HRVATSKA ELEKTROPRIVREDA d.d. Zagreb

Annual Consolidated Financial Statements
and Independent Auditors' Report
for the year 2020

The English version is a translation of the original in Croatian for information purposes only. In case of a discrepancy, the Croatian original will prevail.

Contents

Responsibility for the annual consolidated financial statements

The Management Board is obliged to ensure that the annual consolidated financial statements of Hrvatska elektroprivreda dd, Zagreb, Ulica grada Vukovara 37 (the "Company") and its subsidiaries (the "Group") for the year 2020 are prepared in accordance with the applicable Croatian Accounting Act and the International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union ("IFRS"), so as to provide a true and fair view of consolidated financial position, consolidated results of operations, consolidated changes in equity and consolidated cash flows of the Group for that period.

Based on the conducted research, the Management Board has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management Board has prepared annual consolidated financial statements under the going concern assumption.

In preparation of the annual consolidated financial statements, the Management Board is responsible for:

- selection and consistent application of appropriate accounting policies in accordance with applicable financial reporting standards;
- making reasonable and prudent judgments and estimates;
- preparation of annual consolidated financial statements with the assumption of going concern, unless the assumption is inappropriate.

Management Board is responsible for keeping proper accounting records, which disclose, with reasonable accuracy at any time, the consolidated financial position, consolidated results of operations, consolidated changes in equity and consolidated cash flows of the Group, and their compliance with the Accounting Act. The Management Board is also responsible for safeguarding the assets of the Group and therefore for taking reasonable measures to prevent and detect fraud and other irregularities.

Signed on behalf of the Management Board:

Marko Ćosić Member	Nikola Rukavina Member	Petar Sprčić Member	Tomislav Šambić Member	Saša Dujmić Member	Frane Barbarić President

Hrvatska elektroprivreda d.d.

Ulica grada Vukovara 37

10000 Zagreb

Republic of Croatia

HRVATSKA ELEKTROPRIVREDA d.d.
ZAGREB 3.2
Ulica grada Vukovara 37

29 April 2021

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FACT revizija d.o.o.
Računovodstveni i revizijski poslovi; porezno savjetovanje
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INDEPENDENT AUDITORS' REPORT

To the shareholder of the company Hrvatska elektroprivreda d.d.

Audit report on the annual consolidated financial statements

Opinion

We performed the audit of the annual consolidated financial statements of Hrvatska elektroprivreda d.d. Zagreb, Ulica grada Vukovara 37 (the "Company") and its subsidiaries (the "Group"), for the year ended 31 December 2020, which include the Consolidated Statement of financial position as at 31 December 2020, the Consolidated Statement of profit and loss, Consolidated Statement of other comprehensive income, Consolidated Statement of changes in equity and Consolidated Statement of cash flows for the year then ended, and Notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual consolidated financial statements present a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and the consolidated financial performance and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards established by the European Commission. and published in the Official Journal of the European Union ("IFRS").

Basis for Opinion

We conducted our audit in accordance with the International Auditing Standards ("IASs"). Our responsibilities under these standards are described in detail in our Independent Auditors' Report in the section *Auditor's responsibilities for the audit of the consolidated annual financial statements*. We are independent from the Group in accordance with the Code of Ethics for Professional Accountants (IESBA Code) and have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence which we have obtained are sufficient and appropriate to provide the basis for our audit opinion.

Emphasis of matter

We draw attention to Note 32 to the Consolidated financial statements which describes the liability for clearing debt in the amount of HRK 739,447 thousand (31 December 2019 in the amount of HRK 800,982 thousand) arising from payments under letters of credit, based on the Agreement between The Government of the Republic of Croatia and the Government of the Russian Federation of 24 July 2006 and the Consent of the Ministry of Finance on the use of funds from the interbank agreement. Our opinion has not been modified in this respect.

We draw your attention to Note 38 to the consolidated financial statements, which emphasizes the need to initiate the procedure of registration of rights in the land register and harmonization with the provisions of the Act Amending the Water Act (Official Gazette no. 46/2018). Our opinion has not been modified in this respect.

INDEPENDENT AUDITORS' REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, have been of the utmost importance in our audit of the annual consolidated financial statements for the current period and include the identified significant risks of material misstatement due to error or fraud with the greatest impact on our audit strategy, resources and time spent by the engaged audit team.

We have dealt with these matters in the context of our audit of financial statements as a whole and in the formation of our opinion about them, and we do not give a separate opinion on these issues.

We have determined that the matters below are key audit matters to be disclosed in our Independent Auditors' Report.

Key audit matter	How we addressed the key audit matter
Legal disputes and contingent liabilities Given that the Group is exposed to significant legal claims, we have turned our attention to this area. Any stated liability or disclosed contingent liability, or non-disclosure in the financial statements, is inherently uncertain and depends on several significant assumptions and judgments. These are potentially significant amounts for which the determination of the amounts to be disclosed in the consolidated financial statements is, if applicable, subject to subjective assessment. In addition, the Management Board assesses the future outcomes and amounts of contingent liabilities that may arise as a result of these legal disputes in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. **Related disclosures in the accompanying annual consolidated financial statements** See notes 2, 4 and 31 in the accompanying consolidated annual financial statements.	**Our audit procedures related to this area included, but were not limited to:** - Receiving and analysing attorneys' responses to our written inquiries to attorneys and discussing specific issues with them; - Critical review of the used assumptions and estimates pertaining to the claims. This includes considering estimates of the probability of adverse outcomes of court proceedings and the accuracy of the calculation of the related amounts of required provisions in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets; - Assessment of the adequacy of the disclosure in the notes to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	How we addressed the key audit matter
Recognition of revenue from the sale of electricity to customers of universal service (household customers) Revenue from the sale of electricity is recognized based on the best estimate of the quantity of electricity delivered in accordance with IFRS 15 - Revenue from Contracts with Customers. Meter readings and actual calculation of electricity supplied to household customers are performed twice a year, which is why the Group recognizes revenues from sales of electricity to households based on the consumption of the previous billing period, which is adjusted for the value of total electricity produced and purchased by the distribution network. The total amount of energy produced and purchased is adjusted for losses in the distribution network calculated on the basis of logarithmic regression, which in 2020 amounted to 8.11%, while in 2019 it amounted to 7.68%. The application of the logarithmic regression model chosen by the Management Board as the most appropriate model for calculating losses on the distribution network resulted in the recognition of revenue in 2020 in the amount of HRK 42,056 thousand, while the liability for calculated revenue as at 31 December 2020 remained at HRK 38,340 thousand. We focused on this area as it includes significant estimates related to the recognition of revenue from the sale of electricity at the reporting date, and revenue recognition is one of the most significant financial information. **Related disclosures in the accompanying annual consolidated financial statements** See notes 2, 3, 5, 24 and 36 in the accompanying consolidated annual financial statements.	**Our audit procedures related to this area included, but were not limited to:** - Gaining an understanding of the process of reading electricity consumption, estimating the future consumption that will be charged to households, and the model of estimating recognized revenues and the related calculation of losses in the distribution network; - Gaining an understanding of key management controls related to the estimation of electricity sales revenue; - Assessment of the reasonableness of key assumptions used in the estimation model including the quantities of electricity sold, the price and the associated losses in the distribution network; - Test of mathematical accuracy of the model for estimating revenues from electricity sales, calculated losses and deferred revenues; - Assistance of an IT expert who checked the consistency and reliability of information transfer, assessment of system reliability, including internally performed independent assessment of unaccounted revenues using data on quantities and prices obtained by the Group and comparison of the results with the Group's estimates; - Assessment of the adequacy of the Group's disclosures related to the recognition of revenues from the sale of electricity to customers of universal service (household customers).

Other matters

We draw attention to Note 38 to the annual consolidated financial statements which, in accordance with point (b) of paragraph 8 of Article 21a of the current Accounting Act, lists the website where the separate non-financial report of the Group will be published within the prescribed period. Our opinion has not been modified in this respect.

INDEPENDENT AUDITORS' REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Other information in the Annual Report and the separate non-financial report

Management Board is responsible for other information. Other information includes information included in the Annual Report, but does not include the annual consolidated financial statements and our Independent Auditors' Report, which we received before the date of this Independent Auditors' Report and a separate non-financial report that we expect to be made available after that date.

Our opinion on the annual consolidated financial statements does not include other information.

In relation to our audit of the annual consolidated financial statements, it is our responsibility to read other information and consider whether the other information is materially inconsistent with the annual consolidated financial statements or our audit findings or otherwise appear to be materially misstated. The non-financial report presents the non-financial information required by the provisions of paragraph 1 or paragraph 2 of Article 21a of the Accounting Act.

When we read a separate non-financial report, if we conclude that there is a material misstatement in it, we are required to communicate the matter to those charged with governance of the Group.

Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Croatian Accounting Act (the "Accounting Act"). These procedures include considering:

- whether the Group's Management Report has been prepared in accordance with Articles 21 and 24 of the Accounting Act and whether the Management Report has been prepared in all material respects in accordance with the accompanying annual consolidated financial statements;
- whether the specific information in the Statement on the Application of the Corporate Governance Code required under Article 22, paragraph 1, items 3 and 4 of the Accounting Act ("relevant parts of the Statement on the Application of the Corporate Governance Code") has been prepared in accordance with Article 22 of the Accounting Act.
- whether the Statement on the Application of the Corporate Governance Code includes disclosures in accordance with Article 22, paragraph 1, items 2,5, and 6 of the Accounting Act.

Based on the procedures required to be performed as part of our audit of the annual consolidated financial statements and the above procedures, in our opinion:

- The information contained in the Group's Management Report and the relevant parts of the Statement of Application of the Corporate Governance Code for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with the Group's annual consolidated financial statements set out on pages 9 to 83 and the opinion as set out in the Opinion section above;
- The Management Report and the relevant parts of the Statement on the Application of the Corporate Governance Code have been prepared, in all relevant respects, in accordance with Articles 21, 22 and 24 of the Accounting Act;
- The statement on the Application of the Corporate Governance Code shall include the information required by Article 22, paragraph 1, items 2, 5, and 6 of the Accounting Act.

Furthermore, taking into account the knowledge and understanding of the Group's operations and the environment in which it operates, which we acquired during our audit, we are required to report whether we have identified material misstatements in the Management Report and Corporate Governance Statement. In that sense, we have nothing to report.

INDEPENDENT AUDITORS' REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Responsibilities of the Management Board and those charged with governance for the annual financial statements

Management Board is responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management Board determines are necessary to enable the preparation of annual consolidated financial statements that are free from material misstatement due to fraud or error.

In preparing the annual consolidated financial statements, Management Board is responsible for evaluation of the Group's ability to continue operations assuming going concern principle, disclosure, if applicable, issues related to going concern, and using accounting based on going concern principle, unless the Management board intends to liquidate the Group or discontinue its business or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process established by the Group.

Auditors' Responsibility for the audit of consolidated annual financial statements

Our goals are to obtain reasonable assurance about whether the annual consolidated financial statements, as a whole, are free from material misstatement as a result of fraud or error, and to issue an independent auditors' report that includes our opinion. Reasonable assurance is a higher level of assurance, but this is no guarantee that an audit performed in accordance with IAS will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered as important, if it can reasonably be expected that, individually or in aggregate, they affect the economic decisions of users made based on these annual consolidated financial statements.

As an integral part of the audit report in accordance with ISA, we make professional judgments and maintain professional scepticism throughout the audit process. In addition, we:

- design and perform audit procedures for the annual consolidated financial statements, due to fraud or error, in response to these risks and provide audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.
- acquire an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our independent auditors' report we are required to call our attention to related disclosures in the annual financial statements or, if these are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditors' report. However, future events or conditions may cause the Group to discontinue its operations on a going concern.

INDEPENDENT AUDITORS' REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Auditors' Responsibility for the audit of consolidated annual financial statements (continued)

- evaluate the overall presentation, structure and content of the annual consolidated financial statements, including disclosures, as well as whether the annual consolidated financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.
- obtain sufficient appropriate audit evidence about financial information from individuals or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, overseeing and performing the group audit. We are solely responsible for expressing our opinion.

We communicate with those charged with governance in relation to, among other issues, the intended scope and timing of audit and important audit findings, including any significant deficiencies in internal controls identified during our audit.

We also make a statement to those charged with governance that we have complied with the relevant ethical requirements regarding independence and that we will communicate with them any relationship and other matters that may reasonably be considered to affect our independence as well as, where applicable, on related safeguards.

Among the issues communicated to those charged with governance, we identify those issues that are the most important in auditing the annual consolidated financial statements of the current period and therefore present the key audit matters. We describe these matters in our Independent Auditors' Report, unless the law or regulation prevents the matters from being publicly disclosed, or when we decide, in extremely rare circumstances, that the matter should not be reported in our Independent Auditors' Report because the negative consequences of the disclosure could reasonably be expected to outweigh the benefits of public interest from such communication.

BDO Croatia and FACT Revizija are jointly responsible for performing the audit and for the audit opinion according to the requirements of the Audit Act, applicable in Croatia.

Statement on other legal requirements

On 28 September 2020 we were appointed by the General Assembly of the Company, based on the proposal of the Supervisory Board of the Company, to audit the annual consolidated financial statements for 2020.

At the date of this Independent Auditors' Report, BDO Croatia has been continuously engaged in performing statutory audits of the Group from the audit of the Group's annual consolidated financial statements for 2012 to the audit of the Group's annual financial statements for 2020 for a total of 9 years, while FACT revizija is engaged for the statutory audit of the Group's annual consolidated financial statements for 2019 which represents a two-year commitment.

BDO Croatia d.o.o.

INDEPENDENT AUDITORS' REPORT (continued)

Audit report on the annual consolidated financial statements (continued)

Statement on other legal requirements (continued)

In the audit of the Group's annual consolidated financial statements for 2020 we determined the significance for the financial statements as a whole in the amount of HRK 196,000 thousand, which represents approximately 1.5% of the realized sales revenue for 2020 due to fluctuations in profit before tax in the current and previous periods.

Our audit opinion is consistent with the supplementary report for the Audit committee of the Company prepared in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

During the period between the starting date of the audited annual consolidated financial statements of the Group for 2020 and the date of this Independent Auditors' Report, we did not provide prohibited non-audit services to the Group and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Group.

The partners involved in the audit of the Group's annual consolidated financial statements for 2020 which results in this Independent Auditors' Report, are the certified auditor Ivan Štimac for BDO Croatia and the certified auditor Jeni Krstičević for FACT Revizija.

In Zagreb,

29 April 2021

BDO Croatia d.o.o.
Trg J. F. Kennedy 6b
10000 Zagreb

BDO CROATIA
BDO Croatia d.o.o.
za pružanje revizorskih, konzalting i računovodstvenih usluga
Zagreb, J. F. Kennedy 6/b

Ivan Štimac, certified auditor

Vedrana Stipić, Member of the Management Board

In Zagreb,

29 April 2021

FACT Revizija d.o.o.
Zadarska 80
10000 Zagreb

FACT revizija d.o.o.
ZAGREB, OIB: 66538066056
2

Jeni Krstičević, certified auditor

Daniela Šunjić, President of the Management Board

Consolidated Statement of profit or loss

for the year ended 31 December 2020

in '000 HRK	Notes	2020	2019
Continuing operations			
Income from sales	5	13,079,840	14,542,406
Other operating income	6	1,292,746	972,837
Total revenue		**14,372,586**	**15,515,243**
Cost of procurement of materials and energy	7	(4,865,961)	(6,700,991)
Staff costs	8	(2,032,743)	(1,922,374)
Depreciation expense	12,13,15	(2,211,210)	(2,069,381)
Other operating expenses	9	(3,103,898)	(3,128,195)
Total operating costs		**(12,213,812)**	**(13,820,941)**
Operating profit		**2,158,774**	**1,694,302**
Financial income	10	157,633	281,199
Financial expenses	10	(502,077)	(257,161)
Net profit/(loss) from financial activities		**(344,444)**	**24,038**
Pre-tax profit		**1,814,330**	**1,718,340**
Income tax expense	11	(350,555)	(315,695)
Profit for the year		**1,463,775**	**1,402,645**
Attributable comprehensive profit:			
To the owner of the parent capital		1,465,144	1,404,003
Non-controlling interests		(1,369)	(1,358)

The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Company on 29 April 2021:

Marko Ćosić Member	Nikola Rukavina Member	Petar Sprčić Member	Tomislav Šambić Member	Saša Dujmić Member	Frane Barbarić President

HRVATSKA ELEKTROPRIVREDA d.d.
ZAGREB 3.2
Ulica grada Vukovara 37

Consolidated Statement of other comprehensive income
for the year ended 31 December 2020

in '000 HRK	2020	2019
Profit for the year	**1,463,775**	**1,402,645**
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange rate differences from foreign business translation	19,725	1,019
Reserves	-	(4,596)
	19,725	**(3,577)**
Items that will not be reclassified to profit or loss		
Changes in the value of financial assets at fair value through other comprehensive income (equity instruments)	(17,744)	47,958
	(17,744)	**47,958**
Other comprehensive income / (loss), net	**1,981**	**44,381**
Total comprehensive income for the current year net	**1,465,756**	**1,447,026**
Total comprehensive income attributable:		
To the owner of the parent capital	1,467,125	1,448,384
Non-controlling interests	(1,369)	(1,358)

The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Company on 29 April 2021:

Marko Ćosić Member	Nikola Rukavina Member	Petar Sprčić Member	Tomislav Šambić Member	Saša Dujmić Member	Frane Barbarić President

HRVATSKA ELEKTROPRIVREDA d.d.
ZAGREB 3.2
Ulica grada Vukovara 37

Consolidated Statement of financial position

as at 31 December 2020

in '000 HRK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Fixed assets			
Property, plant and equipment	12	34,660,768	32,580,210
Assets with the right of use	13	18,853	19,493
Real estate investments	14	342,607	330,738
Intangible assets	15	253,249	231,554
Goodwill	15	49,155	59,444
Investments calculated using the equity method	17	7,540	2,500
Financial assets at fair value through other comprehensive income	18	233,315	255,007
Financial assets measured at amortized cost			
Long-term loans given	19	4,227	6,090
Other financial assets	20	69,863	5,612
Other non-current receivables	21	56,294	1,782
Deferred tax assets	11	879,620	913,208
Total fixed assets		**36,575,491**	**34,405,638**
Current assets			
Inventories	22	1,608,847	1,769,262
Financial assets measured at amortized cost			
Trade receivables	23	1,965,276	2,169,815
Other current receivables	24	808,369	695,956
Financial assets measured at fair value through profit or loss	25	167,055	165,185
Cash and cash equivalents	26	3,514,428	3,352,155
Total current assets		**8,063,975**	**8,152,373**
TOTAL ASSETS		**44,639,466**	**42,558,011**

Consolidated Statement of financial position (continued)
as at 31 December 2020

in '000 HRK	Note	31 Dec 2020	31 Dec 2019
CAPITAL AND LIABILITIES			
Share Capital	27	19,792,159	19,792,159
Provisions		92,930	109,283
Retained earnings	27	6,491,752	5,671,268
Capital attributed to the owner of the parent		**26,376,841**	**25,572,710**
Non-controlling interest		36,176	37,545
Total capital		**26,413,017**	**25,610,255**
Financial liabilities measured at amortized cost			
Liabilities under issued bonds	28	3,497,668	3,518,704
Long-term loan liabilities	29	654,755	347,068
Other long-term liabilities	32	7,511,190	7,177,499
Lease liabilities	30	12,140	14,281
Provisions	31	1,331,676	1,195,400
Deferred tax liabilities	11	17,767	23,046
Total long-term liabilities		**13,025,196**	**12,275,998**
Financial liabilities measured at amortized cost			
Trade payables	33	1,897,946	2,241,425
Current maturities of long-term loans	29	67,723	57,856
Current maturities of lease liabilities	30	7,685	5,846
Liabilities for taxes and contributions	34	78,809	102,093
Income tax liability		114,408	53,129
Liabilities to employees	35	168,518	173,761
Other current liabilities	36	2,866,164	2,037,648
Total short-term liabilities		**5,201,253**	**4,671,758**
TOTAL CAPITAL AND LIABILITIES		**44,639,466**	**42,558,011**

