electricity transmission system of Montenegro.

In addition, the company invests in employee training, ensuring that IT teams have the necessary knowledge to work with modern IT technologies.

During 2024, several new information systems were implemented. The project of a new video wall in the National Dispatch Centre (NDC) was implemented. The reconstructed video wall represents a significant step forward in the technological modernisation of CGES. This sophisticated system enables centralised monitoring and control of the electricity transmission network in real time, which significantly increases efficiency and security in operation. The video wall is equipped with modern high-resolution screens that enable a clearer and more detailed display of all relevant data. The integration of advanced software solutions provides operators with comprehensive insight into the state of the network, problem detection and monitoring of key parameters at all times, which significantly facilitates the making of quick and precise dispatcher decisions.

Regular maintenance, procurement and delivery of computer equipment are only part of the processes carried out in the past year.

Procurement and implementation of the Privileged Access Management solution ensured the management of privileged accounts and accesses in the organisation's IT infrastructure, the aim of which is to protect critical IT systems and sensitive data from unauthorised access and reduce the risk of cyber threats and ensure compliance with information security standards.

The ERP (Enterprise Resource Planning) and DMS (Document Management System) systems are in the constant process of upgrading the new functionalities of the implemented business processes. With these solutions, key administrative and operational processes have been improved, with a greater degree of efficiency and transparency in work.

As a critical infrastructure operator, CGES is obliged to protect its critical infrastructure. During 2024, the new Law on Information Security, which recognises CGES as a key entity that applies information and communication technologies of particular importance to the functioning of the state, was adopted. As a key entity, it is obliged to protect confidentiality, integrity, availability of data, as well as to apply all protection measures, which is proven by having a certificate of fulfilment of conditions in accordance with the current Montenegrin standard for information security management MEST ISO/IEC 27001.

In order to be certified, during 2024, CGES improved many systems for cyber protection and continued with constant education of all employees on the importance of protecting data and systems and the responsibilities of employees in that process, and conducted training and certification of employees in the Information and Communication Technologies Sector for ISO standard 27001:2022 (Standard for Information Security Management).

As in previous years, an external audit of the established ISMS (Information Security Management System) was conducted in accordance with the ENTSO-E OPDE MVS agreement and the OPDE Security plan. The activities undertaken to meet all the requirements defined in the mentioned documents additionally improve the information (cyber) security of CGES and create preconditions for the safe management of critical systems, as well as preconditions for certification for the ISO 27001:2022 standard.

Information (cyber) security requires constant identification and classification of risks in order to determine critical vulnerable points in the information architecture in CGES. As in the previous years, a mandatory annual risk assessment and analysis was carried out and a treatment plan for identified risks was defined for 2024.



LEGAL AND REGULATORY FRAMEWORK

Crnogorski elektroprenosni sistem (CGES) plays an important role in improving the legal and regulatory framework of Montenegro in order to harmonise national legislation with the acquis communautaire, especially in light of the decision of the Ministerial Council of the Energy Community, which at the end of 2022 adopted a package of adapted regulations which, in addition to the adapted Electricity Regulation (EU Regulation 2019/943) and the Regulation on the EU Agency for the Cooperation of Energy Regulators (EU Regulation 2019/942), includes also five EU network codes.

Namely, during 2024, CGES was engaged in the preparation of several laws and by-laws, among which the Energy Law, the Law on Cross-Border Exchange of Electricity and Natural Gas and the Law on Cross-Border Energy Infrastructure Projects should be singled out. By adopting these regulations, the foundations will be laid for the modernisation of the electric power sector, increasing security of supply and integration of the Montenegrin electricity market into the single European market. In particular, the Energy Law will align the national legal framework with the package of adapted regulations of the Energy Community from 2022, including the adapted Regulation (EU) 2019/943 and Directive (EU) 2019/942. The law introduces concepts such as active customer, energy communities of citizens and aggregation, expands the competences of system operators and regulatory authorities, as well as enables dynamic electricity prices. On 5 December 2024, the Government of Montenegro approved the draft version of this law and sent it to the Parliament of Montenegro for adoption.

In addition to the Law Energy, CGES was involved in the preparation of the draft Law on Cross-Border Exchange of Electricity and Natural Gas, which transposes key EU regulations, including Regulation (EU) 2019/941 on risk-preparedness, Regulation (EU) 2019/942 on the Agency for the Cooperation of Energy Regulators, Regulation (EU) 2019/943 on the internal market of electricity, and five network rules (2015/1222, 2016/1719, 2017/2195, 2017/2196 and 2017/1485). This law will establish the legal framework for the integration of the Montenegrin electric power system into the single European market (market coupling). The public discussion on the draft Law on Cross-Border Exchange of Electricity and Natural Gas was completed in mid-November 2024.

CGES also participated in the drafting of the Law on Cross-Border Energy Infrastructure Projects, further confirming its commitment to infrastructure development and international cooperation. The aim of drafting the aforementioned law is the transposition of Regulation (EU) 2022/869, which governs the procedure, conditions and method for implementation of cross-border energy infrastructure projects of special importance for Montenegro, the cross-border distribution of costs and incentives granted for these projects, as well as other issues of importance for their implementation. Projects of special importance for Montenegro are projects that are on the list of projects of Energy Community interest and/or on the list of projects of mutual interest.

When it comes to the company's operations, CGES is a business entity that performs an activity of public interest and whose regulated revenues are determined in a transparent procedure by the Agency. Namely, the Agency determines the total amount of regulatory allowed revenue with the aim of limiting the amount of revenue that the company generates to an amount

sufficient to cover the expenses and costs relevant to the provision of transmission services and enable an adequate return on assets so that the company can invest in increasing the quality and efficiency of the services provided.

In accordance with the regulatory-legal framework, defined by the Energy Law and other by-laws, the regulatory allowed revenue of CGES consists of operating costs, depreciation and return on the regulatory asset base.

Return on assets is the part of revenues generated based on invested capital and is calculated as the product of the rate of return on capital and the regulatory asset base. The rate of return on capital is determined for the regulatory period as a weighted average cost of capital, which includes the cost of equity and the cost of borrowed capital, weighted according to their share in the total capital of the operator. The regulatory asset base is the value of assets in relation to which the return on assets for the regulatory year is calculated and consists of fixed assets, investments and working capital.

Depreciation for regulatory purposes is determined based on the value of fixed assets, the useful life of fixed assets and the application of the proportional depreciation method. The useful life of fixed assets is set based on the technical and economic useful life of different groups of fixed assets, which was used in the last evaluation accepted by the Agency.

Operating costs (expenses) for the energy activity are recognised if they are techno-economically justified and in the function of performing the transmission activity. For the purposes of determining revenues and in order to create conditions for increasing efficiency, operating costs are divided into:

1. controllable operating costs;
2. partially controllable operating costs;
3. non-controllable operating costs.

At the end of 2022, the Agency's Decision determined the regulatory allowed revenue for the period 01 January 2023 – 31 December 2025 in the amount of €150.3 million, i.e. in the amount of €49.3 million for 2023, €49.5 million for 2024 and €51.5 million for the regulatory year 2025. Compared to the previous regulatory period 2020-2022, the established revenues for the period 2023-2025 are higher by €41.1 million or by 37.6%, with at the same time a positive impact on end users who pay lower prices and tariffs for transmission system use.

Such growth of revenues, which does not burden system users, represents not only an impressive business result in one year or a regulatory period, but a stable and solid basis for ensuring the long-term economic and financial sustainability of the company.

In 2024, the Agency issued a Decision on determining adjustments to the regulatory allowed revenue of the electricity transmission system operator and prices for the use of the electricity system for the period 2023-2025. The aforementioned decision determined the total adjustments for 2023 amounting to €35.7 million in favour of electricity transmission system users. Of the total determined amount of adjustments, the amount of €9.5 million will be applied in 2025.

In this regard, thanks to higher realised revenues compared to the approved ones, mainly due to higher revenues based on capacity allocation, end users will have lower prices and tariffs for the use of the transmission system in 2025.

Finally, in accordance with the legal competences, the Agency continued to supervise the operations of CGES in 2024 through regular controls of various business segments, from the quality of service to the implementation of planned investments, with continuous monitoring of the achievement of energy and economic values based on which the regulatory allowed revenue was determined.

