

2024



**Annual Business
and Sustainability Report**

HEP OPERATOR
DISTRIBUCIJSKOG
SUSTAVA

**Connecting you
to network**

Content

Annual Business and Sustainability Report 2024



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A Word from the Managing Director



Dear readers,

The energy sector continued to undergo a period of intense transformation throughout 2024, with the distribution system assuming an increasingly important role in the energy transition process. In such circumstances, HEP–Distribution System Operator achieved significant professional and infrastructural progress, reaffirming its key position in ensuring a secure and reliable electricity distribution network.

The year 2024 was marked by strong growth in interest for the connection of new customers and electricity producers, primarily driven by accelerated investment activities in construction, tourism, and the expansion of distributed energy sources. Numerous new grid connection requests required additional flexibility, capacity strengthening, and efficient planning on our part. Despite the increased volume of works, we successfully improved intervention management and reduced both the number and duration of planned outages compared to the previous year.

Total investments in the electricity distribution network and business infrastructure in 2024 amounted to EUR 214 million. In the first quarter of 2024, a contract worth EUR 286 million was signed for the modernization of the Croatian distribution network, a significant share of which is financed by non-repayable funds from the National Recovery and Resilience Plan.

A particularly demanding period was marked by adverse weather conditions and other extraordinary events, including wildfires. In certain distribution areas, these events caused breakdowns and occasional outages; however, thanks to the timely

response, expertise, and dedication of our employees, system stability was maintained.

At the end of 2024, the distribution network encompassed more than 2.57 million metering points, further confirming the growth in the number of users and the need for continuous infrastructure investment. Alongside technical development, we also implemented modernization activities in business and customer systems, including the upgrade of the SAP environment and the strengthening of digital communication channels with customers. Notably, this included the further development of the Moja mreža (My Network) application and the Electronic Mail Centralization Project, aimed at standardizing procedures and ensuring consistent communication with customers.

All achieved results are owed to the expertise, dedication, and responsibility of our employees. Investing in their training, professional development, and safety remains our permanent commitment, as they are the foundation of the Company's long-term stability and success.

We are entering a period that will bring new technological and regulatory challenges, as well as new opportunities. With clearly defined goals, a strong investment cycle, and the committed work of our employees, I am confident that we will continue to play an important role in Croatia's energy transition and ensure high-quality, secure, and reliable electricity supply to all customers.

A handwritten signature in white ink, which appears to read 'Davor Sokač', is shown.

Davor Sokač, Director

Business Operations

Operations in 2024 took place in a macroeconomic environment marked by the achievement of two key strategic objectives of the Republic of Croatia: full membership in the euro area and accession to the Schengen Area. These milestones further strengthened macroeconomic stability, enhanced the integration of the Croatian economy into the single European market, and contributed to lower transaction costs and increased trade.

In the energy sector, the implementation of the National Recovery and Resilience Plan continued, with a focus on the green transition and digitalization. Investments in renewable energy sources, energy-efficient technologies, and digital infrastructure were aimed at reducing greenhouse gas emissions, improving energy efficiency, and strengthening the resilience of the energy system. Within this framework, HEP ODS is implementing the Ten-Year Distribution Network Development Plan, ensuring infrastructure modernization, the introduction of smart grids, and increased capacity for integrating renewable energy sources.

Energy markets continued to be characterized by elevated price volatility as a result of geopolitical instability and previous supply chain disruptions. Although a gradual easing of these disruptions was recorded during 2023 and 2024, energy commodity prices remained above the five-year average. At the same time, increasingly pronounced physical risks associated with climate change further affected market conditions and the operational environment. These factors impacted the availability of goods, works, and services necessary for HEP ODS's operations and investment activities, with higher costs, extended delivery times, and the complexity of public procurement procedures representing key operational challenges.

According to the financial results achieved, total revenues in 2024 amounted to EUR 605.7 million, with total expenses of EUR 655.4 million, resulting in a loss before tax of EUR 49.7 million. Investments in non-current assets amounted to EUR 214.0 million, while EUR 42.1 million was invested in the maintenance of existing assets to ensure long-term reliability and security of supply. In line with consumption trends and gradual electrification, electricity consumption increased in 2024 compared to the previous year.

Revenue from the distribution network usage fee amounted to EUR 470.1 million, representing an increase of EUR 20.0 million compared to 2023.

Investments

The investment strategy and business objectives for the development of the distribution network of HEP ODS are defined through the Ten-Year Distribution Network Development Plans, which constitute the foundation for long-term and sustainable system management. The Ten-Year Distribution Network Development Plan for the period 2025–2034 is currently in force and has been published on the HEP ODS website.

The Plan directs investments toward a secure, reliable, and resilient distribution network, while simultaneously strengthening the system's capacity for the integration of renewable energy sources, digitalization, and adaptation to climate and market changes. In this way, it ensures the long-term sustainability of operations and contributes to the energy transition, as well as to the achievement of national and European climate objectives.

The investment year 2024 was marked by the continuation of the upward trend in economic activity, particularly in construction, municipal infrastructure rehabilitation, and projects related to distributed energy sources. At the same time, the implementation of measures adopted by the Government of the Republic of Croatia as part of support packages for households and businesses continued, including, among other measures, the limitation of electricity price increases.

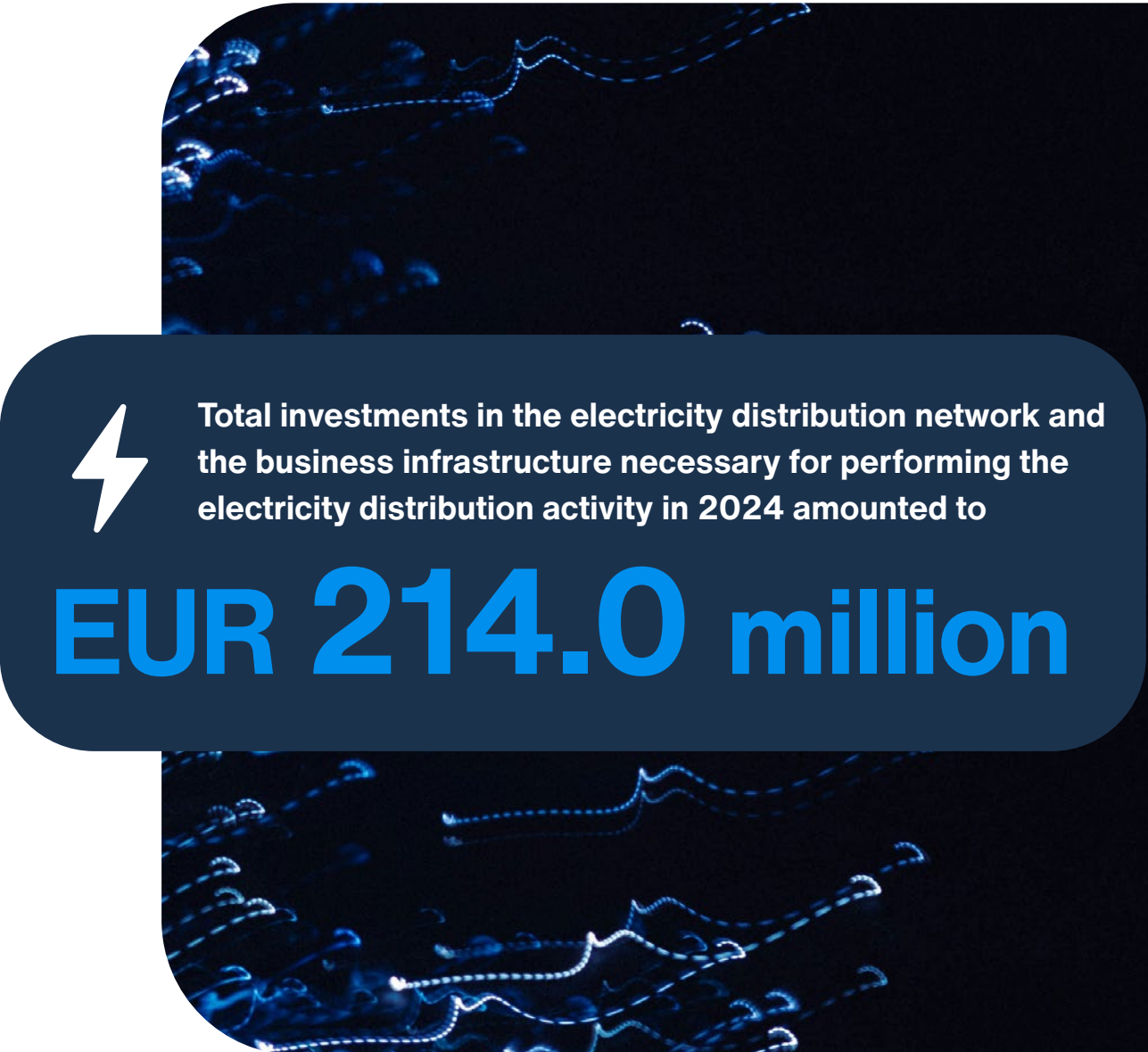
In such challenging financial conditions—characterized by a gap between growing demand and the rising costs of equipment, devices, and specialized services on the one hand, and limited financing opportunities

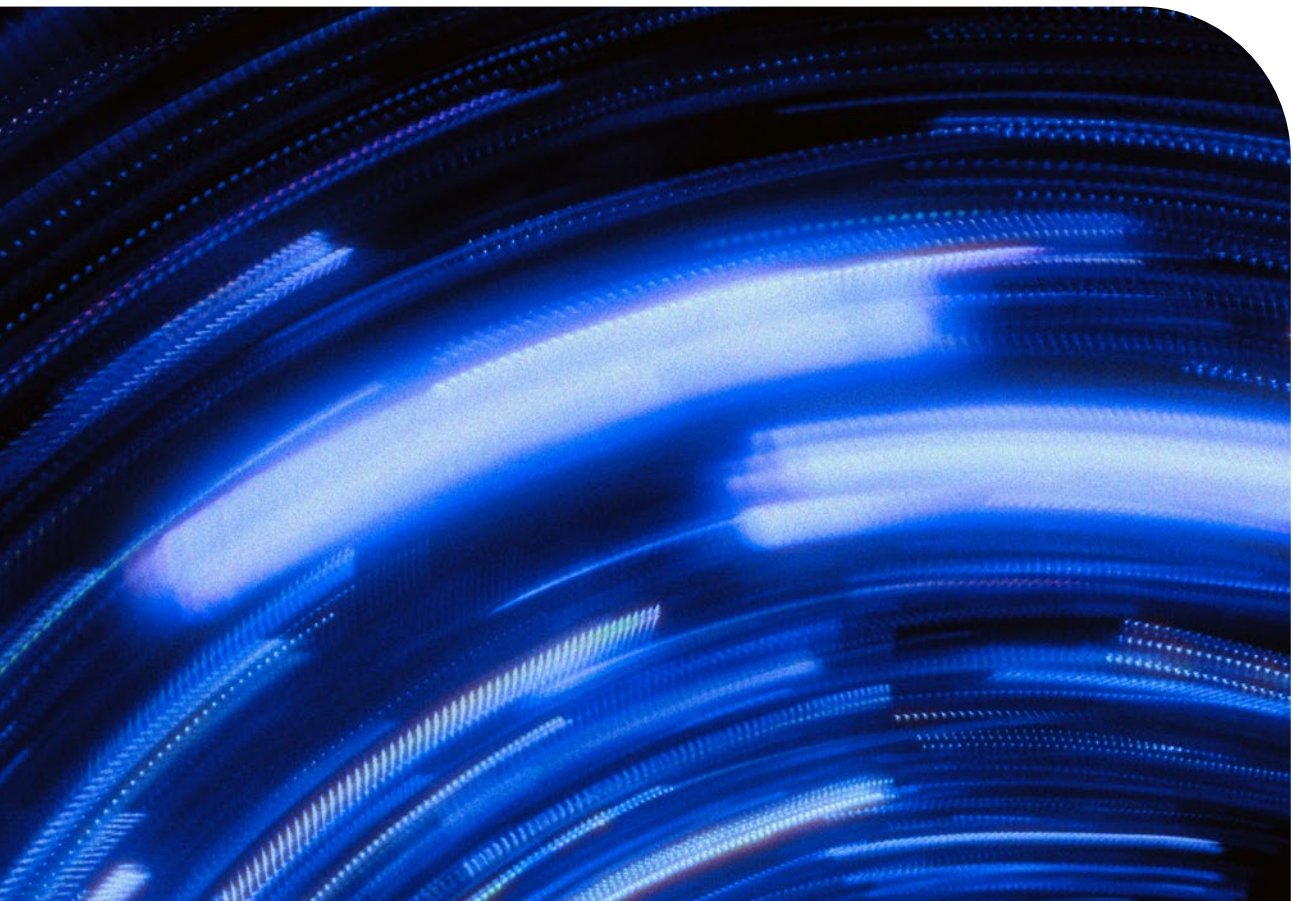
on the other—regular investments in network renewal and development were continued. Extraordinary investments were also made to complete the final phase of remediation of earthquake damage in the areas of Petrinja, Sisak, and Zagreb, as well as to repair damage caused by severe weather events in 2023 and 2024.

Following several years of project preparation and the signing of a contract with the intermediary body (the Environmental Protection and Energy Efficiency Fund), the implementation of project activities for network rehabilitation and the upgrade of control and metering systems commenced. These projects are co-financed under the National Recovery and Resilience Plan (NPOO RH 2021–2026).

Increased investor activity in construction, tourism, and distributed energy sources has directly influenced the intensity of activities related to the expansion and reinforcement of the electricity distribution network, the construction and refurbishment of power facilities, and the design, preparation, and organization of professional and material resources, as well as the efficient management of numerous projects.

Total investments in the electricity distribution network and the business infrastructure necessary for performing the electricity distribution activity in 2024 amounted to EUR 214.0 million.





HEP ODS continuously improves the reliability of electricity supply within the distribution network.



Reliability of Electricity Supply

The reliability of electricity supply is a key aspect of electricity supply for all network users, which is why improving the reliability of supply indicators is of utmost importance. These indicators are used as a basis for the operation, planning, construction, maintenance and renovation of the distribution network to ensure stable and continuous supply of electricity to network users.

HEP ODS continuously improves the reliability of electricity supply within the distribution network. Particular efforts have been invested in enhancing software support for monitoring supply reliability, integrating the DISPO application with internal information systems, and conducting detailed analyses of supply interruptions in order to improve performance indicators. The System Management Application (AVS) has been implemented in all HEP ODS dispatch centres. The application digitalizes dispatch center operations and enhances business processes. It provides access to all necessary information for operating the distribution network, from organizing switching personnel and maintaining the operational logbook, to planning works, reporting to management, and issuing documentation required for work on power facilities. As all relevant operational information is available to dispatchers within the AVS, the application significantly improves the quality of business processes. AVS is integrated with SAP, enabling the direct transmission of outage requests. Focused on creating the preconditions for advanced operation and management of the distribution system, HEP ODS continuously invests in process, information, and communication systems.

In 2024, the SAIFI indicator amounted to 2.69 interruptions per customer, while the SAIDI indicator reached 317.08 minutes per customer. Weather conditions during the year were relatively

unfavourable; however, the in-depth automation of the 10(20) kV network, the installation of more advanced network components, and a systematic approach to planned works resulted in a reduction in both the number and duration of electricity supply interruptions compared to the previous year.

Following the preparation and adoption in 2023 of two studies in cooperation with Hrvoje Požar Energy Institute—*Professional and Scientific Support for the Introduction of Congestion Management in the Distribution Network in the Republic of Croatia* and *Professional and Scientific Support for the Introduction of Non-Frequency Ancillary Services for the Distribution System in the Republic of Croatia*—HEP ODS drafted in 2024 the *Rules on Non-Frequency Ancillary Services for the Distribution System* and the *Rules on Congestion Management in the Distribution System*. These documents are currently undergoing the approval procedure with HERA

Reduction of Losses

Reduction of electricity losses is one of the key factors that shows the efficiency and quality of electricity distribution in HEP ODS.

By using an advanced approach to reducing losses in the distribution network, significant funds were invested in the modernization and maintenance of the network, as one of the strategic goals of HEP ODS.

Total realized losses amounted to 1,379 GWh, representing 8.05% of the total energy input into the distribution network. The total cost of procuring electricity to cover these losses was EUR 107.8 million. The average achieved unit purchase price of electricity for covering distribution network losses in 2024 amounted to EUR 78.19/MWh.

SAP Implementation and Upgrade

The SAP system represents the core business and information system of HEP ODS and a key tool for its operation within the electricity market of the Republic of Croatia. Its role is crucial in ensuring the efficiency, reliability, and compliance of all market participants, while the implementation of SAP has enabled full application interoperability among various stakeholders. This has resulted in improved connectivity, faster data exchange, and reduced operational risks.

Within HEP ODS, SAP has replaced a large number of separate business applications with a single comprehensive platform that provides higher-quality and more reliable support for the execution of complex business processes. SAP covers key business activities across multiple functional areas, including network access and connection, coordination and monitoring of field operations, metering device management, processing and management of metering data, and load curve management. Furthermore, the system supports message exchange required for participation in the electricity market, calculation of network usage fees, warehouse management, customer relations, economic and financial processes, as well as asset and investment management. Such an integrated system significantly contributes to organizational efficiency, accuracy, and operational effectiveness—both in the operations of HEP ODS and in the broader context of the electricity market functioning.

In line with new requirements of the energy system and regulatory framework, activities have been initiated for the further development and upgrade of the SAP system, with particular emphasis on the introduction of energy communities and other active participants in the power system. In this way, SAP

remains the foundation for the digital transformation of HEP ODS and its adaptation to the evolving role of advanced, distributed, and active participants in the electricity market.

Users and Information Distribution

HEP ODS has been continuously planning and implementing communication activities as well as providing clear and up-to-date information related to the use of the network and distribution of electricity to over 2.5 million network users.

Direct communication with customers takes place daily via toll-free helplines and email, as well as through in-person visits by network users at customer service counters at nearly eighty locations across the territory of the Republic of Croatia. Employees specialized in customer support are trained in accordance with clearly defined procedures and receive continuous professional development. Through the standardization of procedures and the harmonization of practices across all distribution areas, efforts are made to ensure and further enhance the quality of communication with network users.

The HEP ODS website provides information on:

- network connection processes
- delivery of services at existing metering points
- supplier switching procedures
- planned network works that may cause supply interruptions
- safe use of electrical devices and efficient electricity consumption

Digital transformation of business operations is a necessary response to new challenges and customer needs. Beyond the quality of electricity distribution services, customer satisfaction in communication is also a key objective for HEP ODS. Our digital communication channels have been further strengthened through additional channels for submitting meter readings, including SMS, Viber, and the **Moja mreža** (My Network) application.

The HEP ODS Moja mreža application allows registered users via the e-Citizens (e-Građani) system to submit meter readings, review past readings and consumption (kWh), access information about the expected date of the next regular billing, receive updates on temporary electricity supply interruptions, and submit service requests. Meter readings can also be submitted through the application without registration.

Data exchange with household network users with a connection capacity above 20 kW (demand side), all business users with installed interval meters, and all electricity producers connected to the distribution network is carried out through the **Mjerni podaci** (Metering Data) portal.





Despite occasionally extreme conditions, HEP ODS employees demonstrated a high level of professionalism and responsibility, consistently applying all prescribed safety measures and operational guidelines.

Safety at Work

HEP ODS pays special attention to achieving safe and healthy working conditions, health protection and safety at work. The goals of health and safety at work, based on the improvement of the Worker Health and Safety Management System, the acquisition and maintenance of the workers' necessary competences, and the acquisition of equipment for eliminating or reducing work-related risks. All of the above is aimed at reducing the number of work-related injuries, occupational illnesses and other work-related illnesses.

The Occupational Health and Safety Management System is based on the requirements of the international ISO 45001:2018 standard, under which a strong mechanism for continuous improvement of good practices in terms of a systematic risk management.

During 2024, HEP ODS faced challenges caused by extraordinary circumstances, including severe weather events and wildfires, sometimes resulting from human negligence. These events led to faults

in power facilities and electricity supply interruptions in several distribution areas during the winter and summer months.

Despite occasionally extreme conditions, HEP ODS employees demonstrated a high level of professionalism and responsibility, consistently applying all prescribed safety measures and operational guidelines.

Environmental Protection

In accordance with the applicable legal framework and the Company's strategic commitment, environmental protection and the reduction of adverse impacts of power infrastructure on the environment and biodiversity are integral aspects of HEP ODS's operations. Environmental aspects are managed as part of daily operational processes to ensure compliance, reduce risks, and maintain long-term business sustainability.

Environmental protection activities are carried out continuously, with an emphasis on preventive actions, monitoring environmental impacts, and implementing prescribed protection measures. Special attention is given to bird protection, waste and water management, and the prevention of extraordinary events with potential negative environmental consequences, thereby contributing to the reduction of operational and environmental risks associated with the distribution network infrastructure.

The application of an Environmental Management System in accordance with the international ISO 14001 standard ensures the systematic identification, monitoring, and management of environmental aspects of operations. Investments in environmental protection measures and biodiversity conservation contribute to strengthening business resilience to environmental and climate impacts and promote responsible management of natural resources. Through the continuous improvement of environmental practices and the integration of environmental aspects into the planning and execution of business activities, HEP ODS reinforces its role as a responsible distribution system operator and confirms its commitment to long-term sustainable development.



About Us

HEP ODS at a Glance Company Data

→ Equity and reserves
EUR 200.8 m

→ HEP ODS
21 distribution areas

→ Total assets
EUR 2,659.7 m

→ Surface area
56,594 km²

→ Total expenditure
EUR 655.4 m

→ Total income
EUR 605.7 m

→ Number of workers
6,699

→ Company HQ
Ulica grada Vukovara 37, Zagreb, Croatia

→ Profit/loss before tax
EUR -49.7 m

HEP ODS at a Glance

Basic Information about Distribution Network

Transformer stations	27,361
Installed transformation capacity	24,171 MVA
Billing metering points (OMM)	2,575,510
Distributed sources	26,512
Connection capacity of distributed sources	1.177 MW
Sale of electricity	15,747 GWh
Electricity losses	8.05%
Peak load	3,174 MW
Electricity production	1,965 GWh
SAIDI	317.08 min/user
SAIFI	2.69 interruptions/user

→ Length of network
143,517 km

Company Profile

HEP-Distribucija d.o.o. (HEP Distribution), a company for the distribution and supply of electricity, was founded on 21 June 2002, with its head office at 37 Ulica grada Vukovara in Zagreb. On 19 December 2005, HEP-Distribucija d.o.o. changed its name to HEP-Operator distribucijskog sustava d.o.o. (HEP ODS) (HEP Distribution System Operator - DSO).

HEP ODS, as a key entity on the electricity market in the Republic of Croatia, carries out the regulated activity of electricity distribution. HEP ODS is responsible for the operation, maintenance, construction and development of the distribution network, from the interface with the transmission network to all network user's billing and metering points. In addition to the above-mentioned tasks, HEP ODS also fulfills the obligations of the system operator related to the operation of the retail electricity market, in an impartial, objective and transparent manner.

In accordance with the Electricity Market Act, HEP ODS is in particular responsible for the following:

- keeping a register of billing metering points of each balance group for delivery points on the distribution network;
- maintaining metering equipment, collecting, processing and safekeeping metering data from the network users' metering points ensuring data confidentiality and protection;
- managing and maintaining, building and modernizing, improving and developing the distribution network with the aim of safe, reliable and efficient operation of the distribution system and distribution of electricity;
- coordinating the operation of distribution system

- with the transmission system operator for the purpose of safety and reliability of supply;
- undertaking prescribed safety measures during the usage of the distribution network and the accompanying facilities as well as environmental protection measures;
- ensuring impartiality, objectivity and transparency towards distribution network users, and especially towards associated undertakings within a vertically integrated entity;
- ensuring access to the network and the use of the distribution network according to regulated, transparent and impartial principles;
- providing clear and precise information to distribution network users necessary for efficient access to the network and the use of the distribution network, while protecting confidential information and data;
- adopting the rules and price list of non-standard distribution system operator services and publishing them in an appropriate manner;
- analyzing electricity losses in the distribution network at the imbalance settlement interval level, as well as on a monthly, annual, and multi-year basis, including the assessment of technical and non-technical electricity losses, and, where necessary, developing and implementing measures aimed at reducing electricity losses;
- ensuring electricity loss coverage in the distribution network according to market principles, transparently and impartially;
- planning the development of the distribution network through the preparation and regular updating of the Ten-Year Distribution System Development Plan;
- monitoring security of supply within the distribution system and reporting to the competent regulatory authority in accordance with applicable regulations;
- ensuring the availability of the distribution system for the delivery of electricity to customers and the uptake of electricity from producers, active customers, and energy storage systems connected to the distribution network.

In late 2016, the activity of electricity supply was unbundled from HEP ODS by establishing HEP Elektra d.o.o. for electricity supply. Public electricity supply of customers was taken over by a new company within HEP Group – HEP Elektra d.o.o., while HEP ODS continues to carry out the activity of electricity distribution.

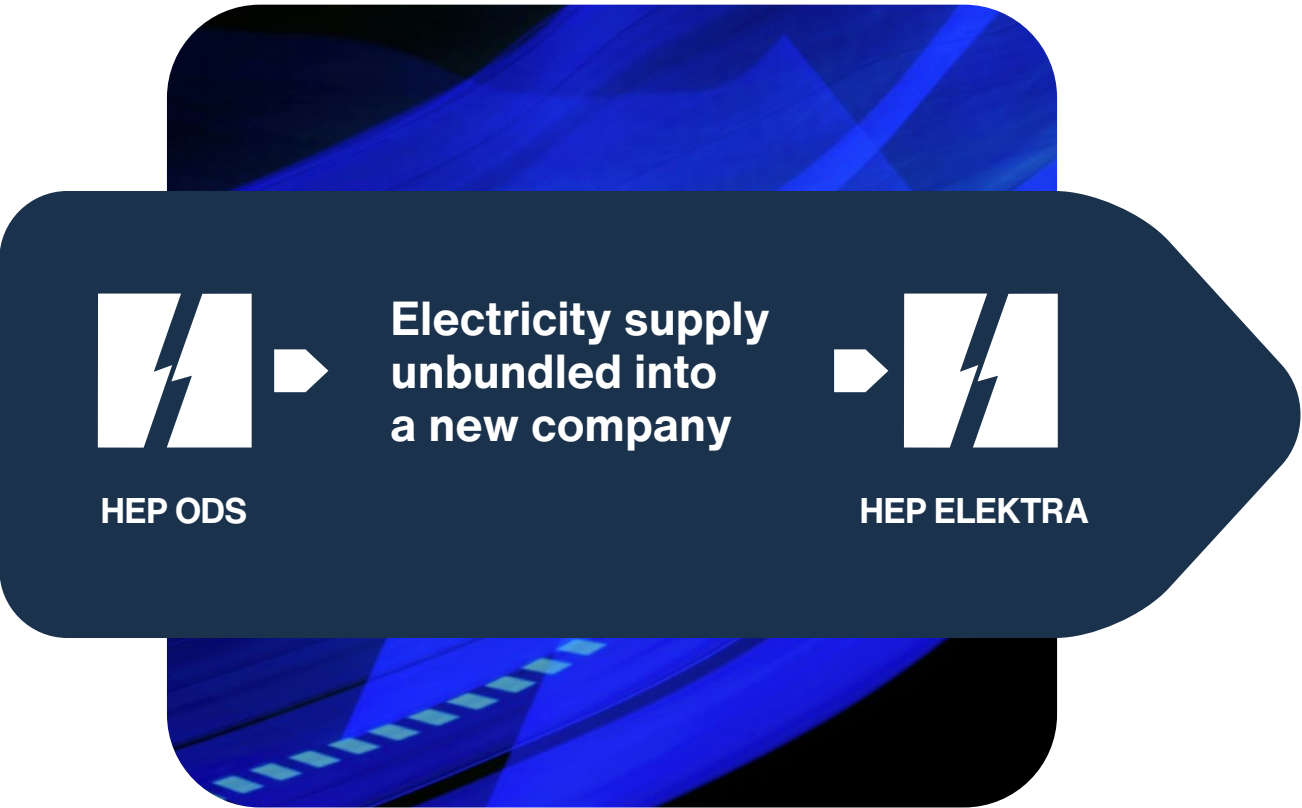
HEP ODS Competences

- Complaints regarding read/consumed kWh quantities
- Request for change of kWh quantities of planned semi-annual consumption (advance payments)
- Self meter reading requests
- Requests for issuing energy approvals
- Customer switch request
- Network connection request
- Change of tariff model request
- Meter-related requests (assembly/disassembly/ replacement, installation)
- Request for limitation/increase of connection capacity
- Request for relocation of OMM (metering point)
- Request for verification of meter and measuring equipment accuracy
- Remote metering request

- Extraordinary meter reading request
- Request for temporary suspension of electricity supply.

Supplier Competences

- Equipment, interest, unrecognized charges-related complaints
- Bill information
- Debt balance information
- Issuance and printing of electricity bills
- Request for concluding an electricity supply contract
- Advance refund request
- Request for debt payment rescheduling
- Request for termination of a network use contract
- Network user request for contract transfer.

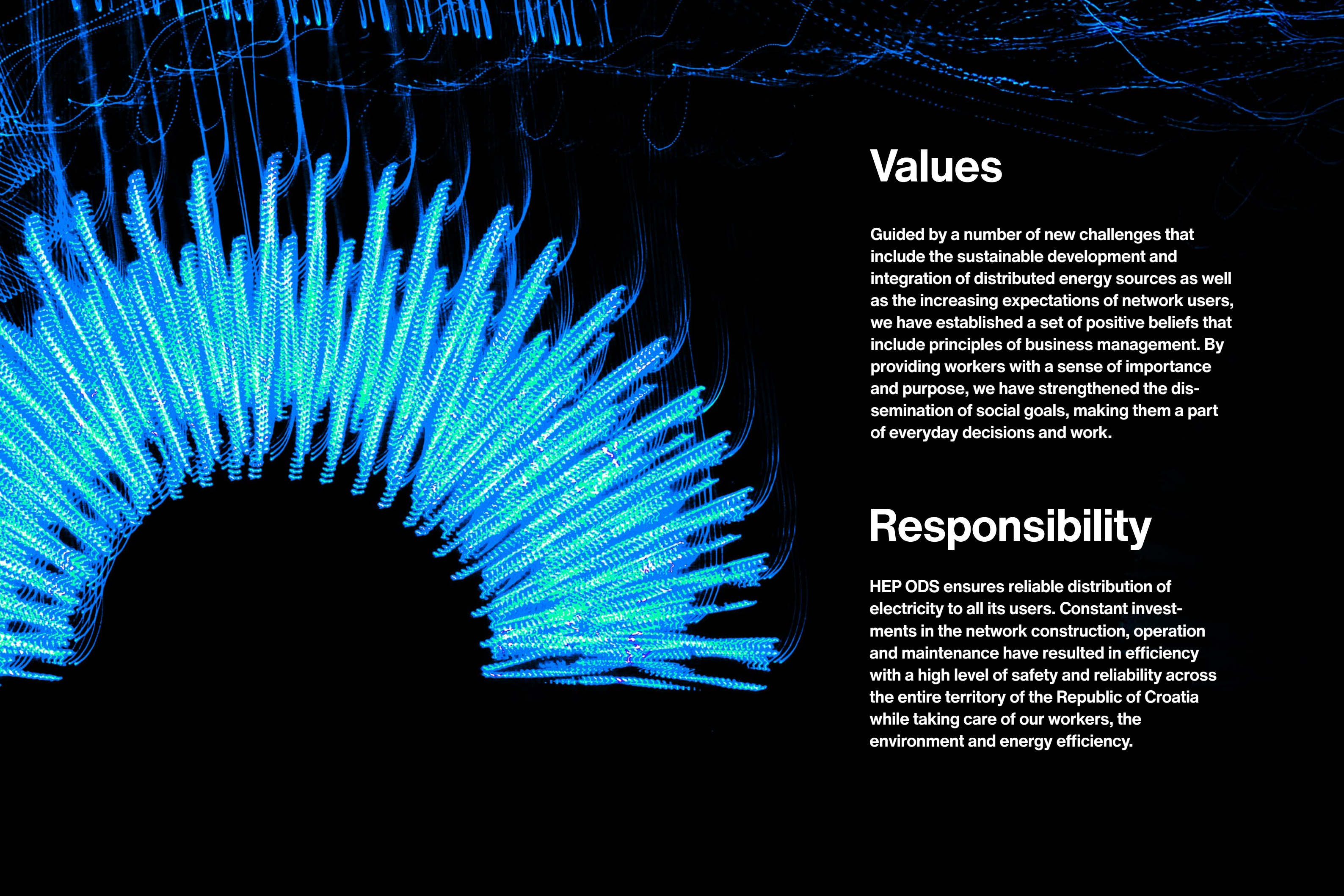


Mission

Reliable and high-quality distribution of electricity to all network users, with a high degree of social responsibility and sustainable economic growth.

Vision

Transformation of the distribution network into a flexible and smart network that ensures environmentally friendly operation of the distribution system, enabling the provision of high-quality and modern energy services with an emphasis on renewable energy sources.



Values

Guided by a number of new challenges that include the sustainable development and integration of distributed energy sources as well as the increasing expectations of network users, we have established a set of positive beliefs that include principles of business management. By providing workers with a sense of importance and purpose, we have strengthened the dissemination of social goals, making them a part of everyday decisions and work.

Responsibility

HEP ODS ensures reliable distribution of electricity to all its users. Constant investments in the network construction, operation and maintenance have resulted in efficiency with a high level of safety and reliability across the entire territory of the Republic of Croatia while taking care of our workers, the environment and energy efficiency.

Innovation

Safe operation of the advanced network and system stability are the core tasks of the Company that lead to green energy by planning to link the electric vehicle charging infrastructure and integrate local storage capacities, while achieving system flexibility, and the operation of advanced network as well as advanced metering system.

Challenges

Faced with the changes brought about by the energy transition, in order to ensure a reliable and safe development of the distribution network, we are faced with ever-increasing demands that must be met in a short period of time. The requirements relate to regulatory changes, the growing number of shares of distributed renewable production connected to the distribution network, and the growing number of active customers interested in new services on the electricity market.



Membership Associations

- HO CIRED - Croatian branch of the International Electricity Distribution Conference
- HRO CIGRE - International Council for Large Power Systems
- HGK - Croatian Chamber of Commerce
- MIPRO - International Conference for Information, Communication and Electronic Technology
- IPMA Croatia - member of the international project management organization
- EU DSO Entity - Association of European Distribution System Operators
- EURELECTRIC - Union of the Electricity Industry



Company Position within HEP Group

HEP ODS is a company within HEP Group. HEP Group is organized as a corporation (concern) comprising of affiliated companies (subsidiaries).

The parent company of HEP Group is Hrvatska elektroprivreda d.d. (HEP d.d.), which performs the corporate governance function for HEP Group and guarantees the conditions for secure and reliable electricity supply to customers. Companies within HEP Group which carry out regulated activities (transmission and distribution) are clearly unbundled—managerially, accounting-wise, and legally—from companies which carry out non-regulated activities (generation and supply).

