



**HRVATSKA ELEKTROPRIVREDA d.d.
ZAGREB**

Separate Annual Financial Statements and
Independent Auditors' Report
for the year 2025

This version of the Separate Annual Financial Statements and Independent Auditors' Report is a translation of the original, prepared in Croatian. Every effort has been made to ensure that the translation accurately represents the original. However, in all matters of interpreting information, views, or opinions, the original-language version takes precedence over any translation.

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Responsibility for the annual separate financial statements

The Management Board of the Company Hrvatska elektroprivreda d.d., Zagreb, Ulica grada Vukovara 37, (hereinafter: the Company) is obliged to ensure that the separate annual financial statements of the Company for the year 2025 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS), so that they provide a true and objective presentation of the separate financial position, separate operating results, separate changes in equity and separate cash flows of the Company for that period.

Based on the research conducted, the Management Board justifiably expects that the Company has adequate funds to continue operations in the foreseeable future. Accordingly, the Management Board prepared separate annual financial statements under the assumption of going concern.

In preparation of separate annual 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 assessments;
- preparation of separate annual financial statements with the assumption of going concern, unless the assumption is inappropriate

The Management Board is responsible for keeping proper accounting records that, at any time, with acceptable accuracy, reflect the financial position, operating results, cash flows, and changes in equity, as well as their compliance with the International Financial Reporting Standards adopted by the European Union ("IFRS"). The Management Board is also responsible for safeguarding the Company's assets and, therefore, for taking reasonable measures to prevent and detect fraud and other illegalities.

Signed on behalf of the Management Board:

 _____ Petar Sprčić Member of the Management Board	 _____ Tomislav Šambić Member of the Management Board	 _____ Ante Elez Member of the Management Board	 _____ Ivica Vukoja Member of the Management Board	 _____ Vice Oršulić President of the Management Board
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HRVATSKA ELEKTROPRIVREDA d.d.
Z A G R E B 3.2
Ulica grada Vukovara 37

Hrvatska elektroprivreda d.d.
Ulica grada Vukovara 37
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12 May 2026



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INDEPENDENT AUDITORS' REPORT

To the Owner and the Management Board of the Company HRVATSKA ELEKTROPRIVREDA d.d., Zagreb

Report on the audit of the separate annual financial statements

Opinion

We have audited the annual separate financial statements for the year ended 31 December 2025 of HRVATSKA ELEKTROPRIVREDA d.d., Ulica grada Vukovara 37, Zagreb (the "Company"), which comprise the separate Statement of Financial Position as at 31 December 2025, the separate Statement of Profit or Loss, the separate Statement of Other Comprehensive Income, the separate Statement of Cash Flows and the separate Statement of Changes in Equity for the year then ended, and notes to the annual separate financial statements, including significant accounting policy information.

In our opinion, the accompanying annual separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2025, its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in our Independent Auditors' Report in the Auditors' Responsibilities for the Audit of the Annual Separate Financial Statements section. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (with International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) (IESBA Code), as applicable to audits of annual separate financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the annual separate financial statements of public interest entities in the Republic of Croatia. We have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (continued)

Report on the audit of the separate annual financial statements (continued)

Emphasis of Matter

/i/ We draw attention to Note 33 to the annual separate financial statements, which highlights the need to initiate the procedure for registration of rights in the land registers and alignment with the provisions of the Water Act (Official Gazette Nos. 66/19, 84/21, 47/23). Our opinion is not modified in respect of this matter.

/ii/ The Company has prepared the annual consolidated financial statements of the Company and, for a better understanding of the Company's operations as a whole, users should read the annual consolidated financial statements in conjunction with these annual separate financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the separate annual financial statements for the current period. These matters were addressed in the context of our audit of the separate annual financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion.

Key audit matter	How we addressed the key audit matter
<p>Valuation of investments in subsidiaries</p> <p>In the annual separate financial statements as at 31 December 2025, the Company reported investments in subsidiaries of EUR 1,134,886 thousand. Impairment of investments in subsidiaries is a key audit matter because it involves significant estimates, particularly amid disruptions in the energy market and price regulation of certain services provided by the Company. Determining the value of individual investments in subsidiaries requires the Company's Management Board to use various assumptions, projections and forecasts related to future cash flows, applied discount and growth rates, and regulatory actions to calculate the expected future operations of the subsidiaries.</p> <p>Related disclosures in the accompanying separate annual financial statements</p> <p>See Notes 2, 4, 12 and 18 to the annual separate financial statements.</p>	<p>Our audit procedures related to this area included, among others:</p> <ul style="list-style-type: none"> - Reviewing the financial statements and available business plans of the subsidiaries and gathering evidence for the financial information used in considering the existence of indicators of impairment of investments; - Reviewing the prepared projections and forecasts of business results based on the expectations of the Management Boards of the subsidiaries; - Assessing the reasonableness of the key assumptions and estimates used in the model for calculating the recoverable value of investments in subsidiaries; - Comparing the key assumptions with external information and with our own estimates; - Reviewing the prepared sensitivity test of the valuation model for investments in subsidiaries and joint ventures to changes in key assumptions and assessing the appropriateness of the selected assumptions used in the sensitivity test; - Interviewing the key personnel and their experts, and based on the responses received and evidence collected, critically assessed the selected model used in independent calculations of the recoverable amount and fair value of subsidiaries for which possible impairment indicators were identified; - Reviewing the related notes and assessing the appropriateness of the disclosures regarding investments in subsidiaries.

INDEPENDENT AUDITORS' REPORT (continued)

Report on the audit of the separate annual financial statements (continued)

Other information

The Management Board is responsible for the other information. The other information includes information from the Annual Report, but does not include the annual separate financial statements or our auditors' report thereon. Our opinion on the annual separate financial statements does not cover the other information.

In connection with our audit of the annual separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include checking whether the Management Report has been prepared in accordance with Article 24 of the Accounting Act.

Based on the procedures performed, to the extent that we can assess this, we report that:

1. the information in the attached Management Report is consistent, in all material respects, with the attached annual separate financial statements;
2. the attached Management Report has been prepared in accordance with Article 24 of the Accounting Act.

Based on our knowledge and understanding of the Company's business and its environment, obtained during the audit of the annual separate financial statements, we are required to report any material misstatements in the Other Information. In this regard, we have nothing to report.

Responsibilities of the Management and Those Charged with Governance for the Separate Annual Financial Statements

The Management Board is responsible for the preparation and fair presentation of the annual separate financial statements in accordance with IFRS and for such internal control as the Management Board determines is necessary to enable the preparation of annual separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of annual separate financial statements

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

INDEPENDENT AUDITORS' REPORT (continued)

Report on the audit of the separate annual financial statements (continued)

Auditors' responsibilities for the audit of annual separate financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

INDEPENDENT AUDITORS' REPORT (continued)

Report on other legal and regulatory requirements


1. Based on the proposal of the Company's Management Board and Supervisory Board, the General Assembly of the Company appointed us on 30 September 2025 as auditors to issue the joint report on the annual separate and consolidated financial statements of the Company for 2025 and 2026.
2. As at the date of this report, we have been engaged in performing the statutory audit of the annual separate and consolidated financial statements of the Company since the audit of the annual separate and consolidated financial statements for 2022, which represents a continuous engagement of four years.
3. Our audit opinion is consistent with the additional report to the Company's Audit Committee prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.
4. During the period between the initial date of the audited annual separate financial statements of the Company for 2025 and the date of this report, we did not provide the Company with prohibited non-audit services, nor did we provide, in the financial year preceding the above-mentioned period, services related to the design and implementation of internal control or risk management procedures related to the preparation and/or control of financial information, or the design and implementation of financial information technology systems, and we have maintained our independence in relation to the Company throughout the audit engagement.
5. For the financial year ended 31 December 2024, the Company was required to publish the Report on Income Tax Information pursuant to Article 44 of the Accounting Act, and the Company published such Report in accordance with Article 44 of the Accounting Act.

In Zagreb, on 12 May 2026




Jeni Krstičević, Certified Auditor
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ZAGREB, OIB: 66538066056
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Jeni Krstičević, President of the
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Zadarska ulica 80
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Darko Karić, Certified Auditor



Max Gelo, Member of the
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Moore Audit Croatia d.o.o.
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Separate Statement of Profit or Loss – HEP d.d.
for the year ended 31 December 2025

<i>in EUR '000</i>	Note	2025	2024
<i>Continuing operations</i>			
Sales revenue	6	1,117,495	1,428,033
Sales revenue - affiliated companies	33	983,707	1,061,266
Other operating income	7	44,953	111,777
Other operating income - affiliated companies	33	55,553	46,031
Total operating income		2,201,708	2,647,107
Procurement of electricity	8	(983,577)	(904,512)
Procurement of electricity - affiliated companies	33	(736,275)	(783,390)
Procurement of gas	9	(127,210)	(338,643)
Employee benefits	10	(25,005)	(21,939)
Depreciation expense	14,15,16	(23,715)	(17,989)
Costs of fees and services - affiliated companies	33	(193,801)	(220,795)
Other operating expenses	11	(82,134)	(143,588)
Total operating expenses		(2,171,717)	(2,430,856)
Operating profit		29,991	216,251
Financial income	12	107,715	84,556
Financial expenses	12	(49,536)	(63,700)
Net profit before tax		88,170	237,107
Profit tax	13	850	(30,080)
Profit of the current year		89,020	207,027

The accompanying notes are an integral part of these annual separate financial statements.

Separate Statement of Other Comprehensive Income – HEP d.d.
for the year ended 31 December 2025

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Profit of the current year	89,020	207,027
Other comprehensive income		
Changes in the value of equity investments at fair value through other comprehensive income, net of tax	(2,024)	(221)
Other items that will not be reclassified to profit or loss	(1,064)	-
Total items that will not be reclassified to profit or loss	<u>(3,088)</u>	<u>(221)</u>
Other comprehensive income net	(3,088)	(221)
Total comprehensive profit of the current year	85,932	206,806

The accompanying notes are an integral part of these annual separate financial statements.

Separate Statement of Financial Position – HEP d.d.
as of 31 December 2025

<i>in EUR '000</i>	Note	31 December 2025	31 December 2024
ASSETS			
Fixed assets			
Property, plant and equipment	14	330,243	314,951
Investment property	17	11,582	7,228
Right-of-use assets	15	359	471
Goodwill	16	381	381
Intangible assets	16	43,208	38,419
Investments in subsidiaries and joint ventures, investments calculated using the equity method	18	1,421,284	1,432,442
Financial assets at fair value through other comprehensive income	19	42,106	44,568
Long-term loans granted	32	2,203,757	2,159,657
Other long-term receivables	20	2	3
Deferred tax assets	13	138,859	137,775
Total fixed assets		4,191,781	4,135,895
Current assets			
Inventories	21	56,345	85,469
Trade receivables	22	7,017	2,357
Current maturity of the given long-term loans	32	170,417	181,551
Other current assets	23	15,694	149,100
Receivables from affiliated companies	32	983,410	696,195
Cash and cash equivalents	24	124,853	164,817
Total current assets		1,357,736	1,279,489
TOTAL ASSETS		5,549,517	5,415,384

<i>in EUR '000</i>	Note	31 December 2025	31 December 2024
EQUITY AND LIABILITIES			
Equity and reserves	25		
Share capital	/i/	2,627,959	2,627,959
Fair value reserves	/ii/	17,805	20,893
Profit reserves	/iii/	97,673	87,322
Profit for the year	/iv/	89,020	207,027
Retained earnings	/v/	328,371	140,366
Total equity		3,160,828	3,083,567
Long-term liabilities			
Liabilities for long-term loans	26	901,330	1,425,023
Other long-term liabilities	27	1,071	1,124
Lease liabilities	28	279	404
Provisions	29	6,425	26,539
Deferred tax liability	13	3,362	3,799
Deferred income related to assets financed by third parties	30	611	1,321
Total long-term liabilities		913,078	1,458,210
Short-term liabilities			
Current maturity of long-term loans	26	394,403	24,016
Liabilities to affiliated companies	32	932,866	650,586
Other current liabilities	31	147,537	198,187
Current portion of lease liabilities	28	125	120
Current portion of deferred income	30	680	698
Total short-term liabilities		1,475,611	873,607
TOTAL EQUITY AND LIABILITIES		5,549,517	5,415,384

The accompanying notes are an integral part of these annual separate financial statements.

Separate Statement of Changes in Equity – HEP d.d.
for the year ended 31 December 2025

<i>in EUR '000</i>	Share capital	Fair value reserves	Profit reserves	Profit/(loss) of the current year	Retained earnings	Total
Balance as of 1 January 2024	2,627,959	21,114	87,322	(47,132)	187,983	2,877,246
Allocation of results	-	-	-	47,132	(47,132)	-
Merger of SUNČANA ELEKTRANA VIS d.o.o.	-	-	-	-	(485)	(485)
Profit for the current year	-	-	-	207,027	-	207,027
Other comprehensive income	-	(221)	-	-	-	(221)
<i>Total comprehensive loss</i>	-	(221)	-	207,027	-	206,806
Balance as of 31 December 2024	2,627,959	20,893	87,322	207,027	140,366	3,083,567
Allocation of results	-	-	10,351	(207,027)	196,676	-
Profit for the current year	-	-	-	89,020	-	89,020
Other comprehensive income	-	(3,088)	-	-	-	(3,088)
<i>Total comprehensive income</i>	-	(3,088)	-	89,020	-	85,932
Payment to the State Budget	-	-	-	-	(7,816)	(7,816)
Correction of prior period errors	-	-	-	-	(855)	(855)
Balance as of 31 December 2025	2,627,959	17,805	97,673	89,020	328,371	3,160,828

The accompanying notes are an integral part of these annual separate financial statements.

Separate Statement of Cash Flows – HEP d.d.
for the year ended 31 December 2025

<i>in EUR '000</i>	2025	2024
OPERATING ACTIVITIES		
Profit/loss before tax	88,170	237,107
Interest income	(6,217)	(6,504)
Interest expense	34,790	62,742
Net exchange differences	112	5,099
Depreciation of property, plant and equipment, intangible assets and right-of-use assets	23,715	17,989
Change in provisions	(20,114)	(4,520)
Change in financial assets through profit or loss	(728)	(10,422)
Income from dividends	(101,494)	(77,979)
Value adjustment of receivables	528	192
Value adjustment and loss/gain from the sale of tangible fixed assets	(10,312)	(818)
<i>Cash flow from operating activities before changes in working capital</i>	<i>8,450</i>	<i>222,886</i>
(Increase)/Decrease in trade receivables	(4,132)	16,801
(Increase)/Decrease in receivables from affiliated companies	(170,484)	148,511
Decrease in inventory	29,124	160,988
Decrease in other current assets	141,875	527,234
(Decrease) in trade payables	(9,886)	(31,006)
(Decrease) in other liabilities	(7,047)	(368,498)
Increase/(Decrease in liabilities towards subsidiaries	230,280	(159,496)
(Decrease) in other long-term liabilities	(53)	(109,130)
Cash from operations	218,127	408,290
Paid profit tax	-	(84)
Interest paid	(45,936)	(77,378)
CASH FROM OPERATING ACTIVITIES	172,191	330,828
INVESTING ACTIVITIES		
Interest income	1,419	2,279
Receipts from dividends from affiliated companies	4,602	-
Expenditures for increasing the share capital of a subsidiary	(6,097)	(252)
Expenditures for the acquisition of property, plant and equipment	(71,541)	(65,654)
Receipts from the acquisition of other fixed assets	1	3
Receipts from the collection of the given loans	7,458	4,050
Expenditure on loans granted	(28,092)	(2,200)
Proceeds from the sale of tangible fixed assets	10,018	628
CASH FROM INVESTING ACTIVITIES	(82,232)	(61,146)

Separate Statement of Cash Flows – HEP d.d. (continued)
for the year ended 31 December 2025

<i>in EUR '000</i>	2025	2024
FINANCING ACTIVITIES		
Receipts from long-term loans received	635	-
Expenditures for repayment of long-term loans	(174,651)	(367,590)
Expenses for repayment of the principal of leases	(91)	(38)
Proceeds from loans received	168,000	107,906
Repayments of borrowings	(116,000)	(95,000)
Dividends paid	(7,816)	-
CASH FROM FINANCING ACTIVITIES	(129,923)	(354,722)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(39,964)	(85,040)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	164,817	249,857
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	124,853	164,817

The accompanying notes are an integral part of these annual separate financial statements.

1. GENERAL

Foundation and development

Hrvatska elektroprivreda (hereinafter HEP d.d. or the Company) is a joint stock company with its registered office in Zagreb, Ulica grada Vukovara 37, established in 1994, by reorganising the former Public Company Hrvatska elektroprivreda s.p.o. and is its legal successor. In the registry file, the entity's (MBS) identification number is 080004306, and in the Central Bureau of Statistics, the identification number is 3557049, PIN 28921978587.

The share capital of the company is EUR 2,627,959 thousand, and it is divided into 10,995,644 ordinary shares of series A1 with a nominal amount of EUR 239. Shares of Hrvatska elektroprivreda d.d. are 100% owned by the Republic of Croatia.

The Company manages its operations and performs part of its activities in accordance with the applicable regulations, the Company's Articles of Association, and the Rules of Procedure, as described in the Decision on the duties of members of the Management Board of HEP d.d., in accordance with corporate functions and activities. In addition to corporate functions, the Company directs, coordinates and monitors activities in subsidiaries in accordance with the Agreements on Mutual Relations. The Company is the owner of all assets that are contractually transferred to the management of affiliates or subsidiaries, performs the functions of HEP Group corporate governance, and provides conditions for the secure and reliable supply of electricity, heat, and natural gas to customers.

In addition to corporate functions, HEP d.d. strategically directs, coordinates, and monitors production, network, and other activities across subsidiaries, aiming to harmonise the core business activities of manufacturing subsidiaries, i.e., optimising production processes.

The basic internal organisation of the Company follows the approach of corporate governance and the powers of the Company for individual activities. Within the HEP Group, companies that perform regulated activities are clearly separated from those that do not (management, accounting, and legal).

The basic internal organisation of the Company consists of the following organisational units:

- Management Board of HEP d.d.
- Corporate Security
- Capital Investment
- Strategy and Development
- Finance and Treasury
- Accounting
- Controlling
- Corporate Communications
- Procurement
- Human Resources
- Legal Affairs
- Internal Audit
- Information and Communication Technologies
- Market and Marketing Strategy
- EU and Regulatory Affairs

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

1. GENERAL (continued)

HEP d.d. had 515 employees as at 31 December 2025 (31 December 2024: 510).
The qualification structure of employees as at 31 December 2025 was as follows:

	31 December 2025	31 December 2024
PhD	8	7
Master	29	33
College	317	306
Bachelor	56	52
High school	100	107
Primary school, Skilled worker	5	5
Total	515	510

Classification of entities

An entity is classified as small, medium or large, depending on indicators determined as at the last day of the financial year preceding the financial year for which the annual financial statements are prepared. The indicators used to classify an entity include total assets, net revenue, and the average number of employees. A large entity is an entity that exceeds the threshold indicators in at least two of the following three criteria:

1. Total assets: EUR 25,000,000.00
2. Net revenue: EUR 50,000,000.00
3. Average number of employees during the financial year: 250 employees

HEP d.d. is classified as a large entity based on the following indicators:

In EUR '000

	2024	2023
Total assets	5,415,384	6,261,802
Net revenue	2,489,299	3,280,992
Average number of employees during the financial year	500	503

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

1. GENERAL (continued)

General Assembly

The General Assembly consists of members who represent the interests of the sole shareholder – the Republic of Croatia.:

Ante Šušnjar	Member	Member since 17 May 2024
Damir Habijan	Member	Member from 21 December 2023 until 16 May 2024

Supervisory Board

Members of the Supervisory Board in 2025

Anton Kovačev	President	President since 15 June 2023
Mladen Zeljko	Member	Member since 10 December 2023
Jelena Zrinski Berger	Member	Member since 18 January 2018
Lukša Lulić	Member	Deputy President since 17 December 2024
Meri Uvodić	Member	Member since 4 December 2018 until 1 April 2025
Ante Barać	Member	Member since 2 April 2025

The mandates of the Chairman and members of the Supervisory Board were valid throughout the entire 2025 financial year, except for the mandate of member Meri Uvodić, which expired on 1 April 2025.