FINANCIAL STATEMENTS

Profit & loss statement

The 2024 financial statements show a net income of €24.8 million.

Revenues amount to €100.4 million and they mainly refer to revenues from cross-border capacity allocation (€42.1 million), revenues from fees for transmission losses (€22.0 million), revenues from balancing services and system services (€20.5 million), transmission network use (€9.3 million and other revenues (€6.5 million).

Operating costs were realised in the amount of €58.6 million and mainly refer to costs of balancing services and system services (€20.8 million), transmission losses (€18.8 million), personnel costs (€8.9 million) and other costs including costs of material and third party costs (€10.2 million).

EBITDA (earnings before interest, taxes, depreciation, and amortisation) amounts to €41.8 million with a margin of 42%.

	P&L		
€ min	2024	2023	2024 vs. 2023
Transmission revenues	9,3	9,1	0,2
Transmission losses	22,0	20,0	2,0
Congestion revenues	42,1	55,9	(13,8)
Ancillary system balancing revenues	20,5	21,2	(0,7)
Other revenues	6,5	4,8	1,6
Total Revenues	100,4	111,1	(10,7)
Personnel	8,9	6,9	1,9
Material	0,2	0,1	0,1
Third party	3,1	3,5	(0,4)
Ancillary system balancing costs	20,8	21,7	(0,9)
Other	6,9	5,0	1,9
Transmission losses	18,8	20,6	(1,8)
Opex total	58,6	57,9	0,7
EBITDA	41,8	53,2	(11,4)
Margin	42%	48%	-6%
EBITDA Adjusted	38,8	54,3	(13,4)
D&A	10,6	10,2	0,4
EBIT	31,2	43,0	(11,8)
Margin	31%	39%	-8%
Net Financial expenses	1,3	0,9	0,4
Financial revenues	0,3	0,5	(0,1)
Financial expenses EBRD Lastva-Pljevlja	0,6	0,6	0,0
Financial expenses KfW Lastva-Pljevlja	0,1	0,1	(0,1)
Financial expenses KfW Lustica	0,0	0,1	0,0
Financial expenses highway Bar- Boljare	0,7	0,4	0,3
Financial expenses other debt	0,2	0,2	0,0
EBT	29,9	42,1	(12,2)
Taxes	5,1	6,4	(1,3)
NET INCOME	24,8	35,7	(10,9)

Revenues from transmission network use:

Revenues from distribution: amount to €6.7 million and are higher vs 2023 (+€0.6 million);

Revenues from producers: amount to €2.6 million and are lower vs 2023 (-€0.4 million) due to higher active energy.

Fee for transmission network losses: higher vs 2023 (+€2.0 million) mostly due to higher revenues based on the ITC mechanism.

Congestion revenues: lower vs 2023 (-€13.8 million) due to lower revenues on almost all inter-connections, namely Serbia (-€5.7 million), Albania (-€3.0 million), Bosnia and Herzegovina (-€2.6 million) and Italy (-€2.9 million), compensated by higher revenues at the border with Kosovo (+€0.3 million). The decrease in congestion revenues compared to 2023 is a consequence of the trend of price reductions on the spot markets, i.e. a significant drop in futures prices at the end of last year. As the marginal price of lease of cross-border capacities corresponds primarily to futures prices and price anticipation on the spot markets, the congestion revenue is lower. In addition, in order to maintain the security of electric power system operation in the summer period, due to less offered NTC at the monthly auctions for capacity allocation, a lower revenue was realised on this basis.

Revenues from balancing and system services: lower vs the previous year (-€0.7 million), mainly due to lower prices on electricity exchanges.

Operating costs: higher vs the previous year, +€0.7 million (+1.2%), mainly due to differences in the following items:

- ▶ personnel cost (+€1.9 million);
- ▶ costs of material, third party services and other (+1.6 million);
- ▶ ancillary, system and balancing services (-€0.9 million);
- ▶ transmission network losses (-€1.8 million).

Depreciation: higher vs the previous year (+€0.4 million).

Net financial costs: higher vs the end of 2023 (+€0.4 million).

Income tax: was calculated according to the progressive rate in accordance with the Law on Corporate Income Tax. The actual is lower vs the previous year (-€1.3 million) as a result of a significantly lower tax base.

Net income: the actual net income of the company amounted to €24.8 million and is lower vs the previous year (-€10.9 million) mainly as a result of a lower revenues from cross-border capacity allocation.

Balance sheet

BALANCE SHEET			
€ mil	2024 Actual	EoY 2023	2024 vs. EoY 2023
Assets	286,7	272,1	14,6
Working Capital	(26,8)	(26,4)	(0,3)
Funds	8,0	7,3	0,7
Net Invested Capital	251,9	238,4	13,5
Shareholders Equity	260,0	245,1	14,8
Paid in capital	155,1	155,1	-
Capital injection	-	-	-
Reserve	-	-	-
Carried forward results	104,9	90,0	14,8
Net income from previous period	90,0	62,5	27,5
Current net income	24,8	35,7	(10,9)
Dividends	(10,0)	(8,2)	(1,8)
Purchased own shares	-	-	-
Net Debt	(8,1)	(6,8)	(1,3)
Cash	57,4	59,2	(1,8)
Long term debt	49,3	52,4	3,12
EBRD Lastva-Pljevlja	28,9	29,3	(0,4)
KfW Lastva-Pljevlja	1,1	3,9	(2,8)
KfW (Lustica)	2,4	(0,0)	2,4
Revolving facility	-	-	-
Other debt	2,4	3,3	(0,9)
Infrastructure purchase	14,6	15,9	(1,4)
Short term debt	-	-	-
Dividends	-	-	-
Total liabilities	251,9	238,4	13,5

Net financial debt

The actual in 2024 vs the end of 2023 was lower by €1.3 million because of lower debt (-€3.1 million) due to the repayment of the EBRD loan (-€6.5 million), KfW loan (-€4.3 million), NLB loan (-€1.4 million), as well as repayments based on old loans (-€0.9 million), partially compensated by the withdrawal for payment of advance invoices for Luštica - component 2 and variable reactor (+€10 million), while the level of total cash is lower (-€1.8 million) vs 2023.

Cash flow

CASH FLOW		
€ min	2024	2023
Initial balance	59,2	38,5
EBIT	31,2	43,0
Taxes	(5,1)	(6,4)
Depreciation	10,6	10,2
Delta WC	0,3	5,0
Delta funds	0,7	0,3
Delta capex	(25,2)	(29,8)
Total Operational	12,6	22,4
Financial expenses	(1,3)	(0,9)
Variation of EBRD loan	(0,4)	(5,6)
Variation of KfW loan	(2,8)	(1,2)
Variation of KfW loan-Luštica	2,4	(0,4)
Infrastructure purchase	(1,4)	15,9
Revolving facility variation	-	-
Current Debt increase/amortization	(0,9)	(1,3)
Total Financial	(4,4)	6,5
Capital injection/reduction	-	-
Dividends	(10,0)	(8,2)
Purchased own shares	-	-
Remittances/injection	(10,0)	(8,2)
Total	(1,8)	20,7
Final Balance	57,4	59,2

Stock exchange membership and CGES shares

CGES shares are quoted on the Prime market of the Montenegro Stock Exchange, which is a confirmation of the quality of the securities and, indirectly, a number of preconditions that the company meets in terms of corporate culture and achieved successful business results in continuity.

The curve below shows the trend of the company shares, which indicates an increase in the price at the beginning of 2024 from €1.25 to €1.34 per share at the end of 2024.



Trend of CGES shares

COOPERATION AS THE KEY TO SUCCESS

On the path to even better cooperation

Successful business is not possible without strong and reliable partnerships not only in the country, but also outside its borders. During 2024, our company continued to build and deepen relations with business partners through intensive cooperation, joint projects and constant exchange of experiences. We put a special focus on strengthening mutual trust through concrete activities - from orga-

nised plant tours, signing of significant contracts and cooperation agreements to field visits and technical meetings. Such meetings not only deepen professional ties, but also open new doors for future projects and joint growth. We believe that quality cooperation is not built only in meeting rooms, but precisely where ideas turn into reality - on the ground, in dialogue and joint work.