HEP ODS performs the regulated activity of electricity distribution and is responsible for the quality of electricity supplied to all end customers, acting as a guarantor of secure electricity supply. It is responsible for the operation, maintenance, construction, and development of the distribution network, as well as for ensuring the network’s long-term capability to meet future access requirements.

HEP ODS operates through 21 distribution areas across the territory of the Republic of Croatia. For network users, HEP ODS provides the electricity distribution service, which includes access to and use of the network.

The overview of companies within HEP Group in this table right is for informational purposes only. For a complete and official overview of the structure of HEP Group, including equity interests, classification of companies and consolidation methods, please refer to the consolidated financial statements of HEP d.d.

Companies within HEP Group (an overview)

Dependent Companies	Country	Core Activity
HEP d.d	Republic of Croatia	Controlling company of HEP Group
HEP-Proizvodnja d.o.o.	Republic of Croatia	Production of electricity and heat energy
CS Buško Blato d.o.o.	Bosnia and Herzegovina	Maintenance of hydropower plant equipment
HEP-VHS Zaprešić d.o.o.	Republic of Croatia	Design and construction of hydrotechnical systems
HEP-Operator distribucijskog sustava d.o.o.	Republic of Croatia	Distribution of electricity
HEP Nastavno-obrazovni centar	Republic of Croatia	Education and professional development
HEP ELEKTRA d.o.o.	Republic of Croatia	Electricity supply (public service)
HEP-Opskrba d.o.o.	Republic of Croatia	Electricity supply
HEP Energija d.o.o.	Republic of Slovenia	Electricity supply
HEP-Toplinarstvo d.o.o.	Republic of Croatia	Production and distribution of heat energy
HEP-Plin d.o.o.	Republic of Croatia	Distribution and supply of gas
HEP-ESCO d.o.o.	Republic of Croatia	Energy efficiency projects
HEP-Trgovina d.o.o.	Republic of Croatia	Electricity and emission trading
HEP Energija d.o.o. Mostar	Bosnia and Herzegovina	Electricity trading and supply
HEP Energija d.o.o. Beograd	Republic of Serbia	Electricity trading and supply
HEP Energija d.o.o. Beograd	Republic of Croatia	Electricity trading and supply
HEP Energija sh.p.k. Priština	Republic of Kosovo	Electricity trading and supply
HEP-Upravljanje imovinom d.o.o.	Republic of Croatia	Asset management
Plomin Holding d.o.o.	Republic of Croatia	Infrastructure development around Plomin
Sunčana elektrana Poreč d.o.o.	Republic of Croatia	Production of electricity
Energetski park Korlat d.o.o.	Republic of Croatia	Production of electricity
HEP-Telekomunikacije d.o.o.	Republic of Croatia	Telecommunication services
NE Krško d.o.o.	Republic of Slovenia	Production of electricity
LNG Hrvatska d.o.o.	Republic of Croatia	Liquefied natural gas operations
Hrvatski operator prijenosnog sustava d.d. (HOPS)	Republic of Croatia	Transmission of electricity

Distribution Areas of HEP ODS



Basic Data about Distribution Areas

Elektra Zagreb

Number of metering points **592,818**
Peak load **715 MW**
Length of network **18,815 km**
Number of transformer stations **3,849**
Installed transformation capacity **4,948 MVA**
Number of connected distributed sources **4,570**
Connection capacity of distributed sources **125,031 kW**
Number of workers **819**

Elektra Koprivnica

Number of metering points **55,655**
Peak load **75 MW**
Length of network **4,981 km**
Number of transformer stations **746**
Installed transformation capacity **496 MVA**
Number of connected distributed sources **946**
Connection capacity of distributed sources **50,244 kW**
Number of workers **161**

Elektra Zabok

Number of metering points **70,218**
Peak load **77 MW**
Length of network **5,598 km**
Number of transformer stations **952**
Installed transformation capacity **577 MVA**
Number of connected distributed sources **983**
Connection capacity of distributed sources **29,969 kW**
Number of workers **197**

Elektra Bjelovar

Number of metering points **51,761**
Peak load **54 MW**
Length of network **4,521 km**
Number of transformer stations **821**
Installed transformation capacity **387 MVA**
Number of connected distributed sources **812**
Connection capacity of distributed sources **43,143 kW**
Number of workers **146**

Elektra Varaždin

Number of metering points **74,533**
Peak load **96 MW**
Length of network **4,428 km**
Number of transformer stations **955**
Installed transformation capacity **760 MVA**
Number of connected distributed sources **1,498**
Connection capacity of distributed sources **70,208 kW**
Number of workers **192**

Elektra Križ

Number of metering points **79,658**
Peak load **84 MW**
Length of network **5,786 km**
Number of transformer stations **1,408**
Installed transformation capacity **721 MVA**
Number of connected distributed sources **935**
Connection capacity of distributed sources **43,975 kW**
Number of workers **250**

Elektra Čakovec

Number of metering points **49,658**
Peak load **80 MW**
Length of network **3,217 km**
Number of transformer stations **553**
Installed transformation capacity **448 MVA**
Number of connected distributed sources **1,260**
Connection capacity of distributed sources **62,135 kW**
Number of workers **129**

Elektroslavonija Osijek

Number of metering points **157,227**
Peak load **170 MW**
Length of network **8,682 km**
Number of transformer stations **1,673**
Installed transformation capacity **1,571 MVA**
Number of connected distributed sources **2,001**
Connection capacity of distributed sources **111,138 kW**
Number of workers **434**

Basic Data about
Distribution Areas

Elektra Vinkovci

Number of metering points **83,282**
Peak load **91 MW**
Length of network **5,030 km**
Number of transformer stations **878**
Installed transformation capacity **790 MVA**
Number of connected distributed sources **1,288**
Connection capacity of distributed sources **58,294 kW**
Number of workers **200**

Elektra Slavonski Brod

Number of metering points **67,309**
Peak load **73 MW**
Length of network **3,755 km**
Number of transformer stations **777**
Installed transformation capacity **639 MVA**
Number of connected distributed sources **767**
Connection capacity of distributed sources **32,903 kW**
Number of workers **200**

Elektroistra Pula

Number of metering points **179,935**
Peak load **324 MW**
Length of network **9,103 km**
Number of transformer stations **2,196**
Installed transformation capacity **1,746 MVA**
Number of connected distributed sources **1,847**
Connection capacity of distributed sources **40,979 kW**
Number of workers **326**

Elektroprimorje Rijeka

Number of metering points **229,158**
Peak load **320 MW**
Length of network **11,283 km**
Number of transformer stations **2,028**
Installed transformation capacity **2,109 MVA**
Number of connected distributed sources **2,193**
Connection capacity of distributed sources **63,703 kW**
Number of workers **410**

Elektrodalmacija Split

Number of metering points **321,539**
Peak load **490 MW**
Length of network **14,125 km**
Number of transformer stations **2,819**
Installed transformation capacity **3,423 MVA**
Number of connected distributed sources **2,421**
Connection capacity of distributed sources **96,904 kW**
Number of workers **770**

Elektra Zadar

Number of metering points **147,853**
Peak load **258 MW**
Length of network **9,756 km**
Number of transformer stations **1,319**
Installed transformation capacity **1,340 MVA**
Number of connected distributed sources **1,189**
Connection capacity of distributed sources **68,913 kW**
Number of workers **265**

Elektra Šibenik

Number of metering points **95,244**
Peak load **122 MW**
Length of network **6,088 km**
Number of transformer stations **1,117**
Installed transformation capacity **1,029 MVA**
Number of connected distributed sources **971**
Connection capacity of distributed sources **131,763 kW**
Number of workers **224**

Elektrojug Dubrovnik

Number of metering points **59,226**
Peak load **121 MW**
Length of network **3,940 km**
Number of transformer stations **584**
Installed transformation capacity **795 MVA**
Number of connected distributed sources **464**
Connection capacity of distributed sources **6,696 kW**
Number of workers **184**

Elektra Karlovac

Number of metering points **89,652**
Peak load **100 MW**
Length of network **7,550 km**
Number of transformer stations **1,561**
Installed transformation capacity **734 MVA**
Number of connected distributed sources **835**
Connection capacity of distributed sources **44,532 kW**
Number of workers **214**

Elektra Sisak

Number of metering points **60,314**
Peak load **59 MW**
Length of network **5,640 km**
Number of transformer stations **1,020**
Installed transformation capacity **510 MVA**
Number of connected distributed sources **554**
Connection capacity of distributed sources **20,470 kW**
Number of workers **219**

Elektrolika Gospić

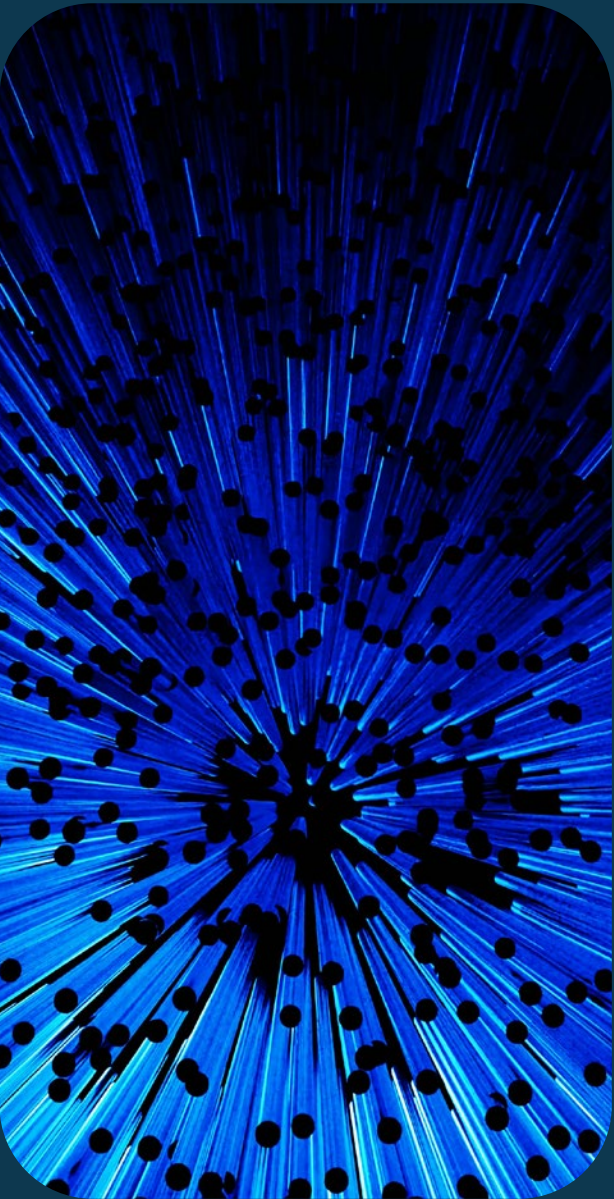
Number of metering points **51,971**
Peak load **79 MW**
Length of network **6,481 km**
Number of transformer stations **1,154**
Installed transformation capacity **580 MVA**
Number of connected distributed sources **280**
Connection capacity of distributed sources **17,783 kW**
Number of workers **231**

Elektra Virovitica

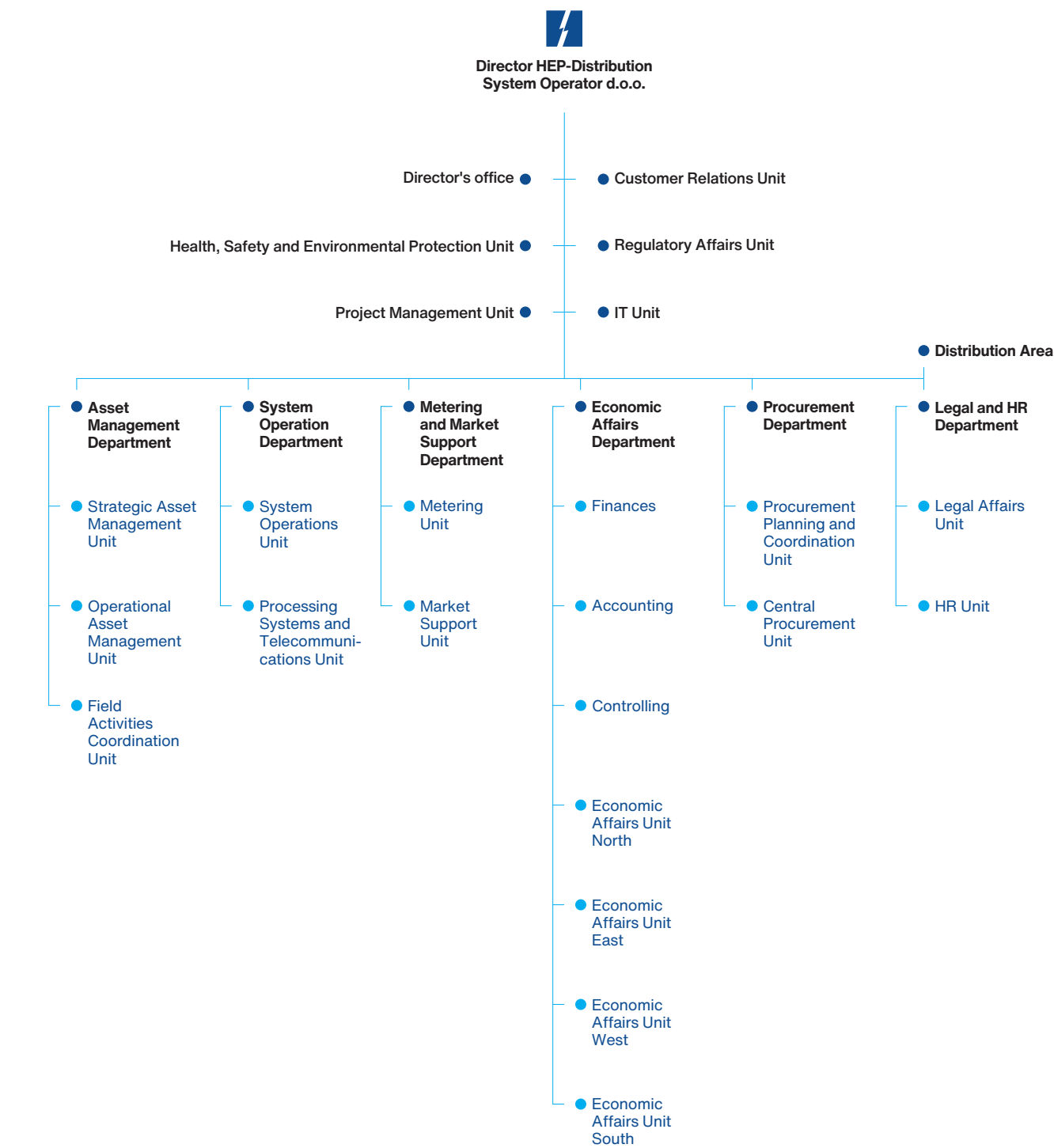
Number of metering points **30,796**
Peak load **31 MW**
Length of network **2,632 km**
Number of transformer stations **503**
Installed transformation capacity **337 MVA**
Number of connected distributed sources **379**
Connection capacity of distributed sources **48,505 kW**
Number of workers **115**

Elektra Požega

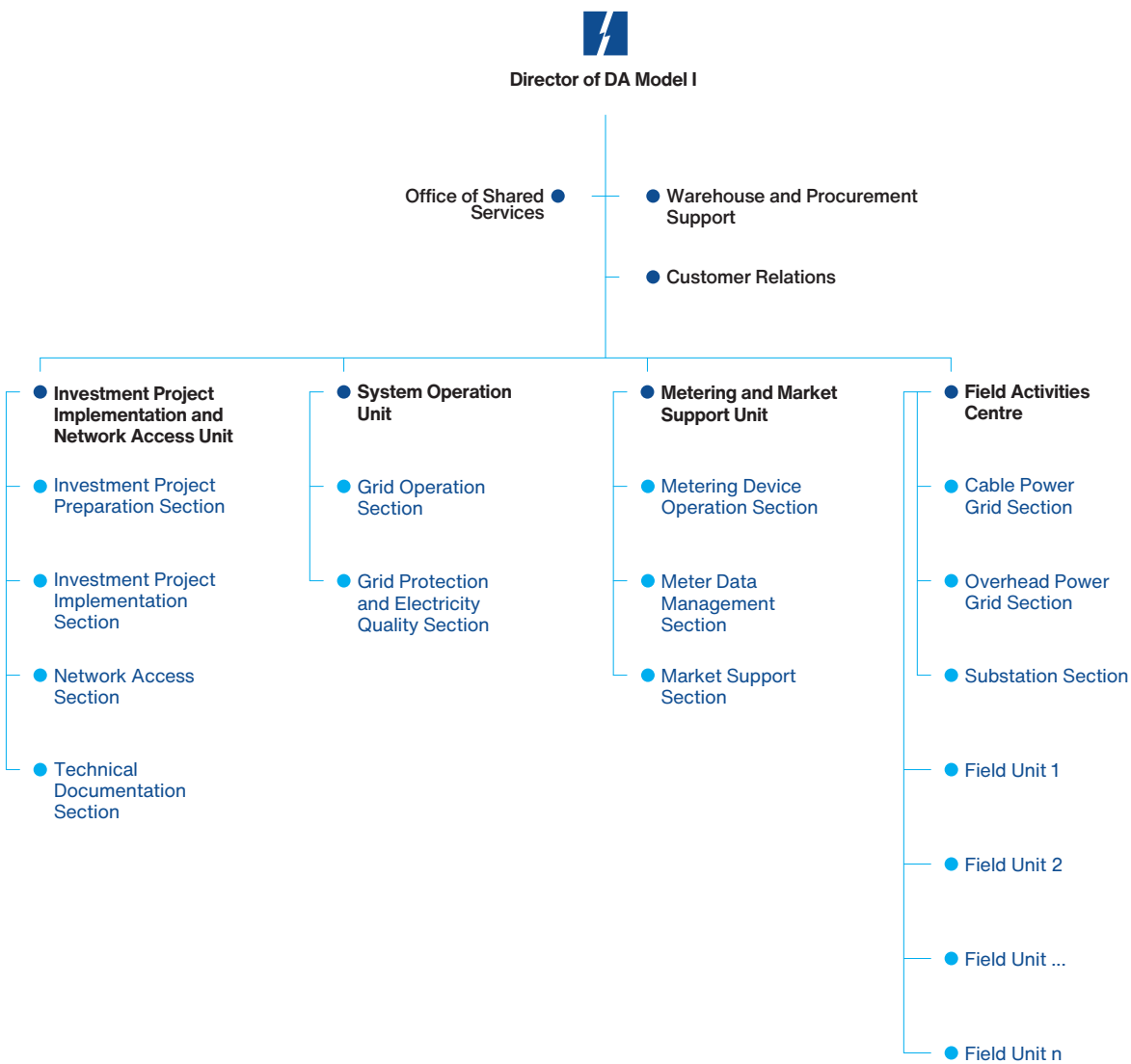
Number of metering points **27,703**
Peak load **24 MW**
Length of network **2,105 km**
Number of transformer stations **448**
Installed transformation capacity **232 MVA**
Number of connected distributed sources **319**
Connection capacity of distributed sources **10,019 kW**
Number of workers **111**



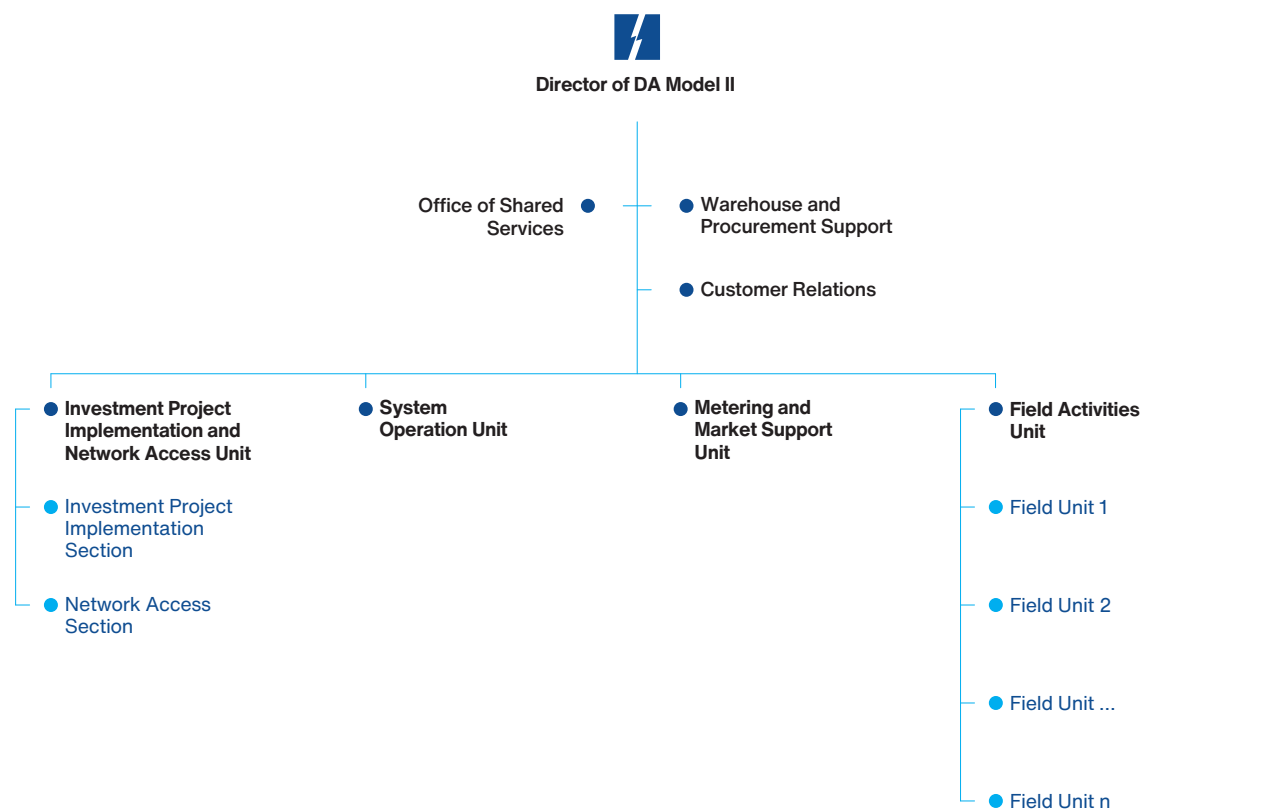
Organizational Structure



Organizational Structure of Distribution Area Model I



Organizational Structure of Distribution Area Model II



Legislative Framework

As a key participant in the retail electricity market in the Republic of Croatia, HEP ODS is obligated to harmonize its operations with the new regulatory framework in a timely manner, including further development of the distribution network and improvement of service quality.

The Electricity Market Act (ZOTEE), which entered into force in late October 2021, transposes all the provisions of Directive (EU) 2019/944 of the European Parliament and of the Council on common rules for the internal electricity market and amending Directive 2012/27/EU. Following its entry into force, a number of by-laws was adopted. Another piece of legislation important for the implementation of green transition is the Act on Renewable Energy Sources and High-Efficiency Cogeneration, which was adopted in accordance with Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources.

The relations with the electricity market participants will become increasingly complex and demanding in the coming period and will have a direct or indirect impact on all business areas. HEP ODS will face one of the most demanding periods, i.e. the obligation of accelerated business adjustment, at the technological, organizational and personnel levels. Special attention will need to be paid to the definition and establishment of mutual relations with new entities (aggregators, active customers, energy communities of citizens, operators of electric vehicle charging stations, operators of electricity storage facilities and operators of closed distribution systems) and to a timely harmonization of IT systems.

HEP ODS is facing a challenging and interactive period of responding to new changes and securing its potential in the energy transition.

Key Regulations

Business operations of HEP ODS are regulated by key legislative, secondary and internal acts:

- The Energy Act
- The Electricity Market Act
- The Act on the Regulation of Energy Activities
- The Act on Renewable Energy Sources and High-Efficiency Cogeneration
- The Energy Efficiency Act
- The Act on Cybersecurity of Essential Service Operators and Digital Service Providers
- General EU regulation on personal data protection
- Methodology for setting the amount of tariff items for electricity distribution
- Decision on the amount of tariff items for electricity distribution
- Rulebook on general conditions for the use of the network and electricity supply
- Rulebook on quality conditions of electricity supply
- Rules on supplier and aggregator switching
- Ordinance on issuing energy consents and determining conditions and deadlines for power grid connection
- Methodology for determining the power grid connection charge
- Rules on electricity market organization
- Balancing Rules
- Grid Code
- Rules on the connection to the distribution network
- Rules for the application of standard load curves
- Rules of distribution system operator's non-standard services.

Primary and secondary pieces of legislation relevant to electricity distribution and adopted during 2024 include the following:

1. Regulation on the criteria for obtaining the status of a vulnerable energy buyer from networked systems (Official Gazette nos. 95/15, 31/22, 28/24)
2. Regulation on the elimination of disturbances in the domestic energy market (Official Gazette nos. 31/23, 74/23, 107/23, 122/23, 32/24, 104/24, 132/24)
3. Rulebook on general conditions for the use of the network and electricity supply (Official Gazette nos. 100/22, 134/24)
4. Decision on the amount of tariff items for electricity distribution (Official Gazette no. 145/24)

- 5. Decision on the amount of tariff items for electricity transmission (Official Gazette no. 145/24)
- 6. Decision on the fee for renewable energy sources and high-efficiency cogeneration (Official Gazette nos. 31/23, 24/24)
- 7. Rules on the application of substitute load curves (HEP ODS 6/24)
- 8. Regulation on the share in net delivered electricity of eligible producers that electricity suppliers are obliged to purchase from the electricity market operator for 2025 (Official Gazette no. 153/24).

Regulatory Framework

HEP ODS operates within the framework of applicable laws and subordinate regulations, tariff methodologies, and other regulatory requirements relevant to electricity distribution. The introduction of new regulations or amendments to existing ones can have a significant impact on the Company’s operations, including annual results and financial performance. The Company continuously monitors key regulatory developments in the electricity market, issues pieces of secondary legislation within its authority, and submits required operational reports to the regulatory agency and other competent authorities.

New Regulations

During 2024, the following regulatory act under the authority of HEP ODS was adopted:

- *Rules on the Application of Substitute Load Curves*, which establish the minimum substitute load curves for characteristic groups of customers, the method for determining the supplier’s share for customers without a confirmed load curve for the purpose of imbalance settlement, the method for determining forecasted consumption for the upcoming semi-annual settlement period for end customers with a semi-annual billing cycle, the method for determining forecasted monthly consumption for the upcoming semi-annual settlement period, and the publication of related data and information.

During the year, HEP ODS submitted the following draft regulatory acts to the HERA for approval:

- *Rules on Non-Frequency Ancillary Services for the Distribution System*
- *Rules on Congestion Management in the Distribution System*.

At the same time, work continued on the preparation of the *Distribution System Network Rules*, a key regulatory act that defines the technical and operational conditions for using the distribution network, the rights and obligations of network users, and the procedures for managing the distribution system.

Reports Submitted to HERA

Report on the Implementation of Activities, Responsibilities and Duties under the Electricity Market Act

HEP ODS is a regulated energy entity which carried out the energy activity of electricity distribution during 2023 in accordance with the responsibilities and duties set under the Electricity Market Act. Through its 21 distribution areas HEP ODS is responsible for the operation, maintenance, development and construction of the distribution network in the Republic of Croatia.

In accordance with HERA's instructions, a report was prepared on the implementation of all activities, responsibilities, and duties under the Electricity Market Act. The report, organized into 30 chapters, provides a detailed overview of operational indicators related to:

- consumption at end-customer metering points
- number of metering points and electricity sales by suppliers
- completed investments
- power lines and transformer station data
- plants connected to the distribution network
- data on connection and disconnection of end-customer metering points
- activities of the Consumer Complaints Committee
- metering devices

- revenues generated under applicable tariff items
- number, consumption, and connection capacity of metering points by category and tariff model across distribution areas
- number of supplier switching instances
- temporary supply interruptions due to non-payment
- number of self-supply plant users
- energy communities, collective active customers, and closed distribution systems
- guaranteed electricity offtake
- number of network users providing ancillary services and/or congestion management services on the distribution network.

The report concludes with a dedicated review of operations in 2024 and expectations for the upcoming period. It was submitted to HERA and published on the HEP ODS website.

Report on the Realization of the Annual Energy Purchase Plan to Cover Losses in the Distribution Network

HEP ODS is systematically working on the improvement of all processes related to the planning and procurement of electricity to cover losses, including the monitoring of price trends on the electricity market, in order to initiate the procurement process at the most favourable moment.

Article 70, paragraph 13 of the Electricity Market Act stipulates that HEP ODS shall submit to the Croatian Energy Regulatory Agency for its approval an estimate of the amount and total cost of electricity purchased for covering electricity losses in the distribution network for the following year by 30 September of the current year together with the following data and information:

- the estimated amount of electricity losses and the method of its determination,
- purchased quantities and the method, rate, unit prices and other related procurement costs together with concluded contracts,
- planned quantities and the method, rate, unit prices and other associated procurement costs,
- method of setting the planned unit price,
- total planned cost for covering electricity losses.

In accordance with the above, the planned electricity losses for 2024 amounted to 1,264 GWh, while the actual losses reached 1,379 GWh. The planned cost of electricity procurement to cover these losses in 2024 was EUR 194.6 million, whereas the actual cost amounted to EUR 107.8 million.

Report on the Implementation of Activities in accordance with the Principles of Transparency, Objectivity, and Impartiality

The activity of electricity distribution is carried out as a public service, which must be accessible at all times to all customers and energy entities at regulated prices and under regulated conditions of access and service use, while taking into account safety, reliability, and service quality, environmental protection, energy efficiency, and climate protection. This activity is conducted according to the principles of public operation and oversight by authorities established by law.

HEP ODS is obliged to act in a transparent, objective, and impartial manner toward all electricity market participants and network users.

A report for 2024 was prepared on the implementation of its activities under Article 73, Paragraph 2 of the Electricity Market Act (ZoTEE), in accordance with the principles of transparency, objectivity, and impartiality.

Report on Compliance Programme Monitoring

HEP ODS adopted the Compliance Programme in accordance with the provisions of the Electricity Market Act. Under the decision of the Company's director, a Committee was appointed to monitor the HEP ODS Compliance Programme.

The Programme establishes measures that exclude the possibility of biased management, as well as measures for appropriate monitoring of its compliance. Also, the Programme establishes special obligations of the Company employees and the Commission.

The Company shall ensure impartiality towards all electricity market participants, in particular towards associated entities within a vertically integrated entity, in accordance with applicable regulations. In terms of organization, and in relation to HEP d.d. as the governing company, HEP ODS is a dependent, but in terms of its legal form, organization and structure it is independent from HEP d.d., as well as from other dependent companies within HEP Group.

The Report on the monitoring of the HEP ODS compliance programme for 2024 was prepared. The Report was submitted to HERA and published on the HEP ODS website.

The Report findings state that in 2024 the Company acted in accordance with the Compliance Programme.

Annual Report on Security of Supply in Distribution System

Pursuant to the provisions of the Electricity Market Act, HEP ODS publishes the Annual Report on Security of Supply in the Distribution System.

- The 2024 Report contains:
- description of basic features of the distribution power system,
 - provision of necessary energy volumes,
 - production overview of power plants connected to the distribution network,
 - flexibility of distribution network users and provision of ancillary services to the system,
 - achieved indicators of power supply reliability in the distribution network,
 - data on major interruptions in the supply of electricity,
 - security of supply measures,
 - mechanism for KPI monitoring,
 - cybernet security,
 - a view at security of supply in the future period.

In conclusion, it was stated that HEP ODS continuously monitors key indicators of power supply reliability in the distribution system (KPI) in order to monitor and improve its performance in increasing the reliability of power supply in the distribution system.

The annual report on security of supply in the distribution system for 2024 was submitted to HERA and published on the HEP ODS website.

Report on Quality of Electricity Supply

In 2022, HERA adopted the *Rulebook on the quality of electricity supply* regarding the quality of supply in the area of service quality, power supply reliability and voltage quality, under which the following has been regulated:

- indicators of electricity supply quality,
- the method of measuring, collecting and publishing electricity supply quality indicators,
- exceptional events in terms of the quality of electricity supply,
- general, minimum and guaranteed quality standards of electricity supply,
- the method of regulating the quality of electricity supply depending on the selected method of tariff regulation,
- financial compensation (hereinafter: remuneration) based on guaranteed quality standards of electricity supply,
- the method, rate and scope of reporting and submitting data to the Croatian Energy Regulatory Agency (hereinafter: the Agency) on the quality of electricity supply,
- content of the transmission system operator's annual report on the quality of electricity supply,
- content of the distribution system operator's annual report on the quality of electricity supply, and
- content of the supplier's annual report on the quality of services.

The quality conditions set an obligation for the distribution system operator in terms of keeping electronic records in which all data and documents on the quality of services necessary for the calculation and verification of service quality indicators are entered and stored, as well as data on service quality complaints, remuneration requests, and paid remuneration due to failure to reach the level of guaranteed service quality standards. Service quality indicators are calculated based on data from electronic records.

The Company publishes an annual report on the quality of electricity supply on its website by 30 April of the current year for the previous calendar year.

The report on the quality of electricity supply for 2024 was prepared and published on the HEP ODS website. The Report contains maximum available data, in accordance with the valid Quality Conditions. Based on the experience gained, the Company will continue with the systematic maintenance and improvement of electronic records, i.e. the improvement of the existing IT support and undertaking necessary operational and organizational measures in order to ensure the maximum credibility of data and improve the quality of electricity supply.