Members of the Supervisory Board in 2024

Anton Kovačev	President	President since 15 June 2023
Mladen Zeljko	Member	Member since 10 December 2023
Jelena Zrinski Berger	Member	Member since 18 January 2018
Lukša Lulić	Member	Member from 9 November 2018 until 16 December 2024
		Deputy President since 17 December 2024
Meri Uvodić	Member	Member since 4 December 2018

Management Board

Members of the Management Board in 2025

Vice Oršulić	President	President since 9 December 2023
Petar Sprčić	Member	Member since 1 January 2018
Tomislav Šambić	Member	Member since 1 January 2018
Ivica Vukoja	Member	Member since 9 December 2024
Ante Elez	Member	Member since 2 December 2024

The mandates of the Chairman and members of the Management Board were valid throughout the entire 2025 financial year.

Members of the Management Board in 2024

Vice Oršulić	President	President since 9 December 2023
Petar Sprčić	Member	Member since 1 January 2018
Tomislav Šambić	Member	Member since 1 January 2018
Ivica Vukoja	Member	Member since 9 December 2024
Ante Elez	Member	Member since 2 December 2024

Notes to the annual separate financial statements – HEP d.d. (continued) for the year ended 31 December 2025

1. GENERAL (CONTINUED)

Basis of preparation

a) Annual separate financial statements

The annual separate financial statements for 2025 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and have also been prepared in accordance with the Accounting Act (Official Gazette Nos. 85/24, 145/24, 151/25) and the Rulebook on the Structure and Content of Annual Financial Statements (Official Gazette No. 107/25).

Exceptionally, for a more appropriate presentation of the annual separate financial statements and to eliminate possible ambiguities in the annual separate financial statements and misinterpretation thereof, a departure was made from certain requirements of IFRS 11 “Joint Arrangements”.

The annual separate financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment property, which are stated at fair value as further described in the accounting policies.

The Company maintains its accounting records in Croatian, in euros, and in accordance with Croatian statutory requirements and accounting principles and practices generally applied by companies in Croatia.

The annual separate financial statements have been prepared on an accrual basis and on a going-concern basis.

b) Annual consolidated financial statements

The Company has prepared these annual separate financial statements in accordance with Croatian statutory requirements.

The Company has also prepared annual consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union for the Company and its subsidiaries, which together comprise the HEP Group, as at 31 December 2025 and for the year then ended. In the annual consolidated financial statements, subsidiaries (listed in Note 33) – representing all entities over which the Company, directly or indirectly, has more than one-half of the voting rights or otherwise exercises control over their operations – are fully consolidated. Users of these annual separate financial statements should read them in conjunction with the annual consolidated financial statements of the HEP Group as at and for the year ended 31 December 2025 to obtain complete information on the financial position of the HEP Group, the results of its operations and changes in the financial position of the HEP Group as a whole.

Functional and presentation currency

The annual separate financial statements have been prepared in euro, which is the primary currency of the economic environment in which the Company operates (the “functional currency”), and are rounded to the nearest thousand.

Other reporting matters

The Company has also prepared annual separate financial statements in accordance with the Rulebook on the Structure and Content of Annual Financial Statements (GFI-POD form).

Certain items in the audited annual separate financial statements have been reclassified in accordance with IFRS and do not differ materially from the items presented in the prescribed annual financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those applied in the previous financial year, except for the standards, amendments to standards and interpretations that became effective after 1 January 2025. Presented below are only the new standards, amendments to a standard and interpretations that are relevant to the Company's operations:

New and amended International Financial Reporting Standards

Standards and interpretations effective in the current period

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: The amendment specifies that a currency is considered exchangeable into another currency if an entity is able to obtain the other currency within a time frame that includes a normal administrative delay through a market or exchange mechanism in which the exchange transaction would create enforceable rights and obligations. When a currency is not exchangeable, an entity must estimate the applicable exchange rate at the measurement date. The amendment also provides guidance on determining the exchange rate in such circumstances, as well as the related disclosures required when a market exchange rate is unavailable. The amendments include guidance on determining when a currency is exchangeable and how to determine the exchange rate when it is not.

This amendment to the standard does not have a significant impact on the Company's annual separate financial statements.

Standards and interpretations not effective in the current period

New standards and amendments to standards have been issued but are not yet effective (applicable for periods beginning on or after 1 January 2026):

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures: Contracts Referencing Nature-dependent Electricity

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures: Classification and Measurement of Financial Instruments

Annual Improvements – Volume 11 – including certain amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7

These amendments are not expected to have a significant impact on the Company's annual separate financial statements.

New standards and amendments to standards have been issued but are not yet effective, nor have they yet been endorsed by the European Union (applicable for periods beginning on or after 1 January 2027):

IFRS 18 Presentation and Disclosure in Financial Statements

Issued in April 2024, IFRS 18 replaces IAS 1 Presentation of Financial Statements and will result in significant consequential amendments to IFRS Accounting Standards, including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Although IFRS 18 Presentation and Disclosure in Financial Statements will not have any effect on the recognition and measurement of items in the annual separate/consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and subtotals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosures of management-defined performance measures.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates – Exchange Rates for Hyperinflationary Currencies

Management is still assessing the effects of the new and amended standards. Apart from the effects of IFRS 18 Presentation and Disclosure in Financial Statements, which will have a significant impact on presentation, primarily on the presentation of operating performance, the new standards and interpretations are not expected to have a significant impact on the Company's annual separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Subsidiaries are companies in which the Company or the Parent Company has control. The Company has control over an entity if, based on its participation in it, it is exposed to variable returns, i.e., it has rights to them and the ability to influence the return through its dominance in that entity. Investments in subsidiaries are stated at the end of the reporting period at cost adjusted for impairment and any changes in the Company's share of the net assets of the subsidiary.

Investments in joint ventures

Under IFRS 11, joint operations are classified as either joint management or joint ventures. The classification depends on each investor's contractual rights and obligations, not on the legal structure of the mutual agreement.

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 liabilities from the transaction in question

Joint venture - a joint operation in which the parties have joint control over the transaction and have rights to the net assets of the transaction in question.

In classifying investments in joint operations, the Company considers

- The structure of the joint operation
- Legal form of the joint operation structured through separate legal entities
- Contractual terms of the joint operation
- All other facts and circumstances (including any other contractual arrangements).

Interests in joint ventures are accounted for using the equity method. The Company has identified its investment in LNG Hrvatska d.o.o. as a joint venture.

In the annual consolidated financial statements, the Company classifies its investment in NE Krško d.o.o. as a joint operation and recognises its share of assets, liabilities, revenues and expenses in accordance with its contractual rights and obligations. As described in Note 18, in the annual separate financial statements the Company has departed from the requirements of IFRS 11 *Joint Arrangements* and applies the equity method to its investment in NE Krško d.o.o.

Costs of pension benefits and other employee benefits

The Company does not manage defined benefit plans after retirement for its employees and managers. Accordingly, there are no provisions for these expenses.

The Company is obliged to pay contributions to pension and health insurance funds 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 on the basis of gross salary

	2025	2024
Pension insurance contribution	20%	20%
Health insurance contribution	16,5%	16,5%

The Company is obliged to suspend contributions from the gross salary of employees.

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 (Note 10).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension benefits and jubilee awards

The Company pays jubilee awards and one-time severance pay to employees upon retirement. The liability and cost of these benefits are determined using the projected credit unit method. Using the projected credit unit 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

In 2025, the Company paid its employees long-service benefits (jubilee awards) and retirement severance payments upon retirement. The long-service awards ranged from EUR 280 to EUR 730 net for 10 to 45 years of continuous employment with the employer. In December 2025, a new Collective Agreement was concluded for a fixed term until 31 December 2027, applicable from 1 January 2026, with the exception of the provisions of Article 90, which apply from 1 March 2026.

Severance payments

As of 1 January 2024, a Collective Agreement (applicable to all members of the HEP Group) is in force, under which each employee is entitled, upon retirement, to a severance payment in the amount of 1/8 of the employee's gross average monthly salary paid in the three months preceding termination of the employment contract, for each completed year of continuous employment with the employer. In December 2025, a new Collective Agreement was concluded for a fixed term until 31 December 2027, applicable from 1 January 2026, except for the provisions of Article 90, which apply from 1 March 2026.

Intangible assets

Non-current intangible assets are mostly licenses and software, and are stated at cost less accumulated amortisation. It is depreciated on a straight-line basis over 2-10 years.

Goodwill

Goodwill from a business combination is the amount of the cost of acquisition paid in excess of the fair values at which the assets and liabilities acquired are measured on initial recognition. After initial recognition, the acquirer should measure goodwill acquired in a business combination at cost less accumulated impairment losses. Goodwill acquired in a business combination is not amortised but is tested for impairment annually, and more frequently if changed circumstances indicate a possible loss in value.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation 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 change in estimates is accounted for based on revised expectations and is recognised in the current and future periods. Land and assets under construction are not depreciated, while property, plant and equipment in use are depreciated using the straight-line method on the following basis:

	2025 and 2024
Buildings	20-50 years
Office and IT equipment	5-20 years
Motor vehicles	5 years
Office furniture	10 years

2. 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, including customs duties and non-refundable taxes, and all direct costs of bringing the property to its working condition and place of use. Expenses incurred after putting property, plant and equipment into use are charged to the statement of profit or loss in the period in which they are incurred.

In situations where it is clear that the costs have increased, the future economic benefits expected to be obtained from the use of the item of property, plant and equipment above its originally estimated capacity, are capitalised as an additional cost of property, plant and equipment.

Costs eligible for capitalisation include the costs of periodic, pre-planned major inspections and overhauls necessary for further operations.

The gain or loss arising from the disposal or withdrawal of an item of property, plant and equipment is determined as the difference between the sale proceeds and the asset's carrying amount and is recognised in the statement of profit or loss.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Company 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 so that any impairment loss can be determined. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset's specific risks.

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 recognised 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 recognised for this asset (cash-generating unit) due to impairment. A reversal of an impairment loss is recognised immediately as income in the statement of profit or loss.

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 arise.

Investment property is derecognised by sale or permanent withdrawal from use, as well as when no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property is determined as the difference between the net disposal proceeds and the net carrying amount of the property in question. It is included in profit or loss in the period in which the property is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Company as a lessee

All leases are calculated by recognising right-of-use assets and lease liabilities, except for:

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

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 this case, the incremental borrowing rate of 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 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 they relate.

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

- amounts expected to be paid by the lessee under residual value guarantees;
- the cost of executing the purchase option if it is certain that the lessee will use that option; and
- payment of fines for termination of the lease if the lease period reflects that the lessee will take the opportunity to terminate the lease

Right-of-use assets 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 lease start date;
- all initial direct costs; and
- the amount of the provision recognised if the Company contractually bears the costs of dismantling, removing or rebuilding the site.

The right-of-use asset is reduced by the accumulated depreciation calculated on a straight-line basis over the lease term or the asset's remaining economic life, if the latter is shorter.

The useful life of the right-of-use asset is determined by the duration of the lease agreement, and is shown as follows:

	2025 and 2024
Business premises and land	2-25 years
Vehicles	2-5 years

After the initial measurement, the lease liability increases to reflect interest on lease liabilities 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.

The Company as the lessor

Property, plant and equipment and intangible assets are leased to affiliated companies at their carrying amounts (except HOPS as of 1 July 2013 and HEP Telekomunikacija). Leases of property, plant, equipment and intangible assets are classified as finance leases because the lessee accepts almost all the benefits and risks of ownership. Leases bear interest only up to the extent to which the lessor has obtained funds to finance the asset in question from external sources. These assets are stated at cost to present the fixed assets at their carrying amounts as originally reported by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and on hand, 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 subject to an insignificant risk of changes in value.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on a qualifying asset is deducted from the borrowing costs eligible for capitalisation. If the development of a qualifying asset is temporarily suspended, borrowing costs incurred during the suspension period are not capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs in 2025 amounted to EUR 2,792 thousand (2024: EUR 4,312 thousand). Borrowing costs related to qualifying assets were fully capitalised in 2025.

Foreign currencies

The Company's annual separate financial statements are presented in euros, which is the currency of the primary economic environment in which the entity operates (the functional currency). In the Company's annual separate financial statements, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing rates at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value was determined.

Non-monetary items measured at historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items and on their retranslation are recognised in the separate statement of profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items measured at fair value are recognised in profit or loss as finance costs.

Inventories

Inventories mainly comprise materials and spare parts and are stated at the lower of cost and net realisable value. Management performs an impairment assessment of inventories based on a review of the overall ageing structure of inventories and significant individual amounts.

Inventories also include CO₂ emission allowances. With the inclusion of the Republic of Croatia in the European Union Emissions Trading System (EU ETS), entities engaged in the generation of electricity and heat are required to purchase emission allowances in an amount corresponding to verified CO₂ emissions arising from the combustion of fossil fuels in thermal power plants, resulting in CO₂ emissions.

In accordance with the ETS Directive transposed into the Act on Climate Change and Protection of the Ozone Layer, entities are required to surrender sufficient emission allowances for CO₂ emissions by 30 September (annual cycle). Due to the withdrawal of IFRIC 3 and the lack of sufficient guidance within IFRS, the Company has analysed different accounting models for CO₂ emission allowances, including EFRAG discussion papers. From time to time, the Company trades CO₂ emission allowances. Accordingly, the Company recognises emission allowances as inventories.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

Inventories also include energy savings. With the entry into force of amendments to the Energy Efficiency Act, members of the HEP Group acting as energy suppliers have become obligated to achieve energy savings in final energy consumption. To allocate achieved savings between HEP Group entities that are not obligated to achieve savings and those that are, the Methodology for the Allocation and Purchase of Energy Savings was adopted. The Methodology defines the manner of allocation of energy savings achieved by non-obligated entities and surplus savings in obligated entities, as well as the conditions for the mutual purchase of savings for the current financial year. As the designated coordinator of the consolidated Report on Achieved Energy Savings, HEP manages the savings subject to this Methodology and reallocates them to obligated entities accordingly.

Inventories also include gas purchased by the Company on the market for the needs of HEP Proizvodnja d.o.o. and HEP Plin d.o.o. The value of inventories includes the purchase cost of gas, increased by related ancillary costs.

Taxation

Profit tax expense is the sum of current tax and changes in deferred tax during the year.

Current tax

The current tax liability is based on the taxable profit for the year. Taxable profit differs from net profit for the period shown in the separate statement of profit or loss because it does not include items of income and expenses that are taxable or non-taxable in other years, as well as items that are never taxable or deductible. The Company's current tax liability is calculated by applying the tax rates in force at the time of adoption on the reporting date.

Deferred tax

Deferred tax represents the amount expected to be payable or recoverable in respect of temporary differences between the carrying amounts of assets and liabilities in the annual separate financial statements and the corresponding tax bases used in the calculation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax liabilities and deferred tax assets are not recognised for temporary differences arising from goodwill or from the initial recognition of other assets and liabilities, except in a business combination, in transactions that do not affect either taxable profit 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 the recovery of all or part of the deferred tax asset. Deferred tax is measured using tax rates that are expected to apply in the period in which the liability will be settled or the asset realised, based on tax laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the amount that is expected, at the reporting date, to arise as a liability or recovery in respect of the carrying amounts of the Company's assets and liabilities.

Deferred tax is recognised as an expense or income in the separate statement of profit or loss, except when it relates to items recognised directly in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income, or when the tax arises from the initial recognition in a business combination.

The measurement of deferred tax liabilities and assets reflects the amount that is expected, at the reporting date, to arise as a liability or recovery in respect of the carrying amounts of the Company's assets and liabilities.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Company recognises financial assets in its annual separate financial statements when it becomes a party to the contractual provisions of the instrument. Depending on the business model for managing the assets and the contractual cash flow characteristics of the financial assets, the Company measures financial assets at amortised cost, at fair value through other comprehensive income, or at fair value through the separate statement of profit or loss.

Financial assets consist of debt instruments and equity instruments. Equity instruments represent investments in equity instruments of other entities that do not confer control, joint control or significant influence. Financial assets are classified and measured as set out below:

DESCRIPTION	Business model/measurement
Fixed assets	
Long-term loans granted	Held-for-collection / amortised cost
Financial lease receivables	Held-for-collection / amortised cost
Financial assets at fair value through other comprehensive income	Strategic investments / fair value through other comprehensive income
Other long-term receivables	Holding for collection / amortised cost
Current assets	
Trade and other receivables	Held-for-collection / amortised cost
Receivables from affiliated companies	Held-for-collection / amortised cost
Other short-term receivables	Held-for-collection / amortised cost
Cash and cash equivalents	Held-for-collection / amortised cost

The Company's business models reflect the manner in which the Company manages assets to generate cash flows, regardless of whether the objective is solely to collect contractual cash flows from the assets (hold to collect) or to collect both contractual cash flows and cash flows arising from the sale of the assets (hold to collect and sell). Strategic investments in equity instruments are irrevocably measured at fair value through other comprehensive income. All other financial assets are measured at fair value through the separate statement of profit or loss.

i) Financial assets at fair value through other comprehensive income

This category of assets comprises the Company's equity instruments traded in an active market. Changes in fair value are recognised in other comprehensive income (FVOCI) without subsequent reclassification to the separate statement of profit or loss. If an equity instrument is sold, the accumulated revaluation reserve is transferred to retained earnings. Dividends from this financial asset are recognised in the separate statement of profit or loss.

ii) Loans granted and receivables from financial lease

Loans granted and receivables under finance leases are held within a business model whose objective is to hold financial assets to collect contractual cash flows. Contractual cash flows are solely those that represent payments of principal and interest on the principal amount outstanding.

Loans granted and receivables under financial lease are measured at amortised cost. Measurement at amortised cost implies the following;

Interest income is calculated using the effective interest rate method, and the same rate is applied to the gross book value of assets. The effective interest method is used to calculate the cost of amortising financial assets and to distribute interest income over the corresponding period. The effective interest rate is the rate at which future cash receipts are discounted over the expected life of the financial asset, or a shorter period, if more appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

iii) Trade and other receivables

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

iv) Impairment

The Company recognises impairment of financial assets based on expected credit losses. On each reporting date, the Company measures expected credit losses and recognises them in the annual separate financial statements. Expected credit losses from financial instruments are measured in a way that reflects:

- An unbiased and weighted amount of probabilities determined by evaluating the range of possible outcomes,
- Time value of money,
- Reasonable and acceptable information about past events, current conditions and predictions of future economic conditions.

For the purposes of calculating expected credit losses, the portfolio of financial assets is divided into three levels: Level 1, Level 2, and Level 3. If no impairment has been determined on the date of first recognition, the financial asset is included in Level 1, and the subsequent reclassification to Levels 2 and 3 depends on the increase in credit risk per financial instrument after initial recognition, that is, on the credit quality of the financial instrument.

The Company applies a simplified approach to measuring 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 incurred during the three years before the end of the reporting period. Historical loss rates are then adjusted for current and future information on macroeconomic factors affecting the Company's customers.

v) Derecognition of financial assets

The Company derecognises financial assets when

- contractual rights to cash flows from financial assets expire
- financial assets are transferred, and the transfer meets the conditions for derecognition.

The Company transfers a financial asset if and only if it either transfers contractual rights to receive cash flows from the financial asset or retains contractual rights to receive those cash flows while assuming a contractual obligation to pay them to one or more recipients in the arrangement.