The Commissioner for Neighbourhood and Enlargement, Olivér Várhelyi, kicks off his visit to Montenegro with a tour of the substation Lastva

The Commissioner for Neighbourhood and Enlargement, Olivér Várhelyi, toured the substation Lastva during his official visit to Montenegro. During his tour of this key project co-financed by the EU, the Commissioner for Neighbourhood and Enlargement was welcomed on behalf of CGES by Aleksandar Mijušković, the Chairman of the Board of Directors and Leda Minić, the Director of Elektroprenos, while the presentation entitled Montenegro's section of the Trans-Balkan Electricity Corridor

was given by Dragan Perunović, the Director of Development and Investment Sector. On that occasion, Mijušković emphasised the importance of this energy facility as well as the importance of investing in the electricity transmission network. The substation Lastva is a key component of Montenegro's section of the Trans-Balkan Electricity Corridor, in which the EU has invested around 120 million euros in grants and favourable loans.



“Energy security and sustainable energy generation from renewable sources are clear targets of our EU energy policy. The substation visited today is an important example and part of a much bigger picture supported by

institutions and EU Member States through Team Europe approach,” Commissioner Várhelyi said on that occasion.

Grant agreement worth 950 thousand euros signed

In a significant step towards energy transition and alignment with European standards, Crnogorski Elektroprenosni Sistem AD (CGES), the French Development Agency (AFD), and RTE International (RTEi) signed a technical assistance grant agreement, worth 950,000 euros, in the presence of Miloško Spajić, Prime Minister of Montenegro, Novica Vuković, Minister of Finance of Montenegro, and Anne-Marie Maskay, Ambassador of France in Monte-

negro. This agreement marks an ambitious collaboration to modernise Montenegro’s electric infrastructure and support the integration of renewable energy sources.

“We are delighted to embark on this collaboration, which will strengthen Montenegro’s energy security and prepare the country to meet the demands of the European energy market,” Ivan Asanović, the Executive Director of CGES, said on that occasion.



Visit to Italian Terna

During an official visit to Italy, the Speaker of the Parliament of Montenegro, Andrija Mandić, accompanied by the Chairmen of the Boards of Directors of CGES and EPCG, Aleksandar Mijušković and Milutin Đukanović, visited several institutions and companies. As part of this visit, the Montenegrin delegation

toured the Dispatch Center of the Italian company Terna in Rome, recognized as one of the most advanced in Europe.

Representatives from Terna underscored the importance of strong cooperation with Crnogorski elektroprenosni sistem, particularly through the joint undersea energy cable

project linking Italy and Montenegro. They also expressed a commitment to expanding collaboration by strengthening energy connections with neighboring countries, thereby contributing to a more stable and efficient regional energy system.

The Montenegrin delegation had the opportunity to gain in-depth insight into the operations of Dispatch Center, transmission system control, and the advanced technologies and solutions employed to ensure stable grid

management under challenging conditions marked by a significant share of renewable energy production.

The visit to Terna constituted a key part of the broader Italian visit and exemplified regional cooperation in the energy sector. Such engagements foster improved market integration, strengthen strategic partnerships, and facilitate the exchange of knowledge and expertise between Montenegrin and Italian energy companies.



Loan Agreement between CGES and the European Bank for Reconstruction and Development signed

On 19 July 2024, a Loan Agreement between Crnogorski elektroprenosni sistem AD (CGES) and the European Bank for Reconstruction and Development (EBRD), with the guarantee of the Government of Montenegro, for financing the project of construction of SS 400/110 kV Brezna, in the amount of 28 million euros, was concluded in the Ministry of Finance. The Loan Agreement was signed by Ivan Asanović, Executive Director of CGES, and Remon Zakaria, Head of the EBRD Office for Montenegro, while Finance Minister Novica Vuković signed the agreement on behalf of the Government of Montenegro.

This project will enable the integration of 400 MW of renewable energy into the national grid, supporting the decarbonisation of the Montenegrin economy. Transmission losses will be reduced by 13 GWh per year, and reliable electricity supply in Montenegro and the region will be ensured.

The European Union (EU) provided technical assistance of 1.05 million euros for the development of a feasibility study and environmental and social impact assessment.

29th Energy Community Forum in Athens

In June 2024, the Athens Forum was held, with Crnogorski elektroprenosni sistem (CGES) represented by Chairman of the Board of Directors Aleksandar Mijušković and Executive Director Ivan Asanović. The Chairman of the Board of Directors of CGES participated as a

Fifteen years of ENTSO-E

A celebration marking the 15th anniversary of ENTSO-E work was held in Athens, after which the General Assembly of the organisation was held. On the eve of the Assembly, representatives of transmission system operators from the Western Balkans 6 (WB6) region convened

The Trans-Balkan Electricity Corridor represents a significant step towards energy integration of the region, increasing energy security and efficiency and provides the basis for further development of renewable energy sources, and the substation Lastva, with its advanced technology and key role in the transmission network, is a symbol of the successful implementation of this ambitious project.

This was also assessed during the visit of representatives of the European Bank for Reconstruction and Development (EBRD), who were welcomed by representatives of Crnogorski elektroprenosni sistem (CGES), to SS Lastva. The representative of CGES, the project manager for the construction of this substation, Aleksa Knežević, said that the visit to SS Lastva, which is one of the most important substations in the Montenegrin electric power system, is an opportunity to reflect on the significant goals and successes of the Trans-Balkan Electricity Corridor.

"This project, part of a wider initiative, aims to improve the energy interconnection between Montenegro, Serbia and Bosnia and Herzegovina, and their connection with neighbouring countries," Knežević explained.

panellist in the session titled "Unblocking the grid connection requests and more efficient queue management", while the Executive Director informed forum participants about the status of market coupling between Montenegro and Italy.

to finalise an agreement on the configuration of CCRs.

CGES was represented by Chairman of the Board of Directors Aleksandar Mijušković and Executive Director Ivan Asanović.

Together we are building the path to a better energy community

Crnogorski elektroprenosni sistem is hosting a two-day meeting of the management of the ENTSO-E and the transmission operators of the Western Balkans, in Tivat.

The first day was dedicated to the presentation of representatives of ENTSO-E, while on the second day, discussions were held on the issues that are important for regional transmission companies, their vision of future development and mutual cooperation.

Special emphasis is placed on the implementation of grid codes and the challenges that companies face when integrating renewable energy sources.

CGES and EPCG signed the agreement on the A8 unit for the hydroelectric power plant Perućica

The executive directors of Crnogorski elektroprenosni sistem and Elektroprivreda Crne Gore, Ivan Asanović and Ivan Bulatović respectively, signed the Agreement on the construction of the infrastructure for the connection of the A8 unit in HPP Perućica to the transmission system.

As announced at the event on the occasion of the signing of the agreement, the machine hall and switchgear of HPP Perućica were constructed for the final phase of the construc-

The hosts of this important meeting are Aleksandar Mijušković, Chairman of the Board of Directors of CGES and Ivan Asanović, Executive Director of the company. Along with them, distinguished guests will also participate: Zbyněk Boldiš, President of ENTSO-E, Asta Sihvonen-Punkka, Vice President of ENTSO-E, Damian Cortinas, President of the Board of ENTSO-E and Tahir Kapetanović, Vice President of ENTSO-E, as well as other representatives of this significant European association. Representatives of EMS, NOS, BIH and OST also attended the meeting.

tion of this hydroelectric power plant, which includes the A8 unit.

"The connection of the A8 unit is another confirmation of the good cooperation between EPCG and CGES. Greater and more efficient use of hydro potential will mean a lot to us in the context of the green energy transition. This is a big step forward in that direction for Montenegro in the Montenegrin energy industry", the Executive Director of CGES, Ivan Asanović, pointed out after signing the agreement.

We are expanding the transmission network (RES)

In 2024, several agreements on the connection of solar power plants to our transmission system were signed in Podgorica.

■ An agreement was signed between Crnogorski elektroprenosni sistem and the company EE Korita DOO from Bijelo Polje on the construction of infrastructure for the connection of a new solar power plant to our transmission system, with a project value of over two hundred million euros. This cooperation, which was made official by Ivan Asanović, the Executive Director of CGES, and Damir Banovec, on behalf of the company of Bijelo Polje, marks a step forward towards strengthening our capacities for energy generation from renewable sources and expanding a sustainable energy network. This initiative represents one

part of our strategy aimed at increasing the share of clean energy in the total generation of electricity in Montenegro, thereby supporting the global goals of sustainable development and contributing to the preservation of the environment.

