

# 2023 Operating Statement

Podgorica,  
june 2024

OF CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

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# Opening statement

Ivan Asanović,  
Executive Director Signature



Dear shareholders, respected partners, dear colleagues

I am very proud to present the Operating Statement of our company for the past year. As the director of an energy company, I want to highlight our pursuit of excellence, investments and innovations that are key to our success today.

We continuously invest in the modernisation and improvement of the electric power system. We manage resources efficiently, we carefully plan future projects, and all of this together is an excellent prerequisite for a stable financial foundation of the company. Precisely for this reason, we achieved a historic net income of 35.7 million euros, which I am very proud of.

Our company is known for its commitment to modernisation and investments in technological innovations that enable us to stay one step ahead in the energy sector. This year, we made significant investments that resulted not only in improving our infrastructure, but also in achieving historic results.

I proudly point out that we managed to make significant progress in our business processes, thanks to the efficiency of our key investments, but also the ability to adapt to changing business conditions. Our commitment to the sustainability, security and reliability of our network remains unwavering.

Our team of experts continues to work tirelessly to ensure that our services are at the highest level of quality, providing our customers with a reliable and efficient transmission network. Through our efforts in the field of research and development, and by applying the latest technological achievements, we continue to set standards in energy.

As a modern energy company, we believe in the importance of social responsibility and contribution to the community in which we operate. Through various programmes and initiatives, we continue to support sports, culture, non-governmental sector, local communities, humanitarian projects, while promoting sustainable development.

CGES remains committed to providing quality service to its users and contributing to the economic development of Montenegro through a reliable and efficient electric power system.

With your support and partnership, I am confident that we will continue to deliver outstanding results. I would like to take this opportunity to thank everyone, especially our employees, for their continuous engagement, trust and maximum commitment to the development of our company.



# About us

The core activity of Crnogorski elektroprenosni sistem is electricity transmission. Our role is to maintain and develop the country's electric power system, ensuring reliability and stability in electricity transmission. With numerous investments in infrastructure and technology, CGES strives to improve the efficiency and safety of the electric power system, following trends and standards in the industry.

One of the key priorities of CGES is the modernisation of the electric power system to ensure stable electricity transmission and reduce losses. Investments in new transmission infrastructure enable CGES to keep up with the growing demand for electricity and to ensure a stable supply to all users.

In addition, CGES is actively working on the integration of renewable energy sources into the electric power system, which contributes to the reduction of harmful gas emissions and more sustainable development. Investments in this area enable CGES to be a leader in the transition to a cleaner and more energy efficient future.

In accordance with EU regulations related to the liberalisation of the electricity market, the Company 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 importance for operation in European interconnection and market principles, Crnogorski elektroprenosni 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 preconditions 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.

From 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 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

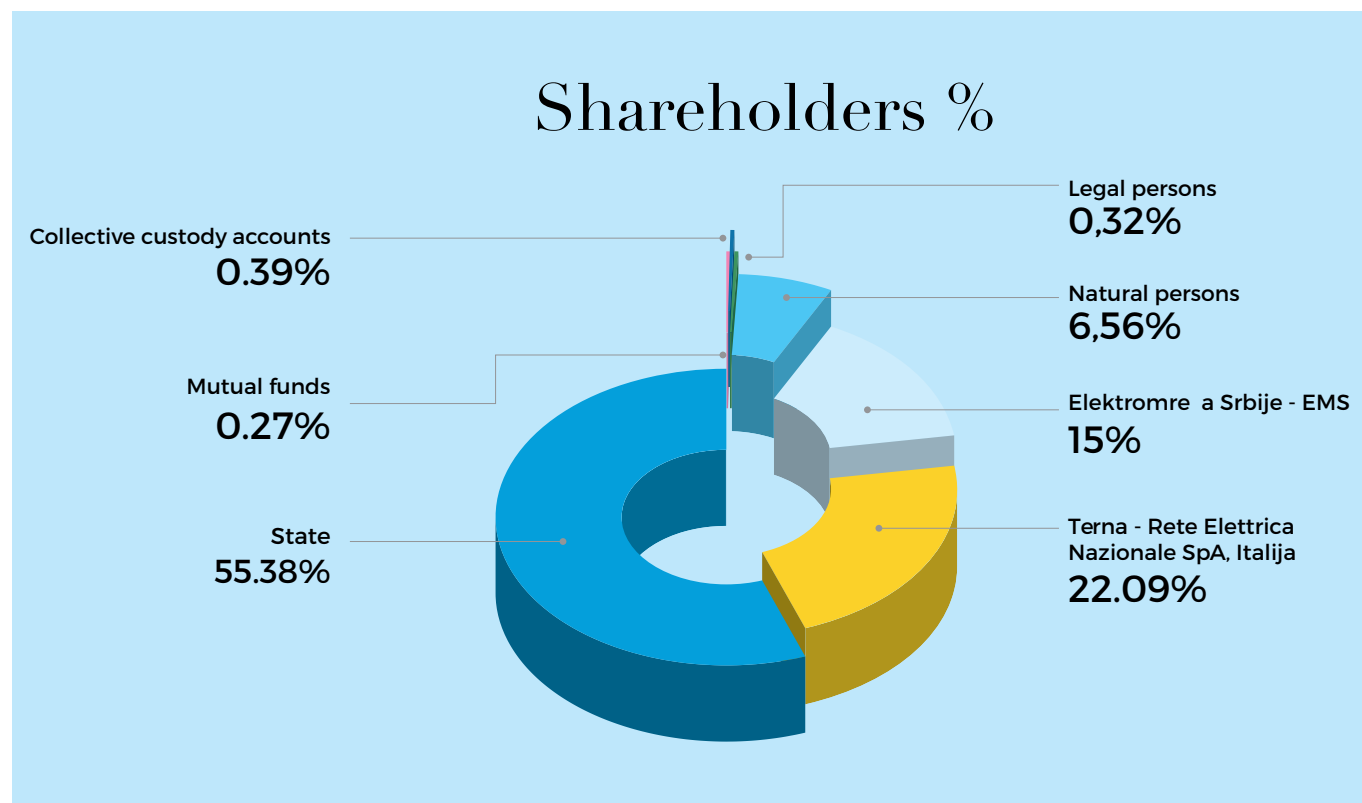
By valorising our potentials, with a focus on the development of the transmission system, our vision is to be a company recognised for the best quality services, ready to face challenges and to be an initiator of changes aimed at sustainable development and innovations.

## Ownership structure

As of 31 December 2022, 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 2023 was the following: The State of Montenegro holds 55.38%, Terna Rete Nazionale S.p.A. 22.09%, JSC Elektromreža Srbije - Beograd 15.00%, natural persons 6.56%, collective custody accounts 0.39%, mutual funds 0.27%, legal persons 0.32%.



## 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 2023, the XII Extraordinary Shareholder Meeting was held on 5 May 2023, as well as the XIV Annual Shareholder Meeting of CGES was held on 8 June 2023.

In addition to decisions adopting the 2022 Operating Statement, 2022 Financial Statements with the Auditor's Report, the adoption of the 2023 Remuneration Policy, as well as the Decision on selection of

an auditor for 2022, members of the Board of Directors were elected at the Meeting, but also a decision was made on the distribution of the realised net income in 2022, within which a decision was made on the payment of dividends to shareholders.

**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 XIV Annual Shareholder Meeting held on 8 June 2023.

The Board was chaired throughout the year by Aleksandar Mijušković, according to the decisions

of the constitutive meetings of the XIX and XX convocations of the Board of Directors, which managed the Company in 2023.

**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 work.

## Social responsibility

Our commitment to social responsibility permeates all aspects of our business, as we focus on building a sustainable future for all. Through support for sport, culture, education, the NGO sector, local self-government units, that is, local communities, and various humanitarian missions, we contribute to the development of the community and create a positive impact that extends beyond the borders of our business.

We believe in the power of sport as a tool for inclusion, integration and promotion of a healthy lifestyle. Through our support programmes for sports clubs, events and initiatives, we enable access to sports for all members of the community, regardless of social status or abilities. Through these efforts, we inspire the young generation to develop sports skills, team spirit and moral values that will lead them to success in life.

Culture is the basis of our identity and the way we express our values and traditions. By supporting artistic manifestations, festivals and cultural institutions, we encourage creativity, diversity and dialogue within the community. We believe that art has the power to connect people, challenge thoughts and inspire change, and we are proud to contribute to the preservation and promotion of the cultural heritage of our region.

## 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: 400/110 kV Podgorica 2, 400/220/110 kV Pljevlja 2, 220/110/35 kV Podgorica 1, 110/35 kV Nikšić, 110/35 kV Berane, 110/35 kV Brezna and 110/10 kV Kličevo, as well as for the 110 kV line Podgorica 1 - Podgorica 4. Along with the measurement reports, expert opinions on meeting the requirements for sources of electro-

In November 2021, the Board of Directors of Crnogorski elektroprenosni sistem AD appointed Ivan Asanović, Bachelor of Science 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.

Education is a key factor in building a sustainable and prosperous society. Through our education support programmes, we create opportunities for learning, skill development, and enhancement of educational resources for all generations. We encourage innovative approaches in education, support educational institutions and projects that promote science, technology and engineering in order to empower future generations to be leaders in sustainable development.

In our vision, sustainability is not only part of our business, but a way of life that we nurture in everything we do. We believe that social responsibility is not only a moral obligation, but also an investment in a more prosperous, just and environmentally conscious future for everyone. Through our efforts to support sport, culture and education, we build bridges to a better tomorrow, where everyone can realise their full potential and contribute to the community in which they live.

Only together can we create a society that cherishes the values of solidarity, equality and respect for the planet and all its inhabitants. Let us be the bearers of change and inspiration for future generations, building a world where every individual is empowered and our precious planet Earth is preserved.

magnetic 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.

Pursuant to the provisions of the Law on Protection against Non-Ionizing Radiation, 43 employees were professionally trained to implement protection me-

asures against non-ionizing radiation.

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. Our company handles waste in accordance with the Law on Waste Management and according to the Waste Management Plan of CGES AD. Annual reports on waste management are submitted to the Nature and Environment Protection Agency of Montenegro and MONSTAT. In 2023, due to large investments in the replacement of high-voltage equipment, in addition to ongoing maintenance of equipment, a significant increase in produced waste is recorded compared to previous years.

The Annual Waste Report for 2022 was submitted to the Environmental Protection Agency, and the data from the report were also submitted to MONSTAT.

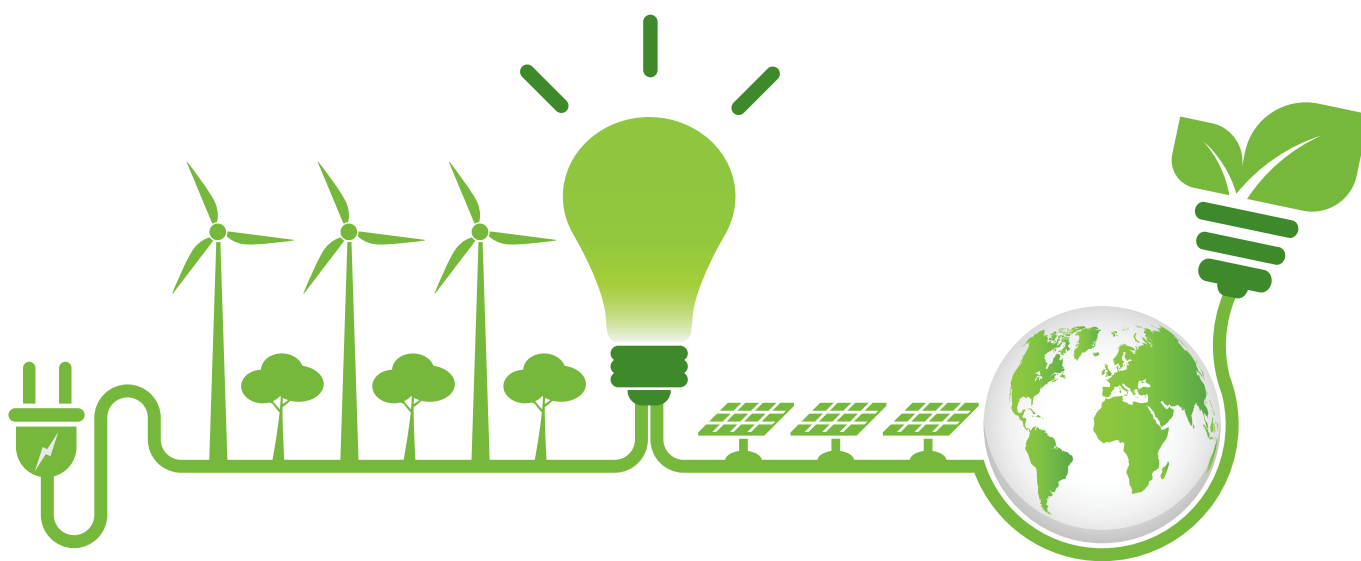
Data on installed equipment with SF6 gas in 2022 was submitted to the Environmental Protection Agency for the purpose of updating the comprehensive inventory of air emissions for 2022.

Compensation measures were implemented in the previous year related to the settlement of liabilities to the Environmental Protection Fund of Montene-

gro (ECO FUND), which collects and invests funds in building a sustainable society in Montenegro, and in cooperation with Public Enterprise National Parks of Montenegro:

1. The first conservation measure of this type was implemented in Montenegro - 20 houses for bats were built and installed in Lovćen National Park (NP). All types of bats are protected by national legislation, as well as by European conventions, agreements and directives to which our country is a signatory. For the purpose of monitoring the population, each house has a recorded GPS location;
2. In order to preserve forests in the area of national parks and fight against bark beetles, 40 pheromone traps were provided;
3. Monitoring of biodiversity after the construction of the 400 kV overhead line Lastva - Čevo in the area of Lovćen NP was implemented.

The implementation of the integrated management system (ISO 9001, ISO 14001 and ISO 45001), which is ongoing, as far as the environment is concerned, it is expected to improve the performance of the environmental management system, fulfil obligations for compliance with identified aspects and impacts and achieve goals that are in accordance with the adopted Integrated Management System Policy.



## On the path to even better cooperation

The past year was significant for our company, which achieved impressive progress through the signing of key contracts and active participation in various consultations and conferences. Through strategic partnerships and investments, the company expanded its operations and established its position in the energy industry world. With continuous improvement of technologies and innovative approaches, CGES has become a leader in the sector, leaving a significant mark in the field of energy industry during 2023.

her and expressed their gratitude for the allocated funds that were used to strengthen the interconnecting capacities, create preconditions for connection renewable electricity sources, and increasing security of supply to consumers in Montenegro.

As part of the visit, Ursula von der Leyen had the opportunity to get acquainted directly with the most important aspects of this project, through the presentation of the Assistant Director of Elektroprenos, Nikola Mugoša, who was more than a good host to the respected President.

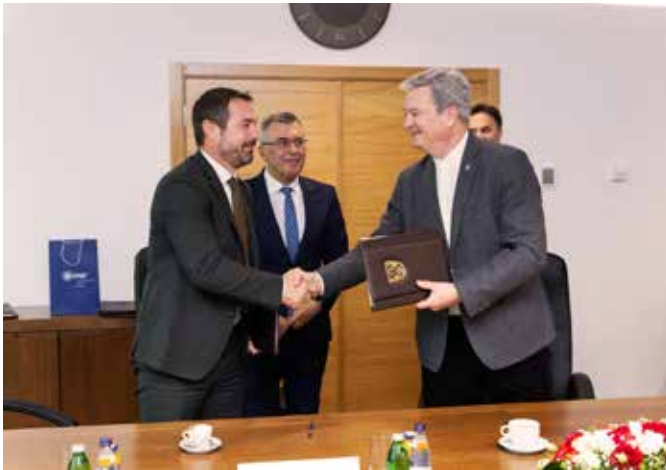


The visit of the President of the European Commission, Ursula von der Leyen, to CGES, i.e. substation Podgorica 2, is one of the most significant events that marked 2023. This visit emphasised the role of CGES in strengthening the regional energy infrastructure and integrating Montenegro into European energy flows. In addition, the visit symbolised the close cooperation between Montenegro and the European Union (EU) in achieving common goals in the field of energy industry and sustainable development.

The President of the European Commission, Ursula von der Leyen, was greeted in front of Crnogorski elektroprenosni sistem by the Chairman of the Board of Directors, Aleksandar Mijušković, and the Executive Director, Ivan Asanović, who welcomed

As a reminder, as part of the Trans-Balkan Electricity Corridor, one of the leading projects of the Economic and Investment Plan for the Western Balkans, the EU provided 25 million euros in grants for Montenegro to improve the national transmission network, reduce transmission losses and interruptions in electricity supply, and mitigate the rise in electricity prices for residents, industry and investors.

The Executive Director of CGES, Ivan Asanović, and the President of the Montenegrin Academy of Sciences and Arts (CANU), Dragan K. Vukčević, signed a Memorandum of Cooperation aimed at improving the efficiency of the electric power system and the application of artificial intelligence in the energy industry.



The Memorandum envisages that CANU and CGES will jointly work on scientific-research and development projects in the field of energy industry through cooperation with the ENEKO centre, as a special scientific research unit of CANU. In addition, the holding of joint scientific gatherings, round tables and expert discussions in the field of energy industry, issue of publications, as well as cooperation on other activities of mutual interest have been envisaged.

One of the missions of CGES is to develop projects in accordance with the most modern principles of environmental protection and ecology, bearing in mind that sustainable development is the basis of every development and infrastructure project of the company.



The Agreement on cooperation between Crnogorski elektroprenosni sistem (CGES) and Elektromreža Srbije (EMS), signed by the Executive Director of CGES, Ivan Asanović, and the Director of EMS, Jelena Matejić, is a very important document that will enable the successful implementation of the planned tasks and goals of both companies related to the construction of the interconnection 400 kV overhead line Pljevlja - Bajina Bašta - Višegrad, a project within the ongoing Trans-Balkan Corridor, which aims to improve the conditions of electricity trans-

mission between the northern and southern parts of the region and thus enable further integration of the electricity market, as one of the priorities of the European energy policy.

Electrical engineers should be given greater importance in decision making process which certainly belongs to them, which could be heard at the "Seventh Days of Electrical Engineers", which was officially opened by the Chairman of the Board of Directors of CGES, Aleksandar Mijušković.

At these Days, not only important topics and trends in the electrical industry were discussed, but also socially significant issues and dilemmas.

The Executive Director of CGES, Ivan Asanović, participated in the panel "Green transition - past expe-



riences and problems in implementation".

