



**HRVATSKA ELEKTROPRIVREDA d.d.**  
Condensed Financial Statements  
for the period ended  
30 June 2022

Zagreb, September 2022

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## Responsibility of the Management Board for the condensed financial statements

The Management Board of the company Hrvatska elektroprivreda d.d., Zagreb, Ulica grada Vukovara 37 ("the Company") is obliged to ensure that the condensed financial statements of the Company as of 30 June 2022 are prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, so that they provide a true and objective presentation of the financial position, operating results, capital changes and cash flows of the Company for that interim period.

The Management Board of Hrvatska elektroprivreda d.d. is responsible for condensed financial statements, including the corresponding disclosures. That includes:

- design, introduction and maintenance of internal controls relevant to the preparation and presentation of interim financial information that are free from material misstatement, whether due to fraud or error;
- selection and application of appropriate accounting policies;
- making accounting estimates that are reasonable under the given circumstances

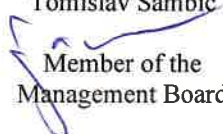
The Management Board is responsible for keeping correct accounting records, which will at any time, reflect with acceptable accuracy the financial position, operating results, capital changes and cash flows of the Company, as well as their compliance with International Accounting Standard 34 - Interim Financial Reporting. 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 Company on 28 September 2022:

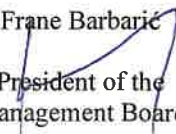
Petar Sprčić  
Member of the  
Management Board



Tomislav Šambić  
Member of the  
Management Board



Frane Barbarić  
President of the  
Management Board



HRVATSKA ELEKTROPRIVREDA d.d.  
ZAGREB  
Ulica grada Vukovara 37

# Independent Auditor's Report

To the owner of Hrvatska elektroprivreda d.d., Zagreb

Report on review of interim financial information

## **INTRODUCTION**

We have reviewed the attached condensed financial statements for the period ended 30 June 2022 of the company Hrvatska elektroprivreda d.d., Zagreb (hereinafter: the Company), which make up the Condensed Consolidated Statement of Financial Position as of 30 June 2022, Condensed Statement of Profit or Loss, Condensed Statement of Other Comprehensive Income, Condensed Statement of Changes in Equity and Condensed Statement of Cash Flows for the six-month period then ended, as well as notes to the Condensed Financial Statements, which together form the condensed interim consolidated financial statements of the Company.

The Company's Management Board is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

It is our responsibility to express an opinion on this condensed interim financial information based on our review.

## **SCOPE OF REVIEW**

We performed our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Insight into interim financial information consists of asking questions, primarily to persons responsible for financial and accounting issues, and applying analytical and other insight procedures. The review is significantly less in scope than an audit performed in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we are aware of all significant matters that could be identified in the audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that would cause us to believe that the condensed financial statements of the Company for the period ended 30 June 2022 have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

### EMPHASIS OF MATTER

/ii/ We draw attention to note 21 to the condensed financial statements, which describes the obligation for clearing debt in the amount of HRK 862,840 thousand (as of 31 December 2021, in the amount of HRK 800,216 thousand), which arose from payments from the letter of credit, based on the Agreement between the Government of the Republic of Croatia and the Government of the Russian Federation dated 24 July 2006 and the Agreement of the Ministry of Finance on the use of funds from the interbank agreement. Our conclusion is not modified on this issue.

/iii/ We draw attention to note 26 to the condensed financial statements, in which the need to initiate the procedure for registering rights in the land register and compliance with the provisions of the Act on Amendments to the Water Act (Official Gazette No. 46/2018) is highlighted. Our conclusion is not modified on this issue.

/iii/ We draw attention to note 3 to the condensed financial statements - Impact of the conflict in Ukraine on the Company's operations and note 27 to the condensed financial statements - Events after the reporting date, which describes that the Government of the Republic of Croatia on 9 September 2022 passed the Decree on eliminating disruptions in the domestic energy market (OG 104/2022), and on 14 September 2022, the Decree amending and supplementing the Regulation on eliminating disruptions in the domestic market, which regulate special measures for electricity trade and gas trade, manner and price formation conditions for certain categories of electricity and thermal energy buyers, supervision over the application of prices determined by the Regulation, and special conditions for performing energy activities. The specified special measures are temporary and are prescribed for the period from 1 October 2022 to 31 March 2023, or 31 March 2024. Our conclusion has not been modified in connection with this issue.

/iv/ The audit of the Company's annual financial statements for the year ending 31 December 2021 was performed by two mutually independent auditing companies RSM Croatia d.o.o. Koprivnica and Grant Thornton revizija d.o.o., Zagreb, which in their Report of Independent Auditors dated 25 April 2022 expressed an unmodified opinion on these annual financial statements, while the review of financial information for the interim period ended on 30 June 2021 was performed by BDO Croatia d.o.o. which on 16 September 2021 stated in its conclusion that the condensed financial statements of the Company were prepared in all significant respects in accordance with International Accounting Standard 34 "Interim Financial Reporting".

/v/ The Company prepared condensed consolidated interim financial statements of the Company, and for a better understanding of the Company's operations as a whole, users should read the condensed consolidated interim financial statements of the Company in conjunction with these condensed unconsolidated interim financial statements.

Zagreb, 28 September 2022



Daniela Šunjić, President of the  
Management Board

**PKF FACT revizija d.o.o.**  
**ZAGREB, OIB: 66538066056**



Jeni Krstičević, Certified Auditor

## Condensed Statement of Profit or Loss – HEP d.d.

For the six-month period ending 30 June 2022

<i>in HRK '000</i>	Note	six-month period ended	
		30 June 2022	30 June 2021
		<i>Unaudited</i>	<i>Unaudited</i>
Sales revenue	4	2,863,608	2,155,206
Revenue from sales - related companies	23	3,825,288	2,151,951
<b>Sales revenue</b>		<b>6,688,896</b>	<b>4,307,157</b>
Other operating income	5	50,305	29,999
Other operating income - related companies	23	105,440	97,092
<b>Total operating income</b>		<b>6,844,641</b>	<b>4,434,248</b>
Cost of electricity procurement	6	(3,560,978)	(1,220,784)
Cost of electricity procurement - related companies	6, 23	(3,630,422)	(1,927,583)
Gas procurement costs - market supply and public service		(98,270)	(34,358)
Gas procurement costs for sale on the wholesale market		-	(77,778)
Employee costs		(56,978)	(55,870)
Depreciation expense		(33,861)	(27,780)
Costs of fees and services - related companies	23	(834,916)	(483,190)
Other operating expenses	7	(186,132)	(180,848)
<b>Total operating expenses</b>		<b>(8,401,557)</b>	<b>(4,008,191)</b>
<b>Loss/(profit) from business</b>		<b>(1,556,916)</b>	<b>426,057</b>
Financial income	8	1,156,766	1,076,729
Financial expenses	8	(218,341)	(127,048)
<b>Net profit from financial activities</b>	<b>8</b>	<b>938,425</b>	<b>949,681</b>
<b>Profit/(loss) before tax</b>		<b>(618,491)</b>	<b>1,375,738</b>
Profit tax	9	245,184	(96,390)
<b>Loss/(profit) of the current period</b>		<b>(373,307)</b>	<b>1,279,348</b>

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

## Condensed Statement of Other Comprehensive Income – HEP d.d.

For the six-month period ending 30 June 2022

<i>in HRK '000</i>	<b>six-month period ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<i>Unaudited</i>	<i>Unaudited</i>
<b>Loss/(profit) of the current period</b>	<b>(373,307)</b>	<b>1,279,348</b>
Other comprehensive income		
Changes in the value of financial assets at fair value through other comprehensive income	48,025	2,981
Total items that will not be reclassified to profit or loss	48,025	2,981
<b>Other comprehensive income net</b>	<b>48,025</b>	<b>2,981</b>
<b>Total comprehensive loss/(profit) for the current period, net</b>	<b>(325,282)</b>	<b>1,282,329</b>

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

Condensed Statement of Financial Position – HEP d.d.