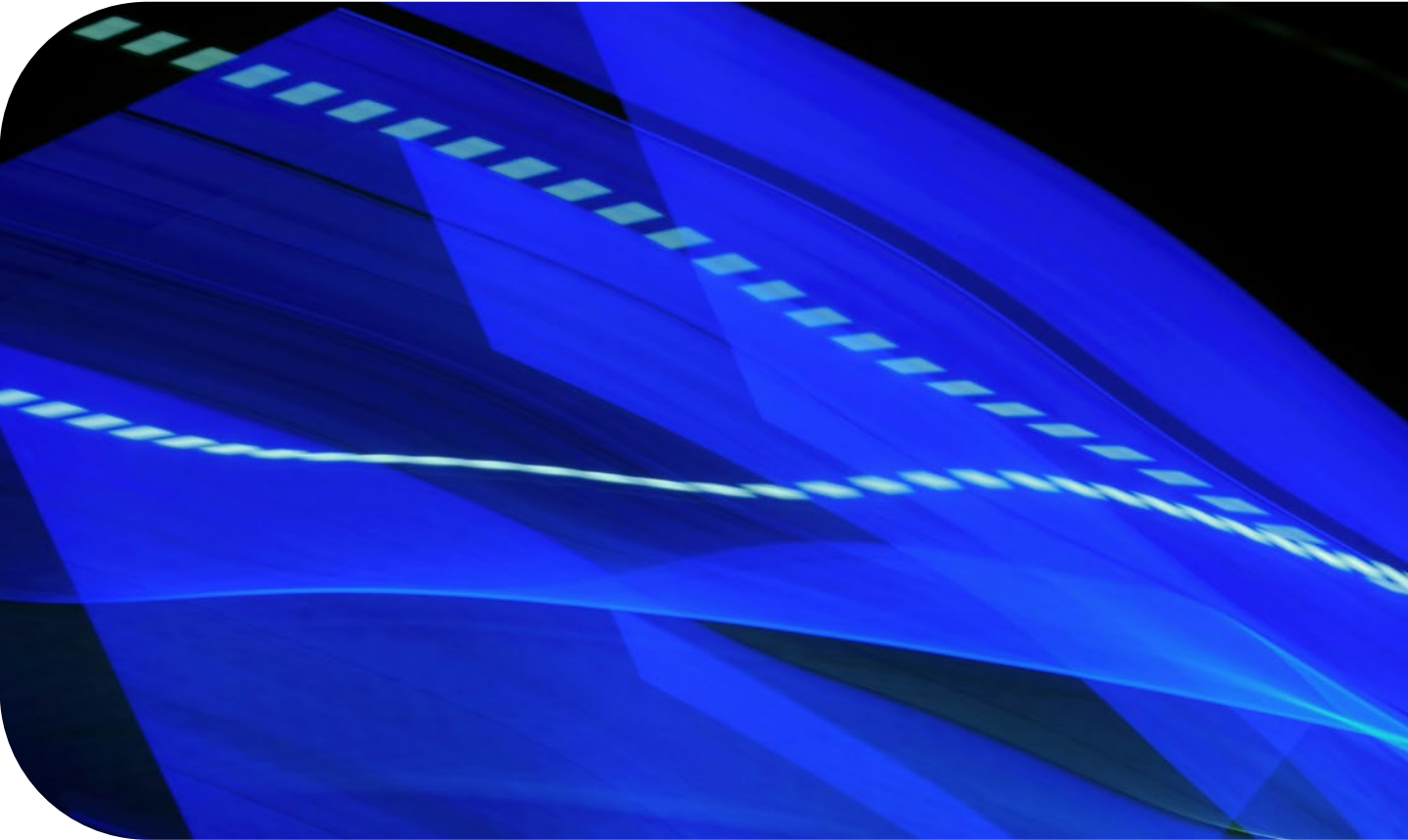
Report on HEP ODS Investment Plan Delivery

In accordance with the Methodology for Determining the Amount of Tariff Items for Electricity Distribution, HEP ODS prepared and submitted to HERA the Report on the Implementation of the Annual Investment Plan for 2024, including a presentation of investment funding sources. The report provides an overview of the Investment Plan funding sources, a review of the implementation of the Investment Plan by activity, and a report on the execution status of key projects.

Statement on the Implementation of Duties Prescribed by the Energy Market Act

In accordance with the Energy Efficiency Act, HEP ODS carries out its duties related to systematic energy management and energy efficiency. Preservation and protection of the environment and nature, as well as efficient energy management, is part of the business strategy of HEP ODS, which has decided to establish, apply and permanently improve the environmental and energy management system according to the requirements of the international ISO 14001 and ISO 50001 standards. HEP ODS, aware of its impact on the environment, and with regard to the introduced environmental and energy management systems, has adopted the *Environmental and Energy Management Policy*.

A Statement on the implementation of duties set in Articles 15, 17, 18 and 22 of the Energy Efficiency Act was prepared and submitted to HERA.





Financial Indicators

Following the adaptation of operations to the conditions of the energy market in 2023, business in 2024 was marked by a significant increase in all cost categories, with electricity losses in the distribution network standing out in particular. These developments resulted in an operating loss of EUR 49.7 million.

During 2024, economic activity continued to grow, which was reflected in an increase in total electricity consumption compared to 2023. The higher consumption led to an increase in revenue from the distribution network usage fee.

In 2024, the Government of the Republic of Croatia extended the application of the Regulation on the Elimination of Disturbances in the Domestic Energy Market, which ensures stable electricity prices. The aim of these measures was to protect citizens' living standards, ensure the uninterrupted operation of public institutions, and support economic growth. However, the continued application of the Regulation represented an additional challenge for the operations of HEP ODS.

The development of the distribution network was marked by increased economic activity, resulting in a high level of connection fee payments from new customers, an increase in connection capacity, and significant investments in the rehabilitation of the electricity distribution network following the earthquake.

Financial Performance

Total revenues of HEP ODS in 2024 amounted to EUR 605.7 million, representing an increase of EUR 68.3 million, or 12.7%, compared to 2023. Total expenses reached EUR 655.4 million, an increase of EUR 131.3 million, or 25.1%. The significant growth in total expenses relative to revenues resulted in an operating loss of EUR 49.7 million.

Revenue

In 2024, the operating revenue of HEP ODS amounted to EUR 604.0 million, representing an increase of EUR 67.5 million, or 12.6%, compared to 2023. Financial income totalled to EUR 1.7 million.

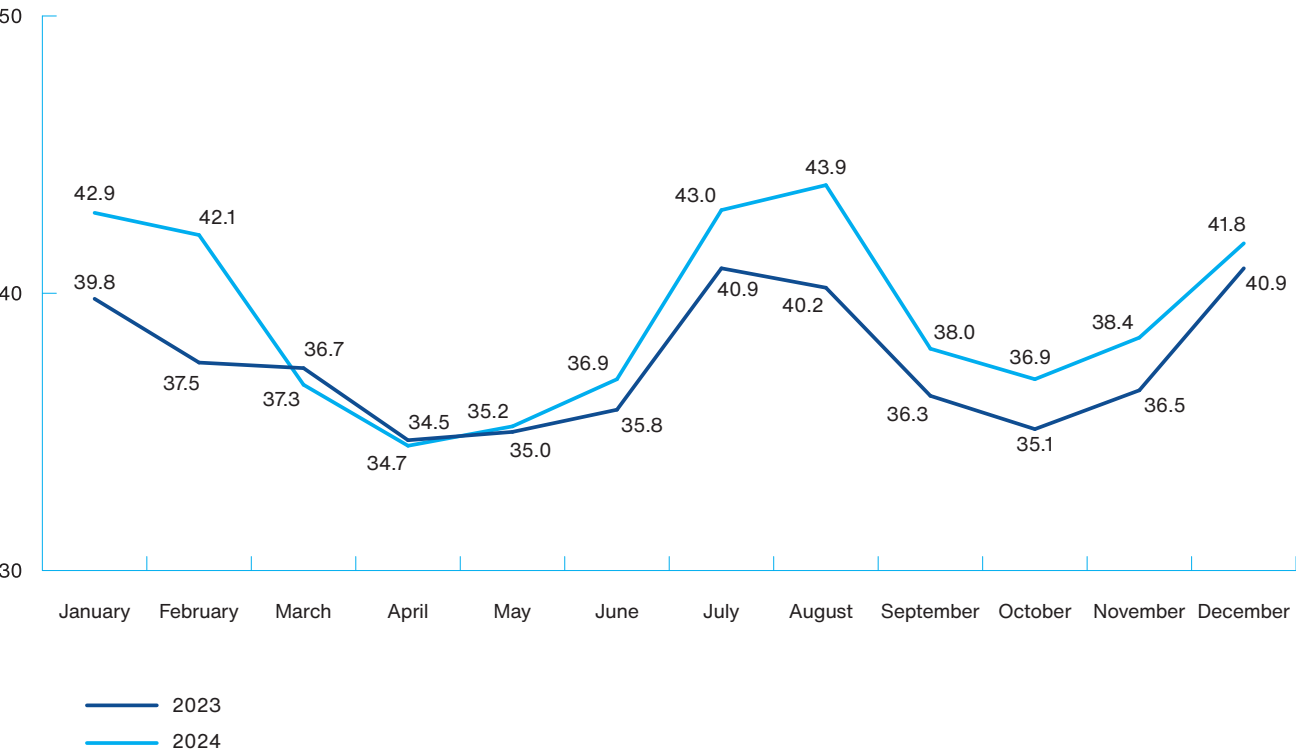
The most significant source of revenue, accounting for 78% of total income, is the distribution network usage fee, which increased by EUR 20 million compared to the previous year, a rise of 4.4%. This increase was driven by a 3.7% growth in electricity consumption. Although a tariff increase for electricity

distribution was planned for 2024, it was not implemented.

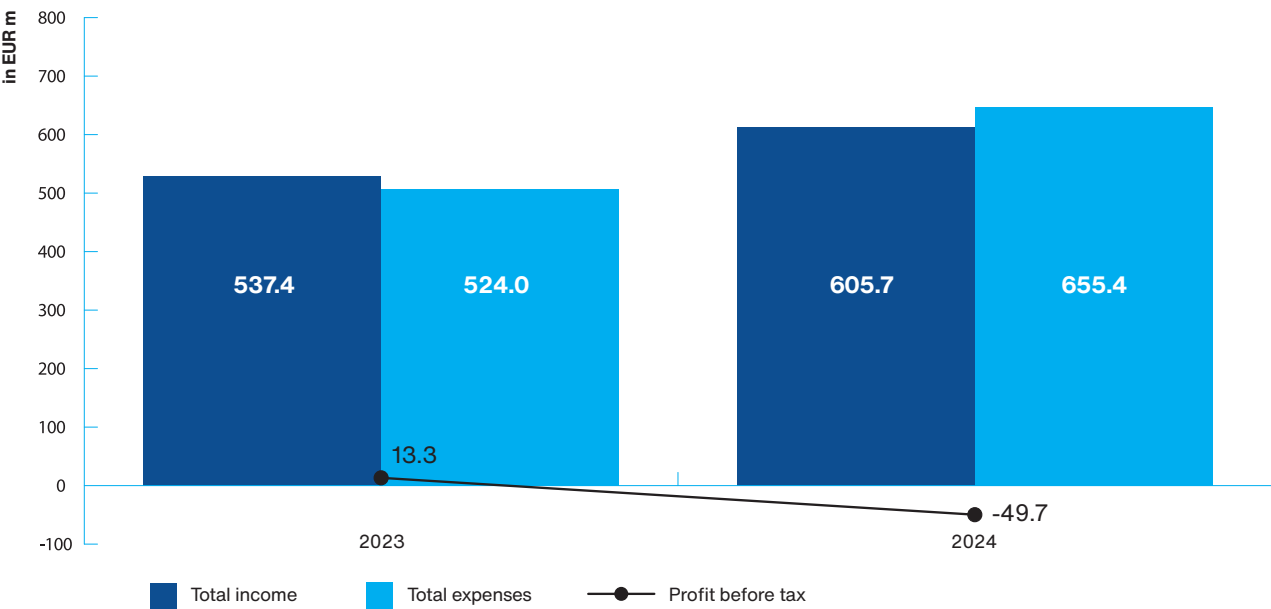
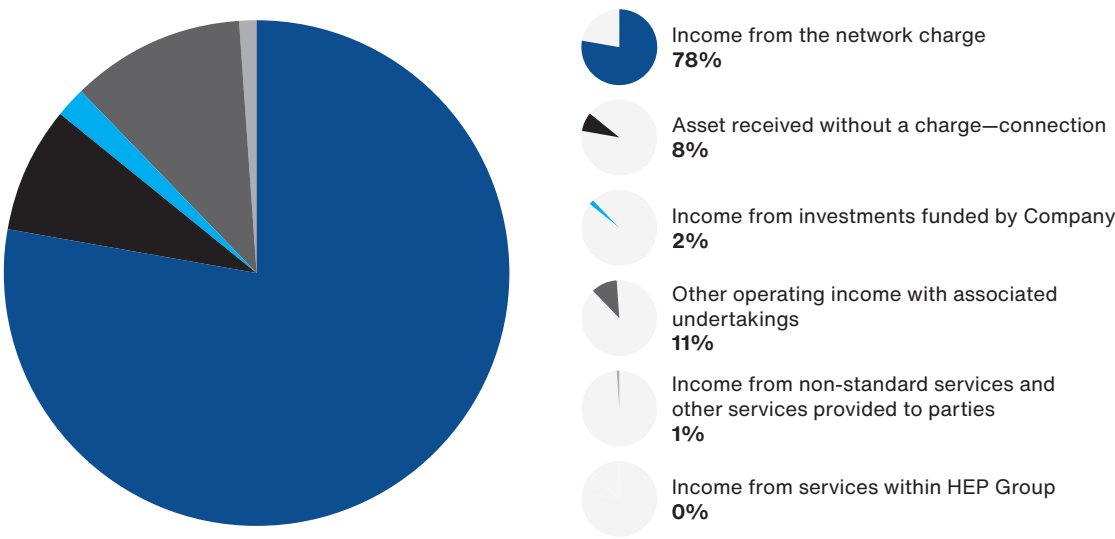
A substantial portion of the revenue growth resulted from provisions of the Regulation on the Elimination of Disturbances in the Domestic Energy Market, which compensates the distribution system operator for the difference between the contracted price of electricity purchased to cover losses and the price capped under Article 3 of the Regulation. The Regulation was amended several times, and its application was extended from the initial period of 1 October 2023 – 31 March 2024, to 31 March 2025 (Official Gazette nos. 107/23, 32/24, and 104/24). These revenues were realized through payments from the State Budget in 2024, totaling EUR 49.4 million.

A business revenue item that decreased significantly compared to 2023 is the income from electricity delivery to cover distribution network losses. Based on the Rules on Balancing the Electricity System (HOPS 12/23), the Croatian Energy Market Operator – HROTE provides monthly deviation calculations of losses – the deviation between the market position and actual achievement based on the first clearing (settlement). All positive deviations, amounting to EUR 0.9 million, were recorded as HEP ODS revenues from delivered balancing electricity.

Income from the Distribution Network Usage Fee (in EUR million)



Share of Income by Segments



Note: total revenue and expenses include financial income and expenses.

Expenses

Operating expenses amounted to EUR 651.6 million, representing an increase of EUR 128.8 million (24.6%) compared to 2023. Financial expenses totaled EUR 3.8 million.

Among the financially significant cost items in the total expenses of HEP ODS, electricity procurement costs for covering distribution network losses stand out. The physical electricity losses in the distribution network (in kWh) increased by 2.2% compared to 2023, in line with the 3.7% rise in overall electricity consumption.

The cost of electricity for loss coverage consists of the supply of base-load electricity for covering losses in the distribution network and the supply of the remaining electricity required for loss coverage. In addition, pursuant to the *Rules on Balancing the Electricity System* (HOPS 12/23), the Croatian Energy Market Operator – HROTE provides monthly calculations of loss deviations—i.e., the deviation between the market position and actual realization based on the first clearing (settlement). All negative deviations, amounting to EUR 0.2 million, were recorded as an expense of HEP ODS for balancing electricity delivered. Furthermore, the financial effect of the deviation calculation based on the second annual clearing for 2024 was negative and increased costs by EUR 10.8 million.

The three-year contract for the procurement of electricity to cover distribution network losses for the period 2021–2023, concluded with HEP d.d. following a public procurement procedure, partially mitigated the effects of energy price volatility during that period. The new contract for 2024, also concluded with HEP d.d., reflects current market conditions. As a result, the cost of electricity for covering losses in 2024 increased by EUR 66.4 million compared to 2023, representing a rise of 82.3%.

Other materially significant expenses include the costs of regular and emergency maintenance of the electricity network, which are regulated by rules on electricity network maintenance, labour protection laws, fire safety, environmental protection, and equipment manufacturer instructions for power plants. In 2024, maintenance costs for energy facilities amounted to EUR 42.1 million, an increase

of 6.7% compared to 2023, reflecting HEP ODS’s heightened maintenance requirements. The rise in costs was also influenced by climate change and extreme weather events, which caused damage to electricity facilities requiring urgent repairs.

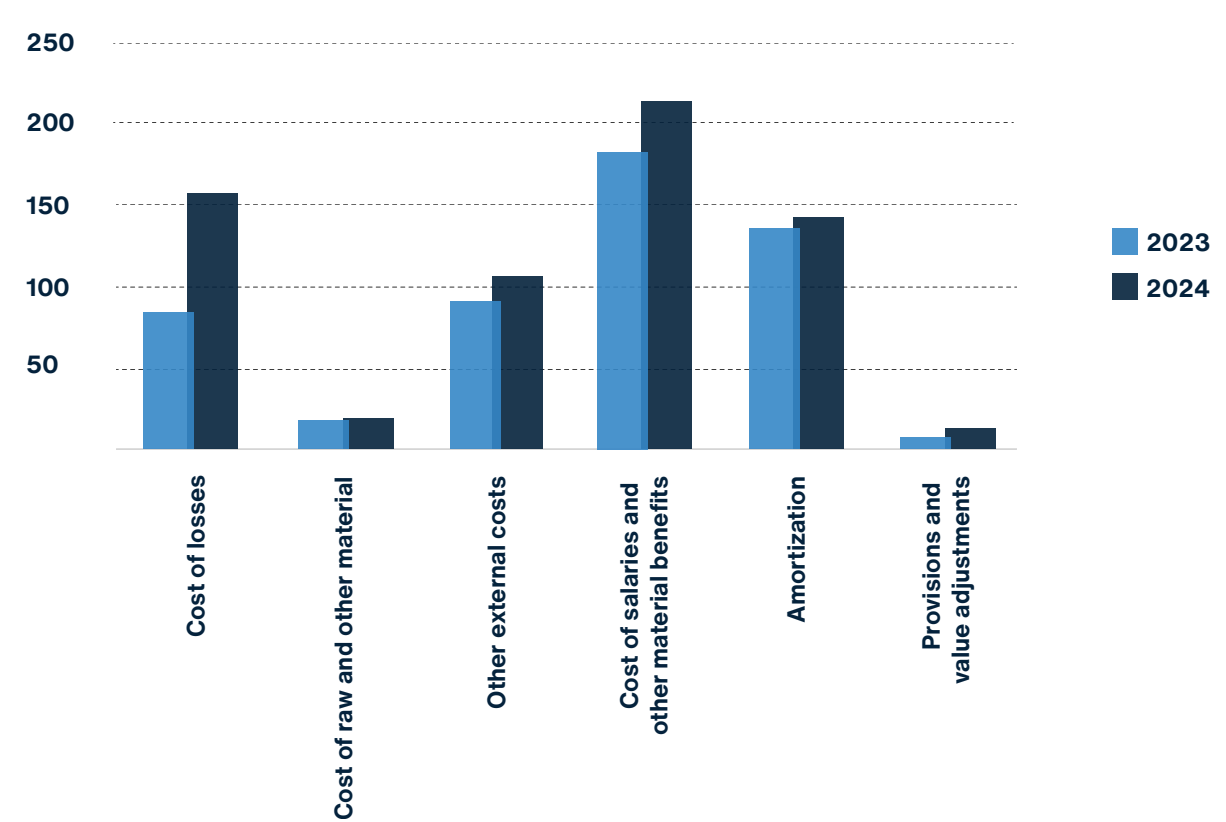
Compared to the previous year, personnel costs, including employee benefits, increased by EUR 28.8 million, based on the provisions of the Collective Agreement for Hrvatska elektroprivreda and the Agreement between the Union and the Employer on the Amendment of Certain Provisions of the Collective Agreement.

Metering point costs grew by EUR 2.2 million compared to 2023, primarily due to expenses related to remote meter reading, as the number of metering points equipped with advanced meters increased. Prices of goods and services continued to rise in 2024. According to the Croatian Bureau of Statistics, from January to December 2024, consumer prices increased by 3.4% compared to the same period in the previous year. This affected nearly all categories of HEP ODS’s operating expenses, from direct operational costs related to field interventions to general operating costs, particularly in maintenance and repair of business premises, security services, and postal and delivery services.

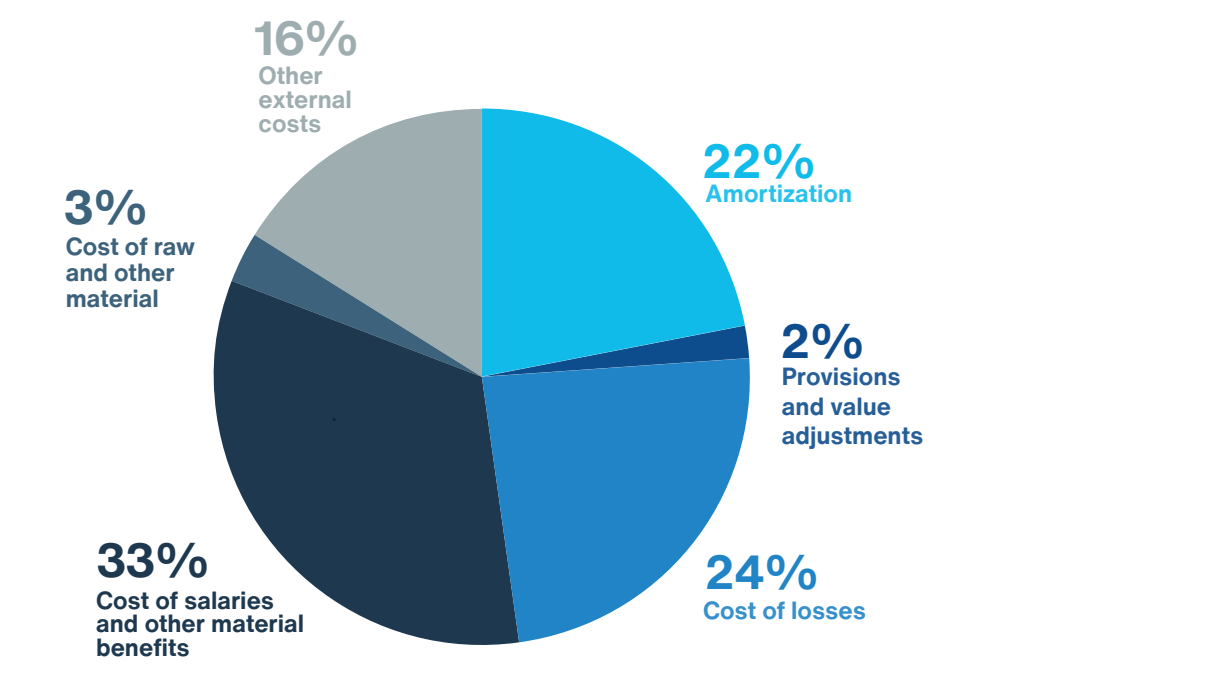
Based on the conclusions of the Government of the Republika Hrvatska, HEP ODS wrote off receivables for the distribution network usage fee in earthquake-affected areas of Sisak-Moslavina, Zagreb, and Karlovac counties, recorded as an extraordinary expense of EUR 1.9 million.

HEP d.d., as the parent company, in accordance with the Agreement on Mutual Relations with HEP ODS, manages the financial policy of HEP ODS and implements its debt strategy. Financial expenses increased from EUR 1.3 million in 2023 to EUR 3.8 million in 2024.

Comparison of Cost by Segments



Share of Expenses by Segments (in EUR m)



Income Statement

	2023	2024
	EUR m	EUR m
Operating income		
Income from sale	454.5	474.7
Income from sale – associated companies	7.0	5.5
Other operating income – associated companies	0.2	0.2
Other operating income	74.8	123.6
Total operating income	536.5	604.0
Operating expenses		
Cost of network losses and procurement of balancing energy	83.2	158.2
Cost of services	44.5	50.2
Cost of staff	148.7	174.9
Amortization cost	137.1	141.9
Administrative costs – associated companies	28.7	35.5
Other operating cost	80.6	90.9
Total operating expenses	522.8	651.6
Operating profit	13.7	-47.6
Financial income	0.9	1.7
Financial expenses	1.3	3.8
Net financial loss	-0.4	-2.1
Profit before taxes	13.3	-49.7
Corporate tax	2.5	-8.6
Profit for the current year	10.8	-41.1

Financial Position of the Company

Balance sheet - abridged	31 Dec 2023		31 Dec 2024		Change 2024 / 2023 % share
	EUR m	share	EUR m	share	
Fixed assets	2,110.7	83.1%	2,209.5	83.1%	4.7%
Current assets	428.6	16.9%	450.2	16.9%	5.0%
Total assets	2,539.3	100.0%	2,659.7	100.0%	4.7%
Equity and reserves	252.7	10.0%	200.8	7.6%	-20.5%
Long-term provisions	66.0	2.6%	71.5	2.7%	8.3%
Long-term liabilities and deferred income	1,707.8	67.3%	1,755.9	66.0%	2.8%
Short-term liabilities	512.8	20.2%	631.5	23.7%	23.1%
Total liabilities and equity	2,539.3	100.0%	2,659.7	100.0%	4.7%

Assets

Total assets as of 31 December 2024, amounted to EUR 2,659.7 million, an increase of EUR 120.4 million compared to 2023. Fixed assets account for 83% of total assets.

The value of current assets is EUR 450.2 million, up EUR 21.6 million from 2023. The increase in current assets was mainly driven by a rise in material inventories of EUR 20.7 million. At the same time, short-term receivables from Group companies decreased by EUR 32.4 million. Compared to the previous year, increases were recorded in receivables from customers (EUR 7.2 million) and for taxes, contributions, and other obligations (EUR 8.8 million).

Equity and Liabilities

The founder of HEP ODS is HEP d.d.. As of 31 December 2024, the equity of HEP ODS amounted to EUR 200.8 million, consisting of:

- subscribed capital: EUR 92.8 million
- share in the affiliated company HEP Telekomunikacije d.o.o.: EUR 2.1 million
- capital reserves from the transfer of ownership rights over buildings and equipment acquired from Hrvatske autoceste d.o.o.: EUR 144.2 million
- revaluation reserves from the revaluation of fixed assets: EUR 2.8 million
- net loss for the financial year: EUR 41.1 million.

Long-term provisions as of 31 December 2024, increased by EUR 5.5 million compared to the same period in the previous year, primarily due to higher provisions for severance payments amounting to EUR 4.5 million, in accordance with the Company’s applicable accounting policies.

Long-term liabilities, including deferred income, totaled EUR 1,755.9 million, representing 66% of HEP ODS's total liabilities and equity. The largest portion of long-term liabilities relates to obligations toward HEP d.d. under financial lease agreements.

HEP ODS has financial lease obligations toward HEP d.d. under the *Agreement on the Lease of Tangible and Intangible Fixed Assets*, concluded on 10 December 2002. The agreement covers real estate, plants, equipment, and intangible assets leased from HEP d.d. as of 1 July 2002, as well as assets acquired by HEP d.d. and subsequently leased to HEP ODS. Financial lease obligations are set for a term corresponding to the remaining depreciation period of the leased fixed assets.

Lease payments are made monthly, comprising the calculated depreciation and related interest, which is determined based on loans used by HEP d.d. to finance the construction of the leased assets.

Long-term financial lease liabilities increased by EUR 15.6 million in 2024 compared to 2023, reflecting changes in the value of fixed assets—real estate, plants, and equipment.

As of 31 December 2024, short-term liabilities amounted to EUR 631.5 million, with the largest portion, EUR 344.9 million, relating to obligations toward affiliated companies.

The relationship of HEP ODS with its affiliated company HEP d.d. is based on the *Agreement on Mutual Relations between HEP d.d. and HEP ODS*, as well as the *Methodology for Determining Prices of Services and Tasks* performed by HEP d.d. for the subsidiaries of HEP Group. HEP d.d., through its sectors, organizes and performs administrative, financial, accounting, and other corporate services for HEP ODS and other shared activities to achieve synergy and increase operational efficiency within HEP Group.

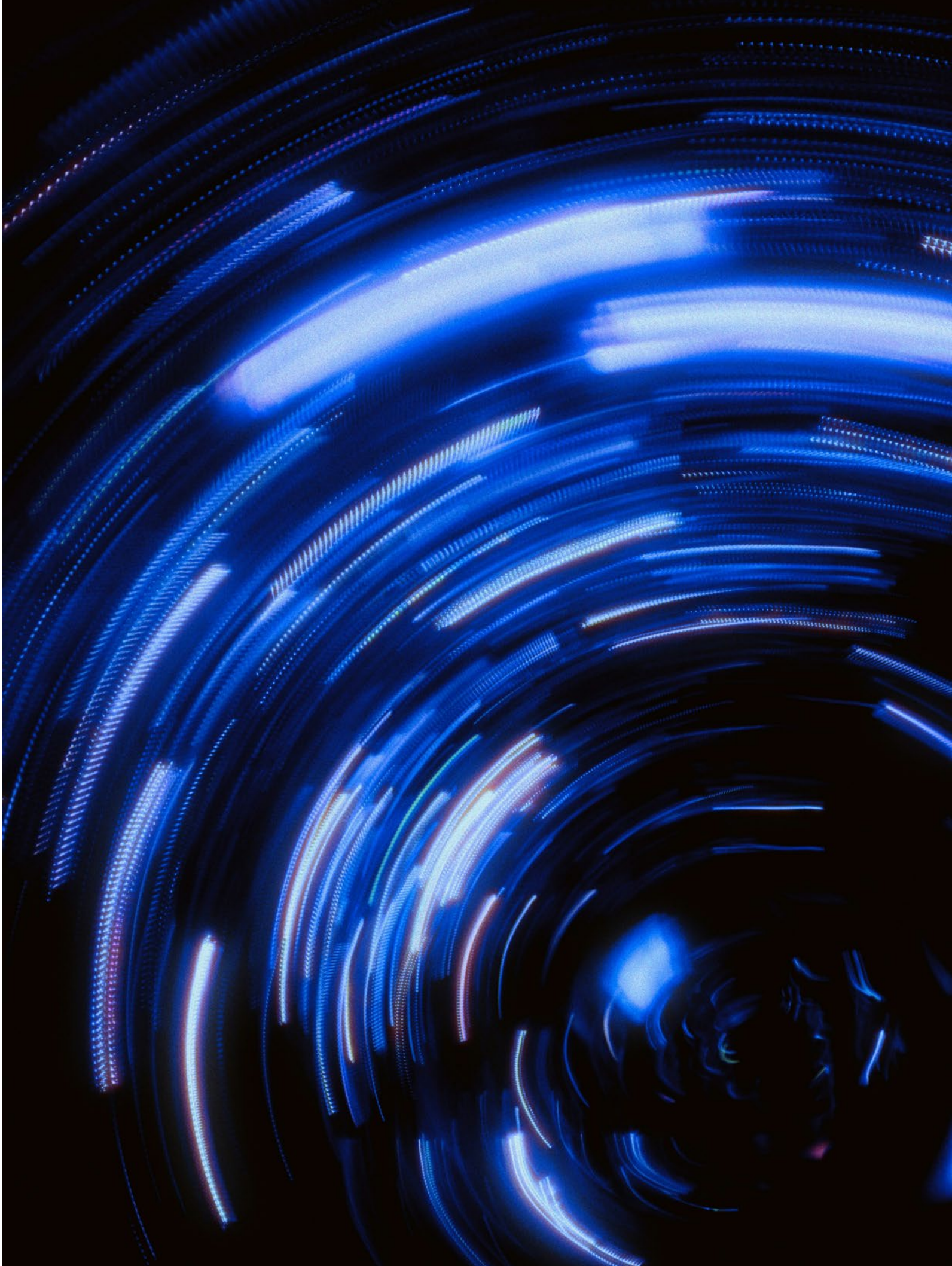
The relationship with HOPS d.d. is governed by applicable laws and regulations in the energy sector, including the *Electricity Market Act*, the *Rules for Organizing the Electricity Market*, the *Methodology for Determining Balancing Energy Prices*, and the *Rules on Electricity System Balancing*. Based on the *Agreement on Mutual Relations regarding the*

Billing and Collection of Transmission Network Fees, HOPS issues invoices to HEP ODS for transmission network usage fees, which HEP ODS collects from end customers. These obligations of HEP ODS are simultaneously offset by receivables from HEP d.d. for funds transferred via pass-through accounts from electricity customer payments.

Short-term liabilities of HEP ODS toward affiliated companies primarily relate to obligations to HEP d.d. under the *Agreement on the Procurement of Electricity to Cover Distribution Network Losses*. Other short-term liabilities toward HEP d.d. arise mainly from the procurement of materials and spare parts, lease of real estate, plants, and equipment, and investments financed by HEP d.d. After construction is completed, the assets are transferred to HEP ODS under financial lease arrangements. Compared to 2023, these obligations increased by EUR 91.4 million.

Short-term liabilities related to advances mainly concern obligations arising from connection fees to the distribution network.

Deferred income increased by EUR 35.5 million in 2024 compared to the previous year, primarily related to income from assets financed by connection fees. Revenue from connection fees is systematically recognized over the useful life of the related assets, with fees collected from customers recorded as deferred income and recognized as revenue in parallel with the depreciation of the associated connections.



Report by Independent Auditors

To the owner of HEP-Operator distribucijskog sustava d.o.o.

Audit report on annual financial statements Opinion

We have audited the annual financial statements of HEP-Operator distribucijskog sustava d.o.o., Zagreb, Ulica grada Vukovara 37 ("the Company") for the year ended 31 December 2024, which consist of the Statement of financial position as at 31 December 2024, Statement of profit or loss, Statement of other comprehensive income, Statement of cash flows and Statement of changes in equity for the year then ended, as well as the corresponding Notes to financial statements, including a summary of significant accounting policies.

In our opinion, the attached annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS).

Basis for Opinion

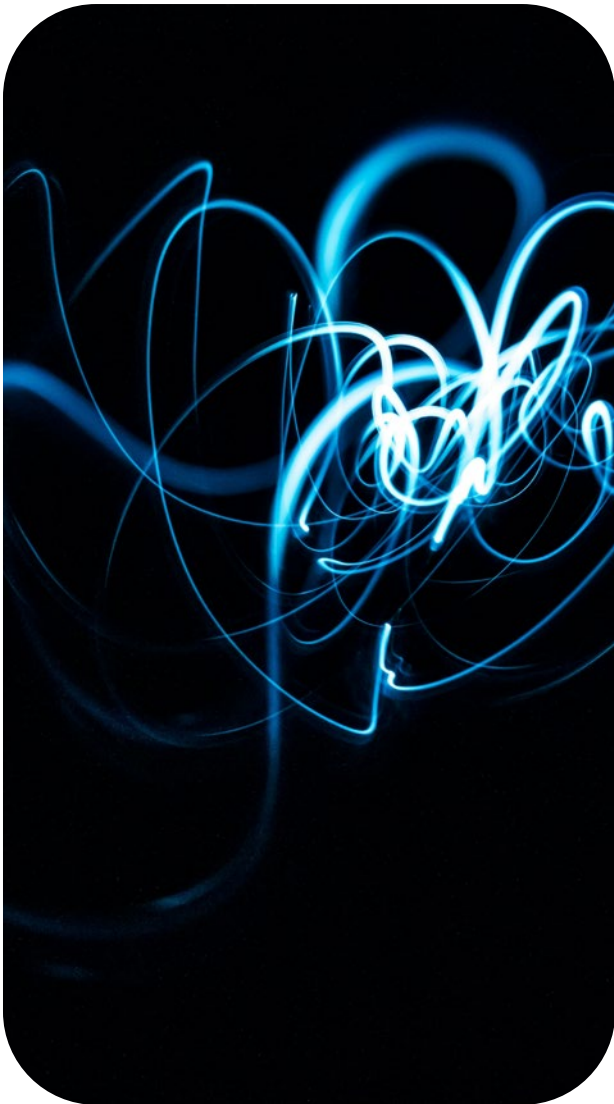
We conducted our audit in accordance with International Auditing Standards (IAS). Our responsibilities under these standards are further described in our Auditor's Report under section *Auditor's Responsibilities for the Audit of Financial Statements*. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the International Ethics Standards Board for Accountants (IESBA) (IESBA Code) and ethical requirements relevant to our audit of the financial statements in the Republic of Croatia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have

obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined that the following matters are the key audit matters to be disclosed in our Independent Auditor's Report.