In accordance with European regulations that encourage the increase of cross-border capacities, and legal obligations that include system management within the ENTSO-E network, the transmission system operators of Montenegro and Bosnia and Herzegovina (CGES, NOS-Sarajevo) signed in Sarajevo a Memorandum of Understanding aimed at the implementation of activities on the projects of reconstruction of the existing interconnection 220 kV OHL HPP Perućica - Trebinje, as well as the construction of a new 400 kV interconnection.

The Memorandum was signed by the general directors of the companies: Ivan Asanović and Nemanja Pandurević, and the signing was attended by the Chairman of the Board of Directors of CGES, Aleksandar Mijušković, and members of the board of NOS BiH, Ana Marić and Muhamed Mujakić.

The Chairman of the Board of Directors of CGES, Aleksandar Mijušković, was a panellist at the session entitled "The future of energy companies from crisis to transition" as part of the Western Balkans Energy Industry Week, which was held in Regent Porto Montenegro in Tivat.



Speaking about the details from the CGES portfolio, challenges that our company faced and overcame during the construction of the submarine cable between Montenegro and Italy, which is an integral part of the Trans-Balkan Electricity Corridor Phase I, were emphasised, but it was also pointed to the importance of the implementation of the 400 kV overhead line Lastva- Čevo-Pljevlja, thus closing the 400 kV ring that will significantly contribute to the security of the electric power system. The goal is to have an extremely strong system that will open up opportunities for the integration of renewable energy sources.

Therefore, challenges are mostly related to renewable energy sources, the importance of which is widely recognised in Montenegro, so the company's efforts are directed, among other things, to creating conditions for the connection of numerous solar power plants. Priorities also relate to the construction of the switchgear Čevo, to which future solar power plants will be connected as the most significant symbols of the green transition.

In an ambitious five-year plan worth almost 200 million euros, a very significant and imposing investment - the connection of the electric power systems of Montenegro and Italy by laying the second core of the cable, was singled out.

The event brought together representatives of the authorities and energy companies from Montenegro, Serbia, North Macedonia, Bosnia and Herzegovina, Albania and Kosovo, as well as international institutions and multinational companies.

There is no successful green transition without closer cooperation between governments, the private sector and international organisations, it was announced at the second EPCG NET 2023 Symposium, which took place at the Avala Hotel in Budva. What are the potential solutions, best practices

and strategies that will enable the Western Balkans to achieve an optimal energy mix? What are the challenges of implementation and integration of the project of renewable energy sources? What has been done so far in the field of electricity market integration and what are the plans for the future? These were the topics of a very important panel entitled "Optimal energy mix for the future and challenges of RES integration", where one of the seven panellists was our Executive Director, Ivan Asanović.



In the last few years, there has been a growing awareness of the fact that the transmission network is becoming one of the most important state resources. In this sense, CGES has invested significant funds in strengthening and modernising its capacities, but also in new projects of regional importance, of which the Trans-Balkan Electricity Corridor and the submarine cable connecting the energy systems of Montenegro and Italy stand out. In the previous period, CGES was recognised not only locally, but also more widely, for its significant investments in the development of the transmission system. Two projects stand out in particular - the submarine interconnection with Italy, i.e. the Trans-Balkan Electricity Corridor, which will build an energy bridge from Italy through Montenegro, BiH, Serbia all the way to Romania, within which the completion of the 400 kV overhead line Lastva-Pljevlja is also expected, which represents an enviable success.

The energy industry, in addition to its primary role, will become the driving force of economic growth and development in the time ahead, it was concluded at the public forum "Energy industry as a potential generator of Montenegrin economic growth", which was organised by the University of Montenegro, and in whose work the Chairman of the Board of Directors of CGES, Aleksandar Mijušković, also participated.



What are the peculiarities of Montenegro in terms of electric power? What is the position of the Montenegrin electric power sector in light of current European energy packages and general European regulations in this area? What are the economic and other effects of the submarine cable between Italy and Montenegro and how can they be multiplied? How intensive construction of renewable energy sources can affect the desired course of events? These were the topics of this, we would say, extremely constructive public forum, which brought together experts, that is, panellists from the energy sector and the academic milieu, which attracted the attention of those present and encouraged active participation.



The Montenegrin Committee of the International Council on Large Electric Systems (CG KO CIGRE) was the organiser of 8th Session taking place in Budva, with an aim to affirm and encourage the creation of a new concept in the energy industry.

At the opening, among other people, the Chairman of the Board of Directors of CGES, Aleksandar Mijušković, addressed the attendees, emphasising that the International Council on Large Electric Systems, where Crnogorski elektroprenosni sistem holds an important place, is actually the opportunity where a living word can be heard since the role played by the Montenegrin CIGRE Committee is very im-

portant also because it gathers experts from the energy sector who, along with already established efficient communication with experts from the surrounding and beyond, will facilitate the successful implementation of planned activities and projects in the energy industry.

On that occasion, the Executive Director of Crnogorski elektroprenosni sistem, Ivan Asanović, received a plaque for his overall contribution to the organisation of CG KO CIGRE. Numerous CGES engineers took part in the work of this conference and distinguished themselves with high-quality works and activities through 15 study committees and panels.



In accordance with European regulations that encourage the increase of cross-border capacities, and legal obligations that include system control within the ENTSO-E network, the transmission system operators of Montenegro and Albania, CGES and OST, drafted a proposal for a Memorandum of Understanding, which aims to implement activities on the construction of the 110 kV interconnection Ulcinj - Velipoje and the rehabilitation of the existing 220 kV interconnection Podgorica - Vau Dejes. The executive directors of the transmission system operators of Montenegro and Albania, Ivan Asanović and Skerdi Drenova, signed the Memorandum in Tirana.

The construction of the new 110 kV interconnection Ulcinj - Velipoje would enable bidirectional power supply of the Municipality of Ulcinj, while the second, but no less important project, refers to the rehabilitation of the existing 220 kV interconnection Podgorica - Vau Dejes, which is seen as part of the wider picture of increasing the throughput of the complete 220 kV network from Bosnia and Herzegovina (Trebinje) to Albania (Vau Dejes).

# Highlights in 2023

## APRIL

### CGES BRONZE SPONSOR OF THE FIRST ESG SUMMIT IN THE WESTERN BALKANS

With this partnership, we wanted to show our commitment to building a sustainable future. Our company has a highly developed awareness of environmental protection, present both in the process of planning the development of the transmission network, and during the regular operation and maintenance of the transmission system. This major regional event, which brought together numerous dignitaries, representatives of governments and international institutions, and leaders of business communities in the region and the world, was dedicated to topics in the field of green transition, environmental protection, innovation, sustainable development and corporate governance.



## MAY

### OHL 110 KV BREZNA - ŽABLJAK – INSTALLATION OF EMERGENCY RESTORATION TOWERS

By installing emergency restoration towers, preconditions for the commissioning of OHL 110 kV Brezna - Žabljak and thus dismantling part of OHL 110 kV Pljevlja - Žabljak, i.e. continuation of works on construction of OHL 400 kV + 110 kV Lastva - Pljevlja and Pljevlja – Žabljak, have been created.

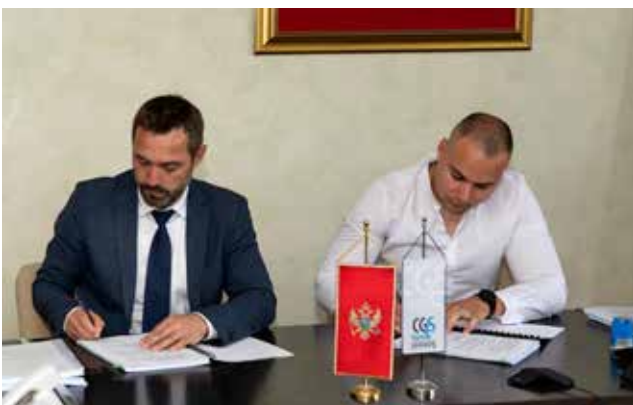
All works, with the involvement of mechanisation, were carried out by CGES employees.



## JUNE

### THE FIRST AGREEMENT ON THE CONNECTION OF THE SOLAR POWER PLANT MENERGY TO THE TRANSMISSION SYSTEM SIGNED

The first agreement on the connection of a solar power plant, whose installed capacity is 385 MW, and value of the investment is around 300 million euros, to the transmission system was signed in Podgorica on 7 June 2023. The agreement was signed by the Executive Director of CGES, Ivan Asanović, and the Executive Director of MEnergy d.o.o. Cetinje, Aleksandar Špadijer.



In order to develop and successfully implement this investment for the generation of energy from renewable sources, the finalisation of which will have multiple benefits for both citizens and the economy, the investor submitted a formal application for connection to the transmission system to CGES, previously obtaining urban and technical conditions from the Government of Montenegro for the construction of the power plant.

The future solar power plant will be constructed on the territory of the cadastral municipalities of Ubli (Cetinje), and Bogetići and Broćanac on the territory of the Municipality of Nikšić.

### INCREASE OF TRANSFORMATION CAPACITY IN SS BUDVA

In SS 110/35 kV Budva, the power transformer T1, with a capacity of 40 MVA, was replaced with the power transformer with a capacity of 63 MVA.

All activities, except the transport of transformers, were carried out independently by CGES employees.

Transformation capacity was increased from 103 MVA to 126 MVA (19.4%).

### INCREASE OF TRANSFORMATION CAPACITY IN SS ULCINJ

In SS 110/35 kV Ulcinj, the power transformer T2, with a capacity of 20 MVA, was replaced with a power transformer with a capacity of 40 MVA.



All activities, except the transport of transformers, were carried out independently by CGES employees.

Transformation capacity increased from 51.5 MVA to 71.5 MVA (38.8%).



## JULY

### THE COMPANY MARKED ITS 14TH YEAR OF SUCCESSFUL BUSINESS

CGES welcomed its 14th year of existence with exceptional business results and clearly set goals for the next year. At the ceremony on the occasion of the 14th year of successful operation, special awards were given to the best workers from all organisational units. Awards for work, achieved results and contribution to the development of CGES were given to: Aleksandar Kaluđerović, Ivan Pavičević, Milica Popović, Miljan Jovović, Bojan Radović, Đorđije Krulanović, Božo Đukanović.





## AGREEMENT ON THE CONNECTION OF THE SOLAR POWER PLANT MONTEČEVO TO THE TRANSMISSION SYSTEM SIGNED

Another agreement on the connection of the solar power plant Montečevo, with an installed capacity of up to 400 MW and investment value of around 350 million euros, to the transmission system was signed on 31 July 2023. The agreement was signed by the Executive Director of CGES, Ivan Asanović, and the Executive Director of Sun horizon doo, Darija Gazivoda. For the purpose of connecting this power plant, one of the largest plants in the Balkans, the 400 kV switchgear (SG) Čevo, will be constructed, to which all 400 kV overhead lines (Lastva – Trebinje, Lastva – Pljevlja and Lastva – Podgorica) would be connected according to the in - out system.



## AUGUST

### AGREEMENT ON THE CONNECTION OF THE SOLAR POWER PLANT PREDIŠ TO THE TRANSMISSION SYSTEM SIGNED

On 4 August 2023, CGES hosted the Executive Director of the company Obnovljivi izvori energije doo, during which an agreement on the connection of the solar power plant Prediš, whose installed capacity is 215 MW and is worth about EUR 180 million, to the transmission system was signed. The Executive Director of CGES, Ivan Asanović, and the Executive Director of Obnovljivi izvori energije doo, Rusmin Muslić, signed the agreement.

The solar power plant will be connected via a 400 kV overhead line to the switchgear Čevo. In addition to the higher connection capacity that the network will be able to accept, this technical solution also enables better characteristics of the transmission system because it eliminates the possibility of a simultaneous outage of the 400 kV overhead line to Trebinje and to Pljevlja, which will have multiple benefits, including an increase in short-circuit power and system inertia.

### TRADE UNION MEETINGS OF ELECTRICITY TRANSMISSION COMPANIES IN SOUTHEAST EUROPE

The 10th sports meetings of the trade unions of electricity transmission companies of Southeast Europe, hosted by the Trade Union Organisation of Macedonia, were held from 24 August to 27 August, 2023 in Ohrid. Among the participants were representatives of the trade unions of Serbia, Montenegro, Bulgaria and Republika Srpska. In addition to the competitive nature, sports meetings were an opportunity to get to know each other, socialise and plan future joint activities. Through constructive debates, strategies were formulated to improve the efficiency, safety and sustainability of electricity transmission systems.



## SEPTEMBER

### REPLACEMENT OF POWER TRANSFORMER IN SS DANILOVGRAD

In SS 110/35 kV Danilovgrad, the power transformer T1, with a capacity of 20 MVA, was replaced. All activities, except the transport of transformers, were carried out independently by CGES employees.

### HANDOVER OF 35 KV PLANT TO CEDIS

In accordance with the Energy Law, 35 kV equipment was handed over (with compensation) in all substations owned by CGES, except in SS Ribarevine, Mojkovac, Podgorica 1 and Danilovgrad, for which formal conditions have not yet been met.

### GREEN LIGHT FOR ANOTHER SOLAR POWER PLANT

Another symbol of green energy, the solar power plant Solar Power, received the green light for connection to the transmission system, which will follow in 2027. The aforesaid has been specified in the Agreement on the construction of connection infrastructure and connection of the solar power plant, with an installed capacity of 170 MW, whose signatories are the Executive Director of CGES, Ivan Asanović, and the co-owner of Solar Power, Rita Beatrice Gossweiler.

The solar power plant Solar Power will be constructed on the territory of the Municipality of Cetinje (Velestovo), and CGES has determined the future 400 kV switchgear as the connection point.

With its respective and very stable network, CGES is fully prepared for the new sources of the future.



## OCTOBER

### CGES HOSTED MEMBERS OF OLIVE GROWERS ASSOCIATIONS

We had the opportunity to host members of olive growers associations and experts in the field of agro-economy, olive growing and melioration from Croatia, Bosnia and Herzegovina and Montenegro, and present them with the olive grove surrounding an important infrastructure unit of SS Lastva. The guests had an opportunity to visit the olive grove, and then renewable energy sources and social corporate responsibility, which is an important aspect of CGES operation, were discussed in the premises of the substation.



## NOVEMBER

### MEMORANDUM OF UNDERSTANDING BETWEEN CGES AND THE CITY OF MOSTAR (OLIVE GROWING CENTRE) SIGNED

The Executive Director of CGES, Ivan Asanović, and the Mayor of Mostar, Mario Kordić, signed a Memorandum of Understanding on 14 November 2023.

The goal of the Memorandum is the formalisation of future joint cooperation related to the exchange of knowledge and services in the field of olive growing.

### TRAINING OF EMPLOYEES FOR SAFE WORK ON OVER-HEAD LINES

Continuous investment in providing prerequisites for safe and secure work.



## DECEMBER

### COMMISSIONING OF SS 110/35 KV ŽABLJAK AND OHL 110 KV BREZNA - ŽABLJAK.

SS 110/35 kV Žabljak, as well as OHL 110 kV Brezna - Žabljak, were commissioned on 28 December 2023. Two 110/35 kV transformers with a capacity of 20 MVA each, which are connected to a distribution 35/10 kV SS, were installed in the SS. The 110 kV plant was built in GIS technology.

Thanks to this project, the consumption of Žabljak obtained a secure and reliable power supply.



### REPLACEMENT OF BROKEN-DOWN TRANSFORMER IN SS PODGORICA 1

In SS 220/110/35 kV, the broken-down transformer T5 110/35 kV, with a capacity of 63 MVA, was replaced. The replacement of the broken-down transformer T5, 63 MVA in SS Podgorica 1 was carried out by CGES employees independently.



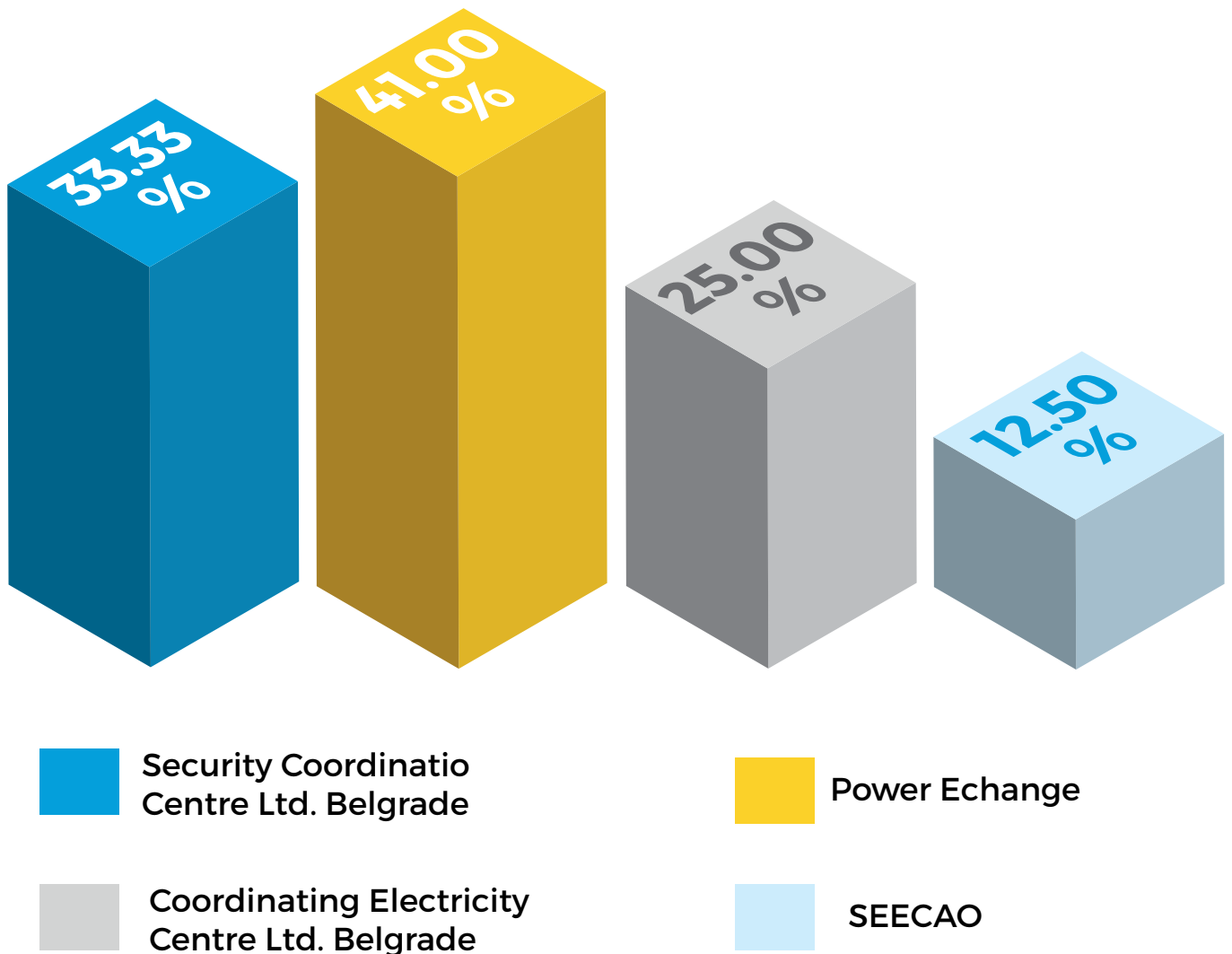
### TAKEOVER OF 220 KV AND 110 KV PLANTS IN HPP PIVA AND HPP PERUĆICA

In accordance with the Energy Law, the 220 kV equipment and 110 kV equipment at HPPs Perućica and Piva were taken over.