As at 30 June 2022

<i>in HRK '000</i>	<b>Note</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
		<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	10	1,495,222	1,421,858
Investment property		23,514	23,514
Right-of-use assets		6,785	6,785
Intangible assets	10	138,912	143,541
Investments in subsidiaries and joint ventures, investments calculated using the equity method	11	9,997,158	9,997,158
Financial assets at fair value through other comprehensive income	12	332,281	275,611
Financial assets measured at amortized cost			
Long-term loans granted	23	16,000,628	16,726,579
Other long-term receivables		93	140
Deferred tax assets	9	268,303	23,119
<b>Total fixed assets</b>		<b>28,262,896</b>	<b>28,618,305</b>
<b>Current assets</b>			
Inventories	13	423,326	520,543
Financial assets measured at amortized cost			
Trade receivables	14	6,342	132,089
Current maturity of given long-term loans	23	1,860,218	1,847,166
Other short-term receivables	15	619,135	651,061
Receivables from affiliated companies	23	4,974,279	3,585,041
Financial assets at fair value through profit or loss		-	165,233
Cash and cash equivalents	16	4,242,706	2,798,910
<b>Total current assets</b>		<b>12,126,006</b>	<b>9,700,043</b>
<b>TOTAL ASSETS</b>		<b>40,388,902</b>	<b>38,318,348</b>



Condensed Statement of Financial Position – HEP d.d. (continued)

As at 30 June 2022

<i>in HRK '000</i>	<b>Note</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
		<i>Unaudited</i>	<i>Audited</i>
<b>CAPITAL AND LIABILITIES</b>			
Share capital	17	19,792,159	19,792,159
Reserves		157,824	109,799
Retained earnings	17	6,860,619	7,233,926
<b>Total capital</b>		<b>28,810,602</b>	<b>27,135,884</b>
Financial liabilities measured at amortized cost			
Liabilities for long-term loans	19	3,576,928	773,490
Other long-term liabilities	21	872,686	810,493
Lease Liabilities		5,508	6,087
Provisions	22	224,641	228,162
Deferred tax liability		28,409	19,764
<b>Total long-term liabilities</b>		<b>4,708,172</b>	<b>1,837,996</b>
Financial liabilities measured at amortized cost			
Current maturity of long-term loans	19	81,261	76,078
Current maturity of bonds	18	3,455,230	3,444,830
Liabilities to affiliated companies	23	3,463,293	4,273,387
Other liabilities	24	1,869,179	1,549,036
Current maturity of lease liabilities		1,165	1,137
<b>Total short-term liabilities</b>		<b>8,870,128</b>	<b>9,344,468</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>40,388,902</b>	<b>38,318,348</b>

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

Condensed Statement of Changes in Equity – HEP d.d.

For the six-month period ending 30 June 2022

<i>in HRK '000</i>	<b>Share capital</b>	<b>Fair value reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance on 1 January 2021</b>	<b>19,792,159</b>	<b>72,050</b>	<b>7,015,351</b>	<b>26,879,560</b>
Profit of the current year	-	-	1,060,069	1,060,069
Other comprehensive income	-	37,794	(872)	36,877
<b><i>Total comprehensive income</i></b>	<b>-</b>	<b>37,749</b>	<b>1,059,197</b>	<b>1,096,946</b>
Dividend paid	-	-	(840,622)	(840,662)
<b>Balance on 31 December 2021</b>	<b>19,792,159</b>	<b>109,799</b>	<b>7,233,926</b>	<b>27,135,884</b>
<b>Balance on 1 January 2022</b>	<b>19,792,159</b>	<b>109,799</b>	<b>7,233,926</b>	<b>27,135,884</b>
Current year loss	-	-	(373,307)	(373,307)
Other comprehensive income	-	48,025	-	48,025
<b><i>Total comprehensive income</i></b>	<b>-</b>	<b>48,025</b>	<b>(373,307)</b>	<b>(325,282)</b>
<b>Balance on 31 December 2022, unaudited</b>	<b>19,792,159</b>	<b>157,824</b>	<b>6,860,619</b>	<b>26,810,602</b>

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

## Condensed Statement of Cash Flows – HEP d.d.

For the six-month period ending 30 June 2022

<i>in HRK '000</i>	<b>six-month period ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<i>Unaudited</i>	<i>Unaudited</i>
<b>OPERATING ACTIVITIES</b>		
Loss /(Profit) before tax	(618,491)	1,375,738
Interest income	(62,718)	(69,195)
Interest expenses	95,373	88,489
Net exchange differences	(73,084)	748
Depreciation of property, plant and equipment, intangible assets and right-of-use assets	33,861	27,780
Increase/(decrease) of provisions	(3,521)	1,250
Change in fair value of cross-currency swaps and financial assets through profit or loss	165,233	(123,354)
Income from dividends	(757,047)	(850,787)
Value adjustment of receivables	(4,985)	(3,482)
Value adjustment and loss on sale of tangible fixed assets	(1,169)	(45)
<i>Cash flow from operating activities before changes in working capital</i>	<i>(1,226,548)</i>	<i>447,142</i>
Reduction of trade receivables	120,762	61,167
(Increase)/decrease in receivables from affiliated companies	(8,694)	708,885
Decrease of inventories	97,217	311,648
Decrease of other current assets	259,637	290,002
Increase/(decrease) in accounts payable	490,485	(84,071)
(Decrease)/increase in other liabilities	(136,028)	87,968
(Decrease) of liabilities to subsidiaries	(810,094)	(587,832)
Increase in other long-term liabilities	62,193	17,128
<b>Cash from operations</b>	<b>(1,151,070)</b>	<b>1,252,037</b>
Profit tax paid	(38,904)	(39,905)
Interest paid	(98,442)	(93,975)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,288,416</b>	<b>1,118,157</b>
<b>INVESTING ACTIVITIES</b>		
Interest income	688	1,248
Expenditures for increasing the share capital of a subsidiary company	-	(31,606)
Expenditures for acquisition of property, plant and equipment	(170,841)	(187,159)
Expenditures for the acquisition of other fixed assets	47	34
Receipts from the collection of granted loans	10,057	314,897
Expenditure on loans granted	(79,345)	(339,135)
Proceeds from the sale of tangible fixed assets	348	45
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(239,047)</b>	<b>(241,676)</b>

Condensed Statement of Cash Flows – HEP d.d. (continued)

For the six-month period ending 30 June 2022

<i>in HRK '000</i>	<b>six-month period ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<i>Unaudited</i>	<i>Unaudited</i>
<b>FINANCING ACTIVITIES</b>		
Receipts from received long-term loans	2,848,478	70,434
Expenditures for repayment of long-term loans	(38,077)	(18,267)
Expenses for repayment of the principal of leases	(378)	(697)
Receipts from cash funds	161,236	10,000
Expenditures for cash funds	-	(10,000)
Expenditures for repayment of issued bonds	-	(28,771)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>2,971,259</b>	<b>22,698</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,443,796</b>	<b>899,179</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<b>2,798,910</b>	<b>1,579,060</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4,242,706</b>	<b>2,478,239</b>

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

## 1. BASIS OF PREPARATION

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34 „Interim Financial Reporting“. The preparation of the unaudited condensed interim financial statements for the six months period ended 30 June 2022 requires from Management Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as at the date of the condensed interim financial statements, and actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods

The annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34'). The condensed financial statements for the six-month period ended 30 June 2022 have been prepared under the same accounting policies as the financial statements for the year ended 31 December 2021. New and amended standards and interpretations issued by the International Accounting Standards Board that will be applied for the first time in the next annual financial statements do not have a significant impact on the Company or are not relevant to the Company's activities or are in accordance with the Company's current accounting policies.

Certain information and disclosures normally included in the annual financial statements prepared in accordance with IFRS adopted by EU have been condensed or omitted as permitted by IAS 34. The condensed statement of financial position / condensed consolidated balance sheet as at 30 June 2022 was derived from audited annual financial statements as at 31 December 2021, but does not include all disclosures required by IFRS adopted by EU. However, the Company's management believes that disclosures are adequate to make the information presented not misleading.

### Leases

Property, plant and equipment and intangible assets are leased to subsidiaries of the Company at carrying value. 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. The lease repayment term is equal to the remaining depreciation life of the leased property.

Liabilities based on leases in affiliated companies are reported under long-term liabilities. Leases carry interest up to the amount to which the Company has obtained funds for financing from external sources. The fair value of the leases was not estimated due to the specificity of the organization of the HEP Group and with the aim of presenting the fixed assets in question at their original carrying value at which the Group acquired them.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Condensed financial statements have been prepared according to the historical cost convention, with the exception of certain financial instruments and investment property that are measured at fair value. All amounts published in the condensed financial statements are presented in thousands of Croatian kuna (HRK), unless otherwise stated. The Company keeps accounting records in the Croatian language, in HRK and in accordance with Croatian laws and accounting principles and practices followed by companies in Croatia.

Condensed financial statements have been prepared on the accrual basis under the assumption of going concern.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***Adoption of new and revised International Financial Reporting Standards***

There are a number of standards, amendments and additions to existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee that are effective for periods beginning after 31 December 2021 (the date on which the Company will prepare its annual financial statements) for which the Company decided not to apply earlier. The Company's management anticipates that the application of the above standards, amendments and interpretations will not have a materially significant impact on the financial statements of the Company in the period of their first application.