The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Company on 29 April 2021:

Marko Ćosić	Nikola Rukavina	Petar Sprčić	Tomislav Šambić	Saša Dujmić	Frane Barbarić
Member	Member	Member	Member	Member	President

HRVATSKA ELEKTROPRIVREDA d.d.
ZAGREB 3.2
Ulica grada Vukovara 37

Consolidated Statement of changes in equity
for the year ended 31 December 2020

in '000 HRK	Share Capital	Reserves	Retained gain / (transferred loss)	To the owner of the parent	Non-controlling interest	Total principal
Balance at 1 Jan 2019	**19,792,159**	**65,921**	**4,511,318**	**24,369,398**	**-**	**24,369,398**
Profit for the current year	-	-	1,404,003	1,404,003	(1,358)	1,402,645
Other comprehensive income	-	43,362	1,019	44,381	-	44,381
Total comprehensive income	-	43,362	1,405,022	1,448,384	(1,358)	1,447,026
Non-controlling interest in LNG Hrvatska d.o.o.	-	-	(32,686)	(32,686)	38,903	6,217
Dividend payment to the owner	-	-	(212,386)	(212,386)	-	(212,386)
Balance at 31 Dec 2019	**19,792,159**	**109,283**	**5,671,268**	**25,572,710**	**37,545**	**25,610,255**
Profit for the current year	-	-	1,465,144	1,465,144	(1,369)	1,463,775
Other comprehensive income	-	(17,744)	19,725	1,981	-	1,981
Total comprehensive income	-	*(17,744)*	*1,484,869*	*1,467,125*	*(1,369)*	*1,465,756*
Dividend payment to the owner	-	-	(664,385)	(664,385)	-	(664,385)
Other adjustments	-	1,391	-	1,391	-	1,391
Balance at 31 Dec 2020	**19,792,159**	**92,930**	**6,491,752**	**26,376,841**	**36,176**	**26,413,017**

The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Company on 29 April 2021:

Marko Ćosić	Nikola Rukavina	Petar Sprčić	Tomislav Šambić	Saša Dujmić	Frane Barbarić
Member	Member	Member	Member	Member	President

HRVATSKA ELEKTROPRIVREDA d.d.
ZAGREB 3.2
Ulica grada Vukovara 37

Consolidated statement of cash flows

for the year ended 31 December 2020

in '000 HRK	**2020**	**2019**
Operating activities		
Pre-tax profit	1,814,330	1,718,340
Net interest income	(14,184)	(14,186)
Interest expense	181,760	180,227
Net foreign exchange differences	(8,465)	46,062
Fair valuation of real estate investments	(11,869)	(27,012)
Depreciation of property, plant and equipment, intangible assets and property with rights of use	2,211,210	2,069,381
Expense from the alienation of property	43,558	30,907
Value adjustment of property, plant and equipment and intangible assets	113,886	80,842
Value adjustment of receivables	(262,103)	(104,407)
Value adjustment of inventories	11,450	9,282
Increase in provisions	136,276	127,909
Change in fair value of cross-currency swap	214,049	(226,744)
Cash flow from operating activities before changes in working capital	*4,429,898*	*3,890,601*
Decrease in trade receivables	466,642	137,748
Decrease / (Increase) in inventories	148,965	(231,064)
(Increase) / Decrease in other fixed assets	(40,146)	81,067
(Increase) / Decrease in other current assets	(112,413)	(82,423)
(Decrease) / Increase in trade payables	(337,180)	(911,952)
Increase in other short-term liabilities	794,715	568,682
Increase of other long-term liabilities	184,255	201,381
Cash generated from operations	**5,534,736**	**3,654,040**
Paid income taxes	(268,835)	(297,646)
Interest paid	(184,298)	(183,710)
NET CASH FROM OPERATING ACTIVITIES	**5,081,603**	**3,172,684**
INVESTING ACTIVITIES		
Expenses for acquisition of subsidiaries, net of acquired cash	(96,502)	(82,526)
Interest receipts	33,142	42,956
Receipts from collection of granted loans	4,149	-
Expenditures for the purchase of real estate, plant and equipment	(4,426,661)	(2,360,521)
NET CASH FROM INVESTING ACTIVITIES	**(4,485,872)**	**(2,400,091)**

Consolidated statement of cash flows (continued)
for the year ended 31 December 2020

in '000 HRK	**2020**	**2019**
FINANCING ACTIVITIES		
Receipts from long-term loans	354,577	183,423
Expenditures for repayment of long - term loans	(39,810)	(115,929)
Lease principal repayment expenses	(7,667)	(6,252)
Expenses for repayment of issued bonds	(76,173)	(64,346)
Dividend payment expenses	(664,385)	(212,386)
Receipts from cash funds	-	14,825
NET CASH FROM FINANCING ACTIVITIES	**(433,458)**	**(200,665)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**162,273**	**571,928**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3,352,155**	**2,780,227**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,514,428**	**3,352,155**

The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Company on 29 April 2021:

Marko Ćosić	Nikola Rukavina	Petar Sprčić	Tomislav Šambić	Saša Dujmić	Frane Barbarić
Member	Member	Member	Member	Member	President

HRVATSKA ELEKTROPRIVREDA d.d.
ZAGREB
Ulica grada Vukovara 37

1. GENERAL

The Hrvatska elektroprivreda Zagreb Group (hereinafter “the Group”) consists of the parent company Hrvatska elektroprivreda dd, Zagreb (hereinafter “HEP dd” or “the Company”) and subsidiaries listed in Note 39.

HEP dd is registered in Zagreb, Ulica grada Vukovara 37. The core business of the Group is the production, transmission and distribution of electricity and the control of the electricity system. In addition to the above core activities, the Group is also engaged in the production and distribution of thermal energy through the central heating system in Zagreb, Osijek and Sisak, gas sales on the wholesale market, and gas distribution in Osijek-Baranja, Požega-Slavonia,Virovitica-Podravina and Vukovar-Srijem counties.

The Group bases all its activities on the applicable laws, regulations and decisions of the Government of the Republic of Croatia.

As at 31 December 2020 the Group had 11,668 employees (2019:11,520) without the Krško doo Nuclear Power Plant The number of employees in the Krško Nuclear Power Plant Ltd. is 630 employees (2019: 628).

The sole owner of the Company is the Republic of Croatia.

These consolidated financial statements are presented in Croatian kuna, which is also the Group's functional currency.

Laws regulating energy activities

The energy sector of the Republic of Croatia is regulated by the Energy Act (Official Gazette, 120/12, 14/14, 102/15, 68/18) and the Energy Regulation Act (Official Gazette 120/12, 68/18).). Special laws regulate certain energy markets, namely: the electricity market, gas, heat, renewable energy sources and high-efficiency cogeneration, and energy efficiency.

Special laws currently in force are:

• Electricity Market Act (Official Gazette 22/13, 102/15, 68/18, 52/19),
• Gas Market Act (Official Gazette 18/18, 23/20),
• Thermal Energy Market Act (Official Gazette 80/13, 14/14, 86/19),
• Energy Efficiency Act (Official Gazette 127/14, 116/18, 25/20),
• Law on Renewable Energy Sources and High-Efficiency Cogeneration (Official Gazette 100/15, 111/18).

In 2020, amendments to the two mentioned Laws were made. On 28 February 2020, the Croatian Parliament passed the Act Amending the Gas Market Act, and on 2 March 2020, the Act Amending the Energy Efficiency Act.

These laws and accompanying bylaws, harmonized with the guidelines and directives of the European Union, provide for further restructuring and harmonization of the Group's operations. Pursuant to the provisions of the Electricity Market Act, the Company and its subsidiaries continue to perform electricity activities performed as public electricity services in the Republic of Croatia: electricity transmission, electricity distribution and electricity supply which is performed as a universal service and as a guaranteed service. Electricity generation, electricity supply and electricity trade are performed as market activities as defined by the laws governing energy activities and traded on the energy market. According to the Electricity Market Act, every customer has the right to freely choose a supplier, and household customers have the right to be supplied with electricity as a universal service. Customers which are not households, i.e. customers of the entrepreneurship category who have been left without a market supplier can use the guaranteed supply service.

Electricity supply is carried out according to the rules governing market relations, and energy entities are free to contract the quantity and price of delivered electricity. Electricity supply that is performed as a guaranteed service is performed as a public service under regulated conditions customers other than households, which, under certain conditions, remain without the supplier.

Electricity supply, which is performed as a universal service, is performed as a public service to household customers who have the right to such a supply and freely choose it or use it automatically. Part of the customers in the household category exercised the right to choose a supplier.

1. GENERAL (continued)

The Company and its subsidiaries harmonize the organization of the Group in accordance with the amended laws and the deadlines prescribed by those laws.

In December 2015, the Croatian Energy Regulatory Agency ("HERA") adopted the Methodology for Determining the Amount of Tariff Items for Electricity Distribution and the Methodology for Determining the Amount of Tariff Items for Electricity Transmission, which serve as the basis for the Decision on the Amount of Tariff Items for Distribution electricity and the Decision on the amount of tariff items for the transmission of electricity that applies from 1 January 2016. In December 2018 HERA adopted a Decision on the amount of tariff items for the distribution of electricity and a Decision on the amount of tariff items for the transmission of electricity, which apply from 1 January 2019.

Pursuant to the Electricity Market Act, the decision on the amount of tariff items for electricity supply within the universal service is made by HEP ELEKTRA, and for electricity supply within the guaranteed supply the decision is made by HERA, based on the Methodology for determining the amount of tariff items for guaranteed electricity supply adopted on 1 March 2019. The methodology takes into account expected price changes in the retail electricity market. The main difference compared to the previous methodology is that tariffs are determined more often (four times a year, and not as before twice a year) and that they are determined by applying the reference price of electricity determined on the basis of data from the regionally relevant Hungarian stock exchange HUDEX (https : //hudex.hu) on the highest average prices of basic and peak electricity from futures contracts for the first future and the next three quarters.

General assembly

The General Assembly consists of members representing the interests of the sole shareholder - the Republic of Croatia:

Tomislav Ćorić	Member	Member since 15 February 2018

Supervisory Board

Members of the Supervisory Board in 2020

Goran Granić	President	President since 18 January 2018
Jelena Zrinski Berger	Member	Member since 18 January 2018
Lukša Lulić	Member	Member since 9 November 2018
Ivo Ivančić	Member	Member since 9 November 2018
Meri Uvodić	Member	Member since 4 December 2018

Members of the Supervisory Board in 2019

Goran Granić	President	President since 18 January 2018
Jelena Zrinski Berger	Member	Member since 18 January 2018
Lukša Lulić	Member	Member since 9 November 2018
Ivo Ivančić	Member	Member since 9 November 2018
Meri Uvodić	Member	Member since 4 December 2018

1. GENERAL (continued)

Management Board

Management in 2020

Frane Barbarić	President	President since 1 January 2018
Saša Dujmić	Member	Member since 4 December 2014
Nikola Rukavina	Member	Member since 1 January 2018
Marko Ćosić	Member	Member since 1 January 2018
Petar Sprčić	Member	Member since 1 January 2018
Tomislav Šambić	Member	Member since 1 January 2018

Management in 2019

Frane Barbarić	President	President since 1 January 2018
Saša Dujmić	Member	Member since 4 December 2014
Nikola Rukavina	Member	Member since 1 January 2018
Marko Ćosić	Member	Member since 1 January 2018
Petar Sprčić	Member	Member since 1 January 2018
Tomislav Šambić	Member	Member since 1 January 2018

Basis of preparation

The consolidated financial statements for 2020 have been prepared in accordance with International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union (IFRSs). The annual consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments and investments in real estate which are measured at fair value. All amounts disclosed in the consolidated financial statements are presented in thousands of Croatian kunas, unless otherwise stated. The Group keeps accounting records in the Croatian language, in HRK and in accordance with Croatian legal regulations and accounting principles and the practices followed by companies in Croatia.

The annual consolidated financial statements have been prepared on an accrual basis under the going concern assumption.

Principles and methods of consolidation

The consolidated annual financial statements of the Company represent the sum of assets, liabilities, capital and reserves and the results of the Group's operations for the completed annual period. The consolidated annual financial statements consist of the financial statements of the Company and the entities it controls - its subsidiaries. Subsidiaries within the Group are listed in Note 39. The Company has control over an entity if, based on its participation in it, it is exposed to a variable return, i.e. it has rights to them and the ability to influence the return by its dominance in that entity. The company has a 100% share and voting rights in all subsidiaries and is their sole member and has the power to appoint management and can manage the financial and business decisions of the company. The exception is the company LNG Hrvatska d.o.o. in which the Company has an 84.18% stake.The inclusion of subsidiaries in the consolidation starts from the date on which the Company as a parent acquires control over that company and ends when the Company as a parent loses control over it.

Where necessary, adjustments have been made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All significant transactions and balances between the Group's member companies have been eliminated on consolidation. Non-controlling interests in the net assets of consolidated subsidiaries are presented in these consolidated financial statements separately from the Company's interests in them. Non-controlling interests include the amount of the interest at the date of the business combination and the interest in the changes in equity since the date of the business combination that belongs to the non-controlling interests. The gain or loss and any portion of other comprehensive income are attributed to shareholders of the parent and non-controlling interests, even if this results in a negative amount of non-controlling interest.

1. GENERAL (continued)

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with shareholders in the group. The change in ownership interest results in adjusting the carrying amount of majority and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any compensation paid or received is recognized in a special reserve within equity attributable to owners.

If the Company loses control of a subsidiary, it derecognises related assets (including goodwill) and liabilities, non-controlling interest and other components of equity, and any realized gain or loss is recognized in profit or loss. Any remaining investment is recognized at fair value.

Business combinations

The Group uses the acquisition method for business combinations. The acquisition fee may include the following:

- Fair value of assets transferred
- Shares issued by the Group
- Fair value of potential consideration
- The fair value of the previous interest in the acquired company
- Liabilities to the owners of the acquired company

The assets and liabilities of the acquired company are valued at their fair values upon acquisition. Upon initial acquisition, the Group measures non-controlling interests at fair value or at a value equal to their proportional share in the acquired net assets.

Acquisition-related costs are recognized in the statement of profit or loss in the period in which they are incurred.

The difference between the acquisition fee and the fair value of the acquired net assets is recognized as goodwill if the acquisition fee is greater than the fair value of the acquired net assets or as a favourable purchase effect if the acquisition fee is less than the fair value of the acquired net assets. A favourable purchase is recognized in the consolidated statement of profit or loss in the period in which the company is acquired.

If the acquisition is carried out in stages, the value of the previous interest in the company is measured at fair value at the time of acquisition. The gain or loss arising from the measurement of a previous interest is recognized in the consolidated statement of profit or loss.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

First application of new amendments to existing standards in force for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of materiality, adopted in the European Union on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020)
- **Amendments to IFRS 3 "Business Combinations"** - Definition of Operations, adopted in the European Union on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and for acquisitions of funds that occur on or after the beginning of that period)
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Reform of reference interest rates, adopted in the European Union on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020)
- **Amendments to IFRS 16 "Leases"** - Lease relief in the context of the COVID-19 Pandemic (adopted in the European Union on 9 October 2020, effective no later than 1 June 2020 for financial years beginning on or after 1 January 2020) *
- **Amendments to the reference to the Conceptual Framework in IFRS**, adopted in the European Union on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to existing standards did not lead to significant changes in the Group's financial statements.

Standards and amendments to existing standards published by the IASB and adopted in the European Union, but not yet in force

At the date of approval of these financial statements, the following amendments to existing standards published by the IASB and adopted in the European Union were published, but not in force:

- **Amendments to IFRS 4 "Insurance Contracts"** - Extension of the temporary exemption from IFRS 9, adopted in the European Union on 16 December 2020 (the expiry date of the temporary exemption from IFRS 9 has been moved from 1 January 2021. for annual periods beginning on or after 1 January 2023)
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7: "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16: "Leases"** - Reform of reference interest rates - Phase 2, adopted in the European Union on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and amendments to the existing standards issued by IASB and not yet adopted by the EU

IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which the European Union has not yet decided on 29 April 2021, relate to IFRSs issued by the IASB:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided to postpone the adoption of this transitional standard until its final version is published
- **IFRS 17 "Insurance Contracts",** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023)
- **Amendments to IAS 1 "Presentation of Financial Statements"** - classification of short-term and long-term liabilities (effective for annual periods beginning on or after 1 January 2023)
- **Amendments to IAS 16 "Property, Plant and Equipment"** - revenue before intended use (effective for annual periods beginning on or after 1 January 2022)
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets**" - harmful contracts - costs of meeting contractual obligations (effective for annual periods beginning on or after 1 January 2022)
- **Amendments to IFRS 3 "Business Combinations"** - references to the conceptual framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022)
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Interests in Associates and Joint Ventures"** - sale or investment of assets between an investor and its associate or joint venture and further amendments (initial effective date is deferred is until the completion of a research project on the application of the equity method)
- **Amendments to various standards due to "Revision of IFRS from the 2018-2020 cycle**", resulting from the project of annual revision of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily to eliminate inconsistencies and clarify the text (Amendments to IFRS 1, IFRS 9 and IAS 41 effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 is for illustrative purposes only and does not specify the effective date.).

The Group expects that the adoption of these new standards and amendments to existing standards will not lead to significant changes in the Group's financial statements in the period of the first application of the standards. Hedge accounting for a portfolio of financial assets and liabilities whose principles have not yet been adopted by the European Union is still not regulated. According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities in accordance with **IAS 39: "Financial Instruments: Recognition and Measurement"** would not result in a material change in the financial statements if applied at the balance sheet date.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies

Investments in joint ventures

Under IFRS 11 Joint Operations are classified as either joint management or joint ventures. Classification depends on the contractual rights and obligations of each investor, not on the legal structure of the mutual agreement.

Joint ventures are classified in accordance with IFRS 11, in:

- joint management - a joint transaction in which the parties that have joint control over the transaction have rights to assets and liabilities based on financial obligations from the transaction in question
- joint venture - a joint venture in which the parties that have joint control over the transaction have rights to the net assets of the transaction in question.

In classifying investments in joint ventures, the Group considers:

- structure of joint business
- a legal form of joint business structured through separate legal entities
- contractual terms of the joint venture
- all other facts and circumstances (including any other contractual arrangements).

Interests in joint ventures are stated using the equity method.

The Group calculates its investment in joint management by recognizing its share of assets, liabilities, income and expenses in accordance with its contractual rights and obligations.

The Group has identified investment in the Krško Nuclear Power Plant as joint management (Note 16).

Costs of pension benefits and other employee benefits

The Group does not manage defined benefit plans after retirement for its employees and managers. Accordingly, there are no provisions for these costs. The Group has an obligation to pay contributions to pension and health insurance funds for its employees in Croatia in accordance with legal regulations. This obligation applies to all persons who are employed under an employment contract. These contributions are paid in a certain percentage amount determined based on gross salary.

	2020 and 2019
Pension contribution	20%
Contribution to health insurance	16.5%

Group members are required to suspend contributions from employees' gross salaries. Contributions on behalf of the employee and on behalf of the employer are calculated as an expense in the period in which they are incurred (see Note 8).

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Severance pay and jubilee awards

The Group pays employees jubilee awards and one-time severance pay upon retirement. The liability and cost of these benefits are determined using the projected unit credit method. Using the projected unit credit method, each period of service is considered as the basis for an additional unit of entitlement to benefits and each unit is measured separately until the final liability is created. The liability is determined at the present value of estimated future cash outflows by applying a discount rate similar to the interest rate on government bonds in the Republic of Croatia where the currencies and maturities are in accordance with the currencies and the estimated duration of the benefit obligation. Liabilities and costs of these fees were calculated by a certified actuary.