## 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:

### Legal persons in which CGES has an ownership share



# 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

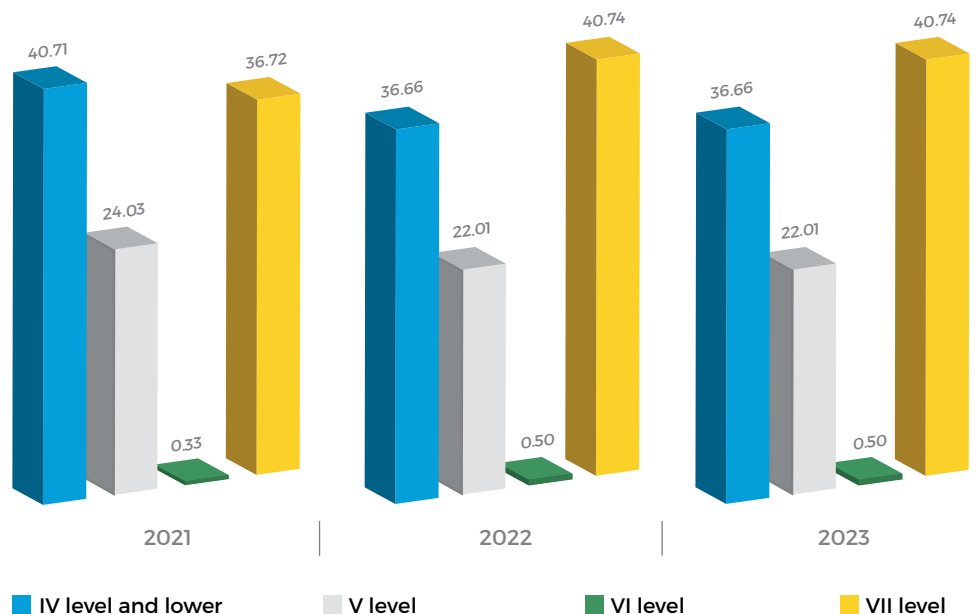
Considering the company’s plan to, by valorising its potentials, with a focus on the development of the transmission system, be recognised for the best quality services and ready to meet the challenges of the energy transition process, we continuously strive to pay special attention to the improvement of human resources policy considering that success is guaranteed by the knowledge, competence and commitment of employees to common goals. It is vital for us to have the best staff in the team, with which we strive to identify new ways of working, use new ways of thinking and thus create more productive conditions.

Our team is being built gradually, making efforts to establish and adjust the structure of human resources that can optimally meet all tasks. 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.

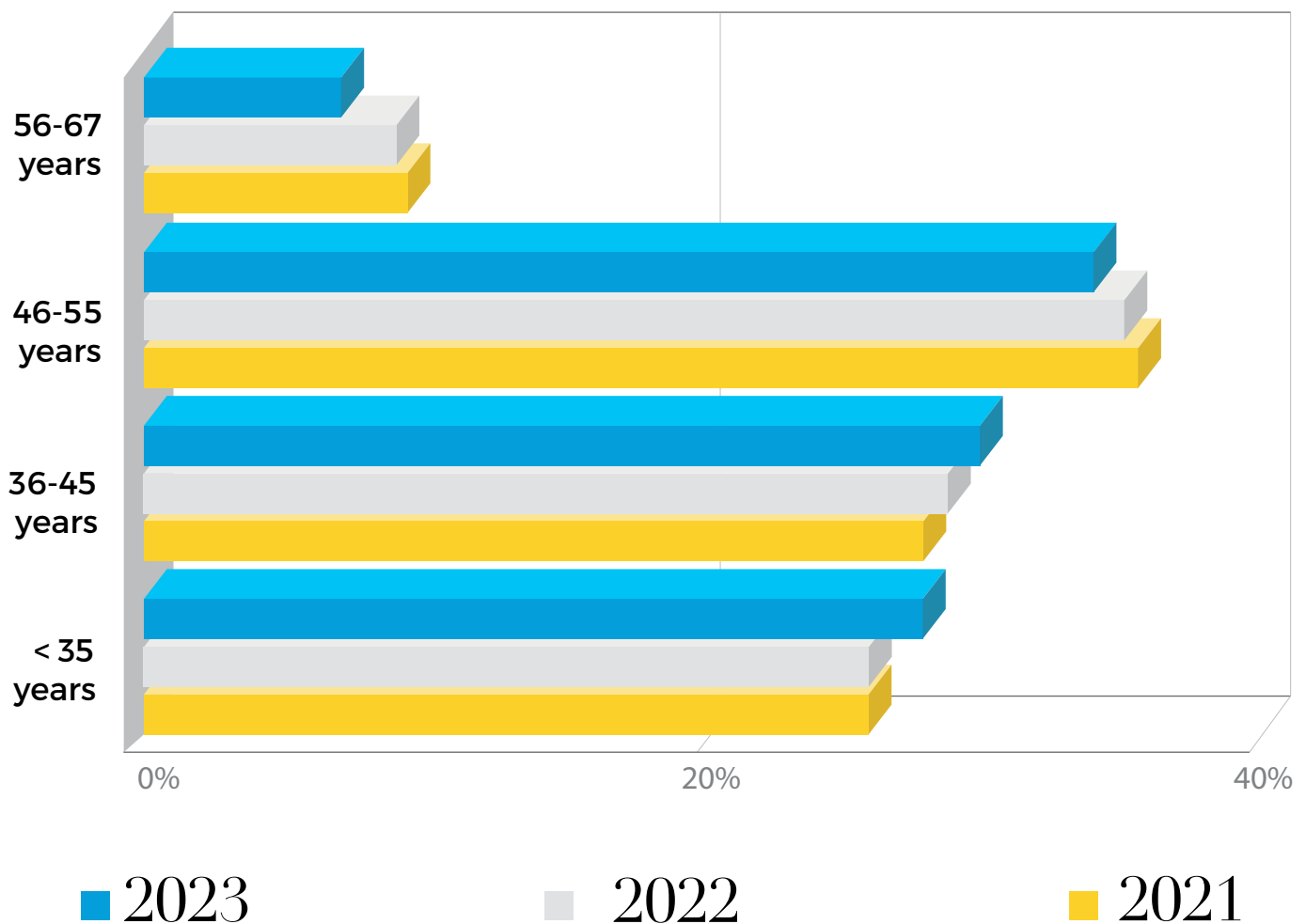
During 2023, the emphasis was placed on improving human resources to provide preconditions for an adequate response to legal obligations within the company’s competence and the requirements of the European Network of Transmission System Operators for Electricity (ENTSO-E), as well as to establish adequate 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.

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 2023, the total number of employees in CGES was 328. That number includes 318 employees with indefinite-term employment contracts, and 9 employees with fixed-term employment contracts.

Qualification structure of employees in the period 2021 - 2023 (%)



## Age structure of employees in the period 2021 - 2023 (%)



It is important to note that a significant part of new employees in the previous period 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.

Ten years in a row, we have been supporting the Programme for vocational training of persons who acquired a higher level of education of the Government of Montenegro, so 12 persons carried out the vocational training within our Company during 2023. In addition, employees were trained on the topic of the use of softwa-

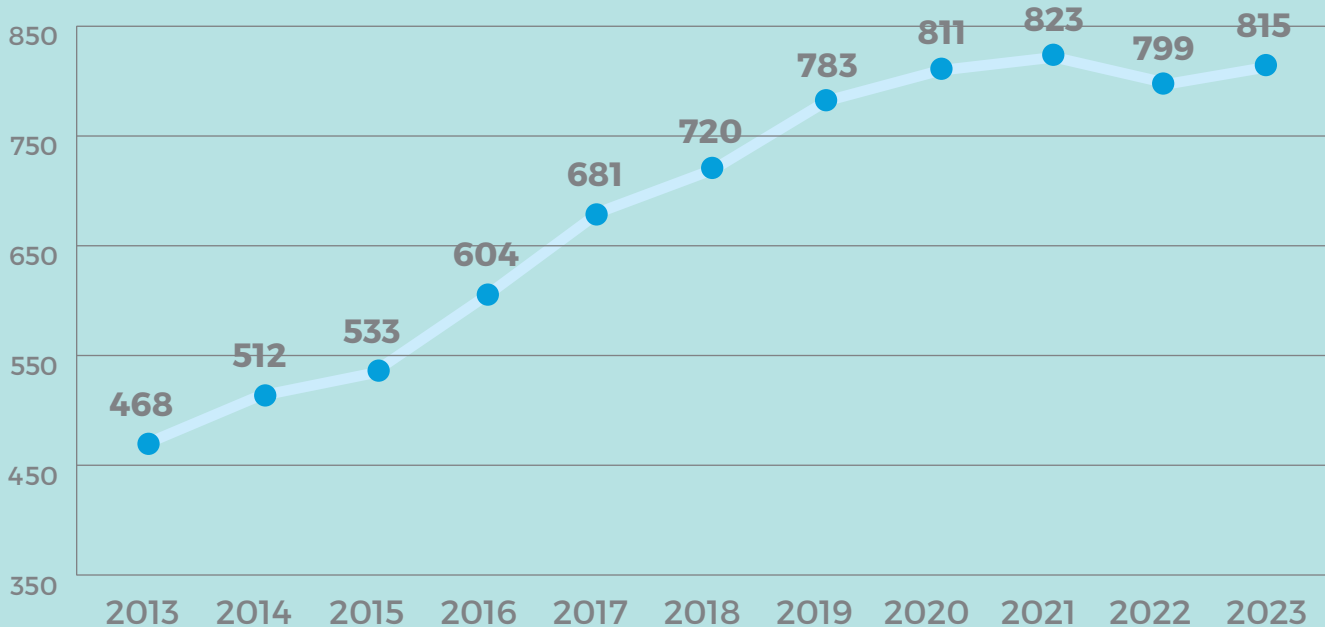
re packages for the analysis of TNA and PSS/E systems, Siemens Siprotec 5 protection devices and PCM ABB, implementation of digital substation projects, project management, with special reference to building contracts based on FIDIC conditions, risk management in accordance with ISO 31000: 2018 and the application of accounting standards and financial planning and reporting, analysis of financial statements and other topics related to quality accounting and financial management.

## 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

parameters – 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 2013 to 2023



Value of assets per employee [€1,000] in the period from 2013 to 2023

## Occupational safety and health

The Law on Occupational Safety and Health (Official Gazette of Montenegro, no. 34/14 and 44/18) 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 activities it performs, CGES strives to provide at all times adequate occupatio-

nal 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 2023, 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;

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Existing HV collective protection equipment was inspected;

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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;

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Occupational health and safety records were updated;

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Training of employees for providing first aid was carried out;

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Assets of personal occupational safety were provided for all CGES' facilities in accordance with the Standard of Assets and Equipment of Personal Occupational Safety;

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Assets of collective occupational safety were provided for all CGES' facilities in accordance with the Standard of Assets and Equipment of Collective Occupational Safety;

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A control inspection was carried out by the Labour Inspectorate, Department for Occupational Safety.

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# Our network

## Current state

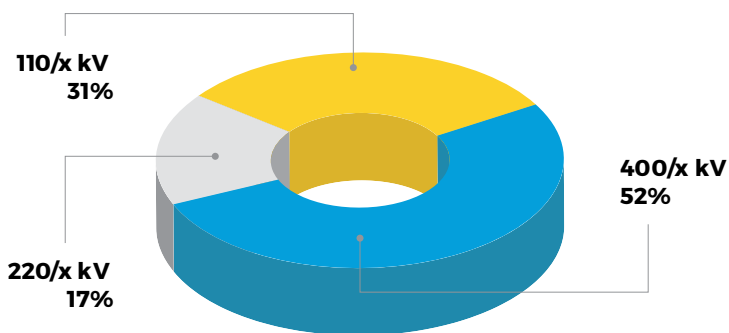
The transmission system in Montenegro, pursuant to the Energy Law, consists of facilities (substations) and lines (overhead lines and cables) at 400 kV, 220 kV and 110 kV voltage level.

**Crnogorski elektroprenosni sistem AD Podgorica owns 1,550.8 km of overhead lines as follows:**

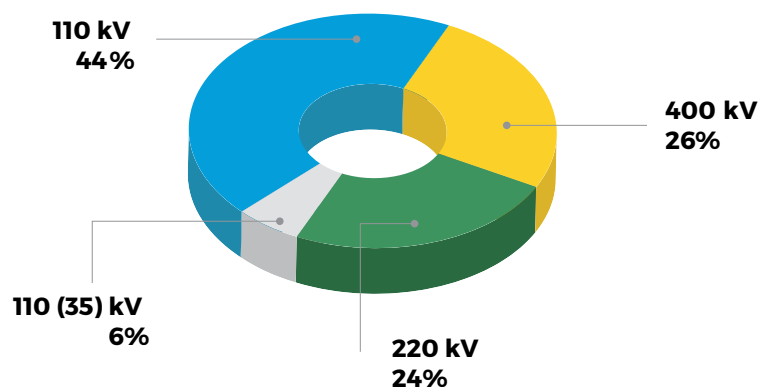
- \_\_\_\_\_ six 400 kV overhead lines, 348.8 km long, of which 35 km of the 2x400 kV overhead line,
- \_\_\_\_\_ one 400 kV section Čevo - Brezna, 54 km long, which is in operation under 110 kV voltage,
- \_\_\_\_\_ eight 220 kV overhead lines, 374.7 km long,
- \_\_\_\_\_ thirty-eight 110 kV overhead lines, 663.8 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 4,445.5 MVA of installed transformation capacity in:**
- \_\_\_\_\_ four 400/x substations (2,335 MVA),
- \_\_\_\_\_ three 220/x substations (741 MVA),
- \_\_\_\_\_ twenty-two 110/x substations (1,378.5 MVA).

CGES also controls 110 kV plants in WPP Krnovo (owned by KGE) and WPP Možura. During 2023, CGES purchased SS 110/20 kV Mrke and SS 110/20 kV Mateševo, which were constructed for the needs of supplying the highway with electricity, from Monteput. At the end of 2023, the purchase of 220 kV and 110 kV plants in HPP Perućica and HPP Piva was completed.

**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:

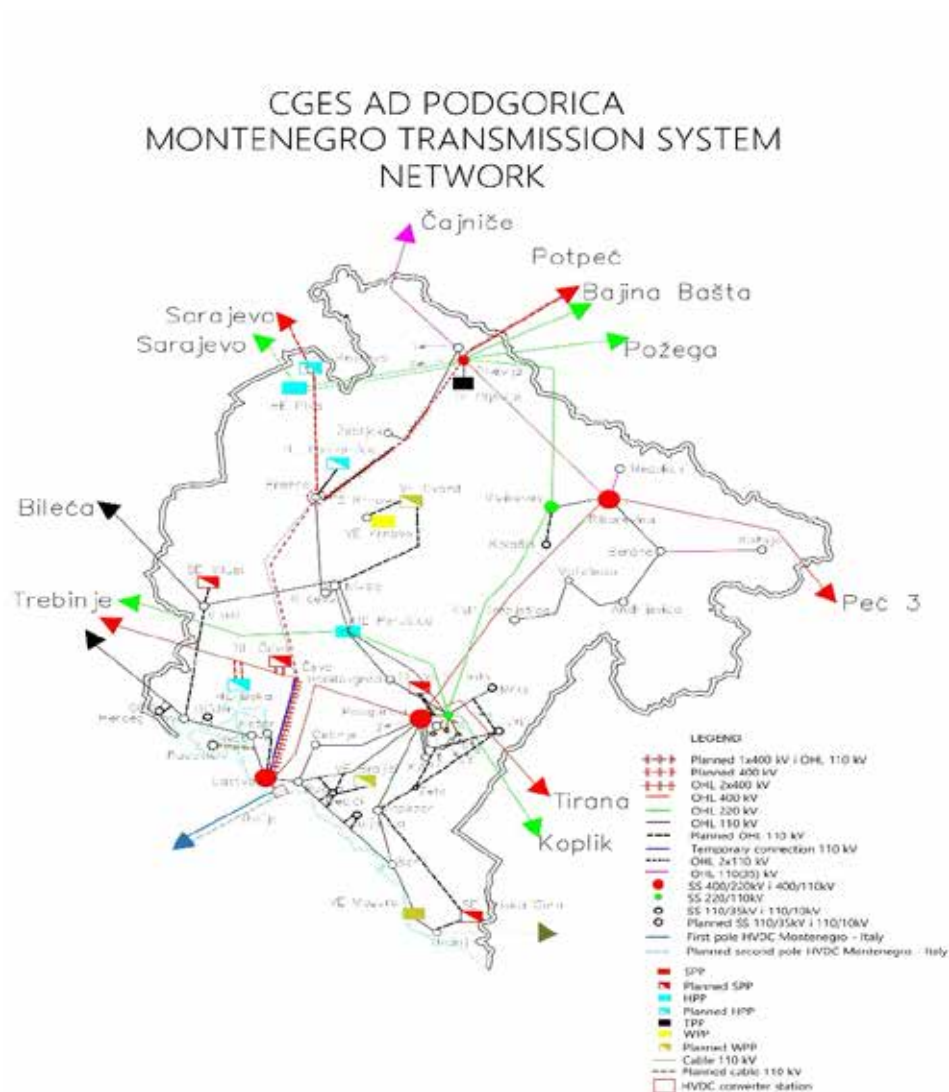
With the electric power system of Serbia, the transmission system of Montenegro is connected via two 220 kV OHLs and with one 110 kV OHL;

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; and

With the electric power system of Italy, transmission system of Montenegro is connected via 500kV HVDC submarine cable.



Transmission system users

### 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) (ŽICG);

CEDIS, which through distribution network supplies around 400.000 registered distribution consumers with electricity.