When the Company transfers financial assets, it is obliged to assess the extent to which it retains the risks and benefits of ownership. In this case, when all risks and benefits of ownership are transferred, the Company ceases to recognise financial assets. It recognises separately as assets or liabilities all rights and obligations that arose or were retained within the framework of the transfer. If almost all the risks and benefits of ownership of the financial asset are retained, the Company continues to recognise the financial asset. If the Company neither transfers nor retains all the risks and rewards of ownership of the financial asset substantially, the Company determines whether control over the financial asset is retained.

If control over financial assets is not retained, the Company ceases to recognise financial assets. It recognises separately as assets or liabilities all rights and obligations that arose or were retained within the framework of the transfer. If control is retained, the Company continues to recognise financial assets to the extent it still participates in them.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities measured at amortised cost. All financial liabilities are initially recognised at fair value plus associated transaction costs. Financial liabilities include accounts payable and other liabilities, bank overdrafts and loans and advances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

The Company stops recognising liabilities in the annual separate financial statements when and only when the liability is settled. When an existing financial liability is replaced by another by the same creditor under significantly different terms, or the terms of existing liabilities are significantly changed, such a change or modification is treated as the termination of the original liability and the recognition of a new liability, and the difference in the corresponding carrying values is recognised in the separate statement of profit and loss.

Provisions

A provision is recognised only if the Company has a present liability (legal or constructive) as a result of a past event, the settlement of the liability will probably require an outflow of resources with economic benefits, and the amount of the liability can be determined reliably. Provisions are reviewed at each reporting date and adjusted according to 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 expected to be required to settle the liability. In the case of discounting, the increase in provisions reflecting the passage of time is recognised as interest expense.

Revenue recognition

Operating revenue is generated primarily from the sale of electricity to households and businesses in the Republic of Croatia that have chosen HEP Opskrba d.o.o. as their supplier, by selling electricity to related companies and on the market, by selling gas to related companies and on the market, as well as compensation for administrative services for HEP Group companies.

Regarding the recognition of contracts with customers, the Company applies a five-step model:

- 1) Identify the contract with a customer.
- 2) Determine the transaction price.
- 3) Identify the performance obligations in the contract.
- 4) Allocate the transaction price to performance obligations.
- 5) Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenues are recognised for each separate obligation in the contract in the amount of the transaction price. The transaction price is the amount of contractual fees to which the Company expects to be entitled in exchange for the transfer of the customer's promised goods or services. The Company recognises income at the moment when it has fulfilled the obligation and when the income can be reliably measured.

Revenues from the sale of electricity and gas are recognised when the Company delivers energy to the customer, when significant risks and benefits of ownership are transferred to the customer, and when there is no significant uncertainty regarding the sale, associated costs or possible return of goods. Delivery is made when the products are shipped to a certain location, the risks of loss are transferred to the customer and when one of the following is established: the customer accepts the products in accordance with the contract, the deadline for accepting the products has passed, or the Company has objective evidence that all acceptance criteria have been met. Sales revenue is reported based on the price from the sales contract, less the agreed discounts and refunds at the time of sale.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

3. COMPARATIVE DATA

The Company has reclassified certain items in the annual separate financial statements relating to the prior period.

The reclassifications were made retrospectively in the prior comparative period and are presented below:

Separate Statement of Profit or Loss in EUR '000	Previously reported 2024	Reclassification	Restated 2024
Staff costs	18,612	3,327	21,939
Other operating expenses	146,915	(3,327)	143,588

The reclassification was made to improve the presentation of the annual separate financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of annual separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board requires Management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of contingent liabilities. Future events may occur that alter the assumptions underlying such estimates, leading to changes in the estimates themselves. The effect of any change in an estimate will be recognised in the annual separate financial statements when it becomes determinable. Estimates are described in detail in the related notes to the annual separate financial statements, with the most significant relating to the following:

Useful life of property, plant and equipment

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

The Company uses the economic benefits contained in the assets, which decrease due to economic and technological ageing. Accordingly, in determining the asset's useful life, in addition to assessing expected physical utilisation, it is necessary to consider changes in market demand, which will accelerate economic obsolescence and intensify the 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 estimate. Changes in estimates, if any, will be reflected in the revised depreciation expense over the remaining revised useful life.

Availability of taxable profit for which deferred tax assets can be recognised.

Deferred tax assets are recognised for all unused tax losses to the extent that a profit may be realised that will enable the use of the related tax benefit. Determining deferred tax assets that can be recognised requires the application of significant judgments, which are based on determining the probable timing and amount of future taxable profit, together with the future planned tax strategy. The carrying amount of deferred tax assets as at 31 December 2025 amounted to EUR 138,859 thousand, compared to EUR 137,775 thousand as at 31 December 2024 (Note 13).

Actuarial estimates are used to calculate retirement benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates include assumptions about discount rates, future income increases, and mortality or turnover rates. Due to the long-term nature of these plans, these estimates are subject to uncertainty (Note 30).

Consequences of certain legal disputes

The Company is a party to numerous court cases arising from regular operations. Provisions are recorded if there is a present liability as a result of a past event (considering all available evidence, including the opinion of legal experts) where it is probable that the settlement of the liability will require an outflow of resources, and if the amount of the liability can be reliably estimated. Provisions for legal disputes as at 31 December 2025 amounted to EUR 1,008 thousand, compared to EUR 22,523 thousand as at 31 December 2024 (Note 30).

4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Expected credit loss model

With the application of IFRS 9, the expected credit loss (ECL) model was introduced. The measurement of expected credit impairment loss is based on reasonable and supportable information that is available without undue cost and effort, and that includes information about past events, current and anticipated future conditions and circumstances. The Company recognises a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or since a commitment or guarantee was assumed). For the purposes of calculating the ECL model, the portfolio of financial assets is divided into three levels: Level 1, Level 2 and Level 3. On the date of first recognition, financial assets are included in Level 1, and subsequent reclassification to Levels 2 and 3 depends on the increase in credit risk of the 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 recognised for the entire period of the receivables.

Assessment of share value

Given the diversity of core activities within the Group, the Company continuously conducts internal market analyses by core business segment to identify potential market disruptions in a timely manner and thereby mitigate the risk of asset impairment across its business portfolio. Accordingly, and in line with the provisions of International Accounting Standard 36 *Impairment of Assets*, the Company continuously assesses at the end of each reporting period whether any indicators could give rise to impairment of assets, performs recoverable amount measurement activities, and reviews the carrying value of recognised equity interests in related entities.

Goodwill

As described in Note 2, goodwill is not amortised, but is tested for impairment at least annually, or more frequently if impairment indicators exist. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

The assessment of the recoverable amount of goodwill requires the application of significant Management judgments and assumptions, particularly with respect to expected future cash flows, discount rates and long-term growth rates. Changes in these assumptions may have a significant effect on the determined recoverable amount and on any requirement to recognise impairment of goodwill.

5. IMPACT OF SIGNIFICANT BUSINESS EVENTS ON THE ANNUAL SEPARATE FINANCIAL STATEMENTS FOR 2025

IMPACT OF THE REGULATION ON THE ELIMINATION OF DISTURBANCE ON THE DOMESTIC ENERGY MARKET

In 2022, in response to the energy crisis, the Government of the Republic of Croatia adopted a series of temporary measures to ensure sufficient gas supply and availability, as well as to limit the prices of electricity, heat, and gas for end customers. These measures were in force until 31 March 2023.

Due to the continued high prices of electricity and other energy products, the Government also continued implementing protective measures for households and the economy during 2023 and 2024. Accordingly, Regulations were adopted covering the periods from 1 April to 30 September 2023 (Official Gazette Nos. 31/23 and 74/23), from 1 October 2023 to 31 March 2024 (Official Gazette Nos. 107/23 and 122/23), from 1 April to 30 September 2024 (Official Gazette No. 32/24), and from 1 October 2024 to 31 March 2025 (Official Gazette Nos. 104/24 and 132/24). In 2025, new Regulations were adopted for the period from 1 April to 30 September 2025 (Official Gazette No. 56/25) and from 1 October 2025 to 31 March 2026 (Official Gazette Nos. 121/25 and 122/25).

Electricity

/i/ Legal foundation and measures undertaken in 2025

Limiting the increase in electricity prices for households

Until 31 October 2025, the energy price was set at EUR 0.079412/kWh for customers in the household category in accordance with the regulation governing the electricity market under a single tariff, or for customers in the household category with peak and off-peak tariffs at EUR 0.084512/kWh for the peak tariff (VT) and EUR 0.041468/kWh for the off-peak tariff (NT). For the period from 1 November 2025 to 31 March 2026, the energy price was set at EUR 0.091324/kWh for customers in the household category in accordance with the regulation governing the electricity market under a single tariff, or for customers with peak and off-peak tariffs at EUR 0.097189/kWh for peak tariff (VT) and EUR 0.047688/kWh for off-peak tariff (NT), up to a threshold of 3,000 kWh of total six-month electricity consumption for household customers.

Until 30 September 2025, for household customers who exceeded the 6-month consumption threshold of 3,000 kWh, electricity consumption above that threshold was charged at a price 50% higher. From 1 October 2025, for customers who exceed the 6-month consumption threshold of 3,000 kWh, excess consumption is charged at a rate 35% higher.

Limiting the growth of electricity prices for the public and non-profit sector

In accordance with the regulation governing the electricity market, for kindergartens, schools, universities, libraries, museums, hospitals, healthcare institutions, nursing homes and homes for the elderly and infirm, associations, religious communities, municipalities, cities and counties, regardless of their total six-month electricity consumption, until 30 September 2025 the energy price was set at EUR 0.079412/kWh for customers under a single tariff, or for customers with peak and off-peak tariffs at EUR 0.084512/kWh for peak tariff (VT) and EUR 0.041468/kWh for off-peak tariff (NT). For the period from 1 October 2025 to 31 March 2026, the energy price was set at EUR 0.091324/kWh for customers under a single tariff, or for customers with peak and off-peak tariffs at EUR 0.097189/kWh for the peak tariff (VT) and EUR 0.047688/kWh for the off-peak tariff (NT).

Limiting the rise in electricity prices for entrepreneurs

Up to a threshold of 250,000 kWh of total six-month electricity consumption, until 30 September 2025 the energy price was set at EUR 0.079412/kWh for customers in the business category in accordance with the regulation governing the electricity market under a single tariff, or for customers with peak and off-peak tariffs at EUR 0.084512/kWh for peak tariff (VT) and EUR 0.041468/kWh for off-peak tariff (NT). For the period from 1 October 2025 to 31 March 2026, the energy price was set at EUR 0.091324/kWh for customers in the business category in accordance with the regulation governing the electricity market under a single tariff, or for customers in the business category up to a consumption threshold of 250,000 kWh of total six-month consumption at EUR 0.097189/kWh for peak tariff (VT) and EUR 0.047688/kWh for off-peak tariff (NT).

For electricity consumption exceeding the 6-month threshold of 250,000 kWh for business customers, the contracted price agreed with the electricity supplier applies.

5. IMPACT OF SIGNIFICANT BUSINESS EVENTS ON THE ANNUAL SEPARATE FINANCIAL STATEMENTS FOR 2025 (continued)

Upon expiry of the billing month, electricity suppliers submit a claim to the Ministry of Economy and Sustainable Development for compensation of the difference between contracted prices and the prices determined by the Regulation for all their end customers. The difference is recognised up to a maximum of EUR 120/MWh until 31 March 2025, and from 1 April 2025 onwards, up to a maximum of EUR 140/MWh.

Electricity (continued)

/i/ Legal foundation and measures undertaken in 2025 (continued)

Covering technical losses of electricity

System operators are, upon submitted request, compensated for the difference between the contracted price and/or the price achieved on the Croatian Power Exchange Ltd. and the price determined by the Regulation.

In accordance with the provisions of the Regulation (Official Gazette Nos. 104/24 and 132/24), for the period from 1 October 2024 to 31 March 2025, a fixed energy price of EUR 0.079412/kWh was prescribed, up to a maximum of EUR 120/MWh. For the period from 1 April 2025 to 30 September 2025 (Official Gazette No. 56/25), a fixed energy price for loss coverage of EUR 0.079412/kWh was prescribed, up to a maximum of EUR 140/MWh. For the period from 1 October 2025 to 31 March 2026 (Official Gazette Nos. 121/25 and 122/25), a fixed energy price for loss coverage of EUR 0.091324/kWh was prescribed, up to a maximum of EUR 140/MWh.

Gas

/ii/ Legal basis and measures taken in 2025

Gas supply to end customers

Until 31 March 2025, the measures of the Government of the Republic of Croatia introduced during 2022, 2023 and 2024 were in force, which were extended, with minor adjustments, through amendments to the applicable Regulation until 31 March 2026.

The Croatian Energy Regulatory Agency (HERA) adopted several decisions regarding tariff items. These include the Decision on the amount of tariff items for public gas supply for the period from 1 October to 31 December 2025 and for the period from 1 January to 30 September 2026 (Official Gazette No. 122/25), as well as the Decision on the amount of tariff items for guaranteed gas supply for non-household customers for the period from 1 January 2026 to 31 March 2026 (Official Gazette No. 153/25).

Pursuant to the HERA Decision dated 5 September 2024, extending the Company's status as a guaranteed gas supplier for the period from 1 October 2024 to 30 September 2027, HEP-PLIN d.o.o. provided guaranteed gas supply services during 2025, ensuring continuous supply to end customers who lost their supplier.

Gas pursuant to the Regulation amending and supplementing the Regulation on eliminating disturbances in the domestic energy market

To ensure sufficient gas reserves in the territory of the Republic of Croatia, the Government adopted in June 2022 the Decision on Ensuring Gas Reserves in the Territory of the Republic of Croatia, and, in September 2022, for the purpose of ensuring gas reserves and increasing the availability of natural gas in the Republic of Croatia, the Regulation amending and supplementing the Regulation on eliminating disturbances in the domestic energy market. In accordance with the aforementioned regulations, HEP d.d. was obliged to procure and sell natural gas to the prescribed categories of customers. Gas inventories acquired under these arrangements were sold in 2024.

In accordance with amendments to the Regulation dated 6 September 2024, in the event of insufficient quantities of natural gas, HEP d.d. is obliged from 1 October 2024 to ensure and supply the required quantities of natural gas for certain categories of customers, and the period of application of the Regulation has been extended. It is also stipulated that for the supplied quantities of gas, HEP d.d. is entitled to reimbursement in the amount of the difference between the cost of gas procurement for guaranteed supply and the gas procurement price for public gas supply as defined in the Methodology for determining tariff items for public gas supply and guaranteed supply.

5. IMPACT OF SIGNIFICANT BUSINESS EVENTS ON THE ANNUAL SEPARATE FINANCIAL STATEMENTS FOR 2025 (continued)

Thermal energy

From 1 October 2024 to 30 September 2025, with minor amendments, the Regulation on eliminating disturbances in the domestic energy market (Official Gazette Nos. 31/23, 74/23, 107/23, 122/23, 32/24, 104/24, 132/24 and 56/25) remained in force. Under the new measures, the final price of supplied heat energy, including charges and value added tax, for end customers of heat energy in district heating systems, except for heat energy used for technological purposes (hot water, warm water or steam), could be increased by up to 10% for the period from 1 October 2024 to 31 March 2025 (extended until 30 September 2025) compared to the final prices applicable on the date of entry into force of the Regulation on eliminating disturbances in the domestic energy market (Official Gazette Nos. 104/22, 106/22, 121/22 and 156/22). The final price of supplied heat energy was increased by proportionally increasing all items included in the final heat energy price.

The latest amendment to the Regulation amending the Regulation on eliminating disturbances in the domestic energy market was adopted on 17 September 2025 (Official Gazette No. 121/25). The Regulation allowed that for the period from 1 October 2025 to 31 March 2026, heat energy producers and heat energy distributors in district heating systems may submit a request to the Croatian Energy Regulatory Agency (HERA) for an increase in the tariff item for energy for heat production and/or the tariff item for energy for heat distribution of up to 15%, whereby the final price of supplied heat energy, including charges and value added tax, for end customers in district heating systems, except for heat energy used for technological purposes (hot water, warm water or steam), may be increased by up to 10% for the period from 1 October 2025 to 31 March 2026 compared to the final prices applicable as at 30 September 2025 (Official Gazette No. 56/25).

In accordance with this latest amendment to the Regulation and the applicable Methodologies for determining tariff items for heat production and distribution (Official Gazette No. 56/14), HEP-Toplinarstvo d.o.o. submitted on 26 September 2025 to the Croatian Energy Regulatory Agency (HERA) requests for changes in tariff items for heat production in the Samobor and Velika Gorica district heating systems, and for heat distribution in the Zagreb, Osijek, Sisak, Samobor and Velika Gorica district heating systems.

On 30 September 2025, the Croatian Energy Regulatory Agency (HERA) adopted Decisions on the tariff items for heat production and distribution for district heating systems based on the submitted requests of HEP-Proizvodnja d.o.o. and HEP-Toplinarstvo d.o.o., in accordance with the Methodologies for determining tariff items for heat production and distribution (Official Gazette No. 56/14) and the Regulation.

Based on the submitted requests and in accordance with the provisions of the Regulation, tariff items for heat production and distribution were increased by up to 15% compared to the 2024/2025 heating season, while the final price of supplied heat energy increased by up to 10% compared to the final prices applicable as at 30 September 2025. The final price of supplied heat energy, including charges and value-added tax, for end customers in district heating systems using technological steam for technological purposes (hot water, warm water or steam), may be increased by up to 2.5% compared to the final prices applicable as at 30 September 2025.

/iv/ Amount of state aid charged to customers with regulated prices

For electricity, the amount of state aid charged amounts to EUR 201,345 thousand, based on the Regulation on eliminating disturbances in the domestic energy market (Official Gazette Nos. 31/23, 74/23, 107/23, 122/23, 32/24, 104/24, 132/24, 56/25, 121/25 and 122/25) for the period from 1 January to 31 December 2025.

For gas, the amount of state aid charged amounts to EUR 7,583 thousand, based on the Decision on subsidising a portion of the end-user price of gas supply for household customers for the period from 1 October 2024 to 31 March 2025 and the amendments to the Decision on subsidising a portion of the end-user price of gas supply for household customers for the period from 1 October 2025 to 31 March 2026. The amount is determined by the distribution areas.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

6. SALES REVENUE

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

/i/ REVENUE FROM THE SALE OF ELECTRICITY

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Revenue from the sale of electricity to end customers	860,476	1,118,917
Revenue from the sale of electricity abroad	176,948	187,034
Revenue from the sale of electricity in the country	60,664	55,507
	<u>1,098,088</u>	<u>1,361,458</u>

The majority of electricity sales revenue relates to revenue from the sale of electricity to customers of HEP Opskrba d.o.o., generated based on the Agreement on Mutual Relations for Electricity Activities, under which HEP-Opskrba d.o.o., in its own name but on behalf of the Company, sells electricity to end customers, while sales revenue is recognised in the Company's accounting records. HEP Opskrba d.o.o. operates on the open market and supplies end customers in the household and business categories with electricity.

/ii/ REVENUE FROM GAS SALES

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Income from the sale of surplus gas purchased for HEP companies (i)	5,510	5,982
Income from the sale of gas balancing energy	3,296	2,832
Income from the sale of gas abroad (i)	4,454	27,305
Income from gas sales - economy - procurement and transport	76	107
Income from sales abroad – gas balancing	2	2
Income from the sale of gas - Decree of the Government of the Republic of Croatia (ii)	6,069	30,347
Income from the sale of gas - market supply	<u>19,407</u>	<u>66,575</u>
Total sales revenue	<u>1,117,494</u>	<u>1,428,033</u>

(i) By the Decision on Ensuring Gas Reserves in the Territory of the Republic of Croatia and the Regulation on Eliminating Disturbances in the Domestic Energy Market adopted in 2022, a portion of the needs of the HEP Group was secured, for which gas procurement had previously been contracted, namely part of the gas required for HEP-Plin d.o.o. (for gas distribution system operators for the purpose of covering distribution losses, for heat energy customers in standalone heating systems, for public supply for household customers, and for business customers under Article 3(3) of the Regulation) and HEP-Proizvodnja d.o.o. (for end customers of heat energy in closed and district heating systems), which resulted in gas surpluses. Until 31 March 2024, the entire quantity of gas procured under the Regulation was utilised, while gas procured under the Decision on Ensuring Gas Reserves was utilised until 30 September 2024.