Jubilee awards

The Group pays its employees some long-term benefits (jubilee awards) and severance pay upon retirement. The award for long-term work amounts to HRK 1,500 to 5,500 net for work in the Group from 10 to 45 years of continuous employment with the employer.

Severance payments

As of 1 January 2020 the Collective Agreement (which applies to all members of the HEP Group) is in force, based on which every employee is entitled to a severance pay in the amount of 1/8 of the gross average monthly salary of an employee earned for the previous three months before the termination of the employment contract, and for each completed year of continuous employment with the employer. This Collective Agreement is valid until 31 December 2021.

Property, plant and equipment

Property, plant and equipment are stated at cost less any allowance for impairment and any impairment losses. Land is stated at cost less any impairment losses. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, and any changes in the estimate are calculated based on new expectations and have an effect in current and future periods. Property, plant and equipment in use are depreciated using the straight-line method on the following basis: Land is not depreciated.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Property, plant and equipment in use are depreciated using the straight-line method on the following basis:

Buildings	**2020 and 2019**
Hydropower plants (dams and embankments, buildings and other structures and ancillary facilities)	20 – 50 years
Thermal power plants (buildings and other constructions)	33 – 50 years
Facilities and plants for transmission and distribution of electricity (substations, overhead and cable lines, dispatch centres, etc.)	20 – 40 years
Hot water pipelines, steam pipelines and other buildings for the production and transmission of thermal energy	33 years
Gas pipelines until 2014	20 – 25 years
Gas pipelines since 2014	40 years
Administrative buildings	50 years
Plant and equipment	
Plants in hydroelectric power plants	10 – 33 years
Plants in thermal power plants	6 – 25 years
Electricity transmission plants (electrical part of substations and transformers, electrical part of lines)	15 – 40 years
Electricity distribution plants (electrical part of substations and transformers, electrical part of lines, measuring instruments, meters and other equipment)	8 – 40 years
Thermal stations, hot water pipes and other equipment	15 – 30 years
Gas meters and other gas network equipment	5 – 20 years
Other equipment and means of transport	
IT	5 – 20 years
Computer software licenses	5 years
Telecommunications equipment	5 – 20 years
Motor vehicles	5 – 8 years
Office furniture	10 years

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The cost of property, plant and equipment includes the purchase price of the property, plus customs duties and non-refundable taxes, and all direct costs of bringing the property to its working condition and location. Expenses incurred after putting property, plant and equipment into use are charged to the consolidated statement of profit or loss in the period in which they are incurred.

In situations where it is clear that the costs have resulted in an increase in the future economic benefits expected to be obtained from the use of the item of property, plant and equipment above its originally estimated capacity, they are capitalized as an additional cost of property, plant and equipment. Costs eligible for capitalization include the costs of periodic, pre-planned major inspections and overhauls necessary for further operations.

Gains or losses arising from the disposal or withdrawal of an item of property, plant and equipment are determined as the difference between the proceeds from the sale and the carrying amount of the asset and are recognized in profit or loss in the consolidated income statement.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine whether there is an impairment loss. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment of intangible assets with indefinite useful lives and assets that are not in use is assessed annually and whenever there is an indication that the value of the asset may be impaired.

The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing value in use, the estimated future cash inflows are reduced to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of that asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately as an expense in the statement of profit or loss. Upon subsequent reversal of an impairment loss, the carrying amount of the asset (cash-generating unit) is increased to the revised estimated recoverable amount of the asset, with the higher carrying amount not exceeding the carrying amount that would have been determined if no previous loss had been recognize for the asset (cash-generating unit) due to impairment. A reversal of an impairment loss is recognized immediately in profit or loss.

Intangible assets

Fixed intangible assets include licenses and are stated at cost less accumulated amortization. It is amortised on a straight-line basis over a period of 5 years.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Investment property

Investment property is property held to earn rentals and / or increase the market value of assets, including assets under construction for those purposes, initially measured at cost, which includes transaction costs. After initial recognition, investment property is measured at fair value. Gains and losses on changes in the fair value of investment property are included in profit or loss in the period in which they incurr. Investments in real estate are derecognised, i.e. they are derecognised by sale or permanent withdrawal, as well as when no future economic benefits are expected from its disposal. Any gain or loss arising on the derecognition of the property, determined as the difference between the net proceeds from the sale and the net carrying amount of the property, is included in profit or loss in the period in which the property is derecognised.

Group as a tenant

All leases are calculated by recognizing assets with the right of use and lease obligations, except for:

- Low value leases; and
- Leases whose lease term ends within a period of 12 months from the date of first application or less.

The lease liability is calculated at the present value of the contractual future payments to the lessor over the term of the lease, less the discount rate determined in relation to the rate inherent in the lease, unless it is (as is usually the case) easy to determine, when it uses the incremental borrowing rate of HEP Group at the beginning of the lease. Variable lease payments are included in the calculation of lease liabilities only if they depend on an index or a rate. In this case, the initial calculation of the lease liability assumes that the variable element will remain unchanged for the duration of the lease. Other variable lease payments represent an expense in the period to which it relates.

At the date of initial recognition, the carrying amount of the lease obligation includes:

- the amounts expected to be paid by the lessee on the basis of residual value guarantees;
- the price of the execution of the purchase option if it is certain that the lessee will use that option; and
- payment of penalties for termination of the lease if the lease period reflects that the lessee will take advantage of the possibility of termination of the lease.

Assets with the right of use are initially measured at the amount of the lease liability, less any lease incentives received and increased by:

- all lease payments made on or before the start date of the lease;
- all initial direct costs; and
- the amount of the provision recognized if the Company contractually bears the costs of dismantling, removing or rebuilding the location of the property.

The right to use is reduced by the accumulated depreciation calculated on a straight-line basis over the term of the lease, or the remaining economic life of the asset, if it is considered to be shorter than the lease term.

The useful life of the asset with the right of use is shown as follows:

	2020 and 2019
Business premises and land	2-25 years
Vehicles and equipment	2-5 years

After the initial measurement, the lease liability increases to reflect interest on lease obligations and decreases to reflect lease payments made.

The lease liability is subsequently measured when there is a change in future lease payments resulting from a change in the index or rate, or when there is a change in the estimate of the term of any lease.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Inventories

Inventories contain mainly materials and small inventory and are stated at the lower of cost and net expected sales value. Management adjusts the value of inventories based on an overview of the overall age structure of inventories, and based on an overview of significant, individual amounts included in inventories.

Inventories also contain CO_2 emission units. By including the Republic of Croatia in the European Greenhouse Gas Emissions Trading System (EU ETS), Hrvatska elektroprivreda dd, which performs the activity of electricity and heat production, has the obligation to purchase greenhouse gas emission units in quantities corresponding to verified CO_2 emissions from fossil fuel combustion from thermal power plants resulting in CO_2 emissions.

Companies are required to obtain sufficient CO_2 emission rights by 30 April (annual cycle). Due to the withdrawal of IFRIC 3 and insufficient provisions in IFRS, the Group has analysed various accounting models for CO_2 emission allowances, including EFRAG's discussion papers. Occasionally, the Group trades CO_2 emission rights. Therefore, the Group recognizes emission allowances as inventories.

Inventories also include energy savings inventories. With the entry into force of the amendments to the Energy Efficiency Act, for the members of the HEP Group, energy suppliers, there is an obligation to achieve energy savings in final consumption. For the redistribution of realized savings from HEP Group member companies that are not liable to HEP Group member companies that are liable to realize savings, the Methodology for distribution and purchase of energy savings was adopted. The methodology defines the manner of distribution of energy savings realized in non-liable companies and the surplus of realized savings in liable companies, as well as the conditions for mutual redemption of savings for the current business year. HEP d.d. as the appointed holder of the consolidated Report on realized energy savings, disposes of the savings that are the subject of this Methodology and, on the basis of the same, redistributes them to the liable companies.

Inventories also contain gas for trading on the wholesale market and are stated at the lower of cost determined on the basis of the weighted average price and the net expected sales value (Note 22).

For quantities of gas delivered directly to customers, the method of specific identification of their individual costs is used to calculate the cost of inventory.

Acquisition cost includes the invoiced amount and other costs incurred directly in connection with bringing inventory to a specific location and usable condition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits and other short-term liquid investments with a maturity of up to three months that are currently convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or construction of a qualifying asset constitute the cost of acquiring the asset until the asset is ready for its intended use. A qualifying asset is an asset that requires a certain amount of time to be ready for its intended use. Investment income earned on the temporary investment of earmarked credit assets while they are being spent on a qualifying asset is deducted from borrowing costs that can be capitalized. All other borrowing costs are recognized as an expense in the period in which they are incurred. Interest expense is recognized in the period to which the interest relates. If work on qualifying assets is suspended, the cost of borrowing for the period in which the work is discontinued is not capitalized.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Foreign currencies

The individual financial statements of each entity of the Group are presented in the currency of the primary economic environment in which the entity operates, the so-called functional currency. The results and financial position of each entity within the Group are presented in the consolidated financial statements in Croatian Kuna (HRK), which is also the presentation currency of the consolidated financial statements.

In the financial statements of individual Group companies, business changes denominated in foreign currencies are translated into the entity's functional currency at the exchange rate ruling at the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency of the entity at the year-end exchange rate. Non-monetary items that are measured in terms of fair value in a foreign currency are translated using the exchange rates as at the dates of the fair values. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items and their recalculation are recognized in the consolidated statement of profit or loss for the period. Foreign exchange differences arising on the translation of non-monetary assets at fair value are recognized in the consolidated statement of profit or loss as a finance cost.

Foreign exchange differences arising from the translation of foreign subsidiaries are recognized in other comprehensive income and accumulated as a separate reserve in equity. The accumulated reserve is reclassified to equity when the foreign subsidiary is sold.

Taxation

The cost of income tax is the sum of current tax and changes in deferred tax during the year.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. and deferred tax assets are recognized to the extent that it is probable that there will be available taxable profits against which those deductible temporary differences can be utilized. Deferred tax liabilities and deferred tax assets are not recognized for temporary differences arising from goodwill or on initial recognition of other assets and liabilities, except in the case of a business combination, in transactions that do not affect tax or accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax laws that have been enacted or substantively enacted by the reporting date. The calculation of deferred tax liabilities and assets maintains the amount expected to be incurred or recovered at the reporting date in the amount of the carrying amount of the Group's assets and liabilities.

Deferred tax is recognized as an expense or income in the consolidated statement of profit or loss, unless it relates to items recorded directly in other comprehensive income, in which case deferred tax is also recognized in other comprehensive income or when the tax arises from initial recognition. in a business combination. In the case of a business combination, taxes are taken into account when calculating goodwill or determining the excess of the buyer's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the buyer over cost.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Financial assets

The Group recognizes financial assets in its consolidated financial statements when it becomes a party to the contractual provisions of the instrument. Depending on the business model for asset management and the contractual characteristics of the cash flows of financial assets, the Group measures financial assets at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

Asset items are classified and measured as shown below:

Description	Business model / measurement
Long-term assets	
Long-term loans given	Held for collection / amortized cost
Total financial assets at fair value through other comprehensive income	Strategic investments / fair value through other comprehensive income
Other financial assets (Long-term receivables)	Held for collection / amortized cost
Short-term assets	
Trade receivables	Held for collection / amortized cost
Other current receivables	Held for collection / amortized cost
Cash and cash equivalents	Held for collection / amortized cost

The Group's business models reflect the way in which the Group manages its assets with a view to generating cash flows, whether the Group's objective is solely to collect contractual cash flows from assets (held for collection) or to collect both contractual cash flows and cash flows from selling assets (held for collection and sale). Strategic equity investments are irreversibly measured through other comprehensive income. All other financial assets are measured at fair value through profit or loss.

i) Financial assets at fair value through other comprehensive income

This group of assets consists of equity instruments held by the Group that are traded in an active market. Changes in fair value are recognized in other comprehensive income (FVOCI) without subsequent reclassification to profit or loss. If an equity instrument is sold, the accumulated revaluation reserve is reclassified to retained earnings. Dividends on these financial assets are recognized in the statement of profit or loss.

ii) Loans granted

The Group's loans are held within a business model aimed at holding financial assets to collect contractual cash flows. Contractual cash flows are only those that represent repayments of principal and interest based on that amount of principal.

Loans are measured at amortized cost. Measurement at amortized cost implies the following:

- Interest income is calculated using the effective interest method, which is applied to the gross carrying amount of the asset. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or a shorter period, if appropriate.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Financial assets (continued)

iii) Trade and other receivables

Trade and other receivables are held with the strategy of collecting contracted cash flows. Trade receivables that do not have a significant financial component on initial recognition are measured in accordance with IFRS 15 at their transaction price.

iv) Impairment

The Group recognizes impairment of financial assets based on expected credit losses. At each reporting date, the Group measures expected credit losses and recognizes them in the financial statements. Expected credit losses from financial instruments are measured in a way that reflects:

- An unbiased and weighted amount of probability determined by estimating the range of possible outcomes,
- The time value of money,
- Reasonable and acceptable information about past events, current conditions and forecasts of future economic conditions.

For the purposes of calculating the expected credit loss, the financial assets portfolio is divided into three stages: Tier 1, Tier 2 and Tier 3. If no impairment is determined on the date of first recognition, financial assets are included in Tier 1, and subsequent reclassification to Tiers 2 and 3 depends on the increase in credit risk per financial instrument after initial recognition, i.e. on the credit quality of the financial instrument.

The Group applies a simplified approach to measure expected credit losses on trade receivables. To measure expected credit losses, trade receivables are grouped based on similar credit risk and age structure. Expected credit loss rates are based on historical credit losses that occurred during the three years prior to the end of the reporting period. Historical loss rates are then adjusted for current and future information on macroeconomic factors affecting the Group's customers.

v) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or transfers the financial asset and the transfer qualifies for derecognition.

A Group transfers financial assets if, and only if, it either transfers contractual rights to receive cash flows from financial assets, or retains contractual rights to receive cash flows from financial assets, but assumes a contractual obligation to pay cash flows to one or more recipients in the arrangement.

When the Group transfers financial assets, it is required to assess the extent to which it retains the risks and rewards of ownership of the financial assets. In this case, when all the risks and rewards of ownership are transferred, the Group derecognises the financial asset and recognizes separately as an asset or liability all rights and obligations that have been incurred or retained in the transfer. If almost all the risks and rewards of ownership of financial assets are retained, the Group continues to recognize financial assets. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the Group determines whether control of the financial asset is retained. If control over financial assets is not retained, the Group derecognises the financial asset and recognizes separately as an asset or liability all rights and obligations that have arisen or been retained under the transfer. If control is retained, the Group continues to recognize financial assets to the extent that it continues to participate in those financial assets.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Derivative financial instruments

The Group uses derivative financial instruments to reduce its exposure to currency risk. In addition, the Group concluded a Cross Currency Swap Agreement by which the dollar bond liability was converted into a euro liability, for the entire duration of the bonds, i.e. until the final maturity on 23 October 2022. More information on derivative financial instruments is disclosed in Note 40.

Derivative financial instruments are initially recognized at fair value at the date the contract is entered into. After initial recognition, they are measured at fair value with changes recognized in the income statement.

Commodity contracts

In accordance with IFRS 9 certain commodity contracts are treated as financial instruments and fall within the scope of the standard. Contracts for the purchase and sale of goods entered into by the Group ensure the physical delivery of quantities intended for consumption or sale as part of the Group's normal operations; such contracts are therefore excluded from the scope of the standard.

In particular, forward purchases and sales for physical delivery of energy that are entered into as part of the Group's normal operations are not considered to fall within the scope of IFRS 9. This is evidenced by meeting the following conditions:

/i/ Physical delivery of contracted quantities;
/ ii / Purchased or sold quantities meet the requirements of the Group's operations;
/ iii / A contract cannot be considered a written option as defined in IFRS 9.

The Group therefore considers that the transactions agreed to balance the volume between energy purchases and sales are part of its ordinary activities as an integrated energy company and therefore do not fall within the scope of IFRS 9.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities measured at amortized cost. All financial liabilities are initially recognized at fair value plus related transaction costs. Financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Derecognition

The Group derecognises the liabilities in the consolidated financial statements when and only when the liability is settled. When an existing financial liability is replaced by another by the same creditor on materially different terms, or the terms of the existing obligation are significantly changed, such change or modification is treated as a termination of the original obligation and recognition of a new obligation and the difference between booked values is recognized in consolidated statement of profit or loss profit and loss.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Provisions

A provision is recognized only if the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be determined reliably. Provisions are reviewed at each reporting date and adjusted to reflect the latest best estimates. If the effect of the time value of money is significant, the amount of the provision is the present value of the costs that are expected to be required to settle the obligation. In the case of discounting, the increase in provisions that reflects the passage of time is recognized as an interest expense (Note 10).

Revenue recognition

Operating income is generated primarily from the sale of electricity, heat and gas to households and industrial and other customers in the Republic of Croatia.

In accordance with the new IFRS 15, the Company applies a five-step model regarding the recognition of contracts with customers;

1) Identification of the contract with the customer(s)
2) Identification of the separate performance obligations in the contract
3) Determination of the transaction price
4) Allocation of the transaction price to the separate performance obligations
5) Recognition of revenue as each performance obligation is satisfied

Revenue is recognized for each separate liability in the contract in the amount of the transaction price. The transaction price is the amount of fees in the contract that the Group expects to be entitled to in exchange for the transfer of the promised goods or services to the customer.

Revenue from the sale of electricity is recognized based on the best estimate of the amount of energy delivered. As the actual calculation of delivered quantities of energy to customers in the household category is performed twice a year, the Group bases its revenues from electricity sales on the total produced and purchased quantities of electricity on the distribution network corrected for losses on the distribution network based on logarithmic regression. From the entry into force of the Act Amending the Electricity Market Act (OG 102/2015), the regulation of prices for public electricity supply to households within the universal service ceases and the amounts of tariff items for electricity supply are issued by the supplier who has the obligation to provide public service. The Group does not have a separate accounting model for recognizing any accruals that would result from a regulated tariff. Accordingly, the Group recognizes revenue based on prices determined by a tariff approved by the regulatory agency, i.e. by a decision of a company that has an obligation to provide a public service. Alternatively, the Group provides its customers with the opportunity to choose a market model, in which case revenues are recognized in accordance with free market prices (HEPI tariff model).

Revenue from the sale of heat to households and industrial and other users in the Republic of Croatia is recognized when the customer acquires control of the product, i.e. when the heat is delivered to customers and if it is probable that the Group will receive compensation.

Revenue from the sale of gas is recognized when the customer acquires control of the product, i.e. when the gas is delivered to customers and if it is probable that the Company will receive compensation. The price of gas is regulated by the Croatian Energy Regulatory Agency (HERA). The Group does not have a separate accounting model for recognizing any accruals that would result from a regulated tariff.

2. CHANGES IN ACCOUNTING POLICIES AND PUBLICATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Summary of significant accounting policies (continued)

Revenues from connection fees

In accordance with IFRS 15 Revenue from Contracts with Customers, effective from 1 January 2018 revenue from connection to the network is systematically allocated over the useful life of the asset (connection), and the fee received from customers for connection to the network is recorded as deferred income and recognized as income for the period at the same time as the depreciation of the connection to which it relates.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position (events for which adjustments are required in the financial statements) as at the reporting date are recorded in the financial statements. Post-reporting events that do not require adjustments in the financial statements are disclosed in the notes when the amounts are significant.

Segmental analysis

The Group has fully adopted IFRS 8 “Operating Segments” and discloses segment data, as the Group's debt instruments are traded in regulated markets. (Note 5).

