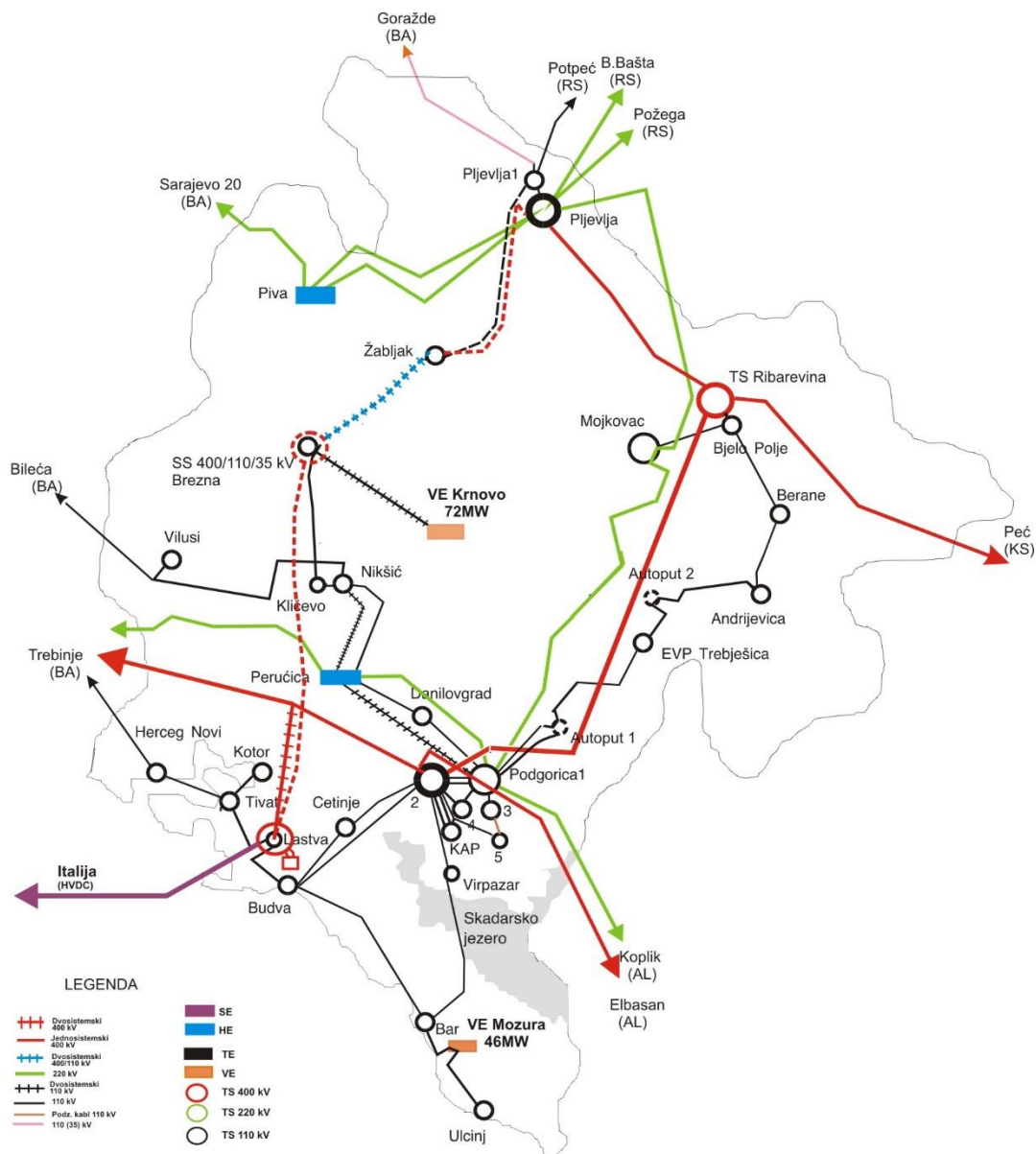


MATERIAL

FOR THE XVII ANNUAL SHAREHOLDER MEETING OF
CRNOGORSKI ELEKTROPRENOSNI SISTEM AD



Pursuant to Article 257, paragraph 4 of the Companies Act (*Official Gazette of Montenegro No. 90/25 and 121/25*), the Board of Directors of Crnogorski elektroprenosni sistem AD convenes the

XVII ANNUAL SHAREHOLDER MEETING OF CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

The Shareholder Meeting will be held on 9 June 2026, at the HILTON Hotel, Blvd. Svetog Petra Cetinjskog 2, Podgorica, starting at **12:00 p.m.**

For the **XVII** Annual Shareholder Meeting, the following Agenda has been determined:

AGENDA

1. Decision on the adoption of the 2025 Financial Statements of Crnogorski elektroprenosni sistem AD with the Auditor's Report;
2. Decision on the distribution of net profit of Crnogorski elektroprenosni sistem AD for 2025;
3. Decision on the adoption of the 2025 Operating Statement of Crnogorski elektroprenosni sistem AD;
4. Decision on the selection of auditor of Crnogorski elektroprenosni sistem AD for 2026.

Decisions under items 1, 2, 3 and 4 of the agenda shall be adopted by a majority of the votes of the shareholders present or represented, from a quorum constituting at least 1/2 (50%) + 1 of the total number of voting shares of the Company.

Material for the **XVII** Annual Shareholder Meeting will be made available to shareholders by publication on the Company's website at www.cges.me. The invitation will also be accessible on the websites of the Central Securities Depository and Clearing Company AD (www.ckdd.me), the Central Registry of Business and Other Entities, and Montenegroberza AD Podgorica (www.mnse.me). Should a shareholder, due to technical difficulties, be unable to download the material for the XVII Annual Shareholder Meeting from the Company's website, the Company will, upon request, provide access for review at the Company's headquarters, either personally or through a proxy, during business hours, or will deliver the material by mail at the Company's expense.

Shareholders unable to attend the Shareholder Meeting may vote in advance by submitting completed ballots to the following address: Crnogorski elektroprenosni sistem AD – Bulevar Sv. Petra Cetinjskog br. 18 – Podgorica (for the Shareholder Meeting) no later than the start of the Shareholder Meeting. The ballot must be certified in accordance with the law.

A shareholder may have one or more proxies. If a shareholder has multiple proxies, each is considered authorized to vote at the Shareholder Meeting. Should more than one proxy for the same shareholder attend the Shareholder Meeting for the same shares, the Company shall recognize as the shareholder's proxy the one with the most recent date of issuance of the power of attorney. If multiple proxies hold powers of attorney issued on the same date, the Company shall accept only one proxy.

The power of attorney form will be included in the material for the Shareholder Meeting. If the power of attorney contains voting instructions, the shareholder's proxy is obliged to follow them; if it does not contain instructions, the proxy shall vote conscientiously and in the best interest of the shareholder.

The original power of attorney must be submitted no later than 8 June 2026 to the following address: Crnogorski elektroprenosni sistem AD – Bulevar Sv. Petra Cetinjskog br. 18 – Podgorica (for the Shareholder Meeting – attn. the Company Secretary).

Shareholders with registered offices or residence outside Montenegro may participate in the Shareholder Meeting electronically and vote on agenda items before or during the Shareholder Meeting.

Shareholders intending to participate electronically, either personally or via a proxy, must notify the Company from their official email address at katarina.blagojevic@cges.me no later than 2 June 2026. A copy of the power of attorney and/or identification documents must be attached for identification purposes.

The right to participate in the Shareholder Meeting is held by shareholders who held such status on the second day before the date of the Shareholder Meeting (record date).

Shareholders have the right to ask questions and receive answers in accordance with the procedure and deadlines set forth in Article 279 of the Companies Act.

One or more shareholders holding at least 5% of the voting shares may propose to the Board of Directors an amendment or addition to the established agenda by:

- 1) proposing a change to the agenda regarding a different decision on a proposed agenda item, with justification and proposed resolution; or
- 2) adding new items to the agenda, with justification or proposed resolutions to be adopted by the Shareholder Meeting.

Proposals must be submitted in writing, specifying the shareholder's details and the number of shares held, no later than ten days before the date of the Shareholder Meeting.

Registration of attending shareholders and proxies will take place from 11.30 a.m. to 12.00 p.m. on the day and at the location of the Annual Shareholder Meeting.

Shareholders will be identified at the Shareholder Meeting through personal identification documents, whereas proxies will be identified through powers of attorney and personal identification documents. Powers of attorney must be certified in accordance with the law.

CHAIRMAN OF THE BOARD
Aleksandar Mijušković, dipl.el.inž.

Board of Directors

Number:

Podgorica, 28 April 2026

Pursuant to Article 45 paragraph 1 item 2 of the By-Laws of Crnogorski elektroprenosni sistem AD and the Information on convening the XVII Annual Shareholder Meeting of Crnogorski elektroprenosni sistem AD no. _____ of 28 April 2026, at IX meeting of XXIII Convocation of the Board of Directors held on 8 May 2026, the Company's Board of Directors adopted the following

DECISION

on convening the XVII Annual Shareholder Meeting of Crnogorski elektroprenosni sistem AD

1. The XVII Annual Shareholder Meeting of Crnogorski elektroprenosni sistem AD has been convened for 9 June 2026.
2. The following Agenda has been determined for the XVII Annual Shareholder Meeting of Crnogorski elektroprenosni sistem AD:

Agenda:

1. Decision on the adoption of the 2025 Financial Statements of Crnogorski elektroprenosni sistem AD with the Auditor's Report;
 2. Decision on the distribution of net profit of Crnogorski elektroprenosni sistem AD for 2025;
 3. Decision on the adoption of the 2025 Operating Statement of Crnogorski elektroprenosni sistem AD;
 4. Decision on the selection of auditor of Crnogorski elektroprenosni sistem AD for 2026.
3. The Company Secretary has undertaken to organise the XVII Annual Shareholder Meeting of Crnogorski elektroprenosni sistem AD.
 4. This decision shall enter into force on the day of its adoption.

CHAIRMAN OF THE BOARD,
Aleksandar Mijušković, BScEE

XVII ANNUAL SHAREHOLDER MEETING
OF CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

Item 1:

**Decision on the adoption of the 2025 Financial Statements of
Crnogorski elektroprenosni sistem AD with the Auditor's Report**

Podgorica, June 2026

Attn Shareholders Meeting

Information

on the 2025 Financial Statements of CGES with the draft Decision on adoption of the Financial Statements with the Auditor's Report

The Board of Directors of Crnogorski elektroprenosni sistem AD Podgorica (hereinafter: CGES AD) at the VII Meeting of the XXIII Convocation of the Board of Directors held on 27 March 2026, adopted the Decision no.:1-1-D/26-908/1 determining the 2025 Financial Statements of CGES.

The 2025 Financial Statements disclose the following items:

- TOTAL INCOME in the amount of.....96,028,399 €
- TOTAL EXPENSES in the amount of..... 71,029,752 €
- Results before tax is..... 24,998,647 €
- Tax on earned income in the amount of..... 4,009,017 €
- NET INCOME amounts to..... 20,989,630 €

In its report, the auditor states that the financial statements give a true and fair view, in all material respects, of the financial position of Crnogorski elektroprenosni sistem AD Podgorica as at 31 December 2025, and its financial performance and cash flows for the year ended that day in accordance with the Accounting Law in force in Montenegro.

In accordance with the above, the conditions have been met for the Board of Directors to determine a draft Decision on adoption of the Financial Statements with the Auditor's Report which was done at the IX meeting of XXIII BoD convocation, held on 8 May 2026 with the decision No 1-1-D/26-1409/8 dated 11.05.2026.

Taking into consideration the above written, it is proposed for the Shareholders' meeting to adopt determined decision on the 2025 Financial Statements of CGES.



Board of Directors

No.: 1-1-D/26-908/1

Podgorica, 30 March 2026

Pursuant to Article 45, paragraph 1, item 11 of the By-Laws of Crnogorski elektroprenosni sistem AD and the Information on Financial Statements of Crnogorski elektroprenosni sistem AD for the period between 1 January and 31 December 2025, no. 200-D/26-805/1 dated 20 March 2026, at the VII Meeting of the XXIII Convocation of the Board of Directors held on 27 March 2026, the Company Board of Directors adopted the following

DECISION

1. The 2025 Financial Statements of Crnogorski elektroprenosni sistem AD have been determined.
2. The Financial Statements referred to in item 1 herein and the Management Report shall be submitted to the Revenue and Customs Administration, the Capital Market Commission and the Montenegro Stock Exchange JSC.
3. This Decision shall enter into force on the day of its adoption.

CHAIRMAN OF THE BOARD
Aleksandar Mijušković, BScEE

Board of Directors

No:1-1-D/26-1409/8

Podgorica 11 May 2026

Pursuant to Article 45, paragraph 1, item 3 of the By-Laws of Crnogorski elektroprenosni sistem AD and the Information on the 2025 Financial Statements of CGES with the draft Decision on adoption of the Financial Statements with the Auditor's Report no. 202-D/26-1267/1 of 28 April 2026, at its IX meeting of XXIII BoD convocation held on 8 May 2026, the Board of Directors adopted the following:

DECISION

determining the draft Decision on adoption of the 2025 Financial Statements of CGES with the Auditor's Report

1. The draft Decision on adoption of the 2025 Financial Statements of CGES with the Auditor's Report, which is attached to the decision and constitutes an integral part thereof, has been determined.
2. The financial statements and draft decision referred to in item 1 herein shall be submitted to the Company Shareholder Meeting for consideration and adoption.
3. This decision shall enter into force on the day of its adoption.

CHAIRMAN OF THE BOARD,

Aleksandar Mijušković, BScEE

Shareholder Meeting

No.:

Podgorica, _____ 2026

DRAFT

Pursuant to Article 29, paragraph 5, item 12 of the By-Laws of Crnogorski elektroprenosni sistem AD, _____ the Annual General Shareholder Meeting held on _____ 2026 adopted the following

DECISION

on adoption of the 2025 Financial Statements of CGES with the Auditor's Report

1. The 2025 Financial Statements of Crnogorski elektroprenosni sistem AD with the Auditor's Report have been adopted.
2. This decision shall enter into force on the day of its adoption.

CHAIRMAN OF THE SHAREHOLDER MEETING,

**CRNOGORSKI ELEKTROPRENOSNI SISTEM AD PODGORICA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

CONTENTS:

	Page
Independent Auditor's Report	1-5
Financial Statetments:	
Statement of Financial Position as of December 31, 2025	6-8
Statement of Comprehensive Income for the Year Ended December 31, 2025	8-10
Statement of Cash Flows	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14-50



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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Crnogorski Elektroprenosni Sistem A.D., Podgorica (the Company), which comprise the statement of financial position as at 31 December 2025, 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 2025 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 2025 in the amount of EUR 93,306 thousand. The Company has a variety of revenue streams and operates in a complex regulatory environment.

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

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

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

We performed analytical procedures for each revenue stream to gain further understanding of trends during the year and their relation with trade receivables.

On a sample of contracts we reviewed the relevant terms and conditions in order to assess the appropriateness of revenue recognition. We performed test of details on a sample of invoices related to each revenue stream, along with the relevant supporting documentation.

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

In addition, we compared prior year accounting estimates related to accrued revenues with actual results, obtained understanding of main assumptions for current year and assessed their appropriateness by comparing them with the appropriate supporting documentation.

We also tested a sample of journal entries recognized to revenue focusing on unusual or irregular transactions.

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



Other information included in the Company's Annual Management Report

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

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

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

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

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

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

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

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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



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

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

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

Podgorica, 26 March 2026

Danijela Mirković
Authorised auditor

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

BALANCE SHEET
For the year ended 31.12.2025

Group of accounts, Account	POSITION	No.	Note No.	Amount	
				Current year	2024
1	2	3	4	5	6
	ASSETS				
00	A.UNPAID REGISTERED CAPITAL	001			
	B. FIXED ASSETS (003+008+016)	002		299.551.934	286.674.395
01	I INTANGIBLE ASSETS (004 to 007)	003	5	1.395.216	1.492.609
010	1.Investments in development	004		-	-
011 i 014	2. Concessions, patents, licenses and similar rights and other intangible assets	005		1.395.216	1.492.609
012	3.Goodwill	006		-	-
016 i 015	4. Advances for intangible assets and intangible assets in preparation	007		-	-
	II. PROPERTY, PLANTS, EQUIPMENT AND BIOLOGICAL ASSETS (009+010+0111+015)	008	6	296.717.589	283.823.259
020 i 022	1. Land and buildings	009		110.069.477	106.421.026
023,027 (dio)	2. Plant and Equipment	010		130.494.370	131.405.570
	3. Other installed equipment, tools and equipment	011		4.582.729	4.384.499
	3.1. Investment properties	012		-	-
021 i 025	3.2. Biological Assets	013		29.280	29.280
026 i 029	3.3. Other unspecified material fixed assets	014		4.553.449	4.355.219
028 i 027	4. Advances in property, plant, equipment and biological assets and property, plant, equipment and biological assets in preparation	015		51.571.013	41.612.164
	III LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES	016	7	1.439.129	1.358.527
030, 039 (dio)	1.Shares in subsidiaries	017		-	-
033 (dio), 039 (dio)	2.Long-term loans to parent and subsidiary legal entities	018		-	-
031(dio), 032(dio), 039(dio)	3. Participation in equity with legal entities (excluding subsidiaries)	019		514.308	514.308
033(dio), 039(dio)	4. Long-term loans to legal entities with equity participation (excluding subsidiaries)	020		-	-
031(dio), 032(dio)	5. Equity Capital, which are measured at equity method	021		-	-
032(dio), 034, 035, 036, 039(dio)	6. Long-term financial investments (loans and securities given)	022		924.821	844.219
038, 039 (dio) 288	7. Other long-term investments and receivables	023		-	-
	C. DEFERRED TAX ASSETS	024			
	D. CURRENT ASSETS (026+031+039+043+044)	025		68.182.471	72.406.676
	I. INVENTORIES (027 do 030)	026	8	2.603.476	2.433.115
10	1. Inventory of materials (fabrication material, spare parts, small inventory and car tires)	027		2.596.913	2.430.266
11	2. Work in progress	028		-	-
12 I 13	3. Finished products and goods	029		-	-
15	4. Advances given	030		6.563	2.849
	II. SHORT-TERM RECEIVABLES (032 to 035)	031	9	10.301.247	12.582.866
202, 203, 200(dio)	1. Receivables from buyers	032		1.461.092	3.805.460
200, 209 (dio)	2. Receivables from parent companies and subsidiaries	033		-	-
201, 209 (dio)	3. Receivables from other related parties	034		6.631.925	7.749.585
	4. Other receivables (036+037+038)	035		2.208.230	1.027.821
223	4.1 Prepaid corporate income tax	036		-	-

27	4.2. Receivables on Value Added Tax	037		1.857.026	783.247
21, 22, osim 222	4.3. Other unmentioned receivables	038		351.204	244.574
	III. SHORT-TERM FINANCIAL INVESTMENTS (040 to 042)	039		-	-
236 (dio)	1. Share in equity of subsidiaries intended for trading	040		-	-
237	2. Redeemed own shares	041		-	-
23 osim 236(dio) i osim 237	3. Other short-term financial investments	042		-	-
24	IV. CASH ON ACCOUNTS AND IN HAND	043	10	55.277.748	57.390.695
04	V. FIXED ASSETS FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	044		-	-
28 osim 288	E. PREPAID EXPENSES AND ACCRUED REVENUE	045	11	7.757.304	6.151.826
	F. TOTAL ASSETS (01+002+024+025+045)	046		375.491.709	365.232.897
	LIABILITIES				
	A. CAPITAL (102+103+104+105+111+116)	101	12	275.012.899	259.980.976
30	I. BASIC CAPITAL	102		155.108.283	155.108.283
31	II. UNPAID SUBSCRIBED CAPITAL	103		-	-
320	III. EMISSION PREMIUM	104		-	-
	IV. RESERVES (106+107+108+109-110)	105		-	-
321	1. Legal reserves	106		-	-
322(dio)	2. Statutory reserves	107		-	-
322(dio)	3. Other reserves	108		-	-
330 i potr. saldo rač. 331, 332, 333, 334, 335 i 336	4. Positive revaluation reserves and unrealized gains on financial assets and other components of other comprehensive result	109		-	-
dugov. saldo rač. 331, 332, 333, 334, 335 i 336	5. Negative revaluation reserves and unrealized losses on financial assets and other components of other comprehensive result	110		-	-
	V. RETAINED EARNINGS OR LOSS (112+113-114-115)	111		119.904.616	104.872.693
340	1. Retained earnings from previous years	112		98.914.986	80.038.061
341	2. Retained earnings for the current year	113		20.989.630	24.834.632
350	3. Loss of previous years	114		-	-
351	4. Loss of current year	115		-	-
	VI. NON-CONTROLLING INTEREST	11		-	-
	B. LONG-TERM PROVISIONS AND LONG-TERM LIABILITIES (118+122)	117		30.629.515	38.499.298
	I. LONG-TERM PROVISIONS (119 do 121)	118	13	3.093.054	2.355.123
404(dio)	1. Provisions for employee benefits and other benefits	119		1.041.327	944.429
400(dio)	2. Provisions for expenses in the warranty period	12		-	-
40, sem 400 i 404	3. Other long-term provisions	121		2.051.727	1.410.694
41	II. LONG - TERM LIABILITIES (123+124)	122	14	27.536.461	36.144.175
414, 415	1. Long-term loans	123		27.536.461	36.144.175
41 bez 414, 415	2. Other long-term liabilities	124		-	-
498	C. DEFERRED TAX LIABILITIES	125		5.693.223	5.649.004
495(dio)	D. LONG-TERM DEFERRED INCOME AND RECEIVED DONATIONS	126	15	23.133.176	23.707.283
	E. SHORT-TERM PROVISIONS AND SHORT-TERM LIABILITIES (128+129)	127		34.929.969	29.604.469
467	I SHORT-TERM PROVISIONS	128		221.603	283.611
	II SHORT-TERM LIABILITIES 130 do 137)	129		34.708.366	29.320.858
422(dio), 423(dio), 424(dio), 425(dio), 426 i 429(dio)	1. Liabilities arising from loans and borrowings from persons other than credit institutions	130		-	-
422(dio), 423(dio), 424(dio), 425(dio) i 429(dio)	2. Loan liabilities from credit institutions	131	16	12.862.262	13.159.278
430	3. Prepayments, deposits and bails	132		688.684	1.100.823
433 i 434	4. Liabilities to suppliers	133	17	14.241.150	6.948.567
439(dio)	5. Liabilities on bills of exchange	134		-	-
420 i 431	6. Liabilities to the parent and subsidiaries entities	135		-	-
421 i 432	7. Liabilities to other related parties	136		2.028.924	2.682.346

	8. Other operating liabilities and other short-term liabilities (138 do 142)	137		4.887.346	5.429.844
439(dio)	8.1. Other operating liabilities	13		6.658	2.698
45 i 46	8.2. Other short-term liabilities	139	18	734.946	643.626
47,48 osim 481	8.3. Liabilities for Value Added Tax and other public revenues	14 0	19	180.943	55.287
481	8.4. Liabilities for corporate income taxes	141	20	3.964.799	4.728.233
427	8.5. Liabilities arising from assets held for sale and business that has been discontinued	142		-	-
490, 491, 494, 495(dio), 496, 497 i	F. ACCRUALS	143	21	6.092.927	7.791.867
	G. TOTAL LIABILITIES (101+117+125+126+127+143)	144		375.491.709	365.232.897

Form aligned with Article 4 of the Accounting Law ('Official Gazette of Montenegro', No. 052/16) and Directive 2013/34/EU of the European Parliament and of the Council.

In Podgorica, Person responsible for preparation of the financial statement

Date 26.03.2026.g. Hidić Željka, dipl.ecc.

Executive director

Asanović Ivan, dipl.el.ing.

**STATEMENT OF TOTAL RESULT /INCOME STATEMENT/
in period from 01.01. to 31.12.2025**

Group of accounts, Account	POSITION	No.	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
60 i 61	1. Sales revenue - net income	201	23	93.305.935	97.697.621
630 i 631	2. Change in value of finished goods inventories and work in progress	202		-	-
62	3. Revenue from the effects and goods activation	203		-	-
	4. Other operating income (205 do 207)	204		2.067.308	2.692.059
64 i 65	a) Other operating income	205	24	861.316	784.959
67, 691 i 692	b) Other operating income	206	25	1.205.992	1.907.100
68, sem 683 i 685	c) Income from value adjustments of assets	207		-	-
	5. Operating expenses (209+210)	208		59.442.355	58.222.428
50 i 51	a) Cost of goods sold and the cost of materials	209	26	38.981.816	40.178.211
53, 54(dio) i 55	b) Other operating expenses (provisions and other operating expenses)	210	27	9.431.523	7.431.861
540	c) Depreciation		27	11.029.016	10.612.356
	6. Wages expenses, wage compensation and other personal expenses (212+213)	211	28	9.692.875	10.064.953
52 (dio)	a) Net wage costs, wage compensation and personal expenses	212		7.604.861	7.464.529
	b) Tax and contribution costs (214 do 216)	213		2.088.014	2.600.424
52 (dio)	1/ Tax costs	214		908.479	940.832
52 (dio)	2/ Pension contribution costs	215		796.671	1.003.614
52 (dio)	3/ Contribution costs	216		382.864	655.978
	7. Expenses on value adjustments of assets (other than financial) (218+219)	217	32	0	44
580, 581, 582, 589 (dio)	a) Expenses on value adjustments of fixed assets (excluding financial assets)	218		-	-
584, 589 (dio)	b) Expenses on value adjustments of current assets (excluding financial assets)	219		-	44
57, 591 i 592	8. Other operating expenses	220	31	651.928	915.475
	I. Operating Result (201+202+203+204-208-211-217-220)	221		25.586.085	31.186.780
	9. Income from share in equity (223 do 225)	222		5.102	-
660 (dio)	a) Income from share in equity of subsidiaries	223		-	-
661 (dio)	b) Income from share in equity of other related parties	224		5.102	-
669 (dio)	c) Income from share in equity of unrelated legal entities	225		-	-
	10. Income from other financial investments and loans (interest rates, foreign exchange differences and effects of contractual hedging) (227 do 229)	226	29	648.666	337.015
660 (dio)	a) Income from other financial investments and loans from parent and subsidiaries	227		-	-
661 (dio)	b) Income from other financial investments and loans from other related legal entities	228		-	-

662 (dio), 663 (dio), 664 (dio), 669 (dio)	c) Income from other financial investments and loans from unrelated legal entities	229		648.666	337.015
	11. Other income from interest, exchange rate differences and other contractual hedging effects (231 do 233)	230		-	-
660 (dio)	a) Financial income from current receivables from parent and subsidiaries	231		-	-
661 (dio)	b) Financial income from current receivables from other related legal entities	232		-	-
662 (dio), 663 (dio), 664 (dio), 669 (dio)	c) Financial income from current receivables from unrelated legal entities	233		-	-
	12. Value adjustment of short-term financial assets and financial investments that are part of current assets (235-236)	234	33	1.322	(375)
683, 685	a) Income from the value adjustment of short-term financial assets and financial investments that are part of current assets	235		1.388	-
583, 585	b) Costs from the value adjustment of short-term financial assets and financial investments that are part of current assets	236		66	375
	13. Interest expenses, foreign exchange differences and other contractual protection effects (238 do 240)	237	30	1.242.528	1.636.994
560	a) Interest expenses, foreign exchange differences and other effects of contractual protection based on relations with the parent and subsidiaries	238		-	-
561	b) Interest expense, foreign exchange differences and other contractual hedging effects of relationships with other related parties	239		-	-
562, 563, 564, 569	c) Interest expenses, foreign exchange differences and other effects of contractual protection on relationships with unrelated parties	240		1.242.528	1.636.994
	II. Financial Result (222+226+230+234-237)	241		(587.438)	(1.300.354)
	III. Operating result before taxation (221+241)	242		24.998.647	29.886.426
690 – 590	IV. Net Result of operations which is suspended	243			
	V. Result before taxation (242+243)	244		24.998.647	29.886.426
	14. Tax expense of the period (246+247)	245	34	4.009.017	5.051.794
721	1. Current corporate income tax	246		3.964.799	4.728.233
722	2. Deferred tax expenses or income for the period	247		44.218	323.561
	15. Profit or loss after tax (244-245)	248		20.989.630	24.834.632
	VI. Gross Result of other Result items / related to capital / (250 do 257)	249		-	-
330	1. Changes in revaluation reserves on property, plant and equipment, intangible assets and biological assets	250		-	-
331	2. Changes in unrealized gains and losses on translation of foreign financial statements	251		-	-
332	3. Changes in unrealized gains and losses on equity investments	252		-	-
333	4. Changes in actuarial gains and losses on defined benefit plans (or losses) in connection with defined benefit plans	253		-	-
334	5. Changes in participation in other comprehensive affiliate result	254		-	-

335	6. Changes in unrealized gains and losses on instruments for hedging net investment in foreign operations	255		-	-
336	7. Changes in revaluation reserves based on cash flow hedges	256		-	-
337	8. Other changes in unrealized gains and losses	257		-	-
	VII. Deferred tax expenses or income of the period in connection with other items of Result / related to equity /	258		-	-
	VIII. Net Result of other Result items / related to capital / (249-258)	259		-	-
	IX. Net Comprehensive Result	260		20.989.630	24.834.632
	X. Earnings per share	261		-	-
	1. Basic earnings per share	262	37	0,1436	0,1699
	2. Reduced (diluted) earnings per share	263			
	XI. Net Result belonging to the owners of the parent legal entity	264		-	-
	XII. Net Result belonging to non-controlling participations	265		-	-

Form aligned with Article 4 of the Accounting Law ('Official Gazette of Montenegro', No. 052/16) and Directive 2013/34/EU of the European Parliament and of the Council.

In Podgorica, Person responsible for preparation of the financial statement

Date Hidić Željka, dipl.ecc.
26.03.2026.g.

Executive director

Asanović Ivan, dipl.el.ing.

STATEMENT OF CASH FLOW
in period from 01.01. to 31.12.2025

POSITION	No.	Amount	
		Current year	Prevoius year
1	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (1 do 3)	301	114.108.287	126.153.229
1. Sales and advances received	302	113.350.201	125.872.987
2. Interest received from operating activities	303	250.426	104.247
3. Other inflows from operating activities	304	507.660	175.995
II. Cash outflows from operating activities (1 do 5)	305	82.478.688	85.694.500
1. Payments to suppliers and advances made	306	63.472.872	66.305.976
2. Wages, salaries and other personal expenses	307	10.608.791	10.214.297
3. Interest paid	308	758.956	869.629
4. Corporate Income Tax	309	4.728.233	5.405.568
5. Payments for other public revenues	310	2.909.836	2.899.030
III. Net cash flow from operating activities (I-II)	311	31.629.599	40.458.729
B. CASH FLOW FROM INVESTMENT ACTIVITIES			
I. Cash inflows from investing activities (1 do 5)	312	5.403	124.060
1. Sale of shares and units	313	-	-
2. Sale of intangible assets, properties, plant, equipment and biological assets	314	-	-
3. Other financial placements	315	-	20.690
4. Interest received from investing activities	316	-	-
5. Dividends received	317	5.403	103.370
II. Cash outflows from investing activities (1 do 3)	318	18.940.489	27.960.325
1. Buying stocks and shares	319	-	-
2. Purchase of intangible assets, properties, plant, equipment and biological assets	320	18.940.489	27.960.325
3. Other financial placements	321	-	-
III. Net cash flow from investing activities (I-II)	322	(18.935.086)	(27.836.265)
C. CASH FLOW FROM FINANCIAL ACTIVITIES			
I. Cash inflows from financing activities (1 do 3)	323	0	0
1. Increase of basic capital	324	-	-
2. Long-term and short-term loans	325	-	-
3. Other long-term and short-term liabilities	326	-	-
II. Cash outflows from financing activities (1 do 4)	327	14.807.460	14.399.267
1. Acquisition of own shares and units	328	-	-
2. Long-term and short-term loans and other liabilities	329	10.557.516	5.828.325
3. Financial leasing	330	-	-
4. Dividends paid	331	4.249.944	8.570.942
III. Net Cash flow from financing activities (I-II)	332	(14.807.460)	(14.399.267)
D. NET CASH FLOW (311+322+332)	333	(2.112.947)	(1.776.803)
E. CASH AT THE BEGINNING OF THE REPORTING PERIOD	334	57.390.695	59.167.498
F. FOREIGN EXCHANGE RATE GAINS ON CASH TRANSFER	335	-	-
G. FOREIGN EXCHANGE RATE LOSS ON CASH TRANSFER	336	-	-
H. CASH AT THE END OF THE REPORTING PERIOD (333+334+335-336)	337	55.277.748	57.390.695

Form aligned with Article 4 of the Accounting Law ('Official Gazette of Montenegro', No. 052/16) and Directive 2013/34/EU of the European Parliament and of the Council.

In Podgorica, Person responsible for preparation of the financial statement
Date Hidić Željka, dipl.ecc.
26.03.2026.g.

Executive director
Asanović Ivan, dipl.el.ing.

STATEMENT OF CHANGES IN EQUITY
in period from 01.01. to 31.12.2025

In EUR-

Position	DESCRIPTION	No.	Basic Capital (group 30 bez 309)	No.	Other Capital (rn 309)	No.	Unpaid subscribed capital (group 31)	No.	Emission premium (rn 320)"	No.	Reserves (rn 321, 322)"	No.	Revaluation reserves (group 33)	No.	Retained earnings (group 34)	No.	Loss 35)	No.	"Repurchased own shares and stakes i (237)"	No.	Total (2+3+4+5+6+7+8-9-10)
		1	2	3	4	5	6	7	8	9	10	11									
1.	Balance as off 31.12.2023-	401	155.108.283	410	-	419	-	428	-	437	-	446	-	455	90.038.061	464	-	473	-	482	245.146.344
2.	Effects of retroactively correcting material errors and changes in accounting policies	402	-	411	-	420	-	429	-	438	-	447	-	456	-	465	-	474	-	483	-
3.	Adjusted opening Balance as off 01.01.2024. (r.br. 1+2)	403	155.108.283	412	-	421	-	430	-	439	-	448	-	457	90.038.061	466	-	475	-	484	245.146.344
4.	Net changes in 2024	404	-	413	-	422	-	431	-	440	-	449	-	458	14.834.632	467	-	476	-	485	14.834.632
5.	Balance as off 31.12. 2024. (r.br. 3+4)	405	155.108.283	414	-	423	-	432	-	441	-	450	-	459	104.872.693	468	-	477	-	486	259.980.976
6.	Effects of retroactively correcting material errors and changes in accounting policies	406	-	415	-	424	-	433	-	442	-	451	-	460	(957.707)	469	-	478	-	487	(957.707)
7.	Adjusted opening Balance as off 01.01.2025. (r.br. 5+6)	407	155.108.283	416	-	425	-	434	-	443	-	452	-	461	103.914.986	470	-	479	-	488	259.023.269
8.	Net changes in 2025.	408	-	417	-	426	-	435	-	444	-	453	-	462	15.989.630	471	-	480	-	489	15.989.630
9.	Balance as off 31.12.2025. g (r.br. 7+8)	409	155.108.283	418	-	427	-	436	-	445	-	454	-	463	119.904.616	472	-	481	-	490	275.012.899

Form in accordance with Article 4 of the Accounting Act (Official Gazette of Montenegro 052/16) and DIRECTIVE 2013/34 / EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

In Podgorica

Person responsible for compiling
Financial Statement

Responsible person

Date 26.03.2026.g.

Hidić
dipl.ecc. Željka,

Asanović Ivan, dipl.el.ing.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica

Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

1. General information

Crnogorski elektroprenosni sistem AD Podgorica (hereinafter: the Company or CGES) was established as a joint stock company Prenos Podgorica, in accordance with the Decision on restructuring with establishment of a new company no. 10-00-3206, adopted at the VI Extraordinary Shareholders Meeting of Elektroprivreda Crne Gore AD, Nikšić (in English: Electric Power Enterprise of Montenegro JSC Nikšić) held on 23 March 2009. Decision of restructuring was made in accordance with Articles 35 and 22 of the Companies Act (Official Gazette of the Republic of Montenegro no. 06/02 dated 8 February 2002, no. 17/07 dated 31 December 2007, 80/08 dated 26 December 2008) and Article 62 of the By-Laws of Elektroprivreda Crne Gore AD, Nikšić.

The Company changed its name to Crnogorski elektroprenosni sistem AD, Podgorica (in English: Montenegrin Electricity Transmission System JSC Podgorica) in accordance with the Decision no. 10-00-6485/10 adopted at the Shareholders Meeting of the Company held on 25 June 2010. This change was registered in the Central Registry of Commercial Court in Podgorica under registration no. 4-0008972/003 on 2 July 2010.

Until 26 December 2011, besides the activity of electricity transmission, the Company performed activities of the transmission system operator and activities of electric energy market operator. The Company held three licenses for the performance of these activities, issued by the Energy Regulatory Agency (hereinafter: ERA) under no. L-E-007 (license for electricity transmission), L-E-008 (license for the operator of the transmission network) and L-E-009 (license for the electricity market operator). From 26 December 2011, the Company is the holder of two licenses under no. L-E-007 and L-E-008. Based on the Decision of the Agency's Board No. 24/1702-11 dated 26 July 2024, the Company is the holder of the Electricity Transmission License No. L-E-032.

From 26 December 2011, the holder of the electricity market operator licence is the limited liability company Crnogorski operator tržišta električne energije, Podgorica (in English: Montenegrin Electricity Market Operator) whose founder is the Government of Montenegro, registered with the Central Registry of Commercial Court in Podgorica under registration no. 5-0610998/1 on 29 July 2011.

The Company's activity is of public interest and it ensures the safe operation of the transmission system.

As an issuer of securities, the Company is registered with the Commission for Securities under number 498469.

Organisational units of the Company are:

- Shareholder Meeting;
- Board of Directors;
- Executive Director and
- Company Secretary.

As of 31 December 2025, the total number of employees was 364 (31 December 2024: 340 employees) as follows:

- Full-time employees - 338 (31 December 2024: 317);
- Part-time employees - 26 (31 December 2024: 23).

The Company is headquartered in Podgorica, Bulevar Svetog Petra Cetinjskog no. 18.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements have been set out in the following sections. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis for preparation of financial statements

The financial statements are presented in euros (EUR, €), which is the Company's functional currency, and all values were rounded to the nearest number (decimals are not disclosed), unless otherwise stated. Financial statements were prepared in accordance with the historical cost convention, unless the application of fair value is specifically stated.

2. Summary of significant accounting policies (continuation)

2.1 Basis for preparation of financial statements (continuation)

The Company has prepared these financial statements in accordance with the applicable Law on Accounting of Montenegro which requires that the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) are published by the Board for international accounting standards, they must be adopted and published by the appropriate competent authority of Montenegro, which has obtained the right to translation and publication from the International Federation of Accountants (IFAC). Therefore, only IFRS and IAS which have been formally adopted and published by the relevant competent authority of Montenegro are applicable.

In the Official Gazette of Montenegro, no. 011/20 of 6 March 2020, pursuant to Article 1 of the Decree on Entrusting of Affairs of Public Administration Bodies Competent for Accounting and Auditing (Official Gazette of Montenegro no. 33/10 and Official Gazette of the Republic of Montenegro no. 44/07), the Institute of Certified Accountants of Montenegro published the Rulebook on Chart of Accounts and Content of Accounts in the Chart of Accounts for Legal Persons Registered to Perform Economic Activities and Other Legal Persons and the Rulebook on the Form and Content of Forms of Financial Statements for Companies and Other Legal Persons, which relate to financial reporting for 2020 and next year within Montenegro.

In addition, the Act requires certain disclosures and certain treatment of accounts and balances, which results in additional deviations from IFRS as follows:

1. The Company has prepared these financial statements in the format prescribed by the Ministry of Finance of Montenegro, which is not in accordance with the requirements of IAS 1 (revised) - Presentation of Financial Statements and IAS 7 - Cash Flow Statement.
2. Pursuant to the Decree of the Government of Montenegro on entrusting the tasks of state administration responsible for accounting and auditing (Official Gazette of Montenegro no. 33/10 and Official Gazette of Montenegro no. 44/07), as of 29 December 2021 the Institute of Certified Accountants of Montenegro issued a Notice that IFRS 14 - Regulated Accruals, IFRS 16 - Leasing and IFRIC 22 - Foreign Currency Transactions and Advance Payments have been translated and officially applied in Montenegro since 1 January 2021. The application of these standards has no material impact on the Company's financial statements. In addition, in accordance with the notices issued by the Institute of Certified Accountants of Montenegro on 20 July 2022 and 20 February 2023, there are no changes in the application of standards that would affect the preparation of these financial statements. Until the date of preparation of the attached financial statements, no amendments or additions to the existing or revised standards have been translated, as well as no new interpretations issued by the IASB and IFRIC after 2021, so they have not been applied by the Company.
3. During 2020, translations of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers were officially published. On 12 July 2022, in accordance with the Decree of the Government, the Institute of Certified Accountants of Montenegro issued a Notice that from 1 January 2024, IFRS 9 and IFRS 15 standards shall be officially applied in Montenegro.

Accordingly, and bearing in mind the potentially material effects that the deviations of the accounting regulations of Montenegro from IFRS and IAS can have on the reality and objectivity of the Company's financial statements, the attached financial statements cannot be considered financial statements prepared in accordance with IFRS and IAS.

The financial statements have been prepared in accordance with the historical cost concept. The preparation of financial statements in accordance with IFRS requires the application of certain key accounting estimates. Changes in assumptions may have a material effect on the financial statements in the period of changing the assumptions. Management is of the opinion that the following assumptions are appropriate.

2. Summary of significant accounting policies (continuation)

2.1 Basis for preparation of financial statements (continuation)

2.1.1. First application of IFRS 9 and IFRS 15

In accordance with the Decision of the Institute of Certified Accountants of Montenegro, the Company applied IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers for the purposes of preparing financial statements as of and for the year ended 31 December 2024. At the same time, the Company opted for a cumulative approach that does not require the adjustment of comparative data for the effects of the first application of these standards. The effective date of the first application of these standards is 1 January 2024. An analysis of the effects of first application is provided below.

First application of IFRS 9 (Financial Instruments).

IFRS 9 determines requirements for the recognition and measurement of financial assets, financial liabilities and some contracts for the purchase or sale of non-financial assets. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement

According to IFRS 9, financial assets are classified into three basic categories: subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The classification depends on the entity's business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset. IFRS 9 eliminates the previous categories defined by IAS 39: held-to-maturity investments, loans and receivables and available-for-sale assets. The company does not own derivative financial assets or liabilities that would require the application of hedging accounting. Considering that the Company does not have complex financial assets and that they are most often classified as subsequently measured at amortized cost and held-to-maturity, i.e. collection, the application of IFRS 9 did not have a significant impact on the classification of financial assets in the Company's financial statements.

IFRS 9 mainly retains the existing requirements of IAS 39 regarding the classification and measurement of financial liabilities. The adoption of IFRS 9 did not have a significant impact on the Company's accounting policies related to financial liabilities.

Impairment of financial assets

IFRS 9 replaces the incurred loss model from IAS 39 with the expected credit loss model. The Company applies the new impairment model to financial assets measured at amortized cost, fair value through other comprehensive income and assets based on contracts (IFRS 15), but not to investments in equity instruments. The expected credit losses model is also used to measure financial guarantee contracts. For the purposes of estimating expected credit losses, the Company uses value adjustment matrices formed based the historical trend in receivables collectibility. The Company conducted a detailed analysis of the effects that the application of the ECL model has on the balance as of 1 January 2024. Based on the conducted analysis, it was determined that the first application of IFRS 9 does not have a materially significant impact on the impairment of financial assets.

2. Summary of significant accounting policies (continuation)

2.1 Basis for preparation of financial statements (continuation)

2.1.2. First application of IFRS 9 and IFRS 15

First application of IFRS 15 (Revenue from Contracts with Customers)

IFRS 15 (Revenue from Contracts with Customers) amends IAS 11 Construction Contracts, IAS 18 Revenue for all related interpretations, and with limited exceptions, applies to all revenues arising as a result of contracts with customers and defines how revenue is recognised in an amount that reflects the consideration that the company expects to receive for the transfer of goods or services to the customer.

The 5-step model includes the following:

Step 1 – Identify contract(s) with customer

Step 2 – Identify the performance obligations in the contract

Step 3 – Determine the transaction price

Step 4 – Allocate transaction price to performance obligations

Step 5 – Recognise revenue when each performance obligation is satisfied

The standard also specifically defines the accounting treatment of incremental contract acquisition costs and costs that can be directly linked to contract execution. Additionally, the standard requires certain disclosures. The company applied the standard for the first time for the period starting 1 January 2024. The company chose to use the retrospective method with the cumulative effect of the initial application, without changing the comparative data.

As explained in more detail in Note 2.18 – Revenue Recognition, the Company generates revenues from the following activities:

1. Revenues from the use of the transmission network and fees for transmission network losses
2. Revenue from balancing services and system services
3. Revenues from cross-border capacity allocation (congestion revenues)
4. Revenues from ITC services
5. Revenues from other activities.

Taking into consideration the specific activity of the Company, the revenues it generates are most often governed by appropriate legislation and methodologies prescribed by the regulator and relevant organisations of which the Company is a member. The services provided by the Company usually imply the existence of one performance obligation. Given that the Company is the holder of the electricity transmission activity and primarily responsible for system balancing services, the Company primarily appears as the principal in its transactions with users. In addition, considering that the prices of services are defined by the relevant decisions of the regulator or appropriate methodologies (except in the case of revenues from cross-border capacity allocation), considerations for the services provided are not variable and do not have a variable component. Cross-border capacity allocation is carried out with the help of specialized auction houses, where the price for the allocation of specific capacity is set in the process of the auctions themselves. Accordingly, the consideration for cross-border capacity allocation also does not include variable considerations. Given that the services provided by the Company to users contain a performance obligation with a fixed consideration, the Company does not need to allocate an independent sales price.

Based on all of the above, the Company concluded that the first application of IFRS 15 does not have a materially significant effect on the accounting treatment of revenue recognition in the Company's financial statements.

2.2 Going concern

According to the enquiries, the management has a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. Therefore, the Company continues to adopt going concern in the preparation of financial statements.

2. Summary of significant accounting policies (continuation)

2.3 Translation into foreign currencies

a) Functional currency and currency of presentation

Items included in the financial statements of the Company are measured and presented in Euros (EUR).

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit & loss statement, except when placed in equity as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit & loss statement within "Financial income/expense".

2.4 Intangible investments

Intangible investments are initially measured (recognised) at cost. Depreciation is applied systematically using proportional depreciation rates over the useful life of the intangible asset. Intangible assets are measured on the basis of the acquisition cost model less the accumulated amortization and total accumulated impairment losses.

Intangible investments are mainly computer software and licenses. Acquired computer software licenses are capitalized on the amount of costs incurred in acquiring and putting the software into use. These costs are depreciated over their estimated useful life (5 years).

2.5 Property, plant, equipment and biological assets

Property, plant, equipment and biological assets are tangible assets of the Company held for the use in production or delivery of goods or services or for administrative purposes, with an expected life span longer than one year.

Initial measurement of property, plant, equipment and biological assets that meet the requirements for recognition of the asset is carried out at cost. Property, plant, equipment and biological assets are reported at cost, net of total accumulated depreciation and total potential accumulated losses due to impairment.

Subsequent expenses relating to property, plant, equipment and biological assets, from which there are expected future economic benefits (higher production volume, the capacity of resources, extension of useful life, increase of productivity) in a period longer than one year, increase the purchase value of property, plant, equipment and biological assets. Investments in the current maintenance of property, plant, equipment and biological assets represent the costs of the period in which they occur.