### Substation and overhead line maintenance, relay protection and testing

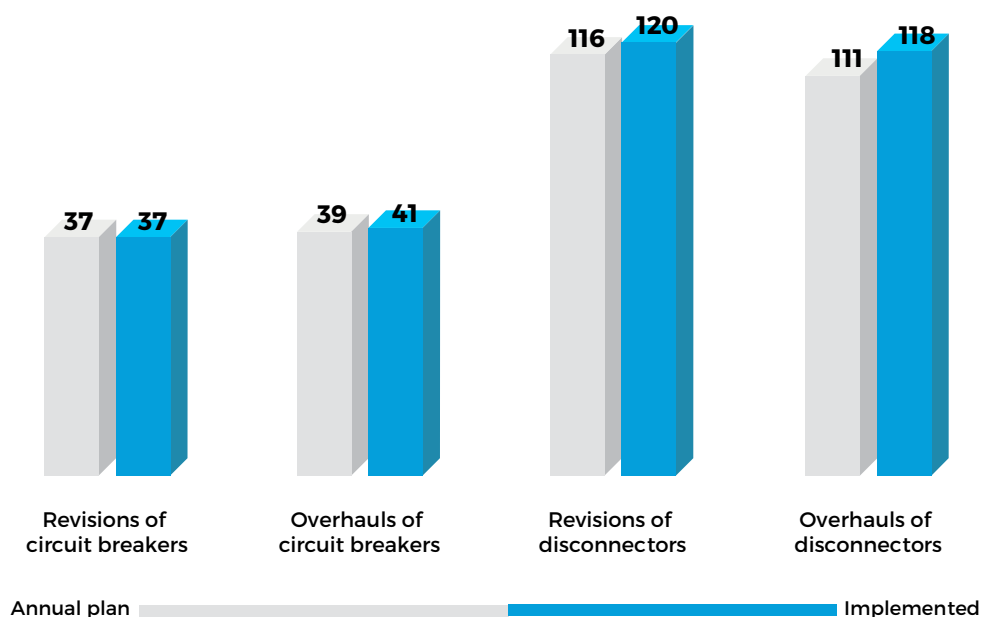
In the previous year, the Substation Maintenance Division implemented 439 work orders, which represents a 12.8% growth compared to 2022. Among the more significant works, the replacement of 110/35 kV transformers in TS Budva and TS Ulcinj, implemented as part of the preparations for the tourist season, stand out, thanks to which the transformation capacity in these substations increased by 43 MVA, or 27.8%.

During the last year, the Substation Maintenance Division implemented the replacement of the transformer 110/35 kV, 20 MVA in SS Danilovgrad, which at the beginning of the year was assessed as unreliable in the reports of the Testing Division.

At the end of the year, the Substation Maintenance Division managed to replace the damaged transformer 110/35 kV, 63 MVA in SS Podgorica 1 in a record short time, thereby significantly contributing to the preservation of the security of the power supply of a large part of the Capital City's consumers.

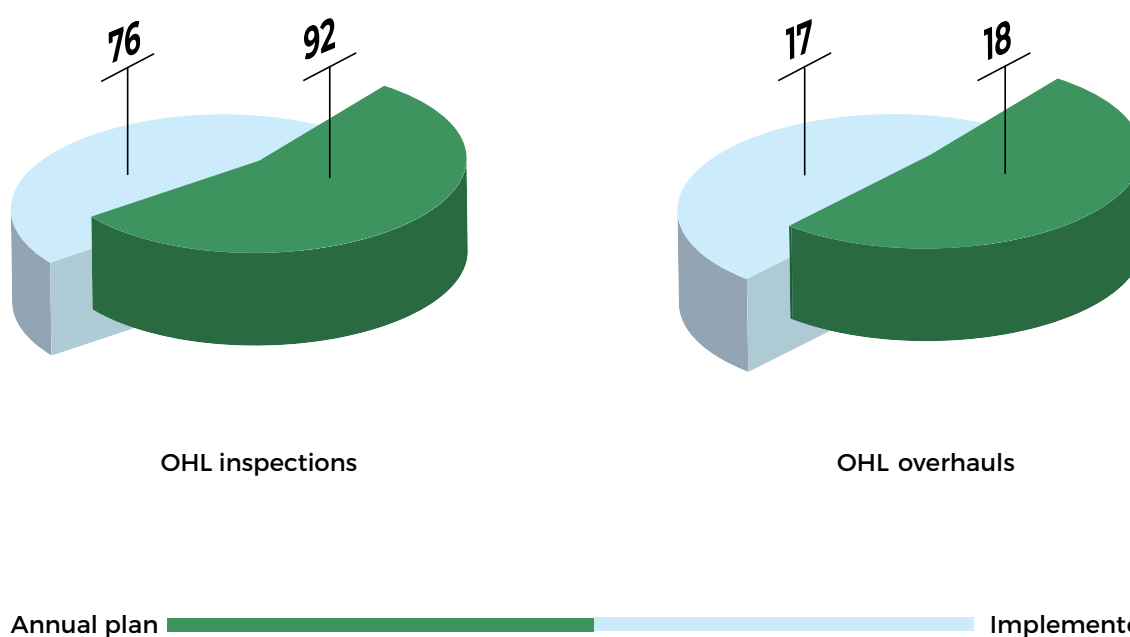
The overhaul and revision annual plan was exceeded with a degree of implementation of 104.2%. The graph shows the distribution of implementation.

## Implementation of the HV equipment overhaul and revision annual plan in 2023



The Overhead Line Maintenance Division successfully completed 345 work orders, including 76 inspections and 17 overhead line overhauls, which is **82.6% of the planned inspections, or 94.5% of the planned overhauls**. The deviation from the implementation was conditioned by the engagement of teams on the installation of emergency restoration towers in the OHL 110 kV Brezna - Žabljak route during May, when, as a rule, the largest number of inspections and overhauls are carried out. After regular inspections, the overhead lines were repaired for deficiencies that were estimated to affect the operational security of overhead lines. In addition to regular and planned works, 39 work orders related to emergency interventions were carried out. The planned activities of the Overhead Line Maintenance Division as well as their implementation are shown in the graph below.

## Implementation of the overhead line inspection and overhaul annual plan in 2023

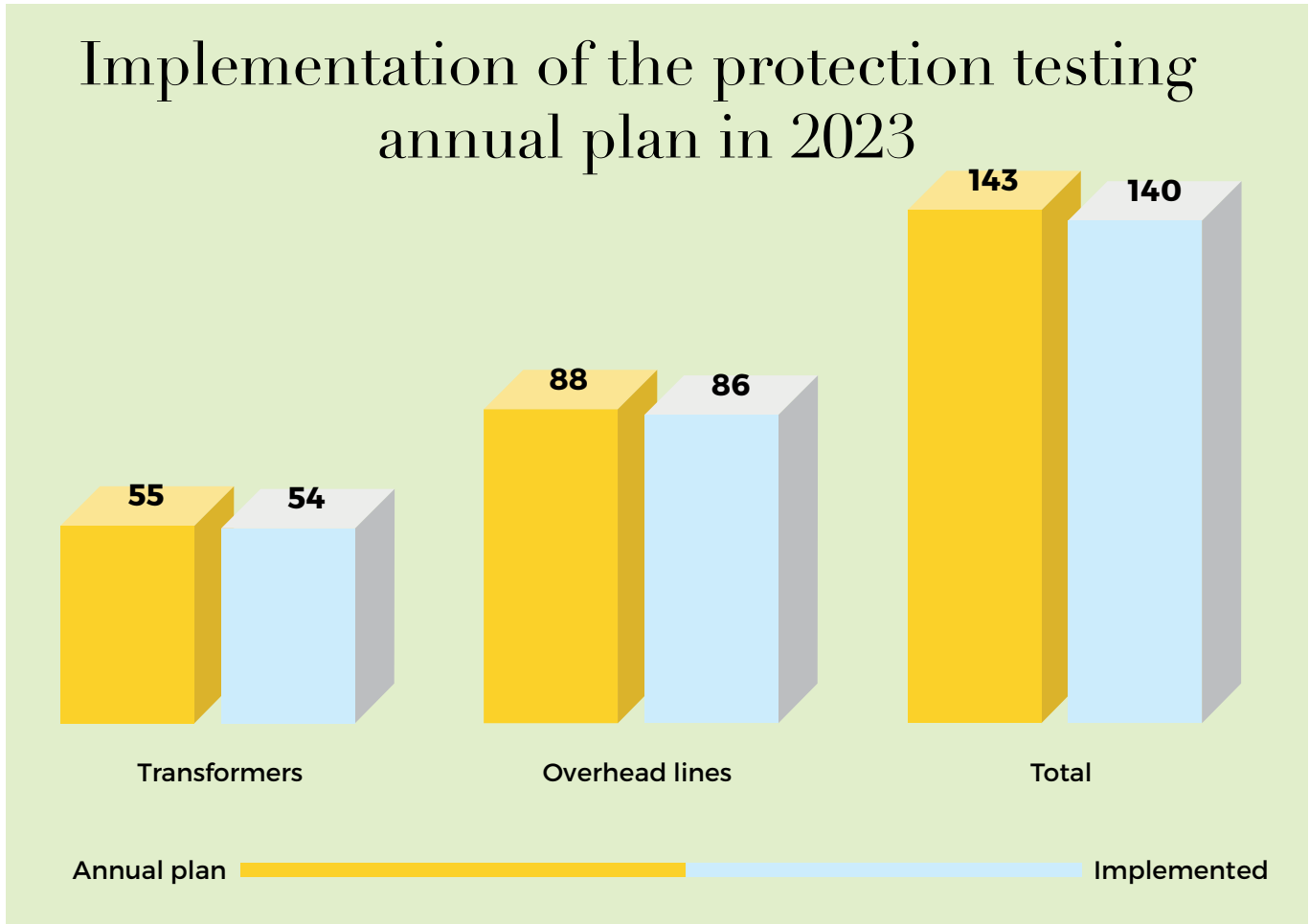


In addition to regular activities on the implementation of the maintenance plan, during the year, the employees of the OHL Maintenance Division also implemented activities of great importance within investment projects.





During the previous year, the **Relay Protection Division** implemented 241 work orders. The annual plan was fully implemented, except for protection testing on two overhead lines and one transformer bay, due to the impossibility of obtaining disconnection in the required time.



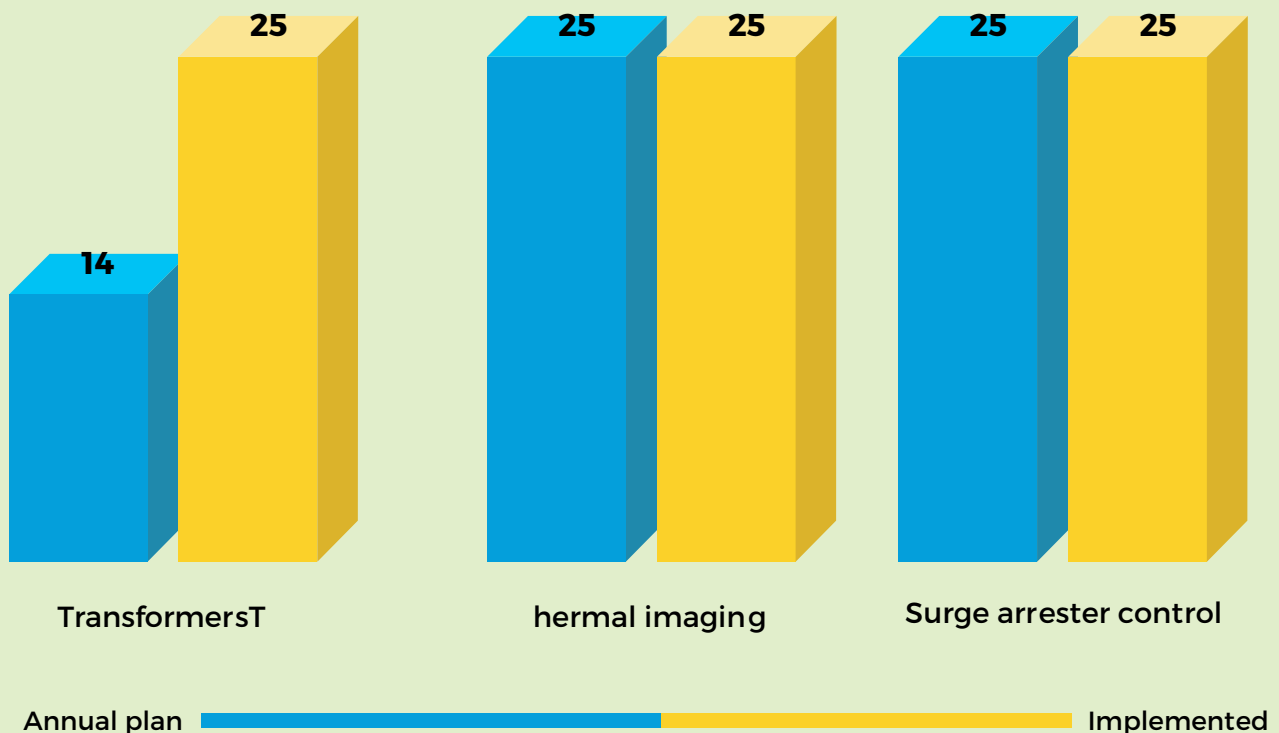
In addition to work on regular protection testing, the Protection Division had significant participation in investment projects during 2023. As part of the project of construction of SS 110/35 kV Žabljak, acceptance factory and functional field tests were performed. As part of the reconstruction project of TS 110/35 kV Pljevlja 1, functional tests were carried out and two transformer bays were commissioned.

The Relay Protection Division is part of the working group for the project of testing remote control of switching equipment from NDC. The working group was formed during the previous year, and 18 substations were examined by the end of the year. In addition to the mentioned activities, the Division performed metering of parameters of 28 overhead lines and kept daily statistics on the response of protection devices.

In the past year, the Testing Division implemented 200 work orders and completely fulfilled the annual plan.



## Implementation of the Testing Division annual plan in 2023



Apart from work on the implementation of the annual plan and other activities, the Testing Division worked on the improvement of a new method for testing transformers, SFRA (Sweep Frequency Response Analysis).

SFRA is a completely non-invasive, quick and simple method that can be used to determine, monitor and localise irregularities in the geometry of the windings and core of transformer.



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 2023, 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

CGES, as the founder and member of ENTSO-E, 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 our customers.

During 2023, harmonisation with European practice in this area was especially intensified after the decision of the Ministerial Council of the Energy Community on the transposition of network codes into the national legislation of the members.

## 2023 control novelties

In cooperation with the neighbouring WB6 TSOs, CGES worked on the development and implementation of the regional methodology for the coordination of operational security, initiating several improvements at the regional level. These activities were slowed down by external factors that the company could not influence. CGES representatives actively participate in the work of regional teams that were formed with the aim of establishing a coordinated cross-border capacity calculation and a coordinated security analysis.

On the initiative of CGES, in June, the procedure of analysing an operational event of regional importance was launched within the ENTSO-E subgroup of ICS, which aims to improve the level of operati-

Transmission system monitoring and control is performed from the National Dispatch Centre (NDC) and the Reserve Dispatch Centre (RDC) by using the SCADA system and other modern software tools.

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. During 2023, special attention was paid to the introduction of remote control with switching equipment.

onal security through recommendations. The work of the expert team until the preparation of this report confirmed the full justification of the initiative.

As in previous years, a special challenge for the staff involved in the operational control and planning of system operation was 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 NDC for quality work.

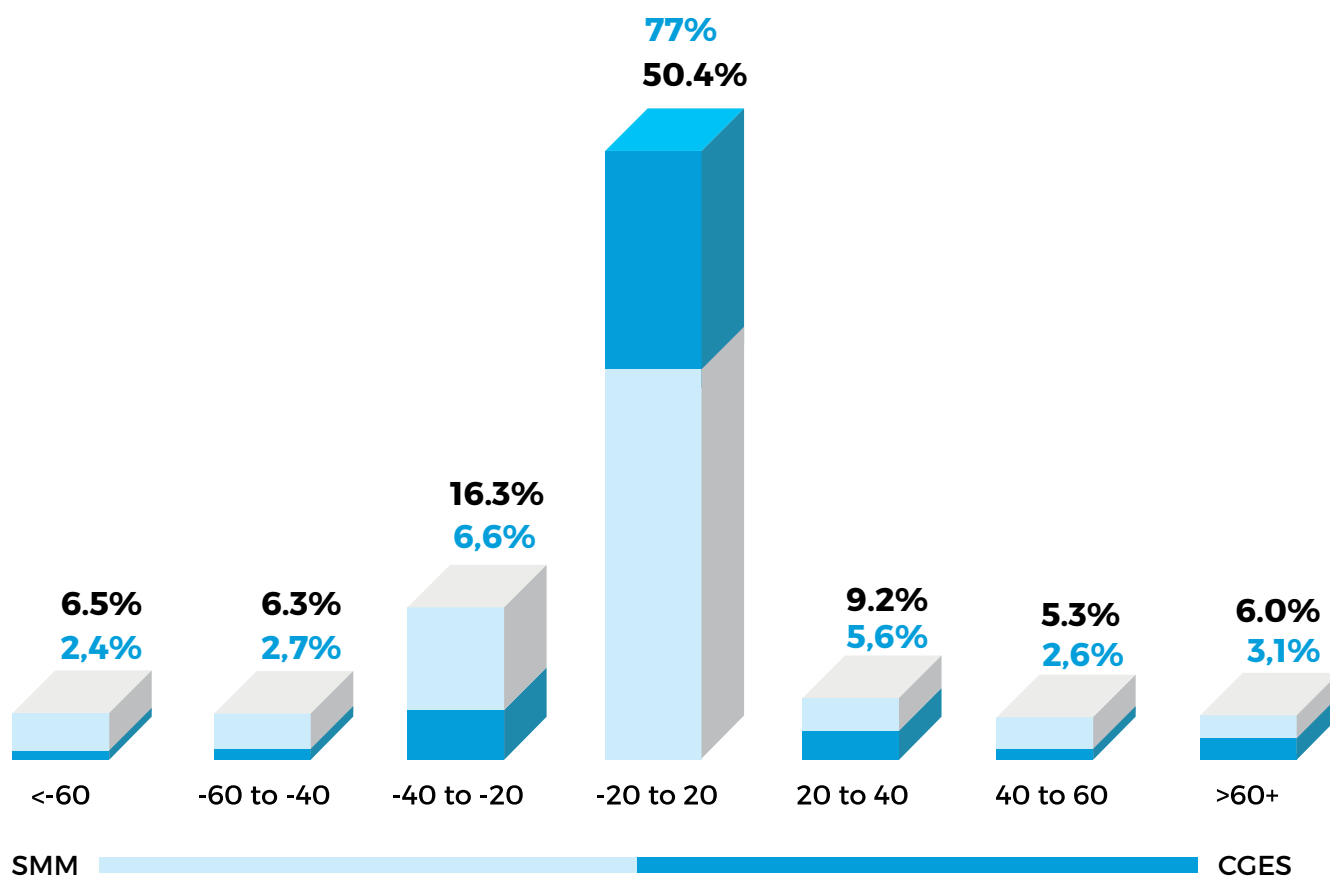
## System regulation

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 diagrams below show the regulation error of CGES as a member of the SMM block. The trend of good regulation from 2021 and 2022 (between 70% and 90% of the time the deviation was within the desired range) was maintained in 2023, so the desired level of quality was achieved in 77% of the time, and deviations outside the scope of  $\pm 60$  MW were present in less than 6% of the time. Also during 2023, the quality of regulation of the control area managed by CGES is significantly above comparable regulations (e.g. the average quality of

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

During 2023, the surveillance and control system was additionally adjusted, which contributed to in 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 furtherly improve. During 2023, HPP Perućica and HPP Piva actively participated in the secondary regulation system.