### ***Use of estimates in preparation of the condensed consolidated interim financial information***

Preparation of the condensed interim financial statements in conformity with International Accounting Standard 34 „Interim Financial Reporting“, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities. Estimates used in preparation of these condensed interim financial statements relate to employee benefits, impairment of assets, and determination of fair values of assets and liabilities and estimated decommissioning costs. Future events may occur which could cause changes in the assumptions used for making these estimates, and thus changes in the estimates themselves

The effect of any changes in estimates will be recorded in the financial statements, when determinable. There were no changes in the use of estimates or critical judgments applied in preparation of these condensed interim financial statements with respect of those applied in preparation of the annual financial statements.

## **3. THE INFLUENCE OF THE CONFLICT IN UKRAINE ON THE COMPANY'S OPERATIONS**

The start of Russian military activities on the territory of Ukraine in February 2022 and the introduction of sanctions by the European Union against Russia may consequently have a significant direct or indirect impact on the economy of the Republic of Croatia. Given that the HEP Group represents an infrastructure system of strategic importance for the Republic of Croatia, and is one of the largest economic entities in Croatia on which the operations of a large number of companies largely depend, it is extremely important in these crisis conditions to ensure regular operations and orderly production, distribution and full supply of energy sources.

Looking at the overall operations of HEP Group, the current conflict on the territory of Ukraine will not have a major impact on the continuation of the Company's operations in terms of the loss of its own assets or the assumption of new liabilities, since HEP d.d. and HEP Group do not have their own assets in that area and does not carry out significant commercial activities. The Company and the Group have a good diversification in terms of purchasing routes for energy sources due to the use of alternative purchasing routes that are contracted to ensure the safe supply of electricity and gas to its own customers.

Since the beginning of the aforementioned conflict, the Company has been analysing the procurement and consumption of energy and modelling scenarios for the optimization of the procurement of energy sources in view of the increase in the prices of input parameters and a possible decline in overall economic activity and poorer collection of receivables. Thanks to the successful operations to date and the implemented optimization measures, the Company has a sufficient amount of cash resources that enable regular operations in the short term.

The Company will continue to actively monitor economic trends and take all measures to protect the interests of all stakeholders and maintain a stable financial position, especially in the context of the adopted Regulation described in note 27 to the condensed financial statements.

Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**4. SALES REVENUE**

<i>in HRK '000</i>	<b>Six-month period ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<i>Unaudited</i>	<i>Unaudited</i>
Income from the sale of electricity to customers of HEP Opskrba d.o.o.	2,586,494	1,568,266
Income from the sale of electricity abroad	140,782	426,335
Income from the sale of electricity in the country	110,113	69,873
<b>Income from the sale of electricity</b>	<b>2,837,389</b>	<b>2,064,474</b>

<i>in HRK '000</i>	<b>Six-month period ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<i>Unaudited</i>	<i>Unaudited</i>
Income from sales abroad - gas	4,653	10
Income from sales abroad - gas balancing	21	-
Income from the sale of gas balancing energy	21,545	
Income from the sale of gas on the wholesale market	-	90,722
<b>Income from gas sales</b>	<b>26,219</b>	<b>90,732</b>
<b>Total sales revenue</b>	<b>2,863,608</b>	<b>2,155,206</b>

**5. OTHER OPERATING INCOME**

<i>in HRK '000</i>	<b>30 June 2022</b>	<b>30 June 2021</b>
	<i>Unaudited</i>	<i>Unaudited</i>
Collected value-adjusted receivables	3,114	1,833
Default interest from customers	4,355	4,695
Profit from sale of property, plant and equipment	1,298	165
Income from cancellation of long-term provisions	3,528	54
Income based on the use of own products and services	281	281
Income from penalties (Đuro Đaković)	28,047	-
Other operating income /i/	9,962	22,971
	<b>50,305</b>	<b>29,999</b>

## Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

### 6. ELECTRICITY PROCUREMENT COST

Property, plant and equipment and intangible assets are leased to the Company's subsidiaries at carrying value. 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. The lease repayment term is equal to the remaining depreciation life of the leased property.

Liabilities based on leases in affiliated companies are reported under long-term liabilities. Leases carry interest up to the amount to which the Company has obtained funds for financing from external sources. The fair value of the leases was not estimated due to the specificity of the organization of the HEP Group and with the aim of presenting the fixed assets in question at their original carrying value at which the Group acquired them.

### 7. OTHER OPERATING EXPENSES

<i>in HRK '000</i>	<b>30 June 2022</b>	<b>30 June 2021</b>
	<i>Unaudited</i>	<i>Unaudited</i>
Value adjustment of accounts receivable	8,144	5,314
The cost of HEP d.d. for the decommissioning of NPP Krško d.o.o.	53,787	53,652
Cost of external services and materials	60,108	56,832
Taxes, contributions and fees	5,960	7,524
Bank costs, payment transaction costs and loan fees	7,396	4,231
Receipts in kind	360	415
Per diems and transportation costs to work	1,905	1,653
Insurance premiums	2,234	2,325
Unclaimed receivables written-off	1,015	3,297
Other material rights of employees	1,832	2,241
Material costs	2,357	2,449
Provisions for severance pay and other employee expenses	-	1,303
Provisions for unused vacations	816	1,178
Provisions for litigation	7	-
Provision of costs for unrealized energy savings	14,141	14,828
Other operating expenses	26,070	23,606
	<b>186,132</b>	<b>180,848</b>

The Energy Efficiency Act (Official Gazette 127/14, 116/18, 25/20, 41/21), the Ordinance on the System for Monitoring, Measuring and Verification of Energy Savings (Official Gazette 33/20) and the Ordinance on the Energy Efficiency Obligation System (Official Gazette 41 /19) the obligation to establish a system to save energy and the method of its implementation is prescribed. Obligations arising from the aforementioned laws and regulations were applied for the first time in 2019. The obliges of the energy-saving system in the HEP group are companies that supply electricity, heat and gas. On the basis of legal provisions, and in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Company has reserved the costs of energy savings in its books according to the best estimate in the amount of HRK 14,141 thousand.



Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**8. FINANCIAL INCOME AND EXPENSES**

*in HRK '000*

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<i>Unaudited</i>	<i>Unaudited</i>
<b>Financial income</b>		
Interest income	62,718	69,195
Positive exchange rate differences	42,033	32,604
Dividends from subsidiaries and associated companies	757,047	850,787
Fair value of the cross-currency swap	294,652	124,039
Other financial income	316	104
<b>Total financial income</b>	<b>1,156,766</b>	<b>1,076,729</b>
<b>Financial expenses</b>		
Interest expenses	(95,373)	(88,489)
Negative exchange rate differences	(115,117)	(31,356)
Unrealized losses	(4,089)	(314)
Other financial expenses	(3,762)	(6,389)
<b>Total financial expenses</b>	<b>(218,341)</b>	<b>(127,048)</b>
<b>Net financial gain</b>	<b>938,425</b>	<b>949,681</b>

**9. 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 the income and expenses of the period and is increased by expenses that are not tax-deductible and reduced by non-taxable income. Profit tax calculated by applying the legal profit tax rate in the Republic of Croatia is 18%.

<i>in HRK '000</i>	<b>30 June 2022</b>	<b>31 December 2021</b>
Current tax	-	-
Deferred tax expenses related to the creation and reversal of temporary differences	245,184	(49,244)
<b>Profit tax</b>	<b>245,184</b>	<b>(49,244)</b>

The adjustment of the deferred tax assets is as follows:

<i>in HRK '000</i>	<b>30 June 2022</b>	<b>31 December 2021</b>
Balance on January 1	23,119	72,363
Increase in deferred tax assets	245,184	(49,244)
<b>Balance on 30 June</b>	<b>268,303</b>	<b>23,119</b>

**9. PROFIT TAX (continued)**

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

<i>in HRK '000</i>	<u>30 June 2022</u>	<u>31 December 2021</u>
Loss/Profit before tax	(618,491)	1,109,313
<b>Tax at the current rate in the Republic of Croatia (18% in 2022)</b>	<b>111,328</b>	<b>(199,676)</b>
Effect of non-taxable income	136,954	209,563
The effect of tax-deductible expenses	(2,500)	(4,517)
<b>Tax income of the current year</b>	<b>245,783</b>	<b>5,369</b>
Effective tax rate	(39.74)	0.48

Changes in deferred tax assets during the year are summarized in the table below:

<i>in HRK '000</i>	31 December 2021	Posted on (debit)/in favour of the profit and loss account	30 June 2022
Provisions for jubilee awards and severance pay	<b>4,889</b>	(599)	<b>4,290</b>
Fair valuations JANAF	<b>5,538</b>	-	<b>5,538</b>
Provisions for the cost of wind power energy	<b>3,894</b>	-	<b>3,894</b>
Provision for the fair value of swaps	-	-	-
Provision for the fair value of shares	-	-	-
Provision for tax loss	<b>5,369</b>	245,783	<b>251,152</b>
Other (Lun land)	<b>3,429</b>	-	<b>3,429</b>
	<b>23,119</b>	<b>245,184</b>	<b>268,303</b>

**10. PROPERTY, PLANT AND EQUIPMENT (ONGOING INVESTMENTS)**

On 30 June 2022, the total value of property, plant and equipment in the Company amounts to HRK 1,634,134 thousand (31 December 2021 HRK 1,565,399 thousand). The most significant ongoing investments relate to investments in EL-TO Zagreb - replacement of block "A" with new KKE block "L" in the total amount of HRK 619,349 thousand, construction of HES-Kosinj in the total amount of HRK 166,416 thousand, and the SAP EDM/ECM system upgrade project in the total amount of HRK 100,249 thousand.