Depreciation of these assets is calculated on a straight line basis using depreciation rates calculated based on the estimated useful life of an asset.

2. Summary of significant accounting policies (continuation)

2.5 Property, plant, equipment and biological assets (continuation)

Estimated useful life by group of property, plant and equipment is as follows:

Asset	Depreciation rate %	Useful life
Buildings	1.25	80 years
Overhead lines	2	50 years
Equipment - substations	2.78	36 years
Global systems	10	10 years
Transport vehicles	12.5	8 years
Tools and work equipment	10	10 years
Office furniture	10	10 years
Office equipment	20	5 years
Other	10	10 years

2.6 Assets with the right of use

Since 2021, the Company has applied accounting policies in accordance with the requirements of IFRS 16 – ‘Leases’.

In the event that the Company leases certain equipment and other, lease agreements may contain both lease components and non-lease components. The Company allocates the contract consideration to lease components and non-lease components based on their relative independent prices. Lease related assets are initially measured at present value.

Assets with the right of use are measured at cost, which includes the following:

- the amount of the initial measurement of lease obligations,
- lease payments made on or before the start date, less lease incentives received,
- initial direct costs, and
- costs for returning the property to the conditions required by the lease agreements (original condition).

Lease liabilities

In case the Company is the lessee, lease liabilities are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including substantially fixed payments) less all lease incentives,
- variable lease payments relating to an index or rate, initially measured by an index or rate on the commencement date,
- amounts expected to be paid by the Company under residual value guarantees,
- the redemption price of the call option if the Company is reasonably certain that it will exercise that option, and
- payment of penalty for termination of the contract, if the Company uses this option.

2. Summary of significant accounting policies (continuation)

2.6 Assets with the right of use (continuation)

Options for extension and early termination are included in a number of real estate leases. These options are used to maximize operational flexibility in managing the assets used in the Company's operations. Extension/earlier termination options may be included in the leasing period only if the Company is reasonably certain that it will extend/early terminate the lease. Lease payments due to extension/early termination if reasonably likely to be used are also included in the measurement of the liability.

Payments relating to short-term leases and low-value assets are recognised linearly as an expense in the profit & loss statement. Short-term leases are leases with a term of 12 months or less. The Company analyses the nature and purpose of the asset. A lease does not qualify as a low-value leasing asset if the Company, as the lessee, subleases the leasing asset in question or expects to sublease it.

Company as a Lessor

In case the Company is a lessor, at the initial recognition for each contract it assesses whether it is a financial or operational lease.

In order to classify each lease, the Company analyses whether the contract transfers substantially all the risks and rewards associated with ownership of the leased property. If this is the case, leasing is financial; if not the lease is operational. As part of the analysis, the Company considers certain indicators such as whether the lease term refers to most of the economic life of the asset.

When the Company is an intermediary lessor, it assesses its role separately for the principal lease agreement and for the agreement where it subleases the asset.

The Company recognises payments received under operating leases as revenue on a straight-line basis over the term of the lease as part of "other income".

In general, the accounting policies applicable to the Company as a lessor in the comparative period do not differ according to IFRS 16 except in the case of the classification of sublease occurred during the current reporting period resulting in the classification in the finance lease.

2.7 Financial instruments

2.7.1. Financial resources - Initial recognition and measurement

During initial recognition, financial assets are classified into one of three categories of subsequent measurement: those that are carried at amortized cost, those that are carried at fair value through other comprehensive income and those that are carried at fair value through profit or loss.

The classification depends on the characteristics of the instrument's cash flow as well as the Company's business model. Financial assets are initially recognised at fair value plus, in the case of financial assets that are not at fair value through profit or loss, direct transaction costs.

The Company's financial assets include cash and short-term deposits and trade receivables and other receivables, and unlisted financial instruments. The Company has no financial assets that are carried at fair value.

2. Summary of significant accounting policies (continuation)

2.7 Financial instruments (continuation)

2.7.2. Impairment of financial assets

The Company calculates impairment of financial assets based on expected credit losses. Expected credit losses represent the difference between contractual cash flows and cash flows that the Company expects to be realized. For short-term receivables, the Company has applied a simplified approach to calculating expected credit losses. Therefore, the Company does not monitor changes in credit risk, but recognises a value adjustment at the level of expected credit losses during the entire useful life of the financial instrument. When classifying receivables, the Company took into account the characteristics of transactions with customers, creditworthiness as well as business practices in order to segment its customers into groups of customers with similar creditworthiness in order to assess the amount of receivables collectibility.

The assessment of the amount of uncollectible receivables is based on the determined percentages for the determined rating of the customer group that are applied to all receivables of the same group.

In estimating the expected amount of credit loss, the Company relies on the age of receivables, previous experience with write-offs, customer creditworthiness and changes in payment terms.

This requires estimates related to future customer behaviour and resulting future cash collections. The actual level of receivables that have been collected may differ from the estimated collection levels, which may have a positive or negative impact on business results.

2.7.3. Financial liabilities

Financial liabilities are initially recognised at fair value, increased in the case of loans and borrowings for direct transaction costs. The Company's financial liabilities include liabilities towards suppliers and other business obligations, as well as credits and loans. Liabilities towards suppliers and other business liabilities are valued at nominal value.

All credits and loans are initially recognised at purchase value, which represents the fair value of the amount received less the amount of costs associated with the loan. After initial recognition, interest-bearing loans and borrowings are subsequently valued at amortized value using the effective interest rate. The amortized value is calculated taking into account costs, as well as discounts and premiums when settling liabilities. Gains and losses are recognised in the profit & loss statement (as revenue or expense) when the liability is written off or impaired, as well as during the amortization process.

2.7.4. Derecognition of financial assets and liabilities

A financial asset (or part of a financial asset or a group of financial assets) is derecognised if:

- The right to cash inflow based on that asset has expired;
- The company retained the right to cash inflow based on the asset, but assumed the obligation to make a payment based on that asset in full without materially significant delay to a third party based on the transfer contract; or
- The Company has transferred the rights to cash inflow based on the asset and (a) transferred all the risks and rewards related to the asset, or (b) has neither transferred nor retained all the risks and rewards related to the asset but has transferred control of the asset.

A financial liability is derecognised if the liability has been fulfilled, if the obligation has been cancelled or if the liability's validity period has expired. In the case where the existing financial liability is replaced by another liability towards the same creditor, but under significantly changed conditions or if the conditions of the existing liability are significantly changed, such replacement or change of conditions is treated as the derecognition of the original liability with the simultaneous recognition of the new liability, while the difference between the original and new value of the liability is recognised in the profit & loss statement.

2. Summary of significant accounting policies (continuation)

2.8 Inventories

Inventories includes material, spare parts, tools and other inventories purchased and held for use during Company's operations. Inventories are measured at cost or at net realizable value if such value is lower. Cost value is comprised of all purchases, conversion and other costs incurred in bringing inventories to their current location and condition. Estimates of net realizable value are based on the most reliable evidence available at the time of estimation, and the Company will measure inventories at net realizable value only if the net realizable value is lower than cost.

Impairment of inventories is also performed in case of partial loss of qualitative properties of inventory and on the basis of the proposal of the commission which performed the count and observed such condition. Inventory cost is determined by the average weighted price method. Tools and other small inventories are written off once they are put into use.

2.9 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of receivables is expected in the period of one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets and are recognised in the line other non-current receivables.

The book value of assets is impaired through value adjustments, and the amount of impairment is recognised in the profit & loss statement within valuation adjustment of short-term financial instruments and financial investments that are part of current assets. When a receivable is uncollectable, it is written off as the impairment for trade receivables. Subsequent collection of the amount previously impaired is presented in the profit & loss statement under "other operating income".

2.10 Cash on accounts and cash in hand

In the cash flow statement, cash and cash equivalents include: cash on hand, deposits at banks, other short-term highly liquid investments with maturities of three months or less, and bank overdrafts. Bank overdrafts are presented as liabilities for loans under current liabilities in the balance sheet.

2.11 Capital

The Company's capital is composed of share capital, repurchased treasury shares, revaluation reserves, accumulated profit/loss of previous years and profit of the current year.

2.12 Long-term provisions

Provisions for litigations, severance payments and jubilee awards are recognised in the following scenarios: when the Company has an existing legal or contractual obligation resulting from past events; when it is probable that the settlement of the obligation will require the outflow of funds; and when the amount of the obligation can be reasonably estimated. When there is a number of similar obligations, the probability that the settlement of liabilities will require the outflow of funds is determined at the level of those categories as a whole. Provisions are recognised even when this probability in relation to any of the obligations in the same category is small.

A provision is measured at the present value of the expense required to settle the obligation, using the discount rate that reflects the current market valuation of the value for money and the risks associated with such obligation.

2.13 Borrowings

Borrowings are recognised initially at fair value, without incurring transaction costs. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit & loss statement over the period when the loan is used applying the effective interest rate method.

2. Summary of significant accounting policies (continuation)

2.13 Borrowings (continuation)

Considerations paid when obtaining loans are recognised as transaction costs up to the amount for which is likely that the loan or part of the loan will be withdrawn. In that case, considerations will be disbursed until the final repayment of the loan. In the event that there is no evidence that a partial or total withdrawal of the loan is likely, the consideration is capitalized as a liquidity advance and are amortised over the period to which the loan relates.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

2.14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets (which need a substantial period of time to get ready for their intended use or sale), are included in the cost of those assets, until the moment when the assets is ready for intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and are subsequently measured at amortized cost using the effective interest rate method.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit & loss statement, except the amount that relates to items directly recognised in equity. Current year income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Montenegro, where the Company operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their amounts in the financial statements. However, if deferred income tax that is not accounted for in the books, arises from initially recognised asset or liability in a transaction other than a business combination which in the moment of the transaction does not affect the bookkeeping nor the taxable profit or loss, when such tax is not included in the books.

Deferred income tax is determined according to tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and which are expected to be applied in the period in which the deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax asset is recognised only up to the amount for which the future taxable profit will be available and temporary differences be covered by such profit.

Deferred tax asset is recognised on the basis of temporary differences arising on investments in subsidiaries and affiliated companies except in the case where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed in the foreseeable future. Generally, the Company is unable to control the cancelation of temporary difference for affiliated companies unless there is an agreement in place that gives the Company the ability to control the reversal of the temporary differences that are not recognised.

2. Summary of significant accounting policies (continuation)

2.16 Current and deferred income tax (continuation)

Deferred tax asset is recognised on the basis of temporary differences arising on investments in subsidiaries, affiliates and joint arrangements only up to the amount for which it is probable for the temporary differences to be cancelled in the future, future taxable profit be available and temporary differences be covered by such profit.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets with the current tax liabilities and when the deferred tax assets and liabilities relate to income taxes imposed by the same tax authority on either the entity obligated to pay taxes or, on different entities subject to the obligation to pay taxes in the case where there is an intention to settle liabilities on net basis.

2.17 Personnel costs

a) Short-term employee benefits – taxes and contributions for compulsory social security

In accordance with the regulations in Montenegro, the Company is required to pay contributions to state funds to ensure social security of employees. These obligations include contributions for employees paid by the employer in an amount calculated at the rates prescribed by relevant laws and regulations. The Company is also obliged to withhold contributions from employees' gross salaries and to pay such contributions on their behalf to these funds. Contributions of the employer and contributions of employee are posted as expenses of the period to which they refer.

b) Severance payments and jubilee awards

The present value of future liabilities under the general collective agreement of Montenegro, such as pension severance payments after fulfilment of required conditions, according to a certified actuary, amounts to EUR 896.189 (2024: 830,035), which was the basis for the creation of the provisions (Note 13).

The Company is liable (in accordance with the collective agreement) to pay to the employee jubilee awards for 10, 20, 30 and 40 years of work with the employer, and the present value of future liabilities for jubilee awards is EUR 145,138 (2024: 114,394) (Note 13).

c) Other allowances

The Company has no pension funds or options for payment to employees in the form of shares and does not have liabilities on that basis identified as of 31 December 2025.

d) Employee housing loans

Housing loans granted to employees are awarded in accordance with the Rulebook on solving housing needs of employees adopted on 29 January 2019 according to Article 45, paragraph 1, item 14 of the Company's By-Laws. In accordance with the Rulebook, funds are allocated based on purchase, i.e. construction of the apartment or family residential building, or based on improvement of housing conditions. The Rulebook stipulates that the loan liability is reduced by 3% for every year of service, provided that the loan liability cannot be lower than 25% of the granted funds. Loans are granted with a 10-20 year repayment term and 1.5% interest rate on the remaining amount of loan. The Rulebook also stipulates that an employee that offers to repay the total amount of the granted loan within one year is entitled to an additional discount of 20% and is exempted from paying the interest rate.

2. Summary of significant accounting policies (continuation)

2.18 Revenue recognition

Revenues from the provision of services are recognised in the accounting period in which the service is provided and are presented according to the invoice value minus approved discounts and value added tax. The performance obligation from the service contract is fulfilled when the corresponding service is performed.

Revenue is recognised in the amount of the transaction price. The transaction price represents the amount of consideration to which the Company expects to be entitled in exchange for the transfer of control over the contracted goods or services to the customer, excluding amounts collected on behalf of third parties.

The Company is considering whether there are other performance obligations in the contract that represent special performance obligations to which part of the transaction price should be distributed. When determining the transaction price, the Company takes into account the effects of variable consideration, the existence of significant financing components, non-monetary consideration, as well as consideration paid to the customer (if any).

The Company assesses whether the considerations paid to the customer represent payments for separable goods and services. In situations where payments refer to goods and services that are not separable in the context of the contract with the customer, the consideration is treated as a reduction of the transaction price.

Variable consideration

If the consideration in the contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at the time of contract conclusion and is limited until it is highly probable that there will be no significant reversal of the amount of cumulative revenue recognised, when the uncertainty associated with the variable consideration is subsequently resolved.

Significant financing component

The Company assesses the existence of a significant financing component when signing contracts with customers. If the current value of the contract consideration does not deviate by more than 5% from the contracted consideration, the Company considers that there is no significant financing component in the contract.

The Company does not adjust the expected consideration amount for the effects of a significant financing component if it expects, when concluding the contract, that the period from the transfer of the promised goods or services to the customer until the time the customer pays for those goods or services will be one year or less.

Contract acquisition costs

The Company chose to apply practical exceptions for contract acquisition costs incurred related to contracts that have a performance period of less than one year. Such costs are presented as expenses in the profit & loss statement at the time of their occurrence..

2. Summary of significant accounting policies (continuation)

2.18 Revenue recognition (continuation)

Contract assets and liabilities

A contract asset is a right to consideration in exchange for goods or services that have been transferred to the customer. If the Company fulfils its contract liability by transferring the goods or services to the customer before the payment or maturity of the consideration, the contract asset is recognised in the form of the acquired consideration which is conditional.

A contract liability is the liability to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer. If the customer pays the consideration before the Company transfers the goods or services to the customer, the contract liability is recognised when the payment is made or when the payment is due (whichever occurs first). Contract liabilities are recognised as revenue when the Company fulfils its liabilities according to the contract.

Revenues include the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown excluding the value-added tax, goods returns, rebates and discounts after eliminating revenue generated within the Company.

Revenues from the use of the transmission network, fees for losses and excessive withdrawal of electricity

In 2025, the Company recognises this type of revenues in the amount of the fee to customers connected to the transmission network. Fees are based on the meter data on the realized transmission of electricity, in line with the tariff rates determined by the Agency.

By the decisions of the Agency (no. 22/3136-25 of 30 November 2022 and no. 24/2408-30 of 18 November 2024), tariff rates for the transmission of electricity were determined for a period of three years (2023 - 2025) including the reporting period.

Use of transmission capacity by producers

Revenues from the use of transmission capacities are based on fixed monthly fees for the lease of transmission capacity based on tariff rates determined by the Agency (Decision no. 22/3136-25 of 30 November 2022 and Decision no. 24/2408-30 of 18 November 2024).

The transmission capacities used are defined on an annual basis with all customers connected to the transmission network.

Revenue from balancing services and other ancillary services

The revenues from the service of system balancing are based on the principle of decreasing or increasing of the transmitted electricity in real time, in order to maintain the balance between production and consumption of electricity.

In 2025, the Company earns revenue from balancing services by delivering electricity to the balance entities responsible for deviation (based on the tariff schedule determined by the Agency through Decision no. 22/3135-10 of 30 November 2022 and Decision no. 24/2408-30 of 18 November 2024).

In accordance with the EU Regulation 2017/2195 of 1 June 2021, a new ENTSO-E methodology for settling unwanted deviations has been applied (Financial Settlement Δf , ACE, RP - Fskar) within the "Continental Europe" synchronous zone, which is in place instead of the current mechanism for calculating compensation programs.

2. Summary of significant accounting policies (continuation)

2.18 Revenue recognition (continuation)

Revenue from ITC services

The Company, as the transmission system operator, is a signatory of the ITC Clearing and Settlement Agreement, which provides basis for revenue generation from the fee charged for the covering of cost incurred from the international transit of energy. Revenue from the ITC mechanism is determined through the methodology established by the ENTSO-E (European Transmission System Operators) in accordance with the Decision no. 1228/2003 of the European Parliament and of the Council on the conditions of access to the network for cross-border exchanges in electricity.

Revenues from the allocation of transmission capacities

The revenues from the allocation of transmission capacities include the fee for the use of the transmission network allocated to the auction processes organised by the Company and the Agency for auction coordination and allocation of cross-border capacities (SEE CAO).

The allocation fee is determined on the basis of allocated capacity as well as tariff rates determined by realized demand at the level of the separate auction process.

Revenues from leasing optical fibre

Revenues from leasing optical fibre refer to the fee that telecommunication operators allocate for the lease of optical fibres owned by the Company.

2.19 Donations received

Donations received are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all required conditions.

Donations received relating to costs are deferred and recognized in the profit & loss statement over the period necessary to match them with the costs they are intend to compensate.

Donations received relating to the purchase of property, plant, equipment and biological assets are included in non-current liabilities and are disclosed in the profit & loss statement using the straight-line method over the expected useful life of the related assets.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

2. Summary of significant accounting policies (continuation)

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors, which makes strategic decisions. Consequently, there are no segments that can be identified at the Company because all relevant decisions are made at the Company level.

3. Financial risk management

During its ordinary course of business, the Company is exposed to varying degrees of financial risks such as:

- Market risk,
- Liquidity risk,
- Credit risk.

Risk management in the Company is focused on minimizing potential negative impacts on the Company's financial position and operations in the situation of the unpredictability of financial markets. The Company does not use derivative financial instruments in any form of insurance against losses caused by risks. There is no formal framework for risk management in the Company. The Financial Department is mainly focused on credit risk and liquidity risk and acts in individual cases in order to reduce risk.

Categories of financial instruments

Financial assets	2025	2024
Share capital	514,308	514,308
Long-term financial investments	924,821	844,219
Short-term receivables	8,444,221	11,799,619
Cash on accounts and cash in hand	55,277,748	57,390,695
Total	65,161,098	70,548,841

Financial liabilities	2025	2024
Long-term loans	27,536,461	36,144,175
Liabilities for loans taken from credit institutions	12,862,262	13,159,278
Trade payables	16,270,074	9,630,912
Received advances, deposits and caution money	624,967	1,067,973
Other liabilities from business operations and other short-term liabilities	741,604	646,324
Total	58,035,368	60,648,662

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

3. Financial risk management (continuation)

3.1. Objectives of financial risk management

Financial risks include market risk (foreign exchange and interest rate), credit risk and liquidity risk. Financial risks are reviewed for a specific period of time and are primarily avoided by reducing the Company's exposure to these risks. The Company does not use any financial instruments to avoid the impact of financial risks on the business because such instruments are not widely used, nor there is a market for such instruments in Montenegro.

3.2. Market risk

In its operation, the Company is exposed to financial risks from change in foreign exchange rates and changes in interest rates.

The exposure to market risk is addressed through sensitivity analysis. There have been no relevant changes in the Company's exposure to market risk nor in the way in which the Company manages or measures this risk.

a) The risk of change in foreign exchange rates

The Company is exposed to the risk of changes in foreign exchange rates primarily because of long-term loans with banks. The loan from the World Bank is received in the Special Drawing Rights-SDR currency, and therefore, the Company is exposed to the risk of changes in foreign exchange rates. The bookkeeping amount of liabilities stated in foreign currency as of the date of reporting in the Company was the following:

	2025	2024
Loan liabilities in SDR	770,137	1,282,883
Loan liabilities in EUR	897,618	1,609,788

As of 31 December 2025, if EUR had increased/decreased by 5% in relation to SDR, where other variables remained the same, the annual profit after tax would have been increased/decreased by the amount EUR 44,881 (2024: EUR 80,489), which would mainly be the result of an increase/decrease in the exchange rate SDR during denomination of liabilities relating to the current loan arrangement with the Word Bank. These changes would not significantly affect the financial result of the Company.

The Company's exposure to currency risk as of 31 December 2025:

	EUR	Other currency
Financial assets		
Share capital	514,308	-
Long-term financial investments	924,821	-
Short-term receivables	8,444,221	-
Cash on accounts and cash in hand	55,277,748	-
Total	65,161,098	-
Financial liabilities		
Long-term loans	27,536,461	-
Liabilities for loan taken from credit institutions	12,862,262	-
Accounts payable	16,270,074	-
Received advances, deposits and caution money	624,967	-
Other liabilities from business operations and other short-term liabilities	741,604	-
Total	58,035,368	-
Net position	7,125,730	-

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

3. Financial risk management (continuation)

3.2. Market risk (continuation)

The Company's exposure to currency risk as of 31 December 2024:

	EUR	Other currency
Financial assets		
Share capital	514,308	-
Long-term financial investments	844,219	-
Short-term receivables	11,799,619	-
Cash on accounts and cash in hand	57,390,695	-
Total	70,548,841	-
Financial liabilities		
Long-term loans	36,144,175	-
Liabilities for loan taken from credit institutions	13,159,278	-
Accounts payable	9,630,912	-
Received advances, deposits and caution money	1,067,973	-
Other liabilities from business operations and other short-term liabilities	646,324	-
Total	60,648,662	-
Net position	9,900,179	-

b) The risk of changes in interest rates

The Company is exposed to various risks which, through the effects of changes in market interest rate, influence its financial position and cash flows. The business operations of the Company are exposed to the risk of interest rate fluctuations to the extent in which interest-earning assets and interest-bearing liabilities mature at different times or in differing amounts.

The Company's exposure to interest rate risk as of 31 December 2025:

	Non-interest bearing	Fixed interest rate	Variable interest rate	Total
Financial assets				-
Share capital	514,308	-	-	514,308
Long-term financial investments	-	924,821	-	924,821
Short-term receivables	8,444,221	-	-	8,444,221
Cash on accounts and cash in hand	20,277,748	35,000,000	-	55,277,748
Total	29,236,277	35,924,821	-	65,161,098
Financial liabilities				
Long-term loans	373,618	12,576,798	14,586,045	27,536,461
Liabilities for loan taken from credit institutions	524,000	4,551,073	7,787,189	12,862,262
Accounts payable	16,270,074	-	-	16,270,074
Received advances, deposits and caution money	624,967	-	-	624,967
Other liabilities from business activities and other short-term liabilities	741,604	-	-	741,604
Total	18,534,263	17,127,871	22,373,234	58,035,368
Net position	10,702,014	18,796,950	(22,373,234)	7,125,730

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

3. Financial risk management (continuation)

3.2. Market risk (continuation)

The Company's exposure to interest rate risk as of 31 December 2024:

	Non-interest bearing	Fixed interest rate	Variable interest rate	Total
Financial assets				-
Share capital	514,308	-	-	514,308
Long-term financial investments	-	844,219	-	844,219
Short-term receivables	11,799,619	-	-	11,799,619
Cash on accounts and cash in hand	37,390,695	20,000,000	-	57,390,695
Total	49,704,622	20,844,219	-	70,548,841
Financial liabilities				
Long-term loans	952,262	13,724,362	21,467,551	36,144,175
Liabilities for loan taken from credit institutions	657,526	5,097,896	7,403,856	13,159,278
Accounts payable	9,630,912	-	-	9,630,912
Received advances, deposits and caution money	1,067,973	-	-	1,067,973
Other liabilities from business operations and other short-term liabilities	646,324	-	-	646,324
Total	12,954,997	18,822,258	28,871,407	60,648,662
Net position	36,749,625	2,021,961	(28,871,407)	9,900,179

Company's risk from changes in fair value of interest rates arises primarily from the liabilities for long-term loans taken at a variable interest rate tied to EURIBOR, which gives rise to interest rate risk of the cash flows.

The sensitivity analyses outlined in the following text are established based on the exposure to changes in interest rates for instruments at the balance sheet date. For liabilities with variable interest rates, the analysis is made under assumption that the remaining amount of assets and liabilities at balance sheet date was unchanged throughout the year. An increase of 1% represents, according to management, an estimate for a realistic possible change in interest rates. If interest rate was 1% higher or lower and all other variables remained unchanged, the Company would have financial effects in the amount of EUR 223,732 (2024: EUR 288, 714) for the year ending 31 December 2025. This situation is attributed to exposure.

c) Risk from changes in other prices

Risk from changes in other prices includes changes in the price of capital, the risk of payment before maturity and residual value. Revenue and prices of the Company are set by Energy Regulatory Agency through a decision, pursuant to applicable Methodology for setting regulatory allowed revenue and prices for use of electricity transmission system. The Company is not significantly exposed to these types of risks.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

3. Financial risk management (continuation)

3.3. Credit risk

Credit risk is the risk of financial loss for the Company as a result of delays in settlement of obligations by customers or other parties. Credit risk is primarily associated with the exposure of the Company on the basis of cash and cash equivalents, receivables from legal entities and individuals and commitments. The Company operates with creditworthy partners. The Finance and Payments Operations Department is responsible for monitoring the credit risk of partners.

Non due trade receivables

Non-due trade receivables on 31 December 2025 in the amount of EUR 5,136,398 (2024: EUR 9,966,780)

Due and impaired trade receivables

In previous period, the Company has impaired trade receivables that have matured in the amount of EUR 413,792 for which the Company has determined that there has been a change in the creditworthiness of the customers and that receivables will not be collected.

3.4. Liquidity risk

Liquidity risk is the risk that the Company is unable to fund assets with appropriate sources of financing in terms of maturities and rates, the risk of being unable to liquidate an asset at a reasonable price and within the appropriate timeframe, as well as the risk of being unable to meet liabilities when they become due.

The Financial Department of the Company is responsible for monitoring the level of short-term financing and balancing the needs of short-term and long-term financing.

The Company's exposure to liquidity risk as of 31 December 2025:

	Up to 1 month	1 month to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Financial assets						
Share capital	-	-	-	-	514,308	514,308
Long-term financial investments	-	-	-	-	924,821	924,821
Short-term receivables	6,940,398	1,152,619	351,204	-	-	8,444,221
Cash on accounts and cash in hand	55,277,748	-	-	-	-	55,277,748
Total	62,218,146	1,152,619	351,204	-	1,439,129	65,161,098
Financial liabilities						
Long-term loans	-	-	-	15,341,327	12,195,134	27,536,461
Liabilities for loan taken from credit institutions	-	-	12,862,262	-	-	12,862,262
Accounts payable	-	-	16,270,074	-	-	16,270,074
Received advances, deposits and caution money	624,967	-	-	-	-	624,967
Other liabilities from business operations and other short-term liabilities	741,604	-	-	-	-	741,604
Total	1,366,571	-	29,132,336	15,341,327	12,195,134	58,035,368
Net position	60,851,575	1,152,619	(28,781,132)	(15,341,327)	(10,756,005)	7,125,730

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

3. Financial risk management (continuation)

3.4. Liquidity risk (continuation)

The Company's exposure to liquidity risk as of 31 December 2024:

	Up to 1 month	1 month to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
Financial assets						
Share capital	-	-	-	-	514,308	514,308
Long-term financial investments	-	-	-	-	844,219	844,219
Short-term receivables	11,234,877	-	564,742	-	-	11,799,619
Cash on accounts and cash in hand	57,390,695	-	-	-	-	57,390,695
						-
Total	68,625,572	-	564,742	-	1,358,527	70,548,841
Financial liabilities						
Long-term loans	-	-	-	36,144,175	-	36,144,175
Liabilities for loan taken from credit institutions	-	-	13,159,278	-	-	13,159,278
Accounts payable	-	-	9,630,912	-	-	9,630,912
Received advances, deposits and caution money	1,067,973	-	-	-	-	1,067,973
Other liabilities from business operations and other short-term liabilities	646,324	-	-	-	-	646,324
Total	1,714,297	-	22,790,190	36,144,175	-	60,648,662
Net position	66,911,275	-	(22,225,448)	(36,144,175)	1,358,527	9,900,179

3.5. Capital risk management

The Company selected the financial capital concept and its maintenance, according to which capital is defined on the basis of nominal monetary units.

The objective of capital management is to maintain the Company's ability to continue its operations for an indefinite period in the foreseeable future in order to preserve an optimal capital structure with the objective to reduce the cost of capital and secure dividends to shareholders.

As of 31 December 2024	Within 1 year	Between 1 and 2 year	Between 2 and 5 years and over 5 years
Loan liabilities (without liabilities for financial leasing)	13,159,278	-	36,144,175
As of 31 December 2025	Within 1 year	Between 1 and 2 year	Between 2 and 5 years and over 5 years
Loan liabilities (without liabilities for financial leasing)	12,862,262	-	27,536,461

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

3. Financial risk management (continuation)

3.6. Capital management

The objective of capital management is to maintain the Company's ability to continue its operations for an indefinite period in the foreseeable future, in order to ensure a return (profit) to shareholders and benefits to other stakeholders and to preserve an optimal capital structure with the objective to reduce the cost of capital.

In order to preserve and shape the structure of capital, the Company may correct payment of dividend to shareholders, return the capital to shareholders, issue new shares or even sell assets to reduce debts.

The Company, like other companies performing the same activity, follows the capital on the basis of debt-to-equity ratio. This ratio is calculated by a ratio of net debt of the Company and its total capital. Net debt is obtained by reducing the total loans (including short-term and long-term loans, as shown in balance sheet) by cash and cash equivalents. The total capital is obtained by adding net debts to the capital recognized in the balance sheet.

As of 31 December 2025 and 2024, the debt-to-equity ratio of the Company was as follows:

	2025	2024
Loan liabilities – total (Note 14)	40,398,723	49,303,453
Minus: cash on accounts and cash in hand (Note 10)	55,277,748	57,390,695
Net debts	(14,879,025)	(8,087,242)
Total capital	275,012,899	259,980,976
Capital increased by net debt	260,133,874	251,893,734
Debt-to-equity ratio	(5.7)	(3.2)

4. Critical accounting estimates and judgments

The preparation of financial statements in accordance with the applicable framework for financial reporting requires the management to make best possible estimates and reasonable assumptions that affect the presented amounts of the assets and liabilities and disclosure of contingent receivables and liabilities as of the financial reporting date, as well as income and expenses during the reporting period. These estimates and associated assumptions are based on information available as of the financial reporting date, which appear to be real and reasonable in the given circumstances. On the basis of this information, the assumption about the values of assets and liabilities is formed, which cannot be immediately confirmed on the basis of other information. The fair value of assets and liabilities may differ from the value estimated in this way.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revised accounting estimates are shown in the period in which they are revised in case the estimate affects only that period, or in the period in which they are revised and in future periods in case the revision affects both current and future periods.

The basic assumptions relating to future events and other significant uncertainties when making an estimate at the balance sheet date, which bear the risk with a possible outcome in material adjustments to the present value of assets and liabilities in next financial year are presented below:

a) *Useful life of property, plant and equipment*

Determining the useful life of property, plant and equipment is based on historical experience with similar assets as well as on a wide range of economic and industrial factors. The adequacy of the estimated useful life is reviewed annually or when there are indications of significant changes in the assumptions.

4. Critical accounting estimates and judgments (continuation)

b) Impairment of property, plant and equipment

Impairment exists when the present value of assets or cash generating unit exceeds the recoverable amount, which is higher between the fair value of the impairment of the cost of sales and use value. Fair value is based on independent sales transactions of similar assets or observed market prices minus additional costs of disposal.

The calculation of the use value is based on the discounted cash flow model. The recoverable amount is most sensitive to changes in the discount rate used to discount cash flows, as well as to future cash flows that are expected and their growth rate used for extrapolation purposes. The management believes that on the reporting date the recoverable value of property, plant and equipment reaches its present value.

c) Income tax and other taxes

The Company is subject to the obligation to pay income tax and other taxes in accordance with the tax regulations of Montenegro. Tax returns are subject to approval by tax authorities that have the right to perform ex-post controls of the taxpayer's records. The Company recognizes a provision based on reasonable estimates for the possible effects of issues arising from the control of tax authorities. The amount of such provisions is based on a variety of factors, such as the experience of previous audits by tax authorities and various interpretations of tax regulations by taxpayers and tax authorities. Such differences in interpretations may arise from various issues.

d) Deferred taxes

The Company calculates deferred tax liabilities, i.e. the amounts of tax from profits that are paid in subsequent periods based on taxable temporary differences.

Deferred tax assets are amounts of tax from profits that can be recovered in subsequent periods based on:

- (a) deductible temporary differences;
- (b) unused tax deductions that are carried over to the next period; and
- (c) unused tax profits that are carried over to the next period.

Temporary differences are differences between the amount of assets or liabilities shown in the balance sheet and their tax base. Temporary differences can be either:

(a) taxable temporary differences, which include temporary differences that will result in taxable amounts when determining the taxable profit (taxable loss) of future periods when the amount of the asset or liability shown in the balance sheet is recovered or settled; or

(b) deductible temporary differences, i.e. temporary differences that will result in amounts that are deducted when determining the taxable profit (taxable loss) of future periods when the amount of the asset or liability shown in the balance sheet is recovered or settled.

The tax base of an asset or liability is the amount attributed to that asset or liability for taxation purposes.

For the recognition of assets or liabilities, it is characteristic that the company that submits the report expects to recover or settle the stated value of that asset or liability. If it is likely that the recovery or settlement of that stated value will make future tax payments higher (lower) than they would be if that recovery or settlement had no tax consequences, this standard requires the company to recognise a deferred tax liability (deferred tax asset) with certain limited exceptions. Bearing in mind the assessment of the trend of business results in the future period, a deferred tax rate of 12.37% was applied.

Critical accounting estimates and judgments (continuation)

e) Severance pay liabilities

The present value of the severance pay liabilities after the fulfilment of conditions depends on a number of factors determined on an actuarial basis using a number of assumptions. Assumptions used to determine the net cost (income) for pensions include a discount rate, wage movement, staff fluctuations, and mortality tables. Any changes in these assumptions will affect the book value of pension liabilities.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate to be applied when determining the present value of the expected future cash payments that are expected to be necessary in order to meet the severance pay liabilities. When determining the appropriate discount rate, the Company takes into consideration the interest rate of high-quality bonds that are stated in the currency in which the severance pay liabilities will be paid and which have a maturity that roughly corresponds to the maturity of the pensions liabilities.

Other key assumptions relating to pension obligations are partly based on current conditions. Additional information is disclosed in Note 13.

f) Litigations

The Company makes provisions for the outflow of funds that may arise from the ongoing legal disputes against the Company on the day of the preparation of financial statements, and according to the expected outcome of individual legal disputes. If there is a probability greater than 50% of having a negative outcome of litigation, the Company makes a provision up to the amount needed to settle the obligation in full. Although the Company observes the precautionary principle in the assessment, given that there is a large degree of uncertainty, in certain cases actual results may deviate from these estimates.

g) Impairment of receivables and other receivables

The Company calculates the impairment of doubtful receivables based on estimated losses that arise, because debtors are not able to make the required payments. In assessing the appropriate amount of the impairment loss for doubtful receivables, the Company relies on the age of receivables, previous experience with write-off, customer solvency and changes in terms of payment. This requires estimates relating to future buyers' behaviour and resulting future cash collections. In the management's opinion, there are no additional provisions for impairment that should be included in the Company's financial statements.

h) Significant events and their impact on business

In accordance with the regulatory and legal framework, on 18 November 2024, the Energy and Water Regulatory Agency issued a Decision determining negative revenue adjustments of EUR 35.7 million for 2023 to CGES based on the deviation of the actual economic and energy values from the approved values in 2023, whereby it was determined that part of the said adjustment in the amount of EUR 9.5 million will be applied in 2025. The aforementioned decision had a negative impact on the achieved business results, however, without affecting the financial stability and sustainability of the company.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

5. Intangible assets

in EUR	Concessions, patents, licenses and other rights	Intangible assets (computer programs)	Other intangible assets	Total
Balance as of 1 January 2024	100,103	2,158,791	425,701	2,684,595
Additions	35,090	144,275	-	179,365
As of 31 December 2024	135,193	2,303,066	425,701	2,863,960
Balance as of 1 January 2025	135,193	2,303,066	425,701	2,863,960
Additions	-	289,217	-	289,217
Balance As of 31 December 2025	135,193	2,592,283	425,701	3,153,177
Accumulated amortisation and impairment				
Balance as of 1 January 2024	61,775	931,102	-	992,877
Accumulated amortisation and impairment	19,996	358,478	-	378,474
Balance as of 31 December 2024	81,771	1,289,580	-	1,371,351
Balance as of 1 January 2025	81,771	1,289,580	-	1,371,351
Accumulated amortisation and impairment	16,323	370,288	-	386,610
Balance as of 31 December 2025	98,094	1,659,868	-	1,757,961
Net present value as of 31.12.2024	53,422	1,013,486	425,701	1,492,609
Net present value as of 31.12.2025	37,099	932,415	425,701	1,395,216

Intangible assets are computer software and licenses. Acquired computer software licenses are capitalized on the amount of costs incurred in acquiring and putting into use the software. These costs are depreciated over their estimated useful life (5 years).

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

6. Property, plant, equipment and biological assets

	Land	Perennial plants	Building	Machinery and equipment	Property, plant, equipment and intangible investment in construction	Other	Advance payment	Total
Balance as of 1 January 2024	20,675,236	29,280	195,517,780	275,367,369	29,228,117	6,529,676	1,892,717	529,240,175
Additions	-	-	-	49,935	11,878,228	63,070	14,914,607	26,905,840
Transfer to fixed assets (intangible assets)	-	-	-	-	(179,365)	-	-	(179,365)
Transfer to fixed assets from investment storage	-	-	-	-	(113,005)	-	-	(113,005)
Transfer to fixed assets (activation)	-	-	2,308,012	9,813,436	(14,554,393)	2,432,945	-	-
Expense	-	-	-	-	-	(2,824)	-	(2,824)
Transfer to investment in construction	-	-	-	-	-	-	(1,454,742)	(1,454,742)
Shortage	-	-	-	-	-	(1,260)	-	(1,260)
Balance as of 31 December 2024	20,675,236	29,280	197,825,792	285,230,740	26,259,582	9,021,607	15,352,582	554,394,819
Cost or valuation								
Balance as of 1 January 2025	20,675,236	29,280	197,825,792	285,230,740	26,259,582	9,021,607	15,352,582	554,394,819
Additions	-	-	1,228	95,469	33,991,001	43,725	3,978,296	38,109,719
Transfer to fixed assets (intangible assets)	-	-	-	-	(289,217)	-	-	(289,217)
Transfer to fixed assets from investment storage	-	-	-	-	(140,422)	-	-	(140,422)
Transfer to fixed assets (activation)	854,825	-	6,788,079	6,115,229	(14,947,889)	1,189,756	-	-
Expense	-	-	(979,925)	(169,641)	-	(1,637)	-	(1,151,203)
Transfer to investment in construction	-	-	-	-	-	-	(12,632,921)	(12,632,921)
Disposals	-	-	-	(358,754)	-	-	-	(358,754)
Shortage	-	-	-	-	-	(467)	-	(467)
Balance as of 31 December 2025	21,530,061	29,280	203,635,174	290,913,043	44,873,055	10,252,984	6,697,957	577,931,554
Depreciation:								
As of January 1 2024	-	-	108,935,841	147,440,503	-	3,961,334	-	260,337,678
Depreciation for the year (Note 20)	-	-	3,144,161	6,384,667	-	705,054	-	10,233,882
As of December 31, 2024	-	-	112,080,002	153,825,170	-	4,666,388	-	270,571,560
Depreciation:								
As of January 1 2025	-	-	112,080,002	153,825,170	-	4,666,388	-	270,571,560
Depreciation for the year (Note 20)	-	-	3,015,755	6,593,503	-	1,033,147	-	10,642,405
As of December 31, 2025	-	-	115,095,757	160,418,673	-	5,699,535	-	281,213,965
Net carrying amount:								
As of December 31, 2025	21,530,061	29,280	88,539,417	130,494,370	44,873,055	4,553,449	6,697,957	296,717,589
As of December 31, 2024	20,675,236	29,280	85,745,790	131,405,570	26,259,582	4,355,219	15,352,582	283,823,259

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

7. Long-term financial investments and long-term receivables

	2025	2024
Equity investments in legal entities abroad	84,313	84,313
Equity investments in legal entities in country	429,995	429,995
Long-term financial investments	924,821	844,219
Total	1,439,129	1,358,527

Equity investments of other legal entities in the amount of EUR 84,313 (2024: EUR 84,313) refer to the equity investments of Elektroenergetski koordinacioni centar d.o.o. Beograd (English: Electricity Coordinating Centre Ltd) in the amount of EUR 49,548 (2024: EUR 49,548) and Centar za koordinaciju sigurnosti Beograd (English: Security Coordination Centre Belgrade) in the amount of EUR 34,765 (2024: EUR 34,765).

Equity investments of other legal entities in country in the amount of EUR 429,995 refer to the equity investments of SEECAO Podgorica in the amount of EUR 40,000 (2024: EUR 40,000) as well as investments in a newly-established company Berza električne energije d.o.o. Podgorica (English: Power Exchange Ltd Podgorica) in the amount of EUR 389,995 (2024: EUR 389,995).

Other long-term receivables in the amount of EUR 924,821 (2024: EUR 844,219) refer to housing loans granted to employees in accordance with the Rulebook on solving housing needs of employees adopted pursuant to the Law on Housing and Maintenance of Residential Buildings (Official Gazette of Montenegro no. 04/11 of 18.01.2011, 40/11 of 08.08.2011) and the By-Laws of Elektroprivreda Crne Gore AD Nikšić and from 2011 the Company's By-Laws. In accordance with this Rulebook, the allocation of funds is made on the basis of purchase, i.e. the construction of an apartment or a family residential building or improvement of living conditions. The Rulebook lays down that the loan liability for each year of service is reduced by 3% whereby the loan liability cannot be less than 25% of the allocated funds. Loans are granted with a repayment period from 10 to 20 years and an interest rate of 1.5% on the residual loan amount. The Rulebook stipulates that employees who offer payment of the total amount of the loan granted within one year are entitled to an additional 20% discount and are released from their obligation to pay interests.

8. Inventories

	2025	2024
Material and spare parts	2,596,913	2,430,266
Advances paid	6,563	2,849
Total inventories – net	2,603,476	2,433,115

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

9. Short-term receivables

	2025	2024
Receivables from sales	8,506,809	11,968,837
Receivables for interest	334,968	235,206
Other receivables	1,873,262	792,615
Minus: provisions for impairment	(413,792)	(413,792)
Total receivables	10,301,247	12,582,866

As of 31 December 2025, for sales receivables in the amount of EUR 8,506,809 (2024: EUR 11,968,837) were collectible in the amount of EUR 8,093,017 (2024: 11,555,045), while the amount of EUR 413,792 (2024: 413,792) was impaired.

Age structure of these receivables was as follows:

	2025	2024
Within 3 months	8,033,851	11,553,525
3 - 6 months	56,056	6
More than 6 months	3,110	1,514
As of 31 December	8,093,017	11,555,045

Changes in the account of provisions for impairment of receivables are as follows:

	2025	2024
At the beginning of the year	413,792	413,792
Provisions for impaired receivables – indirect write-off	-	-
Paid impaired receivables	-	-
As of 31 December	413,792	413,792

The formation and cancellation of provisions for losses from impaired receivables is stated under “valuation adjustment of short-term financial instruments and financial investments that are part of current assets” in the profit & loss statement (Note 33). Changes in the discounted cash flow are included as “finance expense” in the profit & loss statement. The amounts posted as the value adjustment are impaired when they are not expected to be collected. Other categories within the position of sales receivables and other receivables do not contain impaired assets.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

10. Cash on accounts and cash in hand

	2025	2024
Cash at bank	19,543,693	36,748,673
Cash with limited use (for dividend payment)	731,818	638,957
Cash on hand	2,237	3,065
Short-term bank deposits	35,000,000	20,000,000
Total:	55,277,748	57,390,695

Short-term bank deposits are funds deposited on saving accounts at commercial banks and can be disposed at all times, in accordance with the Company's needs.

An overview of the short-term deposits at the bank is given in the table below:

	2025	2024
Erste banka	20,000,000	10,000,000
NLB banka	15,000,000	10,000,000
Total:	35,000,000	20,000,000

The effective interest rate on short-term deposits at banks ranges between 1.5 % to 2%.

11. Prepayments and accrued income

	2025	2024
Prepaid expenses	14,148	5,140
Deferred income	6,126,635	4,866,496
Deferred expenses	1,616,521	1,280,190
Total	7,757,304	6,151,826

The largest part of prepayments and accrued income consists of not invoiced revenues of the current period (system balancing services for October, November and December 2025 and the ITC mechanism), accrued operating expenses and accrued expenses based on approved loans.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

12. Capital and reserves

	Share capital	Revaluation reserve	Repurchased treasury shares	Reserves	Retained profit (loss)	Total
As of 1 January 2024	155,108,283				90,038,061	245,146,344
Profit for the year					24,834,632	24,834,632
Dividend paid	-	-	-	-	(10,000,000)	(10,000,000)
As of 31 December 2024	155,108,283	-	-	-	104,872,693	259,980,976
As of 1 January 2025	155,108,283				104,872,693	259,980,976
Correction of a prior period error					(957,707)	(957,707)
Profit for the year					20,989,630	20,989,630
Dividend paid	-	-	-	-	(5,000,000)	(5,000,000)
As of 31 December 2025	155,108,283	-	-	-	119,904,616	275,012,899

12.1. Share capital

The share capital of the Company as of 31 December 2025 amounts to EUR 155,108,283 (2024: EUR 155,108,283) and is divided into 146,176,876 ordinary shares with voting rights at a nominal value of EUR 1.0611. All shares are held in a dematerialized form in the computer system of the Central Securities Depository and Clearing Company (CKDD). The statement from the CKDD register is the only legal proof of ownership over securities.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

12.1 Share capital (continuation)

Shareholders	Share capital (EUR)	Number of shares	Nominal value (EUR)	Participation %
State	85,893,211	80,947,329	1.0611	55.3763
Terna - Rete Elettrica Nazionale SpA, Italia	34,261,768	32,288,915	1.0611	22.0889
Elektromreža Srbije - EMS	23,266,243	21,926,532	1.0611	15.0000
Laderna International	173,634	163,636	1.0611	0.1119
M&V INVESTMENTS AD Beograd	157,082	148,037	1.0611	0.1013
Mutual Investment Fund TREND	140,360	132,278	1.0611	0.0905
The Bader Family Foundation	56,360	53,115	1.0611	0.0363
Institut računovođa i revizora Crne Gore (Institute of Accountants and Auditors of Montenegro)	37,987	35,800	1.0611	0.0245
Natural persons	10,409,212	9,809,831	1.0611	6.7109
Legal persons and custody accounts	712,426	671,403	1.0611	0.4593
Total	155,108,283	146,176,876	1.0611	100.00

Equity is composed of:	2025	2024
Share capital	155,108,283	155,108,283
Retained profit/(loss) from previous years	98,914,986	80,038,061
Profit for the current year	20,989,630	24,834,632
Total	275,012,899	259,980,976

At the XVI Ordinary Shareholder Meeting held on 25 June 2025, a decision was adopted to distribute net profit for 2024 (EUR 24,834,632) so as to pay EUR 5,000,000 to shareholders and distribute EUR 19,834,632 as retained profit and accumulate it with retained profit from previous years.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

13. Long-term provisions

Movements on the accounts were as follows:

	Provisions for severance pay and jubilee awards	Provisions for litigations	Other provisions	Total
Balance as of 31 December 2023	860,061	605,734	480,488	1,946,283
Additional provisions	185,282	403,714	-	588,996
Payment made for provisions	(100,914)	(15,083)	(64,159)	(180,156)
as of 31 December 2024	944,429	994,365	416,329	2,355,123
Payment made for provisions	(24,322)	(127,080)	(28,751)	(180,153)
Additional provisions	121,220	1,002,378	-	1,123,598
Cancellation of provisions	-	(205,514)	-	(205,514)
as of 31 December 2025	1,041,327	1,664,149	387,578	3,093,054

a) The principal actuarial assumptions used were as follows:

	2025	2024
Discount rate	4.875%	5.88%
Future salary increases	5.16	5.32
Net coefficient benchmark (EUR)	171.28	Up to 1 October 2024 148.92 Up to 1 October 2024 159.64
Employee fluctuation/mortality/morbidity	3.93%	3.77%
Non-taxable portion of severance pay (EUR)	1,000	1,000

b) Litigations

The amounts disclosed represent provisions for claims brought against the Company by third parties. The provision costs are recognised in the income statement within provision expenses.