■ The representatives of the companies CGES AD Podgorica and Agenos Energy DOO Podgorica, Ivan Asanović and Iva Simonović, signed an agreement on the construction of connection infrastructure and connection of the solar power plant Vračenići to the transmission network. This step means increased generation of clean energy, reduced dependence on fossil fuels and potentially lower costs for future users. In addition, it contributes to a more sustainable future and a more environ-



■ The Executive Director of Crnogorski elektroprenosni sistem, Ivan Asanović, and the representative of the wind power plant Alcazar Energy, Enrico Casari, signed an agreement on the construction of infrastructure for the connection of the wind power plant Bijela, thus continuing the era of development of renewable energy sources (RES), in our country. This agreement represents a significant step towards the green transition and achieving

the goals of sustainable development. The use of wind energy is a key component in reducing the emission of harmful gases and creating a cleaner energy future. Investing in renewable sources, such as wind power plants, not only contributes to the preservation of the environment, but also reduces dependence on fossil fuels, stimulates the economy and creates new jobs in the green energy sector.



INTERNATIONAL COOPERATION

Law on Cross-Border Exchange of Electricity and Gas stipulates that cross-border electricity transmission may be performed by a transmission system operator that has an established system of international cooperation. In these terms, CGES realises international cooperation to strengthen capacities and apply the best international practices in the field of the energy industry. The fields of international cooperation of interest for CGES in 2024 related to system control, development and investments, market, IT and telecommunications, formal legal framework and regulation.

During 2024, CGES representatives continued their activities within their participation in international working bodies and organisations. International activities were mainly realised through electronic communication channels as well as physical presence at individual meetings.

Membership in ENTSO-E

CGES maintains continuous cooperation with European transmission system operators - ENTSO-E, which today counts 40 members from 36 European countries.

Transmission system operators representing 36 countries are responsible for the secure and coordinated operation of the European electric power system, the largest interconnected electricity transmission network in the world. In addition to its core role in technical cooperation, ENTSO-E is also the common voice of transmission system operators. ENTSO-E brings together the unique expertise of transmission system operators for the benefit of European citizens by enabling the energy transition and promoting the completion and optimal functioning of the internal electricity market, including fulfilling the mandates given by ENTSO-E based on EU regulations.

During 2024, CGES representatives participated in the work of the ENTSO-E Assembly, System Development Committee, Working Group Asset Implementation and Management (AIM), South East Cooperation Initiative for Transmission System Planning (SECI TSP), Research, Development and Innovation Committee, System Operations Committee (SOC) and Regional Group Continental Europe (RG CE), Working Group Network Models and Forecast Tools (NMFT), System Protection & Dynamics (SPD), Sub-Group Coordinated System Operation (SG CSO), International Grid Control Cooperation (IGCC) Expert Group, Market Committee, Working Group Congestion Management and Market Integration (CMMI), Legal and Regulatory Group (LRG), Information and Communication Technologies Committee, working groups StG Delivery, ICT Security, EnC Task Force (with sub-group CCR Workstream ITME and South East Europe), as well as Technical Committee CCR ITME, Implementation group for ITME, Incident Classification Scale (ICS) and Finance Advisory Group (FAG).

Membership in Med-TSO

The Association of the Mediterranean Transmission System Operators (Med-TSO) is founded with the aim of promoting the formation of the Mediterranean energy market, ensuring its optimal functioning by defining common methodologies, rules and practices for optimizing the operation of existing infrastructure and facilitating development of a new one. CGES as a co-founder of Med – TSO association, which has 20 members from 20 Mediterranean countries, endeavours to contribute to implementation of declared objectives, making of decisions and work of this association

During 2024, in addition to attending Med-TSO Assembly, CGES representatives participated in monitoring and work of the Technical Committee for Regulation and Institutions, Technical Committee for Operations and Technical Committee for Economic Studies and Scenarios.

Participation in the work of the Energy Community

The Energy Community is an international organisation dealing with energy policy. The Community was established by signing a treaty in October 2005 in Athens. The Treaty entered into force in July 2006, connecting the European Union, on the one hand, and the countries of Southeast Europe and the Black Sea Region, on the other. The main goal of the Community is to expand the internal electricity market from the European Union to the countries of South-east Europe and the Black Sea Region based on legally binding regulations.

Montenegro is one of the contracting parties of the Energy Community, and during 2024, CGES representatives participated in the work of the Central and South-Eastern European Gas Connectivity Initiative (CESEC), and the Working Group for the Projects of Energy Community Interest (PECI) and Projects of Mutual Interest (PMIs) Electricity Working Group, as well as within the Working Group for Capacity Allocation and Congestion Management - joint expert team EnC – CACM PCG JET EnC).

SMM Block Operation Group

CGES manages the ENTSO-E control area of Montenegro. The control area of Montenegro is part of the SMM Control Block, which also includes the control areas of Serbia and Macedonia. Coordination of the SMM Block is performed by the transmission system operator of Serbia - EMS, cooperating with CGES and Macedonian transmission system operator MEPSO. The Permanent Working Group in charge of analysing and improving the operational work within the SMM block transmission system has been established.

Other international activities

During 2024, CGES also participated in the work of the Electricity Market Initiative (EMI), the OSCE Working Group Mitigating Climate Change Threats to Critical Energy Infrastructure, as well as in the work of HYPNET (Pan-European interoperable AC-DC hybrid electricity networks).

Conferences, forums, panels

CGES participated in the Balkan Energy Forum

The Chairman of the Board of Directors of CGES, Aleksandar Mijušković, spoke at the panel "Possible solutions for overcoming challenges in the network", held as part of the Balkan Energy Forum in Belgrade, on 13 and 14 May 2024. The panellists considered technical and regulatory challenges in the operation of transmission systems in the region, as well as possible solutions for overcoming them. The participation of CGES once again confirms the active role of the company in regional energy cooperation.

CGES part of the discussion on energy integration at EPCG NET 2024

The Executive Director of CGES, Ivan Asanović, participated in the panel "Integration of the electricity market and the establishment of a carbon border adjustment mechanism (CBAM)", held as part of the expert symposium EPCG NET 2024. The panel gathered experts and decision-makers from the energy sector of the region in order to exchange opinions on market integration and the impact of climate policies on transmission systems.

Development perspectives of the region presented in Novi Sad

As part of the EV DAYS conference in Novi Sad, the Executive Director of CGES, Ivan Asanović, spoke on the panel "Evolution of the energy sector - perspectives of Southeast Europe". The focus of his presentation was the need to build new infrastructure and apply modern power grid management systems in order to fully utilise the potential of renewable energy sources in the region.

Regional conference on renewable energy sources: Experiences and challenges of integration