During 2025, HEP d.d. sold gas surpluses arising from lower consumption and utilisation of generation facilities, together with the use of booked gas storage capacity, considering market and hydrological conditions, and with the aim of efficient optimisation of the HEP Group's portfolio and rapid response to changing market conditions, on both the domestic and international markets.

(ii) In accordance with the Regulation amending and supplementing the Regulation on Eliminating Disturbances in the Domestic Energy Market (Official Gazette Nos. 31/23, 74/23, 107/23, 122/23, 32/24, 104/24, 132/24, 56/25, 121/25 and 122/25), HEP d.d. was obliged to ensure quantities of natural gas for end customers of heat energy in district and closed heating systems, as well as for customers of heat energy in standalone heating systems, including heat energy suppliers, gas distribution system operators for the purpose of covering distribution losses, and gas customers in the business category under Article 3(3) of the Regulation.

As the entire quantity of gas procured under the Regulation had been utilised by 31 March 2024, and gas procured under the Decision on Ensuring Gas Reserves had been utilised by 30 September 2024, HEP d.d. procured during 2024 and 2025 the necessary quantities and ensured gas supply for customers under the Regulation. Revenue from gas sales under the aforementioned bases amounted to EUR 6,069 thousand in 2025.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

7. OTHER OPERATING INCOME

<i>in EUR '000</i>	2025	2024
Unrealised gains on the fair value of tangible assets	237	579
Default interest from customers	1,562	1,783
Collected receivables from the pre-bankruptcy settlement	25	45
Collection of sued and written off receivables	785	427
Income from the sale of property, plant and equipment	5,963	164
Income from cancellation of long-term provisions (i)	22,249	5,215
Written-off receivables under accounting policy	4	183
Income based on the Decision of the Government of the Republic of Croatia - the difference between the purchase price and the market sale price of gas (ii)	-	97,409
Income from the reimbursement of costs for gas supplies according to the Decision of the Government of the Republic of Croatia (MOE)	-	748
Write-off of liabilities	-	124
Income from EU grants	728	457
Income from neutrality fee calculation (HROTE)	640	625
Income based on the decision of the Government of the Republic of Croatia - compensation for gas price differences from 1 April 2024 and 1 October 2024 (iii)	11,631	3,001
Other operating income (iv)	1,129	1,017
	44,953	111,777

(i) The most significant amount of income from the release of long-term provisions in 2025 related to the dispute concerning HE Peruča, amounting to EUR 21,899 thousand.

As at 31 December 2025, the provision for the dispute was released following two judgments of the Split County Court (Gž-3412/2024 of 27 February 2025 and Gž-1718/2025 of 10 September 2025), by which the plaintiffs were dismissed in full on all claimed grounds. It is noted that, in both cases, the plaintiffs have filed motions for leave to appeal to the Supreme Court.

(ii) By the Decision of the Government of the Republic of Croatia (Official Gazette No. 37/23) and amendments to the Regulation on Eliminating Disturbances in the Domestic Energy Market (Official Gazette Nos. 32/24, 104/24), categories of customers supplied with gas from the Republic of Croatia's gas reserves were defined.

The Republic of Croatia undertakes to reimburse the difference between the purchase and sales price of gas for gas sold pursuant to the Government Decision on Ensuring Gas Reserves in the Territory of the Republic of Croatia. Gas reserves in the territory of the Republic of Croatia were fully sold by the end of September 2024.

(iii) In accordance with the Regulation amending and supplementing the Regulation on Eliminating Disturbances in the Domestic Energy Market, HEP d.d. is obliged, in the event of insufficient quantities of gas from the Republic of Croatia's gas reserves, to ensure and supply the required quantities of gas to customers. For such shortages, i.e., quantities of gas supplied from its own portfolio, HEP d.d. is entitled to reimbursement for the difference between the cost of gas procurement for guaranteed supply and the gas procurement price for public gas supply.

(iv) Other operating income in 2025 mainly comprises restaurant income of EUR 217 thousand (2024: EUR 229 thousand), rental income of EUR 216 thousand (2024: EUR 176 thousand), and income from leasing space for telecommunications equipment of EUR 217 thousand (2024: EUR 216 thousand).

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

8. COST OF ELECTRICITY PROCUREMENT

Electricity procurement costs recognised in the separate statement of profit or loss for 2025 amount to EUR 983,577 thousand (2024: EUR 904,512 thousand), and relate to the procurement of electricity for the supply of end customers and for covering electricity losses in the transmission and distribution network.

Electricity procurement costs increased by EUR 79,065 thousand compared to the previous year, driven by higher electricity volumes purchased. Unfavourable hydrological conditions resulted in a 17% decrease in electricity generation from hydropower plants compared to 2024, when conditions were favourable, leading to the need to procure additional electricity on the market.

Electricity trading is carried out bilaterally and on power exchanges.

9. COST OF GAS PROCUREMENT

<i>in EUR '000</i>	2025	2024
Cost of gas procurement – market supply and public service	21,044	83,466
Procurement of gas for sale - Regulation of the Government of the Republic of Croatia	8,349	48,227
Purchase value of dependent costs of gas supplies - Decision of the Government of the Republic of Croatia - sale from storage	1,070	916
Procurement of gas from storage for sale to HEP Group companies - Regulation of the Government of the Republic of Croatia	27,599	103,202
The cost of purchasing gas from storage for sale to CTS Production - Regulation of the Government of the Republic of Croatia	69,148	102,832
	127,210	338,643

In 2024, in addition to gas procurement for market supply and public service obligations, gas was also sold from storage under the Regulation amending and supplementing the Regulation on Eliminating Disturbances in the Domestic Energy Market and under the Decision on Ensuring Gas Reserves in the Territory of the Republic of Croatia, resulting in lower gas procurement costs in 2025 by EUR 211.4 million. Amendments to the Regulation also changed customer categories, leading to a reduction in the number of customers. In 2025, gas was sold under the Regulation amending and supplementing the Regulation on Eliminating Disturbances in the Domestic Energy Market.

10. EMPLOYEE BENEFITS

Total employee costs were as follows:

<i>In EUR '000</i>	2025	2024
Gross salaries /i/	21,414	18,612
Allowances and other employee benefits /ii/	3,430	3,187
Provisions for unused annual leave	161	140
	25,005	21,939
Gross salaries /i/ <i>in EUR '000</i>	2025	2024
Net salaries	12,630	11,024
Taxes and contributions	8,784	7,588
	21,414	18,612

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

10. EMPLOYEE BENEFITS (continued)

/ii/ Allowances and other employee benefits include the following expenses:

	<u>2025</u>	<u>2024</u>
Commuting costs	328	331
Per diems and travel expenses	385	211
Contributions in kind	277	225
Other employee benefits (retirement payments, jubilee awards and one-off assistance)	2,440	2,420
	<u>3,430</u>	<u>3,187</u>

The number of employees as at 31 December 2025 was 515 (31 December 2024: 510 employees).
 Total contributions to pension funds amounted to EUR 3,696 thousand in 2025 (2024: EUR 3,215 thousand).

Remuneration of members of the Management Board and executive directors:

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Gross salaries	1,443	1,054
Contributions in kind	158	114
Contributions	320	234
	<u>1,921</u>	<u>1,402</u>

As of 31 December 2025, the number of members of the Management Board was 5 (31 December 2024: 5), and the number of executive directors of the Company was 15 (31 December 2023: 14).

Remuneration of members of the Supervisory Board:

<i>In EUR '000</i>	<u>2025</u>	<u>2024</u>
Remuneration	22	22
Taxes and contributions	12	12
	<u>34</u>	<u>34</u>

The number of supervisory board members as of 31 December 2025 was 5 (31 December 2024: 5).

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

11. OTHER OPERATING EXPENSES

<i>in EUR '000</i>	2025	2025
Cost of external services and materials (i)	34,274	28,001
Value adjustment of fixed assets	-	855
Compensation for decommissioning of NEK d.o.o. (note 17)	7,515	5,270
Costs of services and materials within subsidiaries	9,442	8,586
Banking fees, payment transaction costs and loan fees	2,908	3,065
Taxes, contributions and fees	2,466	2,783
Value adjustment and write-off of trade receivables (ii)	1,740	1,170
Insurance premiums	431	417
Compensation for damages based on a lawsuit	160	1,969
Costs of materials	684	697
Provisions for legal disputes	735	228
Non-depreciable value of alienated and scrapped equipment, energy savings	23	2,729
Donations in the amount of 2% of revenue	1,912	1,474
Costs in accordance with the Regulation of the Government of the Republic of Croatia of 1 April and 1 October 2023, market supply Entrepreneurship (iii)	(262)	29,851
Costs in accordance with the Decree of the Government of the Republic of Croatia of 1 April 2024 and 1 October 2024 – HEP Opskrba – market supply Entrepreneurship (iii)	7,355	54,131
Costs in accordance with the Decree of the Government of the Republic of Croatia of 1 April 2025 and 1 October 2025 – market supply – market supply Business customers (iii)	9,272	-
Costs in accordance with the Decree of the Government of the Republic of Croatia from 2023 to 2025 – within the HEP Group – market supply Business customers (iii)	187	299
Financing of rehabilitation programs	1,823	1,211
Membership fees to business associations	961	1,032
Other operating expenses	679	290
Capitalised borrowing costs	(171)	(171)
	82,134	143,588

(i) External services and materials include the following:

	2025	2024
Maintenance of computer equipment and software	11,653	10,623
Promotion and public relations costs	10,801	8,292
Fees for professional services	985	1,307
Maintenance of technical security systems and information security	3,607	2,040
Other	7,228	5,739
	34,274	28,001

(ii) Impairment and write-off of trade receivables of EUR 1,740 thousand (2024: EUR 1,170 thousand) includes impairment of trade receivables in accordance with accounting policies of EUR 36 thousand (2024: EUR 3 thousand), impairment of receivables from HEP Opskrba d.o.o. in the amount of EUR 1,305 thousand (2024: EUR 845 thousand), and written-off uncollectible receivables in the amount of EUR 395 thousand (2024: EUR 322 thousand), as well as impairment of inventories of EUR 4 thousand (2024: EUR 0 thousand).

(iii) On 8 September 2022, the Government of the Republic of Croatia adopted the Regulation on Eliminating Disturbances in the Domestic Energy Market, which establishes special measures for electricity trading and the manner and conditions for pricing for certain categories of electricity and heat energy customers. Subsequent amendments to the Regulation entitle HEP to reimbursement of the difference between the contracted electricity price and the price charged to business customers in accordance with the Regulation, up to a maximum of EUR 150/MWh for the period from 1 October 2023 to 30 September 2024, up to EUR 120/MWh for the period from 1 October 2024 to 31 March 2025, and up to EUR 140/MWh until the end of 2025. The remaining price difference not reimbursed to the supplier represents a cost to the Company and amounts to EUR 16,552 thousand in 2025 (2024: EUR 84,281 thousand).

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

12. FINANCIAL INCOME AND EXPENSES

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Financial income		
Dividends from subsidiaries and associated companies	99,938	76,308
Interest income	6,217	6,504
Dividend income	1,555	1,671
Other financial income	<u>5</u>	<u>73</u>
Total financial income	107,715	84,556
Financial expenses		
Interest expense	(34,790)	(62,742)
Negative exchange rate differences	(112)	(5,099)
Unrealised losses from fair valuation of shares	(17,255)	-
Capitalised borrowing costs	<u>2,621</u>	<u>4,141</u>
Total financial expenses	(49,536)	(63,700)
Net gain from financial activities	58,179	20,856

13. PROFIT TAX

The Company is a taxpayer in accordance with the tax laws and regulations of the Republic of Croatia. The tax base is determined as the difference between income and expenses for the period, increased by non-deductible expenses. Corporate income tax is calculated by applying the statutory tax rate of 18% to profits in the Republic of Croatia.

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Deferred tax recognised in the separate statement of profit or loss	<u>850</u>	<u>(30,080)</u>
Profit tax	850	(30,080)

The adjustment of deferred tax assets is as follows:

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Balance as of 1 January	137,775	167,855
Increase/(Decrease) in deferred tax assets	<u>1,084</u>	<u>(30,080)</u>
Balance as of 31 December	138,859	137,775

Deferred tax assets mainly arise from tax losses and provisions for termination benefits and jubilee awards.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

13. PROFIT TAX (continued)

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

<i>in EUR '000</i>	2025	2024
Profit before tax	88,170	237,107
Profit tax is determined by the tax rate applicable in the Republic of Croatia (18%)	(15,871)	(42,679)
The effect of non-taxable income	18,379	14,658
The effect of non-tax-deductible expenses	(3,670)	(924)
Tax (loss) for the current year	(1,162)	(28,945)
Effective tax rate	(1.32)	(12.21)

The effects of non-deductible expenses mainly comprise expenses arising from unrealised losses, expenses determined in the course of tax inspections, increases in taxable profit for other expenses, impairment of trade receivables in accordance with accounting policies, and donation expenses exceeding prescribed thresholds, while the effects of non-taxable income mainly relate to dividend income.

In accordance with tax regulations, the Tax Administration may at any time inspect the books and records of companies within six (6) years after the expiry of the year in which the tax liability arose and may impose additional tax liabilities and penalties. The Company's Management is not aware of any circumstances that could give rise to potentially significant liabilities in this respect.

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

<i>in EUR '000</i>	As of 31 December 2024	Booked as a (charge)/credit to the separate statement of profit or loss	As of 31 December 2025
Provisions for jubilee awards and severance pay	723	252	975
Value adjustments of trade receivables	121	(4)	117
Value adjustment of inventories: raw and other materials	-	1	1
Impairment of investments in subsidiaries	-	2,004	2,004
Tax loss	136,469	(1,162)	135,307
Other	462	(7)	455
	137,775	1,084	138,859

The deferred tax liability relates mainly to 18% of the fair value of JANAF shares, recognised in other comprehensive income, in the amount of EUR 3,362 thousand (31 December 2024: EUR 3,799 thousand).

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT

<i>in EUR '000</i>	Land	Buildings	Equipment	Tools, plant inventory and other	Tangible assets under construction	Prepayments	Total
PURCHASE VALUE							
As of 1 January 2024	8,591	38,817	52,543	4,475	227,104	10,435	341,965
Increases/(decreases)	-	22,273	26,485	2,174	13,046	(4,147)	59,831
Increase from proceeds from a related party	1,011	2,149	-	-	-	-	3,160
Transfer to related parties	(640)	(23,917)	(8,041)	(1,293)	(456)	-	(34,347)
Disposal (sale, expense, deficit)	(1,436)	-	(3,346)	(30)	(50)	-	(4,862)
Increase from the acquisition of Sunčana Elektrana Vis d.o.o.	-	1,323	4,597	-	-	-	5,920
As of 31 December 2024	7,526	40,645	72,238	5,326	239,644	6,288	371,667
Increases/(decreases)	355	2,619	10,278	300	36,262	(1,545)	48,268
Increase from proceeds from a related party	43	187	1	12	-	-	243
Transfer to related parties	(373)	(2,674)	(5,357)	-	(2,899)	-	(11,303)
Disposal (sale, expense, deficit)	(2,623)	(95)	(5,574)	(321)	(8,294)	-	(16,907)
As of 31 December 2025	4,928	40,682	71,586	5,317	264,713	4,743	391,969
ACCUMULATED DEPRECIATION							
As of 1 January 2024	-	15,363	32,104	3,883	-	-	51,350
Depreciation expense for the year	-	817	6,784	280	-	-	7,881
Disposal (sale, expense, deficit)	-	-	(2,486)	(29)	-	-	(2,515)
Transfer of assets between HEP and subsidiaries	-	(170)	(963)	-	-	-	(1,133)
Increase from the acquisition of Sunčana Elektrana Vis d.o.o.	-	170	963	-	-	-	1,133
As of 31 December 2024	-	16,180	36,402	4,134	-	-	56,716

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Equipment	Tools, plant inventory, and other	Tangible assets under construction	Prepayments	Total
Depreciation expense for the year	-	839	9,545	279	-	-	10,663
Disposal (sale, expense, deficit)	-	-	(5,554)	(319)	-	-	(5,873)
Transfer of assets between HEP and subsidiaries	-	-	205	15	-	-	220
As of 31 December 2025	-	17,019	40,598	4,109	-	-	61,726
CARRYING AMOUNT							
As of 31 December 2024	7,526	24,465	35,836	1,192	239,644	6,288	314,951
As of 31 December 2025	4,928	23,663	30,988	1,208	264,713	4,743	330,243

Construction in progress (property, plant and equipment under construction) as at 31 December 2025 amounts to EUR 264,713 thousand. It mainly comprises investments in: EL-TO Zagreb – replacement of Unit A for EUR 145,330 thousand; HES Kolinj for EUR 95,937 thousand; solar power plants for EUR 6,427 thousand; HE Senj for EUR 10,355 thousand; and information technology for EUR 2,849 thousand.

The Company owns a large number of properties; however, ownership of certain properties has not yet been fully registered in the land registers. Due to the large number of properties, it is possible that not all properties owned by the Company have been recorded in the Company's accounting records. There is also a possibility that certain properties recorded in the accounting records are not registered in the Company's ownership.

The companies of the HEP Group and their professional departments continuously work on resolving the ownership status of properties and their registration in the land registers. Activities related to aligning land register records continued in 2025. These activities include registration proposals, land register correction procedures, lawsuits, restoration of land registers, cadastral surveys and similar procedures.

As at 31 December 2025, there were no items of property, plant and equipment pledged as collateral or subject to mortgages.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

15. RIGHT-OF-USE-ASSETS

in EUR '000

	Land	Buildings	Personal vehicles	Total
PURCHASE VALUE				
As of 1 January 2024	343	781	219	1,343
(Decreases)	-	-	(219)	(219)
As of 31 December 2024	343	781	-	1,124
As of 31 December 2025	343	781	-	1,124
ACCUMULATED DEPRECIATION				
As of 1 January 2024	53	488	210	751
Depreciation expense for the year	15	97	9	121
Deletion/termination of lease	-	-	(219)	(219)
As of 31 December 2024	68	585	-	653
Depreciation expense for the current year	15	97	-	112
As of 31 December 2025	83	682	-	765
CARRYING VALUE				
As of 31 December 2024	275	196	-	471
As of 31 December 2025	260	99	-	359

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

16. GOODWILL AND INTANGIBLE ASSETS

<i>in EUR '000</i>	Licences and software	Other intangible assets	Intangible assets under construction	Total
PURCHASE VALUE				
As of 1 January 2024	71,684	3,014	5,018	79,716
Increases and putting into use	12,400	37	8,026	20,463
Deletion based on asset transfer	-	-	(9,680)	(9,680)
Disposal (sale, expense, deficit)	-	(261)	-	(261)
Transfer to a subsidiary	-	(197)	-	(197)
Increase from the acquisition of Sunčana Elektrana Vis d.o.o.	-	197	-	197
As of 31 December 2024	84,084	2,790	3,364	90,238
Increases and putting into use	20,862	1,827	15,170	37,859
Deletion based on asset transfer	-	-	(18,303)	(18,303)
Transfer to a subsidiary	-	(1,827)	-	(1,827)
As of 31 December 2025	104,946	2,790	231	107,967
ACCUMULATED DEPRECIATION				
As of 1 January 2024	40,347	1,747	-	42,094
Current year depreciation	9,488	499	-	9,987
Increase from the acquisition of Sunčana Elektrana Vis d.o.o.	-	147	-	147
Disposal (sale, expense, deficit)	-	(409)	-	(409)
As of 31 December 2024	49,835	1,984	-	51,819
Current year depreciation	12,652	288	-	12,940
As of 31 December 2025	62,487	2,272	-	64,759
NET CARRYING VALUE				
As of 31 December 2024	34,249	806	3,364	38,419
As of 31 December 2025	42,459	518	231	43,208

Construction in progress (intangible assets under development) as at 31 December 2025 amounts to EUR 231 thousand (31 December 2024: EUR 3,364 thousand), and mainly relates to investments in computer software and licences.