Key audit matter	How the key audit matter was addressed
Recognition of operating income from sale Operating income is mostly generated based on the distribution network usage fee and connection charges. Income consists of the fair value of compensation received or receivables for products sold, goods and services performed in the regular course of business. The Company recognizes revenue when the amount of revenue can be reliably measured, when the Company has future economic benefits and when specific criteria for the Company's activity are met. Income is subject to significant risk due to the complexity of the system for recording, identifying and recognizing income. In our opinion, given the materiality of the amount and the complexity of the accounting records, which indicate significant risks, the presentation and valuation of this item in the Statement of Profit or Loss is a key audit matter.	Our audit procedures included: ▪ Examination of design, implementation and effectiveness of internal controls related to the cycle of revenue recognition and evaluated controls in IT systems that support revenue entries; ▪ Assessing the revenue recognition policy, including whether the policy is consistent with IFRS 15; ▪ Testing income account entries with the aim of identifying unusual or irregular items; ▪ Conduct of detail tests on the selected sample, in order to make sure of the accuracy of income calculation and the correctness of their recognition in the accounting period; ▪ We considered the security and consistency of the transfer of financial information to the business books and conducted tests of controls of operating income; ▪ Checking, on the basis of the sample, the correctness of the statement of income for the corresponding periods; ▪ Comparison of received external confirmations of the amount of open trade receivables on the reporting date and the balance shown in the Company's business books on the same date; Through our audit procedures, we have made sure that sales revenues in all materially significant terms have been recorded and published in accordance with International Financial Reporting Standards.

Key audit matter

How the key audit matter was addressed

In its annual financial statements as of 31 December 2024, the Company reported assets under construction and advances in the amount of EUR 212,900 thousand (31 December 2023 in the amount of EUR 166,512 thousand) (see Note 14). For more detailed information, see Note 2 Property, plant and equipment, 3 Key accounting judgments and estimates and Note 14 Assets under construction and advances.

Valuation of assets under construction and advances

One of the basic tasks of the Company is the maintenance, development and construction of the distribution network for reliable and sufficient supply of users. Investments in the distribution network are based on the ten-year development plan. These are multi-year, technically complex projects of great financial value, the completion of which within the planned time and financial framework depends, among other things, on coordination with HEP d.d. and the Croatian transmission system operator d.o.o., Zagreb regarding the dynamics of construction and financing. This also affects the complexity of activating the investment and the start of the depreciation calculation.

In our opinion, given the materiality of the amount and the complexity of these assets as a key material resource in Company operations and the complexity of accounting records (procurement, depreciation calculation, metering. Capitalizatio of maintenance costs, etc.), the valuation of this item in the Statement of Financial Position represents a key audit matter.

Our audit procedures included, among others:

- The analysis of the minutes of the Management Board and the Supervisory Board meetings regarding information related to investment plans and decisions on investment projects;
- Assessment of compliance of the policy of recognition of real property, plants and equipment with relevant financial reporting standards;
- Review of investment projects according to the selected sample by reviewing contracts, incoming invoices and records of deliveries;
- The anysis of the explanations of expert departments on the current status and expected completion of ongoing investment projects;
- The review of the required disclosures related to property, plants and equipment in the financial statements to determine their accuracy and completeness

Through our audit procedures, we have made sure that the asset in preparation in all materially significant terms have been recorded and published in accordance with International Financial Reporting Standards.

statements does not include other information. In relation with our audit of the annual financial statements, it is our responsibility is to read other information and, in doing so, consider whether said other information is materially inconsistent with the annual financial statements or with our knowledge obtained during the audit or otherwise appears to be materially misstated.

Regarding the Management Report, we also carried out the procedures prescribed by the Accounting Act. These procedures verify the harmonization of the Management Report with Article 24 of the Accounting Act.

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

1. information in the attached Management Report is harmonized, in all significant aspects, with the attached financial statements;
2. the attached Management Report prepared in accordance with Article 24 of the Accounting Act.

Based on the knowledge and understanding of the Company's operations and its environment acquired within the framework of the audit of financial statements, we are obliged to report if we have established any significant misstatements in Other Information. In this sense, we have nothing to report.

Responsibilities of the Management and those Charged with Governance for Annual Financial Reports

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

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

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

Responsibilities of Auditor for the Audit of Annual Financial Statements

Our objectives are to obtain reasonable assurance whether the consolidated annual financial statements as a whole are free from material misstatement, 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 is not a guarantee that an audit conducted in accordance with IAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements.

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

- identify and assess the risks of material misstatement of the consolidated 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls;
- evaluate the appropriateness of accounting policies used and prudence 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

Other Information in the Annual Report

The Management is responsible for other information. Other information include information contained in the Annual Report, but do not include the annual financial statements and our Independent auditor's report thereon. Our opinion on the annual financial

or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated 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 consolidated annual financial statements, including disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

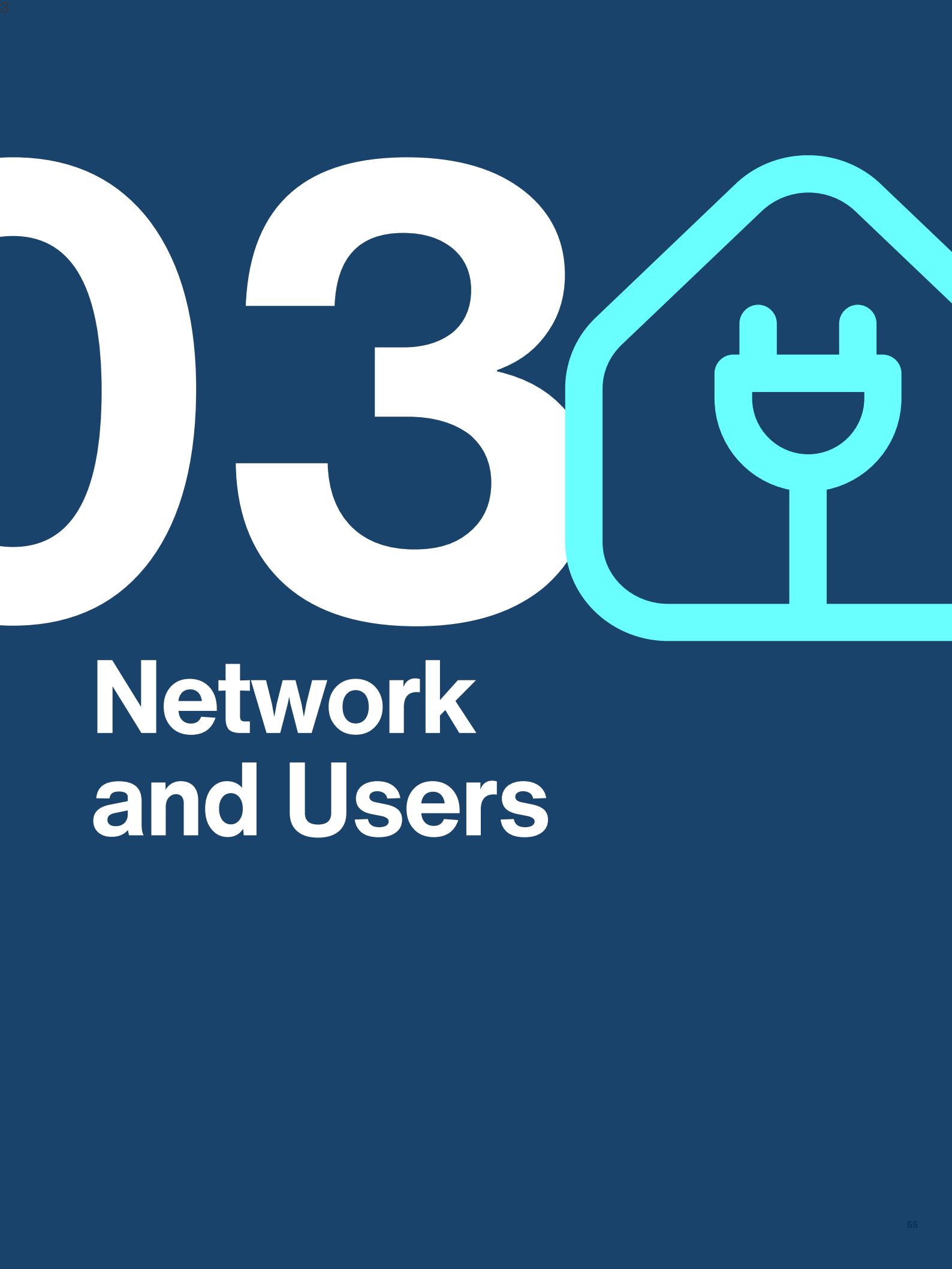
Among the matters communicated with those charged with governance, we define those that were of the highest significance in the audit of the consolidated annual financial statements of the current period and are therefore considered key audit matters. We describe these matters in our Independent Auditor’s report unless law or

regulation precludes public disclosure thereof or when, in extremely rare circumstances, we determine that a matter should not be communicated in our Independent Auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Report based on the requirements of the Regulation (EU) No.537/2014

1. Based on the proposal of the Management and Supervisory Board, we were appointed auditors of the 2024 annual financial statements by the Company's Assembly on 25 September 2024, which represents our third year of engagement.
2. Our audit opinion is consistent with the additional report for the Audit Committee of the Company drawn up in accordance with the provisions of Article 11 of the Regulation (EU) No. 537/2014.
3. During the period between the initial date of the Company's audited financial statements for the year 2024 and the date of this Report, we did not provide prohibited non-audit services to the Company, and we did not provide design and implementation services for internal control procedures or risk management related to the preparation and/or or the control of financial information or the design and implementation of technological systems for financial information, and in performing the audit we preserved independence in relation to the Company.



Network and Users

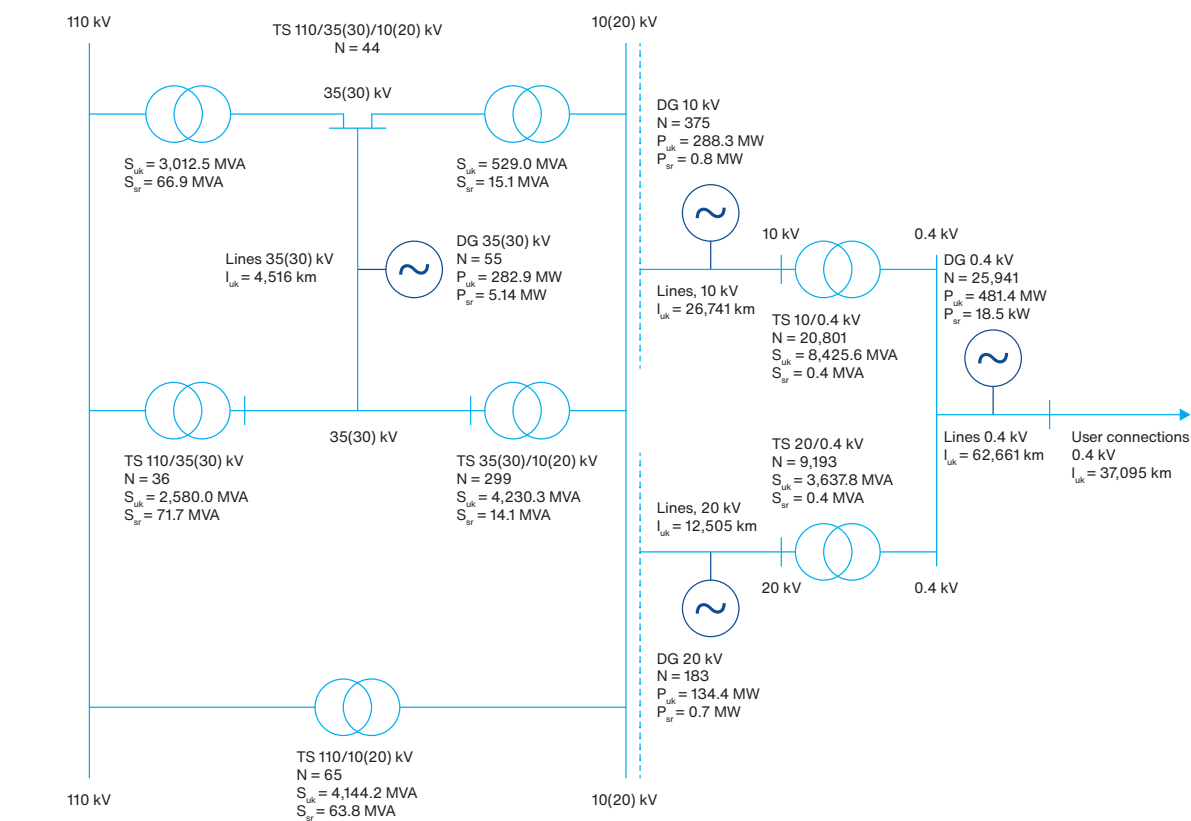
In Zagreb, 30 April 2025

PKF FACT revizija d.o.o.
Zadarska ulica 80
10000 Zagreb

Moore Audit Croatia d.o.o.
Trg Johna Fitzgeralda Kennedyja 6B
10000 Zagreb

Key Performance Indicators of Distribution Network

Distribution Network of the Republic of Croatia



* Data on transformers owned by HOPS and network users is not shown in the picture

The distribution network of HEP ODS consists of transformer stations at the interface with the transmission network, medium-voltage lines, medium- and low-voltage transformer stations, the low-voltage network and connections to including billing metering points at the interface with users of the distribution network.

large difference between individual distribution areas, in terms of the number of users, the amount and nature of electricity demand, spatial distribution, level of construction and a degree of technological development of plants and networks.

HEP ODS is organized within 21 distribution areas divided into 129 field units and four regional groups: North, East, West and South.

The distribution network of HEP ODS consists of 4,515.5 km of 35(30) kV power lines, 39,245.3 km of 10(20) kV power lines, 62,661 km of 0.4 kV power lines and 37,095.0 km of household connections.

There is a total of 27,361 transformer stations in the distribution network, including facilities jointly owned by HOPS and network users, with a total installed capacity of 24,171 MVA.

Distribution Network Data

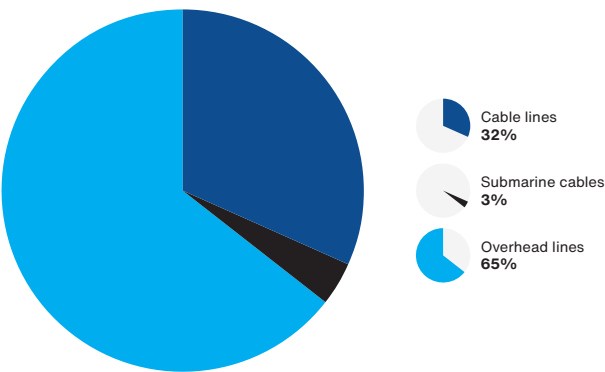
- HEP ODS is responsible for the operation, development, maintenance and management of the distribution network in the Republic of Croatia, which includes:
- 56,594 square kilometres of surface area,
 - 3,888,529 inhabitants (according to the 2021 census),
 - 555 local self-government units organized in 20 counties, 127 cities and 428 municipalities.

Due to the geographic location of the Republic of Croatia, the distribution network is characterized by a

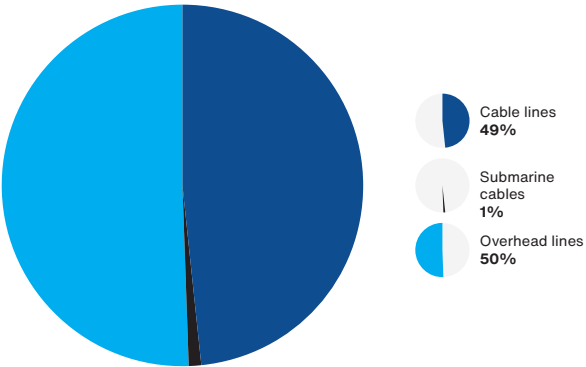
Length of Distribution Network

Voltage level	Overhead lines (km)	Cable lines (km)	Submarine cables (km)	Total (km)
35(30) kV lines	2,920.1	1,437.1	158.3	4,515.5
20 kV lines	5,375.1	7,129.8	17.1	12,522.0
10 kV lines	14,529.5	11,953.9	240.0	26,723.4
Low voltage network	43,116.0	19,545.0		62,661.0
Household connections	22,628.0	14,467.1		37,095.0
Total	88,568.7	54,532.9	415.4	143,516.9

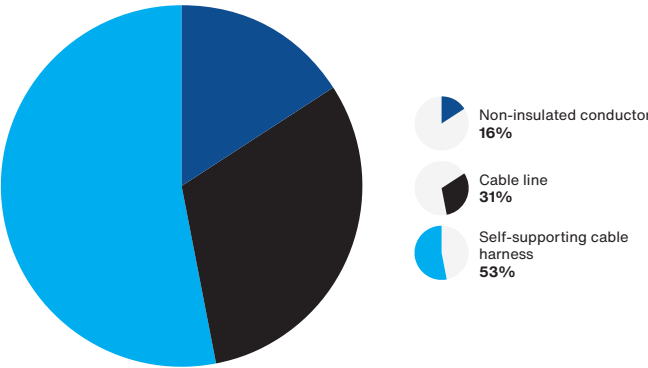
35(30) kV network – 4,515.5 km



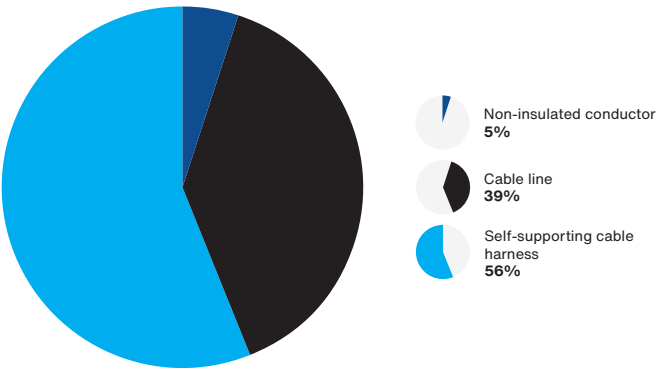
10(20) kV network – 39,254.4 km



Low voltage network – 62,661.0 km



Household connections – 37,095.0 km



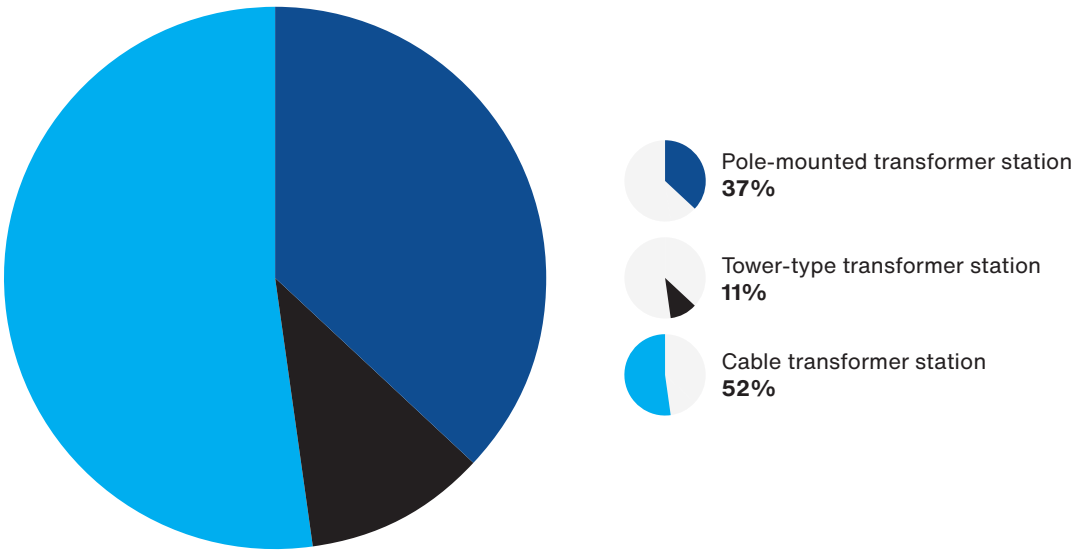
Transformer Stations

Voltage level	No. of TS	Installed transformation capacity (MVA)
110/35(30) kV TS	36	2,580.0
110/35(30)/10(20) kV TS	44	3,541.5
110/10(20) kV TS	65	4,144.25
35(30)/10(20) kV TS	299	4,230.25
10(20)/0.4 kV TS	26,917	9,675
Total	27,361	24,171

The table shows data on the supply points of the distribution network, i.e. transformer stations in operation, higher 110 kV and 35 kV voltage levels,

owned by HEP ODS as well as data on 10(20)/0.4 kV transformer stations in operation, owned by HEP ODS.

10(20)/0.4 kV transformer stations – 26,917



Assets and Investments

Investments

HEP ODS is obligated to operate and maintain, build and modernize, improve and develop the distribution network, with the aim of safe, reliable and efficient operation of the distribution system and distribution of electricity.

HEP ODS communicates its business objectives and investment strategy for the development of the distribution network through the published Ten-Year Distribution Network Development Plans available on the HEP ODS website.

In 2024, investment activities continued to reflect the trend of increased economic activity, particularly in construction, municipal infrastructure renovation, and projects in the field of distributed energy sources. At the same time, the Government of the Republic of Croatia’s support measures for citizens and the economy were still in effect, including restrictions on changes to electricity prices. Despite these challenging financial conditions, regular investments in the renewal and development of the network continued, along with extraordinary investments in the final phase of rehabilitation of earthquake damage in the Petrinja, Sisak, and Zagreb areas and in repairing damage caused by extreme weather events in 2023 and 2024. After several years of project preparation and the signing of an agreement with the implementing body (Environmental Protection and Energy Efficiency Fund), project activities co-financed through the National Recovery and Resilience Plan (NPOO RH 2021–2026) were launched.

Increased activity by investors in construction, tourism, and distributed energy directly influenced the intensity of HEP ODS’s efforts in network expansion and reinforcement, construction and renovation of power facilities, project planning,

preparation and organization of human and material resources, and efficient project management. Total investments in the electricity distribution network and the business infrastructure necessary for carrying out electricity distribution activities amounted to EUR 214.0 million.

Capital Investments

Capital investments in HEP ODS are strategically important, multi-year complex projects of great financial value that create the prerequisites for long-term development, capacity increase and reliable operation of the electricity distribution network. The projects include the revitalization, reconstruction or construction of individual MV transformer stations and main medium-voltage lines.

In 2024, capital investments focused on the completion of three major projects for new 110/x kV transformer stations, the completion of several reconstructions of transformer stations—specifically medium-voltage network connection points—and the continuation of projects for construction and equipment of key transformer stations as well as the construction and refurbishment of medium-voltage main lines and cable junctions.

During the year, 14 capital projects were completed, with a total value exceeding EUR 30.0 million. In 2024, notable capital projects included:

- 110/30(20) – 30/10(20) kV Kapela TS – completion of a new transformer station to supply Murter, Pirovac, part of the Šibenik hinterland, and to support the Vodice area.
- 110/10(20) kV Terminal (Split) TS – completion of a new transformer station to supply the eastern part of Split.
- 110/10(20) kV Poličnik TS – completion of a new transformer station in the Zadar hinterland, addressing network demand and relieving existing stations in Zadar city.
- 110/35/20/10(20) kV Našice TS – reconstruction of a key transformer station to supply the broader Našice area and enable reconfiguration and improved medium-voltage network efficiency.

- 110/10(20) kV Zamošće TS – start of construction of a new transformer station to ensure reliable supply to the Pelješac bridge, tunnel, and access roads, and improve supply security for Orebić and Korčula.

Additionally, work continued on the network restoration programme for Vukovar’s communal and energy infrastructure.

Total investments in capital projects for 2024 amounted to approximately EUR 19.0 million.

Other Investments

Due to the great length of the electricity distribution network, the large number of transformer stations and more than 2.5 million users (according to the number of billing metering points), HEP ODS carries out a large number of activities every year to develop and maintain the network and the necessary business infrastructure. A large number of individual projects included in the annual investment plan are organized into investment programmes. Investment programmes are grouped according to the business goals to which the investments in question contribute the most. In 2023, more than EUR 53.6 million was invested in regular investment programmes in the electricity distribution network and business infrastructure.

In 2024, under the programs for regular investments in the electricity distribution network and business infrastructure (excluding capital projects and investments financed from connection fees or customer capacity increases), approximately EUR 114.0 million was invested.

In 2024, activities on other investments were carried out within the following investment programmes and programme groups:

- Construction of medium- and low-voltage facilities to increase capacity, address voltage issues, and improve supply security
- Revitalization of aging equipment
- Conversion of the medium-voltage network to 20 kV operational voltage – final phase

- Rehabilitation and reconstruction of metering points and connections
- Investments in measuring devices and infrastructure
- Investments in the implementation of the Advanced Network
- Investments in business infrastructure.

Additional investment programmes are introduced as needed and according to business circumstances. In 2024, more than EUR 4.0 million was invested through special programmes:

- Vukovar Programme – electricity component of the broader infrastructure reconstruction programme in Vukovar
- Programmes for remediation of earthquake damages in Zagreb and Sisak-Moslavina County
- Programmes for remediation of damage from natural disasters in the areas of Elektra Križ and Elektra Vinkovci.

Investments in Electricity Conditions and Connections

On average, 30–40% of HEP ODS’s planned annual investments are allocated to electrical infrastructure and new connections. These investments are unique because they are initiated and executed based on the immediate needs of network users and are heavily influenced by economic trends, the business environment, and the implementation of state development policies.

In 2024, there was a marked increase in connection requests for distributed energy sources and a growing need for new connections and enhanced connection capacity. This trend reflects the accelerated integration of renewable energy sources as well as increased economic activity, particularly in tourist areas, which further stresses the development capacities of the distribution network.

In 2024, more than EUR 90.4 million was invested in creating electrical infrastructure for connections and new installations, including the replacement and reconstruction of:

- Low-voltage lines (network and underground cable): 47.3 km
- Medium-voltage lines (OHL and 10(20) kV underground cable): 6.6 km
- 10(20)/0.4 kV substations: 3 units.

Additionally, new construction included:

- Low-voltage lines (network and underground cable): 860.0 km
- Medium-voltage lines (OHL and 10(20) kV underground cable): 446.2 km
- 10(20)/0.4 kV substations: 254 units.

The total number of metering points on the distribution network at the end of 2024 reached 2,575,510, an increase of 31,528 points (≈1.2%) compared to the previous year.



In 2024, under the programs for regular investments in the electricity distribution network and business infrastructure (excluding capital projects and investments financed from connection fees or customer capacity increases), approximately

EUR 114.0 million

was invested.

Planning and Development of Distribution Network

Studies of Long-Term Development of Distribution Network

HEP ODS prepares studies of long-term development of the distribution network, taking the 20-year period as a basis for making multi-year development plans, which further analyze the current state of the network and, based on the load increase projection, propose long-term network development in accordance with the adopted criteria and approach to development planning.

Development studies are made systematically in line with the adopted procedure and a uniform study task for each distribution area or, depending on the size and complexity of the distribution network, a section of the distribution area.

The first cycle of 26 development studies was carried out in the period from 2009 to 2021. This was a deep and planned uniform approach to long-term development of the entire distribution network in Croatia.

Before launching a new cycle of network development studies, based on the experiences gained through these 26 study documents and the knowledge obtained through several systematic studies to improve the planning process, the study procedure will be adjusted and improved, and newly developed methodologies and models included in the study task. Up to 2024, research activities were carried out within several studies which results are highly significant for the future operations of HEP ODS.

At the end of 2023, a research project titled “Professional and Scientific Support for the Preparation of the First Group of the Second Cycle of Distribution Network Development Studies” was

contracted and largely implemented during 2024. Its primary objective was to assess, through a pilot study based on the Elektra Čakovec network, the feasibility and optimal scope of analyses initially envisaged in the study assignment for the second cycle of studies.

In addition, the study further develops analytical models and conducts assessments that serve as input data for the preparation of future development studies. Based on the findings and conclusions of the above-mentioned research, the launch of the first group of the second cycle of distribution network development studies is planned.

Ten-Year Distribution Network Development Plan

The Electricity Market Act clearly defines the responsibility and duty of the distribution system operator in distribution network development planning:

- HEP ODS is responsible for the development of the distribution network, which ensures the long-term ability of the distribution network to meet reasonable electricity distribution requirements.

- Duty of HEP ODS is to manage and maintain, build and modernize, improve and develop the distribution network with the aim of safe, reliable and efficient operation of the distribution system and distribution of electricity.

- *Distribution system Grid Code* which, with the prior consent of the Croatian Energy Regulatory Agency, is adopted by HEP ODS, sets the methodology and criteria for distribution network development planning.

- Duty of HEP ODS is to adopt and publish, with the prior approval of the Croatian Energy Regulatory Agency, an updated ten-year distribution network development plan.

HEP ODS bases ten-year distribution network development plans with a detailed elaboration for the initial three-year and one-year periods on the results of distribution network development studies of individual distribution areas, data on the current state of the network and planned investments combined in the HEP ODS Development Planning application.

In doing so, the experience gained through previous multi-year plans, as well as the expert opinions of HERA, are taken into account. In 2024, a ten-year distribution network development plan proposal (2025-2034) was drafted. Having gained the approval from the Croatian Energy Regulatory Agency, said Plan was published on the HEP ODS website.

Preparation and Transition of the MV Network to 20 kV Operating Voltage

The transition from the existing 110-35-10-0.4 kV four-voltage to the 110-20-0.4 kV three-voltage distribution system has been the subject of numerous development studies since the mid 1960s.

In the short term, the transition of the sections of the 10 kV distribution network to a 20 kV operating voltage leads to the rehabilitation of voltage conditions in the medium voltage network, thus doubling the transmission capacities and reducing capacity losses and voltage drops four times without major constructions.

In the mid 1980s, a strategic decision was made to install MV facilities with a nominal 20 kV voltage and to build 20 kV voltage lines (overhead and cables), regardless of direct 10 kV voltage operation. In late 2024, about 32% of MV lines and over 31% of MV/LV substations operated at 20 kV.

Elektra Sisak was the first area which fully introduced the operation of the medium voltage network at 20 kV abandoning the 10 kV voltage operation.

Subject to favourable implementation conditions, by the end of 2025 there is a possibility of converting almost the entire Elektroprimorje Rijeka network from 10 kV operating voltage to 20 kV operating voltage. Distribution areas with a high share of network already operating at 20 kV also include: Elektra Zagreb, Elektra Zabok, Elektra Koprivnica, Elektra Vinkovci and Elektroistra Pula.

Distributed Production

The increasing trend of power plant grid connection, especially of small solar power plants for which the connection procedure is simplified, and which are built as simple structures, continued during 2024. Among them, the users of self-supply facilities and end customers with their own production account for the major share, delivering surplus electricity to the grid.

The total electricity delivered to the distribution network from power plants in 2024 amounted to 1,965.42 GWh. Electricity generated from power plants accounted for approximately 12.48% of the total electricity consumption of customers connected to the distribution network.

The largest number of newly connected facilities were solar power plants in the category of self-consumption customers. As of 31 December 2024, a total of 20,055 producers with the status of self-consumption customers were connected to the network of HEP ODS, with a total connected capacity of 154,861.83 kW.

Power Plants Connected to the Distribution Network

Primary sources	No. of connections		Connection capacity (kW)		Total		Electricity produced in 2024 (kWh)
	LV	MV	LV	MV	No.of connections	Connection capacity (kW)	
Sun	25,847	485	469,798	330,344	26,332	800,142	550,417
Wind		9		91,250	9	91,250	197,373
Biomass	10	36	4,334	97,648	46	101,982	610,907
Water	19	28	3,281	73,022	47	76,303	274,640
Geothermal		1		10,000	1	10,000	-
Other	14	63	3,789	93,843	77	97,632	332,081
Total	25,890	622	481,202	696,107	26,512	1,177,309	1,965,418

Power Plants by Voltage Levels

Voltage level (kV)	No. of power plants	Connection capacity (kW)
0.4	25,890	481,202
3	2	7,200
10	182	132,894
20	3	21,618
30	52	261,245
35	2	7,200
Total	26,512	1,177,309

Power Plants by Distribution Areas

Distribution area	No. of power plants	Connection capacity [kW]
Elektra Zagreb	4,570	125,031
Elektra Zabok	983	29,969
Elektra Varaždin	1,498	70,208
Elektra Čakovec	1,260	62,135
Elektra Koprivnica	946	50,244
Elektra Bjelovar	812	43,143
Elektra Križ	935	43,975
Elektroslavonija Osijek	2,001	111,138
Elektra Vinkovci	1,288	58,294
Elektra Slavonski Brod	767	32,903
Elektroistra Pula	1,847	40,979
Elektroprimorje Rijeka	2,193	63,703
Elektrodalmacija Split	2,421	96,904
Elektra Zadar	1,189	68,913
Elektra Šibenik	971	131,763
Elektrojug Dubrovnik	464	6,696
Elektra Karlovac	835	44,532
Elektra Sisak	554	20,470
Elektrolika Gospić	280	17,783
Elektra Virovitica	379	48,505
Elektra Požega	319	10,019
Total	26,512	1,177,309

Operation of Distribution Network

Reliability of Supply

In 2024, HEP ODS continued the systematic implementation of activities aimed at reducing the number and duration of power supply interruptions.

Ongoing efforts include optimization of the system management function, improved coordination between control centres and field units, and the application of best operational practices. In 2024, these activities were further enhanced through continued use of the System Operation Management Application. A key element is the analysis of supply interruptions using dedicated software support (the DISPO application) for monitoring supply reliability, adapting key performance indicator methodologies to improve reliability, and integrating the DISPO application with HEP ODS information systems—all with the objective of digitalizing distribution network management processes.

HEP ODS continuously invests in process, information, and communication systems, as well as in active cooperation with the transmission system operator and network users. These efforts aim to create the prerequisites for utilizing distribution flexibility and providing ancillary services to the system, thereby further enhancing supply reliability.

Following the preparation and adoption in 2023—together with the Hrvoje Požar Energy Institute—of two studies (*Professional and Scientific Support for the Introduction of Congestion Management in the Distribution Network in the Republic of Croatia* and *Professional and Scientific Support for the Introduction of Non-Frequency Ancillary Services for the Distribution System in the Republic of Croatia*), in 2024 HEP ODS drafted the *Rules on Non-Frequency Ancillary Services for the Distribution System* and the *Rules on Congestion Management in the Distribution System*, which are currently pending approval by the Croatian Energy Regulatory Agency – HERA.

Activities were also carried out to enhance the security level of the process network and to ensure communication prerequisites for the integration of process-information systems used for network monitoring and control.