**11. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES AND INVESTMENTS CALCULATED USING THE EQUITY METHOD***in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Balance at the beginning of the period	9,997,158	9,962,011
Energetski park Korlat d.o.o.-capital reserves	-	14,542
NPP Krško – share capital	-	20,605
	<b>9,997,158</b>	<b>9,997,158</b>

*in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
HEP - Proizvodnja d.o.o.	40	<b>40</b>
Hrvatski operator prijenosnog sustava d.o.o.	4,954,151	<b>4,954,151</b>
HEP - Operator distribucijskog sustava d.o.o.	1,802,041	<b>1,802,041</b>
HEP - Opskrba d.o.o.	20	<b>20</b>
HEP - Toplinarstvo d.o.o.	623,000	<b>623,000</b>
HEP - Plin d.o.o.	20	<b>20</b>
HEP ESCO d.o.o.	18,960	<b>18,960</b>
HEP - Upravljanje imovinom d.o.o.	14,297	<b>14,297</b>
HEP - Trgovina d.o.o.	40	<b>40</b>
HEP - Telekomunikacije d.o.o.	333,598	<b>333,598</b>
Plomin Holding d.o.o.	16,106	<b>16,106</b>
HEP - Elektra d.o.o.	20	<b>20</b>
Energetski park Korlat d.o.o.	45,634	45,634
SUNČANA ELEKTRANA VIS d.o.o.	31,362	<b>31,362</b>
	<b>7,839,289</b>	<b>7,839,289</b>

**Investments in joint ventures**

NE Krško	1,911,546	1,911,549
LNG Hrvatska d.o.o.	243,283	243,283

**Investments calculated using the equity method**

Male hidre d.o.o.	3,040	3,040
	<b>9,997,158</b>	<b>9,997,158</b>

**12. INVESTMENTS CLASSIFIED BY FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND OTHER INVESTMENTS**

Changes in investments classified at fair value through other comprehensive income are presented as follows:

<i>in HRK '000</i>	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Opening balance</b>	<b>275,611</b>	<b>232,605</b>
Fair valuation of investments through other comprehensive income (Janaf)	56,680	43,184
Fair valuation of investments through other comprehensive income - other	(10)	(178)
<b>Closing balance</b>	<b>332,281</b>	<b>275,611</b>

**13. INVENTORIES**

<i>in HRK '000</i>	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Gas stock	17,288	73,165
Strategic gas reserve	359,484	-
Stocks of CO2 emission units	9,670	415,129
Stocks of energy savings in final consumption	31,700	28,499
Stocks of investment material	4,782	3,336
Stocks of other materials	634	601
	<b>423,558</b>	<b>520,730</b>
Adjustment of inventory value	(232)	(187)
	<b>423,326</b>	<b>520,543</b>

**14. TRADE RECEIVABLES**

<i>in HRK '000</i>	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Receivables from customers in the country	129,259	245,626
Receivables from gas buyers on the wholesale market	1,357	1,567
Receivables for electricity from abroad	3,213	12,844
	<b>133,829</b>	<b>260,037</b>
Adjustment of the value of receivables	(127,487)	(127,948)
	<b>6,342</b>	<b>132,089</b>

Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**14. TRADE RECEIVABLES (continued)**

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

<b>31 December 2021</b>	Undue	Up to 30 days	31-60 days	61-90 days	91-180 days	181-365 days	over 365 days	<b>Total</b>
Gross book value of trade receivables	131,891	57	4	3	14	1,603	126,465	<b>260,037</b>
Expected credit losses	(1,279)	(1)	-	-	(1)	(202)	(126,465)	<b>(127,948)</b>

<b>30 June 2022</b>	Undue	Up to 30 days	31-60 days	61-90 days	91-180 days	181-365 days	over 365 days	<b>Total</b>
Gross book value of trade receivables	6,300	6	6	1	50	50	127,416	<b>133,829</b>
Expected credit losses	(61)	-	-	-	(3)	(7)	(127,416)	<b>(127,487)</b>

Changes in impairment allowances were as follows:

<i>in HRK '000</i>	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Balance on 1 January	127,948	127,906
Increase in allowance for receivables	1,411	1,429
Reduction of allowance for receivables	(1,362)	-
Postings	(510)	(1296)
Write-off of unpaid receivables		
<b>Balance on 30 June</b>	<b>127,487</b>	<b>127,948</b>

Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**15. OTHER CURRENT RECEIVABLES**

*in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Derivative financial assets (note 26)	297,382	2,730
Advance payments to suppliers	344	290,987
Interest receivables	134	17,552
Receivables for given deposits (maturity over 90 days)	44	54
Receivables for gas loaned to LNG joint users	59,831	56,498
Receivable from Đura Đaković based on the Agreement	193,248	166,596
Prepaid costs	14,589	-
Receivables from the state	18,140	20,540
Receivables for taxes and contributions	103	153
Other receivables	29,178	91,620
Derivative financial assets (note 26)	6,142	4,331
	<b>619,135</b>	<b>651,061</b>

**16. CASH AND CASH EQUIVALENTS**

*in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Giro accounts in HRK	305,553	1,090,834
Short-term deposits (daily term deposits)	467,782	534,988
Foreign currency accounts	2,936,373	469,384
Deposits with a maturity of up to 90 days	532,626	703,240
Allocated funds	299	459
HRK cash register	73	5
	<b>4,242,706</b>	<b>2,798,910</b>

**17. CAPITAL AND RESERVES**

During the first registration on 12 December 1994, the Company's capital was registered in German marks (DEM) in the amount of DEM 5,784,832 thousand. With the subsequent registration of the Company on 19 July 1995, the capital was expressed in Croatian kunas in the amount of HRK 19,792,159 thousand. The share capital consists of 10,995,644 ordinary shares, each with a nominal value of HRK 1,800.00.

Retained profit in the amount of HRK 6,860,619 thousand consists of current period loss in the amount of HRK 373,307 thousand, retained earnings in the amount of HRK 6,567,804 thousand and reserves in the amount of HRK 666,122 thousand.

Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**18. LIABILITIES UNDER ISSUED BONDS**

*in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Value of bonds abroad from 2015	3,643,785	3,645,941
Exchange rate difference	5,300	(9,576)
Discount value	3,649	7,400
	<b>3,652,734</b>	<b>3,643,785</b>
Current maturity of bonds issued in 2015	(3,652,734)	(3,643,785)
<b>Long-term liability for bonds issued in 2015</b>	<b>0</b>	<b>0</b>
Investments in bonds on 1 January	(196,062)	(141,928)
Investments in bonds during the year	0	(54,676)
Exchange rate difference	(284)	542
Current maturity of receivables from purchased bonds	196,346	196,062
<b>Total long-term liabilities for issued bonds</b>	<b>0</b>	<b>0</b>
Short-term liabilities		
Current maturity of bonds issued in 2015.	3,652,734	3,643,785
Current maturity of purchased bonds	(196,346)	(196,062)
Accrued costs for bonds issued in 2015	(1,158)	(2,893)
<b>Total short-term liabilities for issued bonds</b>	<b>3,455,230</b>	<b>3,444,830</b>

**Bonds issued abroad**

In November 2012, the Company issued bonds in the amount of USD 500,000 thousand, with a maturity of 5 years with a fixed interest rate of 6.00% per year. The bond was listed on the market of the Luxembourg Stock Exchange and was actively traded. In November 2017, the bonds were repaid in full.

*Refinancing*

In October 2015, the bonds issued in 2012 were refinanced from a new bond issue, and 83.37% of the principal, or USD 416,852 thousand dollars.

*New issue of bonds*

In October 2015, the Company issued new corporate bonds in the amount of USD 550,000 thousand with a maturity of 7 year, a fixed interest rate of 5.875% per annum, and an issue price of 98.594%.