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities. Future events are possible that will cause changes in the assumptions based on which the estimates are given, and thus changes in the estimates themselves. The effect of any change in estimate will be reflected in the consolidated financial statements when it can be determined. The estimates are detailed in the accompanying notes and the most significant of these relate to the following:

Lifespan of property, plant and equipment

As explained in Note 2 the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

The Group benefits from the economic benefits embodied in the asset, which are diminished by economic and technological aging. Accordingly, in the process of determining the useful life of assets, in addition to assessing the expected physical utilization, it is necessary to consider changes in market demand, which will cause faster economic obsolescence and more intensive development of new technologies. The useful lives of property, plant and equipment will be reviewed periodically to reflect any changes in circumstances since the previous assessment. Changes in estimates, if any, will be reflected through the revised depreciation expense over the remaining, revised useful life.

Provisions for power plant decommissioning

The Management Board estimates the cost of provisions for the decommissioning of the Krško NPP and the Group's thermal power plants based on applicable laws and regulations and its own experience. The reservation also includes activities related to environmental protection that need to be carried out during the decommissioning of production facilities.

The amount of provisions for the decommissioning of thermal power plants represents the discounted value of the estimated cost of decommissioning of the Group's thermal power plants (Note 31). Significant assumptions are the discount rate and decommissioning costs.

Decommissioning of the Krško nuclear power plant

Funds for the decommissioning of NPP Krško are reserved in accordance with the Decree on the amount, deadline and method of payment of funds for financing the decommissioning and disposal of radioactive waste and spent nuclear fuel of NPP Krško (OG 155/08; Note 16).

Recognition of revenue from the sale of electricity to customers of universal service (household customers)

Since the collection takes place through an advance payment system with actual billing twice a year, the Group estimates revenues from the sale of electricity. The estimate is based on the total amount of electricity produced in such a way that the amount produced, i.e. procured, is reduced by the estimated losses on the distribution network. After analysing several different approximation methods (five-year average, linear approximation, etc.), the Administration chose logarithmic regression as the most appropriate.

The difference between previously estimated income and actual payments is recognized in the consolidated statement of financial position as other current liabilities or other current receivables.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of property, plant and equipment

Impairment calculation requires an estimate of the value in use of cash-generating units. This value was measured based on the discounted cash flow projection. The most significant variables for determining cash flow are discounted rates, forward values, the time for which cash flow projections are made, and the assumptions and judgments used to determine cash inflows and outflows.

Availability of taxable profit for which deferred tax assets can be recognized

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The determination of deferred tax assets requires the application of significant judgments, based on the determination of the probable time of occurrence and the amount of future taxable profit, together with the future planned tax strategy (Note 11).

Actuarial estimates used to calculate retirement benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates include making assumptions about discounted rates, future increases in income and mortality, or fluctuation rates. Due to the long-term nature of these plans, these estimates are subject to uncertainty (Note 31).

Consequences of certain legal disputes

The Group is a party to a number of lawsuits arising from ordinary activities. Provisions are recorded if there is a present obligation as a result of a past event (taking into account all available evidence including the opinion of legal experts) where it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably (Note 31).

Expected loss model

With the application of IFRS 9, the expected credit loss (ECL) model is introduced. The measurement of expected credit loss from impairment is based on reasonable and supportive information that is available without undue cost and effort and that includes information about past events, current and projected future conditions and circumstances. The Group recognizes a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when a commitment or guarantee has been made). For the purposes of calculating the ECL model, the financial assets portfolio is divided into three levels: Tier1, Tier 2 and Tier 3. At the date of first recognition, financial assets are included in tier 1, and subsequent reclassification to tiers 2 and 3 depends on the increase in credit risk per financial instrument after initial recognition, i.e. on the credit quality of the financial instrument. A simplified approach is applied to trade receivables, whereby expected credit losses are recognized for the entire period of the receivable.

4. THE IMPACT OF THE EARTHQUAKE AND COVID-19 PANDEMIC ON THE GROUP'S OPERATIONS

The existence of the new coronavirus (Covid-19) was confirmed in early 2020 and quickly spread to mainland China, Europe, and the United States, causing a global health crisis and disruptions in business and economic activity. The global health crisis has affected the economy of most countries, including the economy of the Republic of Croatia, and these countries have had to take a number of measures to mitigate its economic consequences. Since the beginning of the pandemic, the Group has been implementing special business measures to prevent the spread of coronavirus disease, in accordance with the decisions of the National Civil Protection Headquarters, and to ensure the continued smooth operation of all business processes of the Group while protecting the health of workers and business partners. The pandemic has greatly affected the slowdown of the Croatian economy since mid-March 2020, which the HEP Group recognized in a timely manner and to which it adequately responded through the optimization of its operations, which is proven by the financial results of 2020.

As the HEP Group represents a strategic infrastructure system for the Republic of Croatia, and is one of the largest economic entities in Croatia, with a large number of dependent companies in the domestic, maximum efforts have been made to ensure uninterrupted operations in all business segments, primarily through regular production, transmission, distribution and supply of energy. In this situation of the COVID-19 pandemic, the HEP Group remains one of the main drivers of Croatian economic development, especially through a significant investment plan. By maintaining the planned level of investments and making all efforts to implement the plan, HEP Group will directly contribute to the gross domestic product. Thus, the HEP Group will remain one of the key factors in the stability of the system with the aim of reducing the economic crisis and the potential recession that follows.

Since the beginning of the pandemic, the HEP Group has been analyzing energy consumption and modeling scenarios for the impact of the decline in total economic activity on consumption and receipts from the sale of energy from the production portfolio. Analysis shows that the decline in economic activity during the "lockdown" period had an impact on the reduction of total consumption and on the change in the structure of consumption in terms of reducing consumption of business customers and increasing consumption by customers in the household category. This decrease in total consumption was not significant for the Group's operations and therefore did not significantly affect the positions of the financial statements.

Despite the introduction of extraordinary measures of assistance to natural persons adopted by the Government of the Republic of Croatia, which relate, inter alia, to the delay in the execution of foreclosures and forceable collection; receivables from customers were mostly realized within the agreed deadlines and the adopted measures have not had a significant impact on business and financial position of the Group. The Group did not use state aid provided by the measures of the Government of the Republic of Croatia as revenues did not decrease significantly despite the slowdown in economic activities.

Given that it is uncertain how long the pandemic will last and it is impossible to predict what impacts it will have, both in domestic and foreign markets, at this time it is not possible to fully assess all the negative impacts on the operations of the HEP Group. Notwithstanding the above, the current level of indebtedness and the secured level of liquidity of the HEP Group as well as the strong market position in all activities show that the Group is prepared to face the challenges expected in the coming period.

HEP Group will continue to actively monitor economic developments and take all measures to protect the interests of all stakeholders while maintaining a stable financial position.

Furthermore, significant events include the devastating earthquake of March 2020, which hit the city of Zagreb and its surroundings, and the devastating earthquake of December 2020, which hit Sisak-Moslavina County. The devastating earthquake that hit Zagreb on 22 March 2020, caused damage and breakdowns in the electricity and heating network and in the Elektrana-heating plant facility. With the exceptional efforts of HEP employees, the supply of electricity and heat to customers in the Zagreb area was normalized in a short period of time. The earthquake that hit Petrinja and central Croatia on 29 December 2020, caused numerous breakdowns and damage to the electricity network and HEP's facilities for the production of electricity and heat. All on-duty HEP services have made every effort to eliminate faults as soon as possible with the aim of complete normalization of electricity supply, and have provided power to most of the area affected by the earthquake in record time. The damage to assets did not have a significant impact on the positions of the financial statements of the HEP Group for 2020, given that these are assets whose total net book value in the business books is not material.

Despite the economic disruptions caused by the COVID-19 virus pandemic and the devastating earthquakes, a stable financial position, optimization of business processes, and quality strategic management enabled the neutralization of negative economic trends on the operations of the HEP Group.

5. SALES REVENUES - SEGMENT INFORMATION

The Group's operating revenues are generated mostly in the Republic of Croatia.

The Group's reporting segments are divided into the following: electricity (generation, transmission, distribution and sale of electricity), district heating (production, distribution and sale of heat) and gas (distribution and sale of gas).

Profit or loss of each segment is the result of all income and expenses that are directly related to a particular segment. Information on financial income, i.e. expenses and income tax are not presented at the segment level, because the basis for presenting the segment is operating profit.

	Electricity		**Heating**		**Gas**		**Group**	
in '000 HRK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Income from core business	11,494,494	12,534,630	674,143	655,173	911,203	1,352,603	13,079,840	14,542,406
Income of other segments	906,124	888,191	48,222	63,167	338,400	21,479	1,292,746	972,837
Operating profit / loss	**1,945,260**	**1,944,331**	**(147,215)**	**(214,481)**	**360,729**	**(35,548)**	**2,158,774**	**1,694,302**
Net financial income							(344,444)	24,038
Income tax							(350,555)	(315,695)
Net profit							**1,463,775**	**1,402,645**

The segment's assets consist primarily of property, plant and equipment, receivables, cash and inventories. Segment liabilities consist of trade and other payables. Non-segment assets and liabilities represent assets and liabilities that cannot reasonably be allocated to operating segments. Total unallocated assets include investments in NPP Krško, part of real estate, plant and equipment and unallocated financial assets. Total unallocated liabilities include long-term loans, short-term loans and other miscellaneous liabilities.

in '000 HRK	**Total segment assets**		**Total segment liabilities**	
	2020	**2019**	**2020**	**2019**
Electricity	32,928,839	32,247,898	9,572,561	8,908,695
Heating	1,390,741	1,259,916	198,123	200,442
Gas	550,903	438,719	117,381	93,136
Unallocated	9,768,983	8,611,478	8,338,384	7,745,483
Total Group	**44,639,466**	**42,558,011**	**18,226,449**	**16,947,756**

5. SALES REVENUES - SEGMENT INFORMATION (continued)

Revenue from electricity sales in 2020 amounts to HRK 11,494,494 thousand (in 2019: HRK 12,534,630 thousand).

Revenue from the sale of thermal energy in 2020 amounts to HRK 674,143 thousand (in 2019 HRK 655,173 thousand).

Revenue from gas sales in 2020 relates to the sale of gas on the wholesale market in the amount of HRK 475,608 thousand and to the sale of gas to gas supply customers in the amount of HRK 435,595 thousand (in 2019 gas sales on the wholesale market amounted to HRK 971,856 thousand and sales gas to gas supply customers HRK 380,747 thousand).

Territorial business analysis

The Group operates in Europe, with countries that are members of the European Union and other countries that are not members of the European Union.

The following is a territorial analysis of revenues generated by the Group from active parts of operations from external electricity customers:

in '000 HRK	**2020**	**2019**
Croatia	10,639,887	11,223,110
European Union countries	765,308	859,629
Third countries	89,299	451,891
	11,494,494	**12,534,630**

6. OTHER OPERATING INCOME

in '000 HRK	**2020**	**2019**
Income from property financed from the connection fee	395,977	377,585
Collected value-adjusted receivables (Note 23)	53,505	101,614
Revenues from external services	117,440	46,337
Penalty charges	27,087	30,564
Revenues from sales of materials	44,163	44,502
Revenues from cancellation of long-term provisions for litigation	18,564	45,382
Pre-bankruptcy receivables collected	2,424	7,396
Collected written-off receivables	327,014	10,790
Revenues based on court costs on lawsuits	9,540	13,933
Gains from sale of tangible assets	368	6,226
Over calculated last year fee on CO_2 emissions for electricity generation	19,646	11,905
Other operating income NPPs Krško	14,323	49,590
Other	262,695	227,013
	1,292,746	**972,837**

Other income consists of income from the use of own products in the amount of HRK 113,005 thousand (2019: HRK 78,103 thousand), unrealized gains from the fair valuation of tangible assets in the amount of HRK 7,847 thousand (2019: HRK 13,085 thousand), the income from investments of HRK 47,720 thousand (2019: HRK 26,418 thousand) and other operating income.

7. MATERIAL AND ENERGY PROCUREMENT COSTS

in '000 HRK	**2020**	**2019**
The cost of purchasing electricity	2,394,595	3,508,877
Fuel cost	1,500,970	1,691,121
The cost of purchasing gas for sale in the wholesale market	594,525	1,152,889
Gas supply costs - market supply	193,824	174,093
Cost of purchased material	182,047	174,011
	4,865,961	**6,700,991**

Procurement of electricity and gas refers to procurement outside the system for sale on the wholesale market and end customers.

Procurement of fuel (coal, liquid fuel and gas) refers to procurement outside the electricity generation system in thermal power plants..

8. EMPLOYEE COSTS

in '000 HRK	**2020**	**2019**
Net salaries	1,158,820	1,094,263
Net salaries NPP Krško	108,114	100,063
Tax and contribution costs	721,299	684,589
Costs of taxes and contributions from the salaries of NPP Krško	44,510	43,459
	2,032,743	**1,922,374**

As at 31 December 2020, the Group had 11,668 employees (2019: 11,520) without Krško Nuclear Power Plant d.o.o. The number of employees in Krško Nuclear Power Plant d.o.o. is 630 employees (2019: 628).

Total contributions for pension funds amounted to HRK 325,543 thousand during 2020 (2019: HRK 308,001 thousand).

Remuneration to members of the Management Board and executive directors of the Group companies:

in '000 HRK	**2020**	**2019**
Gross salaries	34,601	30,883
Pension insurance contributions	7,446	6,769
Other benefits	2,810	3,247
	44,857	**40,899**

Compensation for Supervisory Board members:

in '000 HRK	**2020**	**2019**
Fees	463	335
Taxes and contributions	28	25
	491	**360**

9. OTHER OPERATING EXPENSES

in '000 HRK	**2020**	**2019**
Maintenance costs	636,238	642,767
Value adjustment of trade receivables (Note 23)	118,416	182,625
Unclaimed receivables written off	36,115	19,827
Costs of external services and materials	504,608	514,579
Billable services and materials	172,858	95,290
Procurement of energy savings	801	17,600
Cost of CO^2 emission units	454,357	403,428
Write-off of property, plant and equipment	42,025	37,812
Value adjustment of inventories	11,450	9,282
Value adjustment of property plant and equipment	113,886	87,483
Value adjustment of long-term intangible assets	-	2,770
Employee cost compensation	105,175	123,839
Other material rights of employees	137,871	121,148
NPP Krško – costs of decommissioning	107,651	105,618
Contributions, taxes and fees to the state	97,853	101,662
Contributions and concessions for water	77,778	78,206
Fee for the use of power plant space	89,448	91,899
Fee for water purification and drainage	12,630	12,853
Cost of materials sold	27,383	24,933
Billing and collection costs	25,593	35,381
Provisions for litigation	60,482	56,554
Provisions for unused vacations	4,715	6,757
Provisions for severance pay and jubilee awards	69,748	101,612
Provisions for severance pay based on termination of employment contract	-	7,966
Provision for decommissioning of thermal power plants	7,575	16,799
Banking fees	18,368	19,338
Insurance premiums	9,463	10,710
Damages	20,770	20,099
Other expenses	144,428	184,323
Capitalized borrowing costs (fees)	(3,787)	(4,965)
	3,103,898	**3,128,195**

Billable services and materials in 2020 amount to HRK 172,858 thousand (2019: HRK 95,290 thousand). The increase of HRK 78,005 thousand mainly relates to costs for billable services incurred during the implementation of energy efficiency projects.

Compensation of employees includes transportation costs to work in 2020 in the amount of HRK 75,323 thousand (2019: HRK 73,560 thousand), per diems and travel expenses in 2020 in the amount of HRK 13,203 thousand (2019: HRK 28,680 thousand)), supplementary health insurance in the amount of HRK 8,177 thousand (2019: HRK 6,962 thousand) and other similar expenses in 2020 in the amount of HRK 8,472 thousand (2019: HRK 14,637 thousand). Costs of other material rights of employees include fees under the Collective Agreement. Most of them relate to payments under the Collective Agreement in the amount of HRK 109,517 thousand, and to a lesser extent to solidarity benefits, benefits for separated life, assistance to children and others.

10. FINANCIAL INCOME / EXPENSES

in '000 HRK	**2020**	**2019**
Financial income		
Positive exchange rate differences	115,408	29,874
Net interest income	12,958	14,086
Change in fair value of cross-currency swap	-	226,744
Dividend income	3,999	4,730
Other financial income	24,042	5,665
NPP Krško - interest	1,226	100
Total financial income	**157,633**	**281,199**
Financial expenses		
Interest expense	(106,943)	(75,936)
Negative exchange rate differences	(179,466)	(178,859)
Change in fair value of cross-currency swap	(215,919)	-
NPP Krško - interest	(2,537)	(2,453)
Other financial expenses	(2,294)	(1,368)
Total financial expenses	**(507,159)**	**(258,616)**
Capitalized borrowing costs	5,082	1,455
Financial expenses recognized in the statement of profit or loss	**(502,077)**	**(257,161)**
Net financial gain/loss	**(344,444)**	**24,038**

Other financial income mostly consists of income from negative goodwill arising from the purchase of PPD - Distribucija plina d.o.o. in 2020 in the amount of HRK 18,097 thousand; unrealized gains from the increase in the value of shares in investment funds in the amount of HRK 1,104 thousand (2019: HRK 4,733 thousand); income from futures trading on the stock exchange in 2020 in the amount of 1,432 thousand and other financial income.

11. INCOME TAX

in '000 HRK	**2020**	**2019**
Current tax	(318,968)	(261,000)
Deferred tax recognized in profit or loss	(31,587)	(54,695)
Income tax	**(350,555)**	**(315,695)**

The adjustment of deferred tax assets is as follows:

in '000 HRK	**2020**	**2019**
Balance ar 1 January	913,208	962,466
Cancellation of deferred tax assets	(134,229)	(126,639)
Recognition of deferred tax assets	100,641	77,381
Balance at 31 December	**879,620**	**913,208**

Deferred tax assets arise from non-tax-deductible provisions for jubilee awards and severance pay for retirement, value adjustments that are not tax deductible and other provisions.

The reconciliation between income taxes and profit or loss in the statement of profit or loss is shown as follows:

in '000 HRK	**2020**	**2019**
Pre-tax profit	1,814,330	1,718,340
Income tax at the tax rate in use in the Republic of Croatia (18%)	**(326,579)**	**(309,301)**
The effect of non-taxable income	105,731	111,322
The effect of non-tax-deductible expenses	(92,788)	(53,413)
The effect of the difference in the tax rate of subsidiaries abroad	654	89
Previously unrecognized tax losses used	-	64
Loss-making companies	(5,986)	(9,761)
Tax effects of temporary differences	(31,587)	(54,695)
Income tax	**(350,555)**	**(315,695)**
Effective tax rate	19%	18%

Most of the Group's subsidiaries are liable to pay income tax in accordance with the tax laws and regulations of the Republic of Croatia. Subsidiaries within the Group reported tax losses in the amount of HRK 191,586 thousand (2019: HRK 191,034 thousand), while the Group calculated income tax in the amount of HRK 318,968 thousand (2019: HRK 261,000 thousand) and deferred tax assets in the amount of HRK 31,587 thousand (2019: HRK 54,695 thousand).

Realized tax losses can be transferred and recognized as a deductible item in the calculation of taxes in subsequent tax periods until their statutory expiration date, which is 5 years from the end of the year in which the tax losses occurred.

11. INCOME TAX (continued)

The Group's tax losses and their expiration dates are shown in the following table:

Year of tax loss	Total tax loss of the Group	Year of termination of transfer possibilities
	in '000 HRK	
2016	26,221	2021
2017	9,243	2022
2018	32,334	2023
2019	54,227	2024
2020	69,561	2025
	191,586	

Group companies that operate continuously at a loss do not recognize deferred tax assets. The Company makes a profit and has no tax losses to carry over. In accordance with Croatian regulations, it is not possible to use tax losses on a consolidated basis. Each individual company determines its tax liability.

As at 31 December 2020 deferred tax assets arising from transferred tax losses in the amount of HRK 191,586 thousand were not recognized.