In 2024, the following activities were carried out within the framework of the National Recovery and Resilience Plan (NPOO) project:

- Integration of the central SCADA systems of twenty-one distribution areas and establishment of prerequisites for platformization, including the development of a unified process information system of HEP ODS, ready for integration with other technical databases, along with the modernization of existing systems in primary distribution facilities.
- Modernization, expansion, and integration of existing communication infrastructures to ensure secure and reliable operation of the entire HEP ODS distribution network.
- Automation of existing switchgear facilities and distribution transformer stations in the medium-voltage network to increase the flexibility and operational efficiency of medium-voltage distribution network management.

Peak Load

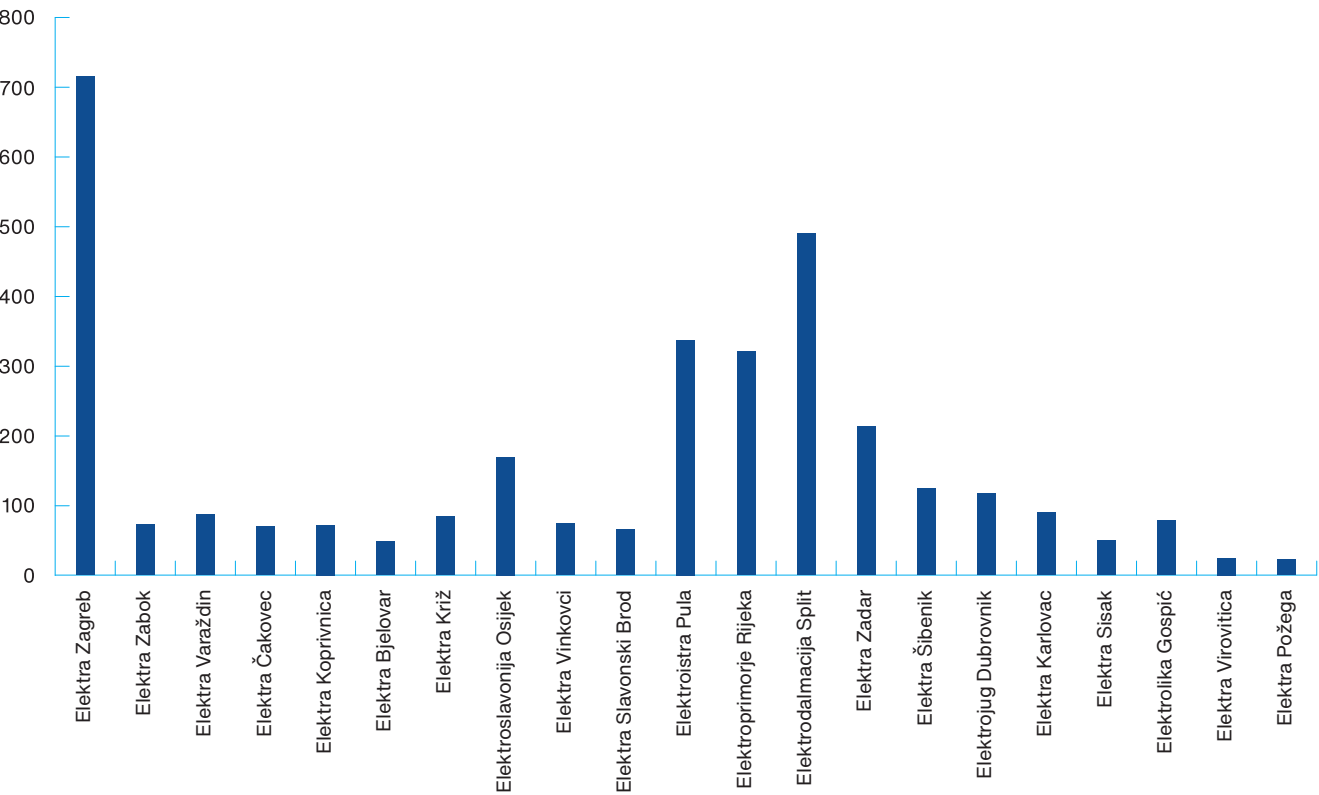
The peak load of the distribution system, i.e. the load of system components, represents important data for optimal management of the distribution network.

The maximum total load of the distribution system in 2024 was recorded on 17 July 2024 at 1:15 pm, reaching 3,174 MW, of which 88% was supplied from the transmission network. Most distribution areas recorded higher peak loads compared to 2023, while at the level of the overall distribution system, the peak load increased by 1% year-on-year. A noticeable trend continues in which distribution areas in continental Croatia now reach their annual peak load during the summer months rather than in winter, primarily due to extreme summer heat and milder winters.

Peak Loads of Distribution Areas

Distribution area	Capacity (MW)	Reached on
Elektra Zagreb	715	12/7/2024
Elektra Zabok	77	13/12/2024
Elektra Varaždin	96	22/11/2024
Elektra Čakovec	80	22/11/2024
Elektra Koprivnica	75	11/7/2024
Elektra Bjelovar	54	29/8/2024
Elektra Križ	84	11/7/2024
Elektroslavonija Osijek	170	16/7/2024
Elektra Vinkovci	91	16/7/2024
Elektra Slavonski Brod	73	16/7/2024
Elektroistra Pula	324	13/8/2024
Elektroprimorje Rijeka	320	19/7/2024
Elektrodalmacija Split	490	18/7/2024
Elektra Zadar	258	18/7/2024
Elektra Šibenik	122	16/8/2024
Elektrojug Dubrovnik	121	18/7/2024
Elektra Karlovac	100	10/12/2024
Elektra Sisak	59	11/1/2024
Elektrolika Gospić	79	19/7/2024
Elektra Virovitica	31	17/7/2024
Elektra Požega	24	16/7/2024
HEP ODS	3,174.0	17/7/2024

Peak Loads of Distribution Areas



Indicators of Electricity Supply Reliability in Distribution Network and Overview of Outages

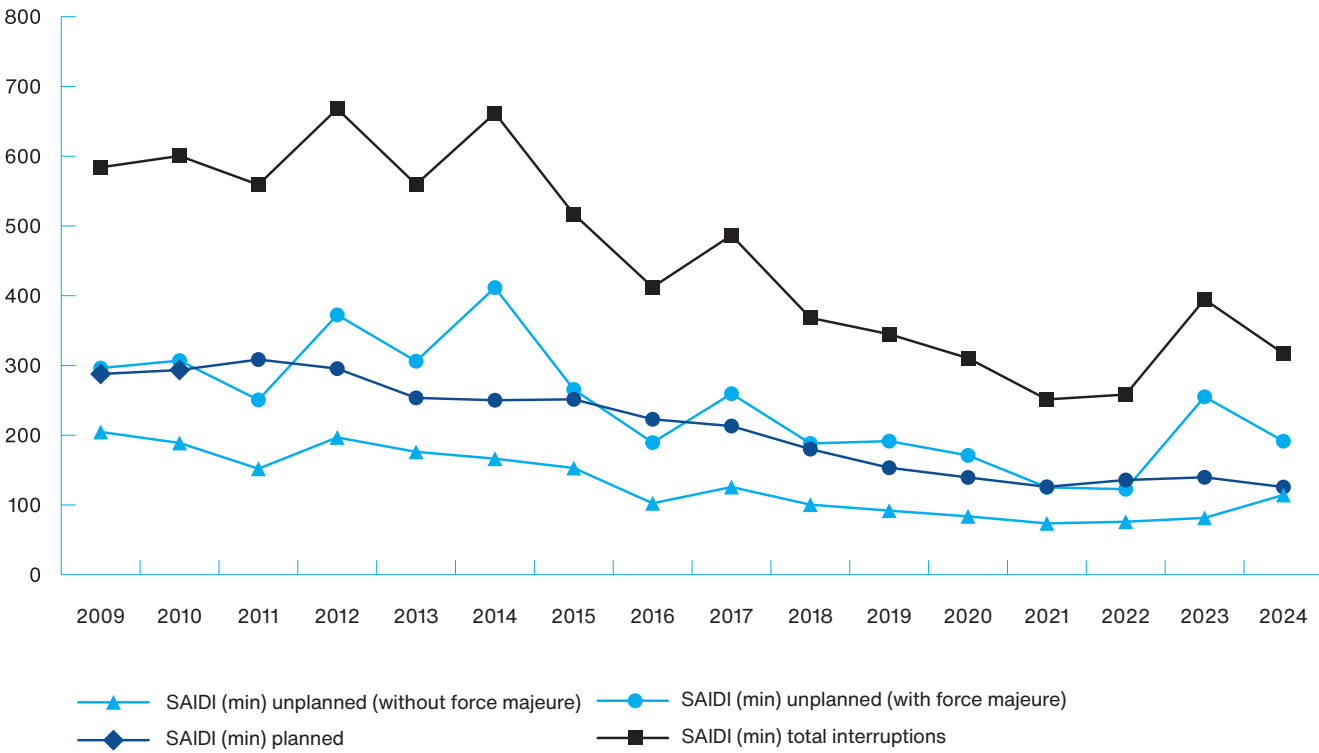
Continuous investment in power plants and the network, as well as automation systems for network elements, has enabled the improvement of electricity supply reliability indicators. Special attention has been paid to the organization and coordination of works, which has been further enhanced by the introduction of the System Operation Application and the

improvement of the software support for monitoring power supply reliability (DISPO application).

Despite an increased number of planned activities, effective organization and coordination of works resulted in a lower number and shorter duration of planned power outages compared to the previous year, thus continuing the positive trend in performance indicators related to planned interruptions. Although weather conditions in 2024 were unfavourable, the deep automation of the 10(20) kV network and the deployment of new, more advanced network components led to improved reliability indicators for unplanned outages.

The multi-year trend analysis of supply reliability indicators shows a slight upward trend.

SAIDI by Years – Planned and Unplanned



The SAIDI indicator (System Average Interruption Duration Index) represents the average duration of power interruptions per customer. Two main categories of outages are monitored: planned and unplanned. The graph shows an improvement in the SAIDI reliability indicator compared to the previous year, while fluctuations are noticeable in the segment of unplanned outages, particularly between those caused by force majeure events and those without force majeure. The main reason for this is more favourable weather conditions. For network users, the most relevant indicator is the total SAIDI, which shows a continuous improvement trend. In 2024, the total SAIDI amounted to 317.08 minutes.

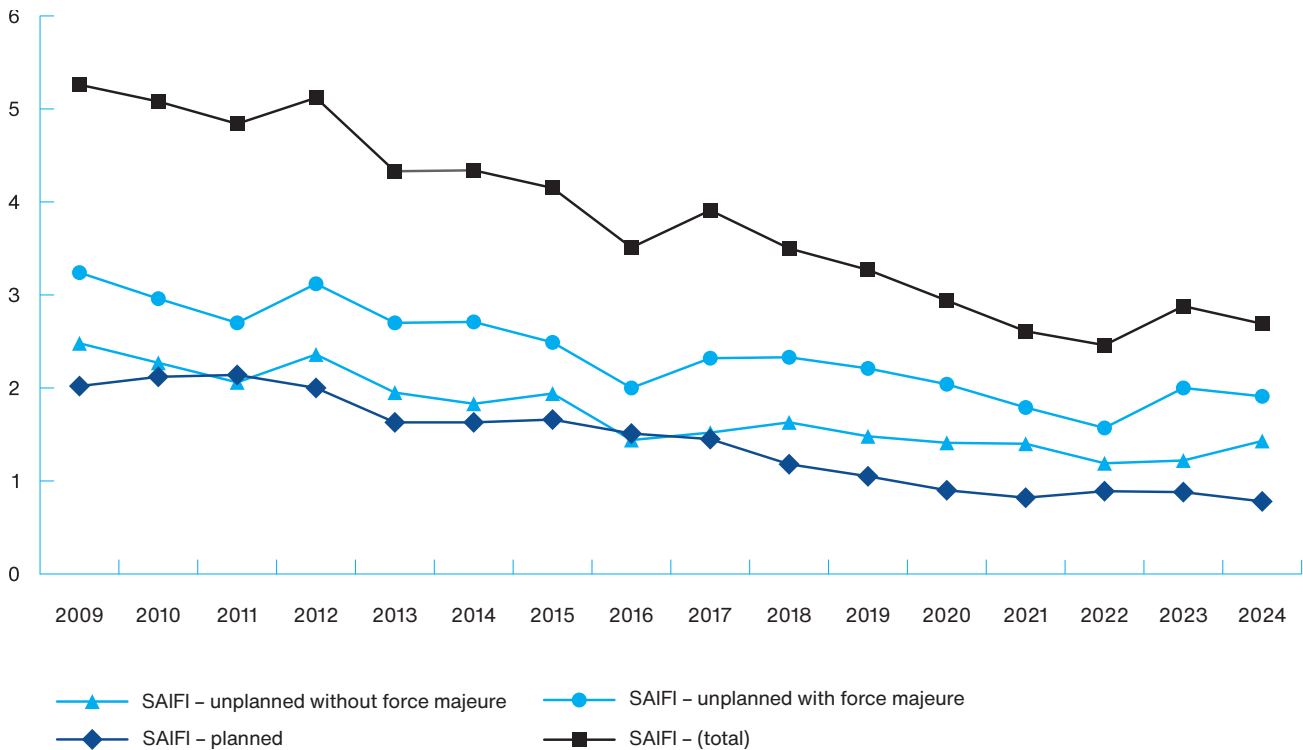
In 2024, regular and preventive maintenance activities continued, along with activities under the Advanced Networks Pilot Project, network and facility reconstructions, and the transition to 20 kV operating voltage. These were carried out with improved coordination of field units and increased application

of live-line working methods. Despite unfavorable climatic conditions during the year, planned works were maintained at the expected level, confirming the stability of the indicator trends.

The higher values of the SAIDI (unplanned, without force majeure) indicator are attributable to more complex faults in the distribution network, which require longer repair times.

Thanks to continuous investments in the network, further deep-level automation, and ongoing regular and preventive maintenance, the average interruption duration per customer in the observed period was slightly lower than in the previous year.

SAIFI by Years



The SAIFI indicator (System Average Interruption Frequency Index) represents the average number of interruptions per customer. Two main categories of outages are monitored: planned and unplanned. The graph shows an improvement in the SAIFI indicator compared to 2023, meaning that the average number of power interruptions per customer has decreased. The total SAIFI for 2024 amounted to 2.69 interruptions per customer.

Systematic activities in regular and preventive maintenance of network components have a positive long-term impact on reducing the number of unplanned outages. In addition, the increasingly frequent application of live-line working methods has contributed to a reduction in the number of planned interruptions.

Major Disruption-Related Data

The main causes of electricity supply disruptions are planned and unplanned outages of parts of the distribution network. Unplanned interruptions are most frequently caused by natural disasters and force majeure events.

A particularly notable factor has been the exceptionally high number of storms, often severe and destructive, accompanied by strong winds affecting large areas and causing numerous network failures throughout all seasons.

However, when observing 2024 as a whole, weather conditions were more favourable compared to previous years, which resulted in a reduction in both the number and duration of unplanned power interruptions.

1st quarter

In January, the areas of Elektra Zabok and Elektra Karlovac were hit by a severe snowstorm, resulting in an increased number of unplanned power outages. In mid-January, sea salt spray affected the Elektroprimorje Rijeka area, causing a higher number of supply interruptions.

On 11 February, due to a severe storm that caused the collapse of several medium-voltage (MV) poles and prevented repair works because of adverse weather conditions, the island of Kaprije was left without power for 39 hours.

On 17 January, a failure of a current measuring transformer led to the outage of a 35 kV radial line from HPP Miljacka to 35/10 kV Kistanje TS, leaving the wider Kistanje area without power for 15 hours. In February, a strong storm affected the Elektra Požega area, increasing the number of supply interruptions.

At the end of March, a severe storm hit the Elektra Križ area.

2nd quarter

In mid-April, a snowstorm affected the areas of Elektra Sisak and Elektra Karlovac, while at the end of April a thunderstorm struck the Elektrodalmacija Split area, causing an increased number of unplanned power outages.

On 21 June 2024 at 12:24 pm, according to available information from HEP ODS and ENTSO-E, a disturbance occurred in the operation of the power system, affecting several Southeast European countries: Bosnia and Herzegovina, Montenegro, Albania, and part of Croatia.

As a result, the disturbance caused supply interruptions for customers connected to the distribution network in the following areas: Elektrodalmacija Split, Elektrojug Dubrovnik, Elektra Šibenik, Elektra Zadar, Elektrolika Gospić, Elektra Slavonski Brod, Elektra Vinkovci, Elektra Požega and Elektroslavonija Osijek. The event affected 631,995 customers, resulting in a total of 74,582,442 customer interruption minutes and an estimated 1,449 MWh of undelivered electricity.

Additionally, due to a fault during works performed by HOPS d.d., the 110 kV busbars at 220/110/30 kV Bilice TS were disconnected. Consequently, the coastal part of the distribution network supplied from that substation in the Elektra Šibenik area was without power for 66 minutes.

3rd quarter

In July 2024, a severe storm affected a large part of the areas under the jurisdiction of Elektra Vinkovci, Elektra Požega, and Elektra Slavonski Brod. The storm caused extensive damage, particularly to the low-voltage network (roof-mounted service connections) and older 10(20) kV overhead lines. Activities aimed at repairing the damage and preventing similar incidents continued throughout the remainder of the year.

On 1 July, a storm accompanied by hail hit Bošnjaci and the southern part of the town of Županja. In July, due to a thunderstorm, the 110 kV transmission line Gojak–Oštarije tripped, resulting in a power outage affecting the wider area of the



The main causes of electricity supply disruptions are planned and unplanned outages of parts of the distribution network. Unplanned interruptions are most frequently caused by natural disasters and force majeure events.

town of Ogulin and the municipalities of Josipdol, Tounj, Plaški, and Saborsko, until the fault on the transmission line was cleared.

On 30 July, a wildfire broke out in the area of Ičevo, Bratiškovci, and Plastovo. Due to the proximity of the fire and firefighting activities, and at the request of the fire brigade, the affected consumption area was disconnected several times, for a total duration of approximately 40 hours.

Prolonged high temperatures, which significantly increased electricity consumption due to more intensive use of air conditioning and other cooling systems, combined with higher demand in tourist areas caused by a large number of visitors, created strong pressure on the power system. As a result, there was an increased number of outages caused by higher loading of certain parts of the network. In addition, frequent damage and interruptions of medium-voltage (MV) and low-voltage (LV) cable lines were recorded, primarily caused by construction activities.

4th quarter

In October, during the execution of planned works, a transient fault occurred, causing a 23-minute power outage in the area of Sveta Klara Field Unit and the western part of Novi Zagreb.

Also in October, due to a fire at a facility, the area of Velika Gorica Field Unit was left without power for 98 minutes.

At the end of December, a severe storm caused an increased number of unplanned outages in the area of Elektra Zadar.

On 23 December, parts of Elektra Požega and Elektroslavonija Osijek were hit by a snowstorm accompanied by strong winds. The restoration of electricity supply to all customers continued until the end of the year, while traces of damage remained present on several overhead line sections.

Also at the end of December, sea salt contamination (salt spray) caused an increased number of unplanned outages in the areas of Elektra Zadar, Elektrodalmacija Split, Elektrolika Gospić, and Elektroprimorje Rijeka.

Metering and Market Support

HEP ODS manages and carries out tasks related to metering devices and equipment, metering data, issuing invoices and collecting network usage fees, electricity market needs, energy balance and electricity losses in the distribution network, all with the goal of an efficient distribution system.

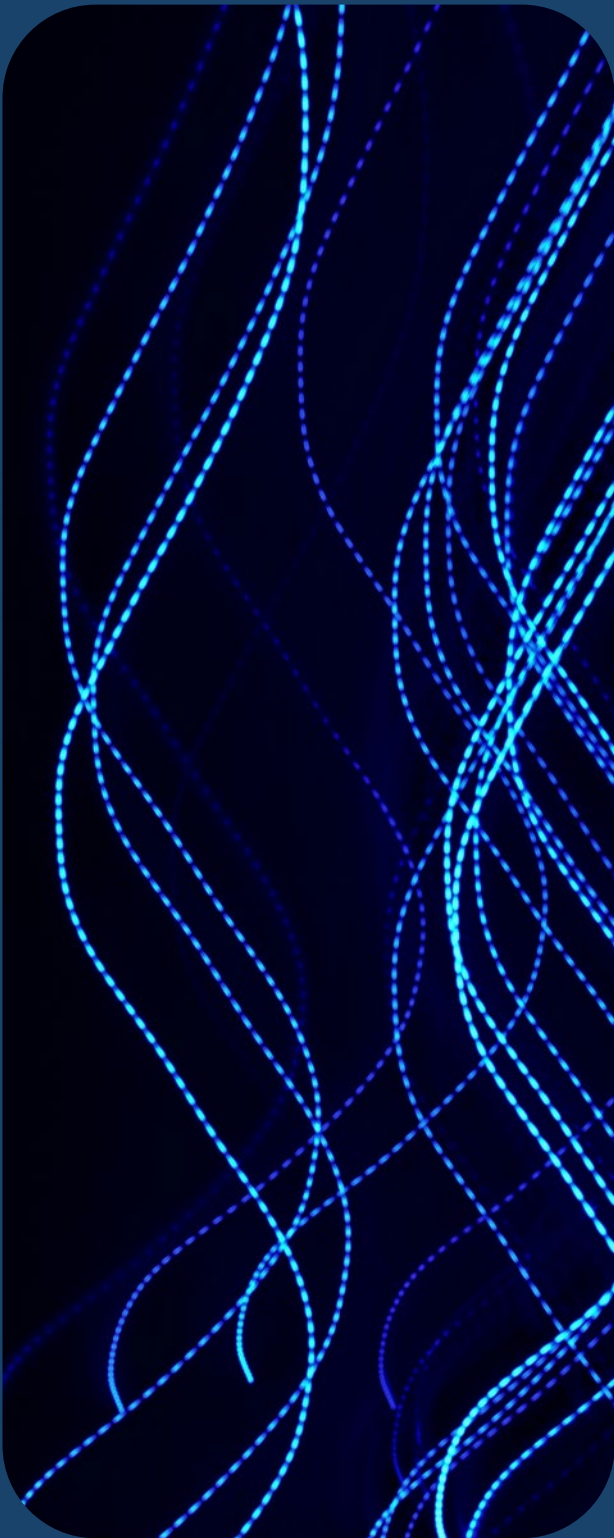
The implementation of the complex multi-year distribution network modernization project continued, with the aim of equipping all customer metering points with advanced smart meters by the end of 2029. In 2024, a total of approximately 253,930 new smart meters were installed. Currently, 780,228 meters, or 30.28% of the total number of meters in the distribution network, are being read via the remote metering system. The installation of smart meters improves various processes, including billing, temporary disconnection and reconnection of electricity supply, monitoring of contracted capacity exceedances, consumption imbalance control, supervision of metering point operation, and detection of unauthorized energy consumption.

The Metering and Market Support Sector manages the business process of issuing consolidated invoices to electricity suppliers for all metering points operating under the single-invoice model.

Continuous efforts are being made to improve business processes with market participants. Through the supplier switching interface, 28,010 supplier changes were completed in 2024.

A total of 349,030 requests from suppliers for temporary suspension of electricity delivery were received, and 25,346 temporary disconnections were executed during the year.

Total distribution losses amounted to 1,379 GWh, representing 8.05% of the total energy input into the distribution network. The total cost of procuring energy to cover losses was EUR 107.8 million, with an average achieved procurement price of EUR 78.19/MWh for 2024.



Number of Metering Points

Distribution area	Elektra Zagreb	Elektra Zabok	Elektra Varaždin	Elektra Čakovec	Elektra Koprivnica	Elektra Bjelovar	Elektra Križ	Elektroslavonija Osijek	Elektra Vinkovci	Elektra Slavonski Brod	Elektroistra Pula
HV – 110 kV	2	0	0	0	0	0	0	0	0	0	0
MV – 35 kV and 30 kV	4	3	1	4	5	5	5	14	7	7	4
MV – 20 kV and 10 kV	443	54	98	90	62	23	98	205	123	97	255
Total MV	447	57	99	94	67	28	103	219	130	104	259
LV – business (blue)	7,325	1,090	1,449	1,137	1,148	1,570	1,798	1,652	718	1,823	2,987
LV – business (white)	26,598	2,906	3,243	2,806	2,622	2,351	3,212	8,998	4,917	3,159	10,563
LV – business (red)	8,384	991	1,272	867	754	537	1,262	2,122	1,009	839	2,714
LV – public lighting	3,370	816	727	505	658	692	1,210	1,332	619	638	1,974
Total LV business	45,677	5,803	6,691	5,315	5,182	5,150	7,482	14,104	7,263	6,459	18,238
LV – household (blue)	106,522	36,266	34,799	17,486	27,061	27,327	40,521	35,191	18,981	23,327	28,270
LV – household (white)	439,312	28,072	32,898	26,733	23,319	19,250	31,534	107,688	56,899	37,410	130,087
LV – household (red)	858	20	46	30	26	6	18	25	9	9	286
LV – household (black)	0	0	0	0	0	0	0	0	0	0	2,795
Total LV household	546,692	64,358	67,743	44,249	50,406	46,583	72,073	142,904	75,889	60,746	161,438
Overall	592,818	70,218	74,533	49,658	55,655	51,761	79,658	157,227	83,282	67,309	179,935

Number of Metering Points

Distribution area	Elektroprimorje Rijeka	Elektrodalmacija Split	Elektra Zadar	Elektra Šibenik	Elektrojug Dubrovnik	Elektra Karlovac	Elektra Sisak	Elektrolika Gospić	Elektra Virovitica	Elektra Požega	Total
HV – 110 kV	0	1	0	0	0	0	1	0	0	0	4
MV – 35 kV and 30 kV	17	17	9	13	0	11	2	5	7	1	141
MV – 20 kV and 10 kV	175	184	115	63	71	144	59	58	40	38	2,495
Total MV	192	201	124	76	71	155	61	63	47	39	2,636
LV – business (blue)	2,531	3,442	1,992	1,539	1,638	1,491	818	980	603	691	38,422
LV – business (white)	12,618	19,609	5,269	4,016	3,780	4,209	2,383	2,221	2,127	1,340	128,947
LV – business (red)	3,272	4,137	1,585	924	1,035	911	631	584	487	309	34,626
LV – public lighting	1,662	2,241	1,074	943	453	1,313	771	697	438	332	22,465
Total LV business	20,083	29,429	9,920	7,422	6,906	7,924	4,603	4,482	3,655	2,672	224,460
LV – household (blue)	41,457	58,677	42,927	33,364	16,317	30,767	22,092	22,716	10,573	10,842	685,483
LV – household (white)	167,030	232,803	94,799	54,342	35,706	50,787	33,535	24,663	16,510	14,144	1,657,521
LV – household (red)	395	428	83	40	220	19	22	47	11	6	2,604
LV – household (black)	1	0	0	0	6	0	0	0	0	0	2,802
Total LV household	208,883	291,908	137,809	87,746	52,249	81,573	55,649	47,426	27,094	24,992	2,348,410
Overall	229,158	321,539	147,853	95,244	59,226	89,652	60,314	51,971	30,796	27,703	2,575,510



Electricity Losses

Electricity losses are indicators of business efficiency and quality of electricity distribution.

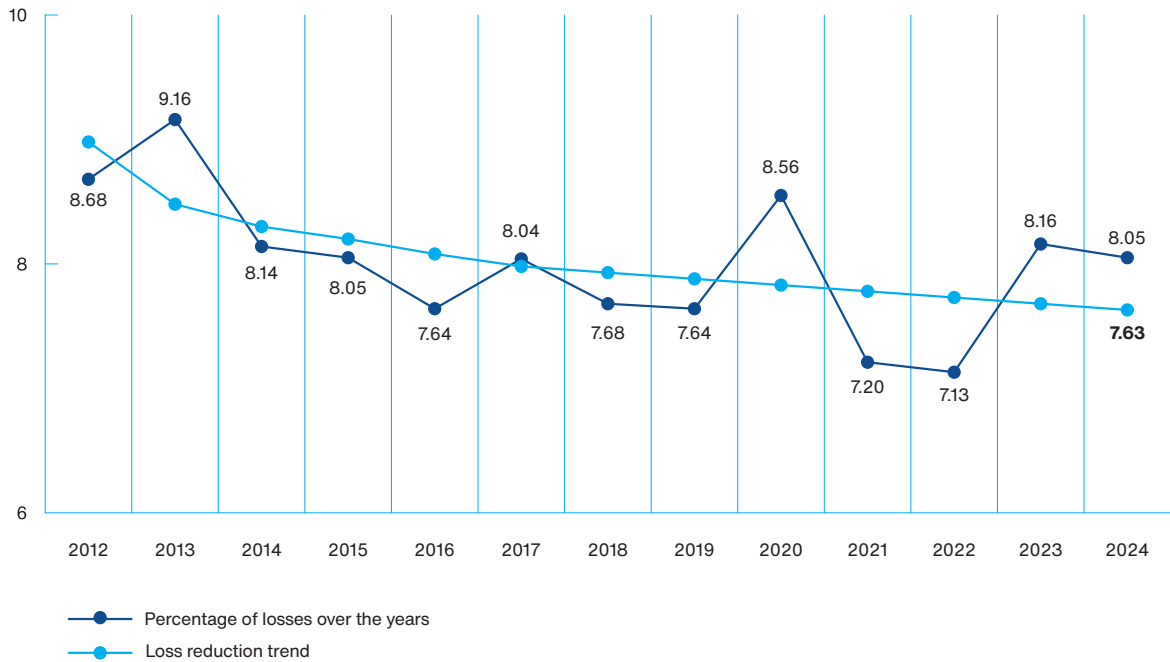
Reduction of electricity losses is one of the most important business goals for the achievement of which investment and operational measures have been implemented for a number of years. Over the years, the implementation of these measures have led to a decreasing trend in losses.

Electricity losses in the distribution network are divided into:

- technical losses, which are the result of the operating condition of the distribution network and technical characteristics of network elements, referring to the losses of core magnetization of a large number of transformers and heat losses on lines and transformers,
- non-technical losses, which are the result of unmeasured and unbilled energy consumed by network users, mostly referring to metering errors, unauthorized consumption of electricity and alike.

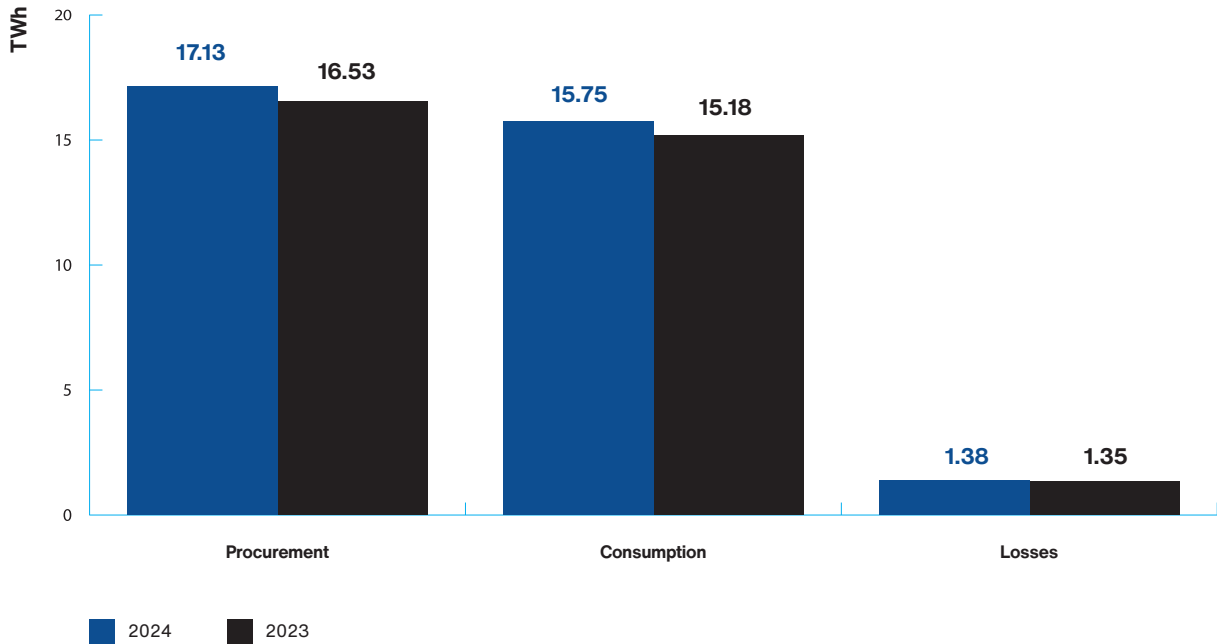
Losses are expressed as a percentage of the total energy input in the distribution network. According to the existing methodology, losses represent the difference between electricity taken from the distribution network (transmission network, other distribution networks and power plants connected to the distribution network) and the energy billed to end users. The absorbed energy in the distribution network is calculated monthly by metering, while a large part of the energy billed to customers is based on advance installments, which accounts for an error in the calculation of losses (volatile changes in the amount of losses over the years).

Distribution Network Losses



The share of losses in the distribution network in the period from 2012 to 2024, the light blue line shows a decreasing trend of losses.

Procurement, Consumption and Electricity Losses



HEP ODS is obliged to implement systematic measures aimed at reducing electricity losses in the distribution network, with particular emphasis on losses caused by unauthorized electricity consumption.

Project Management

Project management within HEP ODS enables the achievement of energy stability and sustainability goals of the Croatian electricity distribution system, increases the share of renewable energy sources, and contributes to greater energy self-sufficiency.

In light of the growing global challenge of climate change and the need for sustainable energy solutions, HEP ODS has recognized the importance of project management as part of an efficient, development-oriented, and environmentally responsible business strategy. In this context, project management represented a key component of HEP ODS’s successful operations in 2024.

During 2024, HEP ODS continuously developed its project organization and successfully implemented a number of projects, achieving significant results in the following areas:

- Efficiency improvement: High-quality project management enabled optimization of resource utilization, leading to cost reductions and increased operational efficiency.
- Security of supply: Projects were implemented to modernize and enhance the distribution network, ensuring a more stable and reliable electricity supply.
- Sustainable development: By integrating sustainable approaches into projects, HEP ODS contributed to environmental protection and the achievement of greater energy self-sufficiency.
- Service quality improvement: Investments in infrastructure and technologies resulted in improved service quality for network users.

Analytical planning, organization, and coordination of project activities enabled HEP ODS to optimize resources, reduce project-related risks, and ensure that projects were executed in accordance with defined objectives and standards, within budget and set deadlines—ultimately contributing to the achievement of strategic goals.

Modernization of the Croatian Electricity Distribution Network

HEP ODS is implementing the key project “Modernisation of the Croatian Electricity Distribution Network”, with a total value of EUR 286 million, of which EUR 224 million is financed through non-repayable funds from the National Recovery and Resilience Plan (NPOO).

▪ Main Objectives

The project finances the modernisation and digitalisation of the distribution system to enable more efficient integration of renewable energy sources, which includes the Installation of advanced smart meters at customer metering points, installation of aggregate meters in MV/LV substations, development of a unified process and information system, modernisation of communication infrastructure for distribution network operation, automation of existing switching facilities, construction and replacement of submarine cables supplying islands and investments in modernisation of distribution infrastructure within Natura 2000 areas.