Bonds issued in 2015 were mostly used for the repurchase of 83.37% of the amount of bonds issued in 2012 (or a repurchase of USD 416,852 thousand). The remaining amount of the issue was intended for financing the Company's business activities. The bond is listed on the Luxembourg Stock Exchange and is actively traded.

*Cross-currency swap*

*In order to reduce the exposure to currency risk, i.e. to protect the exposure to the movement of the USD exchange rate, the Company concluded a Cross Currency Swap Agreement, which converted the USD obligation on the bonds into a EUR obligation, for the entire duration of the bonds, i.e. until the final maturity on 23 October 2022. According to the cross-currency swap agreement from 2015, the annual interest rate paid by the Company is fixed and amounts to 4.851% (weighted interest rate) and is payable semi-annually (the interest rate includes the cost of the swap).*

## **18. LIABILITIES UNDER ISSUED BONDS (CONTINUED)**

### *Investments in bonds*

The possibility of buying own bonds is defined in the Bond Prospectus from 2015, in which the Company or any of its subsidiaries can buy bonds at any time and the bonds thus purchased can be held or resold. Purchased bonds that were purchased in the name and for the account of the Company can be cancelled, i.e., the principal amount can be reduced for such purchased bonds. During 2022, until 30 June 2022, the Company did not redeem its own bonds issued in 2015.

### **Derivative financial instruments**

#### *Cross-currency exchange (swap)*

In order to reduce the exposure to currency risk, i.e. to protect the exposure to the movement of the USD exchange rate, the Company concluded cross-currency exchange agreements, which converted USD liabilities under bonds issued abroad in 2015 into EUR liabilities for the entire duration of the bonds, i.e. until their final maturity.

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

The annual interest rate paid by the Company is fixed and amounts to 4.851% according to the cross currency exchange agreement from 2015.

The Company associates the fair value of derivative financial instruments with the calculation of Mark to market value ("MTM"), according to the official calculations of banks, for the reporting period.

The positive value of "MTM" is recorded as a claim and financial income of the period and the negative value of "MTM" is recorded as a liability and financial expense of the reporting period.

Upon the final maturity of the derivative financial instruments, the claims or liabilities in question will be cancelled at the expense of expenses or in favour of income.

As of 30 June 2022, using the above calculation method, the bonds issued in 2015 showed a positive fair value of receivables in the amount of HRK 297,382 thousand, which represent the majority of other long-term receivables (on 31 December 2021, the value of the liability in the amount of HRK 2,730 thousand).



Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**19. LONG-TERM LOAN LIABILITIES**

<i>in HRK '000</i>	<b>Interest rate</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
		<i>Unaudited</i>	<i>Audited</i>
Loans from domestic banks	Fixed	2,614,000	300,000
Loans from foreign banks	Fixed/Variable	1,046,679	552,206
<b>Total long-term loan liabilities</b>		<b>3,660,679</b>	<b>852,206</b>
Allocation of fees by loans		(2,490)	(2,638)
<b>Total long-term loan liabilities</b>		<b>3,658,189</b>	<b>849,568</b>
Current maturity		(81,261)	(76,078)
<b>Total liabilities for long-term loans</b>		<b>3,576,928</b>	<b>773,490</b>

**New sources of financing**

For the financing of the investment plan and regular operations in the period from 1 January to 30 June 2022, the Company used its own funds and loan funds.

On 31 May 2022, HEP d.d. concluded long-term loan agreements with OTP bank in the total amount of HRK 1,314,000 thousand, namely HRK 929,000 thousand with one-time repayment and HRK 385,000 thousand with amortizing repayment.

**Loans in use**

On 30 June 2022, HEP has 4 (four) loans in use from the development banks EBRD of EUR 87,000 thousand and EIB of EUR 43,000 thousand for financing the EL-TO Zagreb project and from domestic banks.

The use of loans from development banks started in December 2018, and on 30 June 2022, the balance of used long-term loans amounts to EUR 50,180 thousand from the EBRD and EUR 23,788 thousand from the EIB. At the end of 2021, HEP requested an extension of the deadline for using loan funds to finance the EL TO Zagreb project. The extension was approved until January 2023 in accordance with the new dynamics of project implementation.

**19. LONG-TERM LOAN LIABILITIES (continued)**

The amount of funds at domestic banks available to HEP d.d. as of 30 June 2022 amounts to HRK 1,328,000 thousand.

A repayment plan for the principals of long-term loans due in the next five years:

	Amount in HRK '000
2022	84,978
2023	84,978
2024	48,276
2025	48,276
2026	2,714,217
After 2026	<u>677,464</u>
	<b>3,658,189</b>

Loans from domestic banks are secured by promissory notes except for a loan from ZABA of HRK 1,314,000 thousand, a loan from Erste&Steiermartische bank for HOPS d.d., EBRD loan of EUR 87,000 thousand and the EIB loan of EUR 43,000 thousand and EUR 63,000 thousand. For these loans financial guarantees were contracted in the form of financial indicators according to which the Company is obliged to meet certain prescribed levels of indicators on an annual/semi-annual basis. The indicators that are calculated for the needs of banks are as follows: net financial debt in relation to EBITDA, the ratio of EBITDA to net financial expenses and the ratio of total net debt to net tangible assets.

The main goal of the Company related to the risks carried by financial indicators is to protect the Company from possible violations of contractual obligations, i.e. early maturities of contracted credit liabilities.

The agreed financial indicators are monitored and calculated on the basis of annual and interim financial statements.

The Company prepares preliminary calculations of financial indicators based on the projected balance sheet and profit and loss account in the coming medium-term period and monitors their trend.

If the projections of the financial position and the statement of comprehensive income at the end of the business year show the possibility of exceeding a particular financial indicator, the Company is obliged to inform the bank of the possibility of breach of contract and request a "waiver" from the bank in a timely manner.

In the event that the bank does not approve the waiver, a possible scenario is early maturity of the debt, which represents a liquidity risk for the Company.

The Management believes that in case of exceeding a certain indicator, the Company can obtain a "waiver" from creditors, given that the payment of liabilities to financial institutions is a priority of the Company, and that the Company has never been late in default to financial institutions.

Due to all of the above, the Management Board estimates that the possibility of early maturity of loan liabilities as a result of exceeding financial indicators, as well as the Company's exposure to credit risk, liquidity risk and market risk that may arise as a result of exceeding financial indicators, is minimal.

As of 31 December 2021, the Company met all agreed financial indicators, and given the uncertainty/volatility in the energy market, in the second quarter of 2022, HEP requested from the banks the so-called "sleeping covenants" for the next 18 months, which means that banks will not require HEP to comply with the agreed levels of financial indicators during the specified period.

The total exposure of the Group based on contracted loan liabilities related to financial indicators on 30 June 2022 is HRK 2,291,626 thousand.

## Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

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### 19. LONG-TERM LOAN LIABILITIES (continued)

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

#### Currency

*in EUR '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
EUR	139,037	73,459

In order to ensure liquidity reserves in the upcoming medium-term period, the Company has concluded multi-purpose framework contracts with domestic banks, in the total amount of HRK 809,000 thousand.

The Company can use funds from the aforementioned frameworks for short-term loans and issuing guarantees, letters of credit, letters of intent in accordance with the needs of the Group's subsidiaries.

From the previously mentioned medium-term multi-purpose frameworks, in the period from 1 January to 30 June 2022 the Company had no need to conclude short-term loans due to good liquidity.

As of 30 June 2022, the total amount of funds available from the short-term framework is HRK 660,996 thousand.

### 20. INDEBTNESS INDICATOR

The debt-to-equity ratio at the end of the year can be shown as follows:

*in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
Debt	7,113,420	4,294,398
Cash and cash equivalents	(4,242,706)	(2,798,910)
Net debt	2,870,714	1,495,488
Capital	26,810,602	27,135,884
Net debt to equity ratio	<b>10.7 %</b>	<b>5.5%</b>

## Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

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### 21. OTHER LONG-TERM LIABILITIES

*in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Long-term liabilities for assets financed from clearing debt	862,840	800,216
Long-term liabilities to the state	583	615
Other liabilities	9,263	9,662
<b>Total other long-term liabilities</b>	<b>872,686</b>	<b>810,493</b>

As of 30 June 2022, the Company has a stated liability for clearing debt in the amount of HRK 862,840 thousand (31 December 2021: HRK 800,215 thousand), which refers to payment from the letter of credit and the Consent of the Ministry of Finance on the use of funds from the interbank agreement.

Given that there is no other document that would regulate the relationship between the Group and the Ministry of Finance regarding the said clearing debt, it is not defined whether it is a loan or some other legal relationship

### 22. PROVISIONS

The total amount of provisions on 30 June 2022 is HRK 224,641 thousand (31 December 2021 HRK 228,162 thousand), and consists of provisions for court cases of HRK 179,183 thousand, provisions for severance pay and jubilee awards of HRK 23,827 thousand, and others long-term provisions HRK 21,631 thousand.