After taking appropriate legal advice, the assumption is that the outcome of these claims will not lead to a significant loss above the amount reserved as of 31 December 2025.

c) Other provisions

The amount shown includes an estimate by the Company's management of future cash expenditures based on other legal and derivative liabilities.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

14. Long-term borrowings

	2025	2024
Long-term borrowings-domestic	11,655,114	13,154,631
Long-term borrowings-foreign	15,881,347	22,989,544
Total	27,536,461	36,144,175

A detailed overview of received loans as of 31. December 2025 is given in the table below:

No.	Creditor and details	Basis	Interest rate	Portion of long-term liabilities mature within 1 year	Long-term portion of loans 31.12.2025	Total 31.12.2025
1.	Loan World Bank (SDR) 5,240,000.00 SDR (87.33% of 6,000,000 SDR)	Agreement no. 10-00-1050 portion and Agreement no. 1821 of 25.2.2010 on the transfer of loan funds and responsibilities between EPCG AD Nikšić, the State of Montenegro and the Company	-	524,000	373,618	897,618
2.	KESH (KfW) Tirana 9,810,659 €	Agreement no. 10-00-13077 portion and Agreement on transfer of funds and responsibilities based on the loan of 10.5.2011 between EPCG AD Nikšić, KESH Tirana and KfW	0.75%	29,455	540,020	569,475
3.	Loan EBRD for OHL Lastva - Čevo	Agreement no. 5975 and 5976 of 8.5.2013	Euribor 6M + 1%	7,787,189	14,586,045	22.373.234
4.	KfW loan for SS 110/35 kV Luštica with connection to 110 kV network (20.0 mln)	Agreement no. 11952/18 of 2018		3,022,101	381,664	3.403.765
5.	Loan NLB for highway	Agreement no. 2023/8592 of 2.6.2023	4.7%	1,499,517	11,655,114	13.154.631
Total				12,862,262	27,536,461	40,398,723

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

14. Long-term borrowings (continuation)

A detailed overview of received loans as of 31. December 2024 is given in the table below:

No.	Creditor and details	Basis	Interest rate	Portion of long-term liabilities mature within 1 year	Long-term portion of loans 31.12.2024	Total 31.12.2024
1.	EIB – European Investment Bank, Luxembourg	Agreement no. 21756 and the Agreement on the Transfer of Funds and Responsibilities under the Loan dated 01 February 2011 between EPCG AD, Nikšić and the Company	-	136,756	-	136.756
2.	World Bank Credit (SDR) 5,240,000 SDR (87.33% of 6,000,000 SDR)	Agreement no. 10-00-1050 (part) and Agreement No. 1821 dated 25 February 2010 on the transfer of loan funds and responsibilities between EPCG AD, Nikšić, the State of Montenegro, and the Company.	-	657,526	952,262	1.609.788
3.	KESH (KfW) Tirana 9,810,659 €	Agreement no. 10-00-13077 (part) and the Agreement on the Transfer of Loan Funds and Responsibilities dated 10 May 2011 between EPCG AD, Nikšić, KESH, Tirana, and KfW	0.75%	44,183	569,731	613.914
4.	KfW Loan for the 400/110/35 kV Lastva	Agreement no. 5974 dated 08 May 2013.	2.4%	1,128,952	-	1.128.952
5.	EBRD Loan for the Lastva – Čevo Transmission Line	Agreement no. 5975 and 5976 dated 08 May 2013.	Euribor 6M + 1%	7,403,856	21,467,551	28.871.407
6.	KfW Loan for the 110/35 kV Luštica Substation with Connection to the 110 kV Network (EUR 20.0 million)	Agreement no. 11952/18 from 2018.		2,356,943	-	2.356.943
7.	NLB Loan for the Highway	Agreement no. 2023/8592 dated 02 June 2023.	4.7%	1,431,062	13,154,631	14.585.693
Total				13.159.278	36,144,175	49,303,453

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

14. Long-term borrowings (continuation)

The maturity of long-term loans was as follows:

	2025	2024
Up to 1 year	12,862,262	13,159,278
Between 1 and 2 years	-	-
Between 2 and 5 years	15,341,327	22,419,813
Over 5 years	12,195,134	13,724,362
Total	40,398,723	49,303,453

15. Long-term deferred income and donations received

	2025	2024
Deferred income from donations	23,133,176	23,707,283
Total	23,133,176	23,707,283

Account 495 - Deferred income and donations received discloses donations received and government grants in accordance with MRS20

	2025	2024
Please find below the structureDeferred income from donations received - OHL Podgorica - Tirana	791,815	814,438
Deferred income from donations received - Ribarevine, Podgorica 5	1,389,210	1,455,581
Deferred income from donations received - OHL Čevo - Pljevlja	283,000	283,000
Deferred income from donations received - OHL Lastva - Pljevlja	185,000	185,000
Deferred income from donations received - SS Lastva	146,583	151,642
Deferred income from donations received - GRANT (Trans-Balkan Corridor)	11,994,395	12,427,756
Deferred income from donations received – SS Brezna	3,655,074	3,741,762
Deferred income from donations received - OHL 110 kV Brezna - Krnovo	3,443,459	3,526,819
Deferred income from donations received - OHL 110 kV Brezna - Kličevo	1,069,219	1,093,520
Deferred income from donations received - HYNET	150,156	2,500
Deferred income from donations received - AI4CZC2ND Inceptive 4 bd	25,265	25,265
Total	23,133,176	23,707,283

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

16. Liabilities for loans from credit institutions

	2025	2024
Portion of long-term loans maturing within 1 year	12,862,262	13,159,278
Total	12,862,262	13,159,278

Note 14 details the maturity of loans.

17. Trade payables

	2025	2024
Trade payables – domestic	13,159,864	6,520,833
Trade payables – foreign	3,110,210	3,110,080
Total	16,270,074	9,630,913

In 2025, there was an increase in trade payables – domestic compared to 2024 in the amount of 6,639,161 euros. The increase in payables was influenced by the procurement of a three-phase variable shunt reactor, as well as electrical-installation and construction works as part of the project Installation of a variable shunt reactor 250MVA in SS Lastva, which were implemented in December 2025. The value of payables on this basis is about 5 million euros. The increase in the payables was influenced by the invoiced works carried out in December as part of the project of construction of OHL 400 kV Čevo-Pljevlja in the amount of 2.3 million euros.

The share of trade payables – domestic in the total liabilities is 81%, while the share of trade payables – foreign in the total liabilities is 19%. The largest part of these trade payables – foreign refers to the procurement of energy to cover transmission system losses for December 2025 (GEN-I), as well as obligations based on the Fskar mechanism (JAO) and ENTSO-E membership fees.

18. Other short-term liabilities

	2025	2024
Liabilities for contributions charged to employer	134	-
Liabilities for other personal income	2,994	2,169
Liabilities for dividend pay-out from previous years	731,818	638,957
Other liabilities	-	2,500
Total	734,946	643,626

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

19. Liabilities for value added tax and other public revenue

	2025	2024
VAT liabilities	110,421	-
Liabilities for other taxes, contributions and duties	70,552	55,287
Total	180,943	55,287

20. Income tax liabilities

	2025	2024
Income tax liabilities	3,964,799	4,728,233
Total	3,964,799	4,728,233

21. Accruals and deferred income

	2025	2024
Accruals and deferred income	6,092,927	7,791,867
Total	6,092,927	7,791,867

Accruals and deferred income relate to accrued but not invoiced expenses (expenses based on system balancing for October, November and December 2025 and costs based on Fskar methodology for December 2025) and accrued income (reservation of transmission capacity rights for January and February 2026).

22. Deferred tax assets and liabilities

Deferred tax assets and liabilities are “offset” when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on single the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	2025	2024
Deferred tax liabilities:		
- to be recovered after more than 12 months	5,693,223	5,649,004
Deferred tax liabilities	5,693,223	5,649,004

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

22. Deferred tax assets and liabilities (continuation)

The gross changes on the deferred income tax account is as follows:

	2025	2024
Beginning of the year	5,649,004	5,325,443
Changes during the year	44,219	323,561
End of year	5,693,223	5,649,004

23. Revenue from sales - net income

Sales revenues amount to EUR 93,305,935 (2024: EUR 97,697,621) and include:

	2025	2024
Capacity allocation revenues	50,344,256	42,051,443
Network use revenues (D component)	1,893,394	6,700,466
Charge for use of transmission capacity (G component)	3,474,498	9,168,351
Electricity delivered based on secondary and tertiary control services and Fskar mechanism (system balancing services)	22,305,772	19,296,717
ITC mechanism revenue	3,036,486	5,289,431
Fees for transmission network losses	9,750,451	10,173,359
Other operating income	1,195,384	1,247,486
Income from network connection	1,305,694	3,770,368
Total	93,305,935	97,697,621

Even during 2025, the submarine cable had a significant impact on the interest of market participants in the allocation of cross-border capacities, both at the border with Italy and at other borders with regional electricity transmission systems. Compared to 2024, there was an increase in revenue from capacity allocation, which was mainly achieved at annual auctions, where revenue reached a level close to that of 2023. Increased interest in capacities was recorded at all borders and in both directions, which points to the expectations of market participants regarding more dynamic market movements and potentially more favourable price differences between neighbouring electricity markets.

In 2025, revenues from the use of the network in the D component (Demand component) part were realised at a significantly lower level compared to 2024. The decrease in revenues is a consequence of the application of the Decision on determining adjustments to the regulatory allowed revenue of the electricity transmission system operator and prices for the use of the electricity system during the regulatory period 2023-2025, which determined adjustments in favour of transmission system users. Part of the adjustment in the amount of EUR 5,478,271.54 refers to other system users, which had a direct impact on the reduction of tariff items and consequently lower revenues on this basis in 2025.

23. Revenue from sales – net income (continuation)

Revenues from the use of the network in the G component (Generation component) were also realised at a lower level compared to the previous year. The reduction is mainly the result of the application of the aforementioned Decision on adjustments, which determined the amount of 4,062,810.18 € in favour of electricity producers connected to the transmission system, as well as lower generation due to the ecological reconstruction of TPP Pljevlja. The application of these adjustments in 2025 led to a reduction in the prices for using the system and, consequently, a lower level of revenues based on the G component.

With regard to revenues from delivered electricity based on secondary and tertiary control and Fskar mechanism (system balancing services), in 2025, there was growth was recorded compared to the previous year. The increase in revenues is the result of the movement of reference electricity prices on the market, based on which the prices of balancing energy are formed in accordance with the Methodology for determining prices, terms and conditions for the provision of ancillary services and balancing services of the electricity transmission system, but also greater engagement of regulations, which resulted in a higher level of realised revenues on this basis.

In the event that in the control area of Montenegro, which is managed by the Company, there is a surplus of electricity compared to the planned generation, consumption and exchange power even after activation of the regulations, this surplus is transferred to the synchronous area, that is, unintended deviations are realised. If the weighted price of energy in the synchronization area is positive, the Company receives compensation based on the Fskar methodology. Otherwise, when there is a lack of electricity in the control area of Montenegro in real time, that is, it withdraws energy from the synchronous area, and the weighted price of energy in the synchronous area is positive, the Company pays compensation based on the Fskar methodology.

The inter-TSO compensation (ITC) mechanism allows transmission system operators (TSOs) to receive compensation for the costs of cross-border flows in their systems. This fee is paid by transmission system operators from which cross-border flows originate and the systems where these flows end. The basic principle of the ITC mechanism is that it has a revenue and expenditure side with the FF fund (framework fund - the "fixed part" of the ITC) and the WWT fund (with and without transit fund - the "variable part" of the ITC). Revenue side is proportional to the realized physical transit, and expenditure side is proportional to the realized import and/or export. Therefore, the Company is obliged to cover the costs (fixed and variable) that the Company's users cause to the environment through import and export, thus the income generated from transit is reduced by the expenses incurred from import and export. On this basis, the Company achieved a reduction in revenues due to lower transit of electricity through the electricity transmission system of Montenegro, as well as greater imports due to the ecological reconstruction of TPP Pljevlja.

The Company recorded a decrease in revenues from network connection. According to the Decision on determining unit fees for connection to the electricity transmission system, the Company calculated the amounts of fees for connection of investors to the transmission system.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

24. Other revenues from ordinary operations

	2025	2024
Revenues from premiums, subventions, donations etc.	814,894	737,014
Other operating revenues	46,422	47,945
Total	861,316	784,959

Actual revenues are higher than the previous year due to higher revenues based on donations based on the activation of assets financed from capital contributions and their depreciation during 2025.

25. Other operating revenues

	2025	2024
Gains from sale of intangible assets, property, plant and equipment	193,013	158,315
Revenues from optical fibre lease	105,821	103,273
Revenues from electronic communication infrastructure lease	4,000	-
Revenues from optical fibre maintenance services	33,694	33,758
Surpluses	118	1,404
Revenues from reduction of liabilities	739	38,508
Revenues from cancellation of short-term provisions	62,008	-
Other revenues	2,525	124,573
Revenues from cancellation of provisions for legal claims	205,515	-
Revenues from governing mutual rights and obligations on the demarcation point	536,175	658,694
Revenues from previous reporting periods	62,384	788,575
Total	1,205,992	1,907,100

Revenues from the cancellation of short-term provisions EUR 62,008 (EUR 0 in 2024) refers to the cancellation of part of the provisions for annual leave based on the actuarial report for 2025.

Other revenues from operations were realised in 2025 in a lower amount compared to the previous year as a result of a decrease in revenues from the previous reporting period, and as a result of smaller differences in estimated compared to realised revenues.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

26. Cost of goods sold and cost of material

	2025	2024
Energy procurement costs to cover losses	14,000,727	18,763,343
Availability of secondary control	1,433,020	1,693,756
Availability of tertiary control	261,360	282,076
Electricity delivered on the basis of tertiary control services	2,881,402	968,760
Electricity delivered on the basis of secondary control services	5,853,702	5,891,446
Cost of CGES deviations as balance responsible party	737,503	350,575
Cost of overly taken reactive energy	50,698	52,168
Cost of use of cross-border tertiary control	791,779	101,886
Cost of use of cross-border secondary control	5,005,530	5,052,025
Cost of ITC mechanism	133,168	-
Cost based on Fskar methodology	7,087,053	6,414,176
Cost of material	745,874	608,000
Total	38,981,816	40,178,211

According to legal provisions, the electricity transmission system operator may purchase energy to cover losses on the market in a transparent procedure. The company, in accordance with the Energy Law, purchases energy to cover losses on the exchange. For this purpose, the Company purchases energy to cover losses through public procurement on the exchange in accordance with the relevant trading rules in which the participants of the wholesale electricity market participate. The Company recorded a reduction in costs based on the procurement of energy to cover losses as a result of the reduction in physical losses in the electric power transmission system, but also lower average weighted prices for the procurement of electricity to cover losses.

Ancillary services include all actions and processes that allow maintaining the stability of the power system. This includes continuous maintenance of the planned exchange power, maintenance of the system frequency in a previously determined stability range, maintenance of the amount of reserves required for frequency stability, processes of frequency re-establishment and replacement of reserves. The Company uses leased system reserves, or buys or sells electricity on the balancing market in order to control the exchange power with neighbouring systems. Costs based on ancillary services recorded an increase in 2025 compared to the previous reporting period in the part of delivered electricity based on tertiary regulation services, the engagement of cross-border tertiary regulation and the application of the Fskar mechanism, primarily due to less availability of regulatory reserves due to the ecological reconstruction of TPP Pljevlja.

The inter-TSO compensation (ITC) mechanism allows transmission system operators (TSOs) to receive compensation for the costs of cross-border flows in their systems. This fee is paid by the operators of the transmission systems from which cross-border flows originate and the systems where these flows end.

The basic principle of the ITC mechanism is that it has a revenue and expenditure side with the FF fund (framework fund - the "fixed part" of the ITC) and the WWT fund (with and without transit fund - the "variable part" of the ITC). Revenue side is proportional to the realized physical transit, and expenditure side is proportional to the realized import and/or export. Therefore, the Company is obliged to cover the costs (fixed and variable) that the Company's users cause to the environment through import and export, thus the income generated from transit is reduced by the expenses incurred from import and export.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

27. Other operating costs (depreciation, provisions and other operating expenses)

	2025	2024
Transportation services	64,395	63,033
Maintenance costs	669,924	758,610
Rental costs	28,665	14,383
Advertising and propaganda	20,812	8,415
Security services costs	1,114,717	897,631
Protection and testing service costs	79,246	61,152
Utility costs	47,059	44,700
Other costs of production service	399,686	289,039
Non-production services	1,269,706	1,008,302
Representation	75,354	59,517
Insurance premiums	544,931	639,935
Payment transaction costs	69,830	71,148
Membership fees	455,668	435,469
Taxes, fees and charges	3,151,068	2,207,141
Other non-production costs	316,863	244,678
Depreciation costs	11,029,016	10,612,356
Costs of provisions for benefits and other employee benefits	121,220	224,994
Other long-term provisions	1,002,379	403,714
Total	20,460,539	18,044,217

Costs are higher compared to the previous year, mainly as a result of higher depreciation costs due to the activation of new assets in the course of 2023 and 2024.

Costs of security services were realized in a higher amount due to higher prices for this type of service (increase in the minimum wage), as well as the security of new facilities.

There were also higher costs of other long-term provisions, which refer to provisions based on initiated litigations.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

28. Costs of salaries, fringe benefits and other personal expenses

	2025	2024
Net costs of salaries, fringe benefits and personal expenses	7,604,861	7,464,529
Costs of taxes	908,479	940,832
Costs of contributions for retirements	796,671	1,003,614
Costs of contributions	382,864	655,978
Total	9,692,875	10,064,953

29. Revenues from other financial investments and loans (interest, exchange rate differences and effects of agreed risk protection)

	2025	2024
Revenues from interests and dividends and other financial revenues	544,877	280,316
Exchange gains	108,891	56,699
Total	653,768	337,015

Other financial revenues in 2025 includes the amount of EUR 544,877, which refers to interest on deposited funds EUR 530,256, dividend revenues from EKC - Beograd - EUR 5,102 and other financial revenues in the amount of EUR 9,519. In 2024, the Company generated revenues therefrom in the amount of EUR 280,316.

30. Expenses based on interest, exchange differences and effects of agreed risk

	2025	2024
Interest expenses	1,202,709	1,498,788
Exchange losses	9,797	105,741
Other financial expenses	30,022	32,465
Total	1,242,528	1,636,994

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

31. Other operating expenses

	2025	2024
Losses on disposal and sale of plant and equipment	193,494	3,022
Write-off of inventories	-	43,427
Grid optical fibres	3,323	4,068
Claims for damages to other persons	143,292	96,134
Costs based on the regulation of mutual rights and obligations at the separation point	269,411	367,553
Other costs	41,572	391,956
Shortages	836	9,315
Total	651,928	915,475

The reduction in other operating expenses is a consequence of lower costs for operation of equipment based on the regulation of mutual rights and obligations at the separation point with Crnogorski elektrodistributivni sistem. Other expenses that consist mainly of the costs of previous years are lower than in 2024, as a result of a significant reduction in the difference between estimated and realised revenues.

32. Taxes on profit

	2025	2024
Current tax on profits for the year	3,964,799	4,728,233
Total current tax	3,964,799	4,728,233
Deferred tax	44,218	323,561
Taxes on profit	4,009,017	5,051,794

For the recognition of assets or liabilities, it is characteristic that the company that submits the report expects to recover or settle the stated value of that asset or liability. If it is likely that the recovery or settlement of that stated value will make future tax payments higher (lower) than they would be if that recovery or settlement had no tax consequences, this standard requires the company to recognise a deferred tax liability (deferred tax asset) with certain limited exceptions. Bearing in mind the assessment of the trend of business results in the future period, a deferred tax rate of 12.37% was applied.

	2025	2024
Income before tax	24,998,647	29,886,426
Income tax	3,701,797	4,434,964
Expenses not recognized for tax purposes	499,918	578,323
Other corrections	(192,698)	38,507
Tax on profit disclosed in the P&L	4,009,017	5,051,794

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

33. Contingent liabilities

The Company has provisions for contingent liabilities in respect of legal claims arising in the ordinary course of business in the amount of EUR 1,664,149 (2024: 994,365) (Note 13).

In accordance with the Collective Agreement of the Company, employees are entitled to payment of housing loans, and the Company's Board of Directors adopts the decision on payment.

The Company earmarks on a separate account funds in the amount of 5% of gross amounts paid for employees' salaries in the accounting month for solving housing needs of employees, which will be used for covering future payments. The management deems that currently there is no sufficient information to create provisions.

34. Tax risks

Tax laws in Montenegro are subject to different interpretations and frequent changes, Interpretation of tax laws by tax authorities may be different from the interpretation by the management of the Company. As a result, some transactions may be challenged by the tax authorities in a way that requires the Company to pay additional tax, fines and interest. Tax liabilities become obsolete after the period of five years.

Therefore, this implies that tax authorities have the right to determine unpaid tax liabilities over a five-year period. The management estimates that the Company paid all tax liabilities that occurred as of 31 December 2025.

35. Earnings per share

	2025	2024
Earnings per the year	20,989,630	24,834,632
Weighted average number of shares	146,176,876	146,176,876
Earnings per share in EUR	0.1436	0.1699

36. Related party transactions

The majority owner of the Company is the State of Montenegro, which owns 55% of the Company's shares. The remaining 45% of shares are listed on the stock exchange and are owned by various shareholders.

Balance sheet

Receivables from sales (Note 9)	31.12.2025	31.12.2024
Elektroprivreda Crne Gore AD Nikšić	1,022,610	1,914,091
Crnogorski elektrodistributivni sistem DOO Podgorica	2,681,041	3,949,403
Crnogorski Operator tržišta električne energije (COTEE)	2,928,275	1,886,091
Total	6,631,926	7,749,585

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

36. Related party transactions (continuation)

Liabilities from business operations (Note 16)	31.12.2025	31.12.2024
Elektroprivreda Crne Gore AD Nikšić	1,476,046	803,446
Crnogorski elektrodistributivni sistem DOO Podgorica	18,723	33,068
Crnogorski Operator tržišta električne energije (COTEE)	491,329	1,814,832
EKC - Elektroenergetski koordinacioni centar D.O.O.	20,830	-
SCC - Centar za koordinaciju sigurnosti	21,000	31,000
Berza električne energije d.o.o.	996	-
Total	2,028,924	2,682,346

Prepayments and accrued income (Note 11)	31.12.2025	31.12.2024
Crnogorski Operator tržišta električne energije (COTEE)	4,615,746	1,231,267
Total	4,615,746	1,231,267

Accruals and deferred income (Note 21)	2025	2024
Crnogorski Operator tržišta električne energije (COTEE)	2,183,671	1,467,952
Total	2,183,671	1,467,952

Profit & loss statement

Operating revenues (Note 23)	2025	2024
Elektroprivreda Crne Gore AD Nikšić	7,407,341	13,681,458
Crnogorski elektrodistributivni sistem DOO Podgorica	12,611,081	17,792,274
Crnogorski Operator tržišta električne energije (COTEE)	9,202,492	8,338,815
Total	29,220,914	39,812,547

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD Podgorica
Notes to the financial statements for the year ended 31 December 2025

(All amounts are stated in euro, unless otherwise stated)

36. Related party transactions (continuation)

Operating costs (Note 26)	2025	2024
Elektroprivreda Crne Gore AD Nikšić	8,498,522	6,969,447
Crnogorski elektrodistributivni sistem DOO Podgorica	185,678	327,949
Crnogorski Operator tržišta električne energije (COTEE)	7,145,832	8,756,961
EKC - Elektroenergetski koordinacioni centar D.O.O.	249,960	145,831
SCC - Centar za koordinaciju sigurnosti	252,000	186,000
Berza električne energije d.o.o.	22,723	33,112
Total	16,354,715	16,419,300

Key management remuneration

Key management includes directors (executive and non-executive), members of the Board of Directors, the Company Secretary and the Head of Internal Audit. The remuneration paid or payable to key management for employee services is shown below:

	2025	2024
Salaries and other short-term employee benefits (gross)	1,862,429	1,467,318
Other long-term benefits	-	83,991
Total	1,862,429	1,551,309

37. Events after the balance sheet date

In accordance with the Energy Law, Crnogorski elektroprenosni sistem, as a regulated entity, realises the largest part of its revenues based on tariffs approved by the Energy and Water Regulatory Agency, so that, in accordance with the regulatory and legal framework, the realised revenues and costs, in the case that the realized values deviate from the approved regulatory revenue and costs, are subject to positive or negative adjustment in the following regulatory period or several subsequent regulatory periods, based on the assessment of the Regulatory Agency in accordance with Article 11 of the Rules for Price and Fee Adjustments (Official Gazette of Montenegro, no. 71/2022 of 8 July 2022). Based on the aforesaid, and in accordance with the current legal and regulatory framework, based on the deviation of realised regulated revenues and regulated costs compared to the approved regulatory revenue and costs for 2025, a negative adjustment of tariffs or regulated revenues of the Company is expected, which is estimated at EUR 23.3 million according to the Rules for Price and Fee Adjustments (Official Gazette of Montenegro, no. 71/2022 of 8 July 2022). The final amount of the adjustment and its distribution in the following regulatory period or several subsequent regulatory periods will be defined based on the decision of the Energy and Water Regulatory Agency.

As of 1 January 2026, the European Union introduced the CBAM (Carbon Border Adjustment Mechanism) - a mechanism that imposes an additional cost on the import of carbon-intensive goods and electricity produced from coal or other sources with high CO₂ emissions. The application of this mechanism may affect the reduction of demand for cross-border capacities during the year, i.e. the reduction of CGES revenues based on cross-border capacity allocation, which would ultimately have a negative impact on the company's profitability in 2026, however, without jeopardising the company's sustainable business results and financial stability.

Based on the Decision of the Board of Directors no. 1-1-D/25-4017/11 of 12/16/2025, on 12 March 2026, Crnogorski elektroprenosni sistem AD Podgorica signed a loan agreement number 200-D/26-687/1 worth 15 million euros with the European Bank for Reconstruction and Development (EBRD). On the same day, the Sovereign Guarantee Agreement no. 56649 was signed between the State of Montenegro and the EBRD. The agreement refers to the financing of the improvement of the 220 kV overhead line connecting Bosnia and Herzegovina, Montenegro and Albania. The project will improve the reliability and efficiency of electricity transmission in Montenegro and strengthen cross-border connectivity in the Western Balkans, contributing to greater regional integration of electric power systems.

Done in Podgorica

26 March 2026

Željka Hidić

Head of Accounting and Payment Operation Department

Ivan Asanović

Executive Director



MANAGEMENT REPORT

*CRNOGORSKI ELEKTROPRENOSNI
SISTEM AD*

2025

Table of contents:

1. SHORT DESCRIPTION OF BUSINESS ACTIVITIES AND ORGANISATIONAL STRUCTURE.....	5
1.1. History and development of the Company	5
1.2. Core/predominant and ancillary operation activities	5
1.3. Core products and services offered by the Company.....	6
1.4. Organisational structure	6
1.4.1. Bodies of the Company are:.....	6
1.5. Ownership and capital structure	13
1.5.1. Ownership structure	13
2. AUTHENTIC OVERVIEW OF DEVELOPMENT, ANALYSIS OF FINANCIAL POSITION AND BUSINESS RESULTS OF A LEGAL PERSON	14
2.1 Analysis of financial position and business results	14
2.2 Ratio indicators	23
2.2.1 Cost-effectiveness indicators:.....	23
2.2.2 Liquidity indicators	23
2.2.3 Debt indicators	24
2.2.4 Activity indicators	25
2.2.5 Profitability indicators.....	25
2.2.6 Analysis of receivables	26
3. ENVIRONMENT PROTECTION MEASURES	27
3.1 Disclosure of information on:.....	27
3.1.1. Impact of facilities on the environment	28
3.1.2 Waste management.....	28
3.1.3 Control of sources of electromagnetic radiation	29
3.1.4 Climate change	29
3.2 Corporate social responsibility	30

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

3.2.1 Sport.....	30
3.2.3 Education, science	31
3.2.4. Cooperation with the NGO sector	31
3.2.5 Employee care	31
4. PLANNED FUTURE DEVELOPMENT.....	32
4.1 Projection of profit & loss statement	32
4.2 Projection of balance sheet	32
4.3 Loan indebtedness.....	33
5 DETAILS OF RESEARCH AND DEVELOPMENT ACTIVITIES.....	34
5.1 Research and development.....	34
5.2 Investing in employee training	34
6 DETAILS OF PURCHASE OF TREASURY SHARES OR PARTICIPATIONS.....	35
7 BUSINESS UNITS.....	35
8 DETAILS OF FINANCIAL INSTRUMENTS RELEVANT TO ASSESSMENT OF FINANCIAL POSITION AND BUSINESS PERFORMANCE	38
8.1 Classification	38
8.2 Financial assets at fair value through profit and loss statement.....	39
8.3 Trade receivables	39
8.4 Financial assets available for sale	39
8.5 Held-to-maturity financial assets	39
8.6 Financial assets recognition	40
8.7 Financial assets measurement	40
8.8 Financial assets derecognition	40
8.9 Amortised cost measurement.....	40
8.10 Fair value measurement	41
8.12 Financial liabilities.....	42
8.13 Long-term liabilities.....	42
8.14 Current liabilities	42
8.15 Cash and cash equivalents	42

9. OBJECTIVES AND METHODS FOR FINANCIAL RISK MANAGEMENT.....	43
10. DETAILS OF EXPOSURE TO PRICE RISKS, CREDIT RISKS, LIQUIDITY RISKS AND CASH FLOW RISKS	43
10.1 Market risk	44
10.2 Liquidity risk	44
10.3 Credit risk.....	45
10.4 Capital risk management	45
11. OBJECTIVES AND POLICIES ON MANAGING FINANCIAL RISKS, RISKS AND BUSINESS UNCERTAINTIES.....	45
12. CORPORATE GOVERNANCE.....	45

1. SHORT DESCRIPTION OF BUSINESS ACTIVITIES AND ORGANISATIONAL STRUCTURE

Name of legal person: CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

TIN: 02751372

VAT: 30/31-08688-3

Address: Bulevar Svetog Petra Cetinjskog 18

Activity code: 3512

Name of activity: electricity transmission

1.1. History and development of the Company

Crnogorski elektroprenosni sistem AD (CGES) is registered as a stock company with the Central Registry of Business Entities on 27 March 2009, under number 40008972.

1.2. Core/predominant and ancillary operation activities

The core activity of the Company is electricity transmission, under code 3512, for which it has obtained a license from the Energy and Water Regulatory Agency.

The license for electricity transmission was issued pursuant to Article 65 paragraph 3 and Article 55 of the Energy Law (Official Gazette of Montenegro no. 5/16, 51/17, 82/20, 29/22 and 152/22), Articles 6 and 9 of the Rulebook on Licenses for Carrying Out Energy Activities (Official Gazette of Montenegro no. 31/21 and 48/21), Article 15 paragraph 1 item 6 of the By-Laws of the Energy and Water Regulatory Agency (Official Gazette of Montenegro no. 35/21 and 8/24) and Decision of the Board of the Agency no. 24/1702-11 of 26 July 2024, entered into a register of licenses under number L-E-032.

Beside the core activity, CGES has been performing an activity of setting electrical installations and equipment, designing civil and other structures, coarse civil works, other civil and specialized works as well as telecommunication for which it has obtained a license from the Agency for Electronic Communications and Postal Services.

1.3. Core products and services offered by the Company

As the national electricity transmission operator, CGES is responsible for the operation, maintenance and development of the transmission network in Montenegro and its connection with other systems. In addition, it is responsible for ensuring long-term capability of the system to meet requirements for electricity transmission in an economically justified manner, with the aim of ensuring stable operation of the electric power system and reliable power transmission from generation facilities to large consumers and distribution network.

1.4. Organisational structure

1.4.1. Bodies of the Company are:

- Shareholder Meeting;
- Board of Directors;
- Executive Director, and
- Company Secretary.

Each natural or legal person that owns at least one share that CGES (the Company) issued is a shareholder of CGES.

According to the Company By-Laws, each shareholder has property and non-property rights, such as:

- the right the right to participate in the distribution of the Company's profits in the form of dividends;
- the right to attend all Shareholder Meetings;
- the right to vote on all issues, except on issues that the Law or By-Laws determines differently;
- as well as other rights determined by the Law and By-Laws.

THE SHAREHOLDER MEETING is the ultimate body of the Company, whose sole competence is to:

- adopt By-Laws of the Company and to amend it;
- elect and dismiss members of the Board of Directors;
- elect and dismiss the Company's auditor;
- appoint and dismiss the Company's liquidator;
- make decisions on the disposal of the Company's property (purchase, sale, lease, replacement, acquisition or other disposal), the value of which is more than 10% of the book value of the Company's property (property of great value);
- make a decision on the issuance of bonds or other securities or instruments that allow the right to registration and/or the right of ownership over the shares in the

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

Company or any person controlled by it, or granting the right to acquire shares in the Company or any person controlled by it;

- make decisions on the distribution of profit (dividends), reserves or assets of the Company to shareholders or on dividend policy, or redemption of equity securities of the Company and coverage of losses;
- make decisions on the increase or decrease of the Company's share capital and replacement of shares of one class with the shares of another class;
- adopt annual financial statements and Company's operating statements;
- make a decision on the restructuring of the Company;
- make a decision on the voluntary liquidation of the Company or submitting proposals for initiating bankruptcy proceeding or other proceedings in accordance with the law governing bankruptcy proceedings;
- decide on the compensation policy and remunerations of the members of the Board of Directors;
- decide on restricting or revoking the pre-emptive rights of the shareholders to subscribe the shares or acquire replaceable bonds;
- approve conclusion of contracts regarding the purchase of assets from the founder or the majority shareholder of the Company, in all cases where the payment exceeds 10% of the book value of the Company's property;
- dispose with business activities of the Company or any part of business activity of the Company or otherwise dispose of any part of the Company or establish security over any part of property of the Company, which exceeds 10% of the Company's property or any person that is controlled by the Company as shown in the current balance sheet of the Company or a person that is controlled by the Company, as confirmed by the Auditor (as the case may be);
- make investment decisions having a value greater than 10% of the book value of the Company's property;
- decide on the delisting of the Company's shares from the stock exchange;
- discuss, at the request of the Board of Directors, the issues falling within its competence relating to the Company's business operations.

The Annual Shareholder Meeting of the Company is a meeting convened once a year, not later than three months after the end of each financial year and shall be held within six months after the end of each financial year.

The quorum for holding the annual Shareholder Meeting consists of the shareholders who have more than a half of the total number of shares with voting rights and who are present or represented by proxy or voted by ballot, except where other quorum requirements are determined by the Law or these By-Laws, without prejudice to the voting majority required for the Shareholder Meeting to adopt relevant decisions, as set forth by the Law and these By-Laws.

An extraordinary Shareholder Meeting shall be any meeting other than the annual Shareholder Meeting.

BOARD OF DIRECTORS

The Board of Directors is authorised to manage the Company, monitor business activities and play a central role in corporative management system. The competences of the Board are set by the By-Laws of the Company.

The Board of Directors convenes ordinary and extraordinary Shareholders Assembly; prepares draft decisions for the Shareholders Assembly and enforces its decisions; adopts the Company's Business Plan or any material change thereof and gives guidelines for its implementation; adopts the Company's annual budget or any material change thereof and gives guidelines for the implementation; adopts the Company's investment development plans, including construction plans (and any material – important changes thereof) relating to the associated and additional network infrastructure, including but not limiting to any provisions of these plans for procurement of relevant material; determines organisation and systematisation of the Company, structure and composition of the management and administration of the Company; adopts periodical and determines annual financial statements and operating statements of the Company; proposes distribution of profit; approves any transaction the value of which does not exceed 10% of the book value of Company's assets; approves conclusion of contracts which are not within the competences of the Shareholders Assembly; adopts general acts within its competences; elects Chairman and Vice Chairman of the Board; appoints and dismisses Executive Director and Company Secretary; proposes a Company's auditor; appoints, dismisses and establishes powers and responsibilities of the management members and decides on other matters provided for by the By-Laws of the Company.

The Board of Directors consists of:

- Aleksandar Mijušković, BSc in Electrical Engineering, Chairman of the Board of Directors,
- Maria Rosaria Guarniere, Vice Chairwoman of the Board of Directors,
- Nicoletta Buonomo, member of the Board of Directors,
- Slavoljub Todorović, BSc in Mining Engineering, member of the Board of Directors,
- Vučko Fatić, BSc in Economics, member of the Board of Directors,
- Violeta Vuljaj, Specialist in Applied Management, member of the Board of Directors,
- Jelena Matejić, BSc in Economics, member of the Board of Directors.

EXECUTIVE DIRECTOR

Pursuant to the By-Laws of CGES, the Executive Director manages the Company and organises ongoing business activities of the Company, represents the Company, takes care and is responsible for the legality of the Company's work.

The competences and responsibilities of the Executive Director are provided for by the Companies Act, By-Laws of the Company and a special contract concluded with the Board of Directors of the Company.

The Executive Director is responsible for his work to the Board of Directors and is obliged to carry out orders of the Board of Directors and implement its decisions in connection with the business activities of the Company.

Ivan Asanović, BSc in Electrical Engineering, holds the position of the Executive Director of CGES.

COMPANY SECRETARY

Competences and responsibilities of the Company Secretary are provided for by the Companies Act, By-Laws of the Company and a special contract concluded with the Board of Directors of the Company.

The Company Secretary is obliged to ensure that the activities relating to the work of the Shareholders Assembly and the Board of Directors are performed in accordance with the Companies Act, By-Laws of the Company and Rules of Procedure of these bodies. The Company Secretary is responsible for the fulfilment of obligations of the Company towards shareholders, Central Registry of Commercial Entities, bodies responsible for securities and keeping records of the Company's shares, organisation and preparation of meetings of the Shareholders Assembly and Board of Directors and for documents relating to the work of these bodies.

The Company Secretary is Katarina Blagojević, Bachelor of Laws.

The Company Secretary is responsible for her work to the Board of Directors and is obliged to implement its decisions.

INTERNAL AUDITOR

The Law on Audit and the By-Laws of the Company set forth competences and responsibilities of the Internal Auditor.

The Internal Auditor shall perform internal auditing activities in the Company.

The tasks of the Internal Auditor are to inspect, evaluate and follow the adequacy and efficiency of the accounting system and internal control system, pursuant to the Law. The

internal control system includes all procedures and actions established by the management of the legal entity with the aim of ensuring regular and efficient operations of legal entity, observing management policy, maintaining assets integrity, preventing and identifying criminal acts and offences, applying legal regulations, accuracy and completeness of accounting records, as well as making reliable financial information in due course.

The Board of Directors shall elect the Internal Auditor.

The Internal Auditor is Nađa Tanasijević, on the professional employment with the Company.

AUDIT COMMITTEE

The Audit Committee shall supervise the process of financial reporting, internal control and legal and ethical management and control of the Company, and:

- it shall monitor the financial reporting procedure,
- it shall monitor effectiveness of the internal audit of the Company,
- it shall monitor statutory audit of annual financial statements,
- it shall monitor the independency of the authorised auditor or an auditing company conducting the audit,
- it shall give recommendations to the Shareholder Meeting on the selection of an auditor or auditing company,
- it shall discuss plans and annual report of internal control as well as other matters relating to financial reporting and auditing.

The Audit Committee has three members of which at least one is an expert in the field of accounting and audit.

The Company's Board of Directors shall elect members of the Audit Committee.

Members of the Audit Committee elect a President among themselves.

Work in the Audit Committee is not professional.

Remuneration for work in the Audit Committee shall be set by a decision of the Company's Board of Directors.

Members of the Audit Committee are:

- Miloš Baletić, BSc in Economics, President,
- Tanja Musterović, BSc in Economics,
- Maja Pavićević, BSc in Engineering.

As of 31 December 2025, the total headcount amounted to 364 (31 December 2024: 340 employees), namely:

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

Indefinite-term employees - 338 (31 December 2024: 317);

Fixed-term employees - 26 (31 December 2024: 23).

Below is a presentation of the Company's organisational chart:

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

SCHMATIC DIAGRAM OF THE ORGANIZATIONAL STRUCTURE OF CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

1. BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD OF DIRECTORS

Company Secretary	Advisor to Chairman of the Board of Directors	Advisor to Chairman of the Board of Directors	Internal Audit Unit
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2. EXECUTIVE DIRECTOR

Assistant Executive Director for New Technologies, System and Market Development	Assistant Executive Director for Operational and Technical Activities	Assistant Executive Director for Institutional and International Cooperation	Advisors to Executive Director
--	---	--	--------------------------------

3. EXECUTIVE DIRECTOR OFFICE	4. FINANCIAL AND ECONOMIC SECTOR	5. REGULATORY, LEGAL AND INTERNAL COOPERATION SECTOR	6. NATIONAL DISPATCH CENTRE	7. INFORMATION AND COMMUNICATION TECHNOLOGY SECTOR	8. ELEKTROPRENOS	9. DEVELOPMENT AND INVESTMENT SECTOR
3.1. Human Resources and Corporate Communications Department	4.1. Financial Planning and Control Department	5.1. Legal Department	6.1. Operational Control, Grid Planning and Development Department	7.1. Information Technology Department	8.1. Substation Management, Control and Analytics Department	9.1. Grid Development, Planning and Project Monitoring Department
3.1.1. Human Resources Division	4.1.1. Controlling Division	5.1.1. Property and Legal Affairs Division	6.1.1. EPS Real-Time Control Division	7.1.1. Technical Information System Division	8.1.1. Division for Substation Operational Readiness Monitoring and Analytics	9.1.1. Grid Development and Planning Division
3.1.2. Corporate Communications Division	4.1.2. Planning Division	5.1.2. Legal Affairs Division	6.1.2. Grid Applications and EPS Real-Time Control Support Division	7.1.2. Corporate Software Development and Administration Division	8.1.2. Substations 400 kV, 220 kV and 110 kV	9.1.2. Project Monitoring Division
3.1.3. Administrative Affairs Division	4.1.3. Financial Management Division	5.1.3. Labor Relations and Personnel Records Division	6.1.3. Security Analysis, Study Analysis and Grid Planning Division	7.1.3. Information Security, Corporate Computer Network and Hardware, System Software and User Support Division	8.2. Maintenance Department	9.2. Project Preparation and Implementation Department
3.2. General Affairs Department	4.2. Accounting and Payment Operations Department	5.1.4. Archival Operations Division	6.2. Short-Term Planning and Market Operations and Calculations Department	7.2. Telecommunication Department	8.2.1. Overhead Line Maintenance Division	9.2.1. Project Preparation Division
3.2.1. Public Procurement Division	4.2.1. Payment Operations Division	5.2. Regulatory and International Cooperation Department	6.2.1. Division for Short-Term Planning and Procurement of Electricity to Cover Losses	7.2.1. Transmission System Division	8.2.2. Substation Maintenance Division	9.2.2. Project Implementation Division
3.2.2. Logistics Division	4.2.2. Accounting Division		6.2.2. Division for Market Operations, System Services and Calculations	7.2.2. Telephone Systems and Commercialization of TC Capacity Division	8.3. Protection and Testing Department	9.3. Project Financial Monitoring Department
	4.3. General Economic Affairs Department		6.3. SCADA Systems and Billing Measuring Department	7.2.3. Optical Networks Division	8.3.1. Protection Division	
	4.3.1. ERP and DMS Operator Division		6.3.1. SCADA Systems Division	7.3. Corporate Security and Critical Infrastructure Protection Department	8.3.2. Testing Division	
	4.3.2. General Affairs Division		6.3.2. Electricity Billing Measuring Division			
			6.3.3. Secondary Systems Support Division			
			6.4. Department of Auxiliary Power Supply System, SBN and Maintenance of Dispatch Centres			

1.5. Ownership and capital structure

The share capital of the Company amounts to 155,108,283.12 €, divided into 146.176.876 shares with the nominal value of 1.0611 €.

The headquarters of the Company is in Podgorica, Bulevar Svetog Petra Cetinjskog no. 18.

1.5.1. Ownership structure

Share capital structure as of 31 December 2025 is the following:

Shareholders	Share capital	Number of shares	Nominal value (EUR)	Participation in %
State	85,893,211	80,947,329	1.0611	55.3763
Terna - Rete Elettrica Nazionale SpA, Italia	34,261,768	32,288,915	1.0611	22.0889
Elektromreža Srbije - EMS	23,266,243	21,926,532	1.0611	15.0000
Laderna International	173,634	163,636	1.0611	0.1119
M&V INVESTMENTS AD Beograd	157,082	148,037	1.0611	0.1013
Mutual Investment Fund TREND	140,360	132,278	1.0611	0.0905
The Bader Family Foundation	56,360	53,115	1.0611	0.0363
Institut računovođa i revizora Crne Gore (Institute of Accountants and Auditors of Montenegro)	37,987	35,800	1.0611	0.0245
Natural persons	10,409,212	9,809,831	1.0611	6.7109
Legal persons and custody accounts	712,426	671,403	1.0611	0.4593
Total	155,108,283	146,176,876	1.0611	100.00

2. AUTHENTIC OVERVIEW OF DEVELOPMENT, ANALYSIS OF FINANCIAL POSITION AND BUSINESS RESULTS OF A LEGAL PERSON

The financial position of a legal person, observed from the aspect of the subject analyses, is qualified in one of the following ways: good, acceptable or bad.