▪ Sustainability and Impact

Through modernisation, digitalisation, and increased network capacity, the project contributes to the green transition by reducing emissions, increasing energy efficiency, and supporting environmental protection, in line with EU priorities under the NPOO framework (green and digital transition).

The contract with the Ministry of Economy of the Republic of Croatia and the Environmental Protection and Energy Efficiency Fund was signed in February 2024, and project implementation is scheduled to run until June 2026.

Smart Grid Pilot Project



HEP ODS has completed the implementation of the project titled “Pilot Project for the Introduction of Smart Grids.” The total project value amounted to EUR 23.5 million, of which EUR 20 million (85%) was co-financed by the European Regional Development Fund under the Operational Programme “Competitiveness and Cohesion 2014–2020”, Specific Objective 4d1. In order to achieve the planned activities and objectives, HEP ODS additionally invested EUR 6.9 million of its own funds, bringing the total investment in technical solutions and smart distribution network functionalities to EUR 30.4 million.

The pilot project included the modernisation of part of the electricity distribution network in five out of 21 distribution areas of HEP ODS: Elektra Zagreb, Elektroslavonija Osijek, Elektrodalmacija Split, Elektra Zadar and Elektrojug Dubrovnik. The installed devices and equipment created preconditions for increasing distribution efficiency and improving the reliability of electricity supply, expanded the number of users with access to a smart distribution network, and enabled more efficient integration of new distributed energy sources.

The project successfully established a functional platform for gathering operational experience, developing business and organisational procedures, creating IT tools for managing operational and metering data, and conducting a comprehensive assessment of project impacts prior to broader deployment of technical solutions across the Croatian distribution network.

The project covered three functional areas of smart distribution networks:

- Advanced metering infrastructure: installation of aggregate meters in 6,125 MV/LV substations and installation of smart meters for 24,000 end users
- Development and optimisation of the conventional network: replacement of 449 existing MV/LV transformers with low-loss units in accordance with Commission Regulation (EU) No 548/2014 implementing Directive 2009/125/EC
- Automation of the medium-voltage network: installation of 670 remotely controlled devices within the network (remotely controlled MV switching blocks in 10(20)/0.4 kV cable substations, remotely controlled disconnectors and circuit breakers on MV lines)

The investment phase of the project, commissioning of installed equipment, and development of the data collection and analysis platform were completed by the end of 2023.

After 2023, final project activities continued, including monitoring the effects of project implementation against defined objectives and regular reporting on achieved results.

Accordingly, during 2024, final project reports were submitted and explained in communication with the Environmental Protection and Energy Efficiency Fund, acting as the intermediary body, and all final financial obligations towards the intermediary body were fulfilled.

Reducing Negative Impacts on Biodiversity

LIFE Danube Free Sky Project



HEP ODS participates in the LIFE Danube Free Sky project, funded by the European Union, which contributes to the implementation of the EU's strategic goals in biodiversity conservation and ecosystem protection. The full project title, “Transnational Conservation of Birds Along the Danube River”, aims to reduce the negative impacts of electricity infrastructure on bird species, primarily by decreasing mortality caused by electrocution and collisions with overhead power lines.

By implementing measures in 22 Natura 2000 ecological network areas important for birds (Bird Protection Areas – POP), the project contributes to preserving migration corridors along the Danube and increasing the survival rate of 19 key bird species. The total project value is EUR 6.6 million, it spans 60 months, and involves 15 partners from seven Danube region countries, with the Slovak Republic as the project lead.

HEP ODS’s activities within the project are focused on mitigating the direct and indirect impacts of the

distribution electricity network on biodiversity in the Elektroslavonija Osijek area, within the Kopački Rit Nature Park. The measures implemented include the installation of insulating equipment on 10(20)/0.4 kV pole-mounted substations, the installation of optical diverters on 35 kV overhead lines, and the replacement of uninsulated conductors with insulated conductors on 10(20) kV overhead lines, systematically reducing risks to bird species associated with the operation of electricity infrastructure.

During 2024, the insulation equipment was installed on 87 pole-mounted substations 10(20)/0.4 kV, while on approximately 30 km of 10(20) kV overhead lines, uninsulated conductors were replaced with insulated conductors. For the implementation of these activities, HEP ODS spent a total of EUR 612,000, including the purchase of materials and work by external contractors. These measures systematically reduce the risks to bird species associated with the operation of electricity infrastructure.

LIFE SUPport Project



The LIFE SUPport project is focused on the conservation of the Griffon Vulture in the Republic of Croatia, with HEP ODS participating as a partner organization to implement mitigation measures aimed at reducing the risk of bird electrocution on the distribution electricity network.

The project has a total value of EUR 2.2 million, of which 60% is financed through the EU LIFE programme. Its goal is to improve the protection of

the Griffon Vulture and enhance conditions for its nesting in Croatia. The project’s lead partner is the BIOM Association, while other partners include the Public Institution “Priroda” of Primorje-Gorski Kotar County, the Agricultural Cooperative “Otok Krk”, HEP ODS, and the Vulture Conservation Foundation, with the Nature Protection Directorate of the Ministry of Economy and Sustainable Development as an associated partner.

HEP ODS’s activities take place in the Elektro-primorje Rijeka area and involve implementing measures to protect birds from electrocution on approximately 200 medium-voltage overhead distribution network poles. These measures include installing insulating equipment or replacing un-insulated conductors with insulated conductors, depending on the technical characteristics of each pole location. Prior to implementation, potentially high-risk parts of the network for electrocution were surveyed by the BIOM Association.

The project is carried out over multiple years, and in 2024, inspections of the medium-voltage overhead network were conducted, along with an assessment of the technical characteristics of pole locations where the planned mitigation measures will be implemented.

Green Switch Project



GreenSwitch is an extensive six-year project characterized by the innovative and efficient application of new technologies and advanced functionalities for cross-sectoral and cross-border improvements to the electricity system infrastructure. The project aims to increase

network capacity utilization, enable effective integration of new types of network users (as defined in the Electricity Market Act), optimize future investments, and enhance supply security and service quality across three EU member states.

The project began on 1 March 2023, and will run until 31 December 2028. In May 2023, the Grant Agreement was signed. The total eligible costs for HEP ODS amount to EUR 3,239,264, of which EUR 1,619,632 is co-financed.

During 2024, two compensating reactors were installed and commissioned at the 20/0.4 kV Čurak 1 and 35/20 kV Geroovo substations. Work also commenced on the replacement of relay protection and secondary equipment at 110/35 kV Lošinj TS, with completion planned for the first quarter of 2025. At the end of 2024, preparations began for the technical documentation for the implementation of a compensating reactor at 35/20 kV Kupjak TS and the replacement of relay protection and secondary equipment at 110/20 kV Krk TS, with execution planned during 2025.

The GreenSwitch project provides the following benefits to HEP ODS, contributing to addressing challenges in the relevant part of the distribution network:

- Increased capacity for distributed renewable energy sources
- Enabling the integration of new loads into the network
- Optimization of network investments
- Improvement of supply quality
- Enhanced visibility of the distribution network
- Optimal utilization of infrastructure.

NPOO Project

The “Network Modernization in Natura 2000 Areas” project, implemented within the framework of the National Recovery and Resilience Plan (NPOO), encompasses the design, construction, reconstruction, and modification of the overhead electricity distribution network in accordance with the applicable regulations of the Republic of Croatia. The implementation of activities takes into account the specific characteristics of the regions, including the three biogeographical regions present in Croatia (Alpine, Mediterranean, and Continental), as well as technical and economic criteria.

The project covers the following types of electricity infrastructure:

- Overhead lines of 35(30) kV voltage level
- Overhead lines of 10(20) kV voltage level
- Pole-mounted substations 10(20)/0.4 kV
- Overhead network of 0.4 kV voltage level.

The implementation of these activities will contribute to achieving additional targets of the “Modernization of the Croatian Distribution Network” project, including the modernization of at least 500 km of distribution network within Natura 2000 ecological network areas and the modernization of at least 267 point-type facilities.

By signing a single-level agreement within HEP ODS in 2024, the financial framework for implementing the “Modernization of the Croatian Distribution Network” project was secured, which also includes the activity of network modernization in Natura 2000

areas. The total eligible costs of this activity amount to EUR 49.1 million, of which 93.7% is financed through grants, with completion planned by June 2026.

The implementation of project activities intensified during 2024, applying EU co-financing rules and procedures and clearly defined execution dead-lines. Due to the complexity of preparing project documentation and conducting public procurement procedures, the planned implementation pace of the network modernization in Natura 2000 areas was not fully achieved.

To ensure control over implementation and accelerate execution, a Procurement Plan was developed in 2024 in coordination with the Environmental Protection and Energy Efficiency Fund, based on which public procurement procedures were initiated. Several modernization interventions were carried out in the distribution areas during the same year, with a total value of EUR 1.54 million.

NPOO – Modernization and Development of Advanced Network

Modernization and Development of the Advanced Network is an investment area of HEP ODS recognized within the National Recovery and Resilience Plan (NPOO). The total, 100% co-funded investment amounts to EUR 143,313,160.

Through investments within the framework of the NPOO, the accelerated implementation of the advanced network concept continues across the entire distribution network of the Republic of Croatia.

The project implementation period is from early 2022 to June 2026 and covers the entire HEP ODS area.

The purpose of the project is to continue the accelerated implementation of the advanced network concept by achieving the following objectives:

- Revitalization and construction of the telecommunications network, process systems, MTUs,

and increasing the level of network automation through the replacement of existing equipment and implementation of new equipment to improve the reliability of power supply and enhance observability of the distribution network.

- Equipping and upgrading metering points with advanced meters, equipping and upgrading 10(20)/0.4 kV substations with aggregate metering, and implementing systems for Meter Data Management (MDM), Meter Operating Centre (MOC) for operational management of advanced meters, and Key Management System (KMS) for cybersecurity of communication and metering data.

The implementation of the Project creates the infrastructure prerequisites within the electricity distribution network that will not only enable the integration of larger amounts of energy from renewable sources, but also facilitate the connection of new consumers and enhance the reliability and security of power supply.

Additionally, the Project will support the achievement of the European Commission’s objectives for the 2019–2024 period, which emphasize the urgency of transforming European society into a sustainable and digital society and address the challenges Europe will face in becoming the first climate-neutral continent, supported by the implementation of digital technologies. The Project’s implementation will also positively impact HEP ODS’s operations, as it will reduce operational costs, minimize the need for on-site meter readings, create the prerequisites for consumption/production management and reduction of electricity losses, and lay the foundation for the introduction and development of an advanced distribution network. This will allow for delaying unnecessary investments in network capacity and achieving better utilization of existing capacities.

Project Activities

The implementation of the Project is carried out through three activities in the area of distribution network management and automation:

1. Integration of central SCADA systems of twenty-one distribution areas and enabling platformization construction of a unified process information system for HEP ODS, ready for integration

with other technical databases, along with the modernization of existing systems in primary distribution facilities.

2. Modernization, expansion, and integration of existing communication infrastructure – to ensure safe and efficient management of the HEP ODS distribution network as a whole.
3. Automation of existing switchgear facilities and distribution transformer stations in the medium-voltage network – to increase the flexibility and operational efficiency of medium-voltage distribution network management.

In addition to the network management and automation activities, activities in the field of metering and electricity market support are also being implemented:

- Equipping and upgrading billing metering points with advanced meters – procurement of advanced meters and electromechanical installation works for meter replacement at billing points, along with administrative processing of replacements in remote meter reading systems and electricity market metering and data exchange systems.
- Equipping and upgrading 10(20)/0.4 kV transformer stations with sum meters – procurement of multi-function meters and electromechanical installation works to establish non-billing metering points on the low-voltage side of 10(20)/0.4 kV TS for monitoring, measurement, and reduction of technical and non-technical losses in the distribution network, along with administrative management of non-billing metering points.
- Implementation of MDM, MOC, and KMS systems – procurement and deployment of a platform for the Meter Data Management system (MDM), the Meter Operating Centre system (MOC), and the cybersecurity system for communication and metering data (KMS, Key Management System).

Users and Information Distribution

During 2024, media and customer inquiries were predominantly related to deadlines for the connection to the distribution network and the connection of solar power plants.

HEP ODS's communication activities are coordinated by the Customer Relations and Information Unit, organized within the Customer Support and the Information Sections. Throughout 2024, the Unit implemented a series of organizational and operational improvements aimed at enhancing service quality and standardizing processes.

Following the entry into force of the new Rules on Connection to the Distribution Network in 2023, and the publication of the new Price List for Non-Standard Services at the beginning of 2024, extensive activities were carried out to revise and update the information provided to network users across all communication channels, ensuring alignment with current business frameworks.

To further improve customer support, the Email Centralization Project was implemented, aiming to standardize procedures and ensure uniform responses to customers. Full implementation is planned for 2025, at which point all distribution areas are expected to migrate to the centralized communication model. Mid-year, two new locations of the Unified Customer Centre (JKC) were opened in Lovinac and Hrvatska Kostajnica, further increasing the accessibility of customer support. For training purposes, all JKC employee manuals were revised and updated to ensure consistent and high-quality application of work procedures.

In coordination with the Project Management Service and the IT Service, activities continued on the Requests – My Network project, which aims to enable customers to submit all requests digitally. Extensive system testing was conducted to ensure reliable operation after deployment. Changes in regulations slightly delayed project completion, with full implementation now expected in the first half of 2025.

At the end of 2024, the HEP ODS Contact Centre Application Implementation Project – LIVE 3.0 was launched. The migration from the existing ASEBA Live 2.0 application to Live 3.0 will introduce new functionalities and automate certain processes. The new solution will redefine existing business practices and procedures, leading to improved operations, increased work efficiency, better internal communication within the organization, greater transparency, faster response times, and ultimately more effective and higher-quality communication with customers.

Public Relations

The Information Department, in addition to publishing and updating content on official websites and preparing materials for internal and external publications, continuously manages communication and coordination of media inquiries received from the distribution areas. During 2024, media and customer inquiries were predominantly related to connection deadlines to the distribution network and the connection of solar power plants.

The increased number of inquiries regarding power plant connections was influenced by the publication of the Public Call for Encouraging the Installation of Solar Power Plants in Family Homes, through which the Environmental Protection and Energy Efficiency Fund co-financed solar plants that were built and commissioned during 2024.

Extreme weather events were also recorded during 2024, especially in the summer months, with the year being the hottest on record, which led to a higher number of customer inquiries due to unplanned power outages caused by force majeure.

In 2025, independent promotion and visibility activities are planned for the “Modernization of the Croatian Distribution Electricity Network” project. The Information Department continues to actively participate in international projects such as LIFE DANUBE FREE SKY, LIFE SUPport, and GreenSwitch in the area of promotion and visibility.

Work of the Consumer Complaints Committee

Distribution area	Grounds for consumer complaints																Sessions held	Complaints total	Total upheld	Rejected
	Billing			Faulty meter			Connection/disconnection			Voltage conditions			Other							
	total	upheld	rejected	total	upheld	rejected	total	upheld	rejected	total	upheld	rejected	total	upheld	rejected					
Elektra Zagreb	115	61	54	14	3	11	5	0	5	0	0	0	66	18	48	11	200	82	118	
Elektra Zabok	3	0	3	0	0	0	0	0	0	0	0	0	0	0	0	2	3	0	3	
Elektra Varaždin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Elektra Čakovec	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	1	2	0	2	
Elektra Koprivnica	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Elektra Bjelovar	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Elektra Križ	1	1	0	0	0	0	0	0	0	0	0	0	1	0	1	2	2	1	1	
Elektroslavonija Osijek	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	0	
Elektra Vinkovci	5	2	3	0	0	0	0	0	0	0	0	0	0	0	0	4	5	2	3	
Elektra Slavonski Brod	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Elektroistra Pula	1	0	1	1	0	1	0	0	0	0	0	0	1	0	1	3	3	0	3	
Elektroprimorje Rijeka	0	0	0	1	1	0	0	0	0	0	0	0	5	2	0	5	6	3	0	
Elektrodalmacija Split	7	3	4	0	0	0	0	0	0	0	0	0	5	2	3	0	0	0	0	
Elektra Zadar	8	2	6	1	0	1	1	1	0	0	0	0	2	1	1	8	12	4	8	
Elektra Šibenik	3	0	3	0	0	0	0	0	0	0	0	0	0	0	0	3	3	0	3	
Elektrojug Dubrovnik	0	0	0	0	0	0	0	0	0	0	0	0	3	1	2	2	3	1	2	
Elektra Karlovac	3	0	3	1	0	1	0	0	0	0	0	0	0	0	0	4	3	0	3	
Elektra Sisak	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	1	0	0	
Elektrolika Gospić	1	0	1	1	1	0	12	9	3	2	1	1	3	2	1	5	0	13	6	
Elektra Virovitica	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Elektra Požega	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1	
Total	150	70	80	19	5	14	18	10	9	2	1	1	87	26	57	52	244	107	153	

04

HEP ODS Workers



The greatest value of HEP ODS is its workers. Workers are a key factor in the Company's success, an indispensable part of any strategy or business plan. HEP ODS employs many brave and hard-working individuals – from irreplaceable electricians and technicians who show their strength best when it is most difficult, to engineers of various profiles and other experts in their fields. Every worker of HEP ODS is important and every worker is special and dedicated to their work in their own way.

As of 31 December 2024 the Company employed a total of 6,699 workers in 21 distribution areas and the Company head office, which makes HEP ODS the single largest company within HEP Group.

Aware of the permanent need to invest in the workforce, HEP ODS is constantly looking for quality workers who enrich the company through their knowledge and innovation. With a sustainable human resource management policy, attractive working conditions, and the creation of a satisfying and motivating atmosphere, HEP ODS strives to attract quality, professional and interested individuals, people of various professional profiles, who will work together on maintaining the stable operation of the electric power system by investing their work and commitment.

The HR development of HEP ODS is regulated by the HEP Group's long-term HR Development Strategy for the period 2017 - 2030. The framework of this strategy includes employment plans and targeted trainings, thus ensuring the transfer and retention of specific knowledge for the Company. The employment development plans are primarily guided by the important determinants of the organization of the Company's

core activities, i.e. the characteristics of workers engaged in key operations. The Company is trying, as much as possible, to adapt the planning and implementation of new employment and the allocation of workers within the organization to its real needs.

In the last few years, there has been a trend of employing younger workers. It is part of the natural process of a continuous generational renewal, but also of the Company's attitude focused on preserving workers as carriers of specific knowledge and expertise. Nevertheless, the average duration of working life is still high 46.7 years, which leads to a conclusion that the acquisition and preservation of knowledge is a multi-year process and that every important change takes time. The slight increase in the number of workers of younger age groups gives reason for optimism and calls for an optimal definition of employment needs, focusing primarily on hiring trainees and rejuvenating the workforce so that knowledge can be systematically, continuously and timely transferred from older to younger workers.

HEP ODS is an attractive employer with a long tradition, its recognizable individuality within HEP Group, nurturing the sense of the workers' belonging to their business environment through generations. Accordingly, we develop and take care of our employees, attract new workers and together, year after year, grow with the organization, its values and culture.

Workers by Age Groups

Age group (years)	No. of workers 2023	No. of workers 2024
under 20	16	53
20 – 30	668	680
30 – 40	1,153	1,169
40 – 50	1,692	1,613
50 – 60	2,207	2,200
over 60	1,053	984
Total (1 to 6)	6,879	6,699

Working Conditions

Workers by Gender and Type of Contract

Type of contract	No. of workers 2023		No. of workers 2024	
	M	F	M	F
Fixed-term contract	84	7	38	3
Permanent contract	5,390	1,308	5,354	1,304
Total no. of workers	5,474	1,315	5,392	1,307

An attractive job is not always the best paid one, but the one that offers the best working conditions. In this part, HEP ODS tries to take care of workers and their needs, their health, children and families. Material benefits for workers are set and established by the Collective Agreement of HEP Group, which is implemented in HEP ODS in its entirety.

The Collective Agreement of HEP Group, a result of many years of work and efforts invested by representative trade unions on the one hand, and the sincere cooperation of the Employers' Association of HEP Group on the other, is considered by many to be one of the best collective agreements in general, guaranteeing its workers labour rights beyond those prescribed by law. Some of these rights, benefits and privileges are as follows:

- supplementary health insurance, annual medical check-up, 24-hour worker insurance;
- salary supplement based on total length of employment and continuous employment with the employer;
- severance pay upon retirement;
- financial award for many years of work with the employer;
- reimbursement of transportation costs;
- vacation bonus;
- special bonus (Christmas, Easter);

- a Christmas gift for the children of workers;
- support for the birth of a child and support during maternity/parental leave;
- various financial benefits for workers (death of immediate family members, continuous sick leave, care of a child with severe developmental disabilities, etc.);
- protection of older workers (salary retention after reaching the age of 60 and the impossibility of employment contract termination after the age of 63.5);
- longer notice period and higher severance pay for personal and business-related termination of employment;
- voluntary pension fund.

The Voluntary Pension Fund of HEP Group is a closed fund, established only for the employees of HEP Group for the purpose of collecting funds, member payments, sponsor contributions, government incentives and investing these funds with the aim of increasing the value of assets and ensuring additional pension payments to Fund members.

In addition, HEP ODS has always been known for worker involvement, i.e. for the participation of workers in the work of the Company through works councils. Regular elections for works councils in individual organizational units, the organization and operation of the Main Works Council as the most important representative of all workers, the participation of workers in the work of the Supervisory Board of HEP ODS through the elected worker's representative, clearly shows the employer's position on the importance of workers.

Ratio of Standard Level Wage Compared to Minimum Wage

	2022		2023		2024	
	M	F	M	F	M	F
Ratio of entry level wage in HEP ODS and minimum wage in Croatia	1.66	1.67	1.45	1.60	1.74	1.94

Diversity and Equal Opportunities

Since 2017, HEP Group has been a signatory to the Diversity Charter, the main goal of which is to encourage the implementation of the diversity policy in the business sector, supported by the Diversity and Non-Discrimination Policy of HEP Group. The goal of the aforementioned Charter and the Policy is to ensure equal opportunities for all workers during employment and professional development and to prevent any form of discrimination based on gender, age, sexual orientation, disability, ethnicity and/or religious commitment.

Ratio of Wage by Gender

Ratio		2022	2023	2024
		F / M	F / M	F / M
	Managers	1.088	1.084	1.079
	Other	0.952	0.951	0.961

In this sense, HEP Group and HEP ODS undertake the following:

- to develop organizational culture in which individual differences and contributions of each worker are recognized and valued;
- to encourage cooperation, togetherness and interpersonal relations based on mutual respect and appreciation;
- to promote the values of diversity, equality and non-discrimination among management, workers and other stakeholders;
- to provide a working environment that will enable innovative thinking and creative development of each worker;
- to ensure equal opportunities for professional and personal development for all workers;
- to create a working atmosphere without violent behavior, harassment, victimization and discrimination and to empower workers to use the existing mechanisms to prevent discrimination.

Based on the Guidelines of the Government of the Republic of Croatia and the Office for Gender Equality, HEP Group, in accordance with the Gender Equality Act, prepares an Action Plan for the promotion and establishment of gender equality in HEP Group every four years. The plan includes an analysis of the position of men and women in HEP Group, special measures, goals, as well as the method of implementation and monitoring thereof.

Gender equality is supported by the regulation of the prohibition of discrimination, which is especially important for the Company. The Rulebook on procedures and measures for the protection of

dignity of HEP ODS workers and the Code of Ethics are only the beginning of systematic care for vulnerable and sensitive categories.

Established communication channels, organized diversity and non-discrimination educational programmes, established complaint submission mechanisms to the Committee for the Protection of the Dignity of Workers, the Ethics Commissioner and the confidential person for the submission of irregularities as well as the Data Protection Officer represent a strong support to diversity and non-discrimination.

Right to Parental Leave

	2022		2023		2024	
	M	F	M	F	M	F
Number of employees who used the right to parental leave	64	67	107	66	139	65
Number of employees who returned to work after the parental leave ended	64	67	106	65	139	65
* Rate of return to work of employees who used the right to parental leave (%)	100	100	99	98.5	100	100
Number of employees who returned to work after the end of parental leave, and who remained employed 12 months after returning to work	45	65	61	65	131	62
** Retention rate of employees who used the right to parental leave (%)	61	65	99	65	94.24	95.38
Total number of employees entitled to parental leave	95	97	92.5	98.5	139	65

* Return to work percentage = Total number of employees who returned to work after parental leave / Total number of employees who were supposed to return to work after parental leave x 100

** Retention rate = Total number of employees who were employed 12 months after returning to work after parental leave / Total number of employees who returned from parental leave in the previous reporting period(s) x 100

Education, Development and Promotion of Workers

HEP ODS invests continuous efforts in the professional development and education of workers, takes care of the transfer of specific knowledge and experience, and constantly works on the development of its workers in accordance with business and development goals as well as on increasing legal and regulatory obligations.

Focusing on the lifelong education of workers for the correct implementation of existing knowledge and the acquisition, development and integration of new specialized knowledge and skills remains our mission, our permanent choice. In this way, we strive to achieve better performance and improve the Company's operations.

Professional development is shaped individually and in group programmes by referring workers to various training and development courses. The Company provides numerous educations tailored to individual needs. Especially important are 'in-house' educations organized within individual organizational units, which goal is the in-house transfer of knowledge in individual business segment.

External education includes professional training, professional development and postgraduate studies aligned with the development and business goals of the Company and the educational needs of the employees.

The impact of new technologies on business operations and changes in the business environment is continuously monitored, and interest in this type of education—primarily originating from technical fields—is actively supported.

In 2024, a total of EUR 775,656 was invested in the development of employees' skills and competencies, representing a decrease of approximately 18.4% compared to 2023. Given the regulated nature of HEP ODS's activities, the largest share of funds—EUR

395,392, or 50.9% of total training expenditures—was allocated to professional training closely related to meeting legal and regulatory requirements.

The trend of investing in the education of specialist electrical fitters continued. In 2024, 88 new electrical fitters completed the basic live-line working program, 136 electrical fitters attended knowledge refresher courses, and 47 live-line working courses for supervisors were conducted.

HEP Training and Education Centre

The HEP Training and Education Centre (NOC) in Velika was established on 1 March 2006 as a public adult education institution, with the primary role of providing training and professional development for HEP Group employees in the field of live-line working technologies and other specialized power engineering processes. The Centre operates as a strategic hub for the development of competencies and professional knowledge aimed at improving safety, quality of work, and the modernization of work processes, in line with the current and future needs of HEP ODS.

HEP NOC plays an active role in the development of educational programmes, including practical training formats, digital learning models, and programmes tailored to real operational conditions. Particular emphasis is placed on strengthening professional and safety competencies, the application of modern technologies, and the development of knowledge essential for the energy transition and increasing the resilience of the power system.

Micro-Qualification Programmes

In line with operational needs and technological development, HEP NOC has developed new micro-qualification programmes, of which the following stand out during the reporting period:

- Working at Heights on Power Facilities – a programme aimed at increasing the level of health and safety protection when performing work at heights, with an emphasis on practical safe working methods and accident prevention.

- Electrical Installation Works in Electricity Distribution – professional training intended for distribution system employees to ensure efficient and safe performance of operational field tasks.

Through the implementation of these programmes, the professional competencies of HEP ODS employees are further enhanced, resulting in increased workplace safety, more efficient use of resources, and improved quality of operational processes. In the long term, the modernization of work practices and improved work planning contribute to reducing unnecessary losses, optimizing resource consumption, and strengthening the environmental dimension of business operations.

Cooperation and Professional Contribution

HEP NOC actively participates in national and international professional and scientific initiatives, including cooperation with higher education institutions, adult education institutions, and professional organizations, with a particular emphasis on the STEM field. International training programmes and collaboration with partners from other countries further contribute to knowledge exchange and the enhancement of educational programme quality.

The accredited testing laboratory operating within HEP NOC conducts periodic testing of insulating poles, voltage indicators, equipment, and tools

for live-line work, in accordance with applicable standards and technical regulations. Cooperation with researchers, universities, and students contributes to the development of research activities and the implementation of new solutions in the field of safety and operational reliability.

As the founder, HEP ODS provides support to HEP NOC through the provision of necessary resources, professional assistance, and long-term development guidance, recognizing the importance of continuous education and competency development as one of the key prerequisites for the safe, efficient, and sustainable operation of the distribution system.

Scholarships and Grants

In order to link theoretical knowledge with practical experience, the Company actively cooperates with schools and universities where pupils and students are educated in professions essential for the Company's operations. By providing scholarships to pupils and students, a pool of young professionals is being developed as a foundation for the Company's future growth. In 2024, a total of EUR 102,433 was allocated for this purpose.

The Company also continuously provides monthly financial support in the form of scholarships and assistance to the children of deceased employees and employees who lost their lives, until the completion of their regular education. In 2024, EUR 125,191 was allocated for this purpose.

In 2024, a total of

EUR 775,656

was invested in the development of employees' skills and competencies.

Safety at Work

Safety at work is carried out in accordance with the provisions of the Occupational Health and Safety Act and related secondary legislation within the framework of the certified health and safety management system ISO 45001:2018, which is applied in all organizational units of HEP ODS.

Special attention is given to ensuring safe and healthy working conditions and to preventing work-related injuries and illnesses. Within business processes, hazards and risks associated with work activities are continuously identified and assessed. The results of these risk assessments serve as the basis for defining measures aimed at reducing hazards, harmful effects, and physical strain in the performance of specific tasks.

HEP ODS continuously invests in acquiring and maintaining the necessary competencies for employees to work safely and provides appropriate personal protective equipment to reduce risks. Occupational health services are available to employees for all positions covered by risk assessments, and employee representatives actively participate in the work of the Occupational Safety Committee.

The implementation of occupational health and safety measures, as well as fire protection measures, is monitored through regular internal inspections in all organizational units.

All information regarding rules, measures, and instructions for safe work is available to employees via the internal HEP ODS portal and notice boards.

Work Injuries

During 2024, a total of 97 occupational injuries were recorded, of which 13 were classified as serious and 84 as minor injuries. The Croatian Health Insurance Fund recognized 73 of these as occupational injuries.

The analysis of the causes of occupational injuries shows that the most common factors related to electricity-related injuries include:

- performing work operations without using appropriate personal protective equipment (PPE),
- using defective personal protective equipment,
- carrying out work operations in a manner contrary to occupational safety rules.

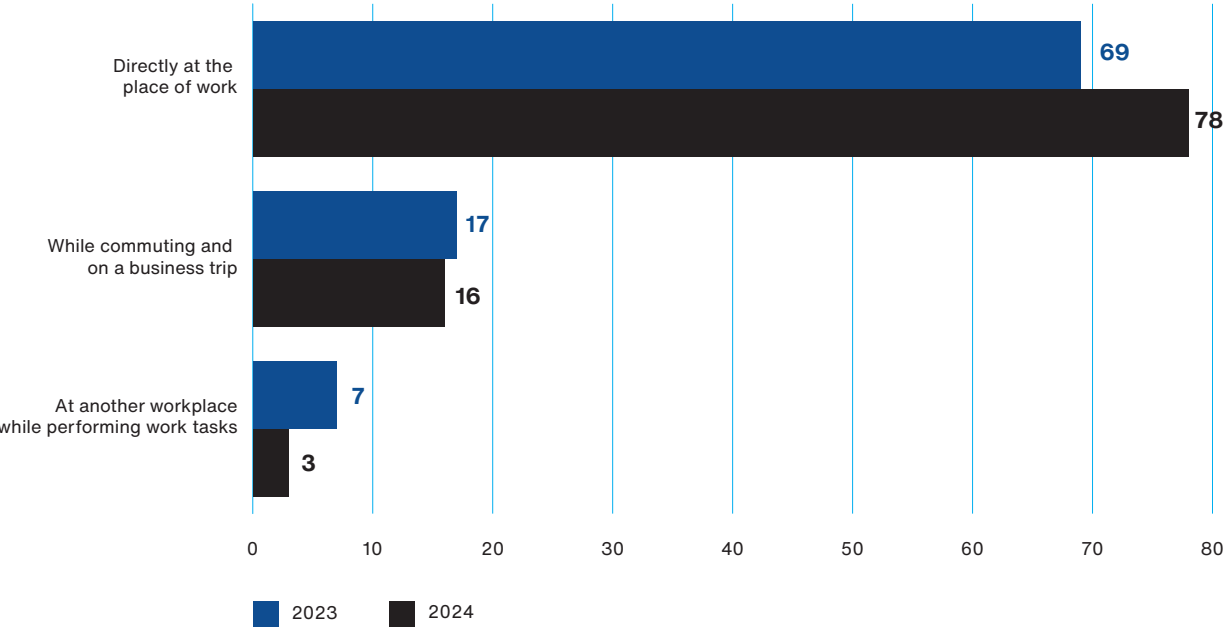
The most common general causes of injuries were:

- worker falls due to defective, slippery, or obstructed passageways and work surfaces,
- cuts incurred while handling tools,
- performing work operations without appropriate personal protective equipment or contrary to occupational safety regulations.

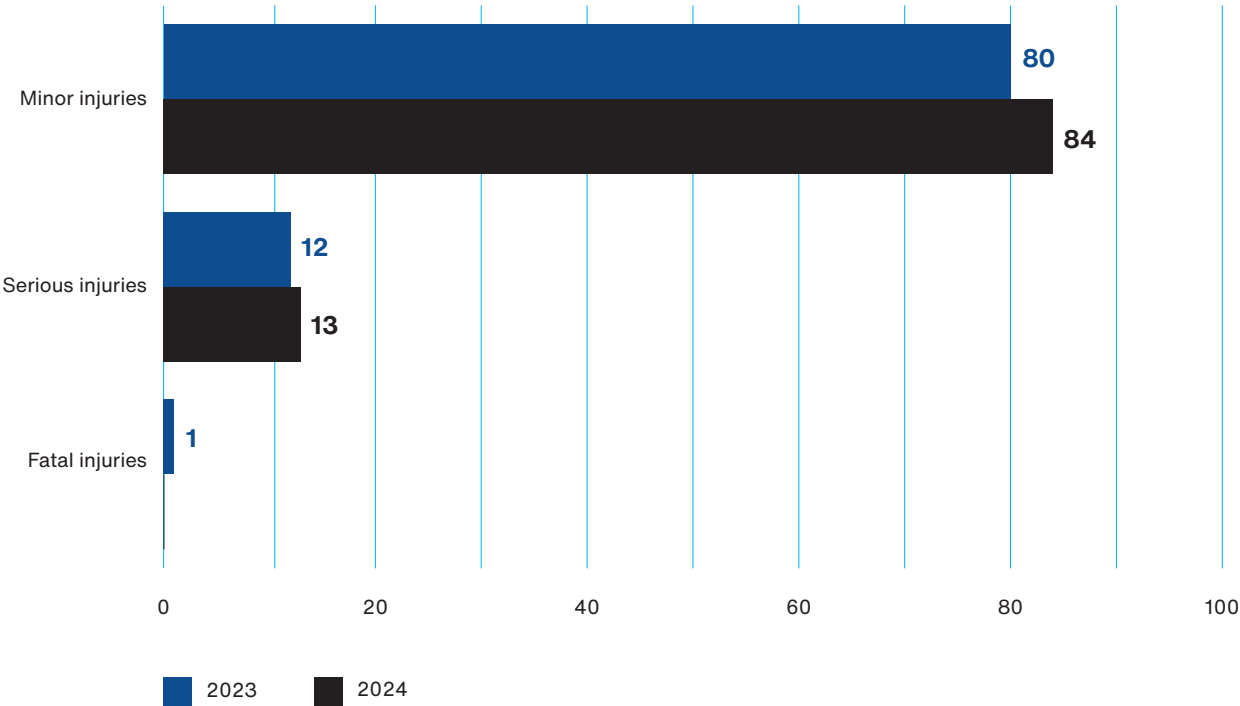
Additional incidents were recorded due to unlawful actions by third parties in traffic, dog attacks, and an increasing number of insect stings—wasps or hornets. The remaining injuries relate to events not associated with business processes and which could not have been prevented through risk assessment.