## Distribution of hourly regulation error [MW] in 2023



## 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 opera-

tors, 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.

The basic quality indicators related to the transmission system are the following:

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 undelivered electricity 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 2022 and 2023 due to unplanned interruptions in power supply:

Year	2022.	2023.
ENS (MWh)	2.237	381.5
AIT (h)	2.35	1.16

Compared to 2022, ENS is 82.9% lower, while AIT is 50.6% lower. This means that according to the amount of energy not supplied and the average duration of interruptions in power supply, the quality of the energy transmission service to end system users was at a better level compared to the previous year.

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 every one of the 119 recorded events.

It is important to point out that the ratio of energy not supplied and energy transmitted for 2023 amounts to 0.013%.

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 2023, 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. For this reason, the total duration of planned interruptions in power supply for 2023 is longer than for 2022, as shown in the table below:

Total interruption time	Planned		Unplanned	
	2022	2023	2022	2023
Total interruption time since the beginning of the year (min)	12,193	74,684	14,526	2,512

## Electricity market and cross-border transmission capacities

During 2023, the day ahead market was launched by Berza električne energije d.o.o. (Montenegrin Power Exchange LLC), one of the founders of which is CGES. A total volume of 278.56 GWh was traded on the exchange, while 63 auction processes were carried out for the needs of CGES on the long-term market. In cooperation with the Berza električne energije, CGES has started activities to create prerequisites for the nomination of NEMO (Nominated Electricity Market Operator), in order to jointly couple day ahead markets with the single European market in 2024, in accordance with European regulations.

In 2023, 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 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.

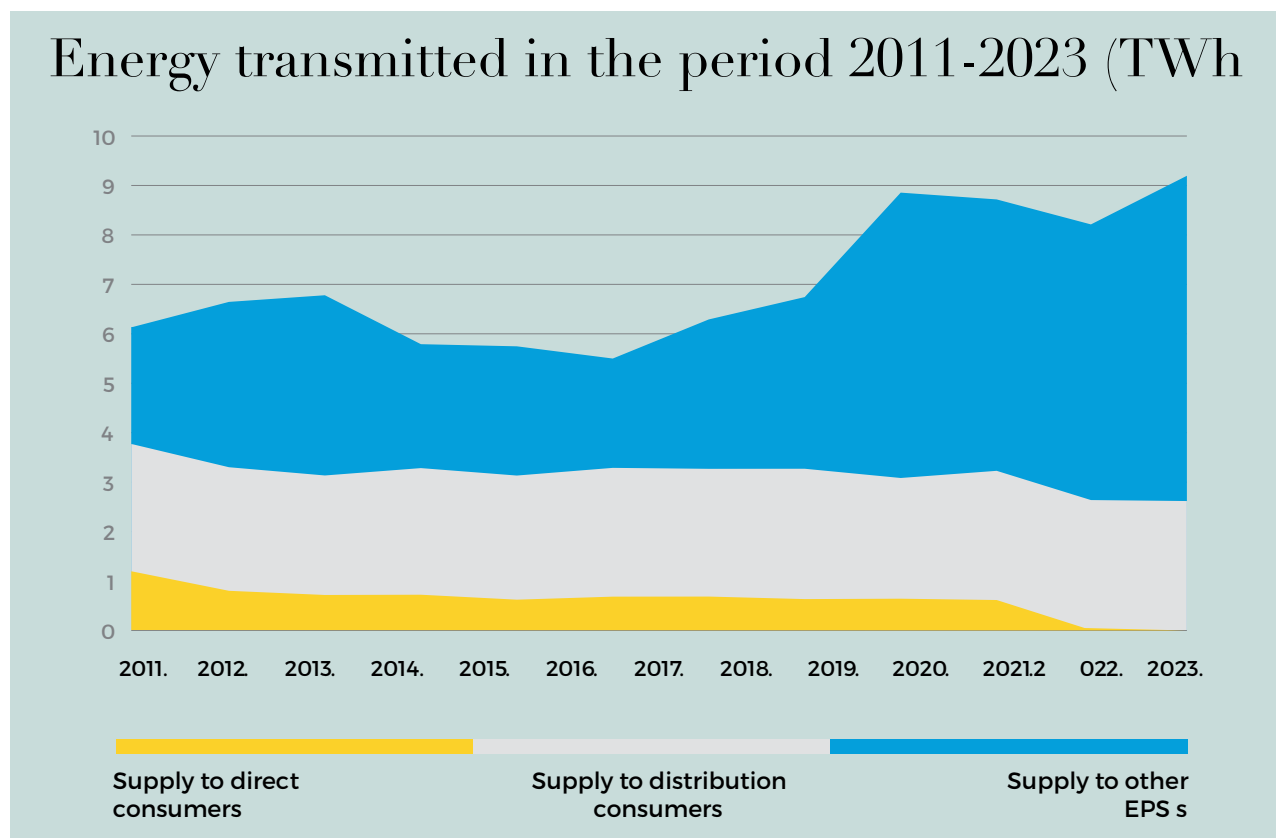
The continuation of the implementation of the methodology for the settlement of unintentional deviations (Fskar) as well as the implementation of the contract with EMS regarding INOM, affected the entire

process of quantitative and financial calculation of deviations of balance responsible entities in the balance mechanism, that is, that the prices of deviations, costs, revenues of the transmission system operator when balancing the transmission system be close to the prices of the region and the European market.

## Electric power indicators

### Electricity transmitted

In 2023, the CGES transmission system transmitted a total of **9,162.73 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 2023, 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:

With the commissioning of the HVDC submarine cable in 2020, there is a significant increase in electricity transit through the transmission system of Montenegro and this trend continued in 2023. Namely, the transit realised was higher by 6.75% than in 2022.

### Rate of losses

Higher utilisation of the network of the highest voltage level continued in 2023, so the rate of transmission losses compared to the total energy that entered the transmission system was 1.6%, which is slightly lower than in 2022, when it had a value of 1.68%.

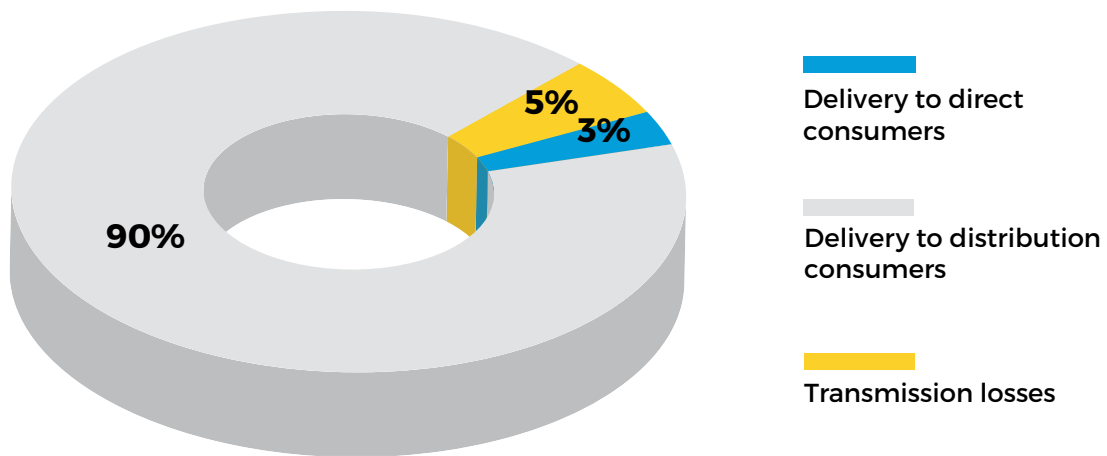
### Electricity consumption

The total electricity consumption in Montenegro in 2023 was 3,016.725 GWh, which is an increase of 1.23% compared to the values from 2022.

Consumption (GWh)			
Year	2022.	2023.	Difference
Supply to distribution consumers	2699.039	2782.439	3.1%
Supply to direct consumers	138.846	88.058	-36.6%
Transmission losses	142.248	146.228	2.8%
Total:	2,980.134	3,016.725	1.2%

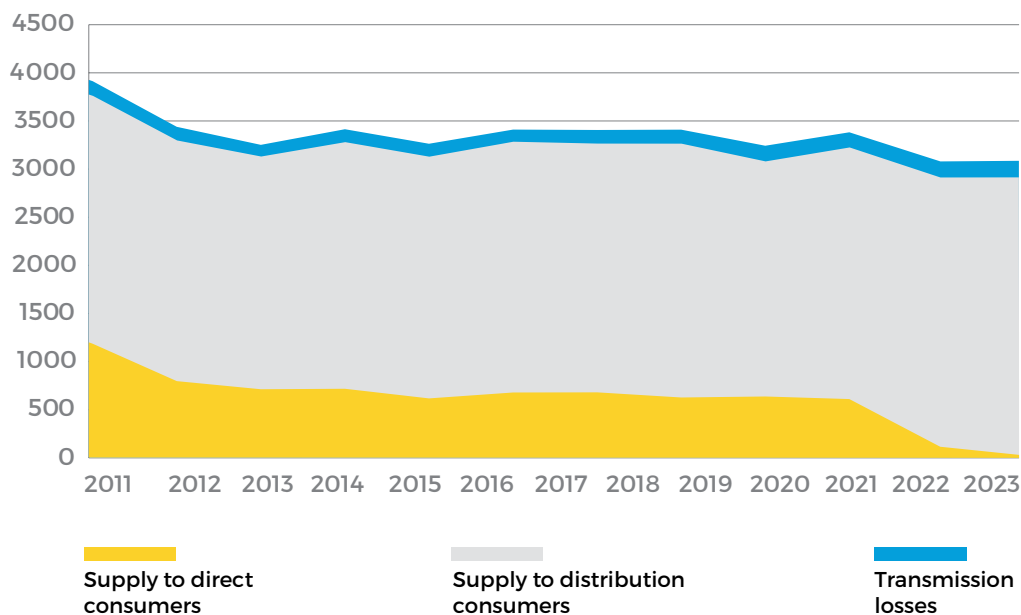
A significant drop in the supply of electricity to direct consumers continued during 2023 due to the reduction in consumption of Kombinat Aluminijuma Podgorica.

## Share by type of consumption in 2023



From the diagram it can be concluded that almost all electricity consumption in Montenegro refers to customers at the distribution level.

## Total electricity consumption in the period 2011-2023 (GWh)



The maximum load of the Montenegrin transmission network was recorded on 24 August 2023 and it amounted to 11,299 MWh, with import of 14,052.500 MWh and transit of 12,171.746 MWh. The maximum consumption value of 568 MW at 15h was also realised on that day.

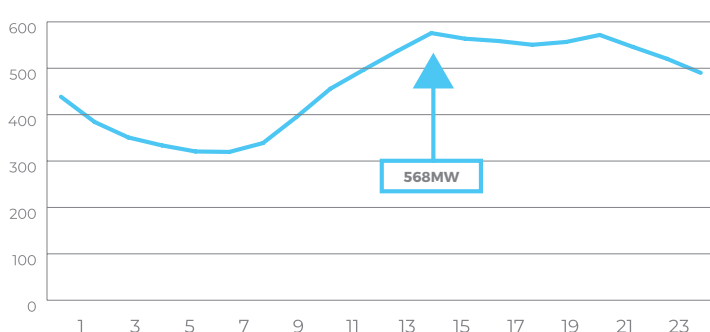
Below is an overview of the maximum/minimum system load as well as the achieved maximum and minimum consumption on a daily basis in 2023.

In 2023, peak consumption in Montenegro was 568 MW, compared to 545 MW in 2022.

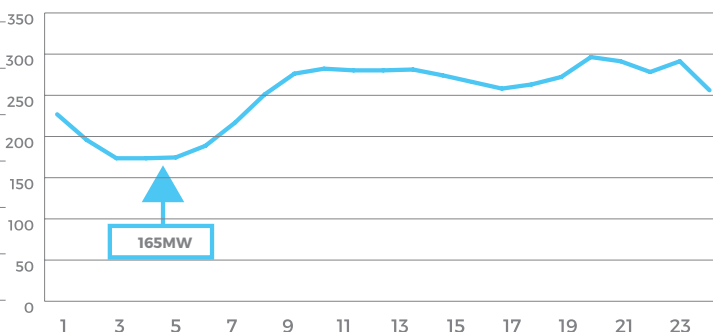
Maximum power			Maximum daily consumption	
MW	Hour	Day	MWh	Day
568	15	24.08.2023.	11299	24.08.2023.
Minimum power			Minimum daily consumption	
MW	Hour	Day	MWh	Day
165	5	08.05.2023	5738	22.05.2023.

The minimum consumption of 165 MW was recorded on 8 May 2023 at 5h.

Maximum load - 24.08.2023

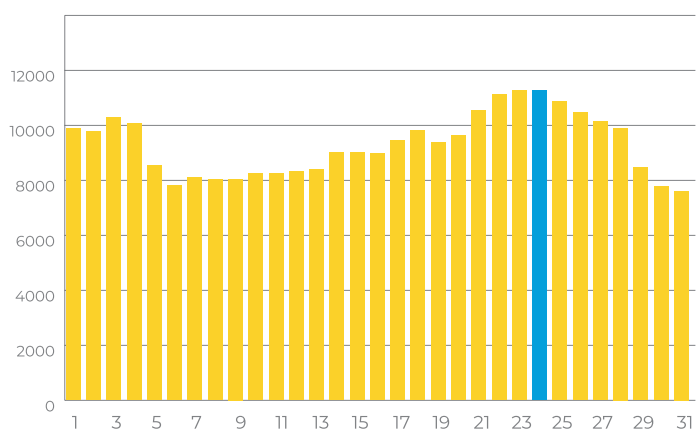


Minimum load - 08.05.2023

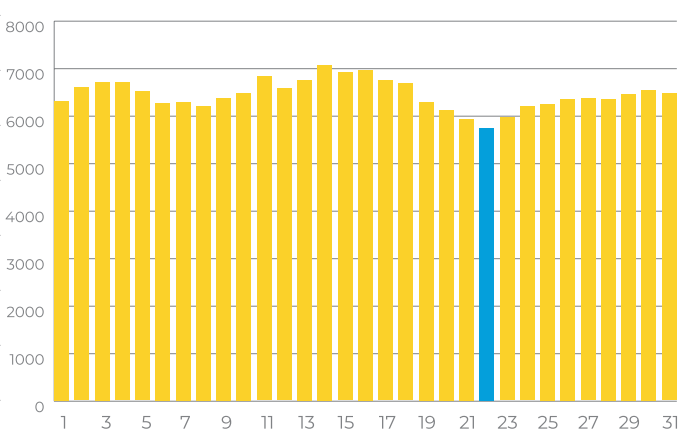


The highest daily consumption was realised on 24 August, while the lowest on 22 May 2023.

Daily consumption 24.08.2023



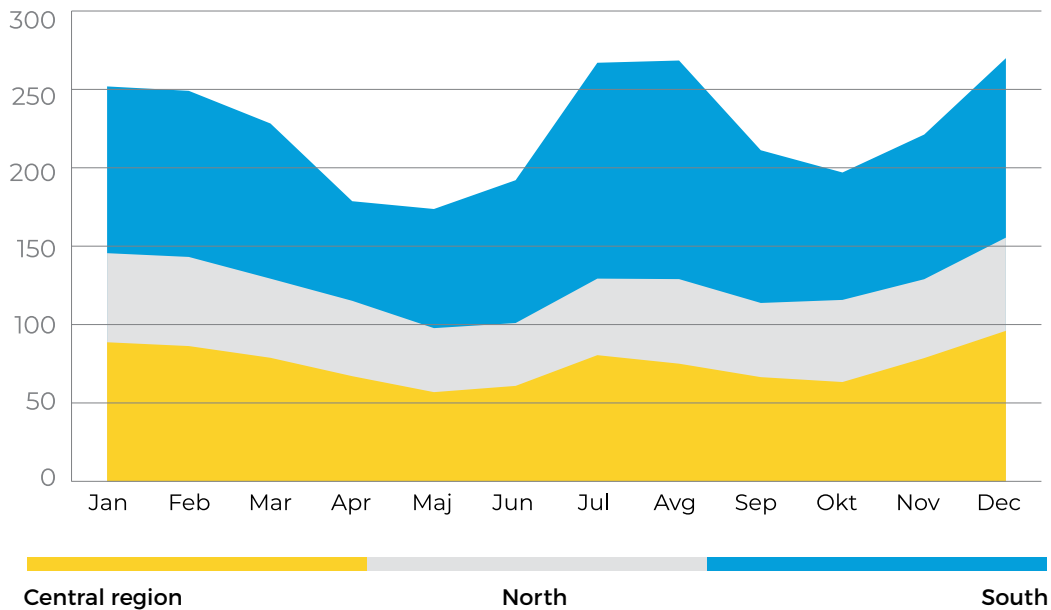
Daily consumption 22.05.2023



## Electricity delivered to the distribution network

In 2023, we recorded the usual maximum consumption on the coast with a characteristic “peak” in this period of the year. The trend of energy delivered to the distribution network is presented in the following diagram:

### Energy delivered to the distribution network in 2023 [GWh]



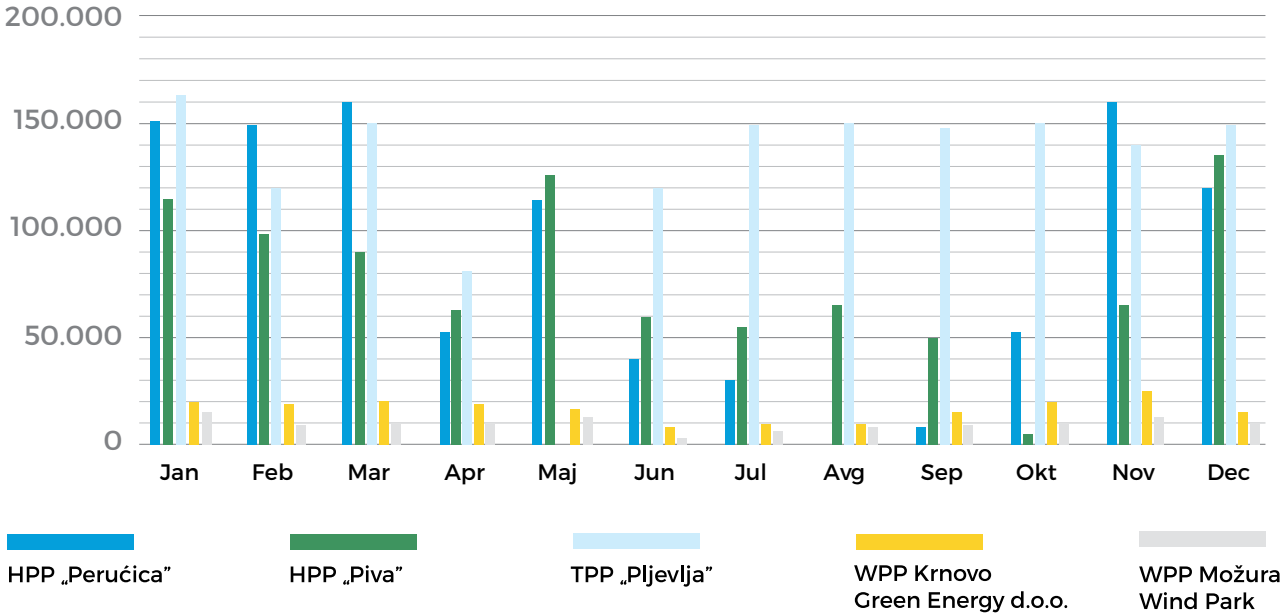
## Electricity generation

In 2023, 3,804.456 GWh of electricity was injected into the transmission system from generation facilities, of which 1,971.512 GWh was generated by hydropower plants, 1,522.983 GWh by thermal power plants and 309.962 GWh by wind power plants.