The analysis of financial position includes the following elements:

- The most significant balance sheet positions;
- The most significant income statement positions;
- Basic financial indicators;
- Basic non-financial indicators;
- Ratio analysis;
- Analysis of receivables

2.1 Analysis of financial position and business results

STATEMENT OF FINANCIAL POSITION/BALANCE SHEET

	2025	2024
ASSETS		
A. UNPAID SUBSCRIBED CAPITAL		
B. NON-CURRENT ASSETS (003 + 008 + 016)	299,551,934	286.674.395
I INTANGIBLE ASSETS (004 to 007)	1,395,216	1,492,609
1. Investments in development		
2. Concessions, patents, licenses and similar rights and other intangible assets	1,395,216	1,492,609
3. Goodwill		

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

4. Advances for acquisition of intangible assets and intangible assets in progress		
II PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (009+010+011+015)	296,717,589	283,823,259
1. Land and buildings	110,069,477	106,421,026
2. Plant and equipment	130,494,370	131,405,570
3. Other installed equipment, tools and equipment (012+013+014)	4,582,729	4,384,499
3.1. Investment property		
3.2. Biological assets	29,280	29,280
3.3. Other unmentioned tangible non-current assets	4,553,449	4,355,219
4. Advances for property, plant, equipment and biological assets and property, plant, equipment and biological assets in progress	51,571,013	41,612,164
III LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (017 to 023)	1,439,129	1,358,527
1. Investments in capital of subsidiaries		
2. Long-term loans to parent companies and subsidiaries		
3. Investment in capital of companies (excluding subsidiaries)	514,308	514,308
4. Long-term loans to companies in which there is investment in capital (excluding subsidiaries)		
5. Investments in capital that are valued using the equity method		
6. Long-term financial investments (granted loans and securities)	924,821	844,219
7. Other long-term financial investments and receivables		
C. DEFERRED TAX LIABILITIES		
D. CURRENT ASSETS (026+031+039+043+044)	68,182,471	72,406,676

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

I. INVENTORIES (027 to 030)	2,603,476	2,433,115
1. Material (raw material, spare parts, small inventory and car tires)	2,596,913	2,430,266
2. Work in progress		
3. Finished products and goods		
4. Advances paid	6,563	2,849
II. SHORT-TERM RECEIVABLES, (032 to 035)	10,301,247	12,582,866
1. Trade receivables	1,461,092	3,805,460
2. Receivables from parent companies and subsidiaries		
3. Receivables from other subsidiaries	6,631,925	7,749,585
4. Other receivables (036 + 037 + 038)	2,208,230	1,027,821
4.1. Receivables for prepaid income tax		
4.2. Receivables based on value added tax	1,857,026	783,247
4.3. Other unmentioned receivables	351,204	244,574
III. SHORT-TERM FINANCIAL INVESTMENTS (040 to 042)	0	0
1. Investment in capital of subsidiaries held for trading		
2. Own shares and stakes purchased		
3. Other short-term financial investments		
IV. CASH ON ACCOUNTS AND CASH IN HAND	55,277,748	57,390,695
V. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION ASSET		
E. PREPAYMENTS AND ACCRUED INCOME	7,757,304	6,151,826
F. TOTAL ASSETS (001 + 002 + 024 + 025 + 045)	375,491,709	365,232,897

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

LIABILITIES		
A. EQUITY (102+103+104+105+111+116)	275,012,899	259,980,976
I. SHARE CAPITAL	155,108,283	155,108,283
II. UNPAID SUBSCRIBED CAPITAL		
III. SHARE ISSUING PREMIUMS		
IV. RESERVES (106+107+108+109-110)	0	0
1. Legal reserves		
2. Statutory reserves		
3. Other reserves		
4. Positive revaluation reserves and unrealised gains based on financial assets and other components of other comprehensive income		
5. Negative revaluation reserves and unrealised gains based on financial assets and other components of other comprehensive income		
VI. RETAINED EARNINGS OR LOSSES (112+113-114-115)	119,904,616	104,872,693
1. Retained earnings from previous years	98,914,986	80,038,061
2. Retained earnings from current year	20,989,630	24,834,632
3. Losses from previous years		
4. Losses from current year		
VIII. INVESTMENT THAT DOES NOT PROVIDE CONTROL		
B. LONG-TERM PROVISIONS AND LIABILITIES (118+122)	30,629,515	38,499,298
I. LONG-TERM PROVISIONS (119 do 121)	3,093,054	2,355,123
1. Provisions for fringe benefits and other benefits of employees	1,041,327	944,429

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

2. Provisions for costs incurred in the warranty period		
3. Other long-term provisions	2,051,727	1,410,694
II. LONG-TERM LIABILITIES (123+124)	27,536,461	36,144,175
1. Long-term loans	27,536,461	36,144,175
2. Other long-term liabilities		
C. DEFERRED TAX LIABILITIES	5,693,223	5,649,004
D. LONG-TERM DEFERRED INCOME AND DONATIONS RECEIVED	23,133,176	23,707,283
E. SHORT-TERM PROVISIONS AND LIABILITIES (128+129)	34,929,969	29,604,469
I SHORT-TERM PROVISIONS	221,603	283,611
II SHORT-TERM LIABILITIES (130 to 137)	34,708,366	29,320,858
1. Liabilities based on loans and borrowings from persons other than credit institutions		
2. Liabilities based on loans from credit institutions	12,862,262	13,159,278
3. Received advances, deposits and caution money	688,684	1,100,823
4. Trade payables	14,241,150	6,948,567
5. Liabilities under bills of exchange		
6. Liabilities to parent companies and subsidiaries		
7. Liabilities to other associated companies	2,028,924	2,682,346
8. Other liabilities from business operations and other short-term liabilities (138 to 142)	4,887,346	5,429,844
8.1. Other liabilities from business operations	6,658	2,698
8.2. Other short-term liabilities	734,946	643,626
8.3. Liabilities based on value added tax and other public revenues	180,943	55,287

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

8.4. Liabilities based on income tax	3,964,799	4,728,233
8.5. Liabilities based on assets held for sale and discontinued operation assets		
F. ACCRUALS AND DEFERRED INCOME	6,092,927	7,791,867
G. TOTAL LIABILITIES (101+117+125+126+127+143)	375,491,709	365,232,897

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

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	2025	2024
1. Sales income - net income	93,305,935	97,697,621
2. Changes in inventories of finished products and work in progress		
3. Income from the own use of products, services and merchandise		
4. Other operating income (205 to 207)	2,067,308	2,692,059
a) Other regular operating income	861,316	784,959
b) Other operating income	1,205,992	1,907,100
c) Income from assets valuation adjustments		
5. Operating expenses (209 + 210)	59,442,355	58,222,428
a) Cost of goods sold and cost of material	38,981,816	40,178,211
b) Other operating expenses (depreciation, provisions and other operating expenses)	9,431,523	7,431,861
c) Depreciation	11,029,016	10,612,356
6. Costs of salaries, fringe benefits and other personal expenses (212 + 213)	9,692,875	10,064,953
a) Net costs of salaries, fringe benefits and personal expenses	7,604,861	7,464,529
b) Costs of taxes and contributions (214 to 216)	2,088,014	2,600,424
1/ Costs of taxes	908,479	940,832
2/ Costs of contributions for retirements	796,671	1,003,614
3/ Costs of contributions	382,864	655,978
7. Expenses from assets valuation adjustments (excluding financial) (218 + 219)	0	44
a) Expenses from non-current assets valuation adjustments (excluding financial)		
b) Expenses from current assets valuation adjustments (excluding financial)		44
8. Other operating expenses	651,928	915,475
I. Operating result (201 + 202 + 203 + 204 - 208 - 211 - 217 - 220)	25,586,085	31,186,780
9. Income from investments in capital (223 to 225)	5,102	0
a) Income from investments in capital of subsidiaries		
b) Income from investments in capital of other associated companies	5,102	

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

c) Income from investments in capital of non-associated companies		
10. Income from other financial investments and loans (interest, exchange rate differences and effects of agreed risk protection) (227 to 229)	648,666	337,015
a) Income from other financial investments and loans from parent companies and subsidiaries		
b) Income from other financial investments and loans from other associated companies		
c) Income from other financial investments and loans from non-associated companies	648,666	337,015
11. Other income from interest, exchange rate differences and other effects of agreed risk protection (231 to 233)	0	0
a) Financial income from current receivables from parent companies and subsidiaries		
b) Financial income from current receivables from other associated companies		
c) Financial income from current receivables from other non-associated companies		
12. Valuation adjustment of short-term financial instruments and financial investments that are part of current assets (235-236)	1,322	-375
a) Income from valuation adjustment of short-term financial instruments and financial investments that are part of current assets	1,388	
b) Expenses from valuation adjustment of short-term financial instruments and financial investments that are part of current assets	66	375
13. Expenses from interest, exchange rate differences and effects of agreed risk protection (238 to 240)	1,242,528	1,636,994
a) Expenses from interest, exchange rate differences and effects of agreed risk protection incurred with parent companies and subsidiaries		
b) Expenses from interest, exchange rate differences and effects of agreed risk protection incurred with other associated companies		
c) Expenses from interest, exchange rate differences and effects of agreed risk protection incurred with non-associated companies	1,242,528	1,636,994
II. Financial result (222 + 226 + 230 + 234 - 237)	-587,438	-1,300,354
III. Result from ordinary operations before taxes (221 + 241)	24,998,647	29,886,426
IV. Net result from discontinued operation		
V. Result before taxes (242 + 243)	24,998,647	29,886,426
14. Taxes on profit (246 + 247)	4,009,017	5,051,794
1. Current income tax	3,964,799	4,728,233
2. Deferred taxes	44,218	323,561

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

15. Profit or loss after taxes (244-245)	20,989,630	24,834,632
VI. GROSS RESULT OF OTHER RESULT ITEMS/ASSOCIATED WITH CAPITAL/ (250 to 257)	0	0
1. Changes in revaluation reserves based on property, plant, equipment, intangible assets and biological assets		
2. Changes in unrealised gains and losses for valuating of foreign business financial statements		
3. Changes in unrealised gains and losses from investments in equity instruments		
4. Changes in actuarial gains and losses from defined benefit plans of actuarial gains (or losses) related to defined retirement benefit plans		
5. Changes in share in other comprehensive result of associated company		
6. Changes in unrealised gains and losses from instruments for hedging net investments in foreign operations		
7. Changes in revaluation reserves from hedging cash flows		
8. Other changes in unrealised gains and losses		
VII. DEFERRED TAX EXPENSES OR INCOME OF THE PERIOD RELATING TO OTHER RESULT ITEMS/ASSOCIATED WITH CAPITAL/	0	0
VIII. NET RESULT OF OTHER RESULT ITEMS/ASSOCIATED WITH CAPITAL/ (258)	20,989,630	24,834,632
IX. NET COMPREHENSIVE RESULT (248-259)		
X. EARNINGS PER SHARE	0.1436	0.1699
1. Basic earnings per share		
2. Decreased (diluted) earnings per share		
XI. NET RESULT BELONGING TO OWNERS OF PARENT LEGAL PERSON		
XII. NET RESULT BELONGING TO INVESTMENTS THAT DO NOT PROVIDE CONTROL		

2.2 Ratio indicators

The ratio analysis represents the main instrument for the assessment of financial position and potential of a company. By putting into relation logically connected units from financial results (Balance Sheet and Income Statement), a result of established relations occurs aimed at assessing the state and activities of a company.

2.2.1 Cost-effectiveness indicators:

COST-EFFECTIVENESS OF TOTAL OPERATIONS	2025	2024
Total income	96,028,399	100,726,695
Total expenses	71,029,752	70,840,269
Total income/Total expenses	1.352	1.422

COST-EFFECTIVENESS OF ORDINARY OPERATIONS	2025	2024
Operating income	95,373,243	100,389,680
Operating expenses	69,135,230	68,287,381
Operating income/Operating expenses	1.380	1.470

2.2.2 Liquidity indicators

CASH RATIO	2025	2024
Cash and cash equivalents	55,277,748	57,390,695
Short-term liabilities	34,708,366	29,320,858
Cash and cash equivalents/Short-term liabilities	1.593	1.957

CURRENT LIQUIDITY	2025	2024
Engaged current assets	68,182,471	72,406,676
Short-term liabilities	34,708,366	29,320,858
Engaged current assets/Short-term liabilities	1.964	2.469

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

QUICK RATIO	2025	2024
Short-term receivables, investments and cash	65,578,995	69,973,561
Short-term liabilities	34,708,366	29,320,858
Short-term receivables, investments and cash/Short-term liabilities	1.889	2.386

FINANCIAL STABILITY RATIO	2025	2024
Long-term assets	299,551,934	286,674,395
Capital	275,012,899	259,980,976
Long-term liabilities	27,536,461	36,144,175
Long-term assets/(Capital + Long-term liabilities)	0.990	0.968

2.2.3 Debt indicators

DEBT RATIO	2025	2024
Total liabilities	100,478,810	105,251,921
Total assets	375,491,709	365,232,897
Total liabilities/Total assets	0.268	0.288

FINANCIAL LEVERAGE RATIO	2025	2024
Total liabilities	100,478,810	105,251,921
Total capital	275,012,899	259,980,976
Total liabilities/Total capital	0.365	0.405

DEBT FACTOR	2025	2024
Total liabilities	100,478,810	105,251,921
Retained earnings + Depreciation	130,933,632	115,485,049
Total liabilities/(Retained earnings + Depreciation)	0.767	0.911

2.2.4 Activity indicators

RECEIVABLE TURNOVER	2025	2024
Sales	93,305,935	97,697,621
Average receivables from customers	9,824,031	11,449,006
Sales/Average receivables from customers	9.50	8.53

DAYS SALES OUTSTANDING	2025	2024
365	365	365
Receivable turnover	9.50	8.53
365/Receivable turnover	38.43	42.77

INVENTORY TURNOVER	2025	2024
Cost of products sold	38,981,816	40,178,211
Average inventories	2,513,590	2,348,757
Cost of products sold/Average inventories	15.51	17.11

DAYS SALES OF INVENTORY	2025	2024
365	365	365
Inventory turnover	15.51	17.11
365/Inventory turnover	23.54	21.34

2.2.5 Profitability indicators

EBIT	2025	2024
Pre-tax result	24,998,647	29,886,426
Interest expenses	587,438	1,300,354
Pre-tax result + Interest expenses	25,586,085	31,186,780

EBITDA	2025	2024
Pre-tax result	24,998,647	29,886,426
Interest expenses	587,438	1,300,354
Depreciation	11,029,016	10,612,356
Pre-tax result + Interests + Depreciation	36,615,101	41,799,136

RETURN ON ASSETS (ROA)	2025	2024
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CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

Net income	20,989,630	24,834,632
Capital	275,012,899	259,980,976
Net income/Total own capital	7.63%	9.55%

RETURN ON EQUITY (ROE)	2025	2024
Net income	20,989,630	24,834,632
Total assets	375,491,709	365,232,897
Net income/Total own capital	5.59%	6.80%

2.2.6 Analysis of receivables

	2025	2024
Receivables from sales	8,506,809	11,968,837
Receivables for interest	334,968	235,205
Other receivables	1,873,262	792,615
Minus: provision for impairment	(413,792)	(413,792)
Total receivables	10,301,247	12,582,865

As of 31 December 2025, receivables from sales in the amount of EUR 8,506,809 (2024: EUR 11,968,837) are collectible in the amount of EUR 8,093,017 (2024: EUR 11,555,045) while the amount of EUR 413,792 (2024: EUR 413,792) has been impaired.

The age structure of these receivables was as follows:

	2025	2024
Up to 3 months	8,033,851	11,553,525
3 - 6 months	56,056	6
Over 6 months	3,110	1,514
As of 31 December	8,093,017	11,555,045

Changes in the account of provisions based on impairment of receivables are:

	2025	2024
At the beginning of the year	413,792	413,792
Provisions for impaired receivables		
Collected written-off receivables	-	-
As of 31 December	413,792	413,792

3. ENVIRONMENT PROTECTION MEASURES

The environment is an area, i.e. natural ambient, air, land, water and sea, plant and animal world, phenomena and effects: climate, ionising and non-ionising radiation, noise and vibration, as well as the ambient created by man: cities and other settlements, cultural-historical heritage, infrastructure, industrial and other facilities.

As a socially responsible company, we plan and conduct all activities in manner that:

- They cause the smallest possible environmental change, i.e. that they represent to smallest possible risk to the environment and people’s health,
- We reduce the pressure on space and consumption of raw materials in construction, as well as in production, distribution and use,
- We include the possibility of recycling, prevent or limit the environmental impact at the contamination source itself;
- When it is not certain what kind of consequences an eventual intervention can cause, we carry out all the available procedures for assessing expected impacts and corresponding measures, in order to avoid negative consequences for people’s health and the environment.

3.1 Disclosure of information on:

- Environmental protection,
- Climate changes (insulation of facilities),
- Waste management (delivery to authorised operators, destruction),
- Water management (consumption),
- Energy management (gas emission control),
- Industrial safety (fire protection).

3.1.1. Impact of facilities on the environment

Crnogorski elektroprenosni sistem AD manages its policy by being ecologically conscious and engaged, in accordance with the valid legal regulations in the field of environmental protection, i.e. pursuant to the Law on Environment (Official Gazette of Montenegro, no. 52/16 dated 09 August 2016) and the Law on Environmental Impact Assessment (Official Gazette of Montenegro, no. 75/18 dated 23 November 2018).

Pursuant to the Law on Environmental Impact Assessment, if we consider that a certain project or business activity can or will have an impact on the environment, we ask the competent authority to approve the environmental impact study, or a decision that an environmental impact study is not needed.

As project holder, we submit a request for making a decision on the need of impact assessment to the competent authority.

The request contains the following:

- Location description;
- Project description;
- Description of possible significant impacts of a project on the environment;
- Measures to prevent, reduce or eliminate harmful impacts;
- Data sources.

The environmental impact study, pursuant to Article 18 of the Law on Environmental Impact Assessment, analyses and evaluates the quality of environmental segments and their impact on a particular area, the mutual impact of existing and planned activities, direct and indirect impacts of a project on the environment and implementation of measures to prevent, eliminate, mitigate or remedy harmful effects on the environment and human health.

The study and the approval of the study are an integral part of the documentation required to obtain a permit or approval for project implementation.

3.1.2 Waste management

Waste management is one of the important activities that is conducted in order to protect the environment. Waste management in accordance with the principles of sustainable development, i.e. efficient use of resources that implies:

- prevention of waste occurrence when possible;
- proper waste storage (especially of hazardous waste);
- preparation of existing waste for reuse, recycling or getting energy

allows to preserve the environment from negative impact arising from working processes.

CGES AD treats waste pursuant to the Law on Waste Management (Official Gazette of Montenegro, no. 34/24 and 92/24) and according to the Waste Management Plan of CGES AD approved by the Environmental Protection Agency in February 2025.

3.1.3 Control of sources of electromagnetic radiation

The main aspects of the Company's activity are electricity transmission and energy management in real time, as well as maintenance and development of the transmission system.

Since transmission network facilities are sources of electromagnetic radiation, we are aware the concern that they cause in public in terms of exposure to electric and magnetic field, particularly those caused by the presence of overhead lines in the environment, so our Company published the Brochure on electromagnetic radiations on its website.

Calculation of electromagnetic fields is performed when designing overhead lines and substations in order to ensure that electromagnetic radiations of constructed facilities will be within allowed limits. First meterings are performed as a confirmation to the aforesaid after which constructed facilities can obtain a use permit. In addition, periodical meterings are performed later on during the operation of facilities, thereby periodically checking the levels of electromagnetic radiations.

Solely an independent accredited institution performs Meterings. The Law on Protection from Electromagnetic Radiation (Official Gazette of Montenegro, no. 35/2013) and supporting secondary acts regulate this field.

3.1.4 Climate change

The company is aware of the impact of greenhouse gases (GHG) on climate change, as well as the importance of reducing negative impacts on the environment and society.

A system for monitoring GHG emissions has been established, the base year is 2023, in order to identify opportunities for reducing them and obtain the setting of achievable strategic goals of the company, all with the aim of reducing the impact on climate change and achieving the goals of the ISO 14001 standard, the implementation of which is ongoing.

In the Report on CO₂ emissions for 2024, prepared by EcoEnergy Consulting d.o.o. Podgorica, in the section Comparison of emissions with the base year, it was concluded: „ In 2024, CGES AD recorded a reduction in CO₂eq emissions in the amount of 6,249.10

tCO₂eq or 7.48% compared to the base year of 2023. The biggest impact on the mentioned reduction was emissions from scope 3, more precisely emissions related to procurement or additional investment in fixed assets, which are lower by 7,292.20 tCO₂eq, i.e. emissions increased by 72.65% on this basis. A significant reduction in emissions was also recorded in the part of losses due to electricity transmission, by 1,413.70 tCO₂eq, as well as in the part of emissions related to waste treatment, where a reduction of 45.78 tCO₂eq was achieved.

The largest increase in emissions was registered within scope 3 – forest cutting, with an increase in emissions by 1,916.03 tCO₂eq. In addition, the growth of fugitive GHG emissions by 491.44 tCO₂eq was recorded. Other categories of emissions did not record any significant deviations in absolute terms compared to the base 2023.'

3.2 Corporate social responsibility

Following the strategic goals and values of Crnogorski elektroprenosni sistem, by which corporate responsibility is recognised as an integral part of the overall corporate identity, a comprehensive program of donations, sponsorships, one-time assistance and scholarships was implemented in 2025. Through these activities, CGES continued to make an active contribution to the development of society, strengthening social cohesion and improving the quality of life in the communities in which it operates.

A total budget of EUR 300,000 was allocated for the implementation of the above activities in 2025, distributed according to clearly defined criteria, applicable internal procedures and the principles of transparency, equality and social responsibility. When deciding on the allocation of funds, special attention was paid to project social justification, long-term significance and their impact on local communities.

3.2.1 Sport

The major part of the funds is allocated towards sports clubs and associations, whereby CGES confirmed its commitment to the development of sports and the promotion of healthy lifestyles. The support to the Paralympic Committee of Montenegro stands out in particular, of which the company is extremely proud, as this means a strong contribution to the development of inclusive sports, equal opportunities and the affirmation of the values of solidarity, perseverance and social equality.

3.2.2 Culture

Through sponsorship of cultural and social events, cooperation with institutions and organisations that contribute to the preservation of cultural and social values has been further strengthened.

3.2.3 Education, science

In addition to sports, a significant part of the funds is directed towards educational institutions and scholarship programs for scholars and students. We donated significant funds to the Grammar School Stojan Cerović - Nikšić, the Faculty of Electrical Engineering - Podgorica, numerous elementary schools, etc.

3.2.4. Cooperation with the NGO sector

A special focus of our corporate social responsibility activities was donations granted to local communities, our key and long-term partners. Given that the energy infrastructure largely extends across their areas, an open, fair and partnership relationship is essential to us. To the extent possible, we have tried to respond to their needs and demands, providing support for projects that improve to the quality of life of the local population.

3.2.5 Employee care

Understanding the significance and importance of human resources, the primary task of the Company is to take care of its employees. We cultivate a fair and partnership relationship with the Trade Union Organisation, based on mutual respect and cooperation. For this reason, our business decision also includes granting donation to it. The Union recognises and appreciates this type of support, because it contributes to common goals and strengthening relationships. We believe that this approach is mutually beneficial and sustainable in the long term.

3.2.6 6 Individual assistance

Last but not least, our empathy towards those who needed help the most, especially children who needed treatment, and socially vulnerable categories, was evident. A total of EUR

10,000 was allocated for these purposes, thus confirming our commitment to humanity and social responsibility.

4. PLANNED FUTURE DEVELOPMENT

The company Crnogorski elektroprenosni sistem was founded and operates according to the Going Concern principle, or continuing operations principle.

With regard to the planned future development, projections of financial indicators were made for a period of 3 fiscal years. Trends in business operations over the past years and management business policy relating to the future growth and development of the company were taken into account.

4.1 Projection of profit & loss statement

PROJECTION OF PROFIT&LOSS STATEMENT (in million euro)				
no.	Structure	2026	2027	2028
A	Total income	68.4	70.9	71.8
B	Total expenses	55.5	57.6	57.6
C	EBITDA	12.8	13.3	14.3
D	Depreciation	10.9	10.8	10.8
E	EBIT	1.9	2.6	3.5
F	NET FINANCIAL COSTS	0.4	0.6	1.6
G	Gross income	1.6	2.0	1.8
H	Income tax	0.2	0.2	0.2
E	Net income	1.4	1.7	1.6

4.2 Projection of balance sheet

PROJECTION OF BALANCE SHEET (in million euro)			
	2026	2027	2028
FIXED ASSETS	334.0	382.9	417.5
Current assets	222.3	212.4	203.5
New assets	111.7	170.5	214.0

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

OTHER INVESTMENTS	1.5	1.5	1.5
WORKING CAPITAL	-31.7	-37.3	-38.2
Current assets	19.1	19.0	19.3
Deferred income	25.5	32.5	36.0
Short-term liabilities	25.3	23.8	21.4
TOTAL ASSETS	303.8	347.1	380.8
CAPITAL	276.9	278.6	280.2
NET DEBTS	17.8	59.1	91.0
LONG-TERM DEBTS	44.2	59.6	91.5
CASH	26.4	0.5	0.5
FUNDS	9.1	9.3	9.6
CAPITAL + LIABILITIES	303.8	347.1	380.8

4.3 Loan indebtedness

As of 31 December 2025

NO.	CREDITOR AND DESCRIPTION	Basis	Portion of long-term liabilities that matures within one year (account 424)	Long-term portion of the loan 31.12.2025	Total 31.12.2025
1	2	3	4	5	6
1.	Loan World Bank (SDR) 5,240,000.00 SDR (87.33% of 6,000,000 SDR)	Agreement no. 10-00-1050 portion and Agreement no. 1821 of 25.02.2010 on the transfer of loan funds and responsibilities between EPCG AD Nikšić, the State of Montenegro and the Company	524,000	373,618	897,618
2.	KESH (KfW) Tirana 9.810.659 €	Agreement no. 10-00-13077 portion and Agreement on transfer of funds and responsibilities based on the loan of 10.05.2011	29,455	540,020	569,475

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

		between EPCG AD Nikšić, KESH Tirana and KfW			
3.	Loan EBRD for OHL Lastva - Čevo	Agreements no. 5975 and 5976 of 08.05.2013	7,787,189	14,586,045	22.373.234
4.	Loan KfW for SS 110/35 kV Luštica with connection to 110 kV network (20.0 mln)	Agreement no. 11952/18 of 2018	3,022,101	381,664	3.403.765
5.	Loan NLB for the highway (16.6 mln)	Agreement no. 2023/8592 of 02.06.2023	1,499,517	11,655,114	13.154.631
TOTAL LOANS:			12.862.262	27,536,461	40,398,723

The balance of liabilities by loans as of **31 December 2025** amounts to **40,398,723 €**.

5 DETAILS OF RESEARCH AND DEVELOPMENT ACTIVITIES

5.1 Research and development

CGES is devoted to research and development, particularly in the following fields:

- Introduction and efficient utilization of new technologies;
- Equipment modernisation;
- Automation of business operations;
- Scientific, research, development and technological studies.

5.2 Investing in employee training

CGES invests in employee training, particularly in the following fields:

- Professional development of employees;
- Initial professional education;
- Continuing professional education;
- Selection of new employees;
- Cooperation with educational institutions;
- Professional training;
- Training for employees.

6 DETAILS OF PURCHASE OF TREASURY SHARES OR PARTICIPATIONS

As of 31 December 2025, the Company does not own treasury shares.

7 BUSINESS UNITS

The National Dispatch Centre (NDC) is an organisational unit of CGES, which is in charge of operational planning of operation and control of the transmission system in real time. For this purpose, the Centre is equipped with modern equipment for data acquisition from all facilities of the transmission network. System element control and power and frequency regulation rest on the SCADA system. In addition to a system that is fully developed and implemented with its own capacities, from 2019, a modern SCADA system with advanced power system management techniques, including real-time N-1 security factor assessment, which meets control requirements in compliance with ENTSO-E standards.

System monitoring and control is permanently performed (24/7) from NDC control room.

The National Dispatch Centre is organised into:

- Operational Control, Grid Planning and Development Department,
- Short-Term Planning and Market Operations and Calculations Department,
- SCADA Systems and Billing Measuring Department,
- Department of Auxiliary Power Supply System, SBN and Maintenance of Dispatch Centres.

The Operational Control, Grid Planning and Development Department, as the central part of NDC, directly ensures coordinated and secure system operation. The Department, inter alia, prepares analyses of the safety of transmission system operation, as well as the calculation of monthly cross-border capacities (NTC).

The SCADA Systems and Billing Measuring Department, responsible for the development, implementation, maintenance, adjustment and enhancement of the system for monitoring and control of the electric power system, as well as all activities relating to electricity billing measuring systems, provides the support in carrying out permanent monitoring and control.

The Department of Auxiliary Power Supply System, SBN and Maintenance of Dispatch Centres is responsible for the development and maintenance of devices and equipment for SBN in all CGES facilities, as well as control and maintenance of the installed technological systems in the NDC and RDC buildings.

In addition to controlling the transmission system, NDC is responsible for coordinating and harmonising operation plans, registering electricity market participants, procuring ancillary services, procuring electricity to cover losses and compensation programmes, allocating cross-border transmission capacities and calculating and invoicing realised services and energy traffic for all users of the transmission system. The Short-Term Planning and Market Operations and Calculations Department implements these tasks.

The Sector for Information and Communication Technologies (ICT) is an organisational unit of CGES responsible for:

- development and maintenance of technical and corporate information system of the Company,
- development and implementation of cyber security procedures and measures,
- development and maintenance of telecommunication system through implementation of new communication technologies,
- as well as commercialisation of telecommunication services.

The Sector for Information and Communication Technologies (ICT) is organised into:

- Information Technology Department,
- Telecommunication Department,
- Corporate Security and Critical Infrastructure Protection Department.

Elektroprenos is an organisational unit of CGES, which is responsible for maintenance, development and utilisation of elements of the electricity transmission system. Having in its possession over 1580 km long transmission lines at 400 kV, 220 kV and 110 kV voltage levels, as well as substations at 400 kV, 220 kV and 110/x kV voltage levels, Elektroprenos ensures the preconditions necessary for real time control and energy delivery to end system users.

Elektroprenos is organised into:

- Substation Management, Control and Analytics Department,
- Maintenance Department,
- Protection and Testing Department.

Development and Investment Sector

Due to the importance of investment projects for CGES, the Development and Investment Sector was formed by separating the department from Elektroprenos at the end of 2019 in order to monitor each development project in a more organised and quality manner.

This sector carries out the following activities:

- preparation of development and investment plans,
- activities related to planning documentation,
- activities on preparation, management and implementation of projects,

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

- activities of preparation of conditions/approvals to technical and other documentation,
- preparation of conditions and approvals for connection to the transmission network in cooperation with other sectors,
- as well as preparation of report forms, reporting and coordination of reporting on the status of project implementation.

The Development and Investment Sector is organised into:

- Grid Development, Planning and Project Monitoring Department,
- Project Preparation and Implementation Department,
- Project Financial Monitoring Department.

ELECTRICITY TRANSMISSION SYSTEM FACILITIES

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

Crnogorski elektroprenosni sistem AD Podgorica manages 1,586 km of overhead lines, namely:

- six 400 kV overhead lines, 348.8 km long, of which 312.8 km are 400 kV overhead lines and 36 km are 2x400 kV overhead lines,
- one section of 400 kV overhead line that is in operation under 100 kV voltage, 54 km long,
- ten 220 kV overhead lines, 404.2 km long,
- thirty-nine 110 kV overhead lines, 670 km long, of which there are 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 mixed 110 kV line, 5.15 km long (2.48 km of the overhead line and 2.67 km long cable),

as well as 4,464.5 MVA of installed capacity:

- four 400/x substations (2,335 MVA);
- three 220/x substations (741 MVA);
- twenty-two 110/x substations (1,378.5 MVA) and
- one 220 kV switchgear.

The transmission system of Montenegro has a considerable number of interconnection links with neighbouring electric power systems:

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

- with the electric power system of Serbia, the transmission system of Montenegro is connected via two 220 kV OHLs (Pljevlja 2 – Bajina Bašta and Pljevlja 2 – Požega), and with one 110 kV OHL (Pljevlja 1 – Potpeć), completely owned by EMS;
- with the electric power system of Kosovo, the transmission system of Montenegro is connected via one 400 kV OHL (Ribarevine – Peć);
- with the electric power system of Bosnia and Herzegovina, the transmission system of Montenegro is connected via one 400 kV OHL (Lastva – Trebinje), two 220 kV OHL (HPP Perućica – Trebinje and HPP Piva – Sarajevo), and with two 110 kV OHLs (Herceg Novi – Trebinje and Nikšić/Vilusi – Bileća);
- with the electric power system of Albania, the transmission system of Montenegro is connected via 400 kV OHL Podgorica 2 – Tirana and 220 kV OHL Podgorica 1 – Koplik;
- with the electric power system of Italy, a link has been implemented through 400 kV overhead lines SS Lastva – Converter plant, underground cables and 500 kV submarine cable to SS Villanova in Italy.

Consumers are supplied with power from 29 substations, of which four are system SSs 400/x (Podgorica 2, Ribarevine, Lastva and Pljevlja 2) and one switchgear which that together with overhead lines constitute the transmission network of Montenegro.

8 DETAILS OF FINANCIAL INSTRUMENTS RELEVANT TO ASSESSMENT OF FINANCIAL POSITION AND BUSINESS PERFORMANCE

8.1 Classification

The Company classified its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments. Classification depends on the purpose for which financial instruments are purchased. The management classifies its financial assets at the moment of initial recognition.

8.2 Financial assets at fair value through profit and loss statement

Financial assets at fair value through profit and loss are classified as held for trading. Financial asset at fair value through profit and loss is classified as such if it is acquired for the purposes of sale in the near future. Derivatives are also classified as assets held for trading, except when held as hedge instruments. Assets in this category are classified as current assets.

8.3 Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market. These assets are classified as current assets unless the maturity period is longer than 12 months after balance sheet date, in which case they are classified as long-term assets.

Trade receivables include receivables from domestic and foreign customers and are measured at values as per original invoice. Trade receivables arise from operating activities of the Company, mostly relating to the fee for use of transmission network, compensation for losses in the transmission network, transmission capacity allocation and ITC.

8.4 Financial assets available for sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss. Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or market prices. If there is no active market for the available-for-sale financial assets or financial assets have fixed maturity, the available-for-sale assets are measured at amortised cost using the effective interest rate method.

8.5 Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative assets with fixed or determinable payment dates and fixed maturity that the management has the positive intent and ability to hold to maturity. In case the Company decides to sell the significant amount of financial assets held to maturity, the whole category should be reclassified as available for sale.

Financial assets held to maturity are classified as long-term assets unless the maturity period is less than 12 months after the balance sheet date, in which case they are classified as short-term assets.

8.6 Financial assets recognition

Purchase or sale of a financial asset is recognised using the settlement date accounting.

8.7 Financial assets measurement

Financial instruments are initially measured at market value, which includes transactional costs attributable to all financial assets or liabilities except those being measured at fair value through profit and loss. Financial assets held at fair value through profit and loss are initially recognised at fair value and transactional costs are accounted for as operating expenses through income statement.

Financial assets available for sale and financial assets held at fair value through profit and loss are recognised at fair value after the initial recognition.

Loans and receivables, as well as financial assets held to maturity, are measured at amortised cost using the effective interest rate method.

8.8 Financial assets derecognition

The Company derecognises a financial asset when either the contractual rights to the cash inflow from the asset expire or it transfers these contractual rights to another party. Any right on transferred financial assets, created or retained by the Company, is recognised as a separate asset or liability.

8.9 Amortised cost measurement

The amortised cost of a financial asset is the amount at which the financial assets are initially measured less principal repayments, and plus or minus the accumulated amortisation using the effective interest rate method.

8.10 Fair value measurement

A fair value of financial instruments is the amount for which the asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value is set according to available market information as at financial reporting date and other valuation models used by the Company.

A fair value of certain financial instruments presented at nominal value is approximately equal to its book value. These instruments include cash, as well as receivables and liabilities with no settled maturity or defined fixed interest rate.

Receivables and liabilities are reduced to present value by discounting future cash flows using current interest rates. The management is of the opinion that due to the nature of business operations of the Company and its general policies, there are no significant differences between book value and fair value of financial assets and liabilities.

8.11 Impairment of financial assets

The Company calculates impairment of financial assets based on expected credit losses. Expected credit losses represent the difference between contractual cash flows and cash flows that the Company expects to be realized. For short-term receivables, the Company has applied a simplified approach to calculating expected credit losses. Therefore, the Company does not monitor changes in credit risk, but recognises a value adjustment at the level of expected credit losses during the entire useful life of the financial instrument. When classifying receivables, the Company took into account the characteristics of transactions with customers, creditworthiness as well as business practices in order to segment its customers into groups of customers with similar creditworthiness in order to assess the amount of receivables collectibility.

The assessment of the amount of uncollectible receivables is based on the determined percentages for the determined rating of the customer group that are applied to all receivables of the same group.

In estimating the expected amount of credit loss, the Company relies on the age of receivables, previous experience with write-offs, customer creditworthiness and changes in payment terms.

This requires estimates related to future customer behaviour and resulting future cash collections. The actual level of receivables that have been collected may differ from the estimated collection levels, which may have a positive or negative impact on business results.

8.12 Financial liabilities

Financial liabilities are initially recognised at cost that represents a fair value of the amount received. After initial recognition, the financial liabilities are recognised at amortised cost using the effective interest rate method, except for financial liabilities at fair value through profit and loss. The amortised value of a financial liability is the initially measured amount less principal repayments, and plus or minus the accumulated amortisation using the effective interest rate method.

8.13 Long-term liabilities

Long-term liabilities represent liabilities for domestic and foreign long-term loans and deferred tax.

8.14 Current liabilities

Current liabilities represent liabilities with the maturity date within one year from the performance date or the date of the annual balance sheet.

Current liabilities are obligations towards domestic and foreign suppliers, current portion of long-term loans, interest on borrowings, taxes and contributions, salaries and allowances and other current liabilities.

Financial liabilities include loan liabilities approved by the banks. A liability is a current liability if it is expected to be settled within a regular operating cycle i.e. that matures within 12 months after the balance sheet date. All other liabilities are classified as long-term.

The Company derecognises liabilities when the obligation is settled, cancelled, or when transferred to another party.

8.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash held with commercial banks, cash whose use is limited, i.e. cash on accounts for dividend distribution, and other highly liquid financial assets.

9. OBJECTIVES AND METHODS FOR FINANCIAL RISK MANAGEMENT

Risk management system is a process by which organisations methodologically take care of the risks associated with the activities to gain continuous profit within both each individual activity and the whole portfolio of activities.

The objective of risk management is to create values and reduce risk consequences.

- Risk identification is a process of identifying and documenting potential risks.
- It requires a detailed knowledge of company organisation, market in which it operates, legal, social, political and cultural environment in which it exists, as well as a sound understanding of its strategic and operational objectives, dangers and threats associated with achieving these objectives.
- Relevant structures and methods for identifying risks are necessary to recognise risks and ascertain decisions.
- Risk management objectives and methods – ensuring additional guarantees to achieve strategic and operational objectives by timely identifying and preventing risks, adopting effective measures for securing optimum efficiency in risk management.

10. DETAILS OF EXPOSURE TO PRICE RISKS, CREDIT RISKS, LIQUIDITY RISKS AND CASH FLOW RISKS

Risk identification is a process of identifying and documenting potential risks. It requires a detailed knowledge of company organisation, market in which it operates, legal, social, political and cultural environment in which it exists, as well as a sound understanding of its strategic and operational objectives, dangers and threats associated with achieving these objectives.

Depending on the type of risk, risks are classified into categories, after which the impact of risk on the Company's overall operations is measured..

Based on the above process, the Company has established a risk register that is reviewed audited and reported to the management. The risk register also contains measures for managing the identified risks as well as an assessment of the effectiveness of such measures.

During its ordinary course of business, the Company is exposed to varying degrees of financial risks such as:

- Market risk,

- Liquidity risk,
- Credit risk.

Risk management in the Company is focused on minimizing potential negative impacts on the Company's financial position and operations in the situation of the unpredictability of financial markets. The Company does not use derivative financial instruments in any form of insurance against losses caused by risks. The financial sector is mainly focused on credit risk and liquidity risk and acts in individual cases in order to reduce risk.

10.1 Market risk

10.1. The risk of change in foreign exchange rates

The Company is exposed to the risk of changes in foreign exchange rates because of long-term loans with banks. The loan with World Bank is received in Special Drawing Rights-SDR, and therefore, the Company is exposed to the risk of changes in foreign exchange rates.

10.1.2 The risk of changes in interest rates

The Company is exposed to various risks which, through the effects of changes in market interest rate, influence its financial position and cash flows. The business operations of the Company are exposed to the risk of interest rate fluctuations to the extent in which interest-earning assets and interest-bearing liabilities mature at different times or in differing amounts.

The Company's risk from changes in fair value of interest rates arises primarily from the liabilities for long-term loans taken at a variable interest rate tied to Euribor, which gives rise to interest rate risk of the cash flows.

Certainly, the Company continuously analyses the exposure to interest rate risk on a dynamic basis, taking into account alternative sources of financing and refinancing, primarily for long-term liabilities, and takes appropriate measures to secure bank loans on favourable terms.

10.1.3 Risk from changes in other prices

Risk from changes in other prices includes changes in the price of capital, changes in commodity prices, the risk of payment before maturity and residual value. The Company is exposed to these types of risks due to the increase in the inflation rate, i.e. the price of goods and services, and above all construction materials, which take up the largest share in the total costs of the Company's investment projects.

10.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to fund assets with appropriate sources of financing in terms of maturities and rates, the risk of being unable to liquidate an asset

at a reasonable price and within the appropriate timeframe, as well as the risk of being unable to meet liabilities when they become due.

The Financial Department is responsible for monitoring the level of short-term financing and balancing the needs of short-term and long-term financing.

10.3 Credit risk

Credit risk is the risk of financial loss for the Company as a result of delays in settlement of obligations by customers or other parties. Credit risk is primarily associated with the exposure of the Company based on cash and cash equivalents, receivables from legal entities and individuals and commitments. The Company operates with creditworthy partners. The Finance and Payments Operations Department is responsible for monitoring the credit risk of partners.

10.4 Capital risk management

The Company selected the financial capital concept and its maintenance, according to which capital is defined based on nominal monetary units.

The objective of capital management is to maintain the Company's ability to continue its operations for an indefinite period in the foreseeable future, in order to preserve an optimal capital structure with the aim of reducing the cost of capital and providing dividends to shareholders.

11. OBJECTIVES AND POLICIES ON MANAGING FINANCIAL RISKS, RISKS AND BUSINESS UNCERTAINTIES

The legal person, considered as the whole, and its integral organisation units, are obliged to create risk assessments according to the same criteria. The legal person must adopt policies on managing financial risks and business uncertainties.

The Company's risk register has been established and is periodically reviewed.

12. CORPORATE GOVERNANCE

The Company has accepted the implementation of the Corporate Governance Code in Montenegro.

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD - MANAGEMENT REPORT

Corporate governance is organised in such a way as to protect the rights of shareholders and to oblige the management of a joint stock company to make decisions that are in the best interests of shareholders. In this sense, the management regularly (usually quarterly) submits financial reports to shareholders, and then provides the right to participate in voting at the shareholders assembly, the right to elect members of the management board and the right to participate in the profit of the Company. Corporate governance seeks to ensure equal treatment for all shareholders in the same class.

CGES ensures transparency of business operations by timely publishing accurate and complete information on all significant issues and important events relating to the Company, including financial operations, in a simple and accessible manner, through the Company's website and media.

In Podgorica,
20 March 2026

Željka Hidić
Head of Accounting and Payment Operation Department

Milena Milatović
Director of Financial and Economic Sector

Ivan Asanović
Executive Director

Audit Committee

No: 200-D/26-800/2

Podgorica, 20 March 2026

Pursuant to Article 40 of the Audit Law ("Official Gazette of Montenegro" No. 84/25), Article 59 and 60 of the By-Laws of Crnogorski elektroprenosni sistem AD and Article 8 of the Rules of Procedure of the Audit Committee of Crnogorski elektroprenosni sistem AD, after considering the submitted draft Report on Financial Operations of Crnogorski elektroprenosni sistem AD for the period between 1 January and 31 December 2025, draft Management Report of Crnogorski elektroprenosni sistem AD for the period between 1 January and 31 December 2025 and draft Financial Statements of Crnogorski elektroprenosni sistem AD for the period between 1 January and 31 December 2025, the Audit Committee adopted on 19 and 20 March 2026 the following

CONCLUSIONS

1. Report on Financial Operations of Crnogorski elektroprenosni sistem AD for the period between 1 January and 31 December 2025, made and issued by the management of the Company, has been accepted.
2. Management Report of Crnogorski elektroprenosni sistem AD for the period between 1 January and 31 December 2025, made and issued by the management of the Company, has been accepted.
3. Financial Statements of Crnogorski elektroprenosni sistem AD for the period between 1 January and 31 December 2025 have been accepted.
4. It is proposed that the Board of Directors of the Company adopt the acts referred to in points 1, 2 and 3 of this Conclusion.

P R E S I D E N T

Miloš Baletić, BEcon

XVII ANNUAL SHAREHOLDER MEETING
OF CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

Item 2:

**Decision on the distribution of net profit of Crnogorski
elektroprenosni sistem AD for 2025**

Podgorica, June 2026

Attn Shareholders Meeting

Information on draft Decision on distribution of the CGES profit for 2025

Since 2009, when FC Prenos (Functional Unit Transmission) spun-off from EPCG AD Nikšić as an independent legal entity, Crnogorski elektroprenosni sistem AD Podgorica (hereinafter: CGES) has recorded positive business results to this day.

The net profit of CGES, disclosed in the financial statements for business year 2025, amounts to €21.0 million. In addition to the above, at the end of 2025, the total retained profit of CGES, including the stated profit from 2025, amounts to €119.9 million with a cash balance on the accounts of €55.3 million.

The realised net profit in 2025 is primarily the result of continuous growth of revenues from cross-border capacity allocation (hereinafter: congestion revenues). High revenues are due to the implementation of submarine interconnection between Montenegro and Italy, resulting in the commissioning of submarine cable in early 2020, and from then its commercial use as well. In addition, the significant increase in congestion revenue was influenced by the global energy crisis, primarily due to the war in Ukraine. The war in Ukraine caused a large shortage of energy sources and an increase in the price of electricity in Europe, which consequently affected a significant increase in demand for cross-border capacities.

On 18 November 2024, the Energy and Water Regulatory Agency issued a Decision determining negative revenue adjustments of €35.7 million for CGES for 2023, based on the deviation of realised economic and energy values vs the approved values in 2023, whereby it was determined that part of the said adjustment in the amount of €9.5 million will be applied in 2025. The aforementioned decision had a negative effect on the business result of CGES in 2025 in the stated amount through the reduction of tariffs or business revenues¹.

According to the Energy Law, CGES, as a regulated entity, generates most of its revenues based on tariffs approved by the Energy and Water Regulatory Agency (hereinafter: Regulatory

¹ The total negative adjustment of regulated revenues of CGES in 2025 based on the Decision of the Regulatory Agency of 2022 and the Decision of 2024 amounts to €10.0 million.

Agency), so that, following the regulatory and legal framework, the revenues generated, in case the realised values deviate from the approved ones, shall be subject to positive or negative adjustments. Considering the above, and in accordance with the current regulatory framework and the CGES Procedure for Monitoring the Achievement of Regulatory Allowed Revenue, based on the deviations of the achieved regulatory revenues and costs in relation to the approved regulatory revenues and costs for 2025, a negative adjustment of future tariffs, i.e. regulatory revenues adjustments of the Company is expected, which, based on the Rules for Adjustments of Prices and Charges, is estimated at €23.3 million.

Bearing in mind the aforementioned 1) adjustments from the previous period that burdened the current business profit in the amount of €10.0 million and 2) future adjustments expected by CGES in the coming period, based on the deviation of the realised values vs those approved for 2025 in the amount of €23.3 million, we conclude that the estimated "effective" profit of the Company amounts to €7.7 million.

The CGES Budget 2026 and the Business Plan 2026-2030, as the company's strategic documents, which were adopted by the Board of Directors in December 2025, do not envisage the payment of dividends.