**23. RELATED PARTY TRANSACTIONS**

On 30 June 2022, the Company owned the following subsidiaries:

<b>Subsidiary</b>	<b>Country</b>	<b>Share (%)</b>	<b>Activity</b>
HEP - Proizvodnja d.o.o.	Croatia	100	Electricity and heat production
Hrvatski operator prijenosnog sustava d.o.o.	Croatia	100	Electricity transmission
HEP - Operator distribucijskog sustava d.o.o.	Croatia	100	Electricity distribution
HEP ELEKTRA d.o.o.	Croatia	100	Electricity supply
HEP - Opskrba d.o.o.	Croatia	100	Electricity supply
HEP - Toplinarstvo d.o.o.	Croatia	100	Heat energy production and distribution
HEP - Plin d.o.o.	Croatia	100	Gas distribution
HEP ESCO d.o.o.	Croatia	100	Financing of energy efficiency projects
Plomin Holding d.o.o.	Croatia	100	Development of the infrastructure of the surrounding area of Plomin
HEP Upravljanje imovinom d.o.o.	Croatia	100	Vacation and recreation services
HEP - Trgovina d.o.o.	Croatia	100	Electricity trade and optimization of power plant operation
HEP - Telekomunikacije d.o.o.	Croatia	100	Telecommunication business
Energetski park Korlat d.o.o.	Croatia	100	Electricity production
LNG Hrvatska d.o.o.	Croatia	75	Liquefied natural gas operations
Nuklearna elektrana Krško d.o.o.	Slovenia	50	Electricity production
<b>Other affiliated companies of HEP d.d. within the HEP Group:</b>			
CS Buško Blato d.o.o.	BiH	100	Maintenance of hydropower plant equipment
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	Electricity production
SUNČANA ELEKTRANA VIS d.o.o.	Croatia	100	Electricity production
Ornatus d.o.o.	Croatia	100	Electricity production
Male hidre d.o.o.	Croatia	49	Electricity production
HEP - VHS Zaprešić d.o.o.	Croatia	100	Design and construction of a multipurpose hydro technical system
Peharda izgradnja d.o.o.	Croatia	100	Construction of residential and non-residential buildings
Pakrac plin d.o.o.	Croatia	100	Gas distribution

Most of the above-mentioned subsidiaries were established within the framework of the reorganization and restructuring of the core business according to the new energy laws that entered into force on 1 January 2002.

During 2021, the following companies were acquired in the Group: GP Krapina d.o.o. whose exclusive owner is HEP Plin d.o.o. from March 2021 and Darkom DP d.o.o. whose exclusive owner is HEP Plin d.o.o. from June 2021. Company M Vizija d.o.o. was merged with SE Poreč d.o.o. in October 2021. In December 2021, the company LNG Hrvatska d.o.o. was recapitalized, by Plinacro d.o.o. by increasing the share capital of LNG Hrvatska d.o.o. for new business shares in rights and money. After implementing the recapitalization, Plinacro d.o.o. has business shares representing 25% of ownership and HEP d.d. 75% ownership.

Companies GP Krapina d.o.o. and Darkom DP d.o.o. were merged with HEP Plin d.o.o. in January 2022. In January 2022, the company Peharda izgradnja d.o.o. was acquired. Its exclusive owner is Plomin Holding d.o.o. In May 2022, the company Pakrac plin d.o.o. was acquired. Its sole owner is HEP Plin d.o.o.

### **23. RELATED PARTY TRANSACTIONS (continued)**

The relations with the aforementioned companies are listed below:

- /i/ The Company's income is based on the sale of electricity, pre-invoiced income of related companies from the sale of electricity, fees for performing accounting, legal and similar services, as well as on the basis of renting business premises. The amount of the mentioned income from affiliated companies is determined based on the following values: the value of the affiliated company's assets, employee expenses and total expenses of the affiliated company.
- /ii/ Interest on the long-term lease of property, plant and equipment and intangible assets is calculated to the lessee according to the loans used for the construction of the asset and is reported as interest income with related companies.
- /iii/ Costs with related companies are incurred for electricity taken over from HEP Proizvodnja d.o.o., electricity procurement from renewable sources and cogeneration plants, and balancing electricity. Costs for the services provided and network losses are invoiced monthly in accordance with the provisions and tariffs prescribed by HERA.
- /iv/ Long-term receivables from related companies arose on the basis of the financial lease of property, plant and equipment to related companies with which the long-term lease agreement was concluded. The rent is paid monthly according to the depreciation of the rented property. The company also has receivables from affiliated companies for apartments sold to employees.
- /v/ Short-term receivables from related companies arose from the sale of fuel, materials and spare parts, the sale of electricity to HEP ODS d.o.o., HEP Elektra d.o.o. and for customers of HEP Opskrba d.o.o., electricity and gas trading, administrative services provided by the Company to related companies, and ongoing investments financed by the Company. After the completion of the construction, the said property is transferred to related companies as a financial lease.

Receivables and liabilities, as well as income and expenses of the Company with other related companies are listed in the table below:

Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**23. RELATED PARTY TRANSACTIONS (continued)**

	<b>30 June 2022</b>	<b>30 June 2021</b>
<i>in HRK '000</i>	<i>Unaudited</i>	<i>Unaudited</i>
Revenues from electricity sales		
Revenues from the sale of electricity to HEP Elektra d.o.o.	2,063,436	1,159,186
Revenues from invoiced electricity to cover losses on the transmission network	14,263	24,881
Revenues from invoiced electricity to cover losses on the distribution network	458,272	294,901
Revenues from electricity balancing	-	2,609
Income from electricity sales to other companies within the HEP group	110,154	28,390
Income from electricity sales HEP Energija d.o.o. Ljubljana	396,289	130,395
Income from electricity sales HEP Energija d.o.o. Belgrade	6,768	8,169
Revenues from the sale of electricity to HEP-Trade d.o.o. Mostar	7,040	6,862
Income from the sale of electricity - related companies	<b>3,056,222</b>	<b>1,655,393</b>
Income from gas sales - HEP Plin d.o.o.	-	<b>69,171</b>
<b>Other income from sales - related companies</b>		
Income from sales to companies - other	311	25
Income based on services and sales of materials within the group	739	622
Revenues based on services within the group - restaurant	49	25
Income from the sale of CO2 emission units	767,967	426,714
	<b>769,066</b>	<b>427,387</b>
<b>Sales revenue - related companies</b>	<b>3,825,288</b>	<b>2,151,951</b>
<b>Other operating income - related companies</b>		
Income from administrative services	97,755	89,546
Income from renting office space	7,685	7,546
Income from the sale of energy savings to companies	-	-
	<b>105,440</b>	<b>97,092</b>
<b>Expenditures for electricity procurement - related companies</b>		
Electricity procurement - HEP Proizvodnja d.o.o.	3,317,233	1,760,102
Procurement of electricity from RES - HEP Opskrba d.o.o.	219,126	142,871
Balancing electrical energy - HOPS d.o.o	84,453	21,442
HEP Energija d.o.o. Ljubljana	4,883	78
HEP-Trade d.o.o. Beograd	3,521	-
HEP-Trade d.o.o. Mostar	1,206	3,090
	<b>3,630,422</b>	<b>1,927,583</b>
<b>Costs of fees and services - related companies</b>		
Costs of selling CO2 emission units	767,967	426,714
Costs of services and materials within subsidiaries	32,708	23,822
Fee for the supply of electricity - HEP Opskrba d.o.o.	23,849	22,662
Fee for gas supply services - HEP Trgovina d.o.o.	-	848
Fee for gas procurement service	-	991
Fee for energy and gas trading services. - HEP Trgovina d.o.o.	10,392	8,153
	<b>834,916</b>	<b>483,190</b>

## Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**23. RELATED PARTY TRANSACTIONS (continued)***in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Long-term receivables</b>		
<b>Receivables for long-term leased property</b>		
HEP Operator distribucijskog sustava d.o.o.	7,641,932	7,963,339
HEP Proizvodnja d.o.o.	7,700,968	7,979,302
HEP Toplinarstvo d.o.o.	863,695	892,525
HEP Upravljanje imovinom d.o.o.	167,108	167,604
HEP Plin d.o.o.	208,602	214,699
HEP Noc d.o.o.	10,434	10,773
HEP Opskrba d.o.o.	1,264	1,331
HEP Trgovina d.o.o.	840	952
HEP Esco d.o.o.	659	1,558
HEP Elektra d.o.o.	4,713	5,388
	<b>16,600,215</b>	<b>17,237,471</b>
<b>Receivables for apartments sold</b>		
HEP Operator distribucijskog sustava d.o.o.	1,269	1,411
HEP Proizvodnja d.o.o.	379	390
Hrvatski operator prijenosnog sustava d.o.o.	255	312
HEP Toplinarstvo d.o.o.	76	77
	<b>1,979</b>	<b>2,190</b>
	<b>16,602,194</b>	<b>17,239,661</b>
Current maturity of leases	(1,247,710)	(1,247,710)
<b>Receivables for long-term lease from related companies</b>	<b>15,354,484</b>	<b>15,991,951</b>