In accordance with tax regulations, the Tax Administration may at any time review the books and records of the Company and its subsidiaries for a period of three years after the end of the year in which the tax liability is stated, and may impose additional tax liabilities and penalties. The Company's management is not aware of any circumstances that could lead to potential significant liabilities in this regard.

In 2020, there was no tax supervision in the Group's subsidiaries.

11. INCOME TAX (continued)

The table below summarizes the changes in deferred tax assets during the year:

in '000 HRK	**Value adjustment of inventories**	**Provisions for jubilee awards and severance payments**	**Depreciation above prescribed rates**	**Provisions for MTM bonds**	**Value adjustment of real estate, plant and equipment**	**Carried forward tax losses**	**Other**	**Total**
1 Jan 2019	**46,889**	**101,696**	**13,272**	**55,306**	**327,122**	**-**	**418,181**	**962,466**
Booked to the credit and debit of the current year's profit and loss account	1,928	19,288	11,201	(40,814)	(6,303)	-	(34,558)	(49,258)
31 Dec 2019	**48,817**	**120,984**	**24,473**	**14,492**	**320,819**	**-**	**383,623**	**913,208**
Booked to the credit and debit of the current year's profit and loss account	1,746	12,513	(816)	38,866	(8,085)		(77,812)	(33,588)
31 Dec 2020	**50,563**	**133,497**	**23,657**	**53,358**	**312,734**		**305,811**	**879,620**

The item "Other" mainly refers to the recognition of deferred tax assets due to the adoption of IFRS 15. With the adoption of IFRS 15, revenues from electricity connections are deferred over the duration of the contract and are recognized over time.

Deferred tax liability relates to the fair value of JANAF shares through other comprehensive income in the amount of HRK 13,175 thousand (2019: HRK 18,454 thousand) and deferred liability arising in previous periods from the transfer of assets from business to non-business assets (transfer of assets from IAS 16 to IAS 40), on the basis of which a deferred tax liability in the amount of HRK 4,592 thousand was recorded (2019: HRK 4,592 thousand).

12. PROPERTY, PLANT AND EQUIPMENT

in '000 HRK	Land and buildings	Inventory and equipment	Tangible assets under construction	Advances	Total
Purchase value					
On 1 January 2019	**40,213,487**	**51,037,992**	**1,936,831**	**87,170**	**93,275,480**
Transfers	84,478	46,713	(132,788)	-	(1,597)
Additions	51,447	260,152	2,840,139	60,187	3,211,925
Additions NEK	-	-	262,292	(19)	262,273
Activation of ongoing investments	429,302	1,078,551	(1,507,853)	-	-
Activation of investments in progress by NEK	2,131	266,496	(268,627)	-	-
Disposals	(111,356)	(539,100)	(9,348)	-	(659,804)
Transfer to investment property	(40,118)	-	-	-	(40,118)
On 31 December 2019	**40,629,371**	**52,150,804**	**3,120,646**	**147,338**	**96,048,159**
Transfers	(17,340)	11,251	1,452	-	(4,637)
Additions	23,700	1,948,776	2,166,056	(85,280)	4,053,252
Additions NEK	-	-	218,152	364	218,516
Increase through acquisitions and mergers	152,338	4,002	22,964	30	179,334
Allocation of goodwill to real estate	17,617	-	-	-	17,617
Activation of ongoing investments	499,752	1,301,252	(1,812,217)	-	(11,213)
Activation of investments in progress by NEK	415	23,374	(23,789)	-	-
Disposals	(86,570)	(354,311)	(26,453)	-	(467,334)
On 31 December 2020	**41,219,283**	**55,085,148**	**3,666,811**	**62,452**	**100,033,694**
ACCUMULATED DEPRECIATION					
On 1 January 2019	**28,316,913**	**33,694,992**	**-**	**-**	**62,011,905**
Depreciation expense for the year	671,984	1,204,769	-	-	1,876,753
Depreciation expense for the year for NEK	26,808	103,881	-	-	130,689
Impairment	22,457	55,615	-	-	78,072
Transfers	27,199	3,980	-	-	31,179
Disposal	(106,053)	(523,182)	-	-	(629,235)
Transfer to investment property	(31,414)	-	-	-	(31,414)
On 31 December 2019	**28,927,894**	**34,540,055**	**-**	**-**	**63,467,949**
Depreciation for the year	661,948	1,236,721	-	-	1,898,669
Depreciation expense for the year for NEK	27,165	211,926	-	-	239,091
Impairment	23,246	90,640	-	-	113,886
Mergers	72,791	3,349	-	-	76,140
Transfers	(16,771)	17,945	-	-	1,174
Deregistered by alienation	(76,387)	(347,596)		-	(423,983)
On 31 December 2020	**29,619,886**	**35,753,040**	**-**	**-**	**65,372,926**
CARRYING AMOUNT					
As at 31 December 2020	**11,599,397**	**19,332,108**	**3,666,811**	**62,452**	**34,660,768**
As at 31 December 2019	**11,701,477**	**17,610,749**	**3,120,646**	**147,338**	**32,580,210**

As at 31 December 2020, property, plant and equipment were not given as collateral for bonds issued and loans received.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group owns a large number of properties, however the ownership of individual properties has not been fully resolved. The Group is in the process of registering ownership of the Group's real estate. Due to the large number of properties, there is a possibility that not all properties owned by the Group are recorded in the business books. There is also a possibility that real estate where the Group has no registered ownership is recorded in the business books.

On 27 June 2013, the Management Board of the Company issued a Decision on measures and activities related to resolving the ownership status of the Company's real estate and subsidiaries.

The Decision sets tasks and deadlines for the purpose of submitting proposals to the competent land registry courts for the purpose of registering property rights. Activities on arranging the land registry will continue in 2020.

As at 31 December 2020 property, plant and equipment were not given as collateral for bonds issued and loans received.

13. RIGHT OF USE ASSETS

in '000 HRK	**Land and buildings**	**Inventory and equipment**	**Total**
PURCHASE VALUE			
On 1 Jan 2019	**17,752**	**-**	**17,752**
Increases	4,610	4,241	8,851
On 31 Dec 2019	**22,362**	**4,241**	**26,603**
On 1 Jan 2020	**22,362**	**4,241**	**26,603**
Increases	5,841	1,339	7,180
Reductions	(795)	-	(795)
On 31 Dec 2020	**27,408**	**5,580**	**32,988**
ACCUMULATED DEPRECIATION			
On 1 Jan 2019	**-**	**-**	**-**
Depreciation expense for the year	6,290	820	7,110
On 31 Dec 2019	**6,290**	**820**	**7,110**
On 1 Jan 2020	**6,290**	**820**	**7,110**
Depreciation expense for the year	6,751	1,088	7,839
Increases / Decreases	(30)	11	(19)
Lease cancellation	(795)	-	(795)
On 31 Dec 2020	**12,216**	**1,919**	**14,135**
CARRYING AMOUNT			
On 31 Dec 2020	**15,192**	**3,661**	**18,853**
On 31 Dec 2019	**16,072**	**3,421**	**19,493**

14. INVESTMENT PROPERTY

As at 31 December 2020 and 2019, investments in real estate include real estate held to earn rental income and/or increase the value of capital, and are stated at fair value. Fair value includes the estimated market price at the end of the reporting period. All real estate investments are owned by the Group.

The assessment of the fair value of real estate was performed by official appraisers or internal services of the Group, the assessment of which is based on available data on the market price of real estate in suitable positions. These prices were collected from various sources, including available statistics from the Central Bureau of Statistics, the Real Estate Agency, the Croatian Chamber of Commerce, and others. These values of average realized prices are adjusted for the characteristics and specifics of individual properties.

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
At fair value		
Fair value	**330,738**	**303,726**
Net change in value based on fair value adjustment	7,847	18,308
Transfer from real estate	-	8,704
Procurement investment	4,022	-
Year-end balance at fair value	**342,607**	**330,738**

As at 31 December 2020, there are no real estate investments pledged as collateral.

At the end of the reporting period, no significant capital expenditures were contracted without being recognized as liabilities.

15. GOODWILL AND INTANGIBLE ASSETS

in '000 HRK	**Goodwill**	**Licenses, software**	**Intangible assets under construction**	**Total**
PURCHASE VALUE				
Balance on 31 Dec 2018	**-**	**883,032**	**45,852**	**928,884**
Postings	-	1,597	-	1,597
Increase	59,444	26,855	37,012	123,311
Activating assets under construction	-	36,074	(36,074)	-
Alienations	-	(13,146)	(2,770)	(15,916)
Balance on 31 Dec 2019	**59,444**	**934,412**	**44,020**	**1,037,876**
Postings	-	2,653	1,912	4,565
Increase	7,328	41,010	29,441	77,779
Increase by merger	-	2,488	-	2,488
Activation of assets under construction	-	12,492	(1,279)	11,213
Alienations	-	(18,491)	-	(18,491)
Allocation of goodwill to real estate	(17,617)	-	-	(17,617)
Balance on 31 Dec 2020	**49,155**	**974,564**	**74,094**	**1,097,813**
ACCUMULATED DEPRECIATION				
Balance on 31 Dec 2018	**-**	**704,454**	**-**	**704,454**
Postings	-	179	-	179
Depreciation expense for the year	-	54,829	-	54,829
Alienations	-	(12,584)	-	(12,584)
Balance on 31 Dec 2019	**-**	**746,878**	**-**	**746,878**
Postings	-	(105)	-	(105)
Depreciation expense for the year	-	65,611	-	65,611
Mergers	-	1,309	-	1,309
Alienations	-	(18,284)	-	(18,284)
Balance on 31 Dec 2020	**-**	**795,409**	**-**	**795,409**
CARRYING AMOUNT				
On 31 Dec 2020	**49,155**	**179,155**	**74,094**	**302,404**
On 31 Dec 2019	**59,444**	**187,534**	**44,020**	**290,998**

Goodwill was created by the acquisition of the companies Energetski park Korlat d.o.o., Plin VTC d.o.o., Sunčana elektrana Poreč d.o.o., PPD - Opskrba kućanstava d.o.o., Sunčana elektrana Vis d.o.o. and Ornatus d.o.o. and is entirely allocated to these companies (see table below). Goodwill refers to the good market position of the mentioned companies and the expected synergy with HEP Group that will arise after the acquisition.

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Goodwill		
Energetski park Korlat d.o.o.	31,083	31,083
Plin VTC d.o.o.	10,474	10,474
Sunčana elektrana Poreč d.o.o.	270	270
IE – Nekretnine d.d.	-	17,617
PPD – Opskrba kućanstava d.o.o.	2,432	-
Sunčana elektrana Vis d.o.o.	2,872	**-**
Ornatus d.o.o.	2,024	**-**
	49,155	**59,444**

16. INVESTMENT IN NPP KRŠKO

Investment history

At the end of 2001, the Contract was signed between the Government of the Republic of Croatia and the Government of the Republic of Slovenia to regulate the status and other legal affairs related to the investment, exploitation and decommissioning of Krško Nuclear Power Plant (NEK) and the Contract between HEP d.d. and ELES GEN d.o.o. The treaty was ratified by the Parliament of the Republic of Croatia in mid-2002 and entered into force on 11 March 2003 after being ratified by the Parliament of the Republic of Slovenia on 25 February 2003.

This contract recognizes the previously revoked ownership rights of HEP dd in the newly formed company NE Krško in the amount of 50% of the share in the power plant. Both sides agreed that the life of the power plant is at least until 2023. The produced electricity is delivered in a ratio of 50:50 for both contracting parties, and the price of the delivered energy is determined according to the actual production costs.

The agreement also clearly defines, for the first time, the obligation of the Republic of Croatia to dispose of half of the radioactive waste and spent nuclear fuel from the Krško NPP. Each state has an obligation to provide half of the necessary funds to finance the costs of developing the decommissioning program and the costs of implementing the program. Each Party shall allocate funds for these purposes to its separate fund in the amounts provided for in the decommissioning programs. In accordance with the current Program for the Decommissioning of NPP Krško and Disposal of Radioactive Waste and Spent Nuclear Fuel, HEP dd is obliged to pay funds to the Fund in the amount of EUR 14,250 thousand per year.

Current situation

Payments into the Fond for financing the decommissioning of NPP Krško

Pursuant to the Decree on the amount, deadline and manner of payment of funds for financing the decommissioning and disposal of radioactive waste and spent nuclear fuel of the Krško NPP adopted by the Government of the Republic of Croatia on 24 December 2008, HEP dd paid into the Fund for financing the decommissioning of NPP Krško the amount of HRK 1,800,798 thousand during the period from 2006-2020 (HRK 107,651 in 2020). The amount of the payment is determined by the document Decommissioning Program from 2004. The current annual liability in the amount of EUR 14,250 thousand is paid into the Fund on a quarterly basis. On 14 July 2020, the Interstate Commission adopted the Third Revision of the Krško NPP Decommissioning and Radioactive Waste Disposal Program, according to which in the future HEP d.d. will pay a smaller annual amount. It is expected that the amendment to the bylaws will be adopted in the first half of 2021 and thus the payment of HEP d.d. decreased from EUR 14,250 thousand to EUR 9,760 thousand per year.

Life extension

After NE Krško received an operating permit from the Slovenian Nuclear Safety Administration without a time limit in 2012, at the beginning of 2016, HEP dd and GEN energija doo decided to extend the operating life of the power plant until 2043. The decision was made with the consent of the Interstate Commission for NPP Krško and was preceded by an economic study on the profitability of investments in long-term operation of the power plant. On 2 October 2020, the Environmental Agency of the Republic of Slovenia (ARSO) issued a decision deciding that in order to extend the life of the Krško NPP, it is necessary to perform an environmental impact assessment and obtain Environmental Consent (EC). The process of obtaining an EC, in accordance with the Convention on Environmental Impact Assessment in a Transboundary Area, also includes a transboundary environmental impact assessment procedure. The administrative procedure for obtaining the EC will be led by the ARSO. NPP Krško has already conducted a tender for the preparation of the Environmental Impact Report and for support in the process of environmental impact assessment and obtaining the EC. The contract has already been signed, and additional supporting professional organizations are included.

Accounting monitoring of the joint venture of NPP Krško

In the consolidated financial statements, the Group applies the method of joint management of assets and liabilities and presents its share in each asset and each liability, income and expense in accordance with IFRS 11. The following table shows an excerpt from the financial statements of NPP Krško doo in 100% amounts as at 31 December 2020 and 31 December 2019:

16. INVESTMENT IN NPP KRŠKO (continued)

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Property, plant and equipment	3,103,524	3,105,654
Equity and reserves	3,586,499	3,274,006
Gross sales revenue	1,512,462	1,291,302
Cash flow from operating activities	498,386	334,916
Profit for the year	-	-

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Investments calculated using the equity method:		
Investment in Male hidre d.o.o.	3,040	-
Cropex	4,500	2,500
	7,540	**2,500**

The following table shows an excerpt from the financial statements of companies that are accounted for using the 100% equity method as at 31 December 2020 and 31 December 2019.

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Cropex d.o.o.		
Property, plant and equipment	45	4,422
Equity and reserves	9,036	52
Sales income	9,354	8,195
Cash flow from operating activities	-	-
Loss for the financial year	4,137	1,807

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Initial balance of assets at fair value through other comprehensive income	**255,007**	**196,716**
Changes in the fair value of assets	(21,692)	58,291
Closing balance of assets at fair value through other comprehensive income	**233,315**	**255,007**

Changes in financial assets at fair value through other comprehensive income shown in the table above are presented in gross amount.

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Investments through other comprehensive income (equity securities)		
Jadranski Naftovod d.d.	232,119	253,711
VIS d.d.	3	-
Đuro Đaković d.d.	5	5
Elektrometal d.d.	40	40
Međimurje beton d.d.	152	153
Pominvest d.d.	35	35
Konstruktor Inženjering d.d. u stečaju	233	233
Helios Faros	18	18
Other	710	812
Total investments through other comprehensive income	**233,315**	**255,007**

In 2020 and 2019, the fair valuation was made on the basis of the notification of the Central Depository and Clearing Company on the account balance as at 31 December. The market price of the share of Jadranski naftovod d.d. as at 31 December 2020 amounts to HRK 4,300, and as at 31 December 2019 to HRK 4,700. Through fair valuation of investments in Jadranski naftovod d.d. as at 31 December 2020, the value of investments decreased by HRK 21,592 thousand, and as at 31 December 2019, it increased by HRK 58,300 thousand. The effect of fair valuation in 2020 and 2019 was conducted through reserves.

19. LONG-TERM LOANS GRANTED

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Receivables on housing loans	4,173	5,986
Receivables for granted loans to NPP	54	104
The long term portion	**4,227**	**6,090**

Prior to 1996, the Group sold its own apartments to its employees in accordance with the laws of the Republic of Croatia. The sale of these assets was mainly on credit and sales receivables, which have an interest rate lower than the market rate, are repaid monthly over a period of 20 to 35 years. Receivables from the sale of apartments were transferred to newly established affiliates on 1 July 2002. These receivables are stated in the consolidated financial statements at a discounted net present value. Liabilities to the state, which represent 65% of the value of apartments sold, are stated in other long-term liabilities (Note 32). Receivables are secured by mortgages on sold apartments.

20. OTHER FINANCIAL ASSETS

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
The share of HOPS d.o.o. in unrelated companies	5,612	5,612
The share of Plomin Holding d.o.o. in companies	64,251	-
	69,863	**5,612**

Plomin Holding d.o.o. concluded in 2020 a Share Purchase Agreement for the companies Velebit Pro Sol d.o.o., M-Vizija d.o.o. and Peharda izgradnja d.o.o. according to which the share was paid in installments during 2020 and the above represents the repaid part of the share in the amount of HRK 64,251 thousand. The Group has no control over these companies at the balance sheet date.

21. OTHER NON-CURRENT RECEIVABLES

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Trade receivables from energy efficiency projects - long-term part	56,235	1,782
Other receivables	59	-
	56,294	**1,782**

Receivables from customers of energy efficiency projects relate to energy efficiency projects performed for its customers by HEP-ESCO d.o.o. After the implementation of the project, the customers are issued an invoice for the total value of the project, which is repaid from the savings, in monthly annuities. In order to ensure investments in energy efficiency projects, an assessment of the creditworthiness of potential clients is made, while the Project Performance Agreement obliges clients to submit collaterals.