Occupational safety experts, in cooperation with employees and employer representatives, actively participate in the Occupational Safety Committee and expert teams with the aim of reducing the number of injuries. Key activities include hazard identification, risk assessment, and accident investigation. Timely identification of hazards and regular updating of risk assessments enable the evaluation of risk levels for injuries, occupational diseases, and work-related illnesses. Risk assessments are conducted continuously and aligned with changes in work processes, thereby reducing the likelihood of injuries and other adverse events and improving the occupational health and safety management system.

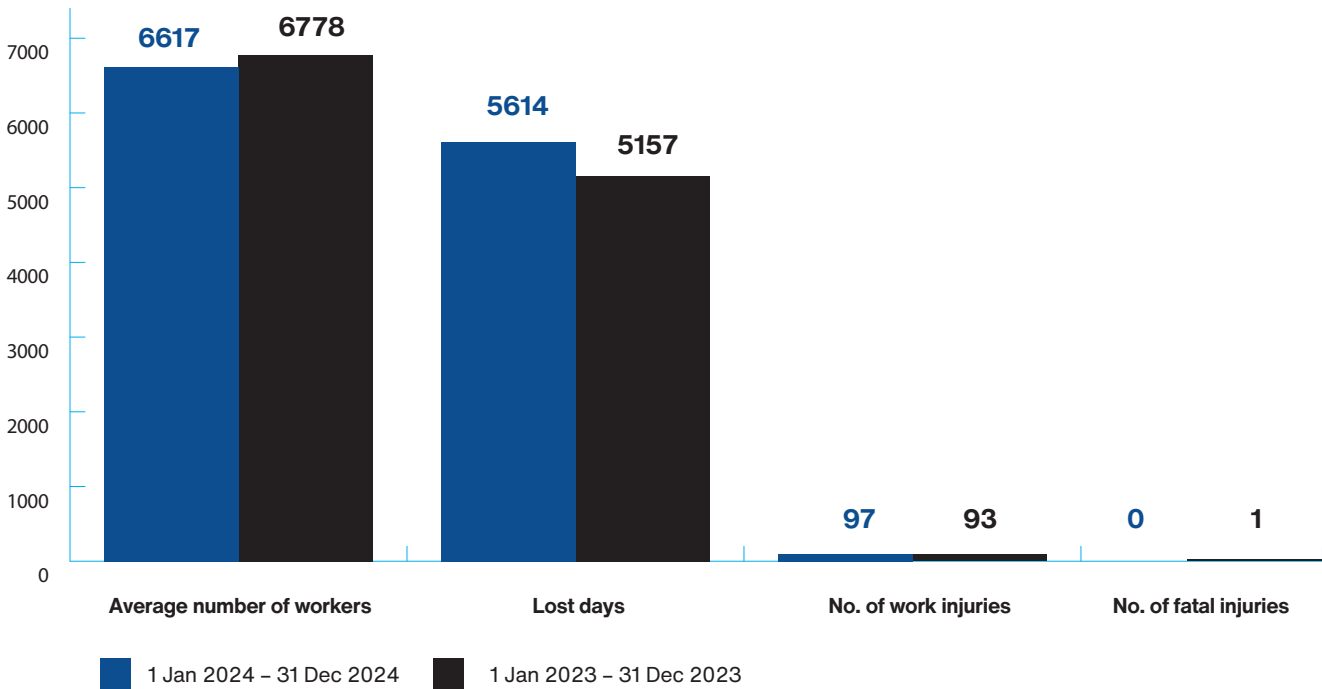
Number of Work-Related Injuires by Place of Origin of said Injury



Number of Work-Related Injuires by Severity of Worker's Injury



Comparison of Indicators of Average Number of Workers, Lost Number of Work Days, Number of Injuries at Work and Number of Fatal Injuries in the Observed Period



Work Injuries

	2023		2024	
	No. of injured	Percentage (%) of the injured out of the total number of workers	No. of injured	Percentage (%) of the injured out of the total number of workers
At work	69	1.02	78	1.18
Outside work	24	0.35	19	0.29
Total no. of injured employees	93	1.37	97	1.47

Lost Work Time

	Working hours lost		Lost workdays	
	2023	2024	2023	2024
At work	33,072	38,312	4,134	4,792
Outside work	8,184	6,576	1,023	822
Total	41,256	44,888	5,157	5,614

Live-Line Work

The technology of live-line work is defined by the Croatian standard HRN EN 50110-1:2023 "Operation of electrical installations" as one of three equal technologies of work, together with working in a de-energized state and working near energized parts. Live-line work is based on meeting all safety requirements: prescribed verified technology conditions, professionally trained workers and the use of special equipment and tools. Live-line work enables the maintenance and construction of electrical installations without the need for disconnection, under regular operating conditions and without causing any disruption to network users. Such work allows tasks to be performed without pressure on contractors or the management system of electrical facilities, while simultaneously enabling the verification of the quality of completed work and ensuring the fulfillment of conditions for reliable power supply to network users.

The company has established the application of live-line working in low and medium voltage electrical facilities as one of its key business objectives.

In 2024, HEP ODS employed 684 live-line working specialists, organized into 252 teams. Over 17,000 live work orders were completed, and the trend of increasing the share of live-line

works in the total number of planned operations continued.

Live-line works were most frequently performed on insulated and uninsulated low-voltage overhead lines, primarily on household connections. The live-line work with the greatest impact on keeping larger sections of the network energized were carried out in 10(20)/0.4 kV transformer stations, where nearly 832 complete electrical facilities were cleaned under voltage. The average time for regular inspections and maintenance of facilities cleaned under voltage was reduced by 45 minutes.

Regular maintenance of the professional qualification of our live-working specialists and their proper equipping are critical factors for safe and high-quality work. For this reason, the company invests significant financial resources in training and the procurement of specialized equipment. The entire process of introducing and applying live-line work across all distribution areas is continuously monitored and coordinated.

In 2024, the company allocated EUR 198,000 for training its workers in live working technology.

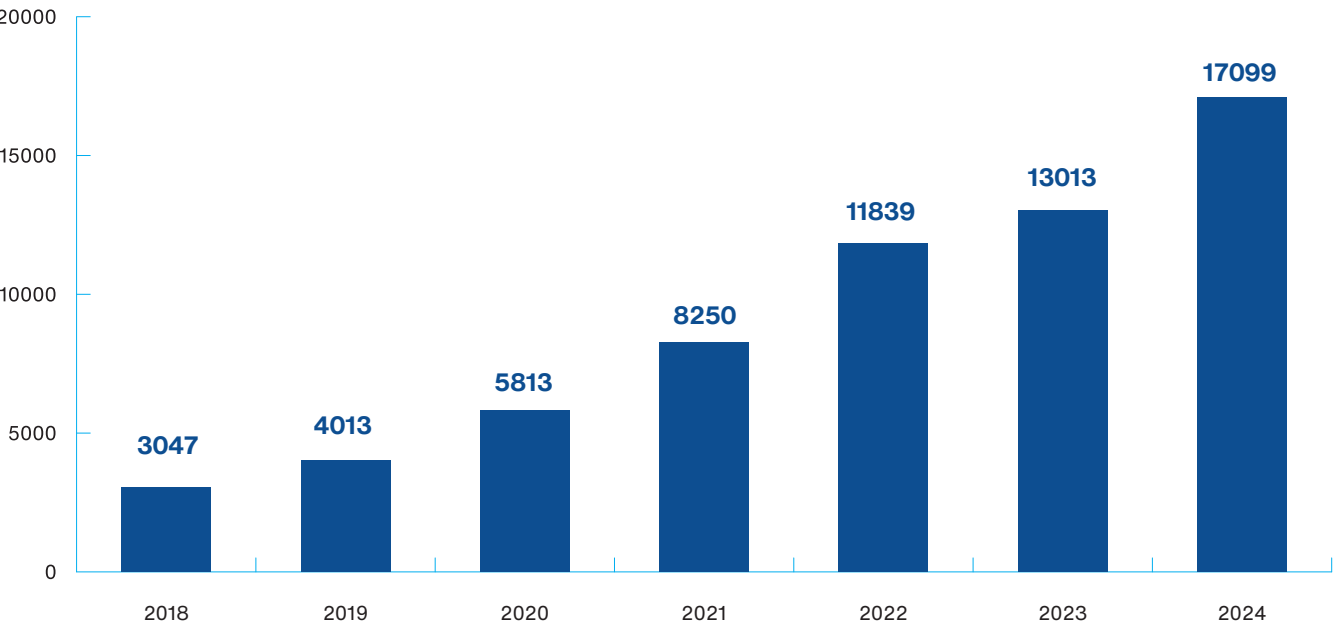
A total of 88 electrical fitters were trained in basic live-line work programmes on low and medium voltage facilities (live equipment cleaning). Additionally, 136 electrical fitters attended refresher courses as part of the educational cycle to maintain their previously acquired professional competencies in live-line work. During the live working training course for supervisors, 47 supervisors were introduced to live working technologies.

In 2023, the company allocated EUR 831,000 for the procurement of tools and personal protective equipment for live working. A total of 128 electrical fitters were equipped with personal toolkits, while 40 teams received shared toolkits.

Additionally, 29 field inspections were conducted in 2024, 13 of which were carried out by the Director's Office. The inspection elements included:

- implementation of the conditions prescribed in Live Working Bulletins nos. 505, 506, 507, 508;
- conducted training programmes;
- issued and revoked authorizations for live work;
- procurement of tools and personal protective equipment for live work;
- internal supervision systems within organizational units.

Live-Line Work Orders



Elektra Zagreb, Elektroslavonija Osijek, Elektro-primorje Rijeka, and Elektra Zabok stand out among the distribution areas due to their organizational structure, scope, and number of live-line work orders, as well as their careful management of lineman certifications and the procurement of tools and personal protective equipment for live-line work.

In 2024, Elektra Koprivnica, Elektrodalmacija Split, Elektra Šibenik, Elektra Sisak, and Elektra Zadar recorded a significant positive shift compared to the previous year in terms of the number of live-line work orders executed and the overall scope of live-line operations. Elektra Slavonski Brod and Elektra Koprivnica distinguished themselves with the highest number of live-line cleanings of 10(20)/0.4 kV transformer stations.

It is expected that the systematic introduction, application, supervision, and improvement of live-line work will gradually lead to the development and standardization of network elements better adapted to live-line operating conditions.

Management of Enviromental Impacts

HEP ODS systematically manages its environmental impacts as part of its commitment to sustainable business operations and compliance with applicable environmental protection regulations. For this purpose, the Company has implemented an environmental management system in accordance with ISO 14001 and an energy management system in accordance with ISO 50001, which form the foundation of its organizational and operational approach to environmental protection and efficient resource use.

At the level of the entire Company, an Environmental and Energy Management Policy has been adopted in line with the requirements of the applicable standards. The Policy is publicly available on the HEP ODS website and displayed on notice boards in business premises, and it is certified by the signature of the Company’s Director. Its scope covers the operations of the headquarters and all 21 distribution areas, taking into account the organizational context, including relevant stakeholders and other interested parties.

In accordance with ISO 14001 requirements, employees are provided, via the internal environmental management system portal, with access to documentation, procedures, and instructions governing the handling of specific environmental aspects. To strengthen employee awareness and competencies, environmental protection workshops were organized in 2024 for employees whose duties involve direct or indirect interaction with environmental issues. These training sessions were conducted at both the Company headquarters and in all distribution areas.

Environmental protection objectives are defined within the environmental management system

in accordance with ISO 14001 and are regularly monitored and evaluated. Based on system requirements, HEP ODS prepares an annual report on the status and performance of the environmental management system, including the implementation of an internal effectiveness review. In this context, inspection audits carried out for 2024 confirmed the Company’s compliance with environmental laws and regulations.

The implementation of the environmental management system is supported by the Environmental Management System Steering Team, which brings together representatives from various organizational units, including the headquarters and distribution areas, thereby ensuring an integrated approach to managing environmental issues across the entire HEP ODS organization.

Energy Management

As a national energy company for the distribution of electricity, HEP ODS wants to be a leader in the field of energy efficiency and to promote energy efficiency both among its employees and in the wider economic and social environment.

The core commitment of the Company in the field of energy management is to achieve permanent improvement of energy performance in all business facilities, equipment and devices, including the reduction of losses in the distribution network, through an implemented and certi-fied energy management system according to HRN EN ISO 50001:2018.

Significant Consumption of Energy

Significant consumption of energy (kWh)/year/(%)	2024	2023	2024/2023
Electricity	13,124,987	13,452,496	-2.44
Heat energy	2,625,575	2,688,517	-2.34
Gas	9,102,978	9,109,979	-0.08
Diesel	23,931,350	28,504,215	-16.04
Petrol	3,102,886	3,185,461	-2.60
Significant consumption of energy	51,887,776	56,940,667	-8.87

In 2024, a further reduction in significant energy consumption was achieved thanks to effective energy management, the maintenance and continuous improvement of the certified energy management system in accordance with the international standard HRN EN ISO 50001:2018, and the implementation of energy efficiency measures. A 16.04% decrease in diesel fuel consumption in 2024 compared to 2023 clearly demonstrates the results of investments made in fleet renewal during 2023, amounting to EUR 16.6 million for the procurement of 75 new commercial vehicles. In 2024, a further EUR 17.3 million was

invested in fleet renewal for the procurement of 202 commercial and passenger vehicles. The results of this investment will be reflected in fuel consumption data for 2025 and presented in the 2025 annual report.

The presented data confirm responsible and efficient management of energy consumption and energy-related costs. HEP ODS achieved the greatest energy savings during the preparation period for energy management system certification and in the first three-year period of the Certificate’s validity.

EnB – Energy Baseline Year (Energy Overview)

Total consumption of energy (kWh)/year EnB/(%)	2024	2019	2015	2024 / 2019	2024 / 2015
Total consumption of energy	55,411,481	58,749,621	65,018,002	-5.7	-14.8

The table above shows a reduction in total energy consumption across the periods covered by the energy reviews within the energy management system (EnB), as well as the maintenance and continuous improvement of the energy management system, accompanied by an ongoing trend of further reductions in energy consumption.

Comparison of Total Consumption by Fuel Type (Energy Overview)

Fuel consumption by energy baseline year EnB, consumption decrease and/or increase – without losses	EnB 2024	EnB 2019	EnB 2015	Decrease / increase of fuel	Decrease / increase of fuel consumption in % 2024/2015
Electricity in kWh	15,346,371	15,481,169	17,577,152	-0.9	-12.7
Fuel oil in kWh	878,100	1,093,876	1,487,484	-19.7	-41.0
Steam in kWh	1,622,250	1,567,652	3,162,953	3.5	-48.7
Hot water in kWh	1,284,345	1,104,501	1,585,911	16.3	-19.0
Gas in kWh	9,193,909	11,722,254	10,827,078	-21.6	-15.1
Diesel in kWh	23,921,139	24,570,735	24,943,364	-2.6	-4.1
Petrol in kWh	3,099,292	3,149,614	5,386,351	-1.6	-42.5
Technical gasses (acetylene, oxygen) in kWh	5,064	5,141	5,504	-1.5	-8.0
LPG in kWh	61,011	54,681	42,206	11.6	44.6
Without losses	55,411,481	58,749,621	65,018,002	-5.7	-14.8

Energy Efficiency Investments

Year	2024	2023
Energy efficiency investments (EUR)	21,054,121	20,863,074

As in 2023, fleet renewal continued intensively in 2024. A total of 166 energy efficiency measures were implemented, with total investments amounting to EUR 21,054,120.56. On business buildings, 23 energy efficiency measures were carried out with a total investment value of EUR 478,929.58. One alternative measure was implemented in the distribution network in the amount of EUR 3,322,769.44, and 349 old transformers were replaced with new energy-efficient units.

The majority of energy efficiency measures—142 of them, with a total investment value of EUR 17,252,421.54—related to the procurement of 202 vehicles, including 149

new commercial vehicles and 53 passenger vehicles. By fuel type, 140 diesel-powered commercial vehicles and 9 electric forklifts were purchased, as well as 53 passenger vehicles, of which 26 were petrol-powered and 27 diesel-powered. Over the past six years, since the establishment and certification of the energy management system, HEP ODS has invested substantial financial resources in the implementation of energy efficiency measures. Significant funds were allocated particularly for fleet renewal and the procurement of new vehicles, with annual investments amounting to EUR 3,347,200 in 2021, EUR 16,638,315 in 2023, and EUR 17,252,421.54 in 2024.

Energy Performance Indicators/EnPI

Average value of energy performance indicators EnPI/year	2024	2023
Diesel – passenger cars (l/100 km)	7.18	7.21
Diesel – commercial vehicles (l/100 km)	11.47	11.86
Petrol – passenger cars (l/100 km)	9.06	9.32
Heating – gas (kWh/SDG)	77.89	77.85
Heating – gas (kWh/m³)	33.14	33.52
Heating – electricity (kWh/SDG)	42.28	41.66
Heating – electricity (kWh/m³)	18.13	18.70
Heating – heat energy/hot water (kWh/SDG)	67.19	71.17
Heating – heat energy/hot water (kWh/m³)	21.32	22.44
Heating – heat energy/steam (kWh/SDG)	636.15	641.04
Heating – heat energy/steam (kWh/m³)	18.7	18.82

The values of Energy Performance Indicators (EnPIs), as key indicators of energy efficiency, decreased in 2024. HEP ODS monitors and analyzes on a monthly basis any deviations in energy performance indicators equal to or greater than ±10%, determines the causes of such deviations, and implements appropriate measures aimed at reducing the indicators and improving energy performance.

Diesel fuel is used for passenger and commercial vehicles, machinery, vessels, and generators, while petrol is used for passenger and commercial vehicles, snowmobiles, generators, and other equipment (such as lawn mowers, trimmers, and chainsaws). The share of diesel fuel in total energy consumption, excluding losses, amounts to 41%, while at certain locations the share exceeds 50%. Such a high proportion of diesel fuel in total significant energy consumption indicates the

need for continuous analysis, additional efforts in more accurate recording and improved monitoring of diesel consumption, tracking of kilometres driven and operating hours, and the identification, proposal, and implementation of fleet optimization measures, such as the introduction of GPS systems. In 2024, HEP ODS launched a pilot project for the introduction of a GPS system for monitoring and supervising company vehicles as one of the energy efficiency measures.

Energy performance indicator values related to heating decreased in 2024 and are significantly lower than in the energy baseline year (EnB) 2019.

A reduction in significant energy consumption was also recorded in 2024 compared to 2023, amounting to 1,413,710 kWh, while compared to the energy baseline year (EnB) 2019, significant energy consumption decreased by 3,565,822 kWh.

Decrease – Increase of Energy Consumption

Decrease of significant energy consumption in 2024 compared to energy baseline year ENB 2019 and the previous 2023 – excluding network losses (kwh)	2024/2019	2024/2023
Total significant consumption of energy	-3,565,822	-1,413,710
Fuel consumption	-2,652,954	-1,096,872

A reduction in significant energy consumption for own use was recorded in 2024 compared to the energy baseline year (EnB) 2019 and the previous year 2023, along with a substantial decrease in fuel consumption, which represents the largest share of total energy consumption. Fuel consumption is directly linked to the volume of business activities and the investment plan.

These results stem from the continued improvement of the energy management system in accordance with HRN EN ISO 50001:2018, ongoing investments in energy efficiency measures in business buildings—particularly in heating systems, the replacement of outdated indoor and outdoor lighting, the procurement of new IT equipment—as well as the continued renewal of the aging vehicle fleet.

Greenhouse Gas Emissions (CO₂)

Emmission (t CO ₂ e)	2024	%	2023	%
Scope 1	8,217	3.89	10,406	4.8
Scope 2	174,813	82.83	179,039	82
Scope 3	28,008	13.27	28,818	13.2
TOTAL Scope 1, 2 and 3	211,038	100	218,262	100
No. of workers	6,627		6,600	2024/2023
Specific emission (t CO ₂ e / worker)	31.85		33.07	-3.69
Specific emission (t CO ₂ e / GWh procured)	12.32		13.21	-6.74

Calculation of greenhouse gas emissions in HEP ODS for Scopes 1 and 2 is shown in the table below.

Scope 1 includes fuels combusted in stationary emission sources such as boilers, furnaces, and similar equipment, as well as fuels combusted in

mobile emission sources such as passenger and commercial vehicles, vessels, and other machinery. Scope 2 includes energy sources such as electricity consumption from the power grid (generated off-site), including electricity losses in the distribution network, as well as the consumption of heating

and cooling energy from district heating/cooling systems (generated off-site).

It should be noted that within Scope 2—and consequently within total greenhouse gas emissions—the largest share of greenhouse gas emissions in HEP ODS arises from electricity losses in the distribution network. The higher the volume of distributed (procured) electricity, the greater the electricity losses in the distribution network, and consequently, the higher the greenhouse gas emissions. or this reason, the indicator *Specific Emissions (t CO₂e/GWh of electricity procured)* is particularly important, as it takes into account the amount of electricity procured in the observed year.

Scope 3 includes upstream indirect greenhouse gas emissions such as: purchased goods and services, capital goods, fuel- and energy-related activities not included in Scopes 1 and 2, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, leased assets, and other indirect upstream emissions.

It also includes downstream indirect greenhouse gas emissions such as: downstream transportation and distribution of products, processing of sold products, use of sold products, end-of-life treatment of sold products, leased assets, franchises, investments, and other indirect downstream emissions.

In 2024, HEP ODS initiated the calculation of greenhouse gas emissions for all three scopes and, in this report, presents emissions for Scope 1 and Scope 2 in full, and Scope 3 partially. For Scope 3 emissions, data collection has begun and is still ongoing, given the complexity and size of the HEP ODS system. The data currently available relate only to upstream indirect greenhouse gas emissions, specifically fuel- and energy-related activities not included in Scopes 1 and 2. The collection of data for the remaining Scope 3 inventory categories is still in progress. HEP ODS is developing a dedicated reporting module within its in-house Energy Management System application (SUEnapplication), which will enable the greenhouse gas emissions report for 2024 and subsequent years to be generated within the application with just a few clicks.

As the 2024 greenhouse gas emissions calculation represents the second in-house calculation conducted by HEP ODS, the greenhouse gas emission intensity ratio is presented in this report and compared with 2023.

The reduction of greenhouse gas emissions is directly linked to energy consumption for own use and electricity losses. The lower the total energy consumption for own use and the electricity losses, the lower the greenhouse gas emissions. Through its energy management system, HEP ODS sets annual targets for reducing significant energy consumption, including electricity losses and energy performance indicators, thereby directly influencing the reduction of greenhouse gas emissions. The targets defined within the energy management system also serve as greenhouse gas emission reduction targets.

Energy Efficiency Investments

In 2024, a total of EUR 250,000 was secured and implemented from the Investment Programme “Investments Based on Environmental and Energy Management System Requirements” for energy efficiency projects and programs in HEP ODS office buildings.

A total of 23 energy efficiency measures were carried out in office buildings, with a total value of EUR 478,929.58, implemented through the Investment Programme “Investments Based on Environmental and Energy Management System Requirements” and the Property Maintenance Programme.

One alternative measure was implemented in the distribution network under the Investment Programme “Construction and Reconstruction of MV and LV Distribution Network Facilities,” with a value of EUR 3,322,769.44, which included the replacement of 349 old transformers with new energy-efficient ones.

Waste and Water Management

Waste Management

HEP ODS manages waste in accordance with all applicable legal regulations on waste management and within its Environmental Management System. The procedures for handling waste are defined by an internal Waste Handling Work Instruction, which regulates waste sorting, temporary storage, record-keeping, and transfer to authorized entities.

All waste categories are delivered to authorized collectors along with the legally required accompanying documentation. In cases where authorized collectors are not immediately available, waste is temporarily stored at HEP ODS locations in compliance with applicable regulations, for up to one year. Waste collection and disposal services are contracted at both the Company headquarters and individual distribution areas, with each contract including an obligation that the collector holds the necessary authorizations for the relevant waste categories and acts in compliance with all applicable legal requirements.

Monitoring and Types of Waste

All waste streams generated within HEP Group are documented and tracked through the internal electronic environmental monitoring System - INFOZOK (Environmental Protection Information System). The INFOZOK system is integrated with the national electronic platform e-ONTO, owned by the Ministry of Economy and Sustainable Development, ensuring traceability of waste and compliance with reporting obligations.

The quantities and types of waste generated by HEP ODS depend on the scope of investment activities, reconstruction and rehabilitation of the distribution network, as well as extraordinary situations requiring emergency interventions on the network. The most common categories of hazardous waste include: hydraulic, lubricating, and insulating oils; paints and varnishes; waste electrical and electronic equipment, components, and devices; end-of-life vehicles; glass, plastic, and metal waste; sludge and water from separators; and waste batteries.

The main types of non-hazardous waste generated by HEP ODS activities include: metal waste (iron, copper, aluminum, and lead), construction materials waste (concrete, wood, glass, and plastic), packaging waste, textile waste, decommissioned equipment, bulky waste, and printing toners. Most distribution areas do not classify used toners as waste but instead hand them over to authorized companies for refilling, thus promoting reuse and reducing waste volumes.

Waste

Quantities of GENERATED waste (t)	2021	2022	2023	2024
Hazardous waste	1,612.10	1,195.27	432.70	704.53
Non-hazardous waste	1,988.70	1,984.71	2,060.15	2,071.52
Total	3,600.79	3,179.98	2,492.85	2,785.12

Recovery

Waste disposal methods (t)	2021	2022	2023	2024
Recovery	2,135.47	1,962.61	1,628.81	1,577.32
Preparation before recovery or disposal	28.93	-	-	-
Disposal	1,612.74	1,035.76	1,019.42	1,226.30
Total	3,777.14	2,998.37	2,648.24	2,803.63

Water

Water consumption at HEP ODS is monitored and recorded within the Energy Management System according to HRN EN ISO 50001:2018. Water used in HEP ODS processes is drawn from public water supply systems. In 2024, a total of 66,037 m³ of water was consumed, and the same volume of sanitary wastewater was discharged

into public drainage systems across all counties in Croatia.

HEP ODS has digitalized the energy management system by developing its own Energy Management System application, which also tracks water consumption.

Water consumption is monitored across all 135 energy audit locations, which include all company office buildings and a total of 772 different major and minor structures. The application allows tracking water usage per employee, expressed as m³ per worker. The table below presents water consumption at HEP ODS by year and per-worker indicator (m³/worker):

Water Consumption

Year	Water consumption (m³)	m³/worker
2020	56,867	9.33
2021	62,251	9.99
2022	59,299	9.60
2023	61,839	9.92
2024	66,037	10.82

Enviromental Protection

Biodiversity

HEP ODS Activities in Relation to Protected Species and Areas

HEP ODS conducts its operations in full compliance with nature and biodiversity protection requirements, in accordance with the applicable laws of the Republic of Croatia and within its environmental management system certified under ISO 14001:2015. All interventions that do not require formal environmental acceptability decisions are carried out following the objectives, procedures, and controls defined within this management system. This approach supports the achievement of goals outlined in the Strategy and Action Plan for Nature Protection in Croatia (2017–2025) as well as the European Union Biodiversity Strategy for 2030.

Electric power infrastructure, particularly overhead power lines, can impact habitats and populations of certain species, including protected birds and other wildlife. HEP ODS activities on the distribution network often occur in ecologically sensitive areas, such as Natura 2000 sites, national parks, and nature parks. In this context, HEP ODS recognizes the reduction of electrocution risks for birds and small animals as a key challenge in biodiversity management.

Electrocution risks primarily exist on specific sections of the medium-voltage overhead network, depending on the technical design of the power infrastructure. Under the current regulatory framework, especially the Environmental Impact Assessment Regulation (NN 61/2014), HEP ODS interventions do not require an environmental impact study, as this obligation applies only to overhead lines of 110 kV or higher. HEP ODS activities are carried out exclusively on the medium- and low-voltage distribution network.

Bird protection measures on the existing network are implemented targetedly, at locations with confirmed incidents, in collaboration with relevant nature protection authorities. Objectives and key tasks in the

field of biodiversity protection are defined at the level of individual distribution areas, taking into account local ecological characteristics and identified risks.

Contribution to the Protection of White Stork in Croatia

During 2024, HEP ODS continued implementing measures aimed at reducing the negative impacts of the electricity distribution network on biodiversity, specifically through the Cooperation Agreement on the implementation of protection measures, population monitoring, and ringing of the strictly protected white stork (*Ciconia ciconia* L.). These activities were carried out under valid permits issued by the Ministry of Economy and Sustainable Development (Class: UP/I-352-04/23-08/193, Reg. No.: 517-10-1-2-23-2 from 2 October 2023, and Class: UP/I-352-04/24-08/171, Reg. No.: 517-10-1-1-24-3 from 27 September 2024), which were valid until 31 August 2024. Within the framework of the Agreement, 14 HEP ODS distribution areas carried out approximately 200 individual activities in 2024 aimed at protecting the white stork.

The measures implemented included the repair and replacement of supports for stork nests, relocation of nests to safer locations, removal of inactive nests, and installation of insulation equipment to reduce electrocution risks for birds. These activities enhance nesting safety and help preserve the white stork population in areas where the distribution network overlaps with its habitats. In addition to infrastructural measures, HEP ODS personnel provided expert and technical support to local public nature protection institutions for ringing juvenile storks, particularly in Lonjsko Polje and Zagreb County. This contributes to population monitoring of this strictly protected species and strengthens collaboration with institutions responsible for nature protection.

Management of Network Activities within Natura 2000

HEP ODS plans and implements activities on the electricity distribution network within Natura 2000 areas while applying technical criteria and conservation measures prescribed by Croatian legislation, particularly the Regulation on

Conservation Objectives and Measures for Target Bird Species in Natura 2000 Areas (OG 15/14 and 38/20). Natura 2000 is the largest coordinated nature conservation network in the world, established to ensure the long-term protection of endangered and rare species and their habitats across the European Union.

Within Natura 2000 areas, HEP ODS manages over 5,000 km of overhead medium-voltage lines, part of which has already been technically adapted and does not pose a significant risk to birds. However, due to the overlap of electricity infrastructure with areas critical for bird conservation, HEP ODS recognizes the prevention of bird electrocution as a key environmental challenge in managing the distribution network. During the planning and construction of new electricity infrastructure within Natura 2000 areas, technical solutions are specifically applied to reduce or completely eliminate the risk of bird electrocution on medium-voltage lines. On sites where existing overhead lines pose an elevated risk, as confirmed by monitoring, HEP ODS implements targeted technical measures to prevent further bird casualties.

HEP ODS – Modernization of the Distribution Network in Natura 2000 Areas and Bird Protection Measures
As part of the distribution network modernization, HEP ODS plans to reconstruct and modify existing electricity infrastructure within Natura 2000 areas and construct new facilities in accordance with applicable regulations, while considering the specificities of Croatia’s different climatic regions (Alpine, Mediterranean, and Continental). The planned activities cover: overhead lines at 35(30) kV and 10(20) kV voltage, pole-mounted 10(20)/0.4 kV substations, and low-voltage overhead networks.

HEP ODS is obliged to plan and build electricity infrastructure in a way that prevents or mitigates the risk of electrocution and other harm to strictly protected bird species within Natura 2000 areas. In this context, critical bird conservation areas and target species have been identified, with specific protective measures mandated by the relevant regulations. The conservation measures address strictly protected bird species at risk of electrocution, including: golden eagle (*Aquila chrysaetos*), Eurasian eagle-owl (*Bubo bubo*), short-toed snake eagle (*Circaetus gallicus*), marsh harrier (*Circus aeruginosus*), hen harrier (*Circus cyaneus*), montagu’s harrier (*Circus pygargus*), merlin (*Falco*

columbarius), lesser kestrel (*Falco naumanni*), peregrine falcon (*Falco peregrinus*), red-footed falcon (*Falco vespertinus*), white-tailed eagle (*Haliaeetus albicilla*), black kite (*Milvus migrans*), osprey (*Pandion haliaetus*), European honey buzzard (*Pernis apivorus*), lesser spotted eagle (*Aquila pomarina*), greater spotted eagle (*Aquila clanga*), white stork (*Ciconia ciconia*), black stork (*Ciconia nigra*), common crane (*Grus grus*), griffon vulture (*Gyps fulvus*), and Ural owl (*Strix uralensis*).

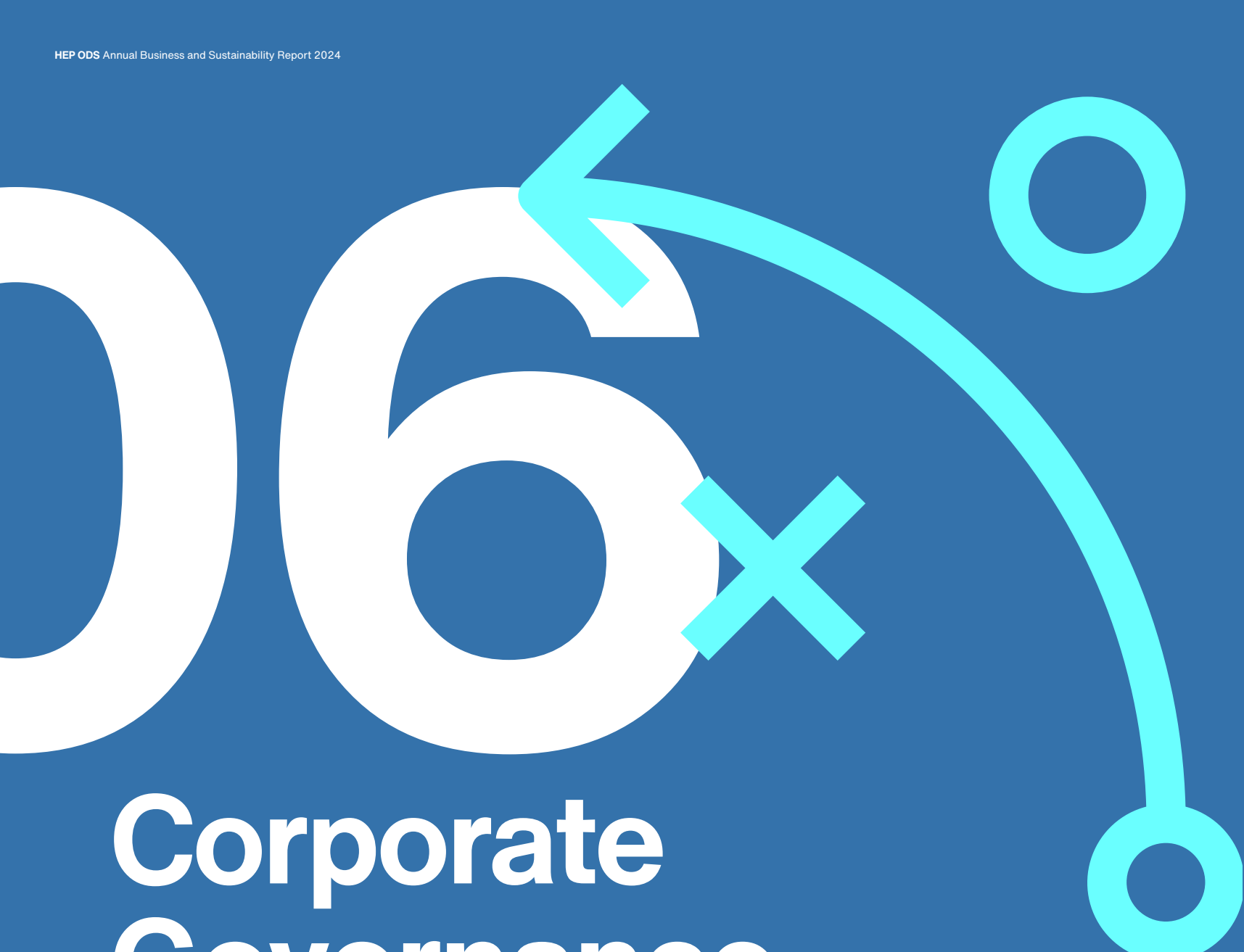
Through technical adaptations, monitoring, and targeted mitigation measures, HEP ODS ensures that modernization and new construction minimize negative impacts on bird populations and contribute to the long-term protection of species within Natura 2000 conservation areas.