Electricity generation (GWh)			
POWER PLANTS	2022	2023	Razlika
HPP Perućica	715.67	1,038.96	45%
HPP Piva	558.77	932.55	67%
TPP „Pljevlja“	1,454.14	1,522.98	5%
WPP Krnovo Green Energy d.o.o.	190.77	187.40	-2%
VE Možura Wind Park	131.89	122.56	-7%
Total:	3,051.23	3,804.46	25%

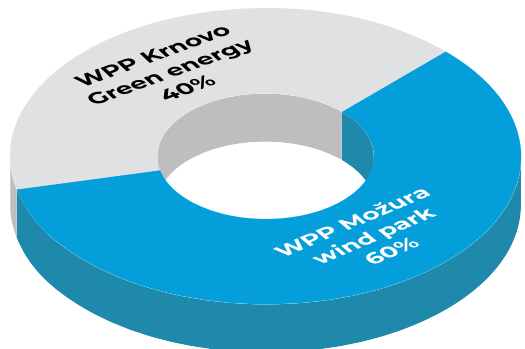
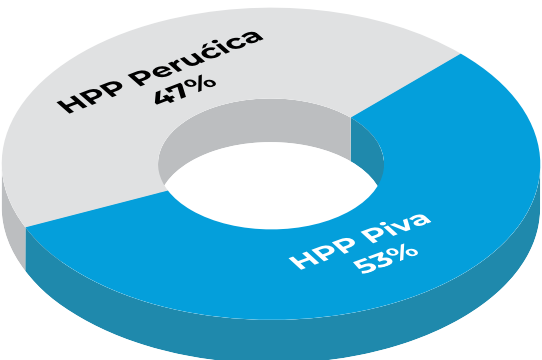
Electricity generation by generation facilities connected to the transmission system of Montenegro by months in 2023 is shown in the following diagram:

# Electricity generation by power plants in 2023

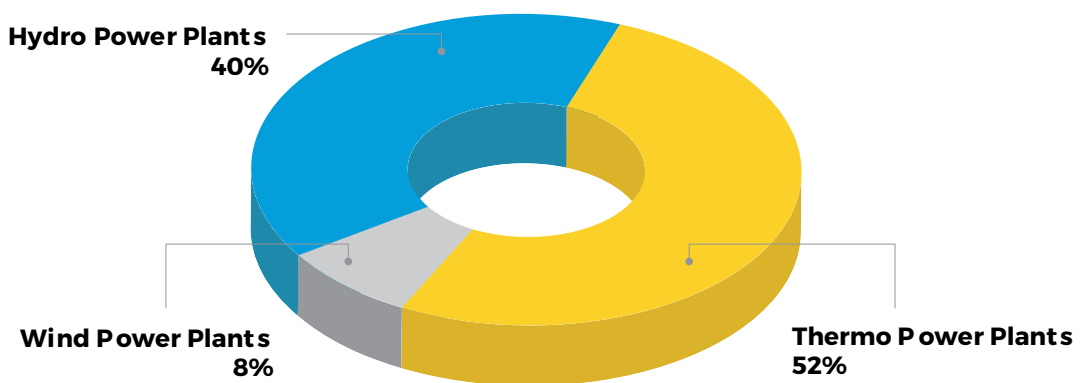


Hydro power plants

Wind power plants

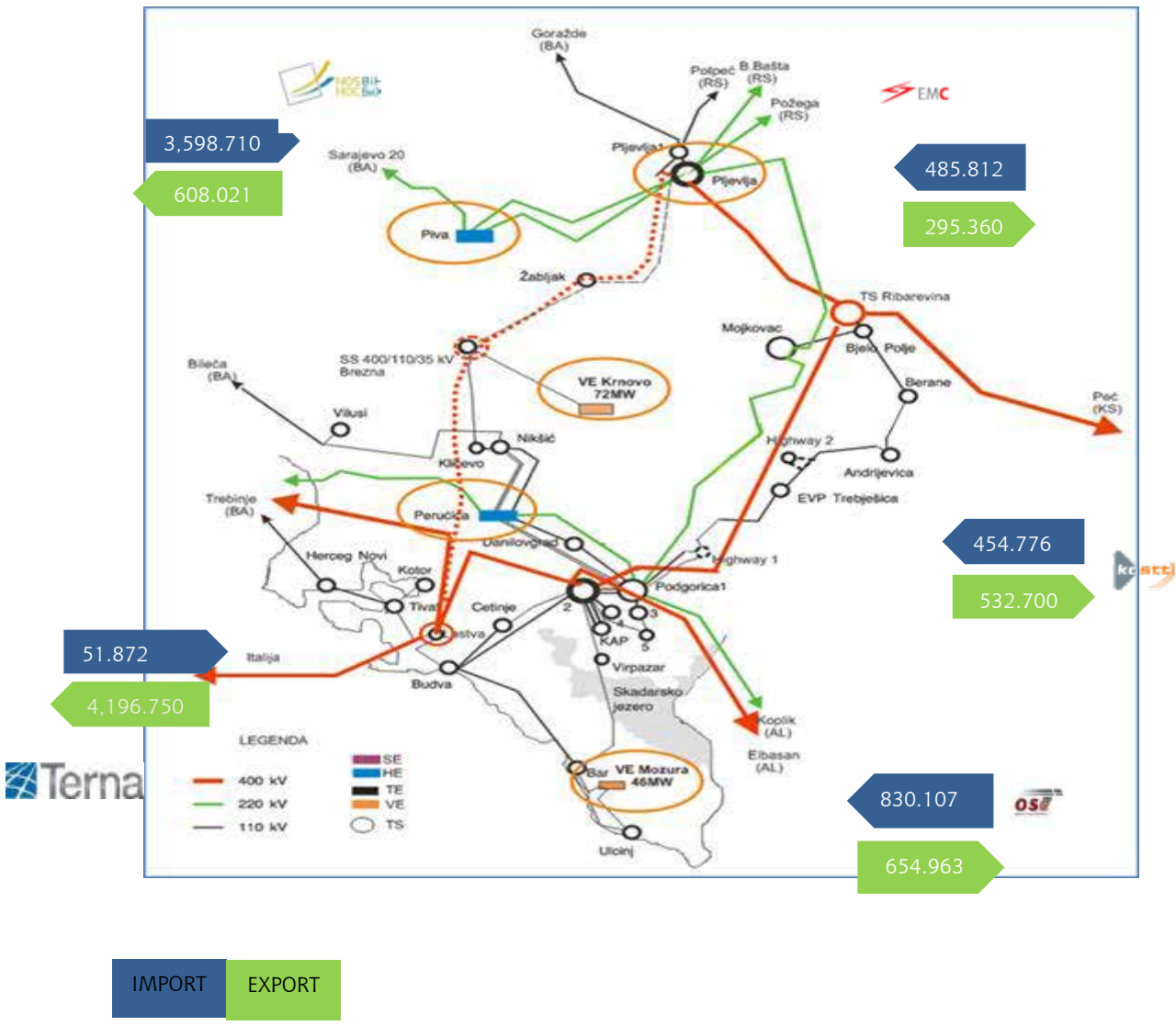


Share by generation type



### Electricity exchange by borders

Below is a diagram of the Montenegrin electric power system with the exchange of electricity by borders (GWh) in 2023.



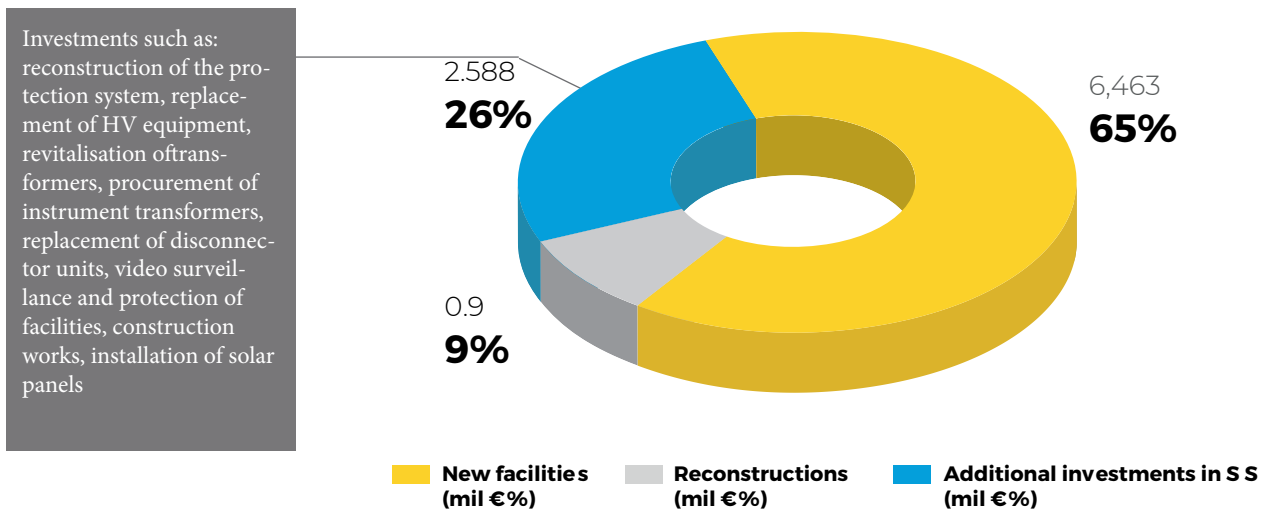
IMPORT EXPORT



# Investments

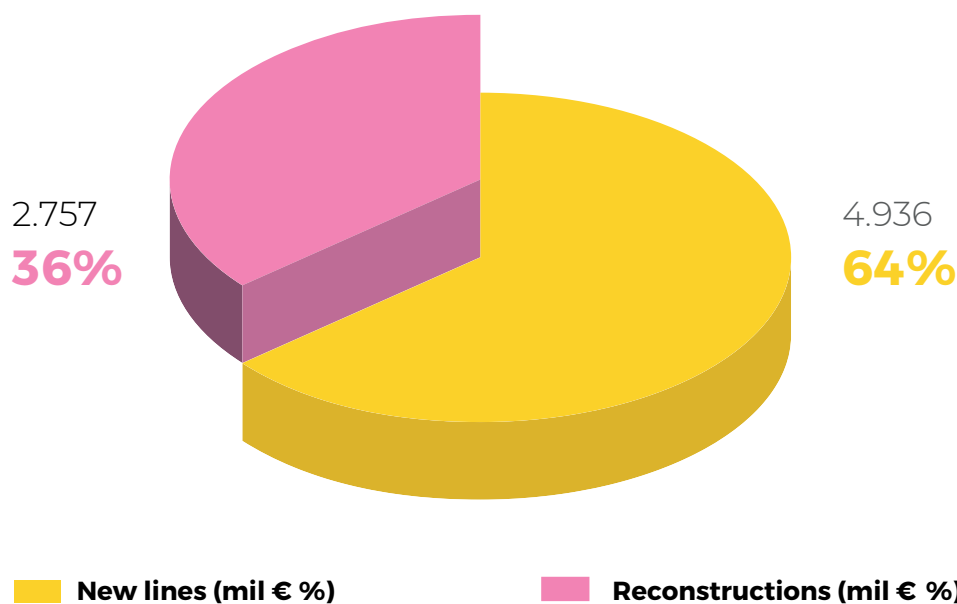
The 2023 Investment Plan provided for activities on 61 projects and programmes (including the project of purchase of the infrastructure required power supply of the highway) amounting to 42.432 million euros. Observing by individual investments, the largest budget was planned for the purchase of infrastructure for the needs of highway power supply in the amount of 19.962 million euros, while 12 projects and programmes had a budget for 2023 greater than or equal to 500 thousand euros. For the needs of occupational safety, the budget for 2023 also provided for 600 thousand euros for unforeseen investments. The share of investments in the budget for 2023 by special categories/related groups of investments is given in the following graphs:

## Substations - investments in 2023.



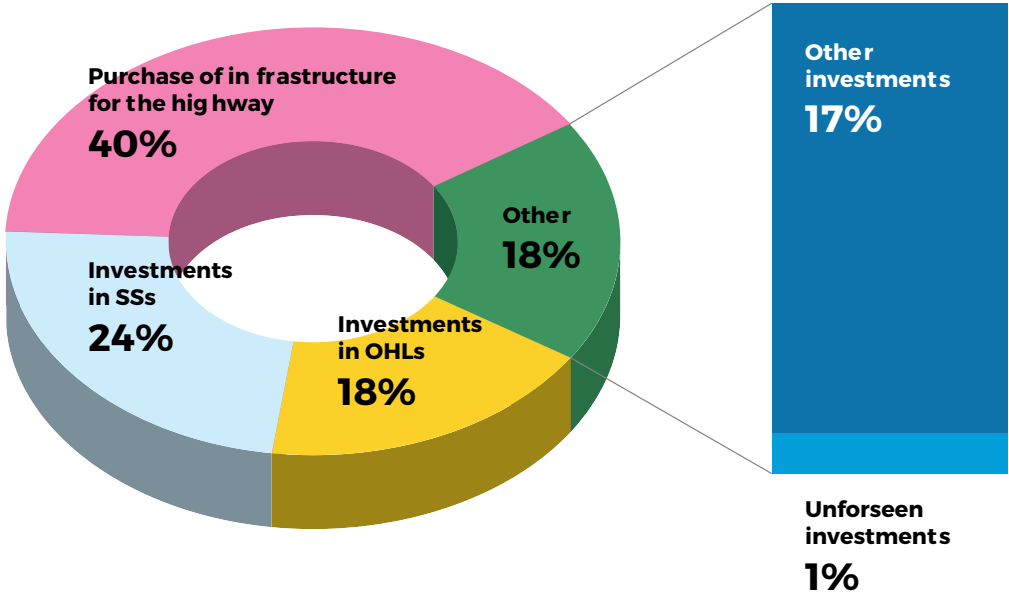
Investment in facilities of the type substations (new facilities vs reconstructions)

## Lines - Investments



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

# Budget for 2023 (MIL EUR)



Budget breakdown for 2023 by investment category

As a logical continuation of investments in previous years, in 2023, 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.

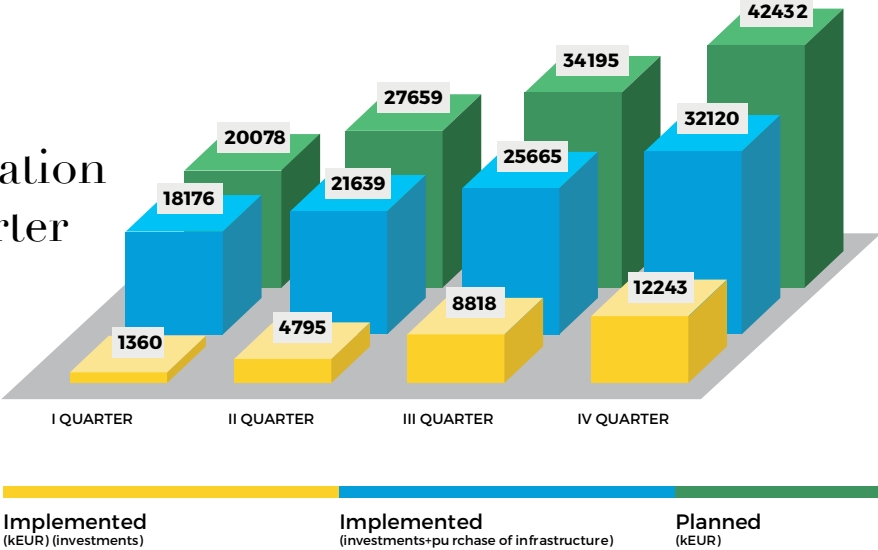
Construction of SS 400/110/35 kV Brezna and OHL 400 kV Pljevlja 2 - Bajina Bašta - Višegrad within the Trans-Balkan Corridor group that also included the reconstruction of the protection system in the transmission network and replacement of HV equipment in CGES substations.

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 2023 plan by quarters is shown in the below diagram:

## Plan/Implementation for 2023. by quarter



During 2023, 69% of the planned investments were completed (29.136 million euros were spent out of the planned 42.432 million euros). In December 2023, the multi-year demarcation procedure between CGES and EPCG was completed, which was a statutory obligation between the transmission system operator and the electricity producer, therefore, CGES took over the facilities and equipment at HPP Piva and Perućica. Namely, these facilities and equipment include a 220 kV plant in HPP Piva and 110 and 220 kV plants, a 125 MVA autotransformer and a protection and metering system in HPP Perućica. After the identification and assessment of plants and equipment that are part of the electricity transmission system, which until now were owned by the electricity producer (EPCG), the handover of them started, which caused an additional expenditure of approximately 3 million euros for CGES in 2023. Taking into account the above, the financial performance of investments along with the purchase of the infrastructure for the permanent power supply of the highway and funds for taking over the plants of HPP Piva and HPP Perućica amounts to 76% (32.149 million euros were spent).