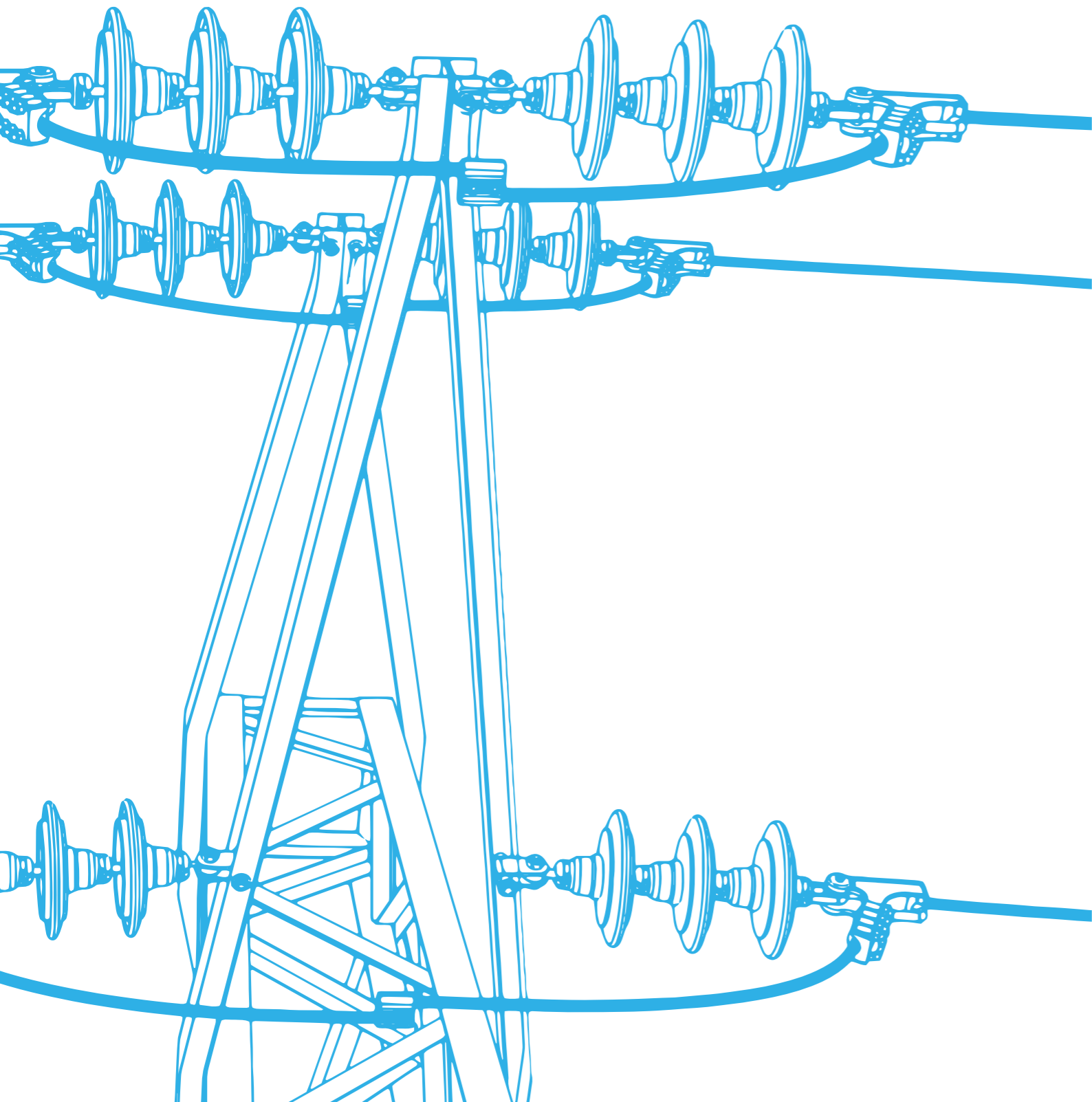
The Executive Director of Crnogorski elektroprenosni sistem, Ivan Asanović, participated as a speaker in the panel "Challenges of integration of renewable energy into the power system - Serbia and the region", held during the first day of the conference OIE Srbija 2024. The conference was organised by the Association Obnovljivi izvori energije Srbije - OIE Srbija (Renewable Energy Sources of Serbia), and the focus of the panel was on the technical, regulatory and infrastructural challenges brought by the accelerated development of renewable energy sources in the region. In his presentation, Asanović emphasised the importance of planning and modernisation of the transmission network, regional cooperation and digitisation of the system in order to ensure the stability and efficient integration of an increasing number of renewable energy projects.

INFOFEST: Controlling complex energy systems

The Chairman of the Board of Directors of CGES, Aleksandar Mijušković, participated in the panel "Challenges of controlling energy systems - from producers to consumers", held as part of the Festival of IT Achievements - INFOFEST in Budva. In his presentation, he talked about the increasing complexity of network control, the importance of digital technologies and the need for a strategic approach in energy development planning.

Eight Days of Electrical Engineers opened: participation of CGES in professional dialogue

The Chairman of the CGES Board of Directors, Aleksandar Mijušković, addressed the participants at the opening of the "Eight Days of Electrical Engineers" event, which was organised by the Professional Chamber of Electrical Engineers and the Chamber of Engineers of Montenegro. In his address, he emphasised the importance of expert meetings for the exchange of knowledge, the improvement of practice and the strengthening of the joint response to the challenges of the energy transition.



OUR TEAM

The energy sector is undergoing a radical and rapid transformation: requirements for the transmission system operator are evolving, challenges are increasing, and our ways of working and the skills we need are changing.

In this context, our human resources are vital to accepting the challenges of the current energy transition, and thus to the growth and development of our company. No change can happen if it is not initiated by people.

Human resources

Considering the company's plan to, by valorising its potentials, with a focus on the development of the transmission system, be recognised for the best quality services and ready to meet the challenges of the energy transition process, we continuously strive to pay special attention to the improvement of our human resources policy. During 2024, CGES continued to achieve significant results thanks to the dedication, competence and engagement of its employees. Although technological innovation and infrastructure improvement are key factors, our success would not be possible without the exceptional contribution of the team that daily manages all operations, maintains the network and ensures the smooth operation of the system. Employees at all levels, with their commitment and teamwork, ensure that our company not only meets, but also exceeds high business standards.

The needs for employee engagement are analysed and planned taking into account the wide range of responsibilities of the transmission system operator and the strategic goals of the Company.

During 2024, the emphasis was placed on improving human resources to provide preconditions for an adequate response to legal obligations within the company's competence and the requirements of the ENTSO-E, as well as to establish adequate operation and control of infrastructure, which is a result of the implementation of projects approved by the Energy and Water Regulatory Agency (ERA)



and implemented by the end of 2021.

Bearing in mind the goals of the Company and the recognised needs for improving business processes through the definition of new organisational units and a more precise division of responsibilities, as well as the recommendations of the internal auditor, a new Rulebook on job organization and classification was adopted.

The rulebook established new organisational units for human resources management, financial monitoring of investment projects, corporate communications and implementation of ERP and DMS systems.

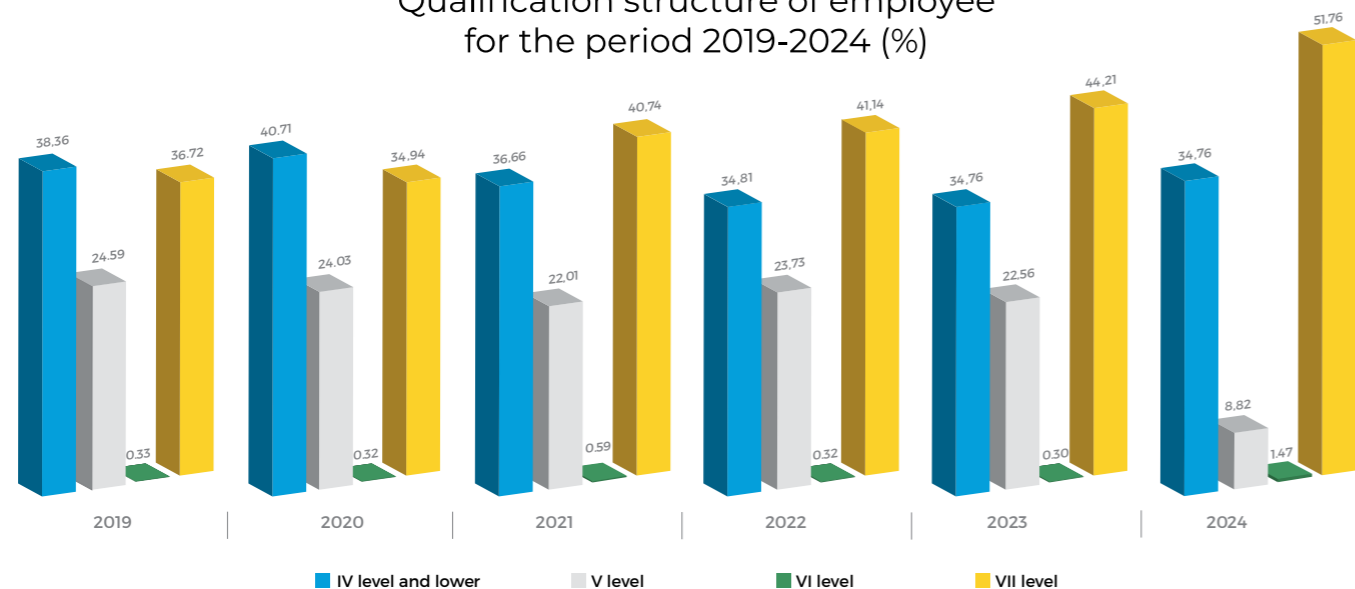
In addition, business processes such as public procurement, remote control of HV equipment, SCADA EMS, protection of critical infrastructure, tasks arising from EIP transposition, legal issues, archival operations, general affairs, import-export affairs and warehouse management are organised in a different way, according to the needs of the company.