22. INVENTORIES

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Fuel and chemicals	122,939	118,994
Electrical and mechanical materials	435,836	416,587
Spare parts	224,707	228,812
Building material	17,639	12,726
Wholesale gas supplies	34,256	400,886
Stocks of CO2 emission units	668,336	528,494
Energy-saving in final consumption	13,070	10,314
Other inventories	50,804	58,616
Nuclear fuel stocks NPP Krško	198,221	158,333
Other material stocks NPP Krško	122,947	103,958
	1,888,755	**2,037,720**
Value adjustment of obsolete material and spare parts	(279,908)	(268,458)
	1,608,847	**1,769,262**

The table below shows the changes in the value adjustment of inventories during the year:

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Balance at 1 January	**268,458**	**259,176**
Credited to and debited to the profit and loss for the year	11,450	9,282
Balance at 31 December	**279,908**	**268,458**

23. TRADE RECEIVABLES

in '000 HRK	31 Dec 2020	31 Dec 2019
Electricity - economy	1,404,205	1,467,930
Electricity - households	499,210	487,403
Electricity - abroad	185,418	127,335
Thermal energy, gas and services	567,978	1,038,756
Trade receivables NPP Krško	10,353	19,509
Other	50,824	112,865
	2,717,988	**3,253,798**
Expected credit losses	(752,712)	(1,083,983)
	1,965,276	**2,169,815**

The table below shows the age structure of outstanding trade receivables:

31 Dec 2020	Undue	Up to 30 days	From 31-60 days	From 61-90 days	From 91-180 days	From 181-365 days	365 and more days	**Total**
Gross book value of trade receivables	1,422,394	288,717	104,923	54,209	56,826	32,941	757,978	**2,717,988**
Expected credit losses	(28,448)	(3,147)	(1,574)	(1,626)	(5,114)	(9,882)	(702,921)	**(752,712)**

31 Dec 2019	Nedospjelo	Do 30 dana	Od 31-60 dana	Od 61-90 dana	Od 91-180 dana	Od 181-365 dana	365 i više dana	**Total**
Gross book value of trade receivables	1,650,160	290.081	97,219	44,699	47,773	25,949	1,097,917	**3,253,798**
Expected credit losses	-	-	(1,458)	(1,341)	(4,300)	(7,785)	(1,069,099)	**(1,083,983)**

23. TRADE RECEIVABLES (continued)

The changes in impairment adjustments were as follows:

in '000 HRK	**2020**	**2019**
Balance at 1 January	**1,083,983**	**1,188,390**
Change in expected credit losses	(69,168)	(185,418)
Write-off	118,416	182,625
Reprogrammed receivables collected	(327,014)	(4,000)
Corrected receivables collected	(53,505)	(97,614)
Balance at 31 December	**752,712**	**1,083,983**

24. OTHER CURRENT RECEIVABLES

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Income tax receivables	110,446	99,165
VAT receivables	97,011	101,393
Advances for working capital	305,186	255,732
Receivables from the state for employees	4,468	3,663
Deposits and time deposits for a period longer than 3 months	63,973	69,219
Deposits and time deposits for a period longer than 3 months	94,256	40,834
NPP Krško	9,318	21,172
Receivables of HEP-ESCO d.o.o. from the beneficiaries of the energy efficiency project	4,050	5,215
Receivables for sold apartments	25,511	31,799
Receivables for invoiced RES - HROTE fee	38,340	-
Receivables for calculated income from the sale of electricity to households	2,416	2,303
Other receivables NPP Krško	53,394	65,461
	808,369	**695,956**

The average weighted interest rate on deposits is - 0.033045%.

Accrued revenues from the sale of electricity to households in the amount of HRK 38,340 thousand in 2020 (Note 24) and HRK 3,716 thousand in 2019 (Note 36) are based on the calculation of the correction of household income obtained by calculating the logarithmic curve. The correction of household income as at 31 December 2020 was obtained by calculating the logarithmic curve using network losses of 8.11% while for the year ended 31 December 2019, the stated percentage of losses used in the calculation was 7.68%. In 2020, the result of the correction is an increase in revenue in the amount of HRK 42,056 thousand compared to 2019, and after this correction, receivables in the amount of HRK 38,340 thousand were reported. In 2019, the result was an increase in revenue in the amount of HRK 2,534 thousand compared to 2018, and a liability in the amount of HRK 3,716 thousand was reported.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Share in investment funds - foreign currency	66,012	64,686
Share in investment funds - kuna	101,043	100,499
	167,055	**165,185**

26. CASH AND CASH EQUIVALENTS

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Kuna accounts	2,527,996	2,242,676
Foreign currency accounts	340,131	583,760
Allocated funds	76,508	58,388
Cash in hand - juna	207	217
Deposits with a maturity of up to 90 days	106,609	82,844
Daily time deposits	371,851	384,103
Transaction and foreign currency account - NPP Krško	91,126	167
	3,514,428	**3,352,155**

Structure of foreign currency accounts by currency:

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
EUR	289,465	576,876
USD	45,795	2,212
KM	2,826	4,039
Other currencies	2,045	633
	340,131	**583,760**

27. SHARE CAPITAL

The share capital is denominated in Croatian kuna in the amount of HRK 19,792,159 thousand and consists of 10,995,644 ordinary shares with a nominal value of HRK 1,800.
Retained earnings in the amount of HRK 6,491,752 thousand (2019: HRK 5,671,268 thousand) include profit reserves in the amount of HRK 543,072 thousand (2019: HRK 487,707 thousand), retained earnings in the amount of HRK 4,483,536 thousand (HRK 3,779,558 thousand in 2019) and current year profit attributed to the owner in the amount of HRK 1,465,144 thousand (2019: HRK 1,404,003 thousand).

28. LIABILITIES UNDER ISSUED BONDS

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Value of bonds abroad from 2015	3,593,024	3,573,685
Exchange rate difference	45,794	12,140
Discount value	7,144	7,199
	3,645,962	**3,593,024**
Cost allocation by bond	(6,366)	(9,838)
Bonds issued in 2015	**3,639,596**	**3,583,186**
Repurchase - investment in bonds 1 January	(64,482)	-
Repurchase - investment in bonds during the year	(76,172)	(64,261)
Exchange rate difference	(1,274)	(221)
	(141,928)	**(64,482)**
Total liabilities under issued bonds	**3,497,668**	**3,518,704**

Bonds issued abroad in 2015

In October 2015, the Company issued corporate bonds in the amount of $ 550,000 thousand, with a discount, with a maturity of 7 years and a fixed interest rate of 5.875% per annum. Bonds issued in 2015 were mostly used for repurchasing of 83.37% of the amount of bonds issued in 2012 (i.e. repurchase of $ 416,852 thousand). The remaining amount of the issue was intended to finance the Company's business activities. The bond is listed on the Luxembourg Stock Exchange and is actively traded. The fair value of bonds, less the repurchased amount of bonds with a nominal value of $ 21,075 thousand as at 31 December 2020 amounts to $ 575,534 thousand (equivalent to HRK 4,337,743 thousand).

During 2020 the Company repeatedly purchased its own bonds on the secondary market in the total amount of HRK 77,446 thousand, which reduced the total book value of the corporate bond as at 31 December 2020 by the repurchase.

Derivative financial instruments

Currency swap

In order to reduce the exposure to currency risk, i.e. to protect the exposure to the movement of the dollar exchange rate, the Group concluded a Cross currency swap agreement by which the dollar bond liability was converted into a euro liability for the entire life of the bonds, i.e. until maturity on 23 October 2022.

According to the currency exchange agreement from 2015, the annual interest rate paid by the Group is fixed and amounts to 4.851% (weighted interest rate) and is payable semi-annually (the interest rate also includes the cost of exchange or swap).

The purpose of the Cross currency swap agreement is to reduce currency risk and credit agencies' recommendations on the importance of strategic currency risk management in order to reduce their impact on the Group's business results.

The Group's fair value of derivative financial instruments is linked to the Mark to market value "MTM", according to official calculations of banks, for the reporting period.

28. LIABILITIES UNFER ISSUED BONDS (continued)

The positive value of "MTM" is recorded as a receivable, i.e. it forms the financial income of the period, and the negative value of "MTM" is recorded as a liability and forms the financial expense of the reporting period. Upon the final maturity of a derivative financial instrument, the receivable or liability in question will be reversed to the expense or expense of the Group.

As at 31 December 2020 the fair value of liabilities for bonds issued in the 2015 was HRK 296,430 thousand (2019: HRK 80,511 thousand; Note 32).

29. LIABILITIES UNDER LONG-TERM LOANS

in '000 HRK	Interest rates	**31 Dec 2020**	**31 Dec 2019**
Loans from foreign banks	Fixed / Variable	540,015	221,725
Financial leasing	Fixed	-	3,005
Loans from participating interest companies		27,687	27,687
Loans NPP Krško		157,710	155,736
Total long-term loan liabilities		**725,412**	**408,153**
Differentiation of loan fees		(2,934)	(3,229)
Total long-term loan liabilities		**722,478**	**404,924**
Current loan maturity		(53,879)	(36,286)
Current maturity of financial leasing (note 34)		-	(3,005)
Current maturity of loans of companies related to the participating interest		(13,844)	(18,565)
The long term portion		**654,755**	**347,068**

The Company contracted loans with domestic and foreign banks with applicable variable and fixed interest rates, which in 2020 ranged from 0.44% to 2.48%. The Group also had a contractual financial lease with a fixed interest rate of 5.6%, maturing in November 2020.

Loans from domestic banks are secured by bills of exchange and promissory notes. As at 31 December 2020, the Group has no debt covered by the State guarantee.

Since 2019, the Group has a contractual loan with Plinacro d.o.o. which is contracted with the company LNG Hrvatska d.o.o. with a variable interest rate of 3.42% at the balance sheet date.

In 2019, the loan of Privredna banka Zagreb d.d. which was approved to the company NPP Krško (Nuklearna elektrana Krško d.o.o.) and 50% of the value of the said loan is stated on the balance sheet date at an interest rate of 1%.

Loans in use

To finance the investment plan and operating activities in 2020, the Company used its own funds and funds from the loan in use.

On 24 July 2018 a Loan Agreement was signed with the EBRD and the EIB for the purpose of financing the construction project of KKE EL-TO Zagreb in the amount of EUR 130 million, of which EUR 87 million relates to the EBRD, and to the EIB EUR 43 million. The EBRD loan consists of two tranches, namely Tranche A (EUR 43,5 million) provided by the EBRD independently and Tranche B (EUR 43,5 million) in which the commercial banks' union participates.

29. LIABILITIES UNDER LONG-TERM LOANS (continued)

In December 2018, the use of loans from the EBRD and the EIB began to finance the construction project KKE EL-TO Zagreb.

During 2020, there were two withdrawals on these loans: in April in the total amount of EUR 37.3 million and in September in the amount of EUR 9.5 million. In April 2020, the EBRD loan was used in the amount of EUR 25.2 million, and the EIB loan in the amount of EUR 12.1 million. In September 2020, the EBRD loan was used in the amount of EUR 6.4 million, and the EIB loan in the amount of EUR 3.1 million.

As at 31 December 2020, the balance of used long-term loans amounts to EUR 38.5 million from the EBRD and EUR 18.52 million from the EIB. The use of the loan was agreed until July 20, 2021.

Repayment plan for principal of long-term loans maturing in the next five years:

	in '000 HRK
2021	67,723
2022	86,935
2023	90,744
2024	59,666
2025	59,666
After 2025	357,744
	722,478

Loans from domestic banks are secured by bills of exchange and promissory notes, while loans with development banks, the EBRD and the EIB are financed in the form of financial indicators according to which the Group is obliged to meet certain prescribed levels of the following indicators on an annual and semi-annual basis: net financial debt / EBITDA, EBITDA / net financial expenses, net financial debt / total net value.

The main objective related to the risks posed by financial indicators is to protect the Group from possible breach of contractual obligations, i.e. early maturities of contracted credit indebtedness.

The contracted financial indicators are monitored and calculated based on the projected statement of financial position and income statement.

The Group prepares preliminary calculations of financial indicators in the forthcoming medium-term period and monitors their trend.

As at 31 December 2020 the Group met all contracted financial indicators.

The Group's total exposure based on contracted credit indebtedness related to financial indicators as at 31 December 2020 amounts to EUR 57,023 thousand.

The following is an overview of long-term loans denominated in foreign currencies (in thousands):

Currency	**31 Dec 2020**	**31 Dec 2019**
EUR	92,575	50,686

29. LIABILITIES UNDER LONG-TERM LOANS (continued)

For the purpose of securing liquidity reserves in the next medium-term period, the Company has concluded multi-purpose framework agreements with domestic banks as at 31 December 2020 in the total amount of up to HRK 1 billion.

The Company may use the funds from these frameworks for short-term loans, and the issuance of guarantees, letters of credit, letters of intent in accordance with the needs of the Group companies. During 2020 short-term lines were used exclusively for the purpose of issuing guarantees and opening letters of credit, and they did business equally with all banks.

From the aforementioned medium-term multi-purpose frameworks, in 2020 the Group did not have the need to conclude short-term loans due to good liquidity.

As at 31 December 2020 the total amount of available funds from the short-term framework amounts to HRK 884,217 thousand.

30. LEASE LIABILITIES

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Long-term liabilities for rental properties	9,803	11,792
Long-term liabilities for car rental	1,547	2,489
Long-term liabilities for equipment rental	790	-
	12,140	**14,281**
Current maturity of long-term lease liabilities	7,685	5,846
Lease liabilities	**19,825**	**20,127**

The lease liability is calculated at the present value of the contractual future payments to the lessor over the term of the lease, less the discount rate determined in relation to the rate inherent in the lease unless it is (as is usually the case) not easy to determine. In that case, the incremental borrowing rate of the HEP Group at the beginning of the lease is used. Variable lease payments are included in the calculation of lease liabilities only if they depend on an index or rate. In this case, the initial calculation of lease liability assumes that the variable element will remain unchanged for the duration of the lease. Other variable lease payments represent an expense in the period to which it relates.

31. PROVISIONS

in '000 HRK	31 Dec 2020	31 Dec 2019
Provisions for litigation	319,107	277,189
Provisions for severance pay	665,237	594,676
Provisions for severance pay and jubilee fees of Krško NPP	46,020	43,401
Provisions for jubilee awards	43,184	44,086
Provision for decommissioning of a thermal power plant	220,649	213,073
Provision for delivered electricity from wind power	21,631	21,631
Provisions - other - NPP Krško	15,848	1,344
	1,331,676	**1,195,400**

The amount of provisions for decommissioning costs of thermal power plants in the amount of HRK 220,649 thousand (in 2019 HRK 213,073 thousand) represents the discounted value of the estimated cost of decommissioning of the Group's thermal power plants.

The table below summarizes the changes in provisions during the presented period:

in '000 HRK	Provisions for litigation	Provisions for severance pay	Provisions for jubilee awards	Provisions for thermal power plant decommissioning	Other	Total
On 1 January 2019	**275,079**	**535,004**	**41,373**	**194,404**	**21,631**	**1,067,491**
Transfers	-	-	-	-	1,344	1,344
Additional provisions	56,554	115,947	8,736	20,669	-	201,906
Reduction of provisions based on payment	(9,062)	(12,874)	(6,023)	-	-	(27,959)
Reduction of provisions based on estimates	(45,382)	-	-	(2,000)	-	(47,382)
					-	
On 31 December 2019	**277,189**	**638,077**	**44,086**	**213,073**	**22,975**	**1,195,400**
Transfers	-	-	-	-	-	-
Additional provisions	60,482	90,686	4,629	7,576	14,504	177,877
Reduction of provisions based on payment	-	(17,506)	(5,531)	-	-	(23,037)
Reduction of provisions based on estimates	(18,564)	-	-	-	-	(18,564)
On 31 December 2020	**319,107**	**711,257**	**43,184**	**220,649**	**37,479**	**1,331,676**

31. PROVISIONS (continued)

Provisions for litigations

The Group reserves costs for litigation that is estimated to be unlikely to be resolved in favour of the Company and its subsidiaries. The most significant litigation relates to disputes where the defendant is the Company. In the Company, the most significant provisions relate to the dispute related to HPP Peruća, which began in 1995. for which a first-instance verdict was rendered in 2012 in favour of the plaintiff. The value of the dispute is around HRK 330,000 thousand, and funds in the amount of 50% of the value of the dispute in the amount of HRK 165,000 thousand have been reserved.

In 2020 there were no changes that would indicate the need to change the amount of provisions.

Other major disputes of the Company relate to the Rijeka - Zagreb Motorway, where funds in the amount of 50% of the value of the dispute in the amount of HRK 10,203 thousand are reserved.

Several lawsuits are being filed against the company HEP - Proizvodnja doo, for which the company has made a provision. The most significant of them are: litigation for damages caused by fire in HPP Dubrovnik in the amount of HRK 15 million, litigation for damages in HPP Lešće in the amount of HRK 10 million, litigation with the municipality of Tomislavgrad in the amount of HRK 16 million.

Provisions for severance pay and jubilee awards

Changes in the present value of defined liabilities based on employee benefits in the current period are shown below:

in '000 HRK	**Severance payments**	**Jubilee awards**	**Total**
On 1 January 2019	**494,845**	**41,373**	**536,218**
NPP Krško	40,159	-	40,159
On 1 January 2019	**535,004**	**41,373**	**576,377**
Running costs	26,035	2,813	28,848
Interest expense	3,187	235	3,422
Paid income	(12,874)	(6,023)	(18,897)
Past labor costs	5,776	683	6,459
Actuarial (losses)	77,707	5,005	82,712
On 31 December 2019	**634,835**	**44,086**	**678,921**
NPP Krško	3,242	-	3,242
Total on 31 December 2019	**638,077**	**44,086**	**682,163**
Running costs	28,027	2,595	30,622
Interest expense	3,251	208	3,459
Paid income	(17,506)	(5,531)	(23,037)
Past labor costs	2,888	281	3,169
Actuarial (gains / losses)	53,901	1,545.	55,446
On 31 December 2020	**708,638**	**43,184**	**751,822**
NPP Krško	2,619	-	2,619
Total on 31 December 2020	**711,257**	**43,184**	**754,441**

31. PROVISIONS (continued)

The following assumptions were used in making the calculations:

- The termination rate ranges from 0% to 10% and is based on statistics on employee turnover in the Group in the past five years
- The probability of death by age and sex was derived from the Mortality Tables for Croatia in the period from 2010 to 2012 published by the Central Bureau of Statistics of the Republic of Croatia. It is assumed that the Group's employees are among the average population in terms of mortality and health status.
- The planned growth of annual salaries is 2%.
- The following discount rates were applied to calculate the present value of the liability:
  - 1.3% (HEP ESCO d.o.o.)
  - 1.25% (HEP-Opskrba d.o.o., HEP ELEKTRA d.o.o., HEP-Trgovina d.o.o., HEP-Telekomunikacije d.o.o., LNG Hrvatska d.o.o.)
  - 0.85% (HEP-Upravljanje imovinom d.o.o., HEP NOC, HEP-VHS Zaprešić d.o.o.)
  - 0.6% (HEP-Toplinarstvo d.o.o., HEP d.d., HEP-Plin d.o.o.)
  - 0.45% (HEP-Proizvodnja d.o.o., HEP-Operator distribucijskog sustava d.o.o.)

32. OTHE RLONG-TERM LIABILITIES

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Deferred income for property financed by others	6,458,886	6,277,103
Long-term liabilities for assets financed from clearing debt	739,447	800,982
Long-term liabilities to the state	5,714	7,660
Derivative financial liabilities by swap transactions (Note 28)	296,430	80,511
Other long-term liabilities	10,713	11,243
	7,511,190	**7,177,499**

Deferred income refers to income for received property or property financed from the connection fee. Income from these assets is recognized at the same time as the depreciation of the tangible assets to which it relates.
As at 31 December 2020 the Company has a stated liability for clearing debt in the amount of HRK 739,447 thousand (2019: HRK 800,982 thousand), which relates to payments from letters of credit, based on the Agreement between the Government of the Republic of Croatia and the Government of Russia Federation of 24 July 2006 and the Consent of the Ministry of Finance on the use of funds from the interbank agreement. The process of negotiations on the manner of settling the assumed debt between the competent ministry and the Company is ongoing.
Long-term liabilities to the state in the amount of HRK 5,714 thousand in 2020 (2019: HRK 7,660 thousand) relate to the sale of apartments to employees in accordance with the state program that was abolished in 1996. According to legal regulations, 65% of the income from the sale of apartments to employees was paid to the state upon receipt of funds. By law, the Company and its subsidiaries have no obligation to remit funds before collecting them from employees.