In 2023, 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 for new interconnections.

In accordance with the above, activities continued on the completion 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 dynamics of the construction of the overhead line Lastva - Pljevlja during 2023 was very intense, so that the works in Komini and Javorak were fully completed, which brought the percentage of implementation of the project to 95%. In order to complete the remaining works on the project, it is necessary to complete the construction of 10 km of the double-circuit line 400 kV Lastva - Pljevlja and 110 kV Žabljak - Pljevlja on the route of the existing 110(35) kV Pljevlja - Žabljak, which needs to be dismantled, on the section Njegovuđa - Kosanica, that is, the section that passes through the Durmitor NP. The solution in question is foreseen in the spatial planning document "Detailed Spatial Plan for 400 kV overhead line corridor with optical cable from the Montenegrin coast to Pljevlja and 500 kV submarine cable with optical cable Italy - Montenegro". The section in question is extremely demanding for construction because it is characterised by a high altitude and a short construction season, a

characteristic topology of the terrain due to a large change in altitude within the canyon of the river Tara, demanding terrain from the aspect of geotechnical conditions and specific impacts on nature and the population in the area under the protection of UNESCO. Because of all this, as well as the problem of resolving property-legal relations, for the mentioned works it is necessary to disconnect the lines of the old overhead line 110(35) kV Pljevlja 1 - Žabljak for several months. In order for the power supply of the Municipality of Žabljak not to be called into question, consent was obtained for the temporary operation of OHL 110(35) kV Brezna - Žabljak, which ensured an adequate alternative power supply for the consumers of the Municipality of Žabljak from the direction of SS Brezna. This solution simultaneously made it possible to carry out work on the dismantling of the old line 110(35) kV Pljevlja - Žabljak, as well as the construction of a new line 400+ 110 kV on the stretch Njegovuđa - Kosanica.

In addition, since 18 January 2023, the complex, combined line 110 kV Lastva - Brezna, which consists of an underground and overhead part, with a length of just over 100 km, is in temporary operation. The significance of the temporary connection of SS 400/110/35 kV Lastva and SS 110/35 kV Brezna is very great (achieved increase in security and stability of the system and reduction of losses). Analyses have shown, and what has been further confirmed in practice, that the energy generated in WPP Krnovo and part of the energy from HPP Perućica



is evacuated via this new connection to SS Lastva and further to the 400 kV network. This significantly reduced transmission network losses because the route between Nikšić (Perućica) and Podgorica was unloaded. Not least, the new 110 kV ring has significantly increased the security of supply to consumers, and WPP Krnovo itself has also received a second direction for energy evacuation in the event of a fault on the line from Brezna to Kličevo (Nikšić).



During 2023, the construction of SS 110/35 kV Žabljak, which was done in GIS technology, with two 20 MVA transformers, was completed, which is the fourth substation done in the mentioned technology in the transmission network of Montenegro. Its implementation creates the conditions for the further dynamic development of this area as a winter tourist centre through the fact that the transformation capacity is increased, that Žabljak receives power at the 110 kV voltage level, but also that through the construction of the rest of the network, the conditions for a secure and reliable power supply are created by ensuring the N-1 security principle at this node (after the completion of the construction of OHL 400 kV Čevo - Pljevlja, it is planned to supply SS Žabljak at the 110 kV voltage level from SS Brezna and SS Pljevlja 1). SS Žabljak was energised according to the planned procedure on 28 December 2023. A temporary operation permit was obtained from the electric power inspection. The mentioned SS is now connected to the rest of the system via OHL 110 kV Lastva - Brezna - Žabljak. The benefits of the implementation of this project are also reflected in the improvement of voltage-reactive conditions, reduction of losses, increase of system reliability, and reduction of the level of energy not supplied.

During 2023, works were carried out 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 from the control panel. The implementation of the project will reduce maintenance costs, and the connection of OHL 110 kV Žabljak will increase the security of power supply to distribution consumers of the municipalities of Pljevlja and Žabljak. In SS 110/35 kV Pljevlja 1, on 28 December 2023, both 110 kV transformer bays were energised. At the end of January 2024, the OHL bay 110 kV Potpeć was commissioned. In order to complete the entire reconstruction, it is necessary to install a 110 kV coupling bay and a 110 kV bay in Pljevlja 2.

In addition, in 2023, activities were carried out on the implementation of the tender procedure for the selection of contractors for the group of investments Luštica and associated projects, the implementation of which will increase the capacity to connect new consumers and tourist complexes of the associated consumption, while increasing the security and reliability of electricity supply to consumers in the entire region. Moreover, bidirectional power supply of SS Kotor will be implemented, that is, the N-1 security principle will be provided at the mentioned hub. Of particular importance is the start of the implementation of the project Installation of a 250 MVAR variable shunt reactor in SS Lastva, through the implementation of which CGES will make an adequate contribution to solving the regional

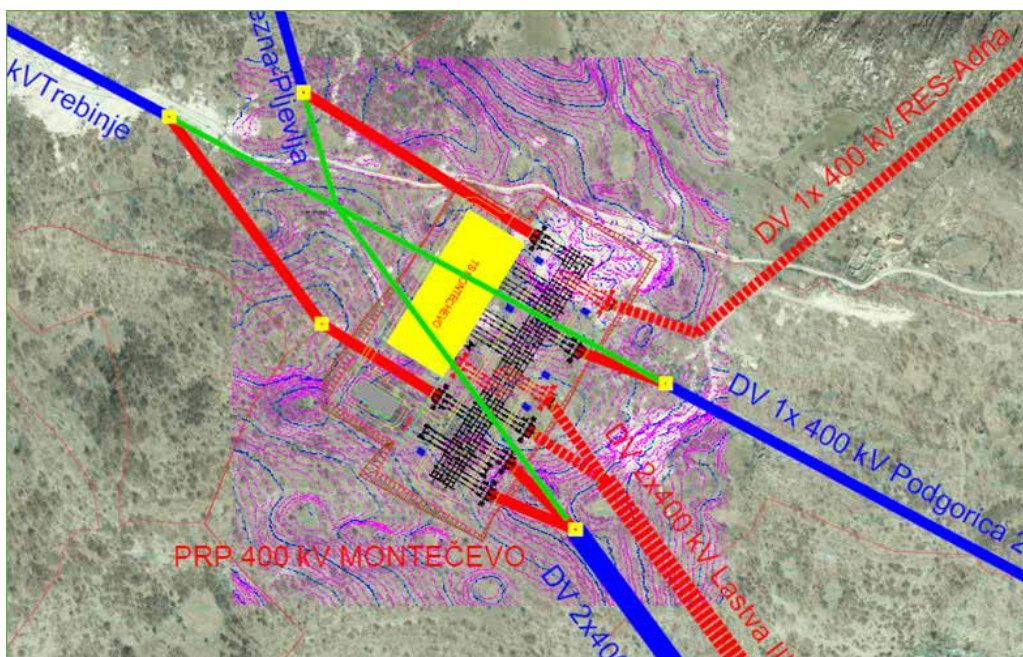


problem of high voltages in the Western Balkans region. In 2023, all the conditions have been created for the replacement of the existing conductor on OHL 110 kV Perućica - Danilovgrad - Podgorica 1 with a special HTLS conductor, which will be the first time that this type of conductor is used in the Montenegrin transmission network. Namely, it is a high temperature low sag (HTLS) conductor whose dimensions correspond to the existing conductor Al/Fe 150/25 mm<sup>2</sup>. In this way, the transmission capacity is increased 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 will not be greater than the forces caused by the existing conductor. 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.

Ultimately, the implementation of the OHL from Lastva to Pljevlja, as well as other infrastructure projects from the CGES Investment Plan, opens up a new perspective towards a green transition, the connection of renewable sources and the reduction of CO<sub>2</sub> emissions. 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 other inter-

connections, and in this sense, a connection with transmission system operators in BiH and Albania has already been agreed. The construction of 400 kV OHL Brezna - Pivska planina - Bosnia and Herzegovina and the establishment of the connection between HPP Piva - the new SS Pivska planina and the construction of the 110 kV connection Ulcinj - Velika Plaža - Velipoje with SS 110/35 kV Velika Plaža are planned, on which Memorandums of Understanding with NOS BiH, EP BiH and OST respectively were signed. During 2023, a WBIF grant was received for technical support for the implementation of the abovementioned interconnection with Bosnia and Herzegovina in the value of approx. 2 million euros.

It is of great importance to note that 2023 was marked by the expansion of applications for connecting RES power plants to the transmission network (these are mainly solar power plants). The amendments to the legislation in the previous period (the Energy Law, more specifically the Law on Spatial Planning and Construction of Buildings and accompanying by-laws) allowed for a simplified procedure for connecting renewable energy sources to the transmission system. The simplified procedure with the high price of energy on the market generated great interest of various investors. The simplified procedure along with the high price of energy on the market generated great interest from various investors. During 2023, 4 contracts were signed for a total installed capacity of approximately 1.2 GW. Bearing in mind the geographical position of the planned power plants, and the fact that their concentration is high in the area of Cetinje, the construction of a 400 kV switchgear in Čevo was seen as a technical solution for connection needs.



Position of SG Čevo

## Further development

In accordance with its business plan, Crnogorski elektroprenosni sistem will invest approx. 198 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. In the previous period, 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 the analyses of connection possibilities 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 direction east-west and north-south, 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 EPS reliability assessment.

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

.....  
elimination of observed insecurities in the past period,  
.....

contribution to the security of the national system,  
.....

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 benefit,  
.....

connecting the European electricity market,  
.....

strategic directions of improvement and development in order to protect the environment.  
.....

# Information and communication technologies

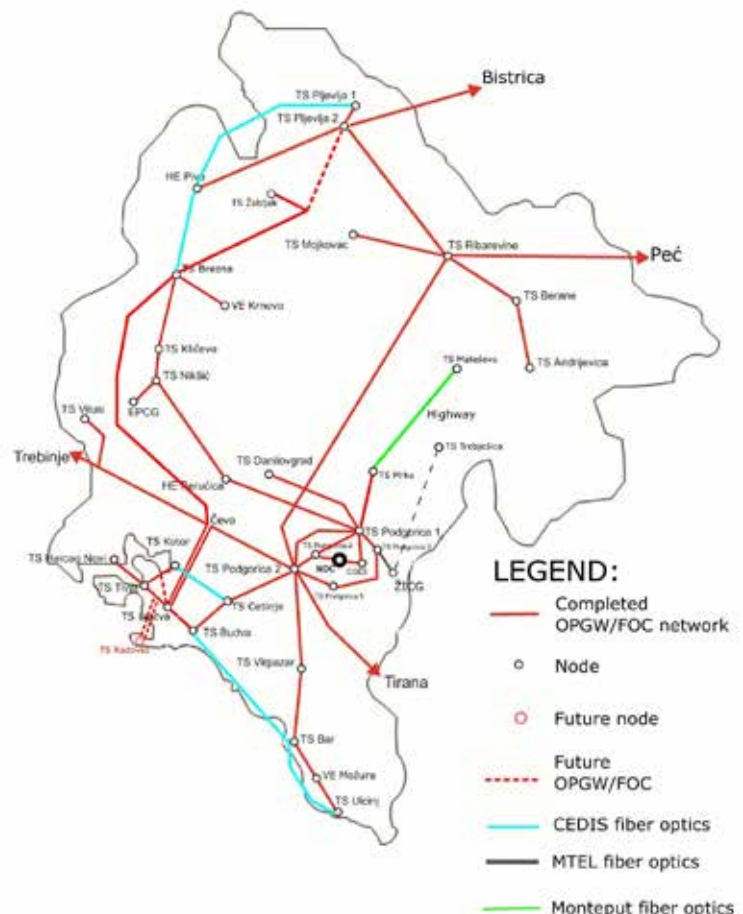
## Optical telecommunication infrastructure – foundation of a modern network

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.

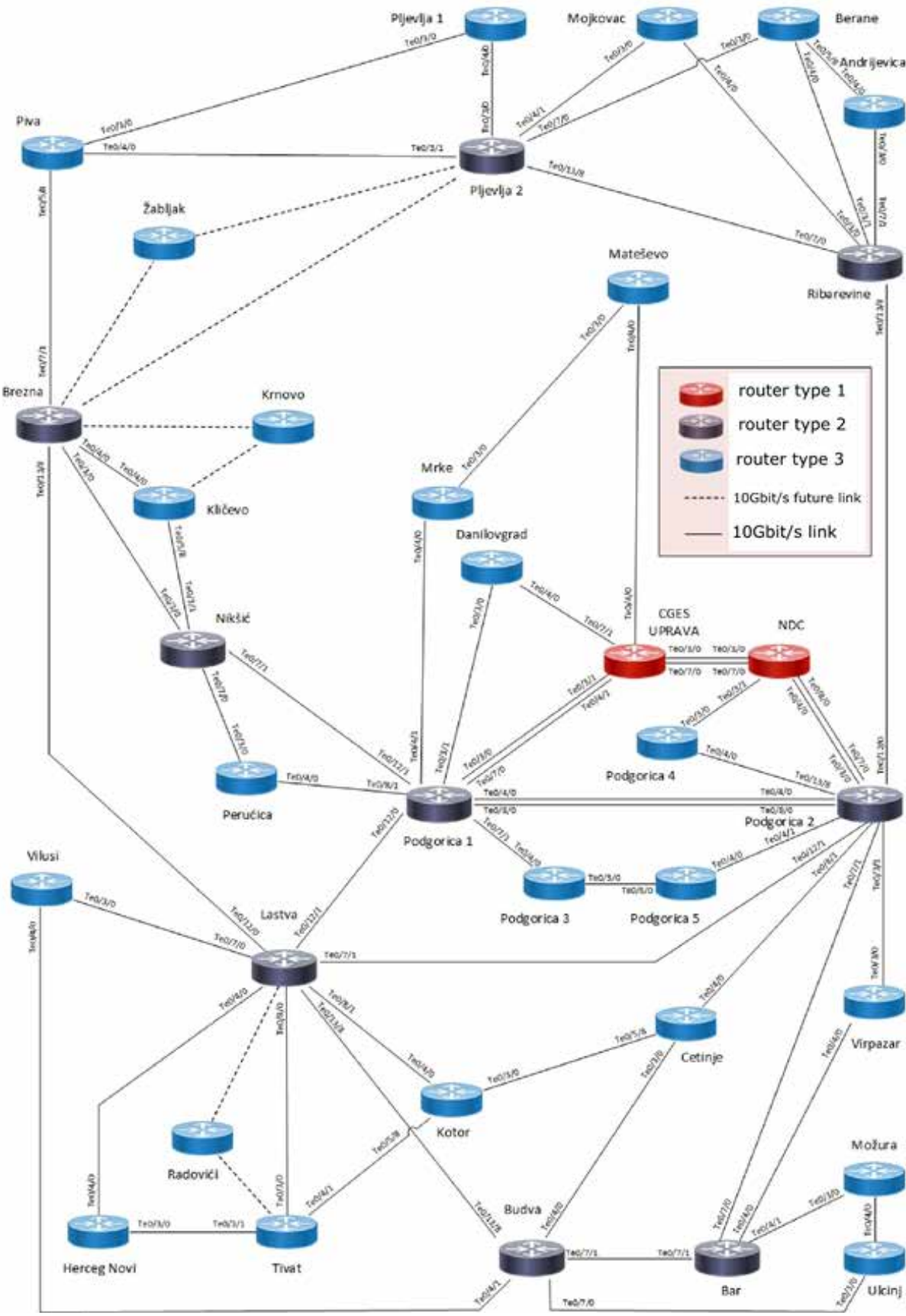
The telecommunication network connects all CGES facilities and serves for the transmission of the control, measurement, and monitoring data and exchange of voice and digital data.

During 2022, several investment projects were started with the aim of modernizing the telecommunications system. Namely, the IP phone system project for operational and business users was started. Also, the project of a new TC transmission system based on IP/MPLS technology was started. These projects were completed in 2023.

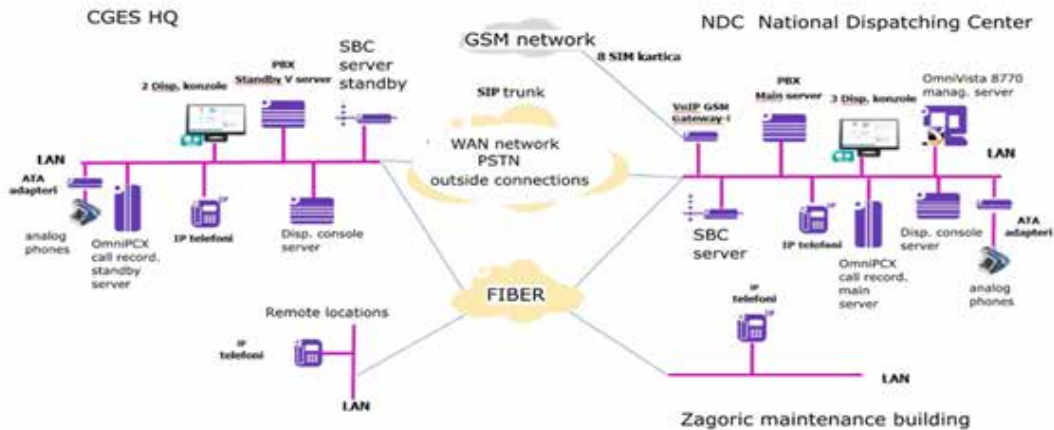
Now the telecommunications system of CGES consists of a passive optical cable network mainly implemented with OPGW (Optical Ground Wire) technology, a transmission system based on IP/MPLS technology, SDH and PDH multiplexers, IP/Ethernet equipment, as well as IP telephony for business and operational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



CGES optical network



PTransmission 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 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 1000 km of optics.

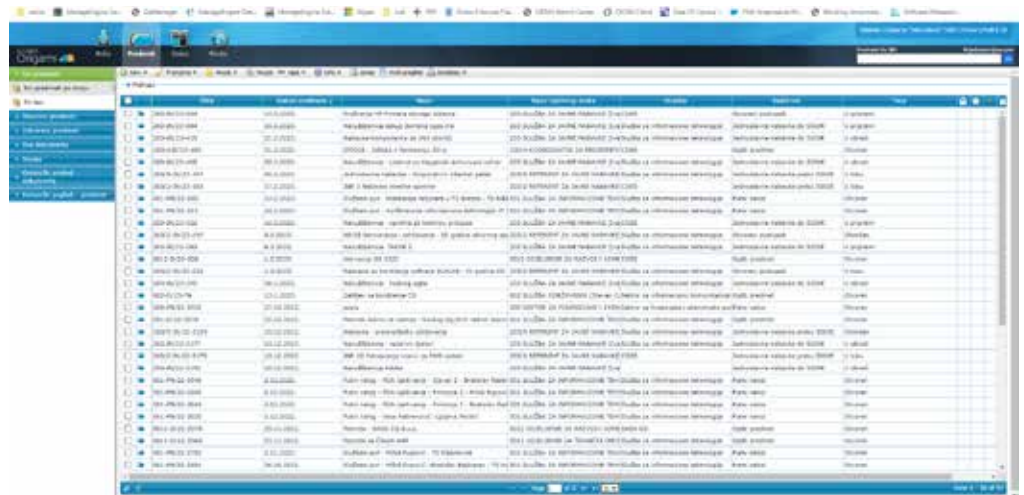
In 2023, good cooperation with the Radio Broadcasting Centre continued. During 2021, an agreement was signed with this state operator on the provision of radio-redundancy services. This ensures that all CGES facilities have communication redundancy (optical or radio) in order to improve the availability of system control.