It is expected that the mentioned improve-

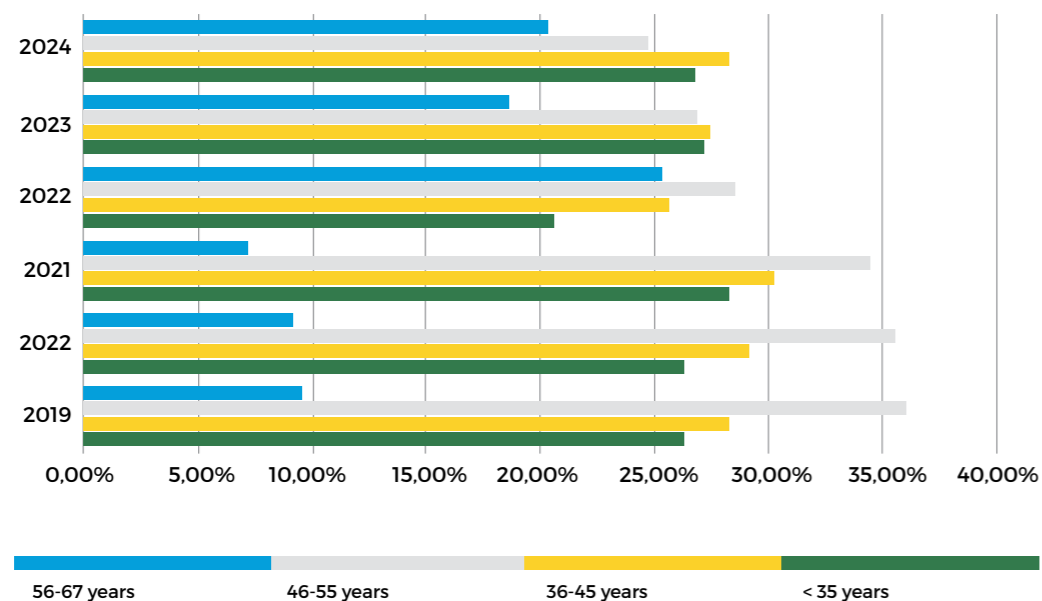
ments will significantly contribute to the optimisation of business processes and the general efficiency of the company. For the above reason, we are recording an increase in the number of employees and changes in the staff and age structure. As of 31 December

2024, the total number of employees in CGES was 340. That number includes 317 employees with indefinite-term employment contracts, and 23 employees with fixed-term employment contracts.

Qualification structure of employee for the period 2019-2024 (%)



Age structure of employees for the period 2019-2024 (%)



It is important to note that in the previous period, a significant part of new employees was engaged in various jobs in the Company through an agency for temporary assignment of employees, so we are pleased to ascertain that the opportunity to establish an employment relationship was provided to candidates who, thanks to their previous valuable work experience,

were ready to adequately respond to the tasks entrusted to them. As part of our long-term commitment to the development of human resources and contribution to the community, for the eleventh year in a row, the company actively supports the government's programme for vocational training for persons who acquired a higher

level of education. The Executive Director of CGES, Ivan Asanović, together with his closest colleagues, welcomed the new trainees, wishing them a successful start. During 2024, through this programme, 8 users were trained in our company, who went through different sectors and gained practical knowledge. This programme not only enables young people to gain new practical experiences, but also brings new energy and a fresh perspective on challenges and opportunities in the energy sector to the company. CGES continues to invest in youth education through cooperation with educational institutions. Accordingly, students of the Faculty of Electrical Engineering of the University of Montenegro visited the National Dispatch Centre, where they had the opportunity to learn about the operation of the electricity transmission control system. This visit enabled them to connect theoretical knowledge with real working processes in the energy industry.

operation with the Vaso Aligrudić Secondary Electrical Engineering School, practical classes for students were enabled. The goal is for them to acquire specific knowledge and skills necessary for work in the energy industry. Such initiatives help young people to better prepare themselves for future jobs and enter the world of work more easily. In order to further bring the energy sector closer to young people, CGES also participates in events that connect students and employers. At the Job Fair, CGES representative Irena Bašanović spoke about the current needs of the market, the role of professionals and the importance of connecting education with practice. This activity is part of CGES continuous support for the education of young people and their professional guidance. Students had the opportunity to learn more about the role of electrical engineers in modern energy industry and get acquainted with employment opportunities. This activity is part of CGES continuous support for the education of young people and their professional guidance.

In addition to cooperation with the faculty, CGES pays attention to the education of high school students. Through technical co-

Employee training and development

In 2024, the company continued to invest in employee training and development, considering them to be a key factor contributing to long-term success and innovation. In this context, our employees had the opportunity to expand their professional knowledge and skills through numerous educational initiatives and strategic cooperation with leading global companies. These investments not only improved the operational efficiency and security of the system, but also significantly increased the motivation of employees, making them even more engaged and dedicated to their tasks. Employees were trained on the topic of the use of software packages for the analysis of TNA and PSS/E systems, Siemens Siprotec 5 protection devices and PCM ABB, implementation of digital substation projects, project management, with special reference to building contracts based on FIDIC conditions, risk management in accordance with ISO

31000: 2018 and the application of accounting standards and financial planning and reporting, analysis of financial statements and other topics related to quality accounting and financial management. In addition, our employees actively participated in numerous professional events, including conferences, summits and forums on the following topics: energy security in Southeast Europe and the Eastern Mediterranean, dynamics of the electricity market in the Southeast European region, networking of electricity companies in the region in response to EU energy and climate policies, creation of an electricity market model, investment in renewable energy sources, the latest trends and challenges in energy, the application of artificial intelligence for a complete digital transformation of processes. In order to keep pace with world standards, our employees also participated in presti-

gious fairs, such as the Industrial Technology Fair in Hanover, as well as study visits to factories, including Hitachi Energy in China. These events gave us the opportunity to exchange experiences, as well as to get acquainted with innovations that are key to our future development. Our dedication to education and professional training plays a key role in maintaining the high standards of our company, enabling us to always keep up with global trends and technical innovations.

The CGES delegation participated in the CI-GRE international conference in Paris, which brings together experts in the field of power systems from all over the world. Colleagues Gordana Perović, Ljiljana Vučinić and Nikolina Mraković presented their professional papers in the poster session. Participation in this meeting confirms the commitment of CGES to professional development and international cooperation.

The company pays special attention to a positive working atmosphere, which is the foundation of every success. Awards and recognition for exceptional contributions, as well as constant communication with employees, allow us to feel like a team, focused on a common goal.

The company, as always, relies on its human resources as its most important capital and most valuable resource. Their dedication, competence and desire for progress shape our future and are a key factor leading us to new successes.

At the ceremony marking the company's 15th anniversary, awards were given to employees for their outstanding contribution to the development of the company. Awards were presented to colleagues from Elektroprenos, Dalibor Dragović and Slaviša Petrić, from NDC, Mladen Ševaljević, from the Development and Investments Sector, Irena Bašanović, from the Financial and Economic Sector, Ana Krvavac, from the Regulatory, Legal and International Cooperation Sector, Enis Čindrak, from the ICT Sector, Ivica Žugić, and from the Executive Director Office, Ksenija Šolaja.

This jubilee was celebrated as a sign of achieved results and strategic orientation towards further development.