33. TRADE PAYABLES

in '000 HRK	31 Dec 2020	31 Dec 2019
Accounts payable in the country	1,603,231	1,673,198
Accounts payable outside EU	105,411	437,443
Accounts payable within EU	187,743	119,071
Trade payables - NPP Krško	1,561	11,713
	1,897,946	**2,241,425**

34. LIABILITIES FOR TAXES AND CONTRIBUTIONS

in '000 HRK	31 Dec 2020	31 Dec 2019
VAT liabilities	12,928	33,193
Utility and other fees	37,386	38,472
Contributions on salaries	21,985	20,219
Taxes and contributions on material rights of employees	3,536	6,932
Other	2,974	3,277
	78,809	**102,093**

35. LIABILITIES TO EMPLOYEES

in '000 HRK	31 Dec 2020	31 Dec 2019
Salaries	95,671	85,831
Liabilities for contributions and taxes	40,028	38,239
Liabilities for severance pay for retirement	3,231	16,216
Wage liabilities NPP Krško	13,907	12,533
Other	15,681	20,942
	168,518	**173,761**

36. OTHER CURRENT LIABILITIES

in '000 HRK	31 Dec 2020	31 Dec 2019
Liabilities for received advances for connections	479,128	535,378
Liabilities for other advances received	272,157	191,826
Deferred LNG income from grants	1,243,193	552,951
Calculated costs for CO_2 emissions	454,276	403,428
Interest liabilities	31,046	36,229
Calculated costs of unused vacations	81,361	76,646
Calculated income from the sale of electricity to households	-	3,716
Liabilities for calculated solidarity compensation	14,884	15,046
Liabilities for renewable energy charges	126,502	135,640
Calculated severance payments to workers	-	10,517
Other accrued expenses	69,889	6,612
Liabilities of NPP Krško	42,134	15,535
Other liabilities	51,594	54,124
	2,866,164	**2,037,648**

The calculated costs of severance pay to employees in 2019 represent the calculated cost and amount to HRK 10,517 thousand. In 2020, severance pay was calculated and paid to workers.

HEP's thermal power plants with a nominal input power of more than 20 MW are from 1.1.2013. in the European System of Greenhouse Gas Emissions (EU-ETS). 9 HEP accounts have been opened in the EU Register - TPP Plomin, TPP Rijeka, TPP Zagreb, EL-TO Zagreb, TPP Sisak, TPP Osijek and KTE Jertovec, and the Osijek plant of HEP-Toplinarstvo.
During the 3rd trading period, the price of emission allowances changed and increased significantly until the end of the period ended on 31 January 2020. The growth of emission prices continued at the beginning of the 4th trading period and in accordance with the EU policy aimed at significantly reducing greenhouse gas emissions by 2030, or completely decarbonizing the energy sector by 2050, the price of emission units will rise.
In the 4th trading period, which will last from 2021 to 2030, the rule continues that there is no free allocation of emission allowances for electricity produced, but for now, until 2026, the European Commission will continue to allocate free emission allowances to heat producers for part of the produced electricity. thermal energy, based on the report submitted by HEP to the competent Ministry of Environmental Protection.
The growth of emission unit prices affects the production price of energy, and the operation of individual thermal power plants depends on it, and the lack of energy produced from TPPs and CHPs is compensated by production from other sources, depending on meteorological conditions and/or imports. The Group manages the risk of price volatility of allowances by selecting the method of their purchase, in order to define quantities and prices for a certain period in the future.

HEP's EU-ETS plants submitted to the EU Register emission allowances in the quantities of verified emissions for 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020.

Accordingly, the costs of purchasing greenhouse gas emissions consist of the amount of CO2 emitted (eq) and the unit price of emission units that the Group calculates on accrued costs and deferred revenue (calculated costs) and expenses for the period in the year in which the greenhouse gas emissions occurred.

37. RELATED PARTY RELATIONS

The company has a 50% share in the capital of NPP Krško. Although the investment in NPP Krško is shown in the financial statements as joint assets (joint operations), since NPP Krško is a separate legal entity, we disclose transactions between NPP Krško and the Company here.

The produced electricity in NPP Krško is delivered to HEP in the amount of 50% of the total produced quantities at a price determined by the total production costs.

Receivables and liabilities and income and expenses with related parties are presented in the following table:

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
NPP Krško		
Liabilities for purchased electricity	61,458	51,158
Costs of purchased electricity	742,042	596,260

Remuneration of the Management Board is explained in Note 8.

	Revenues		**Expenditures**	
in '000 HRK	**2020**	**2019**	**2020**	**2019**
Companies that are partially owned by the State				
Croatian Railways Group Company	106,180	109,923	57	3
Plinacro d.o.o.	2,966	3,228	71,836	84,948
Hrvatska pošta d.d.	22,128	21,757	46,673	42,483
Hrvatske šume d.o.o.	5,931	5,047	9,082	6,068
Jadrolinija d.o.o.	1,236	1,139	462	567
Narodne novine d.d.	1,994	2,044	4,629	2,372
Hrvatska radio televizija	12,529	13,295	1,570	2,157
Plovput d.d.	660	765	197	152
Croatia Airlines d.d.	652	779	78	31
Ministry of Defense of the Republic of Croatia	17,823	18,991	-	-
Ministry of Internal Affairs	26,837	25,806	-	19
Primary and secondary schools	44,225	49,330	18	31
Judicial institutions	7,219	6,831	46	34
Colleges and universities	24,129	25,983	1,519	1,820
Legislative bodies of the Republic of Croatia	20,587	22,360	5,887	4,916
Health facilities	120,322	152,128	595	570
HROTE d.o.o.	332,588	360,388	752,492	816,382
TOTAL	**748,006**	**819,794**	**895,141**	**962,553**

37. RELATED PARTY RELATIONS (continued)

	Receivables		Liabilities	
in '000 HRK	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Companies that are partially owned by the State				
Croatian Railways Group Company	29,309	27,007	7	2
Plinacro d.o.o.	569	464	7,552	10,999
Hrvatska pošta d.d.	3,342	2,546	12,228	8,979
Hrvatske šume d.o.o.	960	1,114	421	496
Jadrolinija d.o.o.	309	189	25	37
Narodne novine d.d.	562	387	506	517
Hrvatska radio televizija	2,023	1,623	21	791
Plovput d.d.	34	121	41	32
Croatia Airlines d.d.	81	75	36	-
Ministry of Defense of the Republic of Croatia	4,499	1,476	-	-
Ministry of Internal Affairs	3,460	4,042	-	-
Primary and secondary schools	11,035	4,695	-	-
Judicial institutions	1,062	820	-	-
Colleges and universities	4,215	2,301	-	-
Legislative bodies of the Republic of Croatia	3,092	2,037	-	-
Health facilities	55,625	17,933	-	-
HROTE d.o.o.	43,347	49,008	67,089	102,828
TOTAL	**163,524**	**115,838**	**87,926**	**124,681**

38. CONTINGENT LIABILITIES AND COMMITMENTS

Disputes

In 2019 the Group entered provisions for legal disputes that was estimated to be unlikely to be resolved in favour of HEP dd and its subsidiaries.

The Group has long-term investments in the territory of Bosnia and Herzegovina and Serbia, in the amount of HRK 1,243,970 thousand. During the conversion of the Company into a joint stock company in 1994 this amount was excluded from the net asset value.

The Group has long-term investments in non-business assets in the territory of Bosnia and Herzegovina and Montenegro in the amount of HRK 722 thousand, which is excluded from the net asset value.

Operating liabilities

As part of regular investment activities, the Group had concluded contracts as at 31 December 2020 according to which investments in various facilities and equipment have begun but not been completed. In 2020 the value of contracted work in progress for the most significant projects amounted to HRK 2,957,214 thousand (2019: HRK 2,658,274 thousand).

Environmental protection

The company continuously monitors and analyses the impact of its business processes on the environment. The most important indicators of such impacts are emissions of pollutants into the air and the amount of generated industrial waste, about which the Company timely and objectively reports to the relevant institutions, local governments and the interested public. The company reports on its impacts on the environment, economy and society through non-financial sustainability reports prepared according to the guidelines of the GRI-Global Reporting Initiative, and from 2017 according to the GRI standard guidelines and publishes them on its website http://www.hep.hr/on-hep-group/publications/report-on-sustainability/1401. The employees dealing with nature and environmental protection are additionally trained in seminars and workshops, within which they are informed about the obligations and activities arising from the provisions of legislation in the field of nature and environmental protection.
The company has a system for monitoring environmental protection expenditures (RETZOK), which since 2004 has been monitoring expenditures for nature and environmental protection.
All HEP thermal power plants with a rated thermal input of more than 50 MW have obtained Decisions on environmental permits from the competent Ministry of Environmental Protection and Energy. By the decision of the Management Board of the Company in 2012, the greenhouse gas emissions trading system was established, and the Republic of Croatia and HEP joined the European Greenhouse Gas Emissions Trading System (EU-ETS). On 1 January 2013, based on the Company's request, the Croatian Environment and Nature Agency (merged with the Ministry of Environmental Protection and Energy since 1 January 2019) opened nine Plant Operator Accounts in the EU register. The company has successfully fulfilled the obligation to submit emission units to the EU Greenhouse Gas Register for 2019, and for 2020 the data on verified CO2 emissions have been entered. The European Commission should confirm the entry of emission allowances in the EU Register by 30 April of the current year for the previous year. HEP's thermal power plants - heating plants - TE-TO Zagreb, EL-TO Zagreb, TE-TO Osijek and TE-TO Sisak and
Osijek plant in HEP-Toplinarstvo since joining the EU-ETS, i.e. 1.1.2013. are entitled to the allocation of free greenhouse gas emission allowances.
Free emission allowances are allocated by the European Commission to HEP's plants in the EU-ETS for the production of thermal energy that they transfer to the central heating system (CTS) and energy that is delivered by the so-called "Carbon leakage" plants, i.e. plants for which there is a risk that they will move their production to countries that are not EU-ETS bonds and part of the energy they hand over to the so-called non-carbon leakage plants, ie plants for which there is no such risk. Free emission allowances are allocated by the European Commission on the basis of the Reference Data Report (so-called NIMsBL) and on the basis of the Monitoring Methodology Plan, and the allocated quantities are subject to changes depending on heat production for the previous year submitted by the operators by the 15 January of the current year for the previous calendar year. The European Commission submits them to HEP's accounts by the end of February of the current year for the previous calendar year. HEP reports on the quantities of allocated free emission units in non-financial reports.

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

https://www.hep.hr/o-hep-grupi/publikacije/izvjesca-o-odrzivosti/1401 and in the section Environment - Air and Climate Protection https://www.hep.hr/odrzivost-i-okolis/zastita-zraka-i-klimatske-promjene/emisije-staklenickih-plinova/158.

On 1 January 2021, the fourth period of the EU-ETS began, which will last until 2030.

In 2020, the non-financial sustainability report for 2019 for the HEP Group according to the guidelines of the Global Reporting Initiative Standard (GRI Standard) was completed. The Sustainability Report is published on the Company's website in Croatian and English. The non-financial report on sustainability from 2020 is not published as a separate report but integrated with the business report and is called the Business and Sustainability Report for 2019. In order to reduce waste and save natural resources, the report was not printed, but published only in digital form.

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Report on the status of preparation of the non-financial report on the Group's sustainability for 2020

The preparation of a separate non-financial report on the Group's sustainability for 2020 is underway. In accordance with the provisions of the Accounting Act (OG 78/15, 120/16 and 116/18), the non-financial report will be published on HEP's website within legal deadlines. The report will be published, as well as the previous four non-financial reports on sustainability at the following link http://www.hep.hr/on-hep-group/publications/report-on-sustainability/1401.

The practice of publishing the consolidated business report and the non-financial sustainability report started in 2020 will continue.

HEP participated in the project "Improved Sustainability Corporate Disclosure Policies". The project was launched by the European Climate Initiative (EUKI) and aimed at analyzing non-financial sustainability reports, assessing and providing guidance for improvement to improve data quality and business transparency. HEP received recommendations for improvement in the field of risk management, corporate governance and setting goals in the field of reducing emissions into the environment and the impact on biodiversity. The recommendations and guidelines obtained in this assessment will be used in the preparation of the non-financial report on sustainability for 2020.

In compiling the report, the HEP Group uses the guidelines of the Global Reporting Initiative Standard (GRI Standard) and the indicators in the said standard - general and standard indicators and the sector supplement for the energy sector.

Indicative content of the 2020 sustainability report:

- Editorial by the President of the Management Board
- HEP's approach to sustainability, including goals, the way in which sustainability is implemented and responsible business, how they are integrated into business policies, description of sustainability risks
- Material topics (description and impact assessments), sustainability framework according to the goals of sustainable development of the United Nations
- Stakeholder analysis. Stakeholder involvement. Explanation of report boundaries.
- Business transparency including management approach, principles of corporate governance, ethical business, expertise and work responsibility, transparency of communication and information (all according to the required GRI indicators). Responsibility in the work environment, data related to employees (and prescribed by GRI indicators), safety and protection at work. The chapter also includes representative stories and case studies describing the accountability and sustainability approach.
- Market access. HEP Group in market operations. General approach. Business and responsibility, especially for HEP Group companies. Describes the most important trends related to market operations, supply chain, according to the requirements of GRI indicators. The chapter also includes representative stories and case studies describing the accountability and sustainability approach.
- Caring for the environment. Data on environmental protection, investments, projects, initiatives. The data are listed according to the areas of environmental protection (business segments). Data are given according to GRI indicators.
- Investing in the community. Various forms of community investment, cooperation with stakeholders, dialogue, information and educational campaigns, initiatives aimed at cooperation and the like are described. The chapter also includes representative stories and case studies describing the accountability and sustainability approach.
- List of indicators.

Reporting according to environmental, social and management criteria of Enviromental, Social and Governance Criteria ("ESG criteria")

- A further step forward in the excellence of non-financial reporting is reporting according to environmental, social, and management criteria, the so-called Environmental, Social, and Governance Criteria ("ESG criteria") on the basis of which companies receive a rating of so-called. ESG rating and can negotiate cheaper borrowing in the capital market (lower interest rates) and increase the company's reputation in the public
- In cooperation with the Finance Department, market research was conducted and companies were found that can evaluate companies according to ESG criteria, materials were prepared for the Management Board, a decision was made and the method of selecting companies for EDG rating is being determined.

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Management systems according to ISO standards:

- HEP-Proizvodnja d.o.o. has introduced and certified an integrated environmental, quality and energy management system in accordance with international standards ISO 14001: 2015 and ISO 9001: 2015 and ISO 50001: 2018 and, with its 35 components, is among the largest environmental, quality and energy management systems in The Republic of Croatia. Effective quality, environmental and energy management is part of the business strategy of HEP-Proizvodnja d.o.o. in the production of electricity and heat and the provision of ancillary services to the electricity system. Certification according to ISO 14001: 2015, ISO 9001: 2015 and ISO 50001: 2018 was carried out and confirmed by the certification house TÜV Croatia d.o.o.
- As one of the largest production companies in Croatia, and considering the activities in which the number of employees is engaged, HEP-Proizvodnja doo is aware of its impact on the environment, and considering the introduced environmental, quality and energy management systems, it has adopted an Environmental, Quality Management Policy. and energy with which it has opted for achieving maximum operational readiness and reliability of production capacities with the implementation of environmental protection measures and increasing the share of electricity and heat production in the regional market based on the principles of environmentally friendly production, energy efficiency and sustainable business.
- Hrvatska elektroprivreda dd has become the holder of the certificate of the integrated quality management system, environmental protection, energy and health and safety at work according to the international standards ISO 9001:2015, ISO 14001:2015, ISO 50001:2018 and ISO 45001:2018. At the same time, the Company HEP-Upravljanje imovinom d.o.o. in the segment of operations the form an inseparable whole with HEP d.d., also has become the holder of the certificate also according to international standards ISO 9001:2015, ISO 14001:2015, ISO 50001:2018 and ISO 45001:2018. In addition to other system documents that require standards, the Management Board of HEP dd has adopted an umbrella document - Quality Policy, Environmental Protection, Energy Management and Health and Safety at Work of HEP dd and HEP - Property Management Ltd. (PDF), which expresses its commitment to maintenance and continuous improvement of the integrated management system.
- The customer service of HEP-Opskrba doo with its exceptional commitment and high level of service provided was the first in Croatia to receive the ISO 9001:2015 certificate for the quality of service. The ISO 9001: 2015 recertification process was conducted in 2021 for the fourth time (certification house Bureau Veritas), thus further confirming the quality of Customer Service.
- The protection of workers' health and safety, environmental protection and efficient energy management are part of the business strategy of HEP - Distribution System Operator doo (HEP ODS). The environmental management system according to the international standard ISO 14001 is the first management system certified at the level of 21 distribution areas and HEP-ODS headquarters in 2013. In 2018 the transition of this system to the requirements of the new ISO 14001:2015 standard was successfully implemented. The occupational health and safety management system was established in 2015 and in 2017 it was successfully certified for the first time according to the OHSAS 18001:2007. In 2019 the transition of this system to the requirements of the ISO 45001:2018 2018 standard was successfully implemented. The basic commitment of HEP-ODS in energy management is to achieve permanent improvement of energy performance in all business facilities, equipment and devices, including the reduction of losses in the distribution network through the implemented energy management system according to ISO 50001:2011 which is confirmed by TÜV Croatia doo
- The introduction of an integrated quality management system, environmental protection and energy in HEP - Toplinarstvo d.o.o. Quality management systems according to the ISO 9001: 2015 standard and the environment according to ISO 14001: 2015 have been introduced, and the introduction of an energy management system according to ISO 50001: 2011 is in progress.

Certified green energy

Certified green energy is produced in 26 hydropower plants of HEP, which make up more than half of the production capacities of the Croatian electricity system.
All HEP hydropower plants have a TÜV SÜD certificate on the production of electricity from renewable sources - green energy.

38. CONTINGEN LIABILITIES AND COMMITMENTS (continued)

Water Act

The Water Act, which entered into force on 1 January 2010 raised the issue of property status; accumulation lakes and ancillary facilities (canals, embankments, etc.), which is used for the production of electricity from hydropower plants for the reason that they are defined as a public water resource in general use owned by the Republic of Croatia. HEP Group acquired the said property through toll collection from their previous owners, by uniting an extremely large number of plots, which were submerged by the construction of the dam and thus an accumulation was created. Several proceedings are underway to register the ownership of the Republic of Croatia on these properties, part of which was carried out in favour of the Republic of Croatia, part of the request for registration of ownership of the Republic of Croatia was rejected by the competent courts, and one is pending.

In May 2018, the Act on Amendments to the Water Act (OG No. 46/18) entered into force, according to which the Republic of Croatia establishes the right to build for constructed water structures for the production of electricity built and invested by HEP dd, that is, its predecessors, in favour of HEP dd, free of charge for a period of 99 years. An exception to the establishment of building rights is provided for parts of water structures that consist of reservoirs, inflow and outflow channels and tunnels. During the construction right in question, HEP dd acquires the right to manage the public good / land on which the buildings for the production of electricity were built, as well as the accumulations and supply and drainage canals and tunnels on behalf of the Republic of Croatia. The right of management includes, inter alia, the right to use the real estate in question.

In order to implement the provisions of the Act on Amendments to the Water Act (OG No. 46/18), HEP dd is obliged to initiate relevant procedures for registration of these rights in the land register and to obtain an appropriate subdivision study which must be harmonized with Croatian Waters and which will be the basis for the issuance of a tabular document for the registration of construction rights over the buildings in question. An appropriate subdivision study will also be the basis for the correct classification of fixed assets between the groups of intangible and tangible assets, which is currently recorded in the business books of HEP Group in the total amount as tangible assets.

All of the above will have an impact on the classification of assets within the groups of intangible and tangible assets and, accordingly, on the change in the useful life of the part of assets that consequently affects the present value of assets in the Statement of Financial Position and depreciation expense in the income statement. However, a material impact on the financial statements as a whole is not expected.

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Wholesale gas market supply

The Act on Amendments to the Gas Market Act (OG 16/17) appointed Hrvatska elektroprivreda - a joint stock company as a supplier on the wholesale gas market from 1 April 2017 until the tender for the selection of suppliers on the wholesale gas market. The supplier in the wholesale market sells gas to suppliers in the public service for the needs of customers from the category of households at a regulated selling price and is obliged to ensure a reliable and secure gas supply.