**23. RELATED PARTY TRANSACTIONS (continued)****Receivables from long-term loans to related companies***in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Hrvatski operator prijenosnog sustava d.o.o.	231,926	278.344
HEP Telekomunikacije d.o.o.	9,000	-
Plomin Holding d.o.o.	139,206	75.893
Energetski park Korlat d.o.o.	285,890	385.890
HEP - Plin d.o.o.	67,576	75.571
HEP Opskrba d.o.o.	13,014	13.014
HEP ESCO d.o.o.	20,200	20.200
Ornatus d.o.o.	22,500	15.844
SUNČANA ELEKTRANA VIS d.o.o.	1,312	1.499
	<b>790,624</b>	<b>866.255</b>
Current maturity	(147,859)	(135.915)
	<b>642,765</b>	<b>730.340</b>
<b>Receivables for sub loans to affiliated companies</b>		
Receivables for the sub loan of HEP ESCO d.o.o. - long-term part	37,610	38,797
Receivables for sub loan HOPS d.o.o.	428,283	427,226
	<b>465,893</b>	466,023
Current maturity	(464,649)	(463,541)
	1,244	<b>466,372</b>
<b>Receivables for loans to companies connected by a participating interest</b>		
Male hidre d.o.o.	2,135	1,806
<b>Long-term loans granted</b>	<b>16,000,628</b>	<b>16,726,579</b>
<b>Total current maturities of long-term loans granted</b>	<b>(1,860,218)</b>	<b>(1,847,166)</b>

Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**23. RELATED PARTY TRANSACTIONS (continued)**

*in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Short-term receivables for sold electricity</b>		
Receivables from HEP Elektra d.o.o. for sold electricity	980,852	475,093
Receivables from HEP ODS d.o.o. for losses on the distribution network	62,210	208,812
Receivables from HEP Opskrba d.o.o. for sold electricity	928,730	542,576
Receivables from HEP Proizvodnja d.o.o. for sold electricity	26,606	-
Receivable from HOPS d.o.o. for losses on the transmission network	5,423	4,810
Receivables from HEP Energija d.o.o. Ljubljana	211,667	71,955
Receivables from HEP Energija d.o.o. Belgrade for sold electricity	3,984	4,713
Receivables from HEP Energija d.o.o. Mostar for sold electricity	4,384	1,908
Receivables for balancing electricity – HOPS d.o.o.	-	4,707
Other receivables	10,930	13,587
	<b>2,208,180</b>	<b>1,328,161</b>
<b>Receivables for expenses of common functions</b>		
HEP Proizvodnja d.o.o.	11,217	18,020
HEP Operator distribucijskog sustava d.o.o.	21,387	24,564
HEP Toplinarstvo d.o.o.	5,400	1,739
HEP Plin d.o.o.	11,346	8,932
HEP Upravljanje imovinom d.o.o.	6,606	5,025
HEP Trgovina d.o.o.	2,457	1,442
HEP Opskrba d.o.o.	7,045	5,080
HEP NOC	290	-
HEP ESCO d.o.o.	673	210
HEP Telekomunikacije d.o.o.	303	760
HEP Elektra d.o.o.	1,566	5,579
VHS Zaprešić d.o.o.	71	95
Energetski park Korlat d.o.o.	104	108
	<b>68,465</b>	<b>71,554</b>

## Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**23. RELATED PARTY TRANSACTIONS (continued)***in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Short-term receivables based on the lease of fixed assets</b>		
HEP Proizvodnja d.o.o.	124,565	55,137
HEP Toplinarstvo d.o.o.	47,397	14,278
HEP Operator distribucijskog sustava d.o.o.	145,718	128,278
HEP Plin d.o.o.	20,997	13,526
HEP Upravljanje imovinom d.o.o.	5,142	3,293
HEP NOC	425	-
HEP Trgovina d.o.o.	88	-
HEP Opskrba d.o.o.	109	-
HEP Esco d.o.o.	659	-
HEP Elektra d.o.o.	461	-
	<b>345,561</b>	<b>214,512</b>
<b>Other short-term receivables</b>	<b>408,526</b>	<b>764,133</b>
<b>Receivables for paid investments and other receivables</b>		
HEP Proizvodnja d.o.o.	361,511	158,760
Hrvatski operator prijenosnog sustava d.o.o.	25,162	28,297
HEP Operator distribucijskog sustava d.o.o.	859,711	476,397
HEP Toplinarstvo d.o.o.	122,984	81,860
HEP Plin d.o.o.	68,299	58,091
HEP ESCO d.o.o.	1,045	956
HEP Noc d.o.o.	1,567	1,203
HEP Trgovina d.o.o.	48	41
HEP Upravljanje imovinom d.o.o.	7,731	6,573
HEP Opskrba d.o.o.	22,735	22,585
HEP Elektra d.o.o.	540	132
	<b>1,471,333</b>	<b>834,895</b>

**23. RELATED PARTY TRANSACTIONS (continued)***in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Receivables for sold investment and other material</b>		
HEP Operator distribucijskog sustava d.o.o.	313,473	313,473
HEP Plin d.o.o.	2,680	2,680
	<b>316,153</b>	<b>316,153</b>
<b>Other receivables</b>		
HEP Plin d.o.o.	25,548	19,402
HOPS d.o.o.	2,545	-
HEP Telekomunikacije d.o.o.	8,766	-
HEP Trgovina d.o.o.	2,545	2126
HEP Opskrba d.o.o.	1,853	-
HEP ESCO d.o.o.	11,732	-
Energetski park Korlat d.o.o.	70,638	-
SUNČANA ELEKTRANA VIS d.o.o.	5	-
	<b>121,087</b>	<b>21,528</b>
<b>Receivables for short-term loans granted</b>		
HEP Energija d.o.o. Beograd	602	1,353
HEP Energija sh.p.k. Kosovo	1,129	752
HEP ESCO d.o.o.	33,243	32,000
	<b>34,974</b>	<b>34,105</b>
<b>Total short-term receivables from related companies</b>	<b>4,974,279</b>	<b>3,585,041</b>

Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**23. RELATED PARTY TRANSACTIONS (continued)**

*in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Short-term liabilities</b>		
HEP Proizvodnja d.o.o. for electricity	1,073,125	1,605,033
Energetski park Korlat d.o.o. for electricity	11,465	35,196
SUNČANA ELEKTRANA POREČ d.o.o.	883	96
Ornatus d.o.o. for electricity	1,196	-
SUNČANA ELEKTRANA VIS d.o.o. for electricity	1,178	155
HEP Opskrba for RES compensation	37,354	34,308
HEP Opskrba for electricity supply fee	6,525	-
HEP Trgovina d.o.o. for trading fee	2,261	378
HOPS d.o.o. – balancing energy liabilities	10,682	104,486
Liabilities for guarantees - HEP Proizvodnja d.o.o.	-	142
HEP Proizvodnja - liabilities based on the assignment contract	810,952	810,952
Other	19,094	30,745
	<b>1,974,715</b>	<b>2,621,491</b>
<b>Other liabilities</b>		
<b>HEP Operator distribucijskog sustava d.o.o.</b>		
- for paid connection fees	161,978	163,909
- for funds paid into the treasury	325,500	558,740
- for customer payments and paid investments from sub-accounts	26,928	23,621
<b>HEP Elektra d.o.o.</b> for funds paid into the treasury	917,186	871,182
Liabilities to other companies for customer payments and paid investments from sub-accounts	51,977	34,433
	<b>1,483,569</b>	<b>1,651,885</b>
HEP Energija d.o.o. Ljubljana for delivered electricity	4,328	11
HEP Energija d.o.o. Beograd	681	-
	<b>5,009</b>	<b>11</b>
<b>Liabilities to related parties</b>	<b>3,463,293</b>	<b>4,273,387</b>

Receivables and liabilities and income and expenses for NPP Krško d.o.o. which is 50% owned by the Company are shown in the following table:

**NPP Krško d.o.o.**

*in HRK '000*

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>
Liabilities for purchased electricity	60,860	56,962
Costs of purchased electricity	367,989	664,839