When preparing the planning documentation, a conservative approach was maintained, bearing in mind the uncertainty regarding the future impact of the CBAM on congestion revenues, as well as the expected amendments to the regulatory framework from 2027. In the regulatory period starting from 2027, an evident decrease in the Company's profit is expected due to large negative adjustments expected by CGES, based on significantly better achieved results vs those approved in the period 2022-2025. In addition, a significant risk for CGES operations stems from amendments to the regulatory framework that will be the basis for calculating and approving tariffs and regulated revenues starting from 2027. Based on the draft Methodology for Setting Regulatory Allowed Revenue (RAR) of the Transmission System Operator, it is clear the intention of the Regulator to reduce the RAR of the operator through certain amendments to the regulatory framework in terms of the quality factor, rate of return on fixed assets, non-controllable costs, etc.

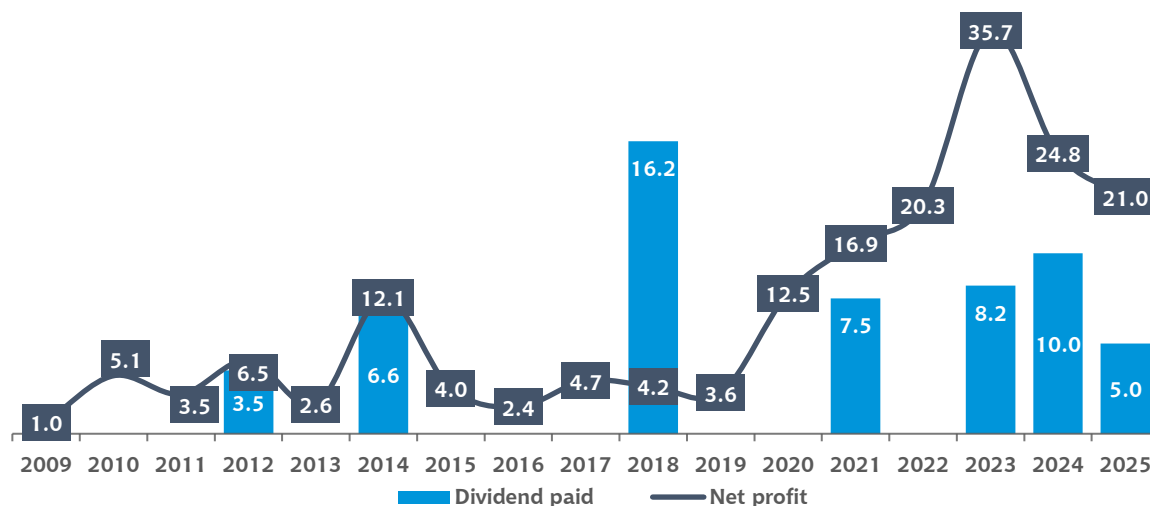
The Investment Plan envisages a large investment cycle of CGES, which should ensure smooth functioning and improvement of the transmission system in terms of the system's readiness to respond to the needs of a large number of potential renewable electricity sources. Based on the adopted Investment Plan, total planned investments for the next five-year period amount to €194.1 million. In such circumstances, preservation of the Company's internal/own investment potential is one of the key prerequisites for financial sustainability.

Based on the adopted Business Plan 2026-2030, stable financial operations are expected until 2027. In the five-year period of the plan, as a result of significant capital investments, there is a need for additional sources of financing in the total amount of €55.9 million, starting from 2027 in the amount of €2.6 million, in 2028 in the amount of €32.4 million, in 2029 in the amount of €13.0 million and in 2030 in the amount of €7.9 million. **We must note that the previous statement on the missing financial resources primarily depends on the level of the implementation of the adopted Investment Plan 2026-2030.**

Based on the achieved results for the first quarter of 2026, it can be concluded that the realised net profit is significantly higher vs the adopted plan (+€4.9 million) primarily due to higher congestion revenues (+€4.6 million). However, vs the comparable period of the previous year, there was a noticeable drop in realised profit (-€1.7 million), mostly due to a significant drop in congestion revenues (-€5.3 million). In addition, at the end of the first quarter of

2026, the cash balance amounts to €44.8 million, which represents a decrease in cash in the amount of €10.4 million vs the end of 2025, as a result of a lower net cash inflow from operational activities.

Graph no.1 below shows the movement of CGES net profit and dividend paid in the period 2009-2025.



Graph no. 1 Net profit of CGES and dividend paid in the period 2009-2025

Since its unbundling until today, CGES has paid to shareholders a dividend in the total amount of €56,982,023.

At the ordinary session held on 25 June 2025, the Company's Shareholder Meeting adopted a decision on the distribution of dividends based on the results achieved in 2024 in the total amount of €5.0 million, which represented €2.0 million more in paid profit than the officially estimated effective profit for 2024.

Within the information in question, a sensitivity analysis of the impact of the CGES dividend payment in 2026 on the basic version of the adopted Business Plan was made, with the following assumption:

- **Dividend payment to CGES shareholders in the gross amount of €5.7 million** based on the realised effective profit in 2025 in the amount of €7.7 million reduced by €2.0 million of dividends paid based on the results from 2024 above the estimated effective profit, while the remaining part is distributed as retained earnings and accumulated with retained earnings from previous years.

Based on the above assumption used to develop the sensitivity analysis, it has been concluded that the potential dividend payment in 2026 in the amount of €5.7 million would have a negative impact on the financial sustainability of CGES in terms of the greater need for additional sources of financing (€6.6 million) vs the adopted plan starting from 2027.

Considering the legal and regulatory framework that determines CGES' operation as a regulated entity, it follows that despite the continuous positive business and record results, the realised profit of the Company is significantly lower compared to the one realized in 2025. We propose that based on the profit generated in 2025, a dividend be paid to CGES shareholders in the gross amount of €5.7 million, and that the remaining portion be distributed as retained earnings and accumulated with retained earnings from previous years. Adopting a decision on the payment of dividend in a larger amount than proposed would

represent a distribution of profit that, along with the expected negative adjustments that will be applied in the coming period, could lead to CGES being in a situation of taking on additional debt in order to properly service its liabilities, both for current costs and operations, as well as for new investments, already in 2027. **It is especially emphasised that the aforesaid statement is closely related to the implementation of the planned investments, that is, that the current finances will also depend on the percentage of the implementation of the planned investments.**

Based on the above, the Board of Directors at its IX meeting of XXIII convocation held on 8 May 2026 made a decision No 1-1-D/26-1409/9 dated 11 May 2026 deterring draft decision on distribution of CGES profit for year 2025.

Taking into consideration the above written, it is proposed that the Shareholders Meeting, in line with its competencies, accepts the submitted proposal and adopts the decision on the allocation of CGES's profit for the year 2025.

Board of Directors

Number: 1-1-D/26-1409/9

Podgorica, 11 May 2026

Pursuant to Article 45 paragraph 1 item 3 of the By-Laws of Crnogorski elektroprenosni sistem AD and the Information on distribution of CGES profit realised in 2025 no. 200-D/26-1308/1 of 30 April 2026, at its IX Meeting of XXIII convocation held on 8 May 2026, the Board of Directors adopted the following

DECISION

determining draft Decision on distribution of net profit of Crnogorski elektroprenosni sistem AD for 2025

1. Draft Decision on distribution of net profit of Crnogorski elektroprenosni sistem AD amounting to €20,989,630 realised in 2025 in such a way that the amount of €5,700,000 shall be disbursed as gross dividend to the shareholders while €15,289,630 shall be distributed as retained earnings accumulated with retained earnings from previous years, has been determined.
2. Draft decision referred to in item 1 herein shall be submitted to the Company's Shareholder Meeting for adoption.
3. This decision shall enter into force on the day of its adoption.

CHAIRMAN OF THE BOARD,
Aleksandar Mijušković, BScEE

Shareholder Meeting

DRAFT

Number:

Podgorica, _____ 2026

Pursuant to Article 133, paragraph 1, item 6 of the Companies Act (Official Gazette of Montenegro No. 65/20) and Article 29, paragraph 5, item 12 of the By-Laws of Crnogorski elektroprenosni sistem AD, the _____ Annual Shareholder Meeting held on _____ 2026 adopted the following

DECISION on distribution of net profit for 2025

1. Net profit of Crnogorski elektroprenosni sistem AD as disclosed in the annual Financial Statements for the business year 2025 amounts to €20,989,630.
2. The profit referred to in item 1 of this Decision shall be distributed in the following way:
 - €5,700,000 will be disbursed as gross dividend to the shareholders.
 - €15,289,630 shall be distributed as retained earnings and accumulated with retained profit from previous years.
3. The dividend will be paid in cash.
4. The Executive Director and the Financial and Economic Sector shall be responsible for the implementation of this decision.
5. This decision shall enter into force on the day of its adoption.

**CHAIRMAN
OF THE SHAREHOLDER MEETING**

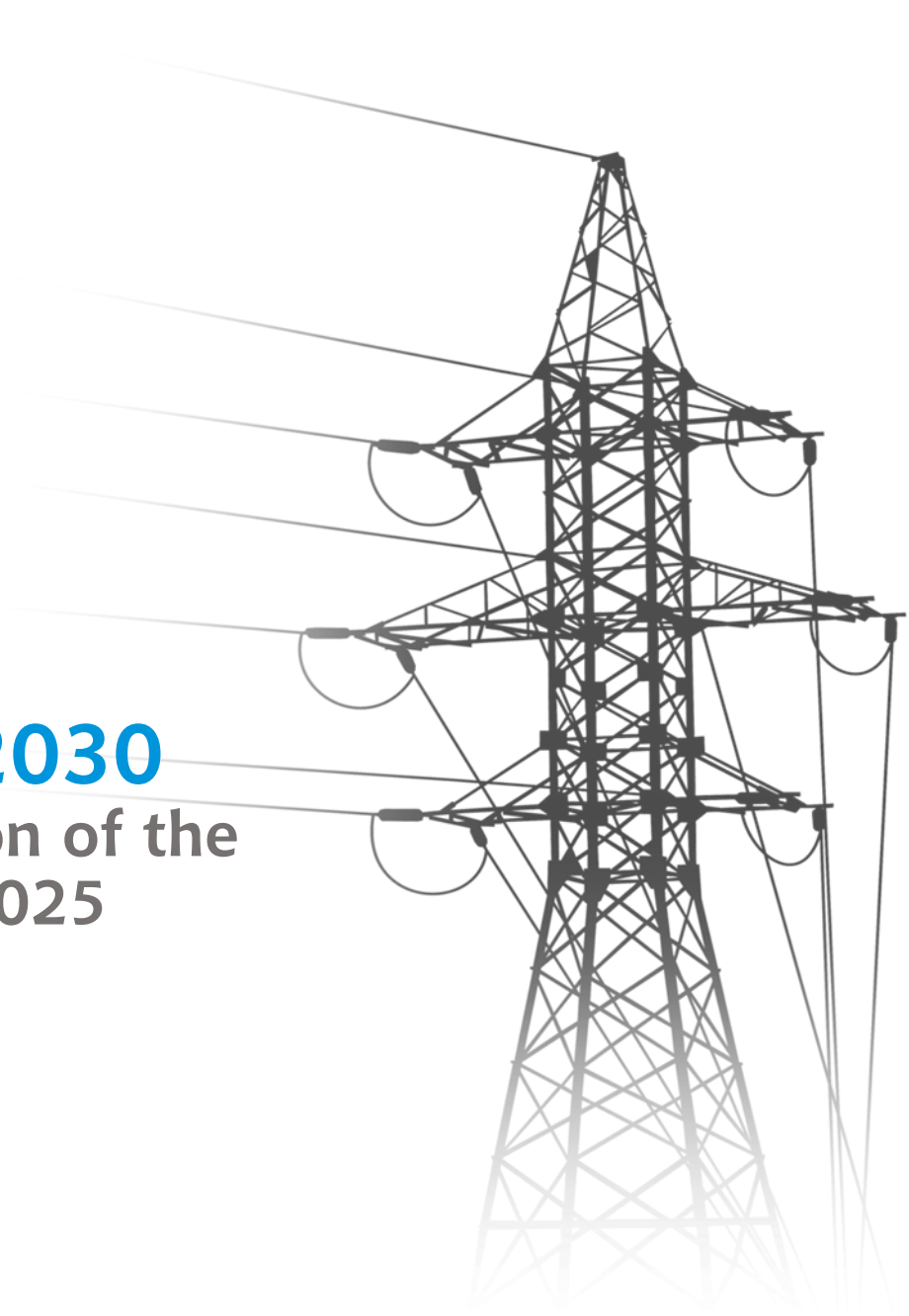


Sensitivity analysis Business Plan 2026-2030

Draft Decision on distribution of the
realised profit of CGES for 2025

BOARD OF DIRECTORS

May, 2026



General assumptions



Sensitivity analysis – Dividend payment based on the realised profit in 2025

This document contains a sensitivity analysis developed to assess the impact of a potential dividend payment based on realised profit in 2025 on the basic version of the adopted Business Plan 2026-2030, with the following assumption:

- **Dividend payment to CGES shareholders in the gross amount of €5.7 million** based on the realised effective profit in 2025 in the amount of €7.7 million reduced by €2.0 million of dividends paid based on the results from 2024 above the estimated effective profit, while the remaining part is distributed as retained earnings and accumulated with retained earnings from previous years.



Results of the sensitivity analysis:

Based on the above assumption used to develop the sensitivity analysis, it has been concluded that the dividend payment in the gross amount of €5.7 million based on the realised profit in 2025 would have a negative impact on the financial sustainability of CGES in terms of lower net profit in the amount of €0.2 million per year on average and a greater need for additional sources of financing vs the adopted plan, starting from 2027 in the total amount of €6.6 million.

Please note that the need for additional sources of financing will primarily depend on the level, or percentage, of the implementation of the Investment Plan 2026-2030.

Profit & loss statement (mln €) - sensitivity analysis

Adopted Business Plan 2026-2030 vs Sensitivity analysis of dividend payment



P&L	BP 2026-2030 Sensitivity analysis					BP 2026-2030 adopted					DIFFERENCE				
	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
TOTAL REVENUES	51,6	54,5	55,4	56,7	56,1	51,6	54,5	55,4	56,7	56,1	-	-	-	-	-
Transmission revenues	12,6	19,8	20,6	21,9	21,4	12,6	19,8	20,6	21,9	21,4	-	-	-	-	-
Transmission losses	18,9	15,3	15,3	15,3	15,3	18,9	15,3	15,3	15,3	15,3	-	-	-	-	-
Ancillary system balancing revenues	1,1	0,5	0,5	0,5	0,5	1,1	0,5	0,5	0,5	0,5	-	-	-	-	-
Congestion revenues	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	-	-	-	-	-
TOTAL OPEX	(38,7)	(41,2)	(41,1)	(41,3)	(41,5)	(38,7)	(41,2)	(41,1)	(41,3)	(41,5)	-	-	-	-	-
Personnel	(9,5)	(9,8)	(10,2)	(10,4)	(10,5)	(9,5)	(9,8)	(10,2)	(10,4)	(10,5)	-	-	-	-	-
Material	(0,5)	(0,5)	(0,5)	(0,4)	(0,5)	(0,5)	(0,5)	(0,5)	(0,4)	(0,5)	-	-	-	-	-
Third party	(5,2)	(5,0)	(5,0)	(5,0)	(5,0)	(5,2)	(5,0)	(5,0)	(5,0)	(5,0)	-	-	-	-	-
Ancillary system balancing costs	(2,1)	(3,2)	(3,2)	(3,2)	(3,2)	(2,1)	(3,2)	(3,2)	(3,2)	(3,2)	-	-	-	-	-
Other	(6,6)	(7,4)	(7,0)	(7,0)	(7,0)	(6,6)	(7,4)	(7,0)	(7,0)	(7,0)	-	-	-	-	-
Transmission losses	(14,9)	(15,3)	(15,3)	(15,3)	(15,3)	(14,9)	(15,3)	(15,3)	(15,3)	(15,3)	-	-	-	-	-
EBITDA	12,8	13,3	14,3	15,4	14,6	12,8	13,3	14,3	15,4	14,6	-	-	-	-	-
Margin	25%	24%	26%	27%	26%	25%	24%	26%	27%	26%	0%	0%	0%	0%	0%
D&A	(10,9)	(10,8)	(10,8)	(11,7)	(10,7)	(10,9)	(10,8)	(10,8)	(11,7)	(10,7)	-	-	-	-	-
EBIT	1,9	2,6	3,5	3,7	3,9	1,9	2,6	3,5	3,7	3,9	-	-	-	-	-
Margin	4%	5%	6%	7%	7%	4%	5%	6%	7%	7%	0%	0%	0%	0%	0%
Net Financial expenses	(0,4)	(0,7)	(1,9)	(2,2)	(2,3)	(0,4)	(0,6)	(1,6)	(1,9)	(2,0)	-	(0,1)	(0,3)	(0,3)	(0,3)
EBT	1,6	1,8	1,5	1,5	1,6	1,6	2,0	1,8	1,8	2,0	-	(0,1)	(0,3)	(0,3)	(0,3)
TAXES	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)	-	0,0	0,0	0,0	0,0
NET INCOME	1,4	1,6	1,4	1,3	1,4	1,4	1,7	1,6	1,6	1,7	-	(0,1)	(0,3)	(0,3)	(0,3)

* Revenues and costs of ancillary and system services do not include revenues and costs based on the balance mechanism considering that it is a pass-through mechanism that does not affect the business result.

Balance sheet (mln €) - sensitivity analysis



Adopted Business Plan 2026-2030 vs Sensitivity analysis of dividend payment

BALANCE SHEET	BP 2026-2030 Sensitivity analysis					BP 2026-2030 adopted					DIFFERENCE				
	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
FIXED ASSETS	334,0	382,9	417,5	435,0	443,8	334,0	382,9	417,5	435,0	443,8	-	-	-	-	-
EXISTING ASSETS	222,3	212,4	203,5	195,3	188,5	222,3	212,4	203,5	195,3	188,5	-	-	-	-	-
NEW ASSETS	111,7	170,5	214,0	239,7	255,3	111,7	170,5	214,0	239,7	255,3	-	-	-	-	-
OTHER INVESTMENTS	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5	-	-	-	-	-
WORKING CAPITAL	(31,7)	(37,3)	(38,2)	(41,4)	(44,9)	(31,7)	(37,3)	(38,2)	(41,4)	(44,9)	-	-	-	-	-
CURRENT ASSETS	19,1	19,0	19,3	19,4	19,5	19,1	19,0	19,3	19,4	19,5	-	-	-	-	-
DEFERRED INCOME	25,5	32,5	36,0	39,4	43,0	25,5	32,5	36,0	39,4	43,0	-	-	-	-	-
SHORT TERM LIABILITIES	25,3	23,8	21,4	21,4	21,4	25,3	23,8	21,4	21,4	21,4	-	-	-	-	-
TOTAL ASSETS	303,8	347,1	380,8	395,1	400,3	303,8	347,1	380,8	395,1	400,3	-	-	-	-	-
EQUITY	271,2	272,8	274,2	275,5	276,9	276,9	278,6	280,2	281,8	283,6	(5,7)	(5,8)	(6,1)	(6,3)	(6,6)
NET DEBT	23,5	64,9	97,1	109,7	113,3	17,8	59,1	91,0	103,4	106,7	5,7	5,8	6,1	6,3	6,6
LONG TERM DEBTS	44,2	65,4	97,6	110,2	113,8	44,2	59,6	91,5	103,9	107,2	-	5,8	6,1	6,4	6,6
EXISTING DEBT	0,9	0,5	0,5	0,5	0,4	0,9	0,5	0,5	0,5	0,4	-	-	-	-	-
ADDITIONAL LONG-TERM FINANCING	-	8,4	41,1	54,3	62,5	-	2,6	35,0	48,0	55,9	-	5,8	6,1	6,4	6,6
EBRD LOAN (LASTVA-CEVO OHL)	16,4	8,2	-	-	-	16,4	8,2	-	-	-	-	-	-	-	-
EBRD LOAN (BREZNA SS)	4,1	5,1	7,2	7,1	8,0	4,1	5,1	7,2	7,1	8,0	-	-	-	-	-
EBRD LOAN (povećanje propusne moći)	1,0	3,0	8,9	8,5	8,0	1,0	3,0	8,9	8,5	8,0	-	-	-	-	-
AFD LOAN (SS Perucica-Pljevlja)	3,0	9,0	14,0	19,3	19,5	3,0	9,0	14,0	19,3	19,5	-	-	-	-	-
KFW LOAN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
KFW LOAN (LUŠTICA)	7,1	8,9	5,8	2,8	-	7,1	8,9	5,8	2,8	-	-	-	-	-	-
PURCHASE OF INFRASTRUCTURE	11,7	22,4	20,1	17,8	15,4	11,7	22,4	20,1	17,8	15,4	-	-	-	-	-
CASH	20,7	0,5	0,5	0,5	0,5	26,4	0,5	0,5	0,5	0,5	(5,7)	0,0	0,0	0,0	0,0
FUNDS	9,1	9,3	9,6	9,8	10,1	9,1	9,3	9,6	9,8	10,1	-	-	-	-	-
EQUITY+LIABILITIES	303,8	347,1	380,8	395,1	400,3	303,8	347,1	380,8	395,1	400,3	0,0	(0,0)	-	(0,0)	(0,0)

Cash flow (mln €) - sensitivity analysis

Adopted Business Plan 2026-2030 vs Sensitivity analysis of dividend payment



CASH FLOW	BP 2026-2030 Sensitivity analysis					BP 2026-2030 adopted					DIFFERENCE				
	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030
NET INCOME	1,4	1,6	1,4	1,3	1,4	1,4	1,7	1,6	1,6	1,7	-	(0,1)	(0,3)	(0,3)	(0,3)
D&A	10,9	10,8	10,8	11,7	10,7	10,9	10,8	10,8	11,7	10,7	-	-	-	-	-
DELTA FUNDS	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	-	-	-	-	-
-DELTA WC	1,2	5,6	0,8	3,3	3,5	1,2	5,6	0,8	3,3	3,5	-	-	-	-	-
OPERATING CASH FLOW	13,8	18,3	13,2	16,5	15,8	13,8	18,4	13,5	16,8	16,1	-	(0,1)	(0,3)	(0,3)	(0,3)
CAPEX	(40,5)	(59,7)	(45,4)	(29,2)	(19,4)	(40,5)	(59,7)	(45,4)	(29,2)	(19,4)	-	-	-	-	-
FREE CASH FLOW	(26,7)	(41,4)	(32,1)	(12,7)	(3,6)	(26,7)	(41,3)	(31,9)	(12,4)	(3,3)	-	(0,1)	(0,3)	(0,3)	(0,3)
CAPITAL INCREASE/DIVIDENDS	(5,7)	-	-	-	-	-	-	-	-	-	(5,7)	-	-	-	-
PURCHASED OWN SHARES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DELTA NET DEBT	(1,9)	21,2	32,1	12,7	3,6	(1,9)	15,4	31,9	12,4	3,3	-	5,8	0,3	0,3	0,3
EXISTING DEBT VARIATION	(0,6)	(0,4)	(0,0)	(0,0)	(0,0)	(0,6)	(0,4)	(0,0)	(0,0)	(0,0)	-	-	-	-	-
ADDITIONAL LONG-TERM FINAINCING VARIATION	-	8,4	32,6	13,3	8,2	-	2,6	32,4	13,0	7,9	-	5,8	0,3	0,3	0,3
EBRD DEBT VARIATION (LASTVA-CEVO OHL)	(8,1)	(8,2)	(8,2)	-	-	(8,1)	(8,2)	(8,2)	-	-	-	-	-	-	-
EBRD DEBT VARIATION (BREZNA SS)	2,1	1,0	2,1	(0,1)	1,0	2,1	1,0	2,1	(0,1)	1,0	-	-	-	-	-
EBRD DEBT VARIATION (povećanje propusne moći)	1,0	2,0	5,9	(0,4)	(0,5)	1,0	2,0	5,9	(0,4)	(0,5)	-	-	-	-	-
AFD DEBT VARIATION (SS Perucica-Pljevlja)	3,0	6,0	5,0	5,3	0,2	3,0	6,0	5,0	5,3	0,2	-	-	-	-	-
KFW DEBT VARIATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
KFW LOAN (LUŠTICA)	2,3	1,8	(3,0)	(3,0)	(2,8)	2,3	1,8	(3,0)	(3,0)	(2,8)	-	-	-	-	-
PURCHASE OF INFRASTRUCTURE	(1,5)	10,7	(2,3)	(2,3)	(2,4)	(1,5)	10,7	(2,3)	(2,3)	(2,4)	-	-	-	-	-
DELTA CASH	(34,2)	(20,2)	0,0	0,0	0,0	(28,5)	(25,9)	0,0	0,0	0,0	(5,7)	5,7	0,0	0,0	(0,0)
FINAL BALANCE	20,7	0,5	0,5	0,5	0,5	26,4	0,5	0,5	0,5	0,5	(5,7)	0,0	0,0	0,0	0,0

XVII ANNUAL SHAREHOLDER MEETING
OF CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

Item 3:

**Decision on the adoption of the 2025 Operating Statement of
Crnogorski elektroprenosni sistem AD**

Attn Shareholders Meeting

INFORMATION

on the 2025 Operating Statement of Crnogorski elektroprenosni sistem AD

The Operating Statement presents an overview of the most important operating indicators of Crnogorski elektroprenosni sistem. In 2025, CGES continued to strengthen its activities, as confirmed by the results achieved.

During 2025, Crnogorski elektroprenosni sistem continued to invest in the development and improvement of the transmission system, with stable operations and good financial results. Most of the activities were focused on the implementation of investment projects, modernisation of the infrastructure, strengthening the capacity of the transmission network, and contributing to the harmonisation of the legal framework with the EU acquis so that the electric power system could reliably respond to the needs of consumers and further improvement of the energy sector.

Financial indicators that marked 2025::

- €21 mln net income;
- €41,913 mln planned investments;
- €23,907 mln implemented investments;
- €5 mln dividend paid to shareholders based on actual income in 2024.

The growth trend in total energy transmitted continued in the previous year, as confirmed by the data below:

- 7,881 GWh transmitted electricity;
- 4,563 GWh electricity transit;
- 1.64% transmission losses.

The previous year was marked by continued investment in the most significant capital projects of the construction of OHL 400 kV Čevo - Pljevlja and the installation of a variable shunt reactor 250 MVAR in SS Lastva.

As a logical continuation of investments in previous years, the implementation of no less important projects was actively continued in 2025, among which we highlight:

- Construction of SS 110/35 kV Luštica;
- Construction of SS 400/110 kV Brezna – II phase;
- Installation of the HTLS conductor on OHL 110 kV Budva - Lastva - Tivat;
- Reconstruction of SS 110/35 kV Pljevlja 1;
- Reconstruction and extension of the 220/110 kV plant at HPP Perućica.

as well as interconnection projects OHL 2x400 kV Pljevlja - border with Serbia, interconnection with Bosnia and Herzegovina and interconnection with Albania.

In order to strengthen the organisational culture and improve the working environment, the company conducted an organisational culture survey during the reporting period, the results of which will serve as a basis for further improvement of HR policies and management practices.

In addition to the results achieved, CGES continuously implements activities in the field of corporate social responsibility, with a clear focus on contribution to the community and sustainable development.

Crnogorski elektroprenosni sistem AD consistently integrates the principles of environmental protection in all segments of its operations - from transmission network development planning to regular operation and maintenance of the system.

Considering the above and the obvious progress in many operating segments in 2025, which is primarily the result of knowledge and skills of employees in our company, it is proposed that the Shareholders meeting adopts the proposal of the Board of Directors defined through decision reached at the IX meeting of XXIII BoD convocation No 1-1-D/26-1409/10 dated 11 May 2026 and approves the Operating Statement of CGES for year 2025.



CRNOGORSKI
ELEKTROPRENOSNI
SISTEM AD

Board of Directors

No.1-1-D/251409/10

Podgorica, 11 May 2026

Pursuant to Article 45, paragraph 1, items 3 and 13 of the By-Laws of Crnogorski elektroprenosni sistem AD and Information on the 2025 Operating Statement of Crnogorski elektroprenosni sistem AD no. 10-D/26-1277/1 dated 28 April 2026, at the IX meeting of XXIII Convocation of the Board of Directors held on 8 May 2026 adopted the following

DECISION

1. The 2025 Operating Statement of Crnogorski elektroprenosni sistem AD has been determined.
2. The draft Decision on the adoption of the 2025 Operating Statement of CGES has been determined.
3. The Statement referred to in item 1 herein shall be submitted to the Company Shareholder Meeting for adoption.
4. This Decision shall enter into force on the day of its adoption.

CHAIRMAN OF THE BOARD
Aleksandar Mijušković, BScEE



Shareholder Meeting

DRAFT

No.:
Podgorica, 9 June 2026

Pursuant to Article 29, paragraph 5, item 9 of the By-Law of Crnogorski elektroprenosni sistem AD, the XVII Annual Shareholder Meeting of the Company held on 9 June 2026 adopted the following

DECISION
on the adoption of the the 2025 Operating Statement
of Crnogorski elektroprenosni sistem AD

1. The 2025 Operating Statement of Crnogorski elektroprenosni sistem AD has been adopted.
2. This Decision shall enter into force on the day of its adoption.

CHAIRMAN,

2025 Operating Statement



OF CRNOGORSKI
ELEKTROPRENOSNI
SISTEM AD

Podgorica, May 2026.

Aleksandar Mijušković

Chairman of the Board of Directors of CGES

Chairman of the Board of Directors statement

Dear shareholders and partners of CGES,

Today, the energy sector is going through one of the biggest transformations in its history. The development of renewable energy sources, the energy transition and the growth of electricity consumption are changing the way electric power systems function, in a complex global environment characterised by geopolitical crises and disruptions in energy markets.

According to the assessments of relevant international institutions, the modern energy sector faces significant challenges that affect both prices and security of supply, as well as market stability. In such conditions, the importance of the transmission system comes to the fore. A reliable and developed transmission network enables the secure operation of the electric power system and is one of the basic prerequisites for connecting electricity markets, while its further improvement remains a key condition of the energy transition.

The role of CGES in this process is clear - to ensure stable system operation and reliable electricity transmission at all times.

Such responsibility is also confirmed by the achieved results.

In the reporting period, CGES recorded stable operations and achieved a net income of 21 million euros, thus confirming the continuity of good results. We hereby confirm that it is possible to simultaneously provide a reliable and high-quality

transmission service at stable rates and achieve value growth for the company's owners.

CGES continues the development of the transmission system in the coming period through a five-year investment plan, which foresees the implementation of significant infrastructure projects. The implementation of the mentioned projects primarily ensures the improvement of the 400 kV network through the construction of new interconnections with neighbouring transmission systems and the construction of new substations, as well as the extension of the capacity of the existing network through the increase of transmission capacity at the 220 kV and 110 kV levels. In parallel, we are working on the installation of the first shunt reactor in our transmission system, which will ensure the improvement of voltage conditions, as well as on the modernisation of the infrastructure. The development follows the needs of the energy sector and the goals of the energy transition, while respecting the interests of the state, shareholders and citizens of Montenegro.

Stable system operation and reliable electricity transmission remain at the centre of our activities. In this direction, we continue to strengthen the role of Montenegro on the electric power map of Europe through a stronger connection of the region with the European Union market, thereby creating a stable foundation for the secure and reliable functioning of the electric power system in the years to come.

Ivan Asanović
Executive Director

Executive Director's statement

Dear shareholders, business partners, friends of our company,

It is my pleasure to present to you the results of our company's operations for 2025 - a year in which we simultaneously achieved strong investment progress and stable financial results in the interest of our shareholders.

The energy transition and the development of green energy are unthinkable without a reliable transmission network. As a company that manages key electricity infrastructure, we enable investments in renewable sources to be sustainable, secure and profitable in the long term.

During 2025, we implemented significant investments in the construction of new overhead lines, as well as in the reconstruction and modernisation of substations. These investments strengthen network capacities, increase system security and create a stable basis for long-term growth of the company's revenues and value.

All investment projects were implemented while maintaining financial stability. The achieved net income of almost 21 million euros confirms efficient management and responsible position towards resources. Such results allowed us to consistently take

care of the interests of shareholders, along with the continuation of a strong investment cycle.

I particularly emphasise the fact that in 2025 we rewarded the trust of shareholders for the seventh time and paid a dividend in the gross amount of five million euros, which for a majority state-owned company is an exceptional success and a clear indicator of financial maturity and institutional responsibility. Our relationship with shareholders is based on transparency, predictability and a balance between investing in system development and creating direct value for capital owners.

This approach ensures a stable and long-term return on your investments, strengthens the value of the company and confirms the trust you have placed in us. Our goal remains clear - reliable electricity transmission, stable financial results and continuous creation of value for shareholders. These results would not be possible without our employees - our biggest capital and system strength. Their competence, dedication and responsibility are the basis of the stability and success of CGES.

Thank you for your trust and support!



1. CGES today 8	Investment Plan 2025 17	Electric power indicators 37	Strategic initiatives and development
The year behind us - results, challenges and	Capital projects 21		of the energy sector 62
directions for development 8	Transmission network development projects 23		International cooperation 63
Who we are and what we do 9	Interconnection projects 25		Connection of new capacities
A vision of a stable and connected network 9	Innovations and international projects 26		from renewable energy sources (RES) 66
Strategic goals and priorities 10	Further development 27		Conferences, forums, panels 66
CGES in numbers 10	5. Our network - foundation of security 28		11. People behind the system 68
2. Corporate governance 11	Transmission network structure 28		Human resources 68
Ownership structure 11	Technical characteristics and capacities 29		Employee training and development 71
Shareholder Meeting 12	Transmission system users 31		Value of assets per employee 72
Board of Directors 12	System reliability and availability 31		Occupational safety and health 72
3. Results that make a difference 14	Improvement and modernisation 33		Health and team spirit 73
Business results of the year 14	6. Transmission system control 33		12. Responsibility towards society
Performance indicators 15	2025 control innovations 33		and the environment 74
Key projects 15	Dispatch and operational processes 33		Social responsibility 74
Companies in which CGES	Regulation and system stability 34		Environmental protection 75
has an ownership share 16	Quality of electricity transmission service 34		13. Trust and control 77
4. Investments and development	Electricity market and cross-border		Internal audit 77
of the transmission network 17	transmission capacities 36		Independent Auditor's Report 80
		7. Information and communication technologies 44	
		Optical telecommunication infrastructure –	
		foundation of a modern network 44	
		Modern information systems 48	
		Strengthening cyber security and	
		protection of critical infrastructure 49	
		8. Legal and regulatory framework 50	
		9. Financial overview 53	
		Profit & loss statement 53	
		Balance sheet 65	
		Net financial debt 56	
		Cash flow 56	
		Stock exchange membership and CGES shares 57	
		10. Cooperation that connects 58	
		Cooperation in the European	
		electric power area and exchange of knowledge 58	
		Regional cooperation and	
		infrastructural integration 61	

1. CGES today

The year behind us - results, challenges and directions for development

€ 21 mil.
Net Profit

€ 23,907 mil.
Realized Investments

€ 41,913 mil.
Planned Investments

€ 5 mil.
Dividend paid to shareholders based on profits achieved in 2024

During 2025, Crnogorski elektroprenosni sistem continued to invest in the development and improvement of the transmission system, with stable operations and good financial results. Most of the activities were focused on the implementation of investment projects, modernisation of the infrastructure, strengthening the capacity of the transmission network, and contributing to the harmonisation of the legal framework with the EU acquis so that the electric power system could reliably respond to the needs of consumers and further improvement of the energy sector.

The energy sector is characterised by intense changes, primarily caused by growing investments in renewable energy sources and the energy transition process. In Montenegro, investors have expressed interest in the construction of solar and wind power plants, which requires additional strengthening of the transmission network and its adaptation to new generation capacities.

In such circumstances, the role of the transmission system operator has a special significance. A stable and reliable network is the basis of a safe supply of electricity, as well as an important prerequisite for the development of the market and the integration of renewable energy sources.

During the year, works continued on large infrastructure projects, the construction of new transmission lines and substations, as well as on the reconstruction of existing transmission network facilities. In parallel with that, new investments were also prepared that will further improve the connection of the Montenegrin electric power system with neighbouring countries and enable its more efficient functioning in the regional environment.

Significant attention was devoted to digitalisation and improvement of the control system. The modernisation of information and communication technologies, along with the strengthening of cyber security, represents an important segment of modern electric power system control.

Continuous planning, investments and cooperation with relevant institutions and partners remain key elements of CGES development. Further development of the transmission network will be aimed at improving the reliability of the system, supporting the development of the electricity market and integrating renewable sources, in accordance with the requirements of the energy transition.

Who we are and what we do

CGES is a system whose main role is to ensure secure, stable and efficient transmission of electricity through the transmission network of Montenegro. As a transmission system operator, we manage the infrastructure that represents the backbone of the electric power system and enables the reliable supply of electricity to consumers.

Our work includes daily control, maintenance, development and modernisation of the transmission network, as well as creating conditions for the secure functioning of the electricity market. A particularly important part of our work relates to the integration of new generation capacities, especially from renewable energy sources, which are increasingly shaping the future of the energy sector.

CGES was registered as an independent joint-stock company in 2009, in accordance with European rules governing the liberalisation of the electricity market. Although it has been operating in this form for almost two decades, the experience on which the company's operation is based is much longer. The development and control of the transmission system in Montenegro has a tradition of more than six decades, since 1957, when the first transmission network facility was

commissioned.

During that period, the transmission system of Montenegro was continuously developed and modernised. Today, CGES controls a complex electricity infrastructure that connects generation facilities, the distribution network and consumers, and at the same time enables significant transits of electricity through the region.

In addition to the core activity of electricity transmission, the company also has its own optical telecommunication network with a length of about 1,004 kilometres. CGES is registered in the Register of Operators of the Agency for Electronic Communications and Postal Services for the provision of electronic communications infrastructure lease services, which additionally contributes to strengthening the system's digital capacities.

The company's operation is carried out in accordance with the applicable regulatory framework and the license for the performance of electricity transmission activities issued by the Energy and Water Regulatory Agency. The last license was issued on 26 July 2024 and confirms the compliance of CGES operations with all technical and regulatory standards.

A vision of a stable and connected network

The vision of CGES operations is based on the development of a modern, technologically advanced and regionally connected transmission network that can meet all the requirements of the future energy development of Montenegro.

The energy transition and the growth of generation from renewable energy sources bring new challenges for electric power systems. The transmission network must be strong and flexible enough to accept new

generation capacities, enable secure energy transmission and ensure system stability.

That is why the development of the transmission network is aimed at strengthening existing capacities, modernising the infrastructure and constructing new interconnections with neighbouring countries. These interconnections enable greater exchange of electricity, better market integration and greater security of supply.

1.586,7 km
Length of the transmission network

4.464,5 MVA
Installed transformer capacity

30
Substations in the system

364
Employees

7.881 GWh
Transmitted electrical energy

Continuous investments in infrastructure, digital technologies and modern control systems represent the basis of the long-term development of the transmission system. Through such an approach, CGES contributes to the stability of the electric power system, the development of renewable energy

sources and the strengthening of regional energy connectivity.

A reliable and well-connected transmission network remains one of the key factors in the development of the energy sector and the overall economic progress of the country.

Strategic goals and priorities

The strategic development of CGES is aimed at further modernisation of the transmission network, increasing system reliability and creating condition on will be focused on the implementation of investment projects that strengthen the transmission infrastructure and improve the connection of the Montenegrin system with the power systems of the region. Such projects play an important role in the integration of new capacities from renewable energy sources and the development of the regional electricity market.

solutions that enable more efficient network control.

At the same time, CGES continuously improves its organisational and professional capacities to be able to respond to the increasingly complex requirements of the energy sector and technological development.

Through this approach, the company creates a stable basis for the long-term development of the transmission system, security of electricity supply and further integration of Montenegro into the regional and European electricity market.

An important part of the strategic activities also refers to the modernisation of the control system, the digitalisation of processes and the application of modern technological

4.563 GWh
Transit of electrical energy

1,64 %
Transmission losses

CGES in numbers

Financial indicators

- €21 mln net income
- €23,907 mln implemented investments
- €41,913 mln planned investments
- €5 mln dividend paid to shareholders based on actual income in 2024

Infrastruktura

- 1,586.7 km transmission network length
- 4,464.5 MVA installed transformation capacity
- 30 substations in the system
- 364 employees

System operation and energy development

- 7,881 GWh transmitted electricity
- 4,563 GWh electricity transit
- 1.64% transmission losses

2. Corporate governance

Corporate governance at CGES is based on the principles of transparency, responsibility and compliance with the regulatory framework. The structure of the management bodies is defined by the

Companies Act and the Company's By-Laws, which ensures a clear separation of responsibilities, an efficient decision-making system and stable management of the company.

Ownership structure

Crnogorski elektroprenosni sistem AD Podgorica operates as a joint-stock company whose ownership structure is defined in accordance with current legislation and capital market rules.

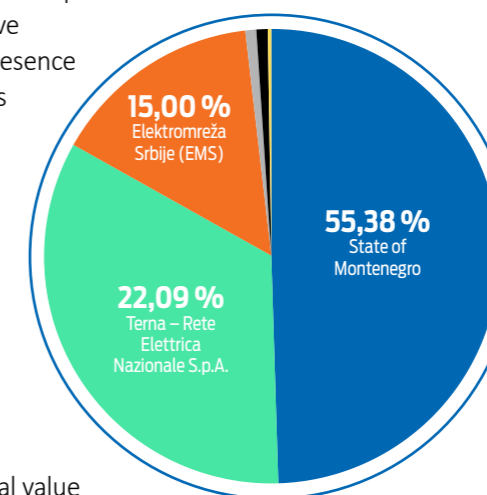
The largest shareholder of the Company is the state of Montenegro, while transmission system operators from the region and Europe also have significant ownership shares. The presence of international partners contributes to the exchange of knowledge, the development of technical solutions and the strengthening of regional cooperation in the electric power sector.

As of 31 December 2025, 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 total number of shareholders as of 31 December 2025 was 6,768, including domestic and international legal and natural persons.

This ownership structure ensures the stability of the company's operations, with the significant participation of strategic partners and openness to the capital market.



The ownership structure of CGES as of 31 December 2025 was the following:

- 55,38 %** State of Montenegro
- 22,09 %** Terna – Rete Elettrica Nazionale S.p.A.
- 15,00 %** Elektromreža Srbije (EMS)
- 6,71 %** natural persons
- 0,35 %** collective custody accounts
- 0,36 %** mutual funds
- 0,11 %** legal persons

* Note: The ownership structure is shown according to data from the Central Depository Company as of 31 December 2025.

XVI Annual General Shareholder Meeting

Shareholder Meeting

XVI Annual General Shareholder Meeting (25 June 2025)

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 2025, one Shareholder Meetings were held - **XVI Annual General Shareholder Meeting**, held on 25 June 2025, in which the most important decisions regarding operations and

corporate governance were adopted. In this annual meeting, the 2024 Operating Statement, 2024 Financial Statements with the Auditor’s Report, and the Decision on selection of an auditor for 2025 were adopted. In addition, a decision was adopted on the distribution of the realised net income for 2023, which envisaged the payment of dividends to shareholders. The right to a dividend is exercised by all shareholders who were registered in the Central Depository Register on the reference date.



Board of Directors

Members of the XXIII Convocation of the Board of Directors

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

- **Aleksandar Mijušković**,
- **Maria Rosaria Guarniere** (Terna – Rete Elettrica Nazionale S.p.A.),

- **Jelena Matejić** (EMS AD - Elektromreža Srbije),
- **Slavoljub Todorović**,
- **Vučko Fatić**,
- **Violeta Vuljaj**.

Instead of Guida Guide, Nicoletta Buonomo, a representative of the strategic partner from Italy, the company Terna, was appointed as a new member.



Aleksandar Mijušković
Chairman of the Board of Directors



Maria Rosaria Guarniere
Deputy Chairwoman of the Board of Directors



Nicoletta Buonomo
Member of the Board of Directors



Jelena Matejić
Member of the Board of Directors



Violeta Vuljaj
Member of the Board of Directors



Slavoljub Todorović
Member of the Board of Directors



Vučko Fatić
Member of the Board of Directors

XXIII Convening of the Board of Directors

Competences of the Board of Directors

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 XVI Annual General Shareholder Meeting held on 25 June 2025.

Aleksandar Mijušković chaired the Board that managed the company throughout 2025.

The submarine electric power cable between Montenegro and Italy was put into commercial operation in 2020.

2009-2019 average revenues from the allocation of cross-border capacities amount to €4.2 million, while the average net income of CGES amounts to €4.5 million.

In 2020-2025, the average revenues from the allocation of cross-border capacities amount to €36.6 million, while the average net income of CGES amounts to €22.0 million.

3. Results that make a difference

Business results of the year

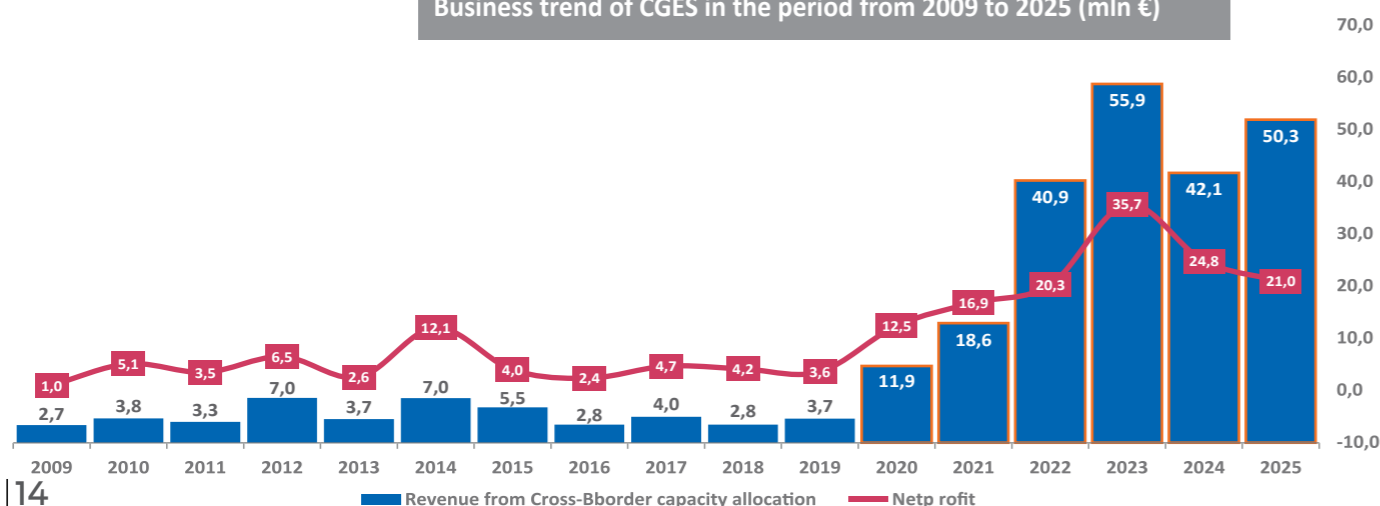
In 2025, CGES achieved stable business results with the continuation of an intensive investment cycle focused on the development and modernisation of the transmission network. The company's operations were characterised by responsible management of resources, high reliability of the system with secure and stable transmission of electricity, continuous improvement of infrastructure, strengthening of regional connection of electric power systems and implementation of projects of strategic importance for the electric power system of Montenegro.

Crnogorski elektroprenosni sistem (CGES) continued its positive financial trend in 2025, achieving a net income of 21 million euros. Thus, the total income of the company in the last five years reached the amount of almost 118.7 million euros, thereby achieving a historic business result since its establishment.