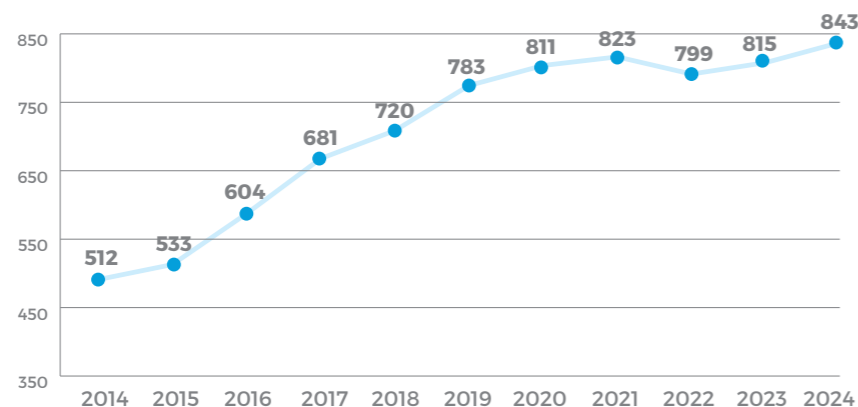
In 2025, we will continue to invest in the development of employees and to create a working environment that encourages innovation, safety and teamwork, because we believe that the human factor is the basis of our success.

Value of assets per employee

Taking into account the significance of the energy sector for the total employment rate in the country, on the one hand, and the necessity of optimisation of all costs of the core activity, including personnel cost, on the other, the Company has been improving from year to year one of the main efficiency para-

meters – the value of assets per employee. Therefore, the intention is to achieve an optimal compromise between contributions to the national standard through hiring of new employees and optimisation of regulated costs.

Value of assets per employee [€1,000] in the period from 2014 to 2024



Occupational safety and health

The Law on Occupational Safety and Health (Official Gazette of Montenegro, no. 034/14 of 08 August 2014, no. 044/18 of 06 July 2018, no. 084/24 of 06 September 2024) stipulates that occupational safety and health shall be provided and implemented by applying modern technical and technological, organisational, health, social and other measures and assets of protection in accordance with this Law, other regulations, ratified and published international agreements. In accordance with the ac-

tivities it performs, CGES strives to provide at all times adequate occupational safety measures for its employees, that is, working conditions that do not lead to injuries at work, occupational diseases and work-related diseases and that create prerequisites for full physical and psychological protection of employees. Pursuant to the aforementioned law, occupational health and safety is an activity of public interest.

During 2024, numerous activities were performed in the field of occupational safety and health:

- ▶ periodic specialist medical examinations of employees at workplaces with special working conditions were performed, at the request of employees or employer;
- ▶ existing HV collective protection equipment was inspected;
- ▶ training for safe work was organised for employees in high-risk workplaces and employees who changed job positions, all in accordance with the Law on Occupational Safety and Health;
- ▶ occupational health and safety records were updated;
- ▶ The Risk Assessment Act was developed;
- ▶ The Standard of Assets of Personal and Collective Occupational Safety was developed;
- ▶ training of employees for providing first aid was carried out;
- ▶ personal occupational safety assets were provided for all CGES' facilities in accordance with the Standard of Assets and Equipment of Personal Occupational Safety;
- ▶ assets of collective occupational safety were provided for all CGES' facilities in accordance with the Standard of Assets and Equipment of Collective Occupational Safety;
- ▶ attendance at the Consultation on the topic: Quality improvement in the implementation of the Law on Occupational Safety and Health - an important step towards EU membership;
- ▶ all employees were sent recommendations for working in open space at extremely high outside temperatures;
- ▶ a control inspection was carried out by the Labour Inspectorate, Department for Occupational Safety.

Health and team spirit

The CGES team participated in the **Montenegro Business Run**, a sports event that brings together representatives of numerous companies with the aim of promoting healthy lifestyles, team spirit and connecting employees. Participation in this event is part of the activi-

ties aimed at strengthening the organisational culture and encouraging mutual cooperation among colleagues.



The employees of CGES participated in the 11th sports meetings of employees of electricity transmission companies in Southeast Europe, held from 27 to 30 June in Trebinje. The event brought together colleagues from the

electricity transmission sector from several countries in the region with the aim of strengthening mutual cooperation and collegial relations through sports and informal gatherings.

SOCIAL RESPONSIBILITY

The previous year, 2024, was another in a series in which we confirmed our commitment to corporate social responsibility. We invested a lot in various projects and significantly contributed to the community.

We supported talented athletes and umbrella sports institutions, contributed to the preservation of culture, and invested in the education of young people, believing that socially responsible business is the key to long-term success.

The results of our investments are visible. Traditionally, a major part of our funds are directed towards sports. We supported 14 sports clubs, four umbrella institutions, and talented athletes, providing them with better conditions for training and competition. This time, we also paid special attention to the Montenegrin **Paralympians** by providing all the necessary support for them to achieve top results. The partnership is based on shared values, with continuity in promoting equality and inclusion through sport.



The Executive Director of CGES, Ivan Asanović, attended the opening ceremony of the first European Judo Cup in Podgorica, where he presented prizes to the winners in the category up to 73 kilograms. With this participation, CGES once again provided support for the development of sports and young talents in Montenegro.

In 2024, besides the sports, we intensified our activities in culture and education. Partnerships with numerous educational institutions, schools, and faculties have enabled us to support the development of young talents and improve the educational process.

Intending to contribute to the development of civil society, we have established successful co-operation with numerous non-governmental organisations. Through joint projects, we have addressed important social issues and improved the quality of life in our community.

As part of its socially responsible business activities, CGES supported the construction of a children's playground in Gornji Grbalj. The project was implemented in cooperation with the local community and a space that enables children to play and spend time outdoors was created.

CGES supported the organisation EDUTUS Montenegro and the winning teams of elementary schools Anto Đedović from Bar and Kekec from Sutomore, which represented Montenegro at the World Robot Olympiad (WRO) in Izmir, Turkey. This support is part of the commitment of CGES to invest in education and encourage the development of young people in the fields of science, technology and innovation.

Our colleagues once again showed a big heart and true dedication to the community, participating in the traditional voluntary blood donation campaign. This humane gesture once again confirms the values of solidarity, care for others and willingness to help those who need it most and represents a long-standing tradition within CGES.



For us, social responsibility is not just an obligation – it is our choice. Every project, every donation and every support is part of the path that leads to a more humane, healthier and richer society. Because together we can do much more. This is just a brief overview of our corporate social activities in 2024. We take pride in everything we have achieved, believing that, in such a way, we significantly contributed to the development of our community. We will continue with these activities in the future, striving for an even more prominent positive impact on the society.

Environmental protection

Within the permanent activities of the Company to ensure environmental protection, numerous activities were performed:

- Periodic measurements of electromagnetic radiation levels were performed by an accredited institution in the following substations: SS 110/35 kV Žabljak, SS 110/20 kV Mrke, SS 110/20 kV Mateševo, SS 110/35 kV Pljevlja 1, and on the following overhead lines: OHL 110 kV Brezna - Žabljak section Žabljak - Njegovuđa, OHL 110 kV Podgorica 1 - Danilovgrad and OHL 110 kV Perućica - Danilovgrad. Along with the measurement reports, expert opinions on meeting the requirements for sources of electromagnetic fields with regard to prescribed exposure limits for electromagnetic fields were submitted for each facility. The measurements were performed in accordance with the Law on Protection against Non-Ionizing Radiation, and the measured values are lower than prescribed by the Rulebook on the limits of exposure to electromagnetic fields. Three employees were professionally trained to implement protection measures against non-ionizing radiation. Noise measurements in the environment were made in the immediate vicinity of the following facilities: 400/220/110 kV Pljevlja 2, 400/110/35 kV Ribarevine, 220/110/35 kV Mojkovac and 400/110/35 kV Lastva in order to monitor the impact on the environment.

- Waste management is performed in accordance with the principles of sustainable development, i.e. more efficient use of resources, which means preventing waste whenever possible, proper storage of waste (especially hazardous), preparation of existing waste for reuse, recycling or energy recovery. Most of the waste produced is recycled. CGES handles waste in accordance with the Law on Waste Management and according to the Waste Management Plan of CGES AD. Due to large investments in the replacement of high-voltage equipment, in addition to ongoing maintenance of equipment, a significant increase in produced waste was recorded in 2023 and 2024 compared to the period before 2023.

- The Annual Waste Report for 2023 and data on installed equipment with SF6 gas in 2023 were submitted to the Environmental Protection Agency for the purpose of updating the comprehensive inventory of air emissions.