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

Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

**23. RELATED PARTY TRANSACTIONS (continued)**

<i>in HRK '000</i>	<b>Sales revenues</b>		<b>Procurement costs</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<b>Companies majority-owned by the Republic of Croatia</b>				
Croatian Railways	61,521	39,977	-	-
Hrvatska pošta d.d.	-	4,638	3,500	5,314
Hrvatske šume d.o.o.	1,455	1,458	1,144	1,536
Jadrolinija d.o.o.	76	404	-	-
Narodne novine d.d.	1,363	946	183	140
Hrvatska radiotelevizija	4,651	3,004	36	57
Plinacro d.o.o.	2,547	1,515	27,322	27,129
Plovput d.d.	666	-	-	-
Croatia Airlines d.d.	435	247	-	-
Ministry of Interior	7,341	8,144	-	-
Primary and secondary schools	11,388	9,660	-	-
Judicial institutions	1,886	2,774	-	-
Universities and colleges	8,315	7,167	19	343,387
Legal, executive and other state institutions	4,683	4,895	-	-
Health institutions	34,950	23,874	-	-
Other users	-	-	399	-
HROTE d.o.o.	-	-	10,547	93,706
<b>TOTAL</b>	<b>141,277</b>	<b>108,703</b>	<b>43,150</b>	<b>471,269</b>

	<b>Receivables</b>		<b>Liabilities</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Companies majority-owned by the Republic of Croatia</b>				
Hrvatska pošta d.d.	-	-	11	-
Narodne novine d.d.	-	-	37	49
Plinacro d.o.o.	-	-	4,295	6,028
HROTE d.o.o.	-	-	-	14,715
Other users	59	127	7	661
	<b>59</b>	<b>127</b>	<b>4,350</b>	<b>21,453</b>

**23. RELATED PARTY TRANSACTIONS (continued)**

Fees to members of the Management Board and executive directors:

<i>in HRK '000</i>	<b>30 June 2022</b> <i>Unaudited</i>	<b>30 June 2021</b> <i>Unaudited</i>
Gross salaries	4,238	4,386
Contributions for pension insurance	898	971
Other (in kind)	225	467
	<b>5,361</b>	<b>5,824</b>

There were no other payments to the members of the Management Board apart from the regular salary and receipts in kind.

**24. OTHER SHORT-TERM LIABILITIES**

<i>in HRK '000</i>	<b>30 June 2022</b> <i>Unaudited</i>	<b>31 December 2021</b> <i>Audited</i>
<b>Other liabilities</b>		
Trade payables	1,695,421	1,204,936
Liabilities for taxes and contributions	38,738	111,185
Interest liabilities	14,521	17,647
Calculated costs for unrealized energy savings	14,141	-
Liabilities towards employees	8,600	9,464
Other liabilities	97,758	205,804
	<b>1,869,179</b>	<b>1,549,036</b>

**25. FAIR VALUE INDICATORS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION**

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 traded on active liquid markets is determined according 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 quoted prices. Where such prices are not available, discounted cash flow analysis is used using the applicable yield curve for the life of the non-derivative instruments.

**25. FAIR VALUE INDICATORS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION (continued)***Fair value indicators recognized in the balance sheet/statement of financial position*

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

1st level of available indicators – fair value indicators are derived from (unadjusted) prices quoted on active markets for identical assets and identical liabilities

2nd level of available indicators – fair value indicators are derived from other data, not from quoted prices from level 1, and refer to the observed asset or liability (i.e. their prices) or indirectly (derived from prices) and

3rd level of indicators – indicators derived by applying valuation methods in which data on assets or liabilities that are not based on available market data (unavailable input data).

The Company made a decision that the measurement of the fair value of the currency swap is tied to the "Mark To Market" (MTM) value in accordance with the calculation of commercial banks. The positive value of "MTM" is recorded as a receivable and forms the financial income of the period, and the negative value of "MTM" is recorded as a liability and forms the financial expense of the reporting period. Upon the final maturity of the derivative financial instrument, the receivable or liability in question will be cancelled at the expense of costs or in favour of the Company's income.

The measurement of the fair value of the currency swap is linked to the "Mark To Market" (MTM) value in accordance with the calculation of commercial banks, and the value is adjusted on each reporting date through profit or loss.

Fair value indicators in the statement of financial position:

<i>in HRK '000</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2021, audited</b>				
Financial assets at fair value through other comprehensive income	275,611	-	-	<b>275,611</b>
Financial assets at fair value through profit or loss	165,233	-	-	<b>165,233</b>
Derivative financial assets	-	-	2,730	<b>2,730</b>
Investment property	-	23,514	-	<b>23,514</b>
<b>30 June 2022, unaudited</b>				
Financial assets at fair value through other comprehensive income	332,281	-	-	<b>332,281</b>
Financial assets at fair value through profit or loss	-	-	-	<b>-</b>
Derivative financial assets	-	-	297,382	<b>297,382</b>
Investment property	-	23,514	-	<b>23,514</b>



## 26. CONTINGENT LIABILITIES

### Water Act

The Water Act, which entered into force on 1 January 2010, opened up the question of the legal status of the property; accumulation lakes and accompanying facilities (canals, embankments, etc.), which is used for the production of electricity from hydroelectric power plants. They are designated as public water resources in general use owned by the Republic of Croatia. The HEP Group acquired the mentioned property by way of payment from their previous owners, by uniting an extremely large number of parcels, which were submerged during the construction of the dam and thus the accumulation was created. Several procedures are underway for the registration of the ownership of the Republic of Croatia on the listed properties, part of which has been carried out in favour of the Republic of Croatia, part of the request for registration of the ownership rights of the Republic of Croatia has been rejected by the competent courts, and one part is in the process of resolution.

In May 2018, the Law on Amendments to the Water Act (Official Gazette No. 46/18) entered into force, according to which the Republic of Croatia establishes the right to build for the constructed water structures for the production of electricity that it built and in which HEP d.d. invested, i.e. his ancestors, in favour of the HEP d.d., without compensation for a period of 99 years. An exception to the establishment of building rights is provided for parts of water structures that make up reservoirs, supply and drainage channels and tunnels. While the building right in question lasts, HEP d.d. gets the right to manage the public good/land on which the buildings for the production of electricity and reservoirs and supply and drainage channels and tunnels are built on behalf of the Republic of Croatia. The right of management includes, among other things, the right to use the property in question.

In order to implement the provisions of the Law on Amendments to the Water Act (Official Gazette No. 46/18), HEP d.d. is obliged to initiate the relevant procedures for the registration of the above-mentioned rights in the land registers and to obtain the appropriate subdivision plan, which must be harmonized with Croatian Waters and which will be the basis for issuance of a tabular document for the registration of building rights over the subject buildings. The appropriate subdivision work will also be the basis for the correct classification of long-term assets between the groups of intangible and tangible assets, which are currently recorded in the HEP Group's business books in the total amount as tangible assets.

All of the above will possibly have an impact on the classification of assets within the groups of intangible and tangible assets and, accordingly, on the change in the useful life of a part of the asset, which consequently has an impact on the current value of the asset in the Statement of Financial Position and the depreciation expense in the Statement of Profit or Loss, but it is not expected to have a materially significant impact on the financial statements as a whole.

## 27. EVENTS AFTER THE REPORTING DATE

### */i/ The introduction of the euro as the official currency in the Republic of Croatia*

The Company is conducting extensive preparations for the introduction of the euro as the official currency in the Republic of Croatia. It is estimated that the introduction of the euro will not have a significant impact on the Company's business results in 2022.

*/ii/* On 9 September 2022, the Government of the Republic of Croatia adopted the Decree on Elimination of Disruptions in the Domestic Energy Market (Official Gazette 104/2022) and on 14 September 2022, the Decree on Amendments to the Decree on Elimination of Disruptions in the Domestic Market, which regulate special measures for electricity trade, the method and conditions of price formation for certain categories of electricity and thermal energy customers, supervision over the application of prices determined by the Decree, and special conditions for performing energy activities. The specified special measures are temporary and are prescribed for the period from 1 October 2022 to 31 March 2023.

Except for the abovementioned, there were no events after 30 June 2022 that would significantly affect the condensed interim financial statements, except for those described in Note 3, and which, consequently, and should be published.

Notes to the condensed financial statements – HEP d.d. (continued)

For the six-month period ending 30 June 2022

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**28. APPROVAL OF CONDENSED FINANCIAL STATEMENTS**

The condensed financial statements for the six-month period ending 30 June 2022 were adopted by the Management Board and approved for their issuance on 28 September 2022.

Signed on behalf of the Company on 28 September 2022:

Petar Sprčić

Member of the  
Management Board

Tomislav Šambić

Member of the  
Management Board

Frane Barbarić

President of the  
Management Board

**HRVATSKA ELEKTROPRIVREDA d.d.**  
**Z A G R E B** 3.1  
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