Net income by year:

- 2021: 16.9 million euros
- 2022: 20.3 million euros
- 2023: 35.7 million euros
- 2024: 24.8 million euros
- 2025: 21.0 million euros

Business trend of CGES in the period from 2009 to 2025 (mln €)



Performance indicators

The achieved results show the stability of operations and a responsible approach to company management, along with the consistent implementation of planned investments and constant improvement of business processes. During the year, high liquidity and financial security were preserved, while at the same time a strong investment cycle focused on the development and modernisation of the transmission network continued.

Good financial results enabled CGES to completely fulfil all regulatory obligations defined by the rules of the Energy and Water Regulatory Agency, while at the same time achieving specific benefits for the end users of the system.

Based on the achieved operating results in the previous period, the

regulator determined an adjustment of the regulatory allowed revenue of the transmission system operator, which envisages a reduction of revenue in the amount of 9.5 million euros in favour of system users. This adjustment was applied through the tariffs for the use of the transmission system in 2025.

The application of the aforementioned adjustment resulted in a reduction of the tariff item for electricity transmission, which partially mitigated the increase in the total price of electricity for end customers, including households.

In accordance with the current legal and regulatory framework, based on the deviation of realised regulated revenues and regulated costs compared to the approved regulatory revenue and costs for 2025, a negative adjustment of tariffs or regulated

Trans-Balkan Corridor

Digitalization and modernization of the control and monitoring system

400 kV transmission line Čevo – Pljevlja

Construction of a variable shunt reactor at the Lastva substation

Strengthening interconnection links

Development and improvement of the transmission network

Key projects

- the final phase of the implementation of the **400 kV overhead line Čevo – Pljevlja**, which represents an important segment of strengthening the transmission network and connecting the electric power systems of the region,
- implementation of the project of **installation of a variable shunt reactor in the substation Lastva**, which improves the regulation of voltage conditions in the system and contributes to the stability of the electric power network in the region,
- implementation of the **Trans-Balkan Corridor**, a project that contributes to increasing the capacity of the Western Balkan interconnection in the directions east-west and north-south, while creating conditions for the integration of renewable energy sources into the electric power system,
- **digitalisation and modernisation of the control and monitoring system**, including the implementation of the project of a supervisory control and data acquisition (SCADA) system, which enables more efficient monitoring and control of transmission system operation in real time,
- **strengthening of interconnections** with the electric power systems of Serbia, Bosnia and Herzegovina and Albania,
- **development and improvement of the internal transmission network** to enable the connection of new generation capacities, especially from renewable energy sources.

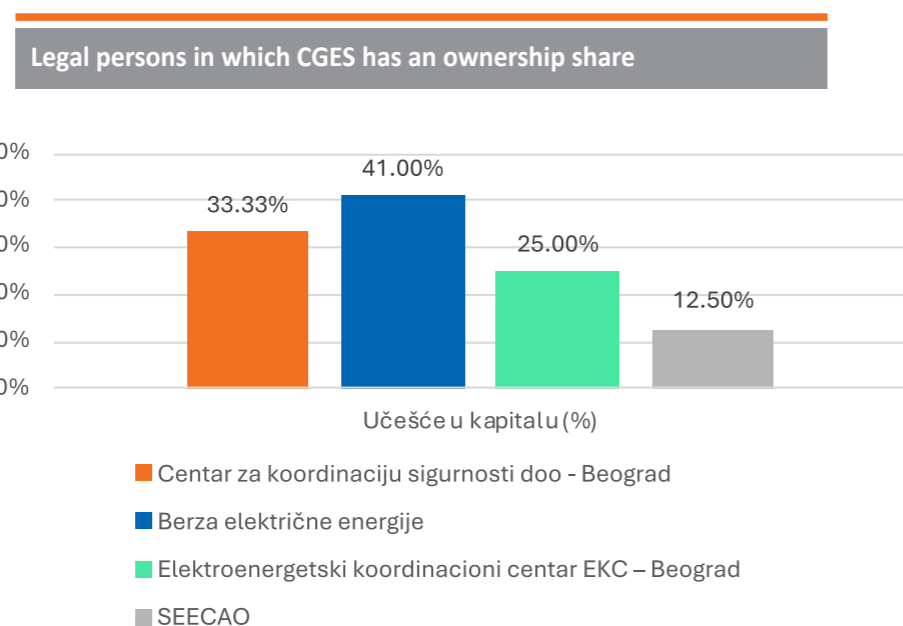
revenues of the Company is expected, which is estimated at EUR 23.3 million according to the Rules for Price and Fee Adjustments. The final amount of the adjustment and its distribution in the following regulatory period or several subsequent regulatory periods will be defined based on the decision of the Energy and Water Regulatory

Agency. In the structure of the total bill for electricity, a decrease in the share of transmission costs was recorded, which contributed to the relative relief of consumers, despite simultaneous changes in other tariff components.

Companies 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:

- Centar za koordinaciju sigurnosti doo - Beograd **33.33%**
- Berza električne energije **41%**
- Elektroenergetski koordinacioni centar EKC - Beograd **25%**
- SEECAO **12.50%**



4. Investments and development of the transmission network

Investment Plan 2025

The Investment Plan 2025 represented the continuation of the strong investment cycle of CGES, aimed at strengthening the security of the electric power system, improving regional connectivity and creating conditions for more intensive integration of renewable energy sources.

The plan for 2025 included activities on a total of 71 investments, in the amount of 41,913 million euros. The largest individual budget related to the project "Construction of OHL 400 kV Čevo – Pljevlja" in the amount of 8.993 million euros, while eight projects and programmes had a budget of more than 1 million euros. Funds for unforeseen investments in the amount of 1 million euros were also planned for the needs of system operation security.

As of the end of 2025, 23,907 million euros were implemented, which in absolute terms is one of the strongest investment years since the separation of CGES as an independent company. The technical implementation of the projects is assessed as stable and

satisfactory, while the deviations in the financial time schedule are predominantly caused by external factors (long-term and complex expropriation procedures and the resolution of property-legal relations, procedures and deadlines for the actions of competent state authorities, requests from international financial institutions, extended tender procedures due to a large number of clarifications and complaints, as well as objective limitations in the delivery of equipment and unfavourable weather conditions for the execution of works).

The investment structure in 2025 confirms the continuity of CGES' strategic commitment to strengthening the transmission infrastructure, increasing system reliability, improving cross-border capacities and creating conditions for the integration of renewable energy sources. The most significant part of the investments was related to the construction of new and reconstruction of existing substations, as well as the construction and modernisation of overhead line infrastructure.

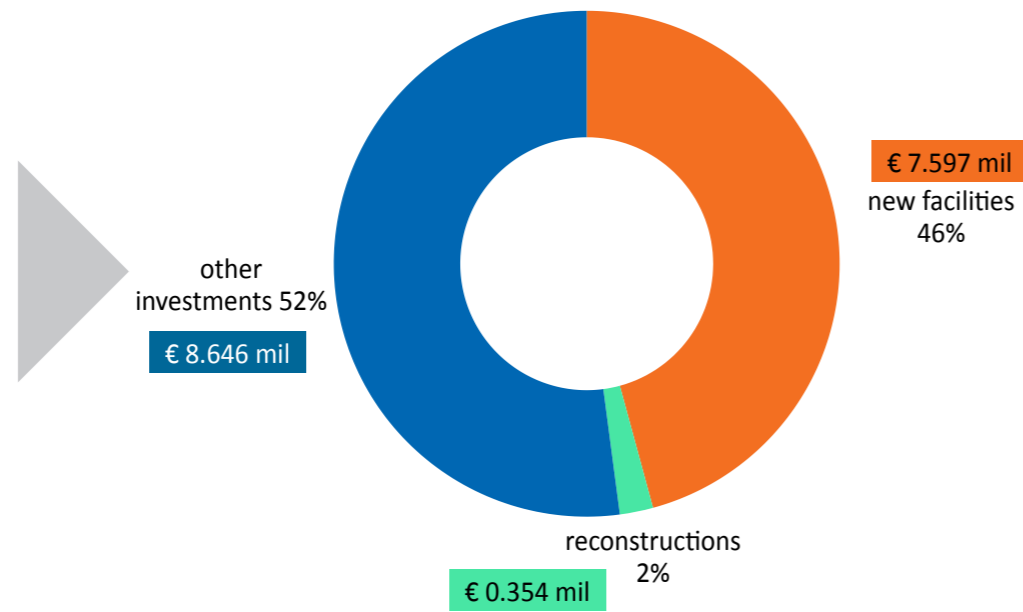
Activity Plan 2025
71 investments –
€41.913 million

2025 – Realized
€23.907 million

One of the strongest investment years of CGES as an independent company

Investment in SS in 2025 (% , mln €)

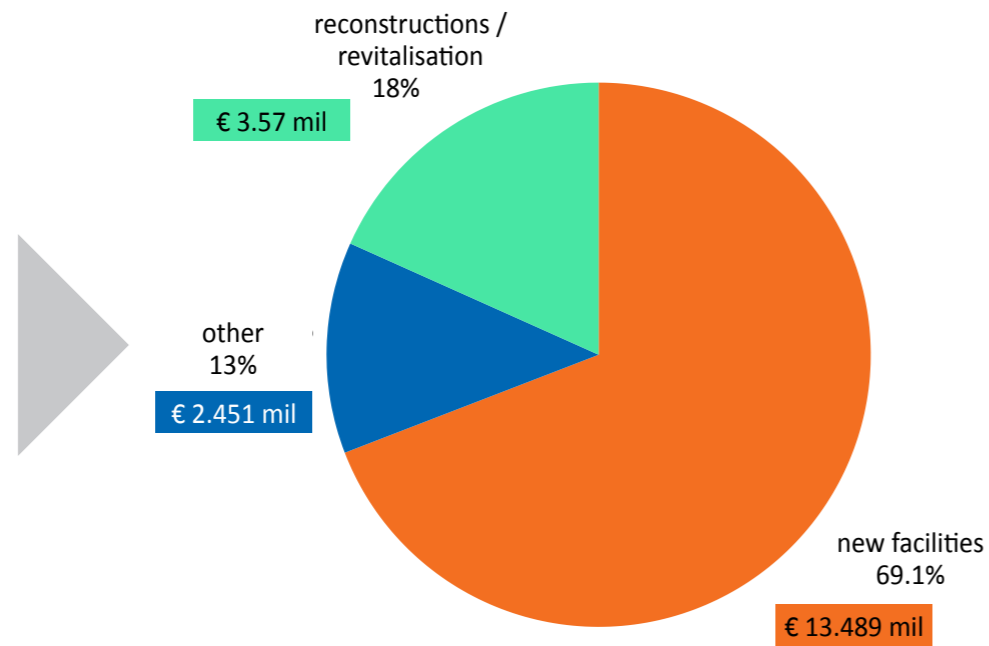
Installation of shunt reactor, procurement of autotransformers, revitalisation of transformers, procurement of instrument transformers, replacement of disconnector units, procurement, design and installation of HV equipment, construction works, revitalization of lighting and electrical installations, digitalisation of certain systems etc....



Investment in substation-type facilities (new facilities VS reconstructions)

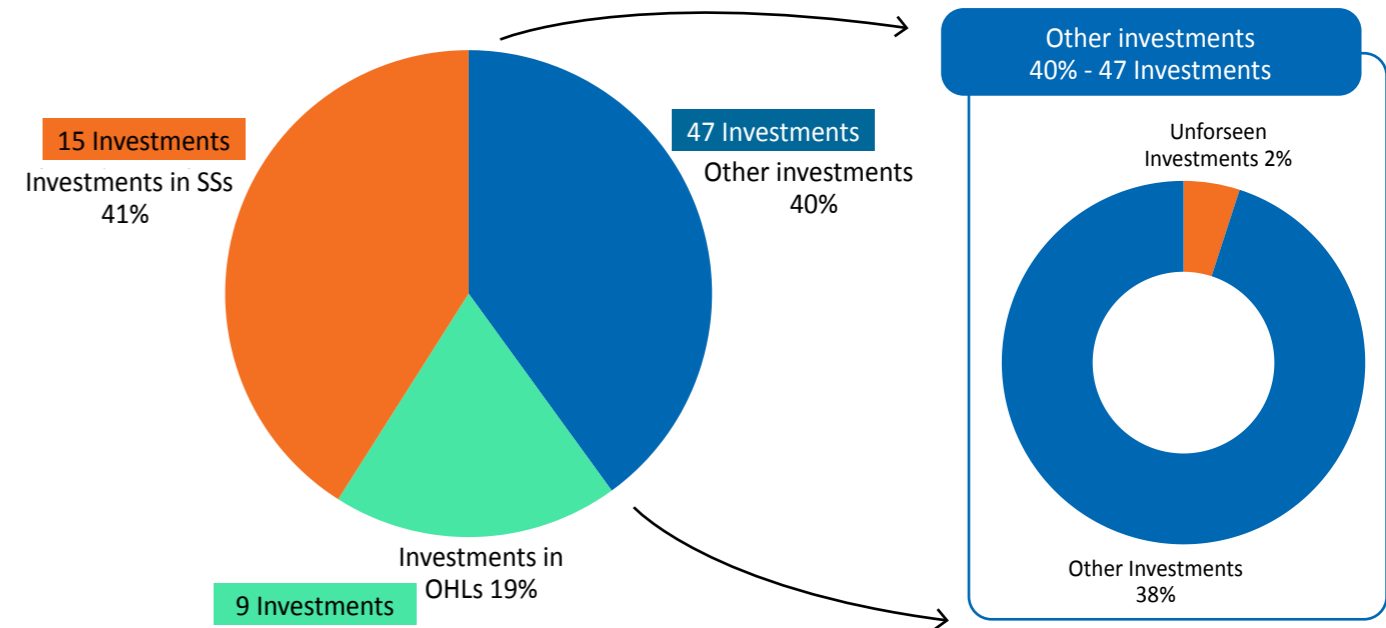
Investment in lines in 2025 (% , mln €)

OHL marking, procurement of surge arresters, replacement of towers, development of technical documents, installation of sensors...



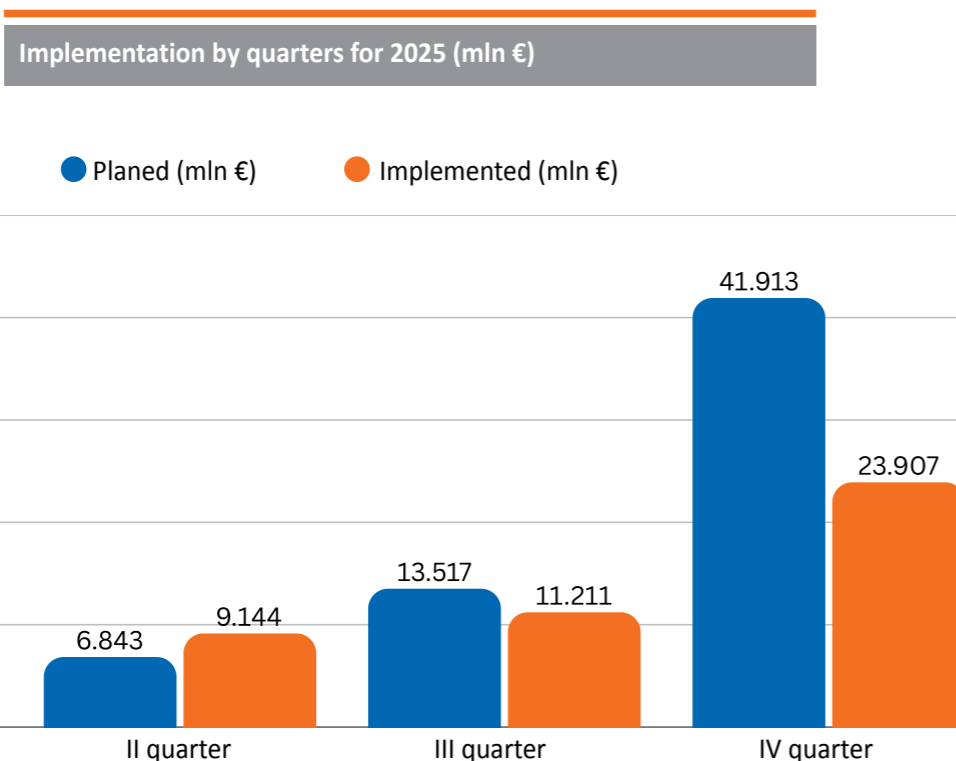
Investment in line-type facilities - overhead lines and cables (new facilities VS reconstructions)

Budget for 2025 (%)



Budget breakdown for 2025 by investment category

Financial implementation by quarter shows a more pronounced time schedule in the second half of the year, which is in line with the nature of construction and electrical installation works on infrastructure projects.



The implementation of investments in 2025 represents the continuity of a multi-year investment cycle and included the continuation of the implementation of capital projects in

the field of associated infrastructure, the Trans-Balkan Corridor, internal network reinforcements, as well as system modernisation and digitalisation projects.

Capital projects

OHL 400 kV Čevo-Pljevlja

In 2025, activities continued on the completion of the construction of OHL 400 kV Čevo - Pljevlja as another segment in the connection of the electric power systems of Montenegro and Italy, further as part of the wider Trans-Balkan interconnection project that extends from Romania to Italy. It is a project that includes 449 towers and 122 km of route, from several sections of the double-circuit 400+110 kV, i.e. the single-circuit line 400 kV and 110 kV, which, in addition to the overhead ones, also has short underground connections, which passes through the national park and UNESCO protected areas, 6 municipalities and next to dozens of populated places. The construction of such grandiose facilities represents a great challenge because it is necessary to harmonise ecological, social, financial and technical-technological requirements, which is why the vast majority of such projects are very difficult to implement not only in our country, but also in the world. Despite this, in 2025, key steps forward towards the completion of the project were made. The overhead line was constructed in

several previously disputed locations, and special technical solutions were applied in certain locations (such as the installation of special conductors made of aluminium alloys that reduce the noise produced by the corona effect), which contributed to better acceptance of the overhead line by the local community.

The time schedule of the construction of the overhead line Čevo - Pljevlja during 2025 was very intensive. By defining an alternative route and reaching an agreement with the affected owners, property and legal relations were successfully resolved in the only remaining section where the OHL was not constructed, the village of Đurđevića Tara. In accordance with the above, the missing equipment was procured according to the agreed variation, the detailed design was completed and works on this stretch continued. By the end of 2025, all construction works and installation of 7 out of 10 towers will be completed. The exact date of completion of the remaining works during 2026 depends on weather conditions, but problems that could cause the project's completion to be prolonged are no longer recognised.



Installation of variable shunt reactor 250 MVAR in SS Lastva

During 2025, activities continued on the implementation of the project of installation of variable shunt reactor 250 MVAR in SS Lastva. The installation of a shunt reactor is a particularly important project for our electric power system because its implementation will enable the absorption of excess reactive power in the system, which will make a major contribution to solving the regional

problem of high voltages in the Western Balkans region. During 2025, the development and revision of the detailed design were completed, the construction permit was obtained, and the construction works were carried out. The variable shunt reactor was delivered, the GIS bay was fully assembled and mechanically connected to the existing plant. The overall progress of the project is 90% and the shunt reactor is expected to be commissioned in the spring of 2026.



4.3 Transmission network development projects

In 2025, CGES continued intensive activities on the **construction and reconstruction of the internal transmission network**, as well as the

harmonisation of technical solutions/ preparation of feasibility studies for **new interconnections**.

SS 110/35 kV Luštica

Regarding the construction and connection of **SS 110/35 kV Luštica**, the preparation and revision of the detailed design for the construction of the SS is underway, all the equipment was ordered and the preparatory works began on 27 November 2025. Regarding the connection, i.e. the 110 kV cable, the entire delivery was completed in 2025, the development

of the detailed design was completed and the expropriation procedure is nearing its end. In order to speed up the activities, the consent of the Government was obtained for the execution of preparatory works on the part of the route in the Municipality of Tivat, where there is the consent of the Municipality for the execution of the works until the construction permit is obtained.

SS 400/110 kV Brezna – II phase

Within the project of construction of **SS 400/110 kV Brezna – II phase**, the tender procedure for the procurement of transformers was successfully completed and the contract preparation phase was started. In parallel with the above, a major part of the tender procedure for the PIU

consultant was implemented and the evaluation of the financial part is underway. A request for obtaining urban and technical conditions was submitted and at the same time activities are being carried out on defining a set of measures that would bring the current technical solutions and the justification of their implementation closer to the local community.

OHL 110 kV Budva – Lastva – Tivat

After the first successful implementation of the high-temperature composite conductor HTLS in the transmission network on OHL 110 kV Perućica-Danilovgrad-Podgorica 1, and recognising this measure as the best solution to respond as soon as possible to the challenge of pronounced seasonal overloads of the system, further complicated by the fact that the initially planned time schedule of the comprehensive reconstruction of

coastal overhead lines do not have adequate time schedules, subject to the resolution of property-legal relations, a tender procedure was implemented and a contract was signed for the **installation of the HTLS wire on OHL 110 kV Budva – Lastva – Tivat**. Factory testing of all equipment was successfully completed and it was delivered, while the possibility of ensuring no-voltage conditions and the weather caused the execution of the works to be postponed to 2026.

Reconstruction of SS 110/35 kV Pljevlja 1

During 2025, the project of **reconstruction and extension of SS 110/35 kV Pljevlja 1**, which has been in operation since 1961, continued. All works were fully completed, the technical inspection was completed and activities are being carried out to eliminate minor defects, after which a use permit will be applied for. The

implementation of this project will enable an increase in the reliability of power supply and remote control of the SS in question. In addition, there will be a reduction in maintenance costs, and the connection of OHL 110 kV Žabljak will increase the security of power supply to the distribution consumers of the municipalities of Pljevlja and Žabljak.



Reconstruction and extension of 220/110 kV plant at SS Perućica

Furthermore, the project of **reconstruction and extension of 220/110 kV plant at HPP Perućica**, which aims at the complete replacement of outdated HV equipment in the 110 kV and 220 kV plants, is in progress. The 110 kV and 220 kV busbars will also be replaced, while the 110 kV plant will be extended by one 110 kV overhead line bay and one 110 kV transformer bay. In addition, the existing 110/220 kV

autotransformer will be replaced, and another new autotransformer will be installed, with a total power of 2x200 MVA. In addition to the replacement of HV equipment, a completely new protection and control system will be made, where the protection, control and metering cabinets will be located in the relay houses in the plant. Related to this investment, activities were carried out to secure financing from AFD bank, geological surveys were carried out, and coordination of the disposition and development of the preliminary design is in progress.

Interconnection projects

OHL 2x400 kV Pljevlja – border with Serbia

Regarding the 400 kV interconnection with the transmission network of Serbia (**construction of OHL 2x400 kV Pljevlja – border with Serbia**), and after solving the multi-year problem with the adoption of the planning document, Detailed Spatial Plan, OHL 2x400 kV Pljevlja – border

with Serbia, and obtaining urban and technical conditions, the expropriation procedure for the construction of the OHL is in progress, while the tender procedure for the selection of a contractor for the extension of SS Pljevlja 2 is successfully coming to an end (phase of harmonising the evaluation report for the financial part of the bids received).

Interconnection with Bosnia and Herzegovina and interconnection with Albania

In order to achieve a real energy transition, enabling the connection of renewable energy sources, improving the efficiency of the electricity network, reducing electricity losses, increasing cross-border capacities and improving the reliability of power supply, CGES has a clear initiative in the direction of constructing new interconnections, and in these terms, during 2025, the preparatory activities for the implementation of projects for the **construction of interconnections for Bosnia and Herzegovina (OHL 400 kV with the construction of SS on Pivska planina) and Albania (110 kV connection) were continued**. An application for including the 400 kV interconnection project with Bosnia and Herzegovina into ENTSO-E's TYNDP 2026 development plan was submitted.

By implementing its projects, CGES opens a new perspective towards a

green transition, the connection of renewable sources and the reduction of carbon dioxide emissions.

It is of great importance to note that even during 2025, great interest in the construction and connection of renewable energy power plants to the transmission network - predominantly solar power plants - continued. At the end of 2025, a total of 13 agreements were signed for the construction of connection infrastructure and connection to the transmission network with a total installed capacity of 2.7 GW, of which 11 SPPs with a total installed capacity of 2.52 GW, 1 WPP with an installed capacity of 118.8 MW and an agreement for the eighth unit in HPP Perućica with a capacity of 58.5 MW. The above data, as well as the fact that so far 70 power plants with a total installed capacity of 8 GW are in various stages of technical and administrative implementation, clearly point to the need to improve the internal network, strengthen existing interconnections and construct new ones.

Innovations and international projects

HYNET project

Proceeding with its continuous participation in international development and research initiatives, CGES additionally confirms its dedication to innovation and energy transition through participation in the **HYNET project**, which is financed and implemented within the Horizon Europe programme.

HYNET (Pan-European Interoperable AC-DC Hybrid Electricity Networks) is a three-year project in which CGES participates since 1 October 2024, together with a consortium of 16 partners from Europe. The project is aimed at the innovative development and demonstration of hybrid power systems that combine alternating current (AC) and direct current (DC) technologies, with the objective of creating a more resilient and sustainable electric power system. HYNET represents a significant step towards a more energy-independent

Europe and directly responds to the challenges defined by the European Commission's REPowerEU plan, whose goal is to increase the capacity of energy generation from renewable sources to 1,236 GW by 2030, as well as the accelerated integration of DC technologies into the electric power sector. Direct current technologies play a key role in connecting large offshore wind farms and reducing Europe's energy dependence. During 2025, activities were carried out on the development of static and dynamic models, along with defining the possibilities and ways of implementing the demonstration phase of the project, which includes testing and validating the impact of the existing DC submarine cable between Montenegro and Italy on our system. In this way, a kind of testing of the technical and economic advantages of DC technologies in real operating conditions will be carried out.

Further development

During the previous year, the Updated Transmission System Development Plan by 2032 was prepared, in accordance with the provisions of the Energy Law and the Rules for Developing and Monitoring the Implementation of Ten-Year Electricity Transmission System Development Plans. It was approved by the Decision of the Energy and Water Regulatory Agency.

In accordance with its business plan, Crnogorski elektroprenosni sistem will invest approx. 194 million euros in the construction and maintenance of the electricity transmission network in the next 5 years. In order to provide secure, reliable and high-quality electricity supply, a series of reconstructions are planned in terms of strengthening the existing network, but also constructing new facilities that will enable the connection of new users, primarily power plants with renewable energy sources. As previously mentioned, so far, a large number of applications was received for the issuance of conditions for the connection of dominantly solar and wind power plants with a significant installed capacity. Calculations carried out as part of connection possibility analyses show that the state of the transmission network does not allow the connection of additional new power plants without certain conditions, meaning that for further connections it will be necessary to make significant reinforcements in the transmission network in the form of the construction of new interconnection overhead lines with the countries of the region. Bearing in mind such inputs, the transmission system operator plans to implement investments with such defined implementation dynamics that will prevent a situation in which the transmission network would become a bottleneck for system functioning. All the existing elements that there are indications that they will reach overload

are included in the long-term plan of CGES. As stated, an important segment of the strategic development of the transmission system in the next ten-year period remains the construction of interconnections towards neighbouring systems, primarily with Bosnia and Herzegovina (BiH), Serbia, Kosovo and Albania, which ensures a high level of security of power supply to consumers in the entire territory of Montenegro in the observed period. The project of connecting BiH and Serbia with new 400 kV interconnections is part of the construction of the so-called Trans-Balkan Corridor, which aims to increase the capacity of the Western-Balkan interconnection, in the east-west and north-south directions, and which also enables the integration of renewable sources, primarily in Montenegro, and the distribution of energy to neighbouring countries.

CGES also invests in smart grid projects, i.e. smart networks whose goal is the optimal operation of the transmission system. In this regard, a number of projects have already been implemented, and projects whose implementation will provide remote monitoring, control and regulation of new facilities by including them in the new NDC SCADA/EMS system, extend the system for remote access and SGM applications, as well as the old NDC SCADA to new facilities that will be constructed in the coming years, are ongoing. In addition, it is planned to install sensors to control the temperature of wires and additional load, implement a system for integral operation planning and electric power system reliability assessment, asset management. Moreover, through a separate project, activities are being carried out to improve cyber security, which in modern business conditions is becoming an increasingly demanding challenge.

Key goals for further development

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

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



5. Our network – foundation of security

Transmission network structure

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

Crnogorski elektroprenosni sistem AD Podgorica manages 1586,7 km of overhead lines as follows:

- six 400 kV overhead lines, 348.8 km long, of which 36 km of the 2x400 kV overhead line,
- one 400 kV section Čevo - Brezna, 54 km long, which is in operation under 110 kV voltage,
- ten 220 kV overhead lines, 402.2 km long,
- thirty-nine 110 kV overhead lines, 670.2 km long, of which three 2x110 kV overhead lines, 65.3 km long,
- four 110 kV overhead lines that are in operation under 35 kV voltage, 97 km long,
- two underground 110 kV cable lines, 7.3 km long,
- one combined 110 kV line, 5.15 km long (2.48 km of overhead line and 2.67 km of cable length);

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

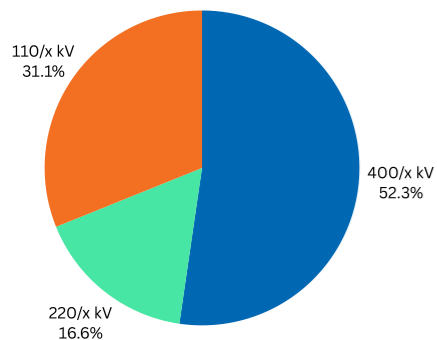
- four 400/x substations (2,335 MVA),
- three 220/x substations (741 MVA),
- RP Piva 220kV
- twenty-two 110/x substations (1,388.5 MVA).

During the previous year, CGES handed over four 35 kV plants to CEDIS, thereby fully completing the process of transferring ownership of 35 kV plants.

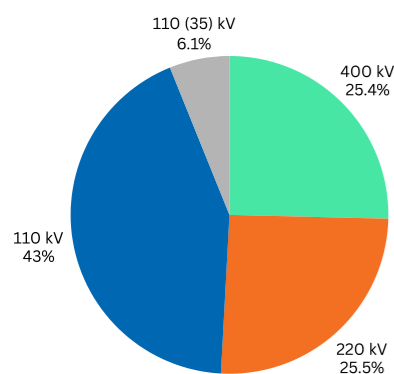
Parts of OHL 110 kV Pljevlja – Potpeć, OHL 220 kV Pljevlja 2 – Bistrica and OHL 220 kV Pljevlja 2 – Bajina Bašta, which are located on the territory of Montenegro, with a total length of 38 km were purchased from EMS.

CGES also controls 110 kV plants in WPP Krново and WPP Možura.

Transformation capacity by voltage levels



Overhead line lengths by voltage levels



Technical characteristics and capacities

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



local control system in SS Pljevlja 2, Ribarevine and Podgorica 2, which is expected to be completed by the end of the current year.

Improvement and modernisation

During the previous year, the revitalisation of two power transformers 110/35 kV in Pljevlja and Ribarevine was successfully implemented, as well as the regular annual servicing of tap changers. Training for the Aquila partial discharge metering device was also successfully completed, which will enable improvement in the diagnosis of transformers and primary equipment.

- 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.

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

- During 2024, the **Substation Management, Control and Analytics 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.

6. Transmission system control

2025 control innovations

As the founder and member of ENTSO-E (European Network of Transmission System Operators for Electricity), CGES continuously works on improving internal rules and procedures of transmission system control, while respecting

the requirements that apply to all European transmission system operators and the specifics of our network, and all in order to provide the highest quality transmission service for system users.

Dispatch and operational processes

Transmission system monitoring and control, which includes planned activities and activities that are performed in real time, is performed from the National Dispatch Centre (NDC) and the Reserve Dispatch Centre (RDC) by using SCADA systems and other modern software tools. Preparatory activities for operational control, among other things, refer to the procurement of ancillary and balancing services, development of disconnection plans, electric power system operation plans, security models and analyses, calculation of cross-border transmission capacities, forecasts of generation from renewable sources, electricity losses in the transmission system, etc. During 2025, the harmonisation of operations with the Electricity Integration Package (EIP) had its



epilogue in the formal establishment of the capacity calculation region at the borders of Montenegro. By the decision of ACER (Agency for the Cooperation of Energy Regulators) as of December 2025, CGES will implement a coordinated capacity calculation in three regions (CCRs), namely - on the directions with Serbia and Bosnia and Herzegovina within the ECE (East Central Europe) region, at the borders with Albania and Kosovo within the SEE (South-East Europe) region and at the border with Italy in the separate IT-ME region.

Regarding real-time activities, electric power system control includes system management (maintenance of

frequency stability, voltage stability, application of defensive measures and restoration of operation after disturbances), system monitoring in terms of static and transient stability, amendments to operation plans. During the year, regular operational daily teleconferences (DOPT) were established, where reports on security analyses are considered at the day-ahead level and preventive measures are taken.

Timely interventions that stopped cascading disturbances of a regional character vividly confirm the readiness of the operational staff of the National Dispatch Centre for quality work.

Regulation and system stability

After new rules were introduced in 2024, during 2025, the operation in the interconnection was changed in the part of measuring the quality of regulation. According to the previous standards, CGES was 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. However, during 2025, the focus of measuring the quality of regulation was transferred to the number of time intervals in which the system error was outside

the scope prescribed for each control area in ENTSO-E individually, on 2 levels. For CGES, this means an almost twice as strict threshold for measuring quality. In the regional framework, CGES has maintained the position of TSO with a better quality of regulation, but the further announced tightening of the allowed levels of deviations requires due attention in terms of providing the necessary system reserve for regulation.

Quality of electricity transmission service

CGES, in accordance with the Rules of Minimum Quality Requirements for Electricity Delivery and Supply, records and processes data relevant for service quality assessment. The purpose of these rules is to encourage transmission system operators, distribution system operators and suppliers to reach and

maintain the levels of general and individual indicators of the minimum quality requirements of electricity supply set out in these rules.

Data on interruptions are recorded through monthly reports that are submitted to the Agency and based on which the quality indicators

related to the transmission system are determined, namely:

- **AIT (Average Interruption Time)** - provides information on the average duration of interruptions in power supply to customers, parts of distribution systems and closed distribution systems connected to the transmission system, expressed in hours on a yearly basis;
- **ENS (Energy Not Supplied)** - provides information on energy not supplied to customers, parts of distribution systems and closed

distribution systems connected to the transmission system due to planned and unplanned interruptions in power supply, in cases where the use of alternative routes of the transmission and distribution network provides power supply to users, expressed in MWh on an annual basis.

The table below shows the quality indicators in 2024 and 2025 due to unplanned interruptions in power supply:

Year	2024	2025
ENS (MWh)	1259	197.03
AIT (h) 3.71	3.71	0.57

Significantly better indicators point to the fact that in 2025 there were no major disturbances in the power supply of users. In particular, it should be emphasised that during the summer season, there was no interruption in the electricity supply to consumers in the coastal region, caused by a fault in the transmission system, despite the record loads recorded in that period. 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 in 100% of the total of 102 recorded events.

It is important to point out that the ratio of energy not supplied and

energy transmitted for 2025 amounts to 0.006%.

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 2025, a large number of planned works on the modernisation of the network were implemented in cooperation with the distribution system operator, during which end customers were supplied from alternative directions. The total duration of planned and unplanned interruptions in power supply for 2025 is significantly lower than for 2024, which is shown in the table below:

Total interruption time	Planned		Unplanned	
	2024	2025	2024	2025
Total interruption time since the beginning of the year (min)	61,716	17,922	9,759	1,549

Electricity market and cross-border transmission capacities

CGES continued its activities regarding the liberalisation of the electricity market during 2025. The functioning of day-ahead and forward markets in a transparent and reliable manner is an indicator of the interest of market participants, which there were 30 at the end of 2025, in registering. Namely, through Berza električne energije d.o.o. (Montenegrin Power Exchange LLC), of which CGES is one of the founders, a total volume of 773.1 GWh was traded, while for the needs of CGES, 28 auction processes were carried out on the forward market, where 132.5 GWh were traded.

During 2025, progress was made in the

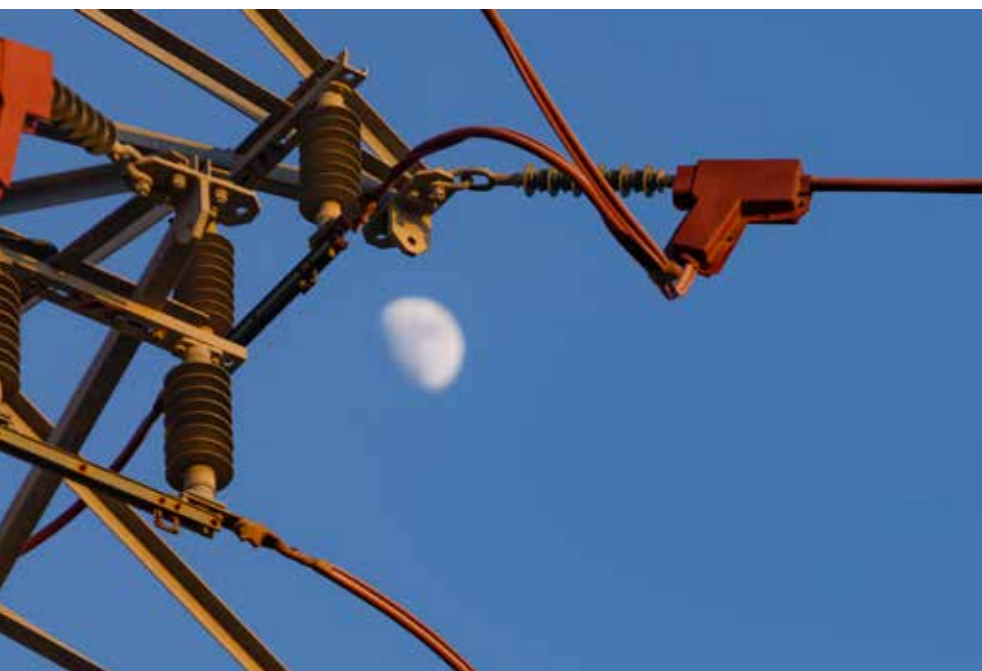
monthly auction for January 2026 at the ME-IT border, which were held at the end of 2025. CGES participated in consultations at the level of the Energy Community and ENTSO-E, with the aim of harmonising the application of CBAM with the process of market integration.

During 2025, CGES continued to organise the allocation of cross-border capacities on an annual, monthly and daily level through the SEECAO allocation platform at all borders except at the border with EMS, where the allocation was performed in accordance with the signed contract on organising joint auctions at the bilateral level. EMS allocated available cross-border capacity on an annual and monthly basis, while CGES is in charge of daily and intraday auctions. Allocation at the annual, monthly and daily level was performed using the "marginal price" method - the last accepted price, while intraday allocation was performed according to the "first come, first served" principle.

It is important to note that in the last quarter of 2025, CGES initiated activities with transmission system operators in Italy and Serbia with the aim of allocation cross-border capacities through the Joint Allocation Office (JAO) from Luxembourg. The activities were successfully completed, so capacity allocation for 2026 and beyond, for the borders with Italy and Serbia, will be done through JAO.

The total number of participants with whom CGES signed contracts on balance responsibility, registered to participate in auctions organised by CGES in 2025, was 75.

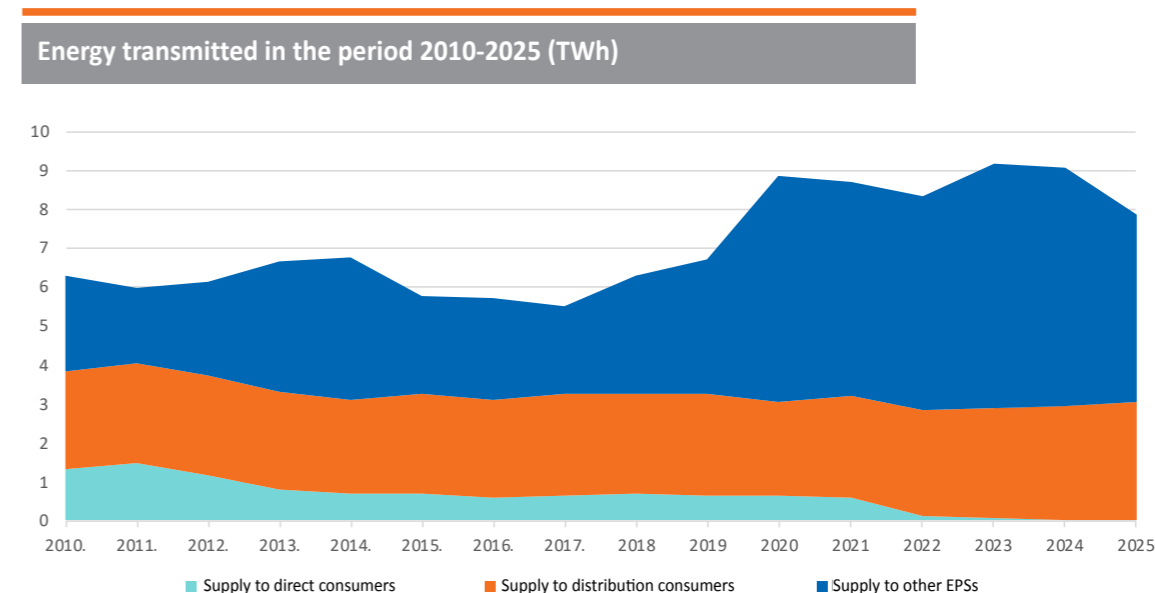
process of integrating the electricity market of Montenegro into a single European day-ahead and intraday market, with a special focus on the coupling project with Italy. In the last quarter of 2025, before the start of the implementation of the CBAM mechanism, a number of regulatory and operational issues regarding cross-border flows of electricity were opened, which was reflected in the annual auction for 2026 and the



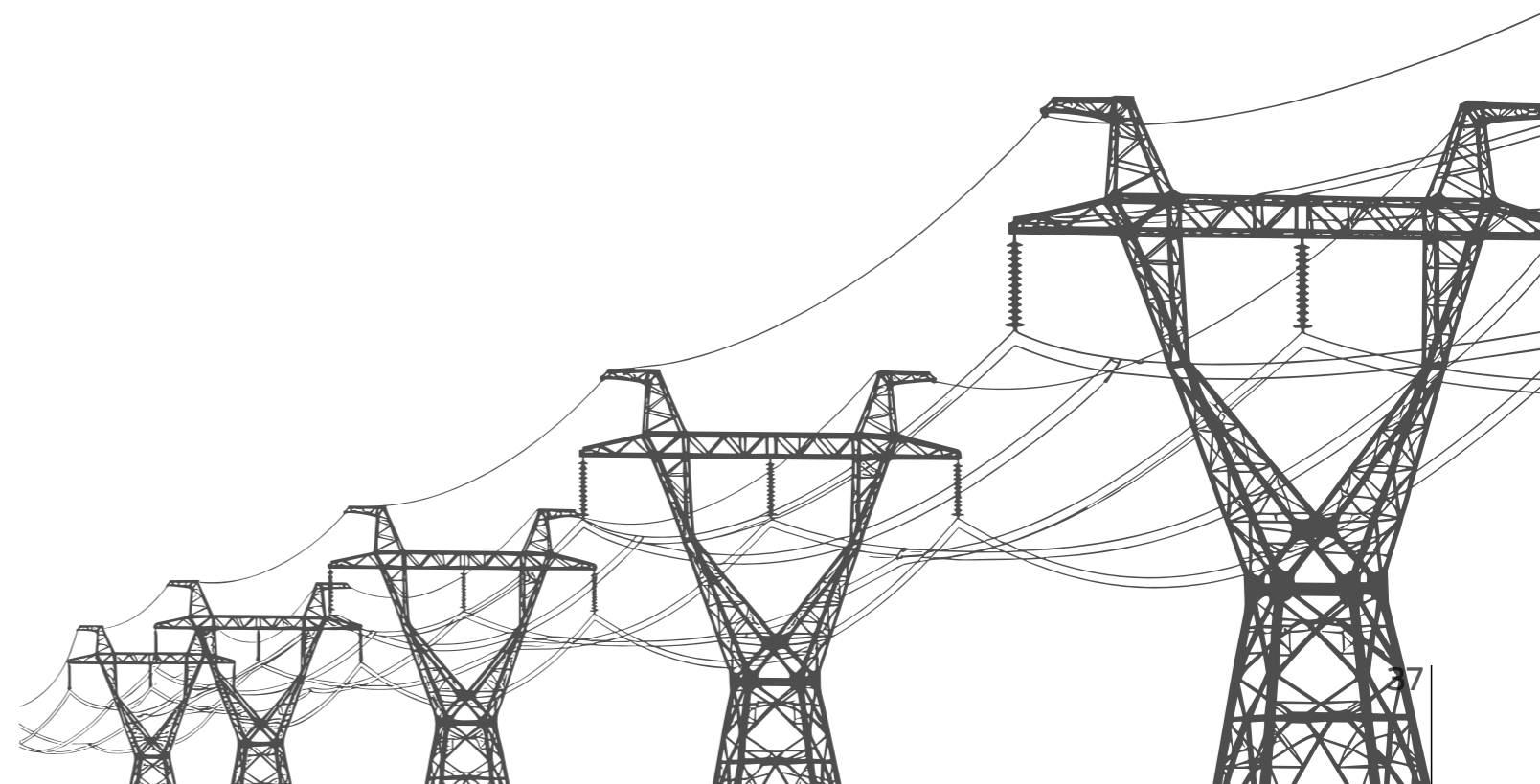
Electric power indicators

Electricity transmitted

In 2025, the CGES transmission system transmitted a total of 7,881.42 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 2025, a certain decrease in transmitted electricity was registered compared to the previous year, which is a consequence of the stoppage in the generation of TPP Pljevlja for 8 months, as well as the reduction of transit.

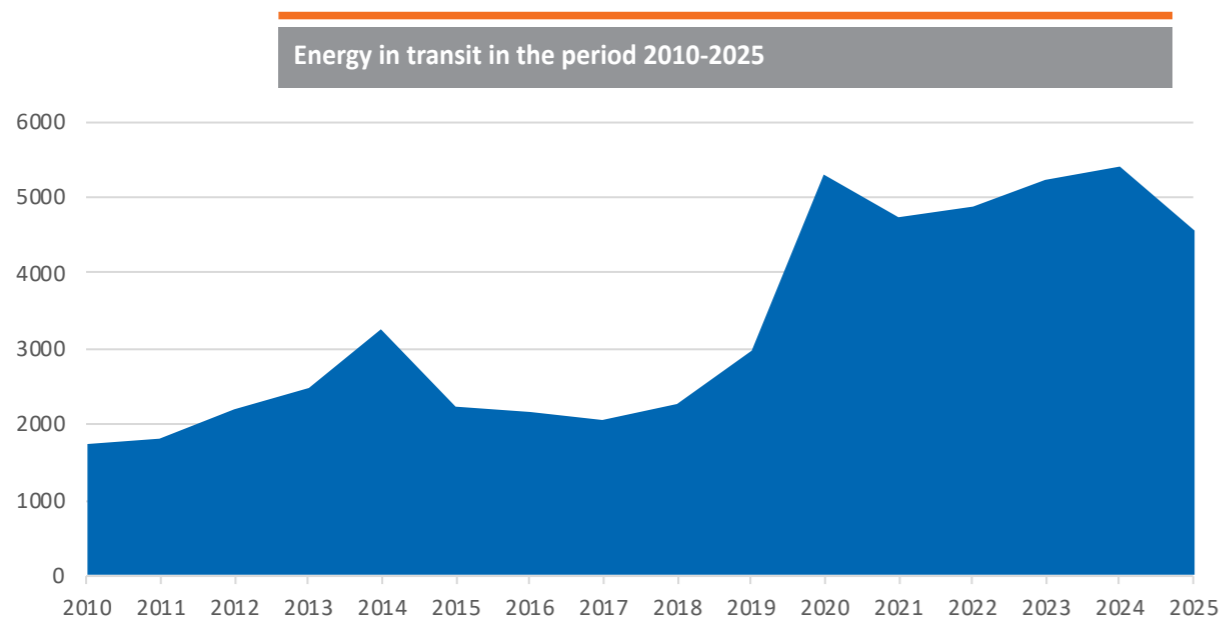


Electricity transit

The table below shows transit values on a monthly basis:

2025	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	SUM
Transit (GWh)	463	389	463	464	401	267	335	272	333	338	394	437	4563

The trend of increasing transit in the period after the commissioning of HVDC Monita has changed to some extent, as a decrease was registered in 2025:



The decrease in transit is explained by the increase in generation from RES in the countries in the region, primarily in the EU countries in the SEE, as well as in the EU countries in the west of the continent. In situations where there is a price difference, transits are very pronounced, but there are also periods when prices are similar in most European markets, and there is no interest in transit. In the coming period, due to the situation with CBAM, we expect the trend of decreasing transit to continue.