Goodwill

Goodwill as at 31 December 2025 amounts to EUR 381 thousand (31 December 2024: EUR 381 thousand). The goodwill arose from the merger with Sunčana elektrana Vis d.o.o.

In accordance with the provisions of International Accounting Standard 36 Impairment of Assets, at the end of each reporting period, the Company is required to assess whether there are indications that an asset may be impaired. If any such indication exists, the Company must estimate the asset's recoverable amount.

Based on the annual impairment test performed for the aforementioned company's goodwill, it was determined that the recoverable amount, i.e., value in use, exceeds the carrying amount of the assets. The recoverable amount was determined based on value in use, calculated as the present value of the assets' future cash flows.

As the calculated recoverable amount (value in use) for the aforementioned company exceeds its carrying amount, the conditions for impairment of goodwill as at 31 December 2025 were not met.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

17. INVESTMENT PROPERTY

As of 31 December 2025, investment properties include properties held for rental income and/or capital appreciation and are measured at fair value in accordance with accounting policy. Fair value includes the estimated market price at the end of the reporting period.

<i>in EUR '000</i>	31 December 2025	31 December 2024
Investment property		
Fair value as of 1 January	7,228	6,566
Net changes in fair value	237	579
Reclassification of assets to investment property	4,117	-
Other	-	83
As of 31 December	11,582	7,228

The fair value of the properties was assessed by official appraisers, whose assessments are based on available market price data for properties in suitable locations.

As of 31 December 2025, there are no investment properties encumbered by mortgages.

18. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES AND INVESTMENTS CALCULATED USING THE EQUITY SHARE METHOD

<i>in EUR '000</i>	Share in ownership (%)	31 December 2025	31 December 2024
Subsidiaries			
HEP - Proizvodnja d.o.o.	100	5	5
Hrvatski operator prijenosnog sustava d.o.o.	100	657,529	657,529
HEP - Operator distribucijskog sustava d.o.o.	100	239,172	239,172
HEP - Opskrba d.o.o.	100	2,000	3
HEP - Toplinarstvo d.o.o.	100	118,721	122,851
HEP - Plin d.o.o.	100	3	3
HEP ESCO d.o.o.	100	2,517	2,517
HEP - Upravljanje imovinom d.o.o.	100	5,740	3,631
HEP - Trgovina d.o.o.	100	5	5
HEP - Telekomunikacije d.o.o.	79,94	33,142	44,276
Plomin Holding d.o.o.	100	16,012	16,012
HEP - Elektra d.o.o.	100	53,110	53,110
Energetski park Korlat d.o.o.	100	6,930	6,930
		1,134,886	1,146,044

18. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES AND INVESTMENTS CALCULATED USING THE EQUITY SHARE METHOD (continued)

i/ INVESTMENT IN NPP KRŠKO

Payments to the Fund for financing the decommissioning of NPP Krško

Based on the Regulation on the amount, timing and method of payment of funds for financing the decommissioning and radioactive waste and spent nuclear fuel management of the Krško Nuclear Power Plant, adopted by the Government of the Republic of Croatia on 24 December 2008, HEP d.d. has, from 2006 until the end of 2025, paid a total amount of EUR 288,810 thousand into the Fund for Financing the Decommissioning of the Krško NPP. The Decommissioning Programme determined the amount of the 2004 contribution.

In accordance with the aforementioned Regulation, the annual obligation of EUR 14,250 thousand was paid into the Fund every quarter. On 14 July 2020, the Intergovernmental Commission adopted the Third Revision of the Krško NPP Decommissioning and Radioactive Waste Management Programme, under which HEP would henceforth pay a reduced annual amount.

On 29 December 2022, the Government of the Republic of Croatia adopted a new Regulation (Official Gazette 156/2022), under which HEP d.d.'s annual contribution was reduced from EUR 14,250 thousand (EUR 3,562.5 thousand quarterly) to EUR 9,760 thousand (EUR 2,440 thousand quarterly). In addition, due to an overpayment of EUR 11,225 thousand, HEP d.d. applied a further reduced payment schedule over the previous ten quarters until mid-2025. Accordingly, in 2025, HEP paid a total of EUR 7,515 thousand into the Fund, comprising two reduced quarterly instalments of EUR 1,317.5 thousand and two standard quarterly instalments of EUR 2,440 thousand. In 2026, HEP will pay the full planned annual amount of EUR 9,760 thousand into the Fund, i.e. four quarterly instalments of EUR 2,440 thousand each.

Useful life extension

After receiving an unlimited operating licence from the Slovenian Nuclear Safety Administration in 2012, HEP d.d. and GEN energija d.o.o. decided in early 2016 to extend the operating lifetime of the Krško Nuclear Power Plant until 2043. The decision was approved by the Intergovernmental Commission for the Krško NPP and preceded an economic feasibility study on the plant's long-term operation.

On 2 October 2020, the Slovenian Environment Agency (ARSO) issued a decision requiring an environmental impact assessment and an environmental consent for the extension of the plant's lifetime. The procedure for obtaining environmental consent was conducted in accordance with the Convention on Environmental Impact Assessment in a Transboundary Context and included a cross-border environmental impact assessment process. ARSO led the administrative procedure.

The environmental impact assessment report was prepared, and on 13 January 2023, the Ministry of the Environment and Spatial Planning of the Republic of Slovenia issued the environmental consent for the extension of the Krško NPP operating lifetime until 2043. The Krško NPP has completed all regulatory processes required for the lifetime extension, including a positive decision from the regulatory authority on the third periodic safety review, thereby formally meeting all conditions for continued operation beyond 2023. The plant has already completed the first two years of the extended operating period.

Given global experience, particularly in the United States, as well as the operating experience of the Krško NPP and the condition of the plant itself, consideration has begun for a further extension of its operating lifetime from 60 to 80 years (i.e. from 2043 to 2063). Based on a decision of the Supervisory Board of NEK, a pre-feasibility study for this additional lifetime extension is currently being prepared.

Accounting of the joint venture in NPP Krško

The joint venture in NPP Krško is recognised in the Company's annual separate financial statements using the equity method.

In the consolidated financial statements, the Company applies the joint operation method and recognises its share of each asset, liability, income and expense in accordance with IFRS 11 Joint Arrangements.

18. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES AND INVESTMENTS CALCULATED USING THE EQUITY SHARE METHOD (continued)

/ii/ INVESTMENT IN LNG HRVATSKA d.o.o.

HEP d.d. and Plinacro d.o.o. entered into a Shareholders' Agreement on 1 June 2010, establishing LNG HRVATSKA d.o.o. for liquefied natural gas operations, under which LNG HRVATSKA d.o.o. became the project promoter for the LNG terminal on the island of Krk. Based on the Shareholders' Agreement, HEP d.d. and Plinacro d.o.o. became members and co-owners of LNG HRVATSKA d.o.o., each holding 50% of membership, governance and ownership rights.

By Management Board decision dated 21 February 2019, HEP d.d., as co-founder of LNG HRVATSKA d.o.o., increased the company's share capital by acquiring a new ownership interest of EUR 28,682 thousand, corresponding to 84.18%. By decision of the General Assembly of LNG HRVATSKA d.o.o. dated 3 December 2021, the share capital was increased from EUR 38,359 thousand by EUR 4,693 thousand to EUR 43,052 thousand through the contribution of rights and a cash payment by Plinacro d.o.o. By decision of the General Assembly dated 16 May 2023, the Articles of Association were amended, and the share capital was adjusted to EUR 43,052,230. HEP's ownership interest as at 31 December 2024 amounted to 75% and remained unchanged as at 31 December 2025.

In accordance with the Government of the Republic of Croatia Decision declaring the LNG terminal project (construction of a liquefied natural gas receiving terminal on the island of Krk, Municipality of Omišalj) a strategic investment project of the Republic of Croatia (Official Gazette 78/15) of 16 July 2015, the LNG terminal project was designated as a strategic investment project. In November 2015, the European Commission adopted the list of Projects of Common Interest (PCI), which includes key energy infrastructure projects, including the LNG terminal on the island of Krk. LNG HRVATSKA entered into agreements with INEA (Innovation and Networks Executive Agency) for the co-financing of the project, permitting documentation, and construction works.

The Act on the LNG Terminal (Official Gazette 57/18), adopted by the Croatian Parliament on 18 June 2018, established that the construction of the LNG terminal is in the interest of the Republic of Croatia and designated LNG HRVATSKA d.o.o. as the project investor responsible for implementation, operation, and safe and reliable management of the facility. In accordance with Government decisions, the project was planned in phases, with a floating terminal in the first phase and an onshore terminal in the second phase.

LNG HRVATSKA d.o.o. commenced operational activities of the terminal on 1 January 2021 and increased its technical capacity in 2022 by 0.3 billion cubic metres of natural gas per year. The floating LNG terminal on the island of Krk has a geopolitical and strategic role in strengthening the European energy market and ensuring gas supply security for EU Member States, particularly those in South-East Europe. Natural gas production in the Republic of Croatia has been in continuous decline, and events in Europe in 2022 highlighted the risks of relying on a single gas supply source.

For this reason, on 18 August 2022, the Government of the Republic of Croatia adopted a Decision (Official Gazette 96/22) to enhance gas supply security by constructing the Zlobin–Bosiljevo pipeline and increasing the LNG terminal capacity to 6.1 billion cubic metres per year. The objectives of this Decision are to ensure maximum energy independence, continuity and security of gas supply in the Republic of Croatia, as well as for households and businesses in neighbouring EU Member States.

To ensure timely and successful implementation, the Decision provides for the allocation of non-repayable grants of EUR 25 million to LNG HRVATSKA d.o.o. to cover the project's capital expenditures. In this regard, and to secure the funding required for the investment, estimated at EUR 46.1 million, a grant agreement under the Recovery and Resilience Facility was signed in April 2025 for a maximum amount of EUR 25 million. The remaining funds required for project implementation are secured from LNG HRVATSKA d.o.o.'s own resources.

The capacity expansion was achieved by installing an additional regasification module on the bow side of the FSRU vessel, with a maximum regasification capacity of 250,000 Sm³/h and a gas send-out capacity of 250,000 Sm³/h. Together with the existing module comprising three regasification units with individual capacities of 150,000 Sm³/h, the terminal's maximum regasification capacity was increased to 700,000 Sm³/h, corresponding to 6.1 billion cubic metres of gas per year. The commissioning of the expanded terminal capacity was completed in November 2025.

Notes to the annual separate financial statements – HEP d.d. (continued)
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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Opening balance	44,568	44,838
Fair valuation of investments through other comprehensive income (Janaf)	(2,429)	(270)
Fair valuation of investments through other comprehensive income - other shares	(33)	-
Closing balance	42,106	44,568

<i>in EUR '000</i>	<u>31 December 2025</u>	<u>31 December 2024</u>
Investments in securities :		
Jadranski Naftovod d.d.	42,105	44,534
Đuro Đaković Aparati d.d.	-	1
Konstruktor inženjering d.d.-under bankruptcy	-	31
Vis d.d.	1	-
Helios Faros d.d.	-	2
	42,106	44,568

The fair value measurement was based on the notification from the Central Depository & Clearing Company regarding the account balance as at 31 December 2025.

20. OTHER NON-CURRENT RECEIVABLES

Housing loans

Residential housing loan receivables as at 31 December 2025 amount to EUR 2 thousand (2024: EUR 3 thousand). Before 1996, the Company sold its residential apartments to employees in accordance with the laws of the Republic of Croatia. These sales were predominantly financed through loans, and the resulting receivables, which carry interest rates below market rates, are repaid monthly over 20 to 35 years.

Receivables from apartment sales are recognised in the separate financial statements at discounted net present value. The receivables are secured by mortgages on the sold apartments.

21. INVENTORIES

<i>in EUR '000</i>	<u>31 December 2025</u>	<u>31 December 2024</u>
Gas supplies	30,421	42,085
CO2 emission units	25,530	41,831
Inventories of energy savings in final consumption (i)	-	842
Inventories of investment material	346	662
Inventories of other material	82	78
	56,379	85,498
Value adjustment of inventories	(34)	(29)
	56,345	85,469

The note below shows changes in the value adjustment of inventories over the years:

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Balance as of 1 January	29	36
Inventory surplus/deficit	5	(7)
Balance as of 31 December	34	29

Notes to the annual separate financial statements – HEP d.d. (continued)
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21. INVENTORIES (continued)

(i) To fulfil the obligations under Article 7 of Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency, to achieve energy savings in final energy consumption and to reduce the financial obligations of the HEP Group related to non-achieved savings, the Management Board of HEP d.d. adopted Decision No. 52-7.1/2018 establishing the Energy Savings System within the HEP Group, as well as Decisions No. 17-7.1/2020 and No. 49-2.1/2021 approving the methodology for the allocation and purchase of energy savings.

In addition, companies within the HEP Group entered into an Agreement on the transfer or purchase of energy savings within the Group. This Agreement regulates mutual relations between HEP d.d. and its subsidiaries within the system of redistribution and purchase of energy savings, for the purpose of fulfilling energy efficiency obligations in accordance with the Energy Efficiency Act and achieving common objectives coordinated by the Management Board of HEP d.d., as well as cooperation in carrying out activities between subsidiaries.

22. TRADE RECEIVABLES

in EUR '000

	<u>31 December 2025</u>	<u>31 December 2024</u>
Trade receivables in the country	22,753	18,287
Receivables from gas customers in the wholesale market	180	180
Receivables for electricity from abroad	861	660
	23,794	19,127
Impairment of receivables	(16,777)	(16,770)
Total trade receivables	7,017	2,357

The table below shows the age structure of receivables and the corresponding expected credit loss rate for each age group.

	Undue	Up to 30 days	31-60 days	61-90 days	91-180 days	181-365 days	Over 365 days	Total
31 December 2025								
Gross carrying value of trade receivables	7,035	32	9	3	2	6	16,707	23,794
Expected credit losses	(69)	-	-	-	-	(1)	(16,707)	(16,777)
31 December 2024								
Gross carrying value of trade receivables	2,076	297	1	1	2	4	16,746	19,127
Expected credit losses	(20)	(3)	-	-	-	(1)	(16,746)	(16,770)

Changes in allowance for impairment were as follows:

in EUR '000

	<u>2025</u>	<u>2024</u>
Balance as of 1 January	16,770	16,996
Decrease in impairment of receivables	(4)	(184)
Increase in impairment of receivables	36	2
Write-off	(25)	(44)
Balance as of 31 December	16,777	16,770

Notes to the annual separate financial statements – HEP d.d. (continued)
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23. OTHER CURRENT RECEIVABLES

<i>in EUR '000</i>	31 December 2025	31 December 2024
Prepayments to suppliers	44	20
Short-term guarantees given	3	1
Interest receivables	1,292	554
Receivables for given deposits (due more than 90 days) <i>/(i)</i>	9,639	8,636
Receivables from the state	29	26
Receivables from MOE for compensation of the gas price difference according to the Decree of the Government of the Republic of Croatia dated 1 April 2024	-	3,000
Receivables from MOE for compensation of the difference in the price of electricity. for the economy for the period 1 October 2022-31 March 2023. by decision of the Government of the Republic of Croatia	-	131,635
Receivables under assignment agreements	172	220
Income tax receivables	82	82
Prepaid expenses – capacity lease	2,570	3,193
Prepaid expenses – sponsorships	1,581	1,476
Prepaid expenses – toll charges (electronic toll collection – ENC)	8	8
Prepaid expenses – insurance premiums	49	13
Other receivables	225	236
	15,694	149,100

(i) Receivables from deposits relate to funds placed as deposits for the Company's regular operations on energy exchanges.

24. CASH AND CASH EQUIVALENTS

<i>in EUR '000</i>	31 December 2025	31 December 2024
Giro accounts	57,733	75,833
Short-term deposits (daily deposits)	26,421	51,079
Foreign currency accounts	152	143
Deposits with a maturity of up to 90 days	27,492	37,011
Allocated funds	13,054	751
Cash in hand	1	-
	124,853	164,817

Structure of foreign currency accounts:

<i>in EUR '000</i>	31 December 2025	31 December 2024
USD	152	141
Other currencies	-	2
	152	143

HEP d.d. has an open transaction account with Privredna banka d.d., Zagrebačka banka d.d., Hrvatska poštanska banka d.d., Erste&Steiermarkische bank d.d., Raiffeisen bank d.d., OTP banka d.d. in Croatia and Hungary, and UniCredit Bank GmbH in Germany.

Notes to the annual separate financial statements – HEP d.d. (continued)
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25. EQUITY

/i/ As at 31 December 2025, share capital (issued capital) amounts to EUR 2,627,959 thousand (31 December 2024: the same amount) and consists of 10,995,644 ordinary shares with a nominal value of EUR 239 each, 100% owned by the Republic of Croatia.

/ii/ Fair value reserves amounting to EUR 17,805 thousand (31 December 2024: EUR 20,893 thousand) relate to cumulative changes in the fair value of investments in equity instruments measured at fair value through other comprehensive income. In 2025, the reserves were further reduced by EUR 1,064 thousand in actuarial losses.

/iii/ Retained earnings reserves amounting to EUR 97,673 thousand (31 December 2024: EUR 87,322 thousand) comprise statutory reserves of EUR 89,187 thousand (31 December 2024: EUR 78,836 thousand) and other reserves of EUR 8,486 thousand (31 December 2024: unchanged).

/iv/ Profit for the current year as at 31 December 2025 amounts to EUR 89,020 thousand (31 December 2024: EUR 207,027 thousand) and represents profit from ordinary operations.

/v/ Retained earnings as at 31 December 2025 amount to EUR 328,371 thousand (31 December 2024: EUR 140,366 thousand) and represent accumulated profit carried forward from prior reporting periods.

On 29 December 2025, the Company adopted a Decision on the appropriation of profit earned in 2024. The profit for 2024, of EUR 207,027 thousand, will be allocated as follows: EUR 10,351 thousand to statutory reserves, EUR 188,860 thousand to retained earnings, and EUR 7,816 thousand to the State Budget.

26. LIABILITIES UNDER NON-CURRENT LOANS

<i>in EUR '000</i>	31 December 2025	31 December 2024
Loans from domestic banks	1,141,257	1,304,031
Loans from foreign banks	155,199	145,565
Total non-current loan liabilities	1,296,456	1,449,596
Allocation of fees for loans	(723)	(557)
Total non-current loan liabilities	1,295,733	1,449,039
Current maturity	(394,403)	(24,016)
Total liabilities for non-current loans	901,330	1,425,023
Total short-term bank borrowings	394,403	24,016

To finance the investment plan and regular operations in 2025, the Company used its own funds and funds from a medium-term revolving loan from HEP-Operator distribucijskog sustava d.o.o.

The Company has loan agreements with domestic and foreign banks, with applicable variable and fixed interest rates that ranged from 0.42% to 3.7% in 2025.

In 2025, domestic bank loans include bilateral agreements with Privredna banka Zagreb d.d., Zagrebačka banka d.d., OTP banka d.d., and Erste & Steiermärkische Bank d.d., as well as a long-term club loan.

In 2025, foreign bank loans include bilateral agreements with the European Bank for Reconstruction and Development and the European Investment Bank.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

26. LIABILITIES UNDER NON-CURRENT LOANS (continued)

New sources of financing

On 19 December 2025, a long-term club loan agreement was signed in an amount of up to EUR 400,000 thousand with a maturity of 7 years, with amortising repayment and a fixed interest rate, with the following banks: Erste & Steiermärkische Bank d.d., Croatian Bank for Reconstruction and Development, Hrvatska poštanska banka d.d., Privredna banka Zagreb d.d., Intesa Sanpaolo Bank d.d., Raiffeisenbank Austria d.d., and Zagrebačka banka d.d. The club loan was arranged to refinance a EUR 600,000 club revolving loan and for general corporate purposes, and was concluded without a state guarantee.