Environmental Investments

In 2024, HEP ODS allocated and implemented a total of EUR 250,000 within the Investment Programme aimed at improving environmental protection and reducing the risk of extraordinary events with potential negative environmental impacts. These investments were carried out based on the requirements of the Environmental and Energy Management System and were directed toward projects and programmes that enhance preventive measures and operational safety.

- The funds were allocated to projects in the following categories:
- organization of transformer warehouses, including operational reserves and transformers scheduled for decommissioning;
 - development of temporary sites for collection and storage of hazardous and non-hazardous waste, including the acquisition of tanks and waste containers and adaptation of storage locations to comply with applicable legal regulations;
 - improvement of wastewater drainage systems to reduce emissions to soil and water.

These investments are part of HEP ODS’s continuous approach to managing environmental risks and upgrading infrastructure in accordance with regulatory requirements and principles of sustainable business. The implemented solutions provide a foundation for further investments in the coming period.



Corporate Governance

Through the corporate governance system in carrying out the regulated activity of electricity distribution, HEP ODS achieves its business and strategic objectives while simultaneously ensuring legality, transparency, and ethical standards in the public service it provides to distribution network users. Corporate governance in HEP ODS is based on a clear allocation of responsibilities, efficient decision-making processes, risk management, and consistent compliance with regulatory requirements and internal rules.

In order to meet the expectations of distribution network users and enable effective integration of all participants in the electricity market, HEP ODS continuously improves its organizational and operational working models. Alongside the application of innovative technological solutions, more modern management and business models are also being developed, supporting system reliability, service quality, and adaptation to changes in the energy sector, particularly in the context of the energy transition and digitalization.

People and organizational culture play a key role in achieving strategic objectives. Employee-focused management, safety and competency development, together with a strong orientation toward network users, form the foundation of efficient and responsible governance. Such an approach enables the development of a stable and functional corporate structure, encourages cooperation and accountability at all levels of the organization, and contributes to strengthening the trust of users, regulators, and other stakeholders.

By developing an organizational culture that promotes professionalism, responsibility, and continuous improvement, HEP ODS creates the conditions for the company's long-term growth, the well-being of its employees, and a positive contribution to society as a whole.

General Assembly

The General Assembly of HEP ODS consists of the company's founder, HEP d.d. Within its prescribed authorities, the General Assembly decides on important matters concerning the Company. For the greater part of 2024, the General Assembly of HEP ODS was represented by **Vice Oršulić**, in his capacity as President of the Management Board of HEP d.d.

Supervisory Board

HEP ODS has a Supervisory Board consisting of four members, one of whom is a worker representative. Their term is four years. The members of the Supervisory Board are elected by the Assembly, while the workers' representative is appointed by the Company workers.

The Supervisory Board supervises the management of the Company's affairs and closely cooperates with the Company's Management, mostly through holding regular Supervisory Board meetings. During 2024, the Supervisory Board, in accordance with its prescribed powers, supervised the management of the Company's affairs within its jurisdiction. During a total of 23 Supervisory Board meetings, 4 of which were held electronically, 305 agenda items were adopted.

Members of the Supervisory Board of HEP ODS are:
Damir Pečušak, chairman
Marino Roce, deputy chairman
Snježana Barbarić, member
Ivanka Gavez, member

Management Board

At the end of 2024, a change in the governance structure of HEP ODS was implemented through registration in the court register, whereby the previous single-member Management Board model was replaced with a three-member Management Board consisting of a President of the Management Board and two members of the Management Board. This change was introduced in order to strengthen collective decision-making, distribute responsibilities more effectively, and improve the corporate governance system. The term of office of the Management Board members is four years, and they are appointed and dismissed by the Company's General Assembly.

The Management Board is responsible for managing the Company's operations, implementing the business strategy, managing risks, and ensuring the legality of operations. Within its powers, the Management Board makes key business decisions, manages the organization of work and resources, and ensures the long-term stability and reliability of the distribution system.

The governance system is based on a clear division of responsibilities between the Management Board and the Supervisory Board. The Management Board regularly reports to the Supervisory Board on business results, risks, and strategic issues, thereby ensuring transparency, oversight, and accountability toward the owner and other stakeholders.

The procedures for appointing Management Board members and managers in positions with special authority are regulated by internal acts that ensure professional selection criteria, continuity of management, and institutional independence. The independence of Management Board members is ensured through the application of relevant legal provisions and principles of corporate governance, including the prevention of conflicts of interest and incompatibility of functions.

The Company’s organizational structure has been established as an integrated system consisting of

the Management Board, head office departments, sectors, and distribution areas, enabling efficient management of business processes, operational reliability, and responsible provision of public services.

The Management Board of HEP ODS in 2024 consisted of:

- Nikola Šulentić, Company director until 6 November 2024
- Davor Sokač, Company director as of 7 November 2024

Assistant Directors

- Elizabeta Balić
- Davor Sokač, until 6 November 2024
- Goran Slipac
- Krešimir Tomasović

Organization

Department Directors

Elizabeta Balić	Economic Affairs
Perica Hrnjak	Procurement
Tihana Mrazović	Legal Affairs and HR Management
Krešimir Ugarković	Asset Management
Ivan Periša	System Operations
Danijela Žaja	Metering and Market Support

Directors of Distribution Areas

Anton Marušić	Elektra Zagreb
Roman Gregurović	Elektra Zabok
Zdenko Đula	Elektra Varaždin
Igor Ivković	Elektra Čakovec
Goran Pakasin	Elektra Koprivnica
Mladen Modrovčić	Elektra Bjelovar
Željko Sokodić	Elektra Križ
Danijel Ilić	Elektroslavonija Osijek
Vladimir Čavlović	Elektra Vinkovci
Branka Balašević	Elektra Slavonski Brod
Zvonko Liović	Elektroistra Pula
Vitomir Komen	Elektroprimorje Rijeka
Saša Kraljević	Elektrodalmacija Split
Tomislav Dražić – as of 1 August 2024 Mario Salopek	Elektra Zadar
Emil Živković	Elektra Šibenik
Zvonimir Mataga	Elektrojug Dubrovnik
Zvonko Spudić – as of 24 October 2024 Branko Jurić	Elektra Karlovac
Irma Matanović	Elektra Sisak
Božo Marković	Elektrolika Gospić
Dinko Begović	Elektra Virovitica
Željko Polak	Elektra Požega

Conflict of Interest

Conflicts of interest are regulated by the Act on the Prevention of Conflict of Interest, which identifies as relevant parties the presidents and members of management boards of companies in which the Republic of Croatia holds a majority share, as well as the presidents and members of management boards of companies which majority owners are companies in which the Republic of Croatia holds a majority share. A member of the Management Board – the Director – must not make decisions based on personal interests or the interests of persons with whom they are associated. The Management Board, i.e. the Company’s Director, is responsible for the implementation of plans and for achieving clear, measurable, and quality objectives, for which the Supervisory Board provides guidelines.

Remuneration and Compensation Policies

According to the Act on the Prevention of Conflicts of Interest, the Conflit of Interest Committee issued guidelines that defined which income, in addition to salary, may not be paid to persons recognized as relevant parties under said Act, including the Management Board of HEP ODS. The compensation received by the members of the Supervisory Board is not set according to the performance contribution, it is fixed and defined by the Decision of the Assembly of HEP d.d.

Management and Reports on Impacts on Society and Environment

The management of the Company’s impacts on society and the environment falls within the responsibility of the Company’s Management Board. In considering relevant impacts and managing them, as well as monitoring the achievement of objectives, the Management Board relies on expert opinions, analyses, and recommendations from internal and external experts, in accordance with their competencies and responsibilities. In this way, sustainability issues are gradually integrated into the management and

business processes of HEP ODS, in line with regulatory requirements and the Company’s capabilities.

Responsibilities for achieving business objectives, including sustainability-related objectives, are delegated to the level of departments, teams and individual workers in accordance with their job descriptions, internal acts, and regulations. This ensures a basic framework of accountability and monitoring of implementation, while processes and tools for the systematic management and monitoring of these objectives are gradually being developed.

At the Company level, working and expert teams are established to implement specific activities and initiatives in the areas of sustainability, social responsibility, and operational efficiency. These teams play a role in coordinating activities and exchanging information, while their roles and responsibilities are gradually evolving in line with legal obligations.

HEP ODS has established and certified three management systems in accordance with international ISO standards: an environmental management system, an energy management system, and an occupational health and safety management system. These systems represent an important foundation for monitoring and managing specific environmental and social aspects of operations, while their application and integration with other business processes are continuously being improved. In considering its impacts, the Company cooperates with key stakeholders and, through dialogue, collects relevant feedback that serves as a basis for further improvement of existing practices and management systems.

The competencies of the Management Board and workers of HEP ODS are defined by the Rulebook on Organization and Systematization and the Conditions for Individual Positions. In the area of sustainability, competencies are further developed through training, participation in professional seminars, conferences, and other forms of professional development aimed at strengthening the understanding of regulatory requirements and gradually developing internal capacities.

Members of the HEP ODS reporting team and the involved workers acquire knowledge and experience through their regular professional tasks, internal and external training, and participation in professional events focused on sustainable business practices and specific sustainability aspects related to the Company’s core activities.

During the reporting period, in managing and reporting on sustainability issues, the Company relied on the existing materiality framework established in the previous period. This framework serves as a starting point for monitoring and managing previously identified actual and potential impacts, risks, and opportunities, while regularly considering relevant changes in business operations and the regulatory environment.

Strategy, Policies and Practices

HEP ODS faces the challenge of significantly improving its existing business processes, in light of inevitable changes and evolving expectations of service users, in line with the Energy Development Strategy of the Republic of Croatia until 2030 with a view to 2050. In order to ensure security of supply and provide an impartial foundation for the electricity market, the Company is gradually evolving from the traditional role of an operator of a “passive” network into an operator that will actively utilize flexibility services in electricity generation, consumption, and storage, as well as procure ancillary services from network users connected to the distribution system. HEP ODS is introducing an advanced metering system and investing in the modernization and automation of the network, as well as in the improvement of information and communication systems. These developments will facilitate the participation of distribution network users and other stakeholders in the electricity market, either directly or through aggregators.

The current business objectives of HEP ODS can be grouped into three main areas:

- The first objective relates to increasing the capacity of the distribution network in order to meet the growth in load and electricity consumption, while at the same time enabling the connection of distributed energy sources. When investing in capacity expansion, network development planning criteria are taken into account, together with technical, economic, and regulatory requirements, while applying the principles of responsible and efficient asset management.
- The second objective relates to improving the quality of electricity supply. As the distribution system operator, HEP ODS systematically maintains the level of supply quality, monitors quality indicators, and keeps records of the data necessary for their

determination. The quality of supply includes the quality of services, reliability of supply, and voltage quality, with particular attention given to continuity of supply and system reliability.

- The third objective relates to increasing operational efficiency. In order to achieve stable business results, HEP ODS continuously improves the efficiency of its processes, optimizes investments and costs, and strengthens management and control mechanisms to increase asset value and ensure the long-term sustainability of its operations.

In achieving its business objectives, which are of strategic importance for the Republic of Croatia, HEP ODS integrates the principles of sustainability, responsible business conduct, and compliance into its key business processes. The Management Board of HEP ODS determines the strategic direction, delegates responsibilities, and supervises the implementation of business decisions, with particular emphasis on managing impacts on society and the environment and ensuring compliance with laws and regulations.

The management of impacts and risks related to business conduct also relies on cooperation with key stakeholders. The perspectives of customers, regulatory bodies, executive authorities, employees, suppliers, and the academic community are used as an important source of information in identifying and managing relevant impacts and risks.

In making and implementing business decisions, the leadership of HEP ODS takes into account internationally recognized guidelines and standards as a reference framework for responsible business conduct.

HEP ODS regulates its business framework through a range of rulebooks and business decisions adopted at the level of HEP Group, as well as through internal acts that govern specific areas of business operations and conduct.

One of the key mechanisms for ensuring ethical and lawful business operations is the whistleblowing mechanism, which enables employees and other relevant stakeholders to express concerns, report potential irregularities, and seek advice regarding the implementation of business policies, while ensuring confidentiality and the protection of whistleblowers.

During 2024, no cases of non-compliance with laws and regulations were recorded, nor were any sanctions or penalties imposed.

Responsibility and Ethics

The Code of Ethics of HEP ODS defines the principles of business conduct and emphasizes the importance of consistent monitoring and application of the law and regulations on the organization of work and business operations. The Code prescribes the implementation of professional, business standards and norms, as well as ethical principles. In addition, it emphasizes professionalism, expertise, conscientiousness, objectivity, independence, transparency, impartiality and work responsibility. The Code defines a conflict of interest and calls for the protection of human rights, the development of transparent relations with all stakeholders and condemns any type of discrimination.

Out of a total of 112 complaints received and processed in 2024, 49.11% were found to be justified, while 50.89% were unfounded. The majority of complaints related to the billing and invoicing of electricity, accounting for 41.96% of the total number of complaints. These were followed by complaints regarding connections to the low-voltage (LV) network, which represented 28.57% of the total complaints.

Regarding the procedure for examining the validity of a complaint, the Ethics Officer is required to submit a written report to the Company’s Director. The Director reviews the report and, if necessary, initiates the procedures prescribed by law, other regulations, or internal company acts. The Ethics Officer is then informed of the actions taken, after which a response is provided to the complainant.

Structure and Number of Complaints

	Total	Upheld	Unfounded
Number of complaints received	112	55	57
Number of resolved complaints	112	55	57
→ number of anonymous complaints	5	0	5
→ number of non-anonymous complaints	107	55	52
Number of non-anonymous complaints from HEP workers	0	0	0
Number of non-anonymous complaints from suppliers	0	0	0
Number of non-anonymous complaints from other interested parties	107	55	52
Number of complaints by topic/area			
(possible areas listed as an example)			
a) employment relationship	2	0	2
b) discrimination	0	0	0
c) corruption	1	0	1
d) conflict of interest	0	0	0
e) nepotism	1	0	1
f) public procurement	0	0	0
g) customer relation	7	2	5
h) billing and invoicing	47	19	28
i) connection to LV network	32	20	12
j) unauthorized consumption	1	0	1
k) other	21	14	7
Total	112	55	57

Information Security and Data Protection

Information security at HEP is managed by the Corporate Security Department (UKS), responsible for planning, control, monitoring and coordination of all measures and regulations relevant to Company security. As part of its tasks and responsibilities, UKS participates in the preparation of policies, procedures and regulations, conducts controls and investigations, carries out risk assessments in cooperation with individual parts of the company, participates in the classification of assets, coo-pe-rates in the education and raising awareness of workers and serves as a central point to other company workers in terms of security.

The Corporate Security Department implements information security measures at the HEP Group level, while in cooperation with the IT Unit, it also carries out said measures in HEP ODS. Some security measures are carried out in cooperation with the Departmention of Information and Communication Technologies and HEP-Telekomunikacije (telecommunications).

The strategic determinant is the establishment, implementation and constant improvement of the information security management system in the jurisdiction and competence of the Management Board of Hrvatska elektroprivreda d.d. in accordance with the ISO/IEC 27001:2013. HEP d.d. takes advantage of the selected standard and strategically decides on its internal long-term application in the widest possible scope. Apart from the above standard, information security management issues are covered by the information security strategy and a series of rulebooks such as the Rulebook on the Usage of Information System, the Rulebook on the Usage of the Internet, the Confidentiality Rulebook, the Security Rulebook that includes information security and data protection, and the Confidentiality and Data Classification Rulebook.

As an entity subject to the Cybersecurity Act for Operators of Essential Services and Digital Service Providers, and the corresponding Regulation on Cybersecurity for Operators of Essential Services and Digital Service Providers, HEP ODS, given the critical importance of electricity distribution, the

potential cascading effects on other organizations, and the current era and circumstances, considers it essential to ensure the cybersecurity of its key process systems. The System Management Department is the responsible organizational unit within HEP ODS for the key process system that supports the remote management of the distribution network.

Continuous efforts are made to enhance the cybersecurity level of this key system and to reduce security risks through the implementation of appropriate security controls, the adoption of internal acts for managing cybersecurity, and raising employee awareness about its importance.

In September 2024, an authorized external auditor conducted the regular annual compliance audit of the “Operator of Essential Services” under the measures of the Cybersecurity Act. At the HEP ODS level, no cybersecurity incidents were recorded in 2024.

Regarding privacy and personal data protection, HEP ODS follows the HEP Group Privacy Statement, which outlines the principles of data processing, the procedures for collecting and processing personal data, the rights of data subjects, the reporting procedure to the supervisory authority, handling of breaches, and provides the contact information of data protection officers. To build knowledge and raise awareness of the importance of personal data protection, the HEP Academy, in cooperation with data protection officers, established a GDPR training module for employees who sell products or services to individuals or systematically process large volumes of personal data in their work.

In 2024, HEP ODS reported no personal data breaches and no supervisory activities by the national data protection authority. Data subject rights in the area of personal data protection were addressed within legally prescribed deadlines in accordance with the Regulation.

Management of Procurement Procedures

The procurement of goods, services and works in HEP ODS is carried out in accordance with the Public Procurement Act (Official Gazette 120/16, 114/22) and by-laws, the internal Procurement and Contracting Rulebook in HEP Group and other internal documents. In addition, the procedures of the so-called simple procurement of goods and services with an estimated value under EUR 26,540.00 (without VAT) and works with an estimated value under EUR 66,360.00 (without VAT) are also subject to the Simple Procurement Rulebook.

In order to prepare the procurement process and inform business entities about their plans and requirements in relation thereto, HEP Group companies conduct market analysis. Said market analysis consists of gathering information about the subject of procurement, economic entities on the market and other significant circumstances that affect procurement conditions. Before starting the public procurement procedure for the procurement of works, goods or services of high value, HEP Group companies are obligated to initiate a preliminary consultation procedure with interested business entities for a minimum of five days regarding the description of the procurement subject, technical specifications, criteria and special conditions for the execution of the contract. All interested economic undertakings are invited to participate in the preliminary consultation in order to exchange information, comments, proposals and advice, which may be of importance in the planning and implementation of procurement procedures, while respecting the principles of market competition, prohibition of discrimination and transparency in public procurement procedures.

During the implementation of public procurement procedures and on the basis of the ESPD form (European Uniform Procurement Documentation), HEP Group companies, among other things, set mandatory grounds for the exclusion of economic undertakings from the procedures if:

- an economic undertaking, either a member of an

administrative, management or supervisory body or a member with the power of representation, decision-making or supervision, is convicted of participation in a criminal organization, corruption, fraud, terrorism or criminal offenses related to terrorist activities, money laundering or terrorist financing, child labour or other forms of human trafficking;

- an economic undertaking has not settled its financial obligations towards due taxes and pension and health insurance contributions.

When conducting procurement procedures, economic undertakings must also submit a signed Integrity Declaration, which guarantees correctness in the procurement procedure, the absence of any prohibited practice in connection with the bidding process, such as corruption or fraud, offering, giving or promising any unfair advantage that may affect the actions of the worker involved in the procurement process. The economic undertaking must also submit consent for the audit of the entire procurement process by independent experts and bear responsibility as well as accept sanctions (contractual penalties, unconditional cancellation of the contract), if the prescribed rules are violated.

Since 2014, public procurement procedures that are not categorized as simple procurement have been published in the Electronic Public Procurement Bulletin of the Republic of Croatia. Information on public procurement procedures is also published on the website of HEP ODS, and includes basic information on procurement, procurement documentation for public and simple procurement procedures in accordance with the internal Simple Procurement Rulebook, procedures that are exempt from public procurement, decisions on selection and cancellation, and information on previous consultations with interested economic undertakings.

In September 2023, the “Pilot Project of the New EOJN RH” was launched under the National Recovery and Resilience Plan, as part of component C2.3. R3-I9 – Establishment of the New Platform for the Electronic Public Procurement Bulletin of the Republic of Croatia (EOJN RH). The use of the new IT platform, i.e., the new EOJN RH, became mandatory for all contracting authorities in Croatia starting 1 January 2024.

In accordance with the Act on Electronic Invoicing in Public Procurement, all companies within the HEP Group have been receiving e-invoices in the EU standard format (2014/55/EU) since 1 December 2018. Information about HEP Group companies is published in the e-Invoice User Register on the Financial Agency (FINA) website.

Conflict of Interest

In order to prevent the conflict of interest, a list of economic undertakings with which HEP ODS is in a conflict of interest as an Employer in public procurement procedures is published on the HEP ODS website and, if necessary, updated. HEP ODS may not enter into contracts with economic undertakings from said list. Provisions related to the conflict of interest in public procurement procedures are prescribed by the Public Procurement Act.

Supply Chain and Procurement Procedures in 2024

During 2024, the HEP ODS supply chain consisted of a total of 2,149 domestic suppliers (based on

concluded agreements, contracts, and purchase orders). These domestic suppliers were located across all counties of Croatia, with more than half (57%) coming from City of Zagreb and Zagreb County, Split-Dalmatia, Primorje-Gorski Kotar, Osijek-Baranja, and Istria Counties.

HEP ODS procures goods, works, and services for the operation, maintenance, construction, and development of the distribution network. In terms of financial volume, suppliers providing goods and executing works are the most represented in the supply chain. In 2024, a total of 433 public procurement procedures were carried out. By type of procedure, the majority were for goods (72%), followed by services (18%) and works (10%).

In 2024, economic operators submitted 45 complaints to the State Commission for the Supervision of Public Procurement Procedures (DKOM). Of these 45 complaint procedures, 20 were rejected, 20 resulted in annulment of the original decision, 4 resulted in partial annulment of the decision, and in one case the complainant withdrew the complaint.



Responsible and Sustainable

Strategy, Context of Operations and Material Topics

The preparation of the Annual Business and Sustainability Report is part of a multi-year process in which HEP-Distribution System Operator d.o.o. gradually and consistently integrates sustainability considerations into the management and development planning of the distribution system. This process has evolved in parallel with changes in the European and national regulatory frameworks, as well as through daily encounters with operational, technical, and environmental challenges in managing a geographically dispersed and infrastructurally complex distribution network. The experience gained has shaped the approach to sustainability applied by HEP ODS in system development planning, risk management, and business decision-making.

As a company performing a regulated activity of electricity distribution throughout the entire territory of the Republic of Croatia, HEP ODS plays a key role in ensuring the security, reliability, and continuity of electricity supply. At the same time, by enabling the integration of renewable energy sources, the electrification of consumption, and the development of flexible and advanced network solutions, the Company plays an important role in the energy transition and the shift towards a low-carbon economy. The way these processes are managed directly impacts network users, local communities, and the long-term stability of the electricity system.

The development of the distribution system is planned in accordance with the applicable legislative and strategic framework of the Republic of Croatia, national development and energy strategies, integrated energy and climate plans, as well as international obligations arising from Croatia's membership in the European Union. In addition to regulatory requirements, development plans are influenced by

internal factors, including the Company's mission, vision, and business objectives, as well as the broader business environment, particularly economic and demographic trends, and changes in European Union legislation and its implementation within the national legal framework.

In the previous reporting period, the Company conducted a materiality assessment to establish a long-term and consistent framework for managing and reporting on sustainability matters. The assessment was carried out using the Global Reporting Initiative (GRI, 2021) methodology, with reference to the European Sustainability Reporting Standards (ESRS) guidelines, taking into account the specific characteristics of electricity distribution activities and the limited comparability with other entities at both national and European levels.

During 2024, the Company did not conduct a new materiality assessment, as there were no significant changes in the business model, scope of activities, or regulatory framework that would materially affect the previously identified actual and potential impacts, risks, and opportunities. Instead, the focus remained on the consistent management of already recognized material topics and on preparation for future reporting obligations at the HEP Group level, in accordance with the Corporate Sustainability Reporting Directive (CSRD) and related legislative requirements.

In the absence of sector-specific GRI and ESRS standards directly applicable to electricity distribution, the current materiality framework is based on an analysis of international, European, and national strategic and regulatory documents, available GRI topical standards, and relevant sector-specific guidance for the electricity industry. In considering environmental, social, and governance aspects, internationally recognized guidelines for responsible business conduct, human rights, labour practices, and corporate governance were also taken into account.

Based on the business analysis and the revaluation of impacts conducted in the previous period, the Company’s identified actual and potential impacts, risks, and opportunities have been grouped into four interrelated areas: **electricity distribution, responsible corporate governance, environment, and society**. Within these areas, material topics have been defined that reflect the Company’s key impacts on the economy, the environment, and people, including human rights, over the short, medium, and long term. The process of determining material topics involved a multidisciplinary team of experts from the Management Board and key organizational units, with systematic engagement of internal and external stakeholders. The establishment of a centralized stakeholder register and structured dialogue has ensured a reliable and reproducible basis for assessing and prioritizing impacts, which continues to serve as a reference framework for managing material topics in this reporting period.

During 2024, particular emphasis was placed on monitoring regulatory initiatives at the European Union level, including discussions on further adaptation and simplification of requirements under the so-called Omnibus package, as well as strengthening internal capacities for the future implementation of the CSRD and ESRS. In this context, targeted employee training and awareness-raising activities were conducted on sustainability, impact management, risks and opportunities, and sustainability reporting.

Taking into account the Company’s strategic guidelines, the stability of the business and regulatory environment, and the previously conducted materiality assessment in accordance with GRI standards and ESRS guidance, the

Management Board has confirmed the current prioritization of material topics as an appropriate basis for management, monitoring, and reporting in this reporting period. The integration of environmental, social, and governance factors into HEP ODS’s operations is not viewed as a separate objective but as an inherent part of how the Company strategically plans, develops, and manages the distribution network, which is of strategic importance for the economy and society as a whole.

Material Topics

Electricity distribution

- Safety and resilience of the distribution system
- Reliability of power supply in the distribution system
- Integration of RES
- Flexible and smart networks
- Network customer relations

Corporate social responsibility

- Organization and impact management
- Transparency and Code of Ethics
- Sustainable chain of procurement
- Information security

Environment

- Climate
- Energy efficiency
- Water and waste management
- Biodiversity

Society

- Work environment and working conditions
- Health protection and safety at work



A Word by the Editor



Dear readers,

It is my pleasure to address you as the editor of this Report and the Head of the Sustainability Team at HEP-Distribution System Operator d.o.o., and to present the 2024 Annual Business and Sustainability Report. The electricity distribution system constitutes one of the fundamental infrastructural prerequisites for the functioning of modern society. Its reliability, security, and resilience directly impact citizens' quality of life, economic development, and the overall stability of the energy system. In this context, sustainability for HEP ODS is neither an abstract concept nor an emerging regulatory obligation; it is an integral part of the daily management of energy infrastructure.

This Report is the result of continuous and systematic work by a large number of experts within the Company. It reflects our responsibility to the public, the regulator, and all stakeholders to present the operations and development of the electricity distribution system in a transparent, credible, and substantively grounded manner. Reporting is not viewed as an end in itself, but as a tool that enables a better understanding of our impacts, risks, and opportunities, thereby supporting more informed decision-making in a complex and evolving environment.

At a time when the European framework for sustainable business and corporate reporting is entering new phases of adaptation, HEP ODS's experience demonstrates that the integration of environmental, social, and governance factors has become an essential element of modern management and strategic development. Discussions on so-called ESG 2.0 and the simplification of requirements are important and necessary, but they must not compromise the substance or credibility of ESG processes, particularly in complex infrastructure systems such as electricity networks. Due diligence processes, the management of climate and environmental risks, the protection of employee health and safety, and responsible engagement with network users and local communities are already deeply embedded in HEP ODS's operations. Sustainability reporting has allowed us to further structure these processes, align them with investment planning and long-term network development, and ensure their traceability and transparency.

The Report provides an overview of the Company's full operational activities, offering insights into its strategy, objectives, core values, and financial results. It also includes the independent auditors' report, which pertains to the audit of HEP-Distribution System Operator's annual financial statements. The auditors' opinion is presented in its original form.

Although the formal obligation for sustainability reporting is implemented at the HEP Group level, HEP ODS has a long-standing tradition of transparent business reporting. The Company has continuously published annual reports since 2005, and over the past three years it has further enhanced its reporting practices through the systematic integration of environmental, social, and governance aspects. In this way, sustainability is not viewed as a new obligation but as a natural continuation of a long-standing practice of responsible management of the distribution system.

I would like to express my gratitude to all employees, partners, and stakeholders for their contributions and collaboration. Special thanks go to the members of the Sustainability Team and all involved colleagues, whose expertise, responsibility, and dedication made the preparation of this Report possible.

I am confident that HEP ODS will continue to develop sustainable practices, strengthen corporate governance, and invest in people, the network, and knowledge, further advancing the development of a reliable, resilient, and sustainable distribution system that serves both its users and the energy transition.

Lidija Pecotić, ESG adviser

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Report Profile

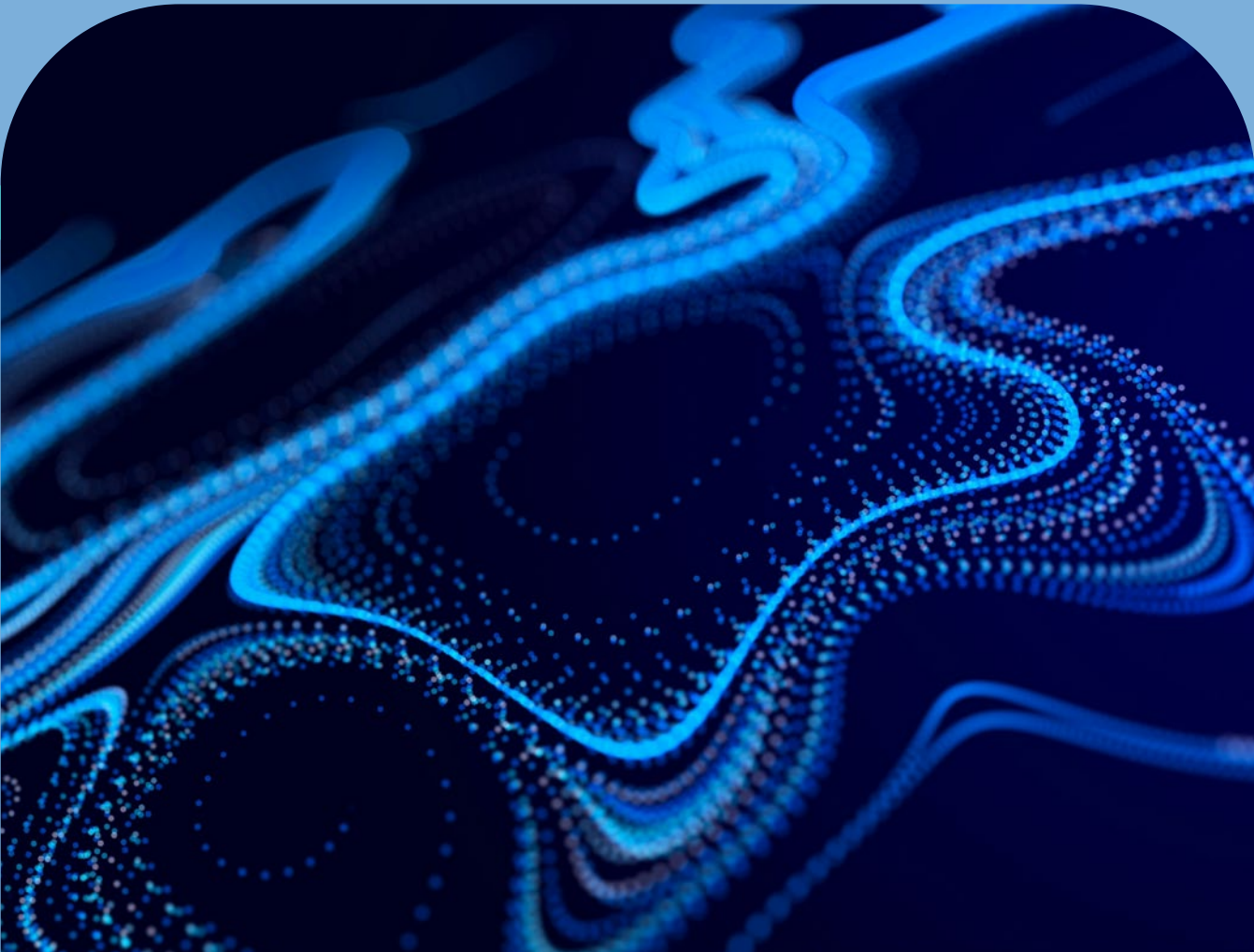


The Business and Sustainability Report of HEP ODS presents company business operations and activities for the year 2024 (1 January to 31 December 2024). It was prepared in accordance with the Global Reporting Initiative (GRI) Standards. The parts of the Report related to the management of sustainability issues are not subject to external verification. All queries and proposals related to this Report can be sent to ods-regulatorni.poslovi@hep.hr or by post to HEP ODS, Department for Regulatory Affairs, Ulica grada Vukovara 37, 10 000 Zagreb, Croatia.



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GRI Content Index



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GRI 302-5	Reduction in energy requirements of products and services	Not applicable
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Sustainbility team

Team leader

Lidija Pecotić

Deputy team leader

Pero Josipović

Reporting team

Senka Masnjak

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Narcisa Knežević

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Eva Vrdoljak

Ivana Peša Janković

Ana Balaško

Sanja Srnec-Pekas

Goran Bogdanović

Ivica Penić

Igor Žarkić

Vedran Mladinić

Igor Đurić

Damir Pirić

Zlatan Kos

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