Rate of losses

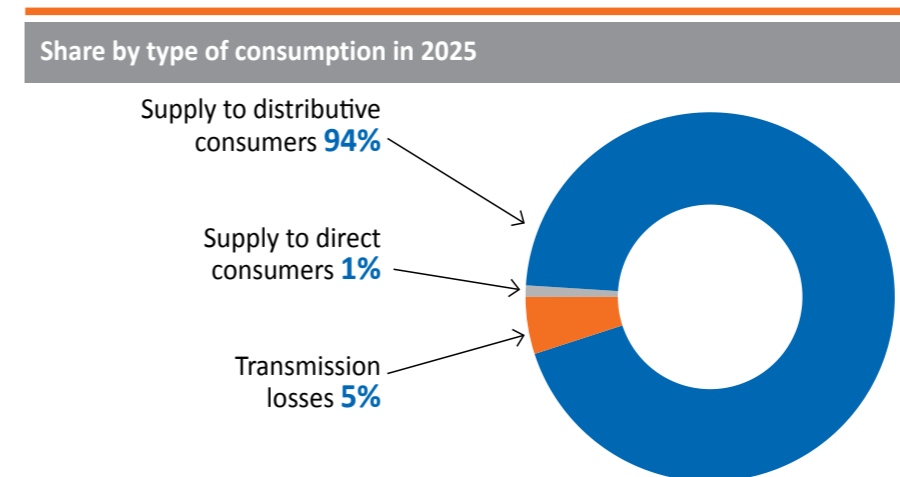
Higher utilisation of the network of the highest voltage level continued in 2025, so the rate of transmission losses compared to the total energy that entered the transmission system was 1.64%, which is slightly lower than in 2024, when it had a value of 1.56%.

Electricity consumption

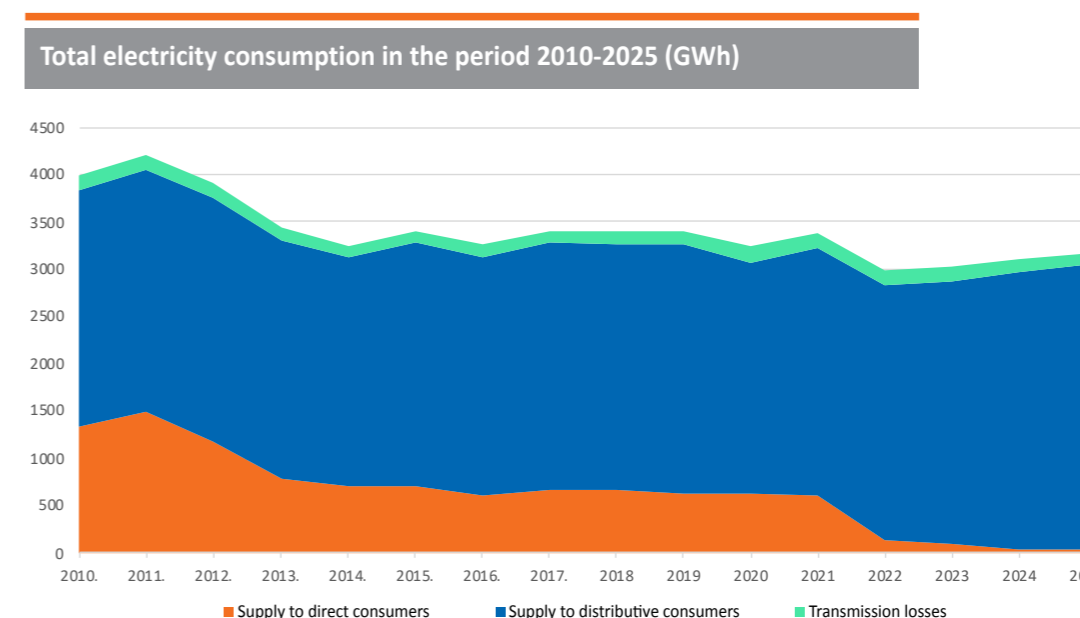
The total electricity consumption in Montenegro in 2025 was 3,171.469 GWh, which is an increase of 1.84% compared to the values from 2024.

Consumption (GWh)	2024.	2025.	Difference
Supply to distribution consumers	2927,554	3001,289	2.52%
Supply to direct consumers	43,247	38,760	-10.37%
Transmission losses	143,227	131,420	-8.24%
Total:	3,114.028	3,171.469	1.83%

The table shows the continuation of the decreasing trend in the supply of electricity to direct consumers also during 2025, while a slight increase in the supply to distribution consumers is recorded due to less generation of electricity in the distribution network.



From the diagram, we conclude that customers at the distribution level cover 94 % of the total electricity consumption in Montenegro.



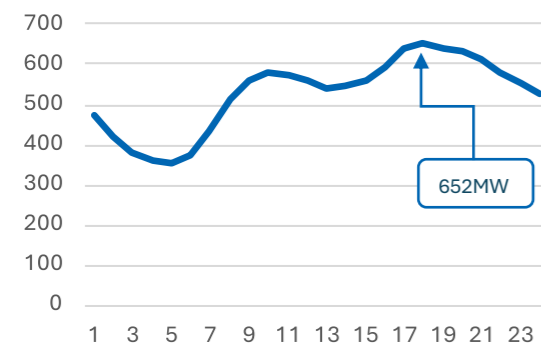
Maximum and minimum system load

The maximum load of the Montenegrin transmission network was recorded on 31 December 2025 and on that occasion consumption amounted to 12,665 MWh, with import of 2,625 MWh and transit of 15,674 MWh. The maximum consumption value of 652 MW at 18h was also realised on that day.

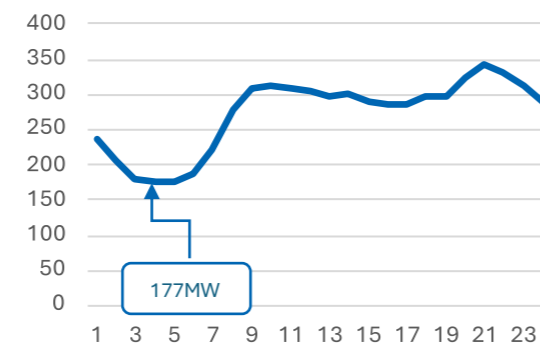
Maximum power			Maximum daily consumption	
MW	Hour	Day	MWh	Day
652	18h	31.12.2025.	12,665	31.12.2025.
Minimum power			Minimum daily consumption	
MW	Hour	Day	MWh	Day
177	4	05.05.2025.	5,996	01.05.2025.

Below is an overview of the maximum/minimum system load as well as the achieved maximum and minimum consumption on a daily basis in 2025.

Maximum load - 31.12.2025



Minimum load - 05.05.2025

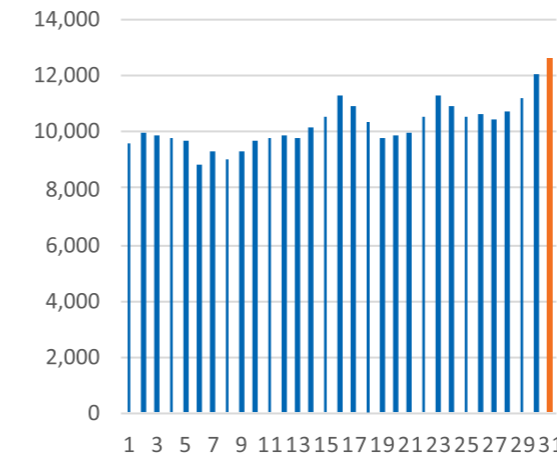


The minimum consumption of 177 MW was recorded on 5 May 2025 at 04h.

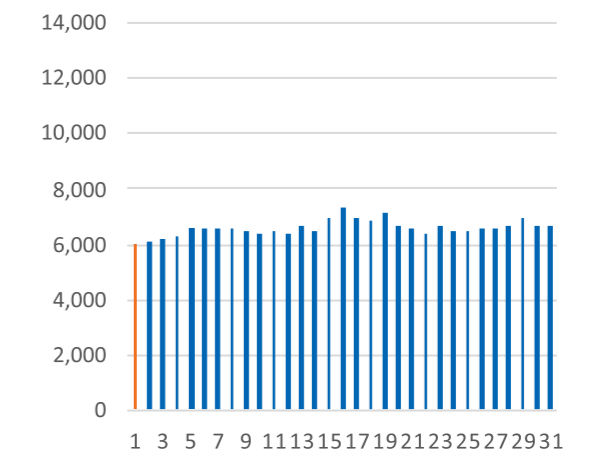
Daily consumption

The highest daily consumption was realised on 31 December, while the lowest on 1 May 2025.

Daily consumption 31.12.2025



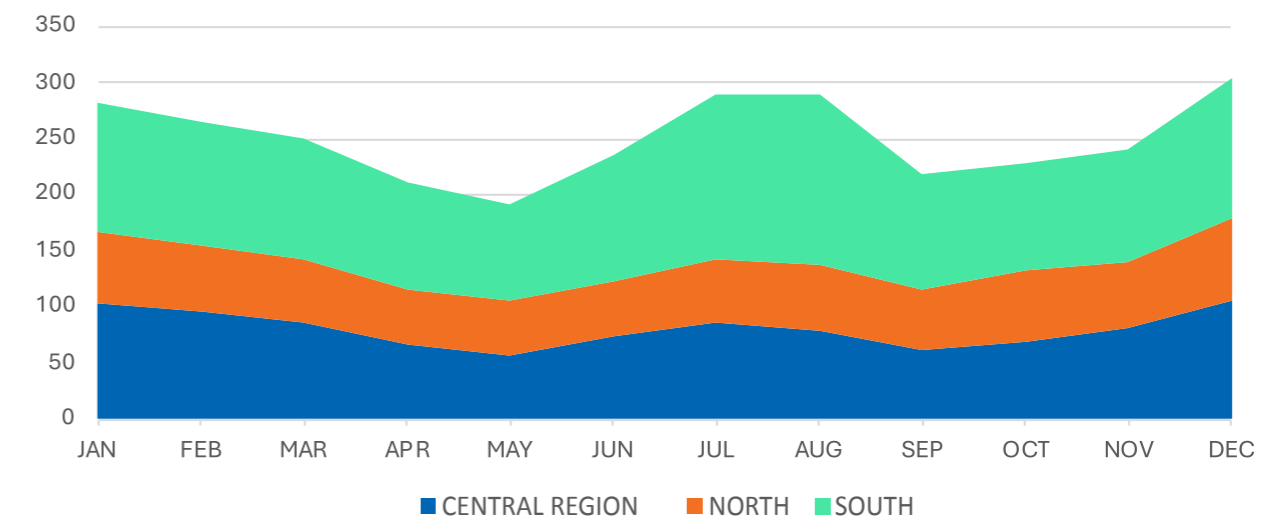
Daily consumption 1.5.2025



Electricity delivered to the distribution network

We recorded the usual maximum consumption on the coast with a characteristic "peak" in the summer period of the year also in 2025. The trend of energy delivered to the distribution network is presented in the following diagram:

Energy delivered to the distribution network in 2025 [GWh]



Electricity generation

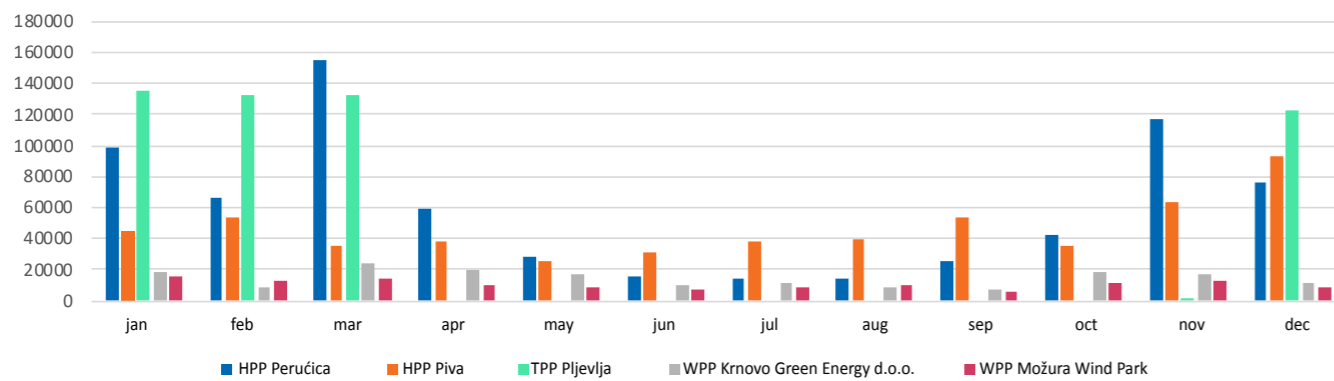
The electricity delivered from generation facilities to the transmission system in 2025 amounted to 2,2091.48 GWh. Thermal power plant Pljevlja generated only 525.322 GWh, which represents 39% of the generation from 2024, due to the reconstruction. Hydropower plants connected to the transmission system generated 1,268.047 GWh. Electricity generated in wind power plants amounted to 298.105 GWh.

A comparative presentation of electricity generation in 2025 and 2024 is shown in the table below::

POWER PLANTS	Electricity generation (GWh)		
	2024	2025	Difference
HPP Perućica	854,94	714,472	-16.54%
HPP Piva	746,00	553,575	-25.77%
HPP Pljevlja	1.337,84	525,322	-60.74%
WPP Krново Green Energy d.o.o.	172,76	173,021	0.15%
WPP Možura Wind Park	118,70	125,084	5.34%
Total:	3.230,24	2.091,48	-35.23%

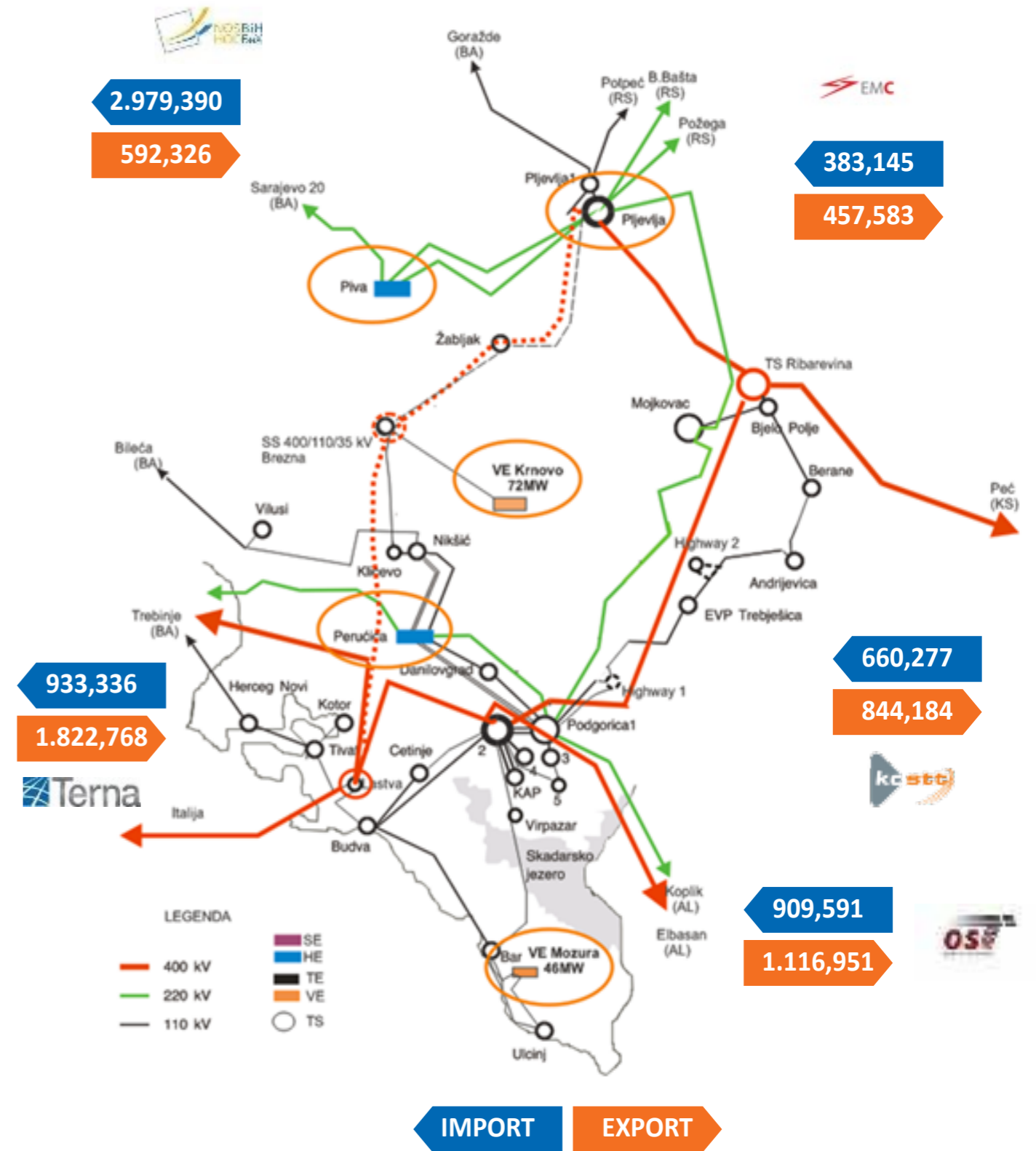
Electricity generation by generation facilities connected to the transmission system of Montenegro by months in 2025 is shown in the following diagram:

Electricity generation by power plants in 2025



Electricity exchange by borders

Below is a diagram of the Montenegrin electric power system with an overview of electricity exchange flows by borders (GWh) in 2025.



7. Information and communication technologies

Optical telecommunication infrastructure – foundation of a modern network

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

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

In 2025, the trend of modernisation and implementation of new technologies continued. The migration of traffic from the old SDH (Synchronous Digital Hierarchy) TK system to the new IP/MPLS (Internet Protocol Multi-Protocol Label Switching) system, started in 2024, was continued and was fully completed for critical services (SCADA, operational telephony, ICCP and TASSE links to generation facilities). The migration of non-critical services continues to take place in parallel, and the migration process is entirely carried out by CGES' own forces and represents an example of mutual coordination and cooperation between sectors.

The project of replacing telecommunications power supplies in all CGES hubs was completed, which achieved uniformity of equipment and

made maintenance much easier. The old TC power supplies were dismantled, and new ones were installed that are monitored in real time from a central location in the NDC.

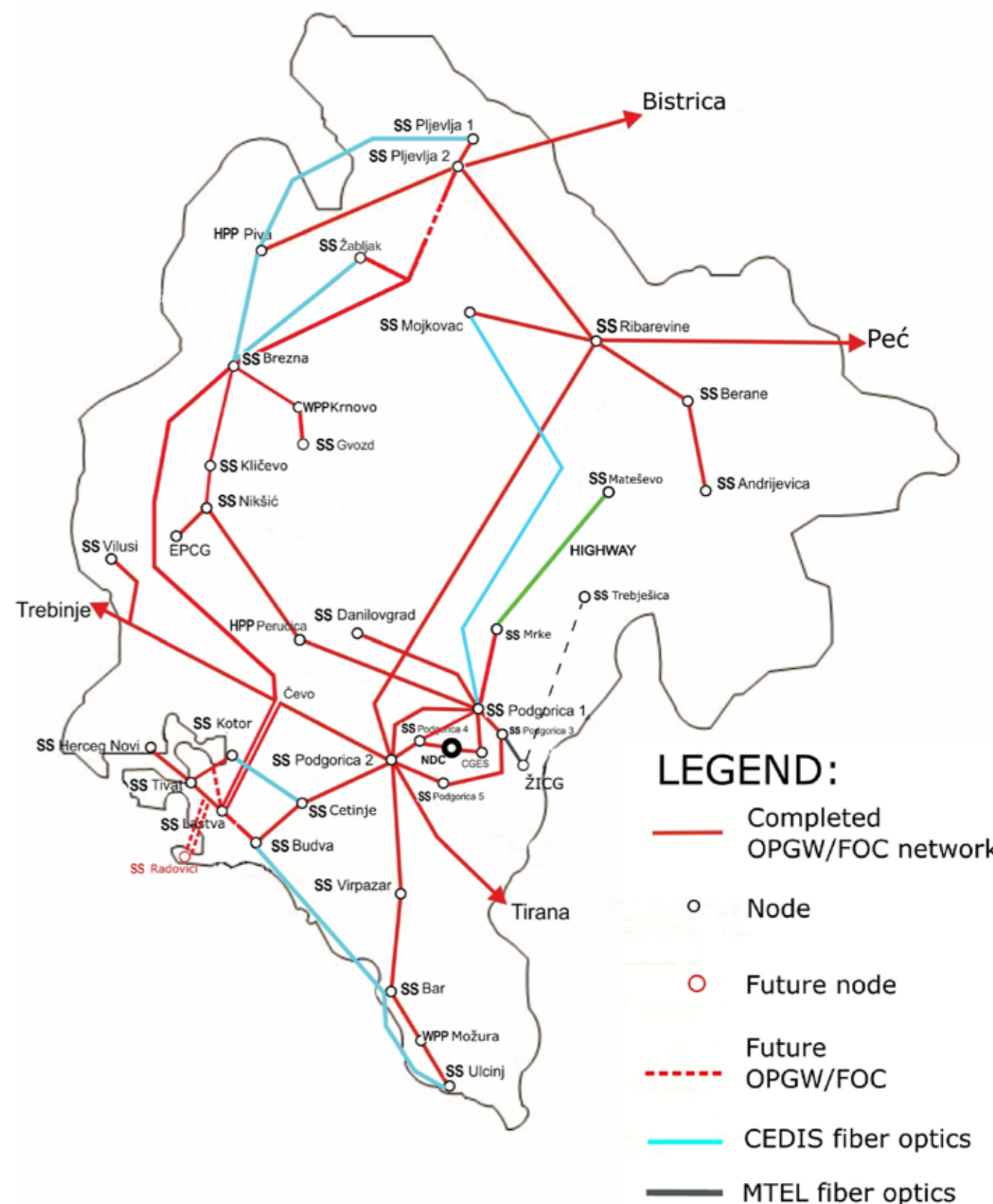
In addition, the project of installing an automated system for monitoring optical fibres was completed. Automated metering stations are installed at strategic locations, which constantly monitor the continuity of optical fibres on the routes. This system enables the CGES staff to be informed in real time about the state of the entire optical network.

In cooperation with CEDIS, redundant optical lines were provided to SS Žabljak and SS Mojkovac. The IP/MPLS network was upgraded over the available optical infrastructure and the reliability of the entire TC system was increased.

The IP telephony system continued to be successfully used and new upgrades and extensions are planned.

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



In addition, in the field of telecommunications, successful cooperation with our partner

Modern information systems

Information technologies (IT) and its systems in CGES play a key role in the modernisation of operations and represent the basis for reliability, efficiency and security in the functioning of the electricity transmission system of Montenegro. In 2025, we focused on the implementation of the most modern software solutions and network technologies, the improvement of existing information resources, as well as digitalisation through the use of advanced technologies that enable the automation of business processes, the use of advanced ICT systems and the increase of cyber security. At the same time, CGES has invested in employee training, ensuring that IT teams have the necessary knowledge to work with modern IT technologies.

The storage infrastructure was modernised with the aim of long-term reliability, efficiency and scalability of the IT system, as well as reducing operational costs, minimising the risk of downtime and increasing the overall security and stability of the information system. The benefits of the upgrade are increased performance, increased reliability and stability, extending the life cycle of the infrastructure and optimising resources.

The procurement of new NGFW (Next-Generation Firewall) devices during 2025 is a key measure in strengthening the security of the technical information system, especially in the context of protecting the existing SCADA infrastructure. By acquiring a firewall device, the technical information system was significantly improved, and the level of protection of the SCADA infrastructure

companies in the energy sector EPCG and CEDIS continued.

against internal and external network threats was increased, with the aim of ensuring the continuity of work, increasing resistance to attacks and ensuring the stable functioning of the system.

In 2025, comprehensive technical documentation for the acquisition and upgrade of the SCADA and EMS system at CGES was developed.

MDM (Mobile Device Management) software designed to protect and manage mobile devices has been implemented. Centralised monitoring and administration of mobile devices that access IT systems increases data security, standardises the use of mobile technologies and facilitates management in a business environment that relies on mobile phones.

During the year, two complementary solutions in the field of information protection were implemented - software for classifying and labelling information, as well as a DLP system for preventing the leakage of sensitive data through networks, devices and cloud services. Their strategic purpose is to strengthen information security and data management, protect confidential information, comply with regulatory requirements, reduce risk, increase user and partner trust, and support the digital transformation process.

At the end of the year, the Company's website was updated, which brings a more modern look, easier navigation and faster access to information. It was created to be closer to users, to facilitate communication and to transparently present our services,

projects and values. CGES continues to invest in digital transformation to provide citizens and partners with reliable information and modern support.

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

The ERP (Enterprise Resource Planning) and DMS (Document Management System) systems are continuously improved through the upgrade of new functionalities and the implementation of business processes. During the past year, the

Strengthening cyber security and protection of critical infrastructure

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

In order to prepare all prerequisites for certification, during 2025, CGES continued to work on improving the system for cyber protection and carried out the transition to the new version of ISO standard 27001:2022 (Standard for Information Security Management) by updating all adopted policies, procedures and documented information in the field of information security according to the new terms

procurement procedure for improving the ERP system was initiated, which will lead to the transition to the latest version with all existing functionalities and integrations. At the same time, the implementation of new business processes was carried out in the DMS system, along with the introduction of additional and improvement of existing functionalities.

With these solutions, key administrative and operational processes have been improved, with a greater degree of efficiency and transparency in work.

and requirements of the ISO/IEC 27001:2022 standard.

As in previous years, an external audit of the established ISMS (Information Security Management System) was conducted in accordance with the ENTSO-E OPDE MVS agreement and the OPDE Security plan. An external audit of compliance with the ENTSO-E CN MLA and CN Security plan was also conducted to ensure the safe use of the CN infrastructure (Communication Networks, a pan-European set of telecommunication systems used by the ENTSO-E community).

All the activities undertaken improve the information (cyber) security of CGES and create preconditions for the safe management of critical systems. Information (cyber) security requires constant identification and classification of risks in order to determine critical vulnerable points in the information architecture in CGES, so as in the previous years, a mandatory annual risk assessment and analysis was carried out and a treatment plan for identified risks was defined for 2025.



8. Legal and regulatory framework



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

Namely, during 2025, CGES was engaged in the preparation of several laws and by-laws, among which the Energy Law, the Law on Cross-Border Exchange of Electricity and Natural Gas and the Law on Cross-Border Energy Infrastructure Projects should be singled out.

The Energy Law was adopted by the Parliament of Montenegro on 19 March 2025, while the Amendments to the Energy Law were adopted on 31 December 2025. The mentioned law aligned the national legal framework with the

package of adapted regulations of the Energy Community from 2022, including the adapted Regulation (EU) 2019/943 and Directive (EU) 2019/942. The mentioned law introduces concepts such as active customer, energy communities of citizens and aggregation, expands the competences of system operators and regulatory authorities, as well as enables dynamic electricity prices.

In addition to the Energy Law, CGES was involved in the preparation of the draft Law on Cross-Border Exchange of Electricity and Natural Gas, which transposes key EU regulations, including Regulation (EU) 2019/941 on risk-preparedness, Regulation (EU) 2019/942 on the Agency for the Cooperation of Energy Regulators, Regulation (EU) 2019/943 on the internal market of electricity, and five network regulations (2015/1222, 2016/1719, 2017/2195, 2017/2196 and 2017/1485). This law established the legal framework for the integration of the Montenegrin electric power system into the single European market (market coupling). The aforementioned law was adopted by the Parliament of Montenegro on 31 December 2025.

CGES also participated in the drafting of the Law on Cross-Border Energy Infrastructure Projects, further confirming its commitment to infrastructure development and international cooperation. The aim of drafting the aforementioned law is the transposition of Regulation (EU) 2022/869, which governs the procedure, conditions and method for implementation of cross-border energy infrastructure projects of special importance for Montenegro, the cross-border distribution of costs and incentives granted for these projects, as well as other issues of importance for their implementation. Projects of special importance for Montenegro are projects that are on the list of projects of Energy Community interest and/or on the list of projects of mutual interest. On 25 December 2025, the Government of Montenegro established the Draft Law on Cross-Border Energy Infrastructure Projects.

The above-mentioned regulations laid the foundation for the modernisation of the electric power sector, increasing security of supply and integration of the Montenegrin electricity market into the single European market.

When it comes to the company's operations, CGES is a business entity that performs an activity of public interest and whose regulated revenues are determined in a transparent procedure by the Agency. Namely, the Agency determines the total amount of regulatory allowed revenue with the aim of limiting the amount of revenue that the company generates to an amount sufficient to cover the expenses and costs relevant to the provision of transmission services and enable an adequate return on assets so that the company can invest in increasing the quality and efficiency of the services provided.

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

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

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

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

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

At the end of 2022, the Agency's Decision determined the regulatory



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

Such growth of revenues, which does not burden system users, represents not only an impressive business result in one year or a regulatory period, but a stable and solid basis

postponement of the new regulatory period in order to precisely define all the parameters of the operator's allowed revenue, especially in the circumstances of the pronounced volatility of electricity prices on the reference exchanges. This approach directly minimises the risk of determining inadequate tariffs that could damage the financial sustainability of the system or impose unjustified costs on end users in the midst of the integration of new capacities from renewable sources. In this regard, in November 2025, in accordance with the Energy Law, the Agency adopted a decision that the prices for the use of the transmission system in 2026 will remain at the level determined for 2025.

Finally, in accordance with the legal competences, the Agency continued to supervise the operations of CGES in 2025 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.

for ensuring the long-term economic and financial sustainability of the company.

It should be emphasised that the role of CGES within the energy transition and the process of accession to the European Union is primarily reflected in the obligation to harmonise the national electric power framework with the requirements of the Third and Fourth Energy Package. Bearing in mind the complex dynamics and the large number of new obligations resulting from the newly adopted laws, the Energy Act has foreseen the



9. Financial overview

Profit & loss statement

The 2025 financial statements show a net income of €21.0 million.

Revenues amount to €95.4 million and they mainly refer to revenues from cross-border capacity allocation (€50.3 million), revenues from balancing services and system services (€23.5 million), revenues from fees to cover transmission losses (€15.5 million), transmission network use (€2.7 million and other revenues (€3.4 million).

Operating costs were realised in the amount of €58.8 million and mainly refer to costs of balancing services and system services (€24.1 million), transmission losses (€14.0 million), personnel costs (€9.0 million) and other costs including costs of material and third party costs (€11.6 million).

EBITDA (earnings before interest, taxes, depreciation, and amortisation) amounts to €36.6 million with a margin of 38%.



P&L			
€ mil	2025	2024	2025 vs. 2024
Transmission revenues	2.7	9.3	(6.6)
Transmission losses	15.5	22.0	(6.5)
Congestion revenues	50.3	42.1	8.3
Ancillary system balancing revenues	23.5	20.5	3.0
Other revenues	3.4	6.5	(3.1)
Total Revenues	95.4	100.4	(5.0)
Personnel	9.0	8.9	0.1
Material	0.3	0.2	0.1
Third party	3.8	3.1	0.7
Ancillary system balancing costs	24.1	20.8	3.3
Other	7.5	6.9	0.7
Transmission losses	14.0	18.8	(4.8)
Opex total	58.8	58.6	0.2
EBITDA	36.6	41.8	(5.2)
Margin	38%	42%	-3%
EBITDA prilagođena	35.8	38.8	(3.1)
D&A	11.0	10.6	0.4
EBIT	25.6	31.2	(5.6)
Margin	27%	31%	-4%
Net Financial expenses	0.6	1.3	(0.7)
Financial revenues	0.7	0.3	0.3
Financial expenses EBRD Lastva-Pljevlja	0.4	0.6	(0.3)
Financial expenses EBRD loan (SS Brezna)	0.1	-	0.1
Financial expenses KfW Lastva-Pljevlja	0.0	0.1	(0.0)
Financial expenses KfW Luštica	0.0	0.0	(0.0)
Financial expenses highway Bar- Boljare	0.7	0.7	(0.1)
Financial expenses other debt	0.1	0.2	(0.1)
EBT	25.0	29.9	(4.9)
Taxes	4.0	5.1	(1.0)
NET INCOME	21.0	24.8	(3.8)

Revenues from transmission network use:

Revenues from distribution: amount to €1.9 million and are lower vs 2024 (-€4.8 million);

Revenues from producers: amount to €0.8 million and are lower vs 2024 (-€1.8 million) due to lower active energy.

Fee for transmission network losses: lower vs 2024 (-€6.5 million) mostly due to lower revenues from fees to cover losses (-€4.3 million) and lower ITC revenues (-€2.3 million).

Congestion revenues: are higher vs 2024 (+€8.3 million) due to higher revenues

at almost all interconnections, namely: Serbia (+€3.6 million), BiH (+€3.1 million), Kosovo (+€1.9 million) and Albania (+€1.1 million), with actual lower revenues at the border with Italy (-€1.4 million). The increase in congestion revenues vs 2024 is a consequence of the increased interest of participants in cross-border capacities, and as a consequence of the volatility of prices on the electricity spot markets and the region's energy needs, with periods of growth during summer and winter (the marginal price of lease of cross-border capacities corresponds primarily to futures prices and price anticipation on the spot markets).

Revenues from balancing and system

services: higher vs the previous year (+€3.0 million), mainly due to higher prices on electricity exchanges.

Operating costs: higher vs the previous year, +€0.2 million (+0.3%), mainly due to differences in the following items:

- personnel cost (+€0.1 million);
- costs of material, third party services and other (+€1.5 million);
- ancillary, system and balancing services (+€3.3 million);
- transmission network losses (-€4.8 million).

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

Net financial costs: lower vs the end of 2024 (-€0.7 million).

Income tax: was calculated according to the progressive rate in accordance with the Law on Corporate Income Tax. The actual is lower vs the previous year (-€1.0 million) as a result of a significantly lower tax base.

Net income: the actual net income of the company amounted to €21.0 million and is lower vs the previous year (-€3.8 million) mainly as a result of a lower revenues from transmission network use and lower fees to cover losses.

Balance sheet

Balance sheet			
€ mil	2025 Ostvarenje	Kraj 2024 Ostvarenje	2025 u odnosu na ostvarenje 2024
Assets	299.6	286.7	12.9
Working Capital	(30.6)	(26.8)	(3.9)
Funds	8.8	8.0	0.8
Net Invested Capital	260.1	251.9	8.2
Shareholders Equity	275.0	260.0	15.0
Paid in capital	155.1	155.1	-
Capital injection	-	-	-
Reserve	-	-	-
Carried forward results	119.9	104.9	15.0
Net income from previous period	104.9	90.0	14.8
Current net income	21.0	24.8	(3.8)
Dividends	(5.0)	(10.0)	5.0
Adjustment of retained earnings	(1.0)	-	(1.0)
Purchased own shares	-	-	-
Net Debt	(14.9)	(8.1)	(6.8)
Cash	55.3	57.4	(2.1)
Long term debt	40.4	49.3	(8.9)
EBRD (Lastva-Pljevlja)	22.4	28.9	(6.5)
EBRD (Brezna)	-	-	-
KfW (Lastva)	(0.0)	1.1	(1.1)
KfW (Luštica)	3.4	2.4	1.0
Revolving facility	-	-	-
Other debt	1.5	2.4	(0.9)
Infrastructure purchase	13.2	14.6	(1.4)
Short term debt	-	-	-
Dividends	-	-	-
Total liabilities	260.1	251.9	8.2

Net financial debt

The actual in 2025 vs the end of 2024 was lower by €6.8 million because of lower debt (-€8.9 million) due to the repayment based on the loans of the EBRD, KfW, World Bank and NLB (-€13.6 million), and the withdrawal of funds for Luštica and the variable shunt reactor (+€4.8 million), while the level of total cash is lower (-€2.1 million) vs 2024.

Cash flow

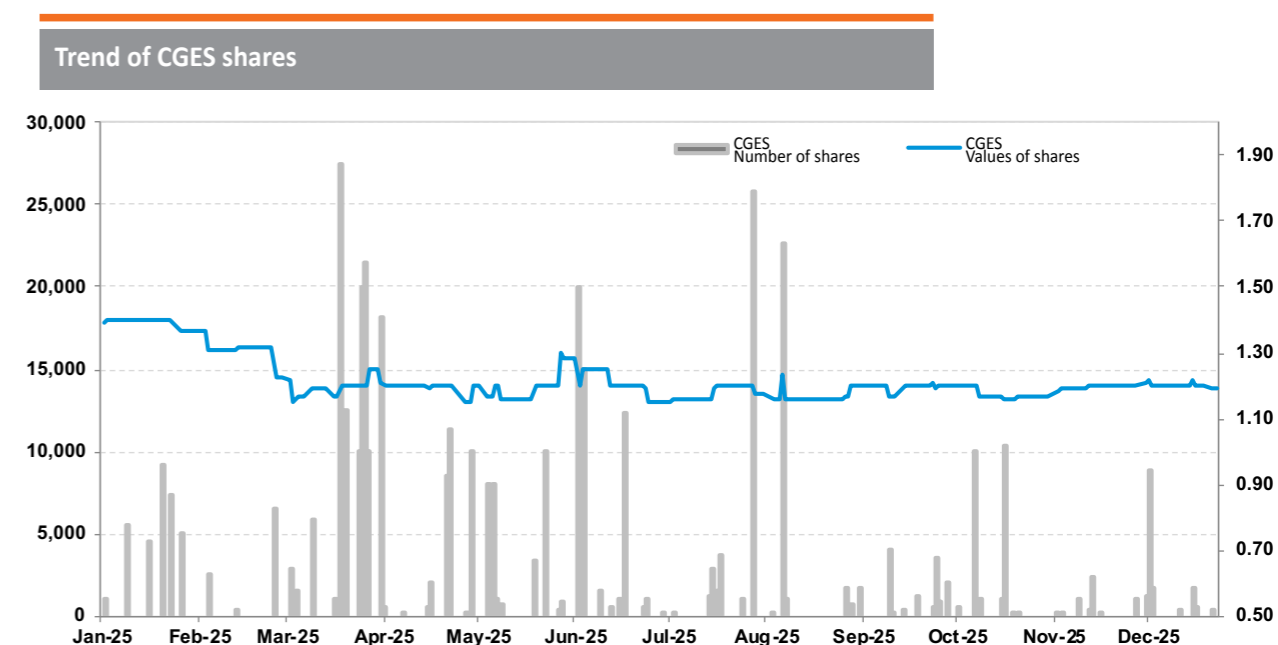
CASH FLOW		
€ mln	2025	2024
Initial balance	57.4	59.2
EBIT	25.6	31.2
Taxes	(4.0)	(5.1)
Depreciation	11.0	10.6
Delta WC	3.9	0.3
Delta funds	0.8	0.7
Delta capex	(23.9)	(25.2)
Total Operational	13.3	12.6
Financial expenses	(0.6)	(1.3)
Variation of EBRD loan (Lastva- Pljevlja OHL)	(6.5)	(0.4)
Variation of EBRD loan (SS Brezna)	-	-
Variation of KfW loan (SS Lastva)	(1.1)	(2.8)
Variation of KfW loan (Luštica)	1.0	2.4
Infrastructure purchase	(1.4)	(1.4)
Revolving facility variation	-	-
Current Debt increase/amortization	(0.9)	(0.9)
Total Financial	(9.5)	(4.4)
Capital injection/reduction		
Dividends	(5.0)	(10.0)
Adjustment of retained earnings	(1.0)	-
Purchased own shares	-	-
Remittances/injection	(6.0)	(10.0)
Total	(2.1)	(1.8)
Final Balance	55.3	57.4

Stock exchange membership and CGES shares

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

successful business results in continuity.

The curve below shows the trend of the company shares, which indicates a slight decrease in the price at the beginning of 2025 from €1.39 to €1.20 per share at the end of 2025.



10. Cooperation that connects

Stable partnerships, secure development

Successful development and stable operations are unthinkable without strong and reliable partnerships, both at the national and international level. During the reporting period, we continued to improve cooperation with numerous partners through intensive dialogue, high-level meetings and active participation in relevant forums, conferences, and gatherings. We paid special attention to strengthening mutual trust through specific activities - from organising meetings and visits to signing significant agreements

and cooperation contracts. Such meetings contribute to the exchange of knowledge and experience, but also create new opportunities for launching joint initiatives and projects. We believe that quality partnerships are built through open dialogue, continuous cooperation and joint commitment to achieving long-term goals.

Cooperation in the European electric power area and exchange of knowledge

CGES delegation visits Italian TSO Terna

CGES delegation, led by the Chairman of the Board of Directors, Aleksandar Mijušković, and the Executive Director, Ivan Asanović, paid an official visit to the Italian transmission system operator, Terna. This visit marks a continuation of the longstanding successful cooperation between the two companies, reflected in the implementation of the project Montenegro- Italy power system interconnection via HVDC submarine cable.



The delegation also included the Director of Elektroprenos, Leda Minić, the Director of the Regulatory, Legal, and International Cooperation Sector, Milica Deretić, the Director of the National Dispatch Centre, Ranko Redžić, the Director of the Development and Investment Sector, Dragan Perunović, and the Head of Executive Director Office, Aleksa Knežević.

ENTSO-E Assembly, Copenhagen 22 October 2025

The ENTSO-E Assembly was held on 22 October 2025 in Copenhagen, with the participation of representatives of national transmission system operators. The delegation of Crnogorski elektroprenosni sistem consisted of the Chairman of the Board of Directors, Aleksandar Mijušković, and the Executive Director, Ivan Asanović.

The Assembly focused on key strategic initiatives for the development of the European electric power network, including system development planning, implementation of the EU Grid Action Plan, application of HVDC technologies and integration of renewable energy sources. A special emphasis was placed on the security of critical infrastructure and the strengthening of cross-border cooperation, as well as on the overall direction of system development in conditions of accelerated energy

Athens Energy Forum 2025

The 30th Athens Electricity Forum, which was attended by the Chairman of the Board of Directors, Aleksandar Mijušković, and the Executive Director, Ivan Asanović, on behalf of CGES, was held on 4 June and 5 June 2025, organised by the Energy Community Secretariat and chaired by the

On behalf of Terna, the delegation was welcomed by the Vice Chairwoman of CGES Board of Directors Maria Rosaria Guarniere and Board Member Guido Guida.

The exchange of knowledge and experience during this visit further strengthened the cooperation between CGES and Terna, improved CGES business processes.

transition.

A significant part of the discussion was devoted to the further integration of renewable energy sources and the application of modern technologies, including hydrogen and energy storage systems. The participants pointed out that the transmission infrastructure has a key role in ensuring the stability and flexibility of the system, especially in the context of the growing share of variable energy sources.

The Assembly confirmed the importance of the coordinated action of transmission system operators to efficiently integrate the electricity market and support the decarbonisation process. It was concluded that the further development of the network, along with the improvement of the regulatory framework and regional cooperation, will be one of the key prerequisites for the achievement of energy goals at the level of the European Union and the wider region.

European Commission. The forum was dedicated to market integration, operational security and conditions for a more massive integration of RES. The programme was opened with speeches by representatives of the European Commission, Greece and the Energy Community Secretariat, with an introductory positioning of regional coordination as a prerequisite for



market integration and system security.

The key sessions were dedicated to the cooperation of transmission system operators, the way in which cross-border capacities are regionally planned and distributed, as well as connecting the electricity market and strengthening its competitiveness. In this context, the next steps for joining the single European electricity market, as well as the deadlines defined by the market integration plan, were considered.

The messages of the CGES management on the sidelines of the forum are summarised through several

key lines of action - the need to speed up the integration of the electricity market between Montenegro and the European Union, especially through the border Montenegro – Italy, as well as to strengthen the transmission network through investments and improvement of operational capacities, and the development of system flexibility, the introduction of energy storage and the improvement of regional coordination were recognised as key conditions for the stable inclusion of a greater number of renewable energy sources in the electric power system.

Mijušković, and the Executive Director, Ivan Asanović, was held on 18 July 2025, and gathered high-ranking representatives from all over Europe.

At the ceremony, it was emphasised that over the past 20 years, the Energy Community has helped member states harmonise their legislation with European Union standards, modernise energy systems and develop the infrastructure necessary for integration into the single European energy market.

The importance of regional connectivity was particularly highlighted, where it was pointed out that energy represents the basis of wider cooperation that also includes transport and digital infrastructure. Such an approach contributes to the strengthening of the overall unity of the European space, while additionally indicating the need for further connecting the market and harmonising climate policies as key steps towards a sustainable and secure energy future.



20 years of the Energy Community - Strengthening regional cooperation and the path to integration into the EU energy market

The 20th anniversary of the Energy Community, an organisation that has played an important role in connecting the energy markets of Southeastern and Eastern Europe with the European Union for two decades, was marked in Athens. The ceremony, which was attended by the Chairman of the Board of Directors, Aleksandar

CGES delegation visited the German TSO 50Hertz

The Chairman of the Board of Directors, Aleksandar Mijušković, and the Executive Director, Ivan Asanović, together with their closest collaborators Leda Minić, Director of Elektroprenos, and Aleksa Knežević, Head of Executive Director Office, paid an official visit to the German transmission system operator 50Hertz.

During the visit, the delegation got acquainted with the key aspects of the functioning of the TSO’s system, including the regulatory framework and financing, the development of a network with a high participation of renewable sources, as well as the application of the Modular Control Centre System (MCCS), which enables the integration of 100% renewable energy.

This visit further strengthened the cooperation between CGES and 50Hertz, opening up space for the exchange of knowledge and experiences with the aim of further improving the electricity transmission network of Montenegro.



European parliamentarians visit CGES

Projects implemented by CGES have been attracting the attention of the European Union for many years, as evidenced by the continued interest in our infrastructure initiatives. The

visit of Members of the European Parliament to the 400/110 kV Podgorica 2 substation is yet another indication that our commitment to developing energy infrastructure does not go unnoticed at the European level.

Regional cooperation and infrastructural integration

CGES and EMS sign Electricity Transmission Infrastructure Purchase Agreement

Crnogorski elektroprenosni sistem (CGES) and Elektromreža Srbije (EMS) have signed an agreement for the purchase of electricity transmission infrastructure, reaffirming their long-standing cooperation and joint commitment to developing a stable and reliable regional power transmission system. The agreement was signed by the directors of the two



companies, Ivan Asanović and Jelena Matejić.

The subject of the agreement is the purchase of parts of the 220 kV and 110 kV interconnection transmission lines, which are owned by EMS but located on the territory of Montenegro. Under the agreed

terms, ownership of these lines will be transferred to CGES.