On 24 December 2025, the club revolving loan of EUR 600,000 thousand was repaid in full.

In 2025, the conditions for drawing funds from loans granted by the European Bank for Reconstruction and Development and the European Investment Bank were met to finance the Kiepach/HEP Go Green project.

Loans in use

The Company has access to financing sources. The total undrawn amount as at the end of the reporting period is EUR 216,401 thousand. The undrawn amount under long-term loans is EUR 61,719 thousand, while under short-term loans it is EUR 154,682 thousand. The Company expects to settle its other obligations from operating cash flows, proceeds from maturing financial assets, and financing sources.

As at 31 December 2025, the Company has long-term loans in use with the European Bank for Reconstruction and Development and the European Investment Bank for financing the construction projects KKE EL-TO Zagreb and Kiepach/HEP Go Green.

For the KKE EL-TO project, the use of the loan from the European Bank for Reconstruction and Development is agreed until the end of 2026, and from the European Investment Bank until mid-2027, in line with the revised project implementation schedule.

For the Kiepach/HEP Go Green project, the use of development bank loans is agreed upon within 3 years of the agreement's signing, i.e., until November 2027.

As at 31 December 2025, the Company has utilised long-term loans of EUR 91,792 thousand.

Repayment schedule of principal of long-term loans falling due in the next five years:

	<i>in EUR '000</i>
2026	394,303
2027	461,099
2028	103,603
2029	79,398
2030	75,228
After 2030	182,102
	1,295,733

Promissory notes and debentures secure domestic bank loans, and for certain bilateral loans and the club loan, financial covenants are also agreed, under which the Company is required to meet specified financial ratios on an annual basis.

For loans from foreign banks (the European Bank for Reconstruction and Development and the European Investment Bank), financial covenants are also agreed, under which the Company is required to comply with specified financial ratios on an annual and semi-annual basis.

26. LIABILITIES UNDER NON-CURRENT LOANS (continued)

Loans in use (continued)

The Company has obtained two state guarantees issued by the Ministry of Finance for the timely fulfilment of long-term obligations under loans from development banks for the Kiepatch/HEP Go Green project, covering 80% of the obligations under both loans and valid until the final maturity of the loans.

The Company's primary objective with respect to risks arising from financial covenants is to protect itself against potential breaches of contractual obligations, i.e., early repayment of loan facilities. Financial covenants are monitored and calculated based on annual and semi-annual separate financial statements.

The Company prepares preliminary calculations of financial covenants based on projected separate statements of financial position and statements of profit or loss and other comprehensive income for the forthcoming medium-term period and monitors their trends. If projections indicate a potential breach of any financial covenant at year-end, the Company informs the bank of the potential breach and timely requests a waiver, i.e. an exemption from covenant compliance testing. If the bank does not approve a waiver, the Company may face early debt repayment, which would represent a liquidity risk.

Until 30 June 2025 (inclusive), the Company had obtained waivers (i.e., exemptions from covenant testing) from the European Bank for Reconstruction and Development and the European Investment Bank.

To ensure liquidity reserves in the short term, as at 31 December 2025 the Company has multi-purpose committed credit facilities with domestic banks in a total amount of up to EUR 152,000 thousand.

Funds under these facilities may be used for short-term loans as well as for issuing guarantees, letters of credit, and letters of intent, in line with the needs of Group companies. During 2025, the short-term credit lines were used exclusively to issue guarantees and letters of credit, and the Company operated on equal terms with all banks.

From the above-mentioned short-term multi-purpose credit facilities, the Company did not need to draw any short-term loans during 2025.

As at 31 December 2025, the total available amount under short-term facilities is EUR 111,588 thousand, of which EUR 40,887 thousand has been utilised.

The Company also has access to a medium-term revolving loan from HEP-Operator distribucijskog sustava d.o.o., arranged for general corporate purposes, in an amount up to EUR 183,000. The loan is to be used until August 2028.

As at 31 December 2025, the Company has an undrawn amount of EUR 43,094 thousand under the medium-term revolving loan from HEP-Operator distribucijskog sustava d.o.o.

The medium-term revolving loan from HEP-Operator distribucijskog sustava d.o.o. is disclosed in Note 33 – Related party transactions.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

27. OTHER NON-CURRENT LIABILITIES

<i>in EUR '000</i>	31 December 2025	31 December 2024
Concession fee liability for the maritime domain for the Port of Plomin	1,071	1,124
	1,071	1,124

28. LEASE LIABILITIES

<i>in EUR '000</i>	31 December 2025	31 December 2024
Non-current real estate lease liabilities	279	404
	279	404
Current portion of non-current lease liabilities	125	120
	404	524

Lease liabilities are measured at the present value of the contractual future lease payments to the lessor over the lease term, discounted using either the rate implicit in the lease, if it can be readily determined, or, where this is not the case (as is typically the situation), the incremental borrowing rate of HEP Group companies at the commencement date of the lease.

Variable lease payments are included in the measurement of lease liabilities only when they depend on an index or a rate. In such cases, the initial measurement of the lease liability assumes that the variable element will remain unchanged over the lease term. Other variable lease payments are recognised as an expense in the period in which they are incurred.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

29. PROVISIONS

<i>in EUR '000</i>	<u>31 December 2025</u>	<u>31 December 2024</u>
Provisions for severance pay and jubilee awards /i/	1,008	22,523
Provisions for legal disputes /ii/	<u>5,417</u>	<u>4,016</u>
	6,425	26,539

/i/ The Company recognises provisions for legal disputes for which it has been assessed that a favourable outcome for the Company is not probable. The total amount of provisions as at 31 December 2025 amounts to EUR 1,008 thousand (31 December 2024: EUR 22,523 thousand). The most significant provision as at 31 December 2024 related to the dispute concerning the HE Peruća hydroelectric power plant, amounting to EUR 21,899 thousand.

As at 31 December 2025, the provision for the aforementioned dispute was reversed, as the Split County Court issued two judgments (Gž-3412/2024 dated 27 February 2025 and Gž-1718/2025 dated 10 September 2025) by which the claimants were finally dismissed in full on all grounds. It is noted that the claimants have filed requests for permission to lodge an appeal on points of law against both judgments.

The Company is potentially exposed to an obligation to accrue interest on provisions for legal disputes; however, due to significant uncertainty regarding the amount and timing of settlement, it is not possible to make a reasonable and reliable estimate of the potential financial effect. Accordingly, any potential impact is not considered material.

Changes in liabilities for long-term provisions are as follows:

<i>in EUR '000</i>	Severance pay	Jubilee awards	Legal disputes	Other provisions	Total
As of 1 January 2024	3,393	163	24,632	2,871	31,059
Additional provisions based on estimates	454	6	227	-	687
Decrease in provisions based on disbursements.	-	-	(2,081)	-	(2,081)
Decrease in provisions based on estimates	-	-	(255)	(2,871)	(3,126)
As of 31 December 2024	3,847	169	22,523	-	26,539
Additional provisions based on estimates	1,306	95	910	-	2,311
Decrease in provisions based on disbursements	-	-	(137)	-	(137)
Decrease in provisions based on estimates	-	-	(22,288)	-	(22,288)
As of 31 December 2025	5,153	264	1,008	-	6,425

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

29. PROVISIONS (continued)

/ii/ The changes in the present value of defined benefit obligations for employee benefits during the current period are presented below:

<i>in EUR '000</i>	Severance pay	Jubilee awards	Total
As of 1 January 2024	3,393	163	3,556
Service costs	195	13	208
Interest expense	136	6	142
Benefits paid	(475)	(27)	(502)
Past service cost	28	2	30
Actuarial gains/losses	570	12	582
As of 31 December 2024	3,847	169	4,016
Service costs	281	26	307
Interest expense	141	7	148
Benefits paid	(459)	(22)	(481)
Past service cost	45	66	111
Actuarial gains	1,298	18	1,316
As of 31 December 2025	5,153	264	5,417

The provision for retirement benefits and jubilee awards is based on calculations performed by a certified actuary.

The following assumptions were used in the calculation:

- The employee turnover rate is 3%, based on statistical data on employee turnover in the Company over the past five years.
- Annual salary increases are assumed to be 10% in 2026, 6% in 2027, and 2% thereafter.

The present value of the obligation was calculated using a 3.5% per annum discount rate.

30. DEFERRED INCOME FROM ASSETS FINANCED BY THIRD PARTIES

<i>in EUR '000</i>	31 December 2025	31 December 2024
Deferred income for received EU funds	611	1,321
	611	1,321
Current portion of deferred income		
Deferred income for received EU funds	680	698
	680	698
Total deferred income from assets financed by third parties	1,291	2,019

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

31. OTHER LIABILITIES

<i>in EUR '000</i>	31 December 2025	31 December 2024
Trade payables (i)	122,207	132,093
Value-added tax liabilities	5,072	16,973
Contribution and other fees liabilities	736	850
Interest liabilities (ii)	4,971	17,698
Liabilities to employees (iii)	1,870	1,693
Accrued expenses for unused annual leave	1,005	845
Other liabilities (iv)	11,676	28,035
Total other liabilities	147,537	198,187
<i>(i) Trade payables</i>		
Domestic suppliers	78,853	78,670
Suppliers abroad	170	8
Electricity suppliers within the EU and abroad	42,928	53,218
Suppliers within the EU	256	197
Total trade liabilities	122,207	132,093
<i>(ii) Interest liabilities</i>		
Loan interest - PBZ	1,775	13,138
Loan interest - ZABA	369	368
Loan interest - ERSTE	1,424	2,263
Loan interest - OTP	74	76
Loan interest - EBRD	717	1,253
Loan interest - EIB	612	600
Total interest liabilities to banks	4,971	17,698
<i>(iii) Liabilities to employees</i>		
Net salaries	1,090	957
Contributions	544	469
Other liabilities	236	267
Total employee liabilities	1,870	1,693
<i>(iv) Other liabilities</i>		
Insurance premium liabilities	432	550
Liabilities for current guarantees received	3,634	1,633
Liabilities based on sponsorship	232	248
Liabilities for borrowed gas from joint users of LNG terminals	7,099	25,391
Other liabilities	279	213
Total other liabilities	11,676	28,035

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS

As of 31 December 2025, the Company owned the following subsidiaries:

Subsidiary	Country	Share (%)	Primary operation
HEP - Proizvodnja d.o.o.	Croatia	100	Electricity and heat production
Hrvatski operator prijenosnog sustava d.d.	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
HEP Upravljanje imovinom d.o.o.	Croatia	100	Hospitality and recreation services
HEP - Trgovina d.o.o.	Croatia	100	Electricity trade and power plant operation optimization
HEP - Telekomunikacije d.o.o.	Croatia	79.94	Telecommunications
Energetski park Korlat d.o.o.	Croatia	100	Production of electricity
LNG Hrvatska d.o.o.	Croatia	75	Liquefied natural gas operations
Nuklearna elektrana Krško d.o.o.	Slovenia	50	Production of electricity

Other related parties of HEP d.d. within the HEP Group:

CS Buško Blato d.o.o.	BiH	100	Hydropower equipment maintenance
HEP NOC Velika	Croatia	100	Accommodation and education services
HEP Energija d.o.o. Ljubljana	Slovenia	100	Electricity trading
HEP Energija d.o.o.	BiH	100	Electricity trading
HEP Energija sh.p.k.	Kosovo	100	Electricity trading
HEP Energija d.o.o.	Serbia	100	Electricity trading
SUNČANA ELEKTRANA POREČ d.o.o.	Croatia	100	Production of electricity
Male Hidre d.o.o.	Croatia	49	Production of electricity
HEP - VHS Zaprešić d.o.o.	Croatia	100	Design and construction of a multipurpose hydrotechnical system

Most of the above-mentioned subsidiaries were established as part of the reorganisation and restructuring of the core business in accordance with new energy legislation that came into force on 1 January 2002 (Note 1).

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS (continued)

Relations with related parties refer to subsidiaries and to NPP Krško d.o.o. and LNG Hrvatska d.o.o.

Relations with the mentioned companies are listed below.

- (i) The Company's revenues are based on pre-invoiced revenues to related parties from the sale of electricity, except for customers of universal service (households) and guaranteed supply, fees for performing accounting, legal and similar services, as well as on renting business premises. The amount of the mentioned income from related parties is determined based on the following values: the value of the assets of the related party, the costs of employees and the total expenses of the related party.
- (ii) Interests on long-term leases of property, plant and equipment and intangible assets are charged to lessees according to loans used for the construction of assets. They are reported in interest income with related parties.
- (iii) Costs with affiliated companies are incurred for the electricity taken and compensation for the electricity supply. The costs for the services provided are invoiced monthly in accordance with the provisions and tariffs prescribed by HERA.
- (iv) Current receivables from related parties are based on the sale of fuel, materials and spare parts, for the electricity sold to HEP Elektra d.o.o. and for customers of HEP Opskrba d.o.o., for sold losses on the distribution network to HEP Operator distribucijskog sustava d.o.o., on the transmission network to Hrvatski operator prijenosnog sustava d.d., for the company's administrative costs and for ongoing investments financed by the Company. After the completion of construction, the said property is transferred to related companies for lease.
- (v) Non-current receivables with related parties are based on the financial leasing of property, plant and equipment. The rent is paid monthly based on the depreciation of the rented property, plus interest on long-term loans used to finance the property. The company also has receivables from related parties for apartments sold to employees

Receivables, liabilities and income and expenses from other related parties are listed in the table below:

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Operating income		
Revenues from the sale of electricity to HEP Elektra d.o.o.	500,441	453,678
Revenues from invoicing el. energy to cover losses in the distribution network	150,132	147,143
Revenues from the sale of electricity to HEP Energija d.o.o. Ljubljana	87,293	107,807
Revenues from the sale of electricity to HEP Group companies	15,814	15,672
Revenue from balancing electricity	-	10,225
Revenues from the sale of electricity to HEP Energija d.o.o. Beograd	949	-
Revenues from the sale of electricity to HEP Energija d.o.o. Mostar	1,696	1,925
Revenue from electricity sales – related parties	756,325	736,450
Income from the sale of gas - Regulation of the Government of the Republic of Croatia	76,137	131,137
Revenue from gas sales – related party	76,137	131,137

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS (continued)

in EUR '000

	2025	2024
Revenue from sales of CO2 emission units	146,897	190,045
Revenue based on services and sales of materials within the group	3,708	3,419
Income from intra-group investment services	558	154
Income from the sale of guarantees of origin of electricity.	39	29
Revenues based on services within the group - restaurant	43	32
Other sales revenues - related parties	151,245	193,679
Sales revenues - related parties	983,707	1,061,266
Revenues from the performance of administrative services	52,360	42,061
Income from renting office space	2,682	2,747
Revenues in accordance with the Regulation of the Government of the Republic of Croatia - market supply Economy	21	37
Revenues from the sale of energy savings to companies	490	1,186
Other operating income – related parties	55,553	46,031
Operating expenses		
Procurement of electricity – HEP Proizvodnja d.o.o.	629,774	707,819
Procurement of electricity – Energetski park Korlat d.o.o.	15,129	13,168
Procurement of electricity – Sunčana elektrana Poreč d.o.o.	1,139	1,227
Procurement of electricity – Sunčana elektrana Vis d.o.o.	-	180
Procurement of electricity from RES – HEP Opskrba d.o.o.	47,016	41,055
Electricity balancing - HOPS d.d. /i/	42,461	19,242
HEP Energija d.o.o. Beograd	37	-
HEP Energija d.o.o. Mostar	719	699
Expenditures for electricity procurement – related parties	736,275	783,390
Cost of sales of CO2 emission units	146,898	190,046
Electricity supply fee - HEP Opskrba d.o.o.	12,865	10,738
Gas procurement for public service providers (OOJU)	30,022	16,573
Fee for electricity and gas trading services -HEP Trgovina d.o.o.	4,016	3,438
Costs of fees and services – related parties	193,801	220,795
Costs of fees and services – related parties	930,076	1,004,185

/i/ Balancing electricity costs in 2025 amount to EUR 42,461 thousand (2024: EUR 19,242 thousand) and arise from the sale and/or purchase of balancing electricity in accordance with the applicable Rules on Balancing of the Electricity System.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS (continued)

FINANCIAL INCOME AND EXPENSES FROM RELATED PARTIES

<i>in EUR '000</i>	<u>2025</u>	<u>2024</u>
Financial income from related parties		
Dividends from subsidiaries and associates	99,938,937	76,308
Interest income on leased assets	1,181	1,181
Interest income on loans	2,886	2,840
Total financial income from related parties	104,005	80,329
Financial expenses with related parties		
Interest expense - IFRS 16	(8)	(13)
Interest expense on the loan from HEP-Operator distribucijskog sustava d.o.o.	(1,506)	(741)
Default interest expense on intra-group invoices within the HEP Group	(1)	-
Total financial expenses with related parties	(1,515)	(754)

RECEIVABLES FROM RELATED PARTIES

<i>in EUR '000</i>	<u>31 December 2025</u>	<u>31 December 2024</u>
Non-current receivables		
Receivables for long-term lease assets		
HEP Operator distribucijskog sustava d.o.o.	1,101,209	1,076,343
HEP Proizvodnja d.o.o.	948,851	970,574
HEP Toplinarstvo d.o.o.	135,065	125,832
HEP Upravljanje imovinom d.o.o.	23,105	23,217
HEP Plin d.o.o.	36,097	34,631
HEP NOC d.o.o.	1,252	1,335
HEP Opskrba d.o.o.	263	226
HEP Trgovina d.o.o.	114	125
HEP ESCO d.o.o.	103	120
HEP Elektra d.o.o.	386	476
	2,246,445	2,232,879

<i>in EUR '000</i>	<u>31 December 2025</u>	<u>31 December 2024</u>
Receivables for apartments sold		
HEP Operator distribucijskog sustava d.o.o.	65	76
HEP Proizvodnja d.o.o.	7	9
Hrvatski operator prijenosnog sustava d.d.	6	11
HEP Toplinarstvo d.o.o.	1	4
	79	100
	2,246,524	2,232,979
Current portion of leases	(164,383)	(165,149)
Receivables for long-term lease from related parties	2,082,141	2,067,830

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS (continued)

The table below shows the expected undiscounted cash flows from finance lease receivables over the next 5 years:

<i>in EUR '000</i>	31 December 2025	31 December 2024
Expected receipts under finance lease		
Year 1	164,383	165,149
Year 2	164,383	165,149
Year 3	164,383	165,149
Year 4	164,383	165,149
Year 5	164,383	165,149
After year 5	1,424,530	1,407,134
	2,246,445	2,232,879

<i>in EUR '000</i>	31 December 2025	31 December 2024
Receivables under non-current loans to related parties		
Hrvatski operator prijenosnog sustava d.d.	56,928	61,611
Plomin Holding d.o.o.	13,945	14,323
HEP Energija d.o.o. Beograd	80	-
Energetski park Korlat d.o.o.	20,876	-
HEP Plin d.o.o.	4,542	5,077
HEP ESCO d.o.o.	4,501	4,501
HEP Opskrba d.o.o.	-	1,727
HEP Telekomunikacije d.o.o.	8,465	4,915
Deferred income – loan fees	(214)	-
	109,123	92,154
Current maturity	(534)	(16,402)
	108,589	75,752
Receivables for loans granted to companies related by participating interest		
Male Hidre d.o.o.	18,527	16,075
Current portion	(5,500)	-
	13,027	16,075
Total non-current receivables/loans	2,374,174	2,341,208
Total current maturity	(170,417)	(181,551)
Total non-current receivables/loans granted	2,203,757	2,159,657

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS (continued)

Property, plant and equipment and intangible assets are leased by the Company to related parties based on their carrying amounts (except HOPS from 1 July 2013 and HEP Telekomunikacije). Leases of property, plant, equipment, and intangible assets are classified as finance leases because the lessee substantially assumes the benefits and risks of ownership. Leases bear interest only to the extent that the lessor has obtained funds to finance the asset in question from external sources. The aforementioned assets are stated at cost to present the underlying fixed assets at their carrying amounts as initially stated by the Company.