Within the initiative Balkan Digital Highway launched by the World Bank, in which, besides CGES, three more electricity transmission companies from the region (KOSTT, OST and MEPSO) participate, work on the development of a feasibility study on the available optical infrastructure sharing continued. This study considers the advantages of a joint commercial approach of regional transmission system operators in the telecommunications market and proposes a preliminary design of the future network, taking into account the results of the market analysis for each TSO separately.

## Modern information systems

During 2023, several projects in the field of information technologies were implemented, achieving the primary goal, which is the continuous development of existing information systems. In addition, employees underwent a series of important trainings, which will improve the operation of information systems.

At the beginning of the year, a modern IT passive infrastructure was implemented, on which the new IP telephony relied. Therefore, at the location of the head office, all network equipment was moved from the offices to the new floor-level Rittal rack cabinets.



Also, new Rittal cabinets with air conditioning and a fire protection system were installed at the locations of the data centres in the NDC and the head office, where all corporate network and server equipment is stored.

The expansion of the HPE Primera storage system was also carried out, an offline backup system was delivered, the proxy was adjusted at the head office location and the like.

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

The DMS is in the constant process of upgrading the new functionalities of the implemented business processes, as well as the implementation of new business processes.

As a critical infrastructure operator, CGES is obliged to protect its critical infrastructure. In the

era of digitalisation, a very important aspect is the information security of the IT system, which implies the preservation of confidentiality, integrity, availability and protection of data, including cyber security. Along with the implementation of many systems for the protection of IT systems, it is necessary to carry out constant education of all employees about the importance of data and system protection and the responsibility of all employees in that process. During the past year, IT employees were trained for ISO standard 27001:2022.

According to the request of ENTSO-E, an external audit of the established ISMS was carried out in accordance with the requirements of the security

plan of OPDE-ATOM MVS. The result of the audit was positive (grade 10), which further motivated us to continue to improve the ISMS system and raise employee awareness of the importance of information security, all in order to create the necessary prerequisites for certification for the ISO 27001 standard.

Information security requires constant identification and classification of risks in order to determine critical vulnerable points in the information architecture in CGES. To this end, a mandatory annual risk assessment and analysis was carried out and a treatment plan for identified risks was defined for 2023.



# Normative and regulatory framework

In order to continuously improve the normative and regulatory framework, in 2023, CGES intensified activities arising from the obligations 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. In this regard, and in accordance with the Law on Cross-Border Exchange of Electricity and Natural Gas, during 2023, CGES prepared and submitted drafts of the mentioned codes to the line ministry and the Energy and Water Regulatory Agency (hereinafter: the Agency) for further action.

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-normative 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 set 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 set 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 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 setting 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 1 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.

Finally, in accordance with the legal competences, the Agency continued to supervise the operations of CGES in 2023 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

P&L			
€ mln	2023	2022	2023 vs. 2022
Transmission revenues	9.1	20.7	(11.5)
Transmission losses	20.0	9.0	11.0
Congestion revenues	55.9	40.9	15.0
Ancillary system balancing revenues	21.2	48.7	(27.5)
Other revenues	4.8	1.3	3.5
<b>Total Revenues</b>	<b>111.1</b>	<b>120.5</b>	<b>(9.4)</b>
Personnel	6.9	6.6	0.3
Material	0.1	0.2	(0.0)
Third party	3.5	2.6	0.9
Ancillary system balancing costs	21.7	50.7	(28.9)
Other	5.0	5.9	(0.9)
Transmission losses	20.6	19.3	1.3
<b>Opex total</b>	<b>57.9</b>	<b>85.1</b>	<b>(27.2)</b>
<b>EBITDA</b>	<b>53.2</b>	<b>35.4</b>	<b>17.8</b>
<b>Margin</b>	<b>48%</b>	<b>29%</b>	<b>19%</b>
<b>EBITDA Adjusted</b>	<b>54.3</b>	<b>47.6</b>	<b>6.6</b>
D&A	10.2	9.8	0.4
<b>EBIT</b>	<b>43.0</b>	<b>25.6</b>	<b>17.4</b>
<b>Margin</b>	<b>39%</b>	<b>21%</b>	<b>18%</b>
<b>Net Financial expenses</b>	<b>0.9</b>	<b>0.5</b>	<b>0.4</b>
Financial revenues	0.5	0.3	0.2
Financial expenses EBRD Lastva-Pljevlja	0.6	0.3	0.3
Financial expenses KfW Lastva-Pljevlja	0.1	0.1	0.0
Financial expenses KfW Luštica	0.1	0.0	0.0
Financial expenses highway Bar- Boljare	0.4	-	0.4
Financial expenses Revolving facility	-	0.3	(0.3)
Financial expenses other debt	0.2	0.1	0.1
<b>EBT</b>	<b>42.1</b>	<b>25.0</b>	<b>17.0</b>
Taxes	6.4	4.8	1.6
<b>NET INCOME</b>	<b>35.7</b>	<b>20.3</b>	<b>15.4</b>

The 2023 financial statements show a net income of €35.7 million. .

**Revenues** amount to €111.1 million and they mainly refer to revenues from cross-border capacity allocation (€55.9 million), revenues from balancing services and system services (€21.2 million), revenues from fees for transmission losses (€20.0 million), transmission network use (€9.1 million and other revenues (€4.8 million).

**Operating** costs were realised in the amount of €57.9 million and mainly refer to costs of balancing services and system services (€21.7 million), transmission losses (€20.6 million), personnel costs (€6.9 mln) and other costs including costs of material and third party costs (€8.6 million).

**EBITDA** (earnings before interest, taxes, depreciation, and amortization) amounts to €53.2 million with a margin of 48%.

**Revenues from transmission network use:**

Revenues from distribution: amount to €6.2 million and are lower vs 2022 (-€6.0 million);

Revenues from producers: amount to €3.0 million and are lower vs 2022 (-€5.5 million) due to higher active energy.

Fee for transmission network losses: higher vs 2022 (€+11.0 million) due to higher revenues from fees to cover losses and the greater part of the G component, which is calculated based on realised active energy.

Congestion revenues: significantly higher vs 2022 (+€15.0 million), due to higher revenues on almost all interconnections, namely Italy (+€9.8 million), Albania (+€3.1 million), Bosnia and Herzegovina (+€1.1 million), Serbia (+€1.0 million) and Kosovo (+€0.1 million). Higher revenues are a consequence of the disruption of electricity prices on markets, and thus an increase in the marginal prices that traders pay for congestion for access to cross-border capacities.

Revenues from balancing and system services: significantly lower vs the previous year (-€27.5 million), mainly due to lower prices on electricity exchanges.

Operating costs: lower vs the previous year, -€27.2 million (-32.0%), mainly due to differences in the following items:

ancillary, system and balancing services (-€28.9 million);

transmission network losses (+€1.3 million);

personnel costs (+€0.3 million);

costs of material, third party services and other (+€0.1 million);

Depreciation: in line with the previous year.

Net financial costs: higher vs the end of 2022 (+€0.4 million).

Income tax: was calculated according to the progressive rate in accordance with the Law on Corporate Income Tax. The realisation is higher compared to the previous year (+€1.6 million) as a result of a significantly higher tax base.

Net income: the realised net income of the company amounted to €35.7 million and is higher vs the previous year (+€15.4 million) as a result of a significant increase in revenues from cross-border capacity allocation.

## Balance sheet

Balance sheet			
€ mil	2023 Actual	EoY 2022	2023 vs. EoY 2022
Assets	272.1	252.5	19.6
Working Capital	(26.4)	(21.4)	(5.0)
Funds	7.3	6.9	0.3
<b>Net Invested Capital</b>	<b>238.4</b>	<b>224.1</b>	<b>14.3</b>
	-	-	-
Shareholders Equity	245.1	217.6	27.5
Paid in capital	155.1	155.1	-
Capital injection	-	-	-
Reserve	-	-	-
Carried forward results	90.0	62.5	27.5
Net income from previous period	62.5	42.2	20.3
Current net income	35.7	20.3	15.4
Dividends	(8.2)	-	(8.2)
Purchased own shares	-	-	-
Net Debt	(6.8)	6.5	(13.3)
Cash	59.2	38.5	20.7
Long term debt	52.4	45.0	7.4
EBRD Lastva-Pljevlja	29.3	34.9	(5.6)
KfW Lastva-Pljevlja	3.9	5.1	(1.2)
KfW (Luštica)	(0.0)	0.4	(0.4)
Revolving facility	-	-	-
Other debt	3.3	4.6	(1.3)
Infrastructure purchase	15.9	-	15.9
Short term debt	-	-	-
Dividends	-	-	-
<b>Total liabilities</b>	<b>238.4</b>	<b>224.1</b>	<b>14.3</b>

## Net financial debt

Compared to the end of 2022, the actual in 2023 was lower by €13.3 million due to the repayment of EBRD and KfW loans (-€8.6 million), as well as repayments based on old loans (-€2.2 million), partially compensated by the new NLB bank loan in the amount of €16.6 million, while the level of total cash is higher (+€20.7 million) compared to 2022 due to cash generation from operational activities.

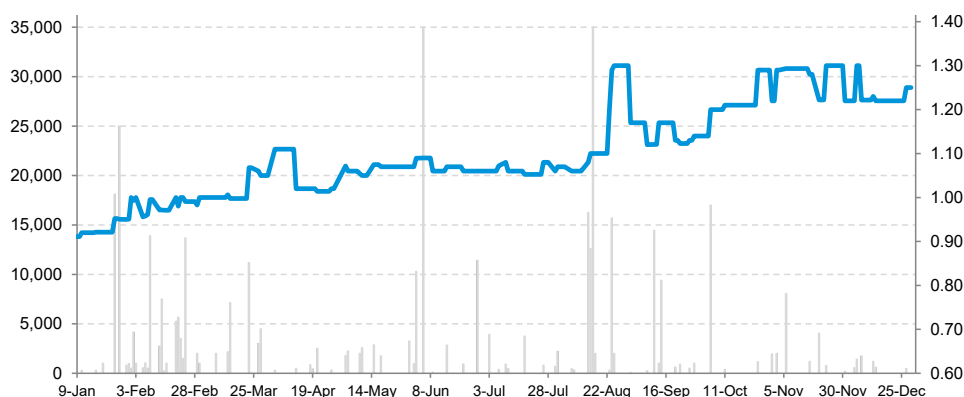
## Cash flow

Cash flow		
€ mln	2023	2022
Initial balance	38.5	25.5
EBIT	43.0	25.6
Taxes	(6.4)	(4.8)
Depreciation	10.2	9.8
Delta WC	5.0	(4.7)
Delta funds	0.3	2.7
Delta capex	(29.8)	(12.8)
<b>Total Operational</b>	<b>22.4</b>	<b>15.8</b>
Financial expenses	(0.9)	(0.5)
Variation of EBRD loan	(5.6)	0.8
Variation of KfW loan	(1.2)	(2.4)
Variation of KfW loan-Luštica	(0.4)	0.2
Infrastructure purchase	15.9	-
Revolving facility variation	-	-
Current Debt increase/amortization	(1.3)	(1.4)
<b>Total Financial</b>	<b>6.5</b>	<b>(3.3)</b>
Capital injection/reduction	-	(0.1)
Dividends	(8.2)	-
Purchased own shares	-	0.6
<b>Remittances/injection</b>	<b>(8.2)</b>	<b>0.5</b>
<b>Total</b>	<b>20.7</b>	<b>12.9</b>
<b>Final Balance</b>	<b>59.2</b>	<b>38.5</b>

## Stock exchange membership and CGES shares

As of 7 May 2012, CGES shares are quoted on the A list 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.

The curve below shows the trend of the company shares, which indicates an increase in the price from €0.91 to €1.25 per share at the end of 2023.



Trend kretanja akcija CGES-a

# 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.

During 2023, 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 the European transmission system operators - ENTSO-E (European Network of Transmission System Operators for Electricity), 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 TSOs 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 2023, CGES representatives participated in the work of the ENTSO-E Assembly, System Development Committee, Working Group Asset Implementation and Management, South East Cooperation Initiative for Transmission System Planning, System Operations Committee (SOC)

and Regional Group Continental Europe (RG CE), Working Group Network Models and Forecast Tools, System Protection & Dynamics (SPD), Sub-Group Coordinated System Operation (SG CSO), Technical User Group Electronic Highway, Expert Group International Grid Control Cooperation (IGCC), Market Committee, Working Group Congestion Management and Market Integration (CMMI), Legal and Regulatory Group (LRG), Information and Communication Technologies Committee, working groups StG ICT Strategy, StG Delivery, ICT Security and Incident Classification Scale (ICS).

In addition, during 2023, CGES participated in the ENTSO-E Energy Community Task Force, which contributed to the preparation and implementation of adapted EU regulations in the field of the energy industry, which were adopted at the Ministerial Council of the Energy Community in December 2022. Likewise, within the aforementioned working group, CGES participated in the work of the sub-task forces CCR Workstream ITME and CCR Workstream South East.

## 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 2023, in addition to attending Med-TSO Assembly, CGES' representatives participated in monitoring and work of the Technical Committee for Regulation and Institutions, Knowledge Sharing

Technical Committee, Technical Committee for Planning, 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 Southeast Europe and the Black Sea Region based on legally binding regulations. Montenegro is one of the contracting parties of the Energy Community, and during 2023, CGES representatives participated in the work of the Cybersecurity Coordination Group, Balkans Digital Highway Project, Working Group Utility Cyber Security Initiative (UCSI), 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).

## 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.

## TRINITY project

The TRINITY project aims to contribute to the interconnection of electricity markets in the region of Southeast Europe and joining the Multi-Regional Coupling Market. CGES is part of a consortium

implementing this scientific research project together with other transmission system operators, power exchanges, promoters of renewable energy sources and scientific research institutions from the European Union and Southeast Europe

## Other international activities

During 2023, CGES also participated in the work of the Electricity Market Initiative (EMI), the I-nergy Programme, as well as the OSCE working group Mitigating Climate Change Threats to Critical Energy Infrastructure.

# 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 operations.

During 2023, CGES internal audit carried out the following activities:

## Implementation of the Internal Audit Plan 2023:

By planning the work, the Internal Auditor 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.

In accordance with the above, the Internal Audit Plan 2023 was adopted in December 2022.

The Internal Audit Plan 2023 envisaged as follows:

1. three audits to be conducted (planning and procurement of losses in the transmission network and implementation of the public procurement procedure) and
2. provision of two significant advisory services (business process mapping and corporate governance).

During 2023, one audit was implemented (implementation of the public procurement procedure) and three significant advisory engagements were carried out (mapping of business processes, corporate governance and planning of defence activities).

## New Internal Audit Charter was adopted:

According to the International Standard for the Professional Practice of Internal Auditing 1000, the purpose, authority, and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter, consistent with the Internal Audit Mission and Mandatory Guidance of the International Professional Practices Framework.

According to the same standard, the Internal Auditor must periodically review the Internal Audit Charter and submit it to the Company's Board for approval.

The new Internal Auditor Charter defined as follows:

Purpose and Mission of Internal Audit;

Scope and Subject of Internal Audit Activity;

Independence and Objectivity;

Responsibilities of Internal Auditor; Responsibilities of the Company's Board of Directors with regard to the internal audit;

Responsibilities of Executive Director with regard to the internal audit

Internal Auditor Authority

Internal Audit Planning

Reporting to the Board of Directors

Reporting on the individual audit results

Monitoring the implementation of accepted internal audit recommendations

Quality Assurance for Internal Audit

Professional Development

Cooperation with the Audit Committee, the Central Harmonisation Directorate of the ministry responsible for finance affairs.

#### **Monitoring implementation of internal audit recommendations was provided:**

The internal auditor monitored the implementation of accepted recommendations and informed the Board of Directors in February and September 2023 about their status.

In the audit conducted during 2023, 13 recommendations were given. All recommendations have a deadline for implementation during 2024. In addition, as regards the recommendations from the previous reporting period, completion deadline of which was the end of 2023, out of a total of 35 recommendations, 17 have been implemented, 7 have been partially implemented, while 11 of them are being implemented and/or are expected to be implemented in the coming period.

#### **The Continuing Professional Development of the Internal Auditor 2024 was adopted and professional development of the Internal Auditor 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 the Internal Audit Charter, Internal Auditor Continuing Professional Development Plan 2024 was adopted.

In this way, the Internal Auditor was given the opportunity to improve her knowledge, skills and other abilities through continuing professional development.

During 2023, the Internal Auditor attended several trainings organised by the Central Harmonisation Directorate of the Ministry of Finance, as well as one training arranged by the Chamber of Commerce of Montenegro.

#### **The Internal Audit Plan 2024 was adopted:**

In accordance with the International Standard for the 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 Control in Public Sector, Article 35 of the Law on Auditing as well as Article 5, Article 6 and Article 9 of the Internal Audit Charter, the CGES Internal Auditor prepared and proposed to the Board of Directors the Internal Audit Plan 2024, which was adopted at the V Meeting of the Board of Directors held in December 2023.

#### **The Internal Audit Strategic Plan 2024 - 2026 was adopted:**

In accordance with Article 24 paragraph 6, Article 34 paragraph 1 item 3 and Article 48 paragraph 1 item 4 of the Law on Governance and Internal Control in Public Sector, as well as Article 5, Article 6 and Article 9 of the Internal Audit Charter, the CGES Internal Auditor prepared and proposed to the Board of Directors for adoption the Internal Audit Strategic Plan 2024 - 2026, which was approved at the IV Meeting of the Board of Directors held in December 2023.

# Independent **Auditor's Report**



*This is translation in English of the  
Auditor's Report prepared in  
Montenegrin language for  
Management 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 2023, 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 2023 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 2023 in the amount of EUR 108.360 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 relations 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 matter

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2023.

### *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 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, 27 March 2024



Danijela Mirković  
Authorised auditor



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