The need for this arrangement arises from the complexities involved in operating and maintaining transmission lines located in another country, which presents both technical and legal challenges.



CGES at the regional meeting of electricity transmission companies in Belgrade

Representatives of CGES participated in the regional meeting of electricity transmission companies in Belgrade, where experts from CGES, Eles, HOPS, EMS, MEPS and NOS BiH exchanged knowledge and experience aimed at strengthening cooperation in the field of electric power. Special focus was on the topics of maintenance, digitalisation and personnel development, with a visit to the EMS Dispatch Centre as an example of modern solutions in practice.

Strategic initiatives and development of the energy sector

In accordance with the development priorities and long-term goals of Crnogorski elektroprenosni sistem, during 2025 special attention was devoted to strengthening strategic and investment cooperation with relevant national and international partners. Through intensive dialogue with institutions, investors and operators of transmission systems, CGES actively contributed to the creation of a stable and stimulating framework for the further development of the energy sector.

Cooperation with the Ministry of Energy and Mining was realised through a series of meetings aimed at improving the legislative framework and harmonisation with European

standards, as well as defining priority investment activities. Special emphasis was placed on the application of the CBAM regulation, the strengthening of the investment cycle and the development of transmission infrastructure, as key prerequisites for further market integration and security of supply.

In the context of the **development of renewable energy sources and the attraction of investments**, cooperation with international partners, including the Masdar company, was realised, where the possibilities of implementing projects that contribute to the energy transition and sustainable development were considered. The importance of further strengthening



of the transmission network was emphasised to ensure the conditions for the connection of new generation capacities and the stable functioning of the system.

The regional dimension of cooperation was additionally improved through **working meetings with representatives of system operators from Bosnia and Herzegovina**, with a focus on the exchange of experiences and improvement of the operational security of transmission systems, which contributed to the strengthening of

International cooperation

CGES successfully achieves and continuously improves international cooperation, both at the regional and European level. Thus, international cooperation in 2025 represented one of the pillars of the strategic development of CGES and was aimed at the further integration of Montenegro into the European electricity market, strengthening the institutional position of CGES within ENTSO-E and other international bodies, as well as improving cross-

mutual trust and a more efficient response to common challenges in the energy transition process.

Through the aforementioned activities, CGES confirms its role as a reliable partner in the development of the energy sector, actively contributing to the strengthening of the investment environment, the improvement of regional cooperation and the creation of conditions for the sustainable and long-term development of the electric power system of Montenegro.

border operational coordination.

Through active participation in European and regional initiatives, in the work of international bodies ENTSO-E, Med-TSO, working groups of the Energy Community, SMM block, a series of projects and initiatives, CGES has additionally strengthened its position as a reliable transmission system operator and a relevant partner within the European electric power area.

Cooperation within ENTSO-E

During 2025, CGES continued active participation in the work of ENTSO-E and its expert bodies, which ensured



alignment with adapted European network rules (Network Codes and Guidelines), improvement of the operational management process with a special focus on procedures in emergency situations, strengthening of transparency and market mechanisms, contribution to the development of regional and European network development plans.

Representatives of CGES participated in the work of the ENTSO-E Assembly, System Operation Committee (SOC), System Development Committee, Research, Development and Innovation

Cooperation within Med-TSO

The Association of the Mediterranean Transmission System Operators (Med-TSO) deals with coordinating network development planning, defining common technical rules and promoting interconnections in the Mediterranean region. Through the exchange of expert knowledge and the harmonisation of regulatory frameworks, Med-TSO actively works to facilitate the energy transition, the integration of renewable energy sources and the strengthening

Committee, Market Committee, Information and Communication Technologies Committee and numerous groups and bodies that function within ENTSO-E.

Through the ENTSO working bodies, CGES contributed to reaching an agreement on the temporary method for coordinating cross-border capacity calculation, eliminating the problem of excessive voltages in the SEE and coordinating the position of European TSOs in the dialogue with the European Commission on the technical and regulatory aspects of the application of the CBAM to electricity.

We are particularly pleased with the We Are ENTSO-E Recognition Award, which celebrates teamwork between members and the Secretariat in the implementation of key initiatives for the association and the community of transmission system operators. With this award, CGES was recognised for its valuable contribution to the Energy Community Task Force and the CCR Determination Drafting Team.

These activities contribute to reducing regulatory risks, strengthening the Company's credibility, the stability of the business environment, and improving the security of supply itself

of interconnections between member states, which directly contributes to the stability of supply and sustainable economic development of the entire region. 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 2025, in addition to the Med-TSO Assembly, CGES representatives made an active contribution to the

realisation of the above Med-TSO goals through the work of the Technical Committee for Regulation and Institutions, Technical Committee for

Operations and Technical Committee for Economic Studies and Scenarios.

Cooperation within the Energy Community

Established by signing an agreement between the European Union and the countries of Southeast Europe and the Black Sea region in October 2005 in Athens, the Energy Community is an international organisation dealing with energy policy. The main goal of the Energy 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.

During 2025, CGES representatives participated in the work of a number of working groups within the Energy Community, and the focus was on the

work within the Working Group for the Projects of Energy Community Interest (PECI) and Projects of Mutual Interest (PMIs) Electricity Working Group, the Working Group for Capacity Allocation and Congestion Management - joint expert team EnC – CACM PCG JET EnC, as well as the Information Security Working Group within the Energy Community.

Active participation of CGES in working groups and cooperation with the Energy Community represents a significant framework and support for harmonising the work of CGES with the EU acquis in the field of energy (network rules, rules related to market coupling, rules related to transparency, balancing and congestion management).

Coupling the electricity markets of Montenegro and Italy

With the aim of implementing the project of coupling the electricity markets of Montenegro and Italy, in 2025, the Terna and CGES teams worked intensively on the preparation of regional conditions and methodologies in accordance with the EIP, as well as the realisation and monitoring of the obligations arising from the adopted regulations.

Through a series of groups and working bodies, first of all the Italian Border Working Table - IBWT, which represents the contractual framework for managing local market coupling projects, within the which we joined the IBWT Operational Agreement in 2025, and the Market Coupling Steering Committee - MCSC, in which we have observer status, CGES and its partners implemented activities that will enable the integration of the Montenegrin electricity market into the single European market (SDAC and SIDC).

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.





Cooperation with international financial institutions

During 2025, intensive cooperation was achieved with the international financial institutions EBRD, AFD and KfW, which created the conditions for access to favourable sources of

Other international activities

Following international activities, during 2025, CGES participated in the work of HYNET (Pan-European Interoperable AC-DC Hybrid Electricity Networks), achieved cooperation with GIZ (German Federal Ministry

Connection of new capacities from renewable energy sources (RES)

As part of the activities aimed at extending the transmission network and integrating renewable energy sources, during 2025, an agreement on the construction of connection infrastructure and connection of the solar power plant Rudine to the transmission system was signed in Podgorica. The contract was signed by the Executive Director of CGES, Ivan Asanović, and Stefan Klikovac, on behalf of the company Qair

Conferences, forums, panels

By participating in conferences, forums and panels, CGES continuously uses opportunities to exchange experiences, ideas and professional knowledge, as well as to improve cooperation in areas of importance for the operation of the transmission system operator.

During 2025, Crnogorski elektroprenosni sistem actively participated in numerous international

financing, technical support and expertise, and reduction of investment and operational risks.

In this way, the investment ability and long-term stability of the Company is additionally strengthened.

for Economic Cooperation and Development - BMZ), which in the WB6 region deals with activities related to energy transition, decarbonisation and strengthening of energy sector capacities.

Montenegro.

The planned solar power plant with an installed capacity of 50.13 MW represents a significant contribution to increasing the share of energy from renewable sources, while the implementation of this project additionally confirms CGES' commitment to the development of transmission infrastructure that enables the reliable connection of new generation capacities.

and regional gatherings, confirming its role as a relevant actor in the development of the electric power sector and the energy transition process. Through these activities, the exchange of knowledge, the perception of contemporary challenges and the definition of directions for the further development of the energy system were additionally strengthened.

Representatives of CGES participated in the **EU-Montenegro Investment Conference**, which brought together key domestic and international actors with the aim of accelerating investments and supporting the green transition, which further confirmed the role of CGES in the development of the investment environment and the implementation of strategic projects.

Significant participation was also recorded at the **Belgrade Energy Forum 2025**, where Executive Director Ivan Asanović participated in a panel dedicated to the integration of the electricity market of the Western Balkans into the single European market, pointing out the importance of regional cooperation and modernisation of the transmission infrastructure.

CGES also made a special contribution at the **7th International Summit and Exhibition Balkan's Power**, where it acted as a strategic partner. Through participation in panels and expert presentations, the importance of the transmission network in the process of green energy transition was additionally emphasised, as well as the need for stronger regional coordination and continuous investment activities.

At the **OIE Srbija 2025 Conference**, held in Vrdnik, the Chairman of the Board of Directors, Aleksandar Mijušković, participated in a panel dedicated to the challenges of connecting new capacities in transmission and distribution networks. On that occasion, he pointed to the intense growth of interest in renewable energy projects in Montenegro, stressing that the requirements for connection many times exceed the current needs of the system, as well as the importance of infrastructure projects such as the 400 kV Lastva-Pljevlja overhead line for strengthening the transmission network.

At the **EPCG NET conference in Budva**, CGES representatives spoke about the challenges of integrating renewable energy sources and the need to further strengthen the transmission network. It was pointed out that the company is realizing a significant investment cycle, with the application of modern solutions that contribute to the safety and stability of the electric power system.

The professional contribution of CGES was also confirmed at the **IX Conference of the Montenegrin Committee of CIGRE**, where the focus was on the challenges of system security and stability, digitalisation and integration of renewable energy sources. A significant contribution is mainly reflected in the preparation and creation of 19 papers in which CGES representatives participated as authors or co-authors and through the participation of 12 colleagues as reviewers, one panellist and four delegates.

At the **International Forum on Energy for Sustainable Development (IFESD-14) in Skopje**, CGES participated in discussions on energy connectivity, resilience and security of supply, contributing to the consideration of key issues of energy transition at the regional and global level.

Through active participation in these events, CGES confirms its expertise, proactive role and dedication to the development of a reliable, sustainable and technologically advanced power system, in accordance with contemporary European and global trends.



11. People behind the system



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

Considering the company's plan to, by valorising its potentials, with a focus on the development of the transmission system, be recognised for the best quality services and ready to meet the challenges of the energy transition process, we continuously strive to pay special attention to the improvement of our human resources policy. During 2025, CGES continued to achieve significant results thanks to the dedication, competence and engagement of its employees. Although technological innovation and infrastructure improvement are key factors, our success would not be possible without the exceptional contribution of the team that daily manages all operations, maintains the network and ensures the smooth operation of the system. Employees at all levels, with their commitment and teamwork, ensure that our company not only meets, but also exceeds high business standards.

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.

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 2025, the emphasis was placed on improving human resources to provide preconditions for an adequate response to legal obligations within the company's competence and the requirements of the ENTSO-E, with the task of establishing adequate operation and control of infrastructure, which is a result of the implementation of projects approved by the Energy and Water Regulatory Agency.

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

organization and classification was adopted.

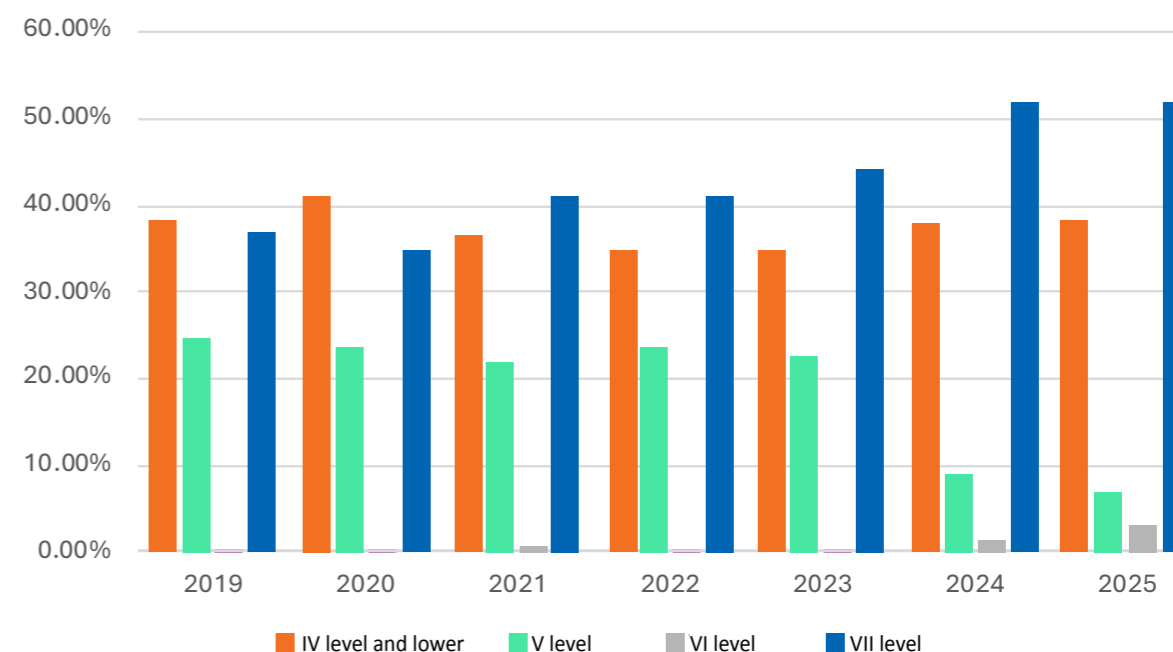
The rulebook defined the activities of the Internal Audit Unit, with the aim of harmonising it with the current legislation. A new organisational unit for public relations was established with the aim of improving this business segment in the future and clearly separating responsibilities in the part of internal and external communications.

In addition, business processes such as protection of critical infrastructure and warehouse management are organised in a different way, according to the needs of the company and legal

regulation.

It is expected that the mentioned improvements will significantly contribute to the optimisation of business processes and the general efficiency of the company. For the above reason, we are recording an increase in the number of employees and changes in the staff and age structure. As of 31 December 2025, the total number of employees in CGES was 364. That number includes 338 employees with indefinite-term employment contracts, and 26 employees with fixed-term employment contracts.

Qualification structure of employees for the period 2019-2025 (%)



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

respond to the tasks entrusted to them.

As part of our long-term commitment to the development of human resources and contribution to the community, for the twelfth year in a row, the company actively supports the Government's programme for vocational training for persons who acquired a higher level of education. The Executive Director of CGES, Ivan

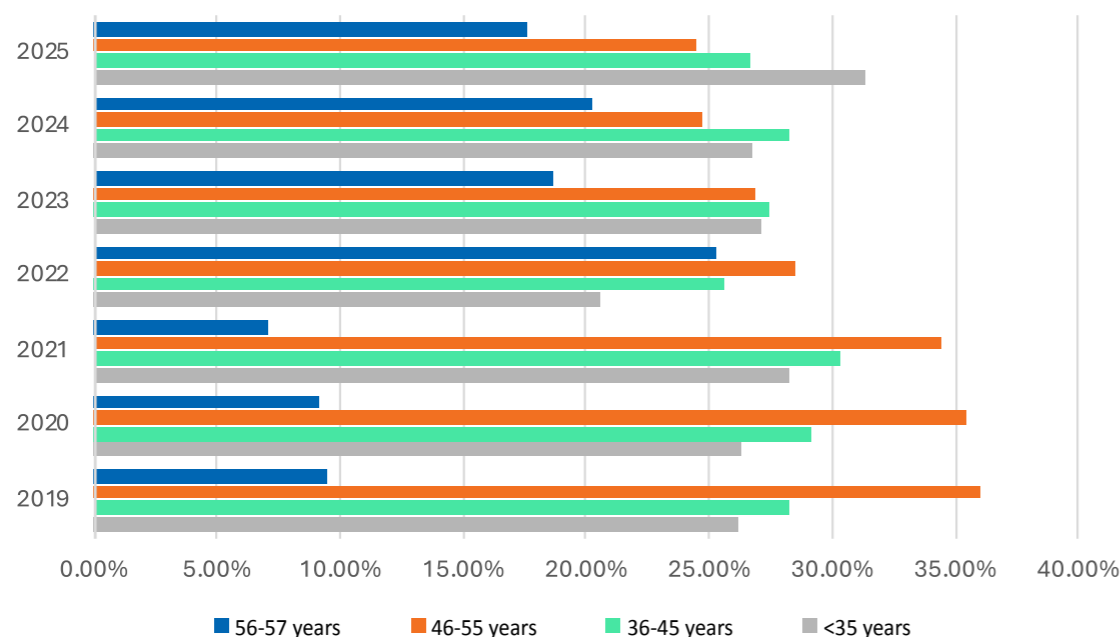
Asanović, together with his closest colleagues, welcomed the new trainees, wishing them a successful start. During 2025, through this programme, 8 users were trained in our company, who went through different sectors and gained practical knowledge. This programme not only enables young people to gain new practical experiences, but also brings new energy and a fresh perspective on challenges and opportunities in the energy sector to the company.

During the reporting period, the company signed a Memorandum of Cooperation with the University of Montenegro, which established a scholarship programme for the three best students of the Faculty of Electrical Engineering. In addition to financial support, students will be provided with professional practice and professional training within the company, with the aim of developing

quality personnel for the needs of the energy sector and strengthening cooperation between the academic community and the economy.

In addition to cooperation with the University of Montenegro, CGES pays special attention to the education of high school students. Through technical cooperation with the Vaso Aligrudić Secondary Electrical Engineering School, the implementation of professional practice for students was made possible, with the aim of acquiring specific knowledge and skills necessary for work in the energy sector and easier integration of young people into the labour market. The students' eight-week professional internship realised at CGES was finalised with a visit to the National Dispatch Centre, where the students had the opportunity to learn about the control of the transmission system of Montenegro.

Age structure of employees for the period 2019-2025 (%)



Employee training and development

In 2025, the company continued to invest in employee training and development, considering them to be a key factor contributing to long-term success and innovation. In this context, our employees had the opportunity to expand their professional knowledge and skills through numerous educational initiatives and strategic cooperation with leading global companies. These investments not only improved the operational efficiency and security of the system, but also significantly increased the motivation of employees, making them even more engaged and dedicated to their tasks. CGES' employees have participated in numerous international and regional conferences, summits and professional forums dedicated to energy, cyber security, digitalisation and communications, thereby gaining insight into the latest trends, technologies and best practices. Special emphasis was placed on the topics of energy transition, integration of renewable energy sources, system security, digital transformation and application of artificial intelligence in the energy sector, as well as the improvement of IT infrastructure.

The participation of the company's employees and management in meetings and working visits, which enabled the exchange of experience with international and regional partners, as well as an insight into modern technologies and practices in the field of transmission system control, was particularly important. The acquired knowledge and experience contributed to the improvement of the professional competences of employees, the strengthening of the innovative approach to work and better strategic planning, which further strengthened the company's ability to respond to technological and regulatory challenges.

In the area of human resources

management, a development programme for management was launched, designed to support the professional development of employees in management positions, strengthening leadership skills and harmonising approaches to team management.



In order to strengthen the organisational culture and improve the working environment, the company conducted an organisational culture survey during the reporting period, the results of which will serve as a basis for further improvement of HR policies and management practices.

Our dedication to education and professional training plays a key role in maintaining the high standards of our company, enabling us to always keep up with global trends and technical innovations.

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

In 2026, we will continue to invest in the development of employees and to create a working environment that encourages innovation, safety and teamwork, because we believe that the human factor is the basis of our success.

Value of assets per employee

Taking into account the significance of the energy sector for the total employment rate in the country, on the one hand, and the necessity of optimisation of all costs of the core activity, including personnel cost, on the other... Despite the company's continuous growth, we manage to

maintain a high value of fixed assets per employee, while simultaneously increasing the number of employees in line with development, which confirms a sustainable and balanced growth model based on strong investments and efficient resource management.

Occupational safety and health

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

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

During 2025, numerous activities were performed in the field of occupational safety and health:

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

Health and team spirit

CGES employees took part in the Montenegro Business Run, an event that brings together a large number of companies and their employees through sports and recreation. Such events provide an opportunity for the promotion of healthy lifestyle habits, additional strengthening of team spirit and mutual relations among colleagues.

CGES representatives also took part in the XII sports meetings of electricity transmission companies of Southeastern Europe in Albena, where the hosts were representatives of Bulgaria. The meetings gathered employees and management representatives from companies dealing with electricity transmission throughout the region, and the event once again confirmed the importance of such gatherings for strengthening professional and interpersonal relationships. Through competitions in the spirit of fair play, such as football, volleyball, chess and table tennis, the participants showed the strength of togetherness and team spirit at the international level. A special contribution to the event was made

by the socialising of colleagues from different countries through sports activities and evening programmes, which additionally encourages the exchange of experiences and improvement of cooperation in the region.

Female employees of CGES participated this year in the humanitarian Race for the Cure, the largest European movement dedicated to the fight against breast cancer. By participating in this initiative, support was provided to women who are facing this disease, to those who have overcome it, as well as to the memory of those who, unfortunately, are no longer with us.

This race, which gathers thousands of participants across Europe and connects companies, communities and individuals in a common goal - raising awareness and fighting breast cancer, sent a strong message of solidarity, togetherness and support, with special emphasis on the importance of prevention and early detection of breast cancer.



12. Responsibility towards society and the environment

Social responsibility



In accordance with the strategic goals and values of CGES, which recognises responsible business as an integral part of its corporate identity, during 2025, CGES continued to implement a comprehensive programme of donations, sponsorships, one-time assistance and scholarships. A budget of 300,000 euros was allocated for these activities, allocated in accordance with clearly defined criteria, internal procedures and principles of transparency, equality and responsibility. Special focus was on support for inclusion and equal opportunities through sports. Cooperation with the Montenegrin

Paralympic Committee continued, which CGES further strengthened through sponsorship support in the amount of 35,000 euros. This once again confirms the company's long-standing commitment to the development of Paralympic sports and the creation of a society of equal opportunities.

A significant part of the activities was focused on the education and development of young people. With a donation to the Stojan Cerović Grammar School from Nikšić, the conditions for classes were improved by equipping the classrooms with modern equipment, while the Faculty of Electrical Engineering of the University of Montenegro was supported through the development of a laboratory of energy inverters. The company also contributed to the improvement of the educational infrastructure in local communities, through support for the reconstruction of the Šćepan Đukić Elementary School in Lijeva Rijeka, which improved the

conditions for students and teaching staff. In addition, by signing the Memorandum on Cooperation with the University of Montenegro, the bond between the academic and economic sectors was strengthened, with the provision of scholarships for the best students of the Faculty of Electrical Engineering and the creation of a basis for the development of professional staff in the energy sector.

Support for sports and young talents was also realised through cooperation with prominent athletes. During 2025, CGES supported the Montenegrin racing driver Filip Kunčer, as well as with the sailing Olympian Milivoj Dukić, confirming its commitment to support top results and the affirmation of sports values. At the same time, through its partnership at the Lovćen osiguranje (Lovćen Insurance) Basket Camp, CGES enabled children from all over Montenegro to develop sportsmanship, teamwork and healthy lifestyle habits.

CGES continued to invest in initiatives

Environmental protection

Crnogorski elektroprenosni sistem AD Podgorica (hereinafter referred to as CGES AD) is a company with a highly developed awareness of the importance of environmental protection, which is reflected in all aspects of operations, from the process of planning the development of the transmission system, operation of transmission facilities and maintenance of the transmission system.

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

- Periodic measurements of the level of electromagnetic radiation were carried out by accredited institutions on the following overhead lines:

that contribute to community development and strengthening social values. By supporting the work of the Nikšić Children's Association, the values of children's creativity and expression were affirmed, while the donation to the Podgorica Old People's Home further improved the quality of stay and health care of the users of this institution. A special segment of cooperation with educational institutions was the organised professional practice for the students of the Vaso Aligrudić High School of Electrical Engineering, through which they got acquainted with the operation of electric power facilities and gained practical knowledge, which further strengthened the connection between education and the energy sector.

Through all these activities, CGES consistently confirms that social responsibility is an integral part of business policy and long-term development strategy, with the clear goal of creating lasting value for the community.

400 kV Ribarevine - Pljevlja, 220 kV Podgorica - Mojkovac, 220 kV Perućica - Trebinje, 2x110 kV Perućica - Podgorica and 110 kV Virpazar - Bar, as well as in the 220 kV and 110 kV plants within the HPP Perućica facility.

- Waste management is performed in accordance with the principles of sustainable development, i.e. more efficient use of resources, which means preventing waste whenever possible, proper storage of waste (especially hazardous), preparation of existing waste for reuse, recycling or energy recovery. Most of the waste produced is recycled. CGES handles waste in accordance with the Law on Waste Management and according to the Waste Management



Plan of CGES AD, which is approved by the Environmental Protection Agency. Due to large investments in the replacement of high-voltage equipment, in addition to ongoing maintenance of equipment, a significant increase in produced waste was recorded in the period after 2023 compared to the period before 2023.

- The Annual Waste Report for 2024 and data on installed equipment with SF6 gas in 2024 were submitted to the Environmental Protection Agency for the purpose of updating the comprehensive inventory of air emissions.
- Data on waste produced in 2024 were submitted to MONSTAT

In order to record and monitor emissions of greenhouse gases (GHG), as well as to identify opportunities for their reduction, during 2024, CGES AD established the basis for GHG emissions monitoring system. Namely, with the preparation of the Carbon Footprint Report for 2023, the key sources of GHG emissions related to the operations of CGES were identified.

Accordingly, for the purposes of monitoring GHG emissions, 2023 is considered the base year.

The company's total emissions in 2024 amounted to **77,266.73 tCO₂eq**, while scope 2 emissions have the largest share in total emissions, with a share of 89.94% of total emissions, mainly due to losses arising from electricity transmission. Scope 3 emissions make up 8% of total emissions, where the largest percentage of emissions falls on procurement and additional investment in fixed assets, 3.56%, as well as emissions from forest cutting, which represent 4.19% of total CO₂eq emissions. Emissions belonging to scope 1 have a share of 2.06% of total emissions.

Compared to the base year 2023, CGES AD recorded a reduction in GHG emissions, converted into CO₂eq, by 6,249.10 tCO₂eq or -7.48%, which confirmed the company's commitment to sustainable operations and environmental protection.

13. Trust and control

Internal audit

The internal audit of CGES, as an independent and objective function, performed its activities during 2025 with the aim of providing assurance and advisory services that contribute to the improvement of management,

risk management and internal controls.

In this regards, during 2025, the following activities were carried out:

Implementation of the Internal Audit Plan 2025

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

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

The 2025 Internal Audit Plan envisaged as follows:

1. conducting three audits (internal inspection and handover of newly built or reconstructed overhead lines, environmental protection and occupational health and safety);
2. providing two significant advisory services (fields of business process mapping and corporate governance and organisational communication).

During 2025, two audits were conducted (occupational health and safety and internal inspection and handover of newly built or reconstructed overhead lines) and one significant advisory engagement was implemented (improvement of corporate governance and organisational communication).



Planned activities from the Internal Audit Strategic Plan 2024-2026 were implemented

During 2025, the implementation of the planned activities from the Internal Audit Strategic Plan 2024 - 2026 was ensured. The activities in question represent the main activities that needed to be implemented, and which will significantly influence the achievement of key success factors, i.e. the mission and vision of the internal audit.

The percentage of implementation of planned activities for 2025 from the Strategic Plan is at the level of around 92%.

Monitoring the implementation of internal audit recommendations was ensured

In accordance with the Internal Audit Charter, the Head of Internal Audit Unit monitored the implementation of accepted recommendations and informed the Board of Directors about their status at their sessions held in February and October 2025.

In the audits conducted during 2025, 24 recommendations were established within the action plans. All recommendations given in the audit of the area of internal inspection and handover of newly built or reconstructed overhead lines and substations have a deadline for implementation during 2026 (13 recommendations). As for the recommendations given in the audit of occupational health and safety, 7 recommendations have been implemented, and the implementation of 4 recommendations is in progress.

In addition, regarding the recommendations from the previous reporting period, whose implementation deadline is the end of 2025, out of a total of 12 of them, 8 have been implemented, while implementation of 4 recommendations is in progress and/or their implementation is expected in the upcoming period.

New Internal Audit Charter was adopted

The Global Internal Audit Standard 6.2 (Internal Audit Charter) requires the Head of the Internal Audit Unit to develop and maintain an Internal Audit Charter that specifies, at a minimum, the following internal audit functions:

- The purpose of internal audit;
- A commitment to conform with the Global Internal Audit Standards;
- The mandate, including the scope and types of services to be provided, as well as the responsibilities of the Board of Directors and expectations regarding management's support for the internal audit function (in accordance with Standard 6.1 – Internal Audit Mandate) and
- The organisational positioning and reporting relationships (in accordance with Standard 7.1 – Organizational Independence).

The new Internal Audit Charter defines as follows:

- Purpose of Internal Audit;
- Ethics and Professionalism;
- Application of Internal Audit Standards

- Independence and Objectivity of Internal Audit;
- Mandate of internal audit function;
- Duties and Responsibilities of the Head of Internal Audit Unit
- Duties and Responsibilities of the Board of Directors and Executive Director with regard to Internal Audit Function;
- Nature of Internal Audit Services
- Reporting to the Board of Directors
- Quality Assurance and Improvement Program for Internal Audit Activity
- Professional Development
- Cooperation with the Audit Committee, the Directorate for Central Harmonization and Development of Internal Controls of the Ministry of Finance.

The charter was adopted at the IV Meeting of the Board of Directors, held in December 2025.

Internal Auditor Continuing Professional Development Plan FY 2026 was adopted and professional training during 2025 was ensured

Acting in accordance with Global Internal Audit Standards 3.1 (Competency) and 3.2 (Continuing Professional Development), Articles 30 and 38 of the Law on Governance, Internal Control and Internal Audit in Public Sector and the Internal Audit Charter, the Head of Internal Audit Unit Continuing Professional Development Plan FY 2026 was adopted.

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

During 2025, the Head of Internal Audit Unit attended several trainings organised by the Central Harmonisation and Internal Controls Development Directorate of the Ministry of Finance. The trainings were mainly related to the application of the new Global Internal Audit Standards and the application of the new Rulebook on the methodology of internal audit, the manner and deadlines for retaining internal audit documentation. She also participated in the two-day workshop PAR and PFM reforms: Implementation of Global internal audit standards for Internal Auditors in Montenegro in order to acquire practical knowledge and skills for planning, execution and reporting on internal audit engagements, aligned with domains III, IV and V of the new Global Internal Audit Standards.

2026 Internal Audit Plan was adopted

In accordance with the Global Internal Audit Standard 9.04 (Internal Audit Plan), Article 7 paragraph 1 item 14, Article 32 paragraph 1 item 2 and Article 38 paragraph 1 item 4 of the Law on Governance and Internal Controls and Audit in the Public Sector, Rulebook on the methodology of internal audit, the manner and deadlines for retaining audit documentation in the public sector and the Internal Audit Charter, the Head of Internal Audit Unit prepared and proposed to the Board of Directors the 2026 Internal Audit Plan. The plan was adopted at the IV Meeting of the Board of Directors, held in December 2025.

Independent Auditor's Report



EY

Building a better
working world

Independent Auditor's Report



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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Crnogorski Elektroprenosni Sistem A.D., Podgorica (the Company), which comprise the statement of financial position as at 31 December 2025, 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 2025 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 2025 in the amount of EUR 93,306 thousand. The Company has a variety of revenue streams and operates in a complex regulatory environment. Significant estimates and judgments are necessary to determine the timing of revenue recognition for each revenue stream. In addition, in certain cases, amount of revenues depends on the reconciliation of data with other transmission system operators which takes place long after the balance sheet date. Accordingly, significant management judgment is necessary in order to account for year-end estimates and accruals.

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

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

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

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

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

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



Other information included in the Company's Annual Management Report

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

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

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

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

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

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

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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



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

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

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

Podgorica, 26 March 2026

Danijela Mirković
 Authorised auditor
 Ernst & Young Montenegro d.o.o.
 Podgorica, Montenegro



www.cges.me

XVII ANNUAL SHAREHOLDER MEETING
OF CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

Item 4:

**Decision on the selection of auditor of Crnogorski elektroprenosni
sistem AD for 2026D**

Podgorica, June 2026

Attn Shareholders Meeting

INFORMATION on the selection of the auditor of Crnogorski elektroprenosni sistem AD for 2026

The Companies Act of Montenegro (Official Gazette of Montenegro no. 90/2025, no.121/25 and no.44/2026) and provisions of the By-Laws of Crnogorski elektroprenosni sistem AD stipulate that the selection of an auditor to audit financial statements is within the responsibility of Shareholder Meeting. Accordingly, the Commission appointed by the Executive Director (By the Decision of CGES AD Executive Director No.100-D/26-1013/6 of 16 April 2026), complying with the principles of transparency, competitiveness and equality of participants in the procedure, carried out the following activities:

At the addresses of the audit firms Ernst& Young Montenegro LLC - Podgorica, Deloitte LLC Podgorica and Price Waterhouse Coopers LLC from Podgorica, a letter was sent requesting information on the possibility of performing the audit of financial statements within the meaning of Articles 8, 9 and 24 of the Audit Law (Official Gazette of Montenegro no. 84/2025).

These audit firms were also requested to provide information as to whether they were hired to perform an audit of financial statements in the past three years by any energy undertaking in Montenegro, other than CGES, dealing with electricity generation or power supply, which would be a limiting factor in providing audit services to CGES pursuant to the Transmission System Operator Certificate.

The audit firm Ernst & Young Montenegro LLC from Podgorica submitted a notification No. 100-D/26-1013/4 on 15 April 2026 from which it was concluded that there were no obstacles to perform the audit of CGES financial statements for the year 2026 within the meaning of Articles 8, 9 and 24 of the Audit Law.

Accordingly, on 16 April 2026, the Commission addressed a request No. 100-D/26-1013/5 for bid submission to the audit firm Ernst & Young Montenegro LLC from Podgorica.

The Commission held a meeting on 24 April 2026 at 10:00h concluding that the bid of Ernst&Young LLC from Podgorica No. 2246 of 22 April 2026 was received at the Client's address

Bulevar Svetog Petra Cetinjskog no. 18, Podgorica within the deadline specified in the request for bid submission.

After opening the bid and inspecting the submitted documentation attached thereto, the Commission noted the following:

- Bidder Ernst& Young LLC from Podgorica, headquartered in Podgorica, address Stanka Dragojevića bb, Universal Capital Bank building, 2nd floor
- Date of receipt of bid: 22 April 2026 at 14:00 h.
- The bid was filed under the number 2246 of 22 April 2026.
- Offered price: EUR 32,000.00 excluding VAT.

Accordingly, pursuant to the provision of Annex 2.4 of the Strategic and Shareholders Agreement acknowledging the need for hiring an audit firm of international reputation, and considering the fact that the offer of the bidder Ernst& Young LLC from Podgorica was the only one received and fully regular and accurate and in accordance with the planned budget of CGES, the Board of Directors at its IX meeting of XXIII convocation held on 8 May 2026, adopted decision determining draft Decision on the selection of the auditor for 2026.

Takin into consideration the above written, it is proposed that the Shareholders meeting approves the submitted proposal of the Board of directors and adopts the decision on the selection of the auditor for CGES for year 2026.



CRNOGORSKI
ELEKTROPRENOSNI
SISTEM AD

Board of Directors

No.: 1-1-D/26-1409/11

Podgorica, 11 May 2026

Pursuant to Article 45, paragraph 1, items 3 and 21 of the By-Laws of Crnogorski elektroprenosni sistem AD and the Information on the selection an auditor of Crnogorski elektroprenosni sistem AD for the year 2026 with a draft decision on its selection no. 100-D/26-1278/1 dated 7 May 2025, at the IX Meeting of the XXIII Convocation of the Board of Directors held on 8 May 2026, the Company Board of Directors adopted the following

DECISION

1. Draft Decision on the selection of an auditor of Crnogorski elektroprenosni sistem AD for the year 2026 has been determined.
2. Ernst&Young d.o.o. from Podgorica has been proposed for an auditor of Crnogorski elektroprenosni sistem AD for the year 2026 as the most eligible bidder.
3. Draft Decision on the selection of an auditor shall be submitted to the Company Shareholder Meeting for consideration and adoption.
4. This Decision shall enter into force on the day of its adoption.

CHAIRMAN OF THE BOARD

Aleksandar Mijušković, BScEE

Shareholder Meeting

DRAFT

No:

Podgorica, _____ 2026

Pursuant to Article 256 paragraph 1 item 3 of the Companies Act (Official Gazette of Montenegro no. 90/2025, no.121/25 and no.44/2026) and Article 29 paragraph 5 item 3 of the By-Laws of Crnogorski elektroprenosni sistem AD, at XVII Annual General Meeting held on _____2026 the Company Shareholder Meeting adopted the following

DECISION

on the selection of CGES auditor for 2026

1. _____ has been selected as the auditor of Crnogorski elektroprenosni sistem AD for 2026.
2. The auditor referred to in item 1 of this Decision shall be appointed for a period of one year.
3. The Executive Director, or the management body performing the duties of the Executive Director, is hereby authorised to sign the Audit Engagement Contract with the auditor referred to in item 1 herein, including all essential elements of the Audit Engagement Contract as defined by the Law on Audit ("Official Gazette of Montenegro", No. 84/25).
4. This Decision shall enter into force on the day of its adoption.

CHAIRMAN

Audit Committee

No: 100-D/26-1265/2

Podgorica, 28 April 2026

Pursuant to Articles 36, 37 and 40(1)(6) of the Law on Audit (“Official Gazette of Montenegro”, No. 84/25), Article 256(1)(3) of the Companies’ Act (“Official Gazette of Montenegro”, Nos. 90/25, 121/25 and 44/26), Articles 59 and 60 of the By-Laws of Crnogorski elektroprenosni sistem AD and Article 8 of the Rules of Procedure of the Audit Committee of Crnogorski elektroprenosni sistem AD, on 28 April 2026, having considered the activities undertaken to date in relation to the selection of the external auditor of the Company for 2026, Audit Committee made the following:

RECOMMENDATION

1. The Audit Committee of Crnogorski elektroprenosni sistem AD has concluded as follows:
 - with the Audit Company Ernst & Young Montenegro LLC TIN: 02759080, as the only bidder for the audit of the Crnogorski elektroprenosni sistem AD upon the request for submission of bids for the audit of the financial statements for 2026, there is no conflict of interest or other legal obstacles to the selection as the auditor of this Company.
 - the Audit Company Ernst & Young Montenegro LLC Podgorica, with its references, fulfils in all respects the conditions established by the law for the audit of the financial statements of Crnogorski elektroprenosni sistem AD for the year ending on 31 December 2026.
2. For the reasons stated in point 1 herein, it is proposed to the XVII Annual General Shareholder Meeting of Crnogorski elektroprenosni sistem AD to select the Audit Company Ernst & Young Montenegro LLC as the auditor of the Company for 2026, in the selection of which it is necessary to fully apply the provisions of Articles 36 and 37 of the Law on Audit (“Official Gazette of Montenegro”, No. 84/25), and to proceed with the conclusion of a statutory audit engagement contract. Prior to the conclusion of such contract, the Audit Committee shall, in accordance with Article 40(1)(7) of the Law on Audit, issue an opinion as to whether the draft contract has been prepared in compliance with Article 37 of the Law on Audit.
3. The President of the Audit Committee will inform the Shareholder Meeting of Crnogorski elektroprenosni sistem AD about this Recommendation.

PRESIDENT,

Miloš Baletić, BEcon

Audit Committee

Number: 100-D/26-1265/1

Podgorica, 28 April 2026

MINUTES
of the meeting of the Audit Committee of Crnogorski elektroprenosni sistem AD

The following Committee members attended the meeting:

1. Miloš Baletić,
2. Tanja Musterović, and
3. Maja Pavićević.

Secretary of the Audit Committee:

1. Darko Vukašinović.

A g e n d a:

1. Consideration of the submitted documentation to make a recommendation to the XVII General Annual Shareholder Meeting of Crnogorski elektroprenosni sistem AD for the selection of the auditor of this company to perform the audit of the financial statements for 2026.
2. Miscellaneous

Item 1

Article 40, paragraph 1, item 6 of the Audit Law ("Official Gazette of Montenegro", No. 84/25) provides that the Audit Committee monitors the procedure for selecting the external auditor and makes recommendations to the Shareholder Meeting, or to the founders, regarding the selection of an audit firm or certified auditor, submitting a detailed justification of the recommendation for two audit firms or certified auditors, where applicable while, Article 256, paragraph 1, item 3 of the Companies' Act ("Official Gazette of Montenegro", Nos. 90/25, 121/25 and 44/26) stipulates that Company's Shareholder Meeting appoints and dismisses auditors.

Pursuant to the above statutory provision, the documentation relating to the conducted procedure for selecting the most favourable bid for external audit services at CGES for 2026 was submitted to the Audit Committee by email on 24 April 2026.

Upon review of the submitted documentation, the Committee established that CGES, in compliance with the principles of transparency, competition, and equal treatment of participants in the procedure, addressed requests for submission of bids for the audit of CGES's financial statements for 2026 to the following audit firms: Ernst & Young Montenegro LLC., Deloitte LLC. Podgorica, and PricewaterhouseCoopers LLC.

Within the prescribed deadline, a bid for the audit of the financial statements for 2026 was submitted by Ernst & Young Montenegro LLC. It was further established, based on the accompanying documentation, that CGES also addressed the same companies with a request to provide information regarding their eligibility to perform the audit in accordance with Articles 8, 9, and 24 of the Audit Law (“Official Gazette of Montenegro”, No. 84/25), as well as a statement confirming that, within the last three years, they had not been engaged in the audit of financial statements of any energy undertaking in Montenegro engaged in electricity generation or supply.

Taking into account the applicable requirements, only Ernst & Young Montenegro LLC submitted a bid in the present case.

The Audit Committee was also provided with the Minutes on the Selection of the Most Favourable Bid No. 100-D/26-1013/7 of 24 April 2026, prepared by the Commission for Opening and Evaluation of Bids, established by Decision of the Executive Director of CGES No. 100-D/26-1013/6 of 16 April 2026. The Commission proposed to the Executive Director that Ernst & Young Montenegro LLC be selected for the audit of the financial statements of CGES AD Podgorica as of and for the year ending 31 December 2026, at a price of EUR 32,000.00, excluding VAT. The Minutes contain detailed reasoning and justification.

In view of Article 40, paragraph 1, item 6 of the Audit Law, the Audit Committee noted from the submitted documentation and the Minutes on the Selection of the Most Favourable Bid No. 100-D/26-1013/7 of 24 April 2026 that only one bid had been received, and therefore it was not applicable nor possible to provide a detailed justification of the recommendation for two audit firms or certified auditors in this case.

The Audit Committee further noted that Article 36, paragraph 1 of the Audit Law stipulates that the audited entity is required to conclude a statutory audit engagement contract (engagement letter) with the audit firm no later than 31 October of the financial year to which the audit relates, on the basis of a decision of the Shareholder Meeting or other competent body defined by the general act of the entity on the selection of the audit firm. Accordingly, the Committee concluded that in the present case it is necessary to fully apply the provisions of Article 37 of the Audit Law and proceed with the conclusion of the audit engagement contract, including all legally prescribed elements and within the stipulated deadlines.

Considering the reviewed documentation, upon discussion, the Audit Committee, by votes of all the participating members, adopted the following

RECOMMENDATION

1. The Audit Committee of Crnogorski elektroprenosni sistem AD has concluded as follows:
 - with the Audit Company Ernst & Young Montenegro LLC TIN: 02759080, as the only bidder for the audit of the Crnogorski elektroprenosni sistem AD upon the request for submission of bids for the audit of the financial statements for 2026, there is no conflict of interest or other legal obstacles to the selection as the auditor of this Company.

- the Audit Company Ernst & Young Montenegro LLC Podgorica, with its references, fulfils in all respects the conditions established by the law for the audit of the financial statements of Crnogorski elektroprenosni sistem AD for the year ending on 31 December 2026.
2. For the reasons stated in point 1 herein, it is proposed to the XVII Annual General Shareholder Meeting of Crnogorski elektroprenosni sistem AD to select the Audit Company Ernst & Young Montenegro LLC as the auditor of the Company for 2026, in the selection of which it is necessary to fully apply the provisions of Articles 36 and 37 of the Law on Audit ("Official Gazette of Montenegro", No. 84/25), and to proceed with the conclusion of a statutory audit engagement contract. Prior to the conclusion of such contract, the Audit Committee shall, in accordance with Article 40(1)(7) of the Law on Audit, issue an opinion as to whether the draft contract has been prepared in compliance with Article 37 of the Law on Audit.
 3. The President of the Audit Committee will inform the Shareholder Meeting of Crnogorski elektroprenosni sistem AD about this Recommendation.

Item 2

No discussion was held under Item 2.

Audit Committee of CGES,
President,
Miloš Baletić, BEcon

BALLOT

**for the declaration of the shareholders of Crnogorski elektroprenosni sistem AD
Podgorica at the XVII Annual Shareholder Meeting, which will be held on 9 May 2026**

Name/name of shareholder: _____

Number of shares/votes: _____

1. Decision on the adoption of the 2025 Financial Statements of Crnogorski elektroprenosni sistem AD with the Auditor's Report	FOR	AGAINST
2. Decision on the distribution of net profit of Crnogorski elektroprenosni sistem AD for 2025;	FOR	AGAINST
3. Decision on the adoption of the 2025 Operating Statement of Crnogorski elektroprenosni sistem AD	FOR	AGAINST
4. Decision on the selection of auditor of Crnogorski elektroprenosni sistem AD for 2026	FOR	AGAINST

Voting instructions:

Each shareholder has a number of votes corresponding to the number of shares: one share - one vote. Voting is done by circling the offered answers FOR or AGAINST.

Written declarations of shareholders by individual agenda item can be submitted no later than 9 June 2026 at 7:00 h, by mail to the address: Crnogorski elektroprenosni sistem AD – Bulevar Sv. Petra Cetinjskog 18 – Podgorica (for the Shareholder Meeting).

The ballot is invalid in the following cases:

- if it has arrived after the specified deadline;
- if it is incomprehensible - illegibly written or incorrect number of votes - shares;
- if any text other than the number of votes has been added to the ballot paper;
- if the signature on the ballot is not certified in the manner prescribed by law.

Signed by a shareholder/proxy,

POWER OF ATTORNEY

for the XVII Annual Shareholder Meeting of Crnogorski elektroprenosni sistem AD convened for **9 June 2026**, with the following agenda:

Agenda:

1. Decision on the adoption of Financial Statements of Crnogorski elektroprenosni sistem AD for the year 2025 with audit report;
2. Decision on distribution of profit earned by Crnogorski elektroprenosni sistem AD in the year 2025;
3. Decision on the adoption of Operating Statement of Crnogorski elektroprenosni sistem AD for the year 2025;
4. Decision on the selection of an auditor of Crnogorski elektroprenosni sistem AD for the year 2026;

_____, holding _____ (which constitutes __%) of shares of Crnogorski elektroprenosni sistem AD.

HAS GRANTED THIS POWER OF ATTORNEY TO

_____, ID/passport number _____ resident in _____, _____ Street, to attend, vote and exercise other shareholder rights at the XVII Annual Shareholder Meeting of Crnogorski elektroprenosni sistem AD on behalf of the person granting this power of attorney in accordance with the law.

The person granting this power of attorney reserves the right to revoke the power of attorney prior to the commencement of the Shareholder Meeting.

POWER OF ATTORNEY GRANTED BY,

NOTE:

The power of attorney must be certified in accordance with the law