Loans to companies within the HEP Group (overview)

The aforementioned loans were granted under the following terms:

Loan beneficiary:	Year of approval	Interest rate	Maturity	Loan amount approved <i>in EUR '000</i>	31 December 2025 <i>in EUR '000</i>	31 December 2024 <i>in EUR '000</i>
HEP- Telekomunikacije d.o.o.	2018	3% variable	30 September 2028	9,821	8,465	4,915
EP Korlat d.o.o.	2025	variable	15 years with a 3-year grace period	31,620	10,563	-
EP Korlat d.o.o.	2025	variable or fixed	up to 16 years with a 3-year grace period	30,380	10,099	-
HEP Plin d.o.o.	2020	3,42% variable	5 years	10,153	4,542	5,077
Plomin Holding d.o.o.	2022	3% variable	5 years	17,308	13,945	14,323
HEP Opskrba d.o.o.	2020	3% variable	5 years	1,727	-	1,727
HEP ESCO d.o.o.	2022	3% variable	5 years	4,501	4,501	4,501
Hrvatski operator prijenosnog sustava d.d.	2020	1,72% fixed	30 April 2025	23,474	-	2,934
Hrvatski operator prijenosnog sustava d.d.	2021	1,10% fixed	4 years with 6- month grace period	6,994	-	1,749
Hrvatski operator prijenosnog sustava d.d.	2022	3% fixed	5 years	56,928	56,928	56,928
HEP Energija d.o.o. Beograd	2015	4,38% variable	no later than 10 April 2027	300	80	-
Total				193,206	109,123	92,154

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS (continued)

Receivables from related parties (current):

in EUR '000

	31 December 2025	31 December 2024
Current receivables		
Receivables from HEP Elektra d.o.o. for electricity sold	94,279	79,963
Receivables from HEP Operator distribucijskog sustava d.o.o. for losses in the distribution network	39,421	40,040
Receivables from HEP Opskrba d.o.o. for electricity sold	153,130	143,465
Receivables from HEP Energija d.o.o. Ljubljana	22,132	28,468
Receivables from HEP Energija d.o.o. Belgrade for electricity sold	243	-
Receivables from HEP Energija d.o.o. Mostar for electricity sold	226	345
Receivables for balancing electricity – HOPS d.d.	-	11,554
Other receivables	3,000	3,022
	312,431	306,857
Receivables for administrative expenses		
HEP Proizvodnja d.o.o.	6,334	4,775
HEP Operator distribucijskog sustava d.o.o.	15,549	9,169
HEP Toplinarstvo d.o.o.	583	-
HEP Plin d.o.o.	1,261	945
HEP Upravljanje imovinom d.o.o.	133	661
HEP Trgovina d.o.o.	503	293
HEP Opskrba d.o.o.	1,175	967
HEP NOC	25	-
HEP ESCO d.o.o.	94	122
HEP Telekomunikacije d.o.o.	146	79
HEP Elektra d.o.o.	3,493	5,656
VHS Zaprešić d.o.o.	26	16
Energetski park Korlat d.o.o.	56	123
	29,378	22,806
Current receivables based on the lease of business premises		
HEP Proizvodnja d.o.o.	11,400	9,863
HEP Toplinarstvo d.o.o.	1,501	-
HEP Operator distribucijskog sustava d.o.o.	14,099	18,337
HEP Plin d.o.o.	381	453
HEP Upravljanje imovinom d.o.o.	95	534
HEP NOC	18	-
HEP Trgovina d.o.o.	5	8
HEP Opskrba d.o.o.	10	10
HEP ESCO d.o.o.	7	7
HEP Elektra d.o.o.	29	-
	27,545	29,212

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS (continued)

	31 December 2025	31 December 2024
Receivables for non-current assets leased to subsidiaries		
HEP Proizvodnja d.o.o.	37,570	-
HEP Toplinarstvo d.o.o.	20,884	-
HEP Operator distribucijskog sustava d.o.o.	170,206	-
HEP Plin d.o.o.	1,253	-
HEP Upravljanje imovinom d.o.o.	50	-
HEP NOC	10	-
HEP Opskrba d.o.o.	68	-
HEP ESCO d.o.o.	11	-
HEP Elektra d.o.o.	7	-
	<u>230,059</u>	<u>-</u>
Other current receivables	80,412	52,968

in EUR '000

	31 December 2025	31 December 2024
Receivables for paid investments and other receivables		
HEP Proizvodnja d.o.o.	85,228	64,437
Hrvatski operator prijenosnog sustava d.d.	263	263
HEP Operator distribucijskog sustava d.d.	141,899	131,701
HEP Toplinarstvo d.o.o.	534	6,374
HEP Plin d.o.o.	7,457	4,469
HEP ESCO d.o.o.	2	132
HEP NOC d.o.o.	246	198
HEP Trgovina d.o.o.	3	6
HEP Opskrba d.o.o.	2,950	2,947
HEP Upravljanje imovinom d.o.o.	2,152	1,945
HEP Telekomunikacije d.o.o.	5	-
HEP Elektra d.o.o.	11	9
	<u>240,750</u>	<u>212,481</u>
Other receivables		
HEP Plin d.o.o.	10,218	14,204
HEP ESCO d.o.o.	-	880
Energetski park Korlat d.o.o.	52,337	56,462
	<u>62,555</u>	<u>71,546</u>
Receivables for short-term loans granted		
HEP Energija d.o.o. Beograd	-	80
HEP Energija sh.p.k. Kosovo	280	245
	<u>280</u>	<u>325</u>
Receivables from related parties (total):	983,410	696,195

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS (continued)

<i>in EUR '000</i>	31 December 2025	31 December 2024
Current liabilities		
HEP Proizvodnja d.o.o. for electricity	326,555	345,918
Energetski park Korlat d.o.o. for electricity	1,209	1,811
SUNČANA ELEKTRANA POREČ d.o.o.	121	118
HEP Opskrba d.o.o. for compensation from RES procurement	3,232	5,046
HEP Opskrba d.o.o. for electricity supply compensation	4,170	4,149
HEP Trgovina d.o.o. for the trading fee	615	333
HOPS d.o.o. - Liabilities for balancing energy	16,139	7,260
Liabilities under guarantees of electricity origin-HEP Proizvodnja d.o.o.	8	6
Liabilities for the guarantee of the electricity origin. – Energetski park Korlat d.o.o.	8	22
HEP Proizvodnja - liability based on the assignment agreement	-	21,238
Other	4,465	2,702
	356,522	388,603
Loan liabilities to HEP ODS d.o.o. (i)	139,906	87,906
Liabilities for non-current assets purchased from a subsidiary	230,059	-
Other liabilities		
HEP Operator distribucijskog sustava d.o.o.		
- for cash paid into the treasury	17,422	193
- for customer payments and paid investments from sub-accounts	645	459
HEP Elektra d.o.o. for cash paid into the treasury	157,003	159,042
Liabilities to other companies for customer payments and investments paid from sub-accounts	31,299	14,373
	206,369	174,067
HEP Energija d.o.o. Ljubljana for the electricity delivered	8	10
HEP Energija d.o.o. Beograd for electricity delivered	2	-
	10	10
Total current liabilities	932,866	650,586

- (i) (i) On 28 December 2023, the Company signed the First Amendment to the Agreement on a medium-term revolving loan with HEP-Operator distribucijskog sustava d.o.o., under which the loan amount of EUR 92,906 thousand was increased by an additional EUR 50,000 thousand to EUR 142,906 thousand, for more efficient cash flow management within Group companies and ensuring faster utilisation of additional liquidity buffers.

On 22 August 2025, the Company signed the Second Amendment to the Agreement on a medium-term revolving loan with HEP-Operator distribucijskog sustava d.o.o., under which the loan amount of EUR 142,906 thousand was increased by an additional EUR 40,094 thousand to EUR 183,000 thousand, also for more efficient cash flow management within Group companies and ensuring faster utilisation of additional liquidity buffers. The interest rate was increased from 0.90% per annum fixed to 1.90% per annum fixed. The loan's availability period and maturity were extended to 22 August 2028.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

32. RELATED PARTY TRANSACTIONS (continued)

Relations with the associated company NPP Krško d.o.o. are shown in the following table:

<i>in EUR '000</i>	<u>31 December 2025</u>	<u>31 December 2024</u>
NPP Krško d.o.o.		
Liabilities for purchased electricity	10,055	4,480
Cost of purchased electricity	118,571	112,184

<i>in EUR '000</i>	2025	Sales revenue 2024	2025	Procurement cost 2024
Companies that are majority-owned by the State				
Hrvatska pošta d.d.	-	-	27	26
Hrvatske šume d.o.o.	-	-	457	490
Narodne novine d.d.	-	-	20	20
Hrvatska radio televizija	-	-	12	10
Plinacro d.o.o.	-	2,138	11,385	9,882
Ministry of the Interior	42	10	-	-
Universities and colleges	16	-	15	50
Health institutions and organizations	-	-	1	1
Other users	-	-	-	3,913
HROTE d.o.o.	4,132	3,213	456	1,403
	4,190	5,361	12,373	15,795

<i>in EUR '000</i>	Receivables		Liabilities	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
Companies that are majority-owned by the State				
Hrvatska pošta d.d.	-	-	5	4
Narodne novine d.d.	-	-	-	4
Plinacro d.o.o.	-	-	1,532	1,386
HROTE d.o.o.	294	586	41	43
Other users	10	20	713	1
	304	606	2,291	1,438

33. CONTINGENCIES AND COMMITMENTS

Legal disputes

The Company recognised provisions for legal disputes in 2025, for which it was assessed that it is not probable that the cases will be resolved in HEP d.d. 's favour.

The Company holds long-term investments in Bosnia and Herzegovina and Serbia with a historical cost of EUR 165,103 thousand as at 1994. During the Company's transformation into a joint-stock company in 1994, this amount was excluded from the net asset value and recorded off-balance sheet.

The Company also holds long-term investments in non-operating assets in Bosnia and Herzegovina and Montenegro, amounting to EUR 96 thousand, which were excluded from the net asset value and recorded off-balance sheet.

Operational liabilities

As part of its regular investment activities, as at 31 December 2025, the Company had entered into contracts under which investments in various facilities and equipment had commenced but were not yet complete. The value of contracted but uncompleted works for the most significant projects amounted to EUR 118,516 thousand (2024: EUR 120,413 thousand). These mainly relate to multi-year contracts.

The largest portion of contracted but uncompleted works relates to the Kosinj hydroelectric system and the Senj 2 hydroelectric power plant, totalling EUR 76,514 thousand, or 65% of the total. In addition, 8% relates to the replacement combined cogeneration plant at EL-TO Zagreb, which is expected to be completed in 2026, and to solar power plant construction projects.

As the holder of shares in HEP ODS d.o.o., HEP Upravljanje imovinom d.o.o., HEP Telekomunikacije d.o.o., HEP Toplinarstvo d.o.o. and HEP Plin d.o.o., which are reporting operating losses, the Company is prepared to provide all necessary financial support to enable these companies to continue operating and meet their obligations as they fall due.

Environmental protection

HEP Group continuously monitors and analyses the environmental impact of its business processes. The most important indicators of such impacts are emissions of polluting substances into the air and the amount of waste produced, which are reported in a timely and objective manner to competent institutions, local self-government units, and the interested public.

The HEP Group reports on its impacts on the environment, the economy, and society in the Business and Sustainability Report, prepared in accordance with current corporate reporting guidelines and regulations. Reports on operations and sustainability have been published on the HEP Group website since 2015: <http://www.hep.hr/o-hep-grupi/publikacije/izvjesca-o-odrzivosti/1401>. Employees engaged in nature and environmental protection are also trained through seminars and workshops, where they are informed about the obligations and activities arising from legal regulations in this field.

All HEP thermal power plants with a nominal thermal input of more than 50 MW have obtained Decisions on Environmental Permits from the competent Ministry of Environmental Protection.

As of 31 December 2023, the Rijeka Thermal Power Plant and Jertovec Thermal Power Plant Exemptions for Limited Lifespans expired, and thus the environmental permits for the main activity, i.e. fuel combustion for plants with a capacity of more than 50 MWtg. Accordingly, the HEP Management Board has adopted two new Decisions:

- Decision on the termination of the operation of the 320 MW unit at TE Rijeka
- Decision on limiting the power of gas turbine units PT1 and PT2 in KTE Jertovec.

As of today, no decisions on the revocation of the environmental permit have been issued by the competent Ministry; therefore, the conditions of the existing environmental permit for wastewater discharge remain in force. Croatian Waters is unable to act upon applications for water permits or issue new water permits until the relevant decision is submitted by the Ministry of Environmental Protection and Green Transition of the Republic of Croatia.

33. CONTINGENCIES AND COMMITMENTS (continued)

Environmental protection (continued)

In June 2025, an amendment and supplement to the environmental permit for TE-TO Osijek was obtained, extending the derogation from compliance with stricter limit values for particulate matter at BE-TO Osijek until 31 December 2026, when the installation of an electrostatic filter is planned.

In March 2025, a partial decision was issued on the submitted request to amend the environmental permit for the EL-TO Zagreb plant. The request to amend the NO_x emission limit values at emission points PT1 and PT2 was rejected. The relevant gas turbines may continue to operate only up to 500 hours per year (within this limit, exceedances are permitted; above this threshold, emission limit values must be complied with).

All plants implement environmental protection measures in accordance with the requirements of their existing environmental permits; however, due to new conditions introduced as of 1 January 2025, certain facilities exceed the emission limit values set out in their permits. Accordingly, further actions will be required to ensure the facilities comply with the applicable permit conditions.

TE Plomin holds a valid environmental permit that complies with the requirements of Commission Implementing Decision (EU) 2021/2336 establishing best available techniques (BAT) conclusions. Since 1 January 2024, measurements have shown exceedances of boron emission limit values in wastewater, in accordance with the conditions set out in the environmental permit. For this reason, a feasibility study and an environmental impact assessment have been prepared, indicating that it is not possible, using any available technological method, to reduce the current high boron concentration below 1 mg/l.

In accordance with EU and national regulations, no boron emission limit value is prescribed for plants generating electricity using coal as fuel. A request to amend the environmental permit for TE Plomin was submitted to the Ministry; however, it was rejected on 23 October 2024, after which HEP Proizvodnja d.o.o. filed a lawsuit before the competent Constitutional Court. For the TE Plomin plant, on 5 December 2024, a request was submitted to the Ministry of Environmental Protection and Green Transition for an extension of the derogation from the application of boron emission limit values in wastewater, in line with the conditions of the environmental permit, until the end of 2030, due to planned test measurements in a pilot facility and construction activities. No response from the Ministry regarding the extension was received by the end of 2025.

By Management Board decision in 2012, an emissions trading system was established, and the Republic of Croatia and HEP joined the EU Emissions Trading System (EU ETS) on 1 January 2013, after which the Croatian Environment Agency opened 9 operator accounts in the EU registry.

The Company, which is engaged in electricity and heat production, is obliged to purchase emission allowances corresponding to verified CO₂ emissions arising from fossil fuel combustion in thermal power plants.

The Osijek CHP plant of HEP Toplinarstvo has been excluded from the EU ETS based on Article 40 of the Climate Change and Ozone Layer Protection Act (Official Gazette 127/19, 67/25).

BE-TO Osijek and BE-TO Sisak hold valid SURE certification (Sustainable Resources Verification Scheme) for sustainable forest biomass for electricity generation (Scope ID 5101) and heat generation (Scope ID 5102), issued by TÜV NORD. In December 2025, recertification was performed, and certificates were confirmed for 2026.

In 2025, all purchased and used biomass was sustainable, meaning no CO₂ emission allowances will be required, as key biomass suppliers—Hrvatske šume, Weitzer Production, and Međimurjeplet—are also certified under the SURE scheme and provide Proof of Sustainability (PoS) documentation with each delivery to BE-TO plants.

In September 2025, the total CO₂ emission allowances for 2024 were submitted to the EU Registry. Total CO₂ emissions for 2024 amounted to 2,141,384 tonnes, with a related cost of EUR 146,896,878. Compared to 2024, CO₂ emissions decreased due to reduced electricity generation from TE Plomin.

33. CONTINGENCIES AND COMMITMENTS (continued)

Report on the status of the preparation of the Report on Business and Sustainability of the HEP Group for the year 2025

In accordance with the provisions of the applicable Accounting Act and the requirements of the Corporate Sustainability Reporting Directive (CSRD), the HEP Group was initially required to commence sustainability reporting in accordance with the European Sustainability Reporting Standards (ESRS) for the financial year beginning on 1 January 2025 (with the Report to be published in 2026), whereby the Sustainability Report would form an integral part of the consolidated Management Report.

However, considering the entry into force of the so-called “Omnibus” package at the European Union level, which provides for a two-year postponement of the sustainability reporting obligation for certain categories of undertakings, including the HEP Group, the obligation to report in accordance with the ESRS standards has been deferred to a later reporting period. Consequently, the HEP Group will be required to report under the ESRS framework commencing from 1 January 2027 (with the Report to be published in 2028).

Accordingly, the HEP Group’s 2025 Business and Sustainability Report will, as in previous years, be prepared and published as a separate document on the HEP website: <https://www.hep.hr/o-hep-grupi/publikacije/izvjesca-o-odrzivosti/1401>.

In the meantime, the HEP Group continues to carry out intensive preparatory activities, including:

- the development of an ESG strategy,
- the assessment of the alignment of activities with the EU Taxonomy,
- the development and implementation of a double materiality methodology,
- the establishment of internal processes and controls for future reporting purposes.

These activities are undertaken to ensure timely, high-quality preparation for future sustainability reporting obligations in accordance with the CSRD and ESRS standards.

Management systems according to ISO standards

Integrated and certified management systems in accordance with ISO standards 9001:2015, 14001:2015, 50001:2018 and 45001:2018 have been implemented by HEP d.d., HEP Upravljanje imovinom d.o.o. and HEP Proizvodnja d.o.o. HEP Toplinarstvo d.o.o. has implemented and certified integrated management systems relating to quality, environment and energy management, while HEP Operator distribucijskog sustava d.o.o. has implemented and certified management systems relating to environment, quality, and occupational health and safety.

HEP d.d. has also implemented and certified an information and cyber security management system in accordance with ISO standard 27001:2018. The Management Board of HEP d.d. adopted and published the Quality, Environmental Protection, Energy Management, and Occupational Health and Safety Policy applicable to HEP d.d. and HEP Upravljanje imovinom d.o.o. The management boards of HEP Proizvodnja d.o.o., HEP Operator distribucijskog sustava d.o.o., and HEP Toplinarstvo d.o.o. adopted and published their respective integrated management system policies in accordance with ISO standards, while HEP Opskrba d.o.o. adopted and published a quality management policy.

All 26 HEP hydro power plants hold a certificate issued by TÜV SÜD for generating electricity from renewable sources (green energy).

The policies and certificates are publicly available on the HEP website. Compliance with applicable legal requirements and other obligations undertaken by HEP Group companies is analysed and assessed in accordance with the established procedure for implementing legal and other requirements: <https://www.hep.hr/o-hep-grupi/sustavi-upravljanja-prema-iso-normama/170>.

Notes to the annual separate financial statements – HEP d.d. (continued) for the year ended 31 December 2025

33. CONTINGENCIES AND COMMITMENTS (continued)

Management systems according to ISO standards (continued)

In 2025, HEP Opskrba d.o.o. and the Company announced a public call for donations supporting projects in the fields of energy efficiency, integrated renewable energy sources in buildings, and systematic energy management for public sector institutions providing care for socially vulnerable groups, totalling EUR 150 thousand. Projects selected for financial support and funding allocation were those with complete implementation documentation for energy efficiency measures and those expected to generate the highest energy savings.