By the decision of HERA on the amount of tariff items for the public gas supply service for the period from 1 April to 31 July 2018 the price of gas did not change compared to the price valid until 31 March 2018. Until 31 July 2018 the selling price of gas was determined by Decisions of the Government of the Republic of Croatia, and from 1 August 2018 it is determined through the Methodology for Determining Tariff Items for the Public Gas Supply Service and Guaranteed Supply (OG 34/18). In accordance with the Methodology, for the period from 1 August 2018 to 31 March 2019 the selling price also did not change compared to the current one, which amounted HRK 0,1809 / kWh. In accordance with the Methodology, the selling price of gas for the period from 1 April 2019 to 31 March 2020, amounts HRK 0,1985 / Kwh.

The Gas Market Act (OG 18/18) prescribes the selection of suppliers in the wholesale market for the period from 1 August 2018 to 31 March 2021, after which the role of suppliers in the wholesale market is abolished. HERA conducted tenders for the selection of suppliers in the wholesale market for the period from 1 August 2018 to 31 March 2021 (15 May and 13 June 2018). As no bids were received for the tenders, in accordance with the provisions of the Act, on 27 June 2018, HERA, in consultation with the Ministry of Environmental Protection and Energy, appointed HEP d.d. for a supplier on the wholesale market for a shorter period of time than provided by law, ie from 1 August 2018 to 31 March 2019. HERA conducted a public tender for the selection of suppliers in the wholesale market in the period from 25 January 2019 to 5 February 2019 for the period from 1 April 2019 to 31 March 2021. No bid was received for the tender and it was again determined the decision on determining the OVT for the period from 1 April 2019 to 31 March 2020, that HEP dd will be a supplier in the wholesale gas market. In October 2019, HERA made a decision on determining the OVT for the period from 1 April 2020 to 31 March 2021, appointing HEP d.d. for OVT. Until 31 July 2018, the selling price of gas was determined by Decisions of the Government of the Republic of Croatia, and from 1 August 2018 it is determined through the Methodology for Determining Tariff Items for the Public Gas Supply Service and Guaranteed Supply (OG 34/18). The selling price for the period from 1 April 2019 to 31 March 2020 was HRK 0.1985 / kWh. Pursuant to the Decision of the Management Board No. 5-14.1 / 2020 of 13 February 2020, the selling price of gas for the period from 1 April 2020 to 31 March 2021 is HRK 0.1825 / kwh.

The Law on Amendments to the Gas Market Act, from 1 April 2017, abolished the obligation to supply natural gas to the natural gas producer as well as the regulated price at which it was obliged to sell gas to the supplier on the wholesale gas market for the needs of customers using the public supply service.

In the period from 1 April 2014 to 31 March 2015, HEP dd, as a supplier on the wholesale market, contracted a lease of capacity of 3,600 million kWh, in the period from 1 April 2015 to 31 March 2016, 3.550 million kWh, in the period from 1 April 2016 to 31 March 2017, 3.500 million kWh while in the period from 1 April 2017 to 31 March 2022, a contracted capacity of 3.050 million kWh. According to the amendments to the Rules for the Use of the Gas Storage System, the method of allocating the SBU for the needs of the public gas supply service on a proportional basis has been defined.

The cost of purchasing gas for market supply in 2020 amounts to HRK 193,824 thousand (in 2019: HRK 174,093), and the cost of purchasing gas for sale on the wholesale market is HRK 594,525 thousand (2019: HRK 1,152,889 thousand) (Note 7)

39. SUBSIDIARIES

As at 31 December 2020 the Company owned the following subsidiaries:

Subsidiary	Country	Ownership share (%)	Core Business
HEP-Proizvodnja d.o.o.	Croatia	100	Electricity and heat production
Hrvatski operator prijenosnog sustava d.o.o.	Croatia	100	Electricity transmission
HEP-Operator distribucijskog sustava d.o.o.	Croatia	100	Electricity distribution
HEP ELEKTRA d.o.o.	Croatia	100	Electricity supply
HEP-Opskrba d.o.o.	Croatia	100	Electricity supply
HEP-Toplinarstvo d.o.o.	Croatia	100	Production and distribution of thermal energy
HEP-Plin d.o.o.	Croatia	100	Gas distribution
HEP ESCO d.o.o.	Croatia	100	Financing energy efficiency projects
Plomin Holding d.o.o.	Croatia	100	Infrastructure development of the surrounding area of Plomin
CS Buško Blato d.o.o.	BiH	100	Hydropower equipment maintenance
HEP-Upravljanje imovinom d.o.o.	Croatia	100	Recreation services
HEP NOC Velika	Croatia	100	Accommodation and education services
HEP-Trgovina d.o.o.	Croatia	100	Electricity trade and power plant operation optimization
HEP Energija d.o.o. Ljubljana	Slovenia	100	Electricity trading
HEP Energija d.o.o. Mostar	BIH	100	Electricity trading
HEP Energjia sh.p.k.	Kosovo	100	Electricity trading
HEP Energija d.o.o. Srbija	R Serbia	100	Electricity trading
HEP-Telekomunikacije d.o.o.	Croatia	100	Telecommunications
HEP-VHS Zaprešić d.o.o.	Croatia	100	Design and construction of a multipurpose hydraulic system
Energetski park Korlat d.o.o.	Croatia	100	Production of electricity
Sunčana elektrana Poreč d.o.o.	Croatia	100	Production of electricity
Sunčana elektrana Vis d.o.o.	Croatia	100	Production of electricity
Ornatus d.o.o.	Croatia	100	Production of electricity
LNG Hrvatska d.o.o.	Croatia	84.18	Liquefied natural gas business
Nuklearna elektrana Krško d.o.o.	Slovenia	50	Production of electricity

Most of these subsidiaries were established as part of the reorganization and restructuring of the core business under the new energy laws that entered into force on 1 January 2002. (Note 1).

The company Croatian Center for Cleaner Production started the liquidation procedure on 9 November 2017 and was liquidated on 7 March 2019.

During 2019 the following companies entered the consolidation of HEP Group for the first time: PLIN VTC doo whose sole owner is HEP Plin doo since April 2019 Energetski Park Korlat doo whose sole owner is HEP dd since April 2019, while the company Plomin Holding doo became the sole owner of Elektrana Sabadin doo. In June 2019 (the company Elektrane Sabadin doo changed its name to Sunčana Elektrana Poreč doo), IE - Nekretnine dd, whose sole owner is the company HEP dd since July 2019. Furthermore, on 1 April 2019, HEP dd became the majority owner of LNG Hrvatska doo, and 1 April 2019 is the date of acquisition of control over the subsidiary and from that date LNG Hrvatska doo is included in the consolidation of the Group. In previous periods, investments in the company LNG Hrvatska doo were recognized and subsequently measured by the equity method.

During 2020, the following companies were acquired in the Group: Prvo Plinarsko Društvo - Distribucija plina d.o.o. and Prvo Plinarsko Društvo - Opskrba kućanstava d.o.o. whose sole owner is the company HEP-Plin d.o.o.

from April 2020; Ornatus d.o.o. whose sole owner is the company Plomin Holding d.o.o. from August 2020 and Sunčana elektrana Vis d.o.o. whose sole owner is HEP d.d. from September 2020.

IE-Nekretnine d.d. was merged with HEP d.d. in June 2020. Companies Prvo Plinarsko Društvo - Distribucija plina d.o.o., Prvo Plinarsko Društvo - Opskrba kućanstava d.o.o. and Plin VTC d.o.o. were merged with HEP-Plin d.o.o. during July 2020.

40. FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages capital to ensure that the Group will be able to continue with indefinite life while at the same time increasing returns to owners through optimizing the debt-to-equity ratio.

The Group's funding structure consists of debt, which includes loans and bonds issued in Notes 28 and 29, cash and cash equivalents and equity attributable to owners, which consists of share capital, legal and other reserves and retained earnings.

Indebtedness indicator

The Management Board monitors the structure of funding sources on a semi-annual basis. As part of this monitoring, Management considers the cost of funding and the risks associated with each of the classes of funding sources. The year-end debt-to-equity ratio can be shown as follows:

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Debt	4,239,971	3,943,755
Cash and cash equivalents	(3,514,428)	(3,352,155)
Net debt	725,543	591,600
Capital	26,376,841	25,572,710
Net debt to equity ratio	**3%**	**2%**

Categories of financial instruments

in '000 HRK	**31 Dec 2020**	**31 Dec 2019**
Financial assets		
Financial assets at fair value through other comprehensive income	233,315	255,007
Trade receivables	1,965,276	2,169,815
Cash and cash equivalents	3,514,428	3,352,155
Loans given	162,456	116,147
Financial liabilities		
Liabilities under issued bonds	3,497,668	3,518,704
Loan liabilities	722,478	404,924
Derivatives	296,430	80,511
Accounts payable	1,897,946	2,241,425
Lease liabilities	19,825	20,127

40. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management goals

The treasury function within the HEP Group provides support to companies, coordinates access to domestic and international money and capital markets, monitors and manages financial risk related to the Group's operations through internal risk reports that analyse exposure by degree and degree of risk impact. These risks include market risk (including currency risk, fair value interest rate risk, and price risk), credit risk, liquidity risk, and cash flow interest rate risk.

Market risk

Market risk exposure is monitored and managed through sensitivity analysis. There were no changes in the Group's exposure to market risk or the way the risk is managed and measured.

Currency risk management

The Group performs certain transactions denominated in foreign currencies, which give rise to exposure to changes in foreign exchange rates. The exchange rate exposure is managed within the approved policy parameters using foreign exchange contracts.

The carrying amount of the Group's cash and liabilities denominated in foreign currencies at the reporting date is as follows:

	Assets		**Liabilities**	
in '000 HRK	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
European Union (EUR)	209,867	205,341	681,633	660,581
USD	29,885	10,117	135,993	125,284

Foreign currency sensitivity analysis

The Group is exposed to currency risk in the event of changes in the exchange rates of the euro (EUR) and the US dollar (USD). The following table presents an analysis of the effects of changes in the exchange rate of the kuna through an increase or decrease in value by 10% against the euro and the US dollar. The 10% rate is used in the Management Board's internal reporting on foreign exchange risk and represents the Management Board's assessment of reasonably possible changes in foreign exchange rates. The analysis is performed only for receivables and liabilities denominated in foreign currency and represents the adjustment of their value at the end of the period for a change in the exchange rate of 10%. Sensitivity analysis also includes external loans denominated in a currency other than the currency of the lender or borrower. The positive / negative amount below in the table indicates an increase in profit or other components of capital when the kuna would strengthen by 10%. against the relevant currency. In the event of a 10% depreciation of the kuna against the relevant currency, the effect would be the same, but in a negative amount.

in '000 HRK	**2020**	**2019**
Impact of changes in the EUR exchange rate		
Profit or loss	(355,565)	338,816
Impact of changes in the USD exchange rate		
Profit or loss	(65,140)	76,585

Interest rate risk management

The Group is exposed to interest rate risk because it enters into loan agreements with variable interest rates. The Group's exposure to interest rates on financial assets and liabilities is presented in detail under the subheading *Liquidity risk management.* The Group manages this risk by maintaining an appropriate fixed and floating rate loan ratio in its loan portfolio.

40. FINANCIAL RISK MANAGEMENT (continued)

Interest rate sensitivity analysis

An analysis of the effects of changes in interest rates was performed for financial instruments for which the Group is exposed to interest rate risk at the date of the consolidated statement of financial position. For variable interest rates, the analysis was made on the assumption that the outstanding amount of liabilities at the date of the consolidated statement of financial position was outstanding throughout the year. The rate change of 50 base units is used for the purposes of internal reporting to the Management Board on interest rate risk and represents the Management Board's assessment of reasonably possible changes in interest rates.

In case of increase or decrease of interest rates by 50 base units, and all other variables remain unchanged:

- Profit for the year ended 31 December 2020 would be reduced by HRK 1,589 thousand (2019: HRK 380 thousand), based on interest rate risk exposure. This can be mainly attributed to the Group's exposure to interest rates on floating rate loans; 7.49% of the Group's indebtedness is at a variable interest rate (2019: 1.94%)
- the Group's sensitivity to interest rates decreased during the current period due to the reduced share of borrowings contracted at variable interest rates in total debt and due to low reference interest rates on the market

Credit risk management

Credit risk refers to the risk that the other party will fail to meet its contractual obligations resulting in a financial loss to the Group. The Group is the largest producer of electricity in the Republic of Croatia and as such, has a public obligation to provide its services to all consumers, at all locations in the country, regardless of the credit risk associated with certain consumers. Trade receivables, net, are distributed to a significant number of customers, in different industries and geographical areas.

The Group has no significant credit risk exposure to any customer or company of customers with similar characteristics. A group defines customers to have similar characteristics if they are related persons.

Credit risk related to trade receivables relates primarily to receivables from economic entities, especially those in a difficult financial situation. Credit risks related to claims on households are limited due to the possibility of disconnection from the supply network. The carrying amount of financial assets presented in the consolidated financial statements, net of impairment losses, represents the Group's maximum exposure to credit risk without taking into account the value of collateral collected.

Liquidity risk management

The ultimate responsibility for liquidity risk management lies with the Company's Management Board, which has built an appropriate liquidity risk management framework to manage the short-term, medium-term and long-term liquidity management needs of the Group. The Group manages this risk by maintaining adequate reserves, loans from banks and other sources of financing, by constantly monitoring projected and actual cash flows and comparing the maturity profiles of financial assets and liabilities.

40. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk management

Maturity of non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for non-derivative financial liabilities. The table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

in'000 HRK	**Average Weighted Effective Interest** %	**Up to 1 month**	**From 1 to 3 months**	**From 3 months up to 1 year**	**Od 1 do 5 g.**	**Over 5 years**	**Total**
31 Dec 2020							
Liabilities under issued bonds	4.85%	-	-	17,833	3,724,974	-	3,902,807
Liabilities under loans	1.42%	14,442	787	69,450	326,403	277,977	689,059
Liabilities to suppliers		1,144,579	700,163	53,204	-	-	1,897,946
Lease liabilities		4,138	1,722	7,756	6,209	-	19,825
Total		**1,163,159**	**702,672**	**308,243**	**4,057,586**	**277,977**	**6,509,637**
31 Dec 2019							
Liabilities under issued bonds	4.85%	-	-	172,175	3,893,409	-	4,065,584
Liabilities under loans	1.20%	1,009	1,217	61,578	200,771	166,101	430,676
Liabilities to suppliers		1,393,655	752,999	94,771	-	-	2,241,425
Lease liabilities		1,717	1,494	6,990	9,926	-	20,127
Total		**1,396,381**	**755,710**	**335,514**	**4,104,106**	**166,101**	**6,757,812**

The Group has access to funding sources. The total unused amount at the end of the reporting period is HRK 1,434,235 thousand. The Group expects to settle its other liabilities from operating cash flows and inflows from maturing financial assets.

Fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions that are traded in active liquid markets is determined by reference to the quoted market price.
- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from existing market transactions.
- The fair value of derivative instruments is calculated using the quoted prices. Where such prices are not available, discounted cash flow analysis using the applicable yield curve for the period of non-derivative financial instruments is used.

40. FINANCIAL RISK MANAGEMENT (continued)

Fair value indicators recognized in the statement of financial position

The table analyses financial instruments that, after initial recognition, have been reduced to fair value, classified into three groups in accordance with IFRS 13:

1. level of available indicators - fair value indicators are derived from (unadjusted) prices quoted in active markets for identical assets and identical liabilities
2. level of available indicators - fair value indicators are derived from data other than quoted prices from level 1. and relate to the observed asset or liability (i.e. their prices) or indirectly (derived from prices)
3. level of indicators - indicators derived using valuation methods in which data on assets or liabilities that are not based on available market data (unavailable input data) are used as input data.

The Group has decided that the measurement of the fair value of a currency swap is linked to the value of "Mark To Market (MTM)" in accordance with the calculation of commercial banks. The positive value of "MTM" is recorded as a receivable, i.e. it forms the financial income of the period, and the negative value of "MTM" is recorded as a liability and also forms the financial expense of the reporting period. Upon the final maturity of a derivative financial instrument, the receivable or liability in question will be reversed to the expense or expense of the Group.

Fair value levels recognized in the consolidated statement of financial position:

in '000 HRK	Level 1	Level 2	Level 3	Total
31 Dec 2020				
Total financial assets at fair value through other comprehensive income	233,315	-	-	**233,315**
Financial assets measured at fair value through profit or loss	167,055	-	-	**167,055**
Derivative financial liabilities	-	-	296,430	**296,430**
Investing in Real Estate	-	342,607	-	**342,607**
31 Dec 2019				
Total financial assets at fair value through other comprehensive income	255,007	-	-	**255,007**
Financial assets measured at fair value through profit or loss	165,185	-	-	**165,185**
Derivative financial liabilities	-	-	80,511	**80,511**
Investing in Real Estate	-	330,738	-	**330,738**

During the year there was no transfer between levels for re-measurement of fair value.

41. BUSINESS COMBINATIONS

On 1 April 2020, the Group acquired a 100 percent stake and voting rights in the companies Prvo Plinarsko Društvo - Distribucija plina d.o.o. and Prvo Plinarsko Društvo - Opskrba kućanstava d.o.o. whereby the Group gained control and the said companies became subsidiaries. In August 2020, the Group acquired a 100 percent stake and voting rights in the company Ornatus d.o.o., and in September 2020 a 100 percent stake and voting rights in the company Sunčana elektrana Vis d.o.o. These companies became subsidiaries of the Group. The total acquisition fee amounts to HRK 111,774 thousand and relates to the items:

1) fair value of shares in acquired companies
2) other (money, receivables, shares)

The transaction had the following effects:

in '000 HRK	**Acquisition fee**	**Fair value of net assets**	**Goodwill**
PPD – Distribucija plina d.o.o.	71,900	89,997	(18,097)
PPD – Opskrba kućanstava d.o.o.	4,600	2,168	2,432
Ornatus d.o.o.	3,912	1,888	2,024
Sunčana elektrana Vis d.o.o.	31,362	28,490	2,872

The assets and liabilities recognized as a result of the acquisition are as follows:

in '000 HRK	**PPD – Distribucija plina d.o.o.**	**PPD – Opskrba kućanstava d.o.o.**	**Ornatus d.o.o.**	**Sunčana elektrana Vis d.o.o.**
Property, plant and equipment	81,690	-	1,981	28,289
Inventories	444	-	-	-
Trade receivables	1,673	5,133	-	155
Other receivables	289	69	92	26
Other assets	977	329	-	40
Cash and cash equivalents	6,613	988	2	1,323
Trade payables	529	2,911	151	1,343
Liabilities to employees	235	39	-	-
Other current liabilities	925	1,401	36	-
Minority interests	-	-	-	-
Net assets	89,997	2,168	1,888	28,490
Acquisition cost	**71,900**	**4,600**	**3,912**	**31,362**
Goodwill	(18,097)	2,432	2,024	2,872

PPD - Distribucija plina d.o.o. and PPD - Opskrba kućanstava d.o.o. merged with HEP-Plin d.o.o. in July 2020.

There are no material differences in accounting policies between the Group and the acquired companies.

42. OTHER DISCLOSURES

In 2020, the Group's auditors provided contracted statutory audit services in the amount of HRK 1,894 thousand (2019: HRK 1,533 thousand) and services related to the costs of access to interim financial information (30 June 2020) and audits of financial statements prepared for regulatory purposes (31 December 2019) in the amount of HRK 270 thousand.

Tax consulting fees in 2020 amounted to HRK 142 thousand (2019: HRK 150 thousand).

43. EVENTS AFTER THE REPORTING DATE

After 31 December 2020, there were no events that would significantly affect the Group's annual financial statements for 2020, and which should, consequently, be published.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were adopted by the Company's Management Board and approved for issue on 29 April 2020.

Signed on behalf of the Company on 29 April 2021:

Marko Ćosić	Nikola Rukavina	Petar Sprčić	Tomislav Šambić	Saša Dujmić	Frane Barbarić
Member	Member	Member	Member	Member	President

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Ulica grada Vukovara 37