- Data on waste produced in 2023 and data that will be used for research on investments for environmental protection in 2023 were submitted to MONSTAT.

In cooperation with Javno preduzeće za nacionalne parkove Crne Gore (Public Enterprise for National Parks of Montenegro), monitoring of biodiversity was realised in the area of Lovćen National Park. Land reforestation in Lovćen National Park was also rehabilitated as a compensation measure after the construction of OHL 400 kV Lastva - Čevo.

A report on the carbon footprint of CGES was prepared according to the guidelines of the GHG protocol of the corporate standard. The report contains information on the used methodology for calculating emissions, activities carried out by the organisation, applied emission factors and obtained results on GHG emissions related to the operations of CGES based on identified organisational and operational constraints. The main objectives of this report are:

- definition of GHG emissions during 2023 from all company activities (directly and indirectly related to company activities) in order to identify key sources of emissions and potential opportunities for reduction;

- identification of the initial state and establishment of the base year for calculating emissions in order to establish a process of regular monitoring of emissions from year to year.

INTERNAL AND EXTERNAL AUDIT

Internal audit

As part of the governance and internal control system, CGES internal audit provides independent and objective assurance and advisory services to contribute to the improvement of the Company's operations.

During 2024, CGES internal audit carried out the following activities:

► Implementation of the Internal Audit Plan 2024

By planning the work, the internal audit achieves the realisation of goals, the determination of priorities and the provision of efficient and effective use of resources, as well as

1. adequate assessment of future resource needs;
2. a standard in relation to which actual performance can be measured;
3. acceptance of work performed by internal audit by the management;
4. continuous record of factors that were taken into account when determining the plan, as well as the decisions made.

The Internal Audit Plan 2024 envisaged as follows:

1. three audits to be conducted (planning and procurement of energy to cover transmission network losses and home standby organisation process);
2. provision of two significant advisory services (business process mapping and improving corporate governance and organisational communication).

During 2024, both audits were conducted and three significant advisory engagements were implemented (business process mapping, improving corporate governance and organisational communication and risk management¹).

► Monitoring implementation of internal audit recommendations was provided

The Head of Internal Audit Unit monitored the implementation of accepted recommendations and informed the Board of Directors about their status at their sessions held in March and September 2024.

In the audits conducted during 2024, 12 recommendations were established within the action plans. All the recommendations have a completion date in 2025. Also, as regards the recommendations from the previous reporting period, completion deadline of which was the end of 2024, out of a total of 12 recommendations, 8 have been implemented, 1 has been partially implemented, while 3 recommendations are being implemented and/or are expected to be implemented in the coming period.

► **Head of Internal Audit Unit Continuing Professional Development Plan 2025 was adopted and professional development during 2024 was provided**

Following the International Standard for Professional Practice of Internal Auditing 1230 - Continuing Professional Development, Article 34 paragraph 1 item 4 of the Law on Governance and Internal Controls in Public Sector and Article 14 of Internal Audit Charter, Head of Internal Audit Unit Continuing Professional Development Plan 2025 was adopted.

This way, the Head of Internal Audit Unit is able to improve her knowledge, skills and other abilities through continuing professional development.

During 2024, the Head of Internal Audit Unit attended several trainings organized by the Central Harmonization Directorate of the Ministry of Finance and one training arranged by Audit-in-Practice Working Group (PEMPAL). All trainings were predominantly related to the application of the new Global Internal Audit Standards.

► **Internal Audit Plan 2025 was adopted**

In accordance with the International Standard for Professional Practice of Internal Auditing 2010 - Planning, Article 7 paragraph 1 item 2, Article 24 and Article 34 paragraph 1 item 3 of the Law on Governance and Internal Controls in the Public Sector, Article 35 of the Audit Act, Article 5, Article 6 and Article 9 of the Internal Audit Charter, the Head of Internal Audit Unit prepared and presented a proposal of the Internal Audit Plan 2025 to the Board of Directors, which adopted it at the IV meeting of the Board of Directors, held in December 2024.

► **The periodic self-assessment of the quality of CGES internal audit activity was carried out**

In accordance with the Strategic Internal Audit Plan 2024 – 2026 and to achieve the strategic goal of internal audit "improving quality of the internal audit activity", a periodic self-assessment of the quality of CGES internal audit was carried out.

General conclusion is that CGES internal audit activity has a "general conformance" with the International Standards for the Professional Practice of Internal Auditing.

Since periodic assessments include measuring the effectiveness and efficiency of internal audit, it was assessed as being at a "satisfactory" level.

Considering that there was a partial conformance of internal audit activity of CGES with 1 standard, an Action Plan for Improving the Quality of Internal Audit Activity was prepared.

► **Mentoring for the implementation of the practical training for acquiring the internal auditor certificate**

Pursuant to Article 8, paragraph 2 of the Rulebook on the Curriculum and Manner of Conducting the Examination for Certified Internal Auditor in the Public Sector, the Human Resources Management Authority appointed the Head of the Internal Audit Unit of CGES as a mentor for the implementation of the practical training for a candidate employed in the Investment and Development Fund of Montenegro (currently the Development Bank of Montenegro).

With the expert assistance of the mentor, the candidate successfully passed the practical training and acquired the Title of Certified Internal Auditor in the Public Sector of Montenegro.

INDEPENDENT AUDITOR'S REPORT





This is translation in English of the Draft Auditor's Report prepared in Montenegrin language for PPD review purposes

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CRNOGORSKI ELEKTROPRENOSNI SISTEM A.D., PODGORICA

Opinion

We have audited the financial statements of Crnogorski Elektroprenosni Sistem A.D., Podgorica (the Company), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and the accounting regulations of Montenegro.

Basis for opinion

We conducted our audit in accordance with Standards on Auditing applicable in Montenegro. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Montenegro, and we have 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 opinion.



Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed this matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements..

Revenue recognition

As described in Note 23 - Revenues from sales (net income), the Company accounted for revenues for the year 2024 in the amount of EUR 97.698 thousand. The Company has a variety of revenue streams and operates in a complex regulatory environment.

Significant estimates and judgments are necessary to determine the timing of revenue recognition for each revenue stream. In addition, in certain cases, amount of revenues depends on the reconciliation of data with other transmission system operators which takes place long after the balance sheet date. Accordingly, significant management judgment is necessary in order to account for year-end estimates and accruals.

Taking all of the above into consideration, we have assessed this area as a key audit matter.

We obtained an understanding of the processes and relevant controls related to each revenue stream, and evaluated their design effectiveness. In addition, we obtained an understanding of the relevant regulatory environment in which the Company operates by reading and analysing the relevant supporting documentation.

We performed analytical procedures for each revenue stream to gain further understanding of trends during the year and their relation with trade receivables. On a sample of contracts we reviewed the relevant terms and conditions in order to assess the appropriateness of revenue recognition. We performed test of details on a sample of invoices related to each revenue stream, along with the relevant supporting documentation.

For a sample of customers we circulated request for confirmation of trade receivables as of the balance sheet date. We tested transactions around the year-end to assess whether revenues were recognized in the correct accounting period.

In addition, we compared prior year accounting estimates related to accrued revenues with actual results, obtained understanding of main assumptions for current year and assessed their appropriateness by comparing them with the appropriate supporting documentation. We also tested a sample of journal entries recognized to revenue focusing on unusual or irregular transactions.

In addition, we reviewed the adequacy of disclosures presented in Note 2.18 - Revenue recognition and Note 23 - Revenues from sales (net income).



Other information included in the Company's Annual Management Report

Other information consists of the information included in the Annual Management Report other than the financial statements and our auditor's report thereon. Management is responsible for the preparation of other information in accordance with the legal requirements of the Montenegro.

Our opinion on the financial statements does not cover the Other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with Law on Accounting of Montenegro, in particular, whether the other information complies with the Law on Accounting of Montenegro in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
2. the other information is prepared in accordance with requirements of the Law on Accounting of Montenegro.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing applicable in Montenegro will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Auditor's responsibilities for the audit of the financial statements (continued)

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

The partner in charge of the audit resulting in this independent auditor's report is Danijela Mirković.

Podgorica, 31 March 2025

Danijela Mirković
Authorised auditor



Ernst & Young Montenegro d.o.o.
Podgorica, Montenegro





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