Accordingly, based on the proposal of the Committee for Monitoring the Purposeful Use of Funds Collected through the ZelEn product fee, the Company and HEP Opskrba d.o.o. allocated funds to the following applicants:

1. Primary School Department for Children with Disabilities, social and educational facility, Kralja Tomislava Street 5, Đurđevac
2. Dječji vrtić Potočić, Belajske Poljice 105/B, Duga Resa
3. Dom zdravlja Virovitičko-podravske županije – Orahovica Branch, Stjepana Mlakara 1, Orahovica
4. Caritas Zagrebačke nadbiskupije, Residential Care Facility for Children and Adults with Physical and Intellectual Disabilities “Blessed Alojzije Stepinac”, Brezovička cesta 98, Brezovica
5. Tehnička škola Čakovec, Športska ulica 5, Čakovec

In 2025, a total of 987,050 MWh was invoiced to customers holding ZelEn contracts for EUR 1,393 thousand, while an additional 1,589,693 MWh was invoiced for EUR 2,328 thousand under green public procurement.

Environmental incidents

No environmental incidents were recorded in 2025.

Regulatory compliance and inspections

At TE Rijeka, an inspection in the field of fire protection was carried out in July 2025, followed by an inspection in the field of civil protection in October 2025. No irregularities were identified during these inspections.

At EL-TO Zagreb, an environmental inspection was carried out in June 2025 pursuant to the Decision dated 31 December 2024. The inspection was provided with all evidence demonstrating compliance with the issued Decision, which confirmed that all measures required under the December 2024 Decision had been fully implemented. In October 2025, the State Inspectorate of the Republic of Croatia received a complaint from citizens regarding noise emissions from the EL-TO Zagreb facility. The sanitary inspector was presented with a noise measurement report confirming that the equivalent noise levels complied with applicable acoustic requirements.

At TE-TO Zagreb, inspections were carried out in the areas of greenhouse gas emission allowance trading, control of handling refrigeration and air-conditioning equipment containing substances that deplete the ozone layer, and fire protection. No irregularities or remarks were identified during these inspections.

At PP HE Zapad, four inspections were carried out in 2025 in the field of occupational health and safety (HE Sklope, CHE Fužine, Retention Basin Drežničko Polje, and Vitunj Fish Farm), as well as two inspections in the field of fire protection (GHE Senj, Grabova site, and at the Gusić Polje, Šumečica, and Gornja Švica gate structures). No irregularities were identified during these inspections.

At HEP Elektra Bjelovar, five inspections were carried out by a senior nature protection inspector in relation to monitoring white stork nesting sites. No irregularities were identified.

At HEP Elektra Požega, the State Inspectorate Office in Požega conducted an inspection to assess compliance with the Environmental Protection Act, the Air Protection Act, the Climate Change and Ozone Layer Protection Act, the Waste Management Act, and the relevant subordinate legislation. No irregularities were identified during the inspection.

33. CONTINGENCIES AND COMMITMENTS (continued)

Regulatory compliance and inspections (continued)

Following a report of improper waste management, the State Inspectorate of the Republic of Croatia, Environmental Protection and Water Management Inspection Service, Regional Office Rijeka, conducted an environmental inspection at HEP Elektroprimorje Rijeka. The inspection related to waste surge arresters left at a metal transmission tower pole following an intervention during repair works on the pole head along the 20 kV Hrasta – TS Miholašćica line, as well as a section of a wooden pole with metal brackets and supporting insulators left at an unidentified location in the northern part of the island of Cres.

Waste from the first location was removed, and photographic documentation confirming the remediation was submitted to the inspector within the prescribed deadline. Supporting waste transfer documentation for 2025 was also provided, relating to contractors Metis d.d. and Sekundar d.o.o., responsible for waste management and recovery of waste generated by Elektroprimorje Rijeka. As the second location, with the remaining parts of old poles, could not be reliably identified, it will be determined during periodic transmission line inspections in the northern area of Cres. All periodic inspections of transmission lines include an inspection report documenting all identified irregularities along the route, including waste management-related matters.

At HEP Elektra Karlovac, an inspection was carried out by the State Inspectorate Office in Karlovac following an extraordinary incident involving oil leakage at the material storage site near the 35 kV Ogulin substation, originating from a backup transformer as a result of a break-in and theft of metal parts, previously subject to a police investigation. The oil that spread onto the surrounding land and partially onto an unclassified road was urgently contained by the Ogulin Public Fire Department, which spread sawdust and sand over the area to prevent further contamination. Following the removal of the transformer, the concrete surface and the surrounding contaminated gravel layer were fully remediated and degreased. The soil layer was excavated to a depth of approximately 20 cm; the cleaned area was covered with a new, compacted layer; and the excavated contaminated soil was placed into IBC containers. Approximately 30 m² of contaminated soil was managed through an authorised hazardous waste contractor, Metis d.d., with all required documentation.

Upon a telephone request and formal inquiry from a senior environmental inspector of the State Inspectorate, Central Office of the Sector for Environmental Protection, Nature Protection and Water Management Supervision, the Company headquarters submitted waste transfer documentation to HEP Operator distribucijskog sustava d.o.o. on 28 October 2025. The documentation related to waste delivered to 3 K.F. d.o.o. in the period after 18 July 2025 from the following locations within the Elektre Zagreb distribution area: TJ Dugo Selo, central warehouse site, TJ Sveti Ivan Zelina site, and the vehicle depot. The records referred to waste code 150101 for deliveries dated 14 August 2025 and 15 October 2025.

Water Act

The Water Act, which entered into force on 1 January 2010, raised the issue of the legal and ownership status of assets, including reservoir lakes and associated structures (such as canals, embankments, and similar infrastructure) used for electricity generation in hydropower plants, due to their classification as public water assets in general use and owned by the Republic of Croatia.

The HEP Group acquired the aforementioned assets through arm's-length transactions from their previous owners by consolidating a very large number of land parcels, which were submerged following the construction of dams, thereby forming reservoirs. Several land registry proceedings concerning the registration of the Republic of Croatia's ownership rights over these properties are currently ongoing; some requests have been resolved in favour of the Republic of Croatia, while others have been rejected by the competent courts, and the remainder remains pending resolution.

In May 2018, the Act on Amendments to the Water Act (Official Gazette No. 46/18) entered into force, under which the Republic of Croatia establishes a right of construction over already built water infrastructure for electricity generation, which was constructed and financed by HEP d.d. or its legal predecessors, in favour of HEP d.d., free of charge, for a period of 99 years. An exception to the establishment of the right of construction applies to parts of water infrastructure comprising reservoirs, supply canals, discharge canals and tunnels.

33. CONTINGENCIES AND COMMITMENTS (continued)

Water Act (continued)

While such a right of construction is in force, HEP d.d. is granted the right to manage public assets/land on which electricity generation facilities are constructed, as well as reservoirs and supply and discharge canals and tunnels, on behalf of the Republic of Croatia. The right of management includes, inter alia, the right to use the relevant properties.

All of the above is also regulated under the new Water Act, which entered into force in June 2019 (Official Gazette No. 66/19). For the purpose of implementing the provisions of the Water Act (OG 66/19), HEP d.d. is required to initiate the relevant land registry registration procedures and obtain appropriate cadastral subdivision documentation, which must be harmonised with Hrvatske vode (Croatian Waters) and will serve as the basis for issuing a tabular deed for the registration of the right of construction over the relevant assets.

The appropriate cadastral subdivision documentation will also serve as the basis for the correct classification of non-current assets into intangible and tangible asset categories, which are currently recorded in the HEP Group's accounting records as a single category of tangible assets.

All of the above may affect the classification of assets between intangible and tangible asset categories and, accordingly, may lead to changes in the useful lives of certain assets. This, in turn, affects the carrying amount of assets in the separate statement of financial position and the depreciation expense recognised in the separate statement of profit or loss; however, no material impact on the annual separate financial statements as a whole is expected.

Amendments to the Water Act in force since July 2021 and May 2023 (Official Gazette Nos. 84/21 and 47/23) did not introduce any changes relating to water infrastructure used for electricity generation.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT

Capital risk management

The Company manages its capital to ensure it can continue as a going concern, while at the same time maximising returns to owners through optimising the debt-to-equity ratio.

The Company's capital structure comprises debt, including borrowings as disclosed in Note 27, cash and cash equivalents, and equity attributable to owners, consisting of share capital, statutory and other reserves, and retained earnings.

Gearing ratio

The Management Board monitors the structure of funding sources semi-annually. As part of this monitoring, the Management Board considers the financing costs and the risks associated with each class of financing sources. The debt-to-equity ratio at the end of the year can be shown as follows:

<i>in EUR '000</i>	31 December 2025	31 December 2024
Debt	1,295,733	1,449,039
Cash and cash equivalents	(124,853)	(164,817)
Net debt	1,170,880	1,284,222
Capital	3,160,828	3,083,567
Net debt to equity ratio	37.04%	41.65%

Categories of financial instruments

<i>In EUR '000</i>	31 December 2025	31 December 2024
Financial assets		
Financial assets at fair value through other comprehensive income	42,106	44,568
Loans given	2,374,174	2,341,208
Receivables from customers and related parties	990,427	698,552
Cash and cash equivalents	124,853	164,817
Other non-current and current receivables	15,694	149,100
Financial liabilities		
Liabilities for long-term loans	1,295,733	1,449,039
Liabilities to related parties	932,866	650,586
Lease liabilities	404	524
Other liabilities	148,608	199,311

34. FINANCIAL RISK MANAGEMENT (continued)

Objectives of financial risk management

The treasury function within the Company provides business support to the Company, coordinates access to domestic and international money and capital markets, and monitors and manages financial risk related to the Company's operations through internal risk reports that analyse exposure by degree and 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

The Company's activities are primarily exposed to financial risks from changes in foreign currency exchange rates and interest rates (see below). Exposure to market risk is monitored and managed through sensitivity analysis. There were no changes in the Company's exposure to market risk or the way risk is managed and measured.

Currency risk management

The Company carries out certain transactions denominated in foreign currencies, thereby exposing it to changes in those currencies' exchange rates. Currency exposure is managed within approved policy parameters through the use of currency exchange contracts. The carrying value of the Company's cash assets and liabilities denominated in foreign currency at the reporting date is as follows:

<i>in EUR '000</i>	Assets	
	31 December 2025	31 December 2024
USD	152	141

Foreign currency sensitivity analysis

The Company is exposed to currency risk in the event of a change in the US dollar (USD) exchange rate. The following table shows the effects of a 10% increase or decrease in the EUR/USD exchange rate. The 10% rate is used in the Management Board's internal reporting on foreign currency risk and represents the Management Board's assessment of reasonably possible changes in foreign currency exchange rates. The analysis is performed only for receivables and liabilities denominated in foreign currency. It represents an adjustment to their value at the end of the period due to a 10% change in the exchange rate. A positive/negative amount lower in the table indicates an increase in profit or other components of capital if the EUR were to strengthen by 10%. In the event of a 10% weakening of the EUR against the relevant currency, the effect would be the same, but in a negative amount.

<i>In EUR '000</i>	<u>2025</u>	<u>2024</u>
USD change effect		
Gain or loss	(14)	(13)

34. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk management

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

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

- Profit for the year ended 31 December 2025 would decrease or increase by EUR 1,227 thousand (2024: EUR 4,014 thousand) as a result of exposure to interest rate risk. This is mainly attributable to the Company's exposure to interest rate risk on variable-rate borrowings; 21.73% of the Company's indebtedness carries variable interest rates (2024: 55.29%).
- The Company's sensitivity to interest rate fluctuations decreased during the current period, as a lower proportion of borrowings was contracted at variable interest rates.

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 Company. The Company 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 across a significant number of customers across different industries and geographic areas.

The Company has no significant credit risk exposure to any customer or company of customers with similar characteristics. A Company 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 household claims are limited due to the risk of disconnection from the supply network.

The carrying amount of financial assets presented in the separate financial statements, net of impairment losses, represents the Company's maximum exposure to credit risk, excluding the value of collateral collected.

Liquidity risk management

The ultimate responsibility for liquidity risk management lies with the Company's Management Board, which has established an appropriate liquidity risk management framework to address the Company's short-, medium-, and long-term liquidity needs. The Company manages this risk by maintaining adequate reserves, obtaining bank and other financing, and constantly monitoring projected and actual cash flows, as well as comparing the maturity profiles of financial assets and liabilities.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (continued)

Tables for interest and liquidity risk

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

Maturity of non-derivative financial assets

<i>in EUR '000</i>	Weighted average effective interest rate	Less than 1 month	1 -3 months	3 -12 months	1 - 5 years	Over 5 years	Total
31 December 2025							
Long-term loan liabilities	1.86%	17,007	64,471	478,309	748,103	208,723	1,516,613
Liabilities to related parties		257,694	404,363	270,809	-	-	932,866
Lease liabilities		-	-	125	279	-	404
Trade payables and interest liabilities		126,828	403	-	1,018	-	128,249
		401,529	469,237	749,243	749,400	208,723	2,578,132
31 December 2024							
Long-term loan liabilities	2.40%	7,329	60,191	81,564	1,407,222	72,038	1,628,344
Liabilities to related parties		175,457	212,507	262,622	-	-	650,586
Lease liabilities		-	-	120	404	-	524
Trade payables and interest liabilities		138,140	11,652	-	1,124	-	150,916
Total		320,926	284,350	344,306	1,408,750	72,038	2,430,370

The Company has access to financing sources. The total undrawn amount at the end of the reporting period amounts to EUR 216,401 thousand. The undrawn amount under long-term borrowings at the end of the reporting period is EUR 61,719 thousand, while under short-term borrowings it is EUR 154,682 thousand.

The Company expects to settle its other liabilities from operating cash flows, inflows from maturing financial assets, and available financing sources.

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.

Notes to the annual separate financial statements – HEP d.d. (continued)
for the year ended 31 December 2025

34. FINANCIAL RISK MANAGEMENT (continued)

Fair value indicators recognised 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:

Level 1 of available indicators - fair value indicators are derived from (unadjusted) prices quoted in active markets for identical assets and identical liabilities

Level 2 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)

Level 3 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.

<i>in EUR '000</i>	Level 1	Level 2	Level 3	Total
31 December 2025				
Financial assets at fair value through other comprehensive income	42,106	-	-	42,106
Investment property	-	11,582	-	11,582
31 December 2024				
Financial assets at fair value through other comprehensive income	44,568	-	-	44,568
Investment property	-	7,228	-	7,228

35. OTHER DISCLOSURES

The contracted services for the statutory audit of the annual financial statements of Group companies for 2025 amount to EUR 174 thousand (2024: EUR 258 thousand).

The contracted fee for tax advisory services for 2025 amounts to EUR 25 thousand (2024: EUR 25 thousand).

As at 31 December 2025, the Company has the following financial commitments not recognised in the separate statement of financial position: issued promissory notes of EUR 1,696,129 thousand (31 December 2024: EUR 2,654,292 thousand), issued guarantees of EUR 40,863 thousand (31 December 2024: EUR 30,419 thousand), and issued sureties in the amount of EUR 1,858 thousand (31 December 2024: EUR 1,858 thousand).

36. EVENTS AFTER THE REPORTING DATE

Regulation on Amendments to the Regulation on Mitigating Disturbances in the Domestic Energy Market

On 23 March 2026, the Government of the Republic of Croatia adopted the Regulation on Amendments to the Regulation on Mitigating Disturbances in the Domestic Energy Market (Official Gazette No. 29/26), extending the application of special measures under the Regulation (Official Gazette Nos. 31/23, 74/23, 107/23, 122/23, 32/24, 104/24, 132/24, 56/25, 121/25 and 122/25) as follows:

- electricity trading – pricing methodology and conditions for determining prices for certain categories of electricity customers, monitoring of the application of regulated prices, and special conditions for performing the activity – until 30 September 2026;
- heat energy trading – pricing methodology and conditions for determining prices for certain categories of heat energy customers, monitoring of the application of regulated prices, and special conditions for performing the activity – until 30 September 2026;
- gas trading – gas pricing methodology and conditions, ensuring security of gas supply for certain categories of gas customers, and special conditions for performing the activity – until 30 September 2026.

The Regulation establishes the following key special measures:

- For the period from 1 April 2026 to 30 September 2026, the active energy price is determined of EUR 0.091324/kWh for customers in the household category, in accordance with the regulation governing the electricity market under a single tariff system, or, for customers under a dual tariff system, of EUR 0.097189/kWh for peak tariff (VT) and EUR 0.047688/kWh for off-peak tariff (NT), up to a threshold of 3,000 kWh of total six-month electricity consumption;
- For the period from 1 April 2026 to 30 September 2026, the active energy price is determined of EUR 0.091324/kWh for customers in the business category, in accordance with the regulation governing the electricity market under a single tariff system, or, for business customers up to a threshold of 250,000 kWh of total six-month electricity consumption, for dual tariff customers, of EUR 0.097189/kWh for peak tariff (VT) and EUR 0.047688/kWh for off-peak tariff (NT), while for electricity consumption exceeding 250,000 kWh within the six months, the contracted price with the electricity supplier shall apply;
- For the period from 1 April 2026 to 30 September 2026, the active energy price is determined for EUR 0.091324/kWh for single-tariff customers, or, for dual-tariff customers, in the amount of EUR 0.097189/kWh for peak tariff (VT) and EUR 0.047688/kWh for off-peak tariff (NT), in accordance with the regulation governing the electricity market for business customers referred to in Article 3(3) of the Regulation, regardless of their total six-month electricity consumption;
- The guaranteed gas supplier, or a related company, is obliged, upon request of an energy undertaking, to ensure natural gas quantities for gas distribution system operators for the purpose of covering distribution losses and for business customers referred to in Article 3(3) of the Regulation. Energy undertakings intending to exercise this right are required to submit a request to the guaranteed supplier or its related company by 1 April 2026.
- Business customers referred to in Article 3(2) of the Regulation, excluding business customers referred to in Article 3(3) of the Regulation who, as at 1 April 2026, are using the guaranteed gas supply based on the rights under the Regulation on mitigating disturbances in the domestic energy market, may continue to exercise this right until the conclusion of a gas supply contract under market principles, and no later than 30 September 2026;
- The guaranteed gas supplier, or a related company, is obliged to sell natural gas in the period from 1 October 2024 to 30 September 2026 for the needs of gas distribution system operators for the purpose of covering distribution losses in the amount determined by the gas procurement price in accordance with the applicable methodology for determining tariff rates for public gas supply service and guaranteed supply, increased by the average gas supply cost determined for all distribution areas for EUR 0.0084/kWh.

Structural changes in 2026

On 12 February 2026, the Management Board of Hrvatska elektroprivreda d.d. adopted a Decision on the intention to carry out a structural change through the merger of PLOMIN HOLDING d.o.o. into Hrvatska elektroprivreda d.d. Before this transaction, PLOMIN HOLDING d.o.o. will carry out the mergers of companies within its portfolio, namely SUNČANE ELEKTRANE POREČ d.o.o. and JAMBREK VINICA d.o.o., while OIE grupa d.o.o. will be fully directly merged into Hrvatska elektroprivreda d.d.

36. EVENTS AFTER THE REPORTING DATE (continued)

Impact of the Middle East conflict

Given that the conflict in the Middle East began on 28 February 2026, the Company and the Group are currently unable to reliably assess its potential impact on financial performance and cash flows in future periods.

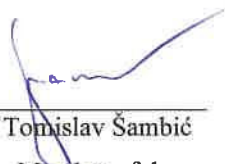
Except for the above, no events have occurred after 31 December 2025 that would have a material impact on the annual separate financial statements and therefore require disclosure.

37. APPROVAL OF THE ANNUAL SEPARATE FINANCIAL STATEMENTS

The annual separate financial statements were adopted by the Management Board and approved for issue on 12 May 2026.



Petar Sprčić
Member of the
Management
Board



Tomislav Šambić
Member of the
Management
Board



Ante Elez
Member of the
Management
Board



Ivica Vukoja
Member of the
Management
Board



Vice Oršulić
President of the
Management
Board

HRVATSKA ELEKTROPRIVREDA d.d.
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