Hrvatski operator prijenosnog sustava d.d.

Croatian Transmission System Operator Plc.

ZAGREB

Annual Financial Statements
as of and for the year ended 31 December 2024

This version of the annual financial statements is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual financial statements takes precedence over translation.

Contents

DEVELOPMENT AND ORGANISATIONAL STRUCTURE OF THE COMPANY

Historical development and management

In the context of restructuring of the Croatian electrical power system, the Croatian company HEP-sp. (HEP-Transmission System Operator Ltd.) was founded. The company started its activities on 4 April 2005 based on the Energy Act, the Law amending the Energy Act and the Electricity Market Act.

Pursuant to the Decision of the Commercial Court in Zagreb of 2 July 2013 about the entry into the Court Register, share capital increase, change of the company name, change of the company business activity and of the provisions of the Articles of Association of Croatian Transmission System Operator Ltd., the company operates and participates in legal transactions under the new company name Hrvatski operator prijenosnog sustava d.o.o. (Croatian Transmission System Operator Ltd.).

Pursuant to the Decision of the Commercial Court no. Tt-22/17075-2 of 11 April 2022, the transformation of the Croatian Transmission System Operator as a limited liability company into a joint stock company was registered in the Court Register. This company operates and participates in legal transactions under the company name Hrvatski operator prijenosnog sustava d.d. / Croatian Transmission System Operator Plc., (abbreviated: HOPS d.d. hereinafter: company or HOPS).

HOPS is the only electricity transmission system operator in the Republic of Croatia (hereinafter: HR) and the owner of the entire Croatian transmission network (including voltage levels 400 kV, 220 kV and 110 kV) and has a license to carry out the energy activity of electricity transmission as a regulated public service.

HOPS is an independent transmission system operator in Croatia organized as a joint stock company with its headquarters in Zagreb, Kupska 4; entered in the court register of the Commercial Court in Zagreb under the company registration number 080517105, VAT ID HR13148821633 and with a share capital of 643.321.549 euros paid in full and divided into 49,486,273 ordinary shares of nominal value 13.00 euros each, performing a regulated activity of electricity transmission.

HOPS is registered at the Croatian Bureau of Statistics under the registration number 1924427 for performing activities of electricity transmission.

The duties, responsibilities, activity, competencies and modalities of the company are regulated by the Electricity Market Act (Official Gazette No. 111/2021, 83/23 hereinafter: EMA), especially in Art. 86-89 (hereinafter: EMA).

Business activities and tasks regulated by EMA, responsibilities provided for in Article 86(1) of EMA and duties provided for in Article 86(2) of the EMA are preformed within the Company.

Regarding the independence and expertise of the staff, the members of the Management Board and the Supervisory Board, the independence of HOPS is ensured by compliance with legal provisions on the independence of members of the Management Board and on limitations of the Supervisory Board, in accordance with legal provisions.

The independence of HOPS is additionally guaranteed by monitoring of the compliance with legal provisions of EMA, by adoption of the Compliance Program and by the appointment of a Compliance Officer. The Compliance Program specifies further measures to exclude the possibility of behavioral biases, the manner of monitoring the compliance and determines the special obligations of workers related to the fulfilment of these goals. HOPS is obliged to request consent from the Croatian Energy Regulatory Agency (hereinafter: HERA) for the Compliance

Program. Compliance with the Program is monitored by the Compliance Officer nominated by the Supervisory Board with the prior approval of HERA.

Shareholding of HOPS in the equity of other companies:

(1) Hrvatska burza električne energije d.o.o. (Croatian Power Exchange / CROPEX) 50%

(2) HEP-Telekomunikacije d.o.o. 13.73%

(3) Transmission System Operator Security Cooperation (TSCNET) 6.25%

(4) Coordinated Auction Office in South East Europe (SEE CAO) 12.50%

(5) Joint Auction Office (JAO) 4.00%

HOPS continuously participates in activities of these companies, supervises and monitors their business activities.

About the company, its mission and vision

HOPS, as the national transmission system operator, ensures a high level of security and reliability of the electrical power system (hereinafter: EPS), as well as equal access to the transmission system for all participants in the electricity market at eligible costs and with due care for environmental protection. The Company represents the basic infrastructure for the security of electricity supply and electricity market in the Republic of Croatia and a long-term guarantee of its functioning within the single European electricity market.

HOPS as part of the critical electricity infrastructure of the Republic of Croatia, member state of the European Union (hereinafter: EU), enables secure supply of electricity to customers, development and construction of electrical power facilities, trade, reliability and quality of services while taking due care of environmental protection.

The work of the Company, as well as of all its employees, is at all levels of responsibilities is based on transparency, integrity, high level of professionalism, expertise, orientation towards network users and other stakeholders in a non-discriminatory manner.

Main objectives of the Company are:

- maintaining a high level of reliability of the transmission network as infrastructure of the greatest importance for the Republic of Croatia and a high level of security of electricity supply at the level of the Croatian transmission network,
- adjusting business activities of the Company with regard to obligations arising from national provisions and from provisions of the European Union, including participation with other system operators within the European Network (hereinafter: ENTSO-E), supporting further market development etc.,
- optimization of human resources,
- improvement and optimization of business processes,
- optimization of operating costs and increase of efficiency,
- strengthening the financial stability,
- public visibility of activities and results of HOPS
- business sustainability, including systematic management of environmental, social, and corporate (ESG) impacts.

Organizational structure

The Company's business activities are organized successfully and performed at the Croatian territory for more than 60 years in several organizational forms.

The Company is organized functionally by sectors in the headquarters and regionally by transmission areas in order to efficiently perform its business activity on the territory of the entire HR. In addition to sectors and transmission areas, three independent organizational units at the Company's Management Board perform work support for the Management Board (Executive Office), Internal audit, and work related to EU projects and programs.

On 31 December 2024 the Company had 1,182 employees, 14 employees more compared to the previous year.

By hiring new employees in due time, the Company ensured the necessary number of employees to meet business and legal obligations of the Company, as well as timely substitute for those who left the Company.

The bodies of the Company are the Assembly, the Supervisory Board and the Management Board.

Assembly:

Vice Oršulić – President since 9 December 2023

Supervisory Board:

Kažimir Vrankić – Chairman until April 3, 2024

Marko Dvorski – Vice-Chairman until January 15, 2024

Joško Grašo* – member since February 12, 2024

Krešimir Ugarković – member

Nikola Jaman – member

Dinko Andabaka – member

Srđana Delaš* – since April 4, 2024

* *Note: Mr. Joško Grašo was appointed as the Chairman of the Supervisory Board during the meeting held on April 12, 2024, while Ms. Srđana Delaš was appointed as the Deputy Chairman during the same meeting*

Audit Committee since 14 January 2019:

(1) Drago Jakovčević, Ph.D., President (independent external member)

(2) Mihovil Anđelinović, Ph.D. (independent external member)

(3) Marko Dvorski, M. SC. (Econ.), (member, Supervisory Board) until January 15, 2024.

(4) Joško Grašo, M. Eng. (Engineering), (member, Supervisory Board) from 12 February 2024 to 8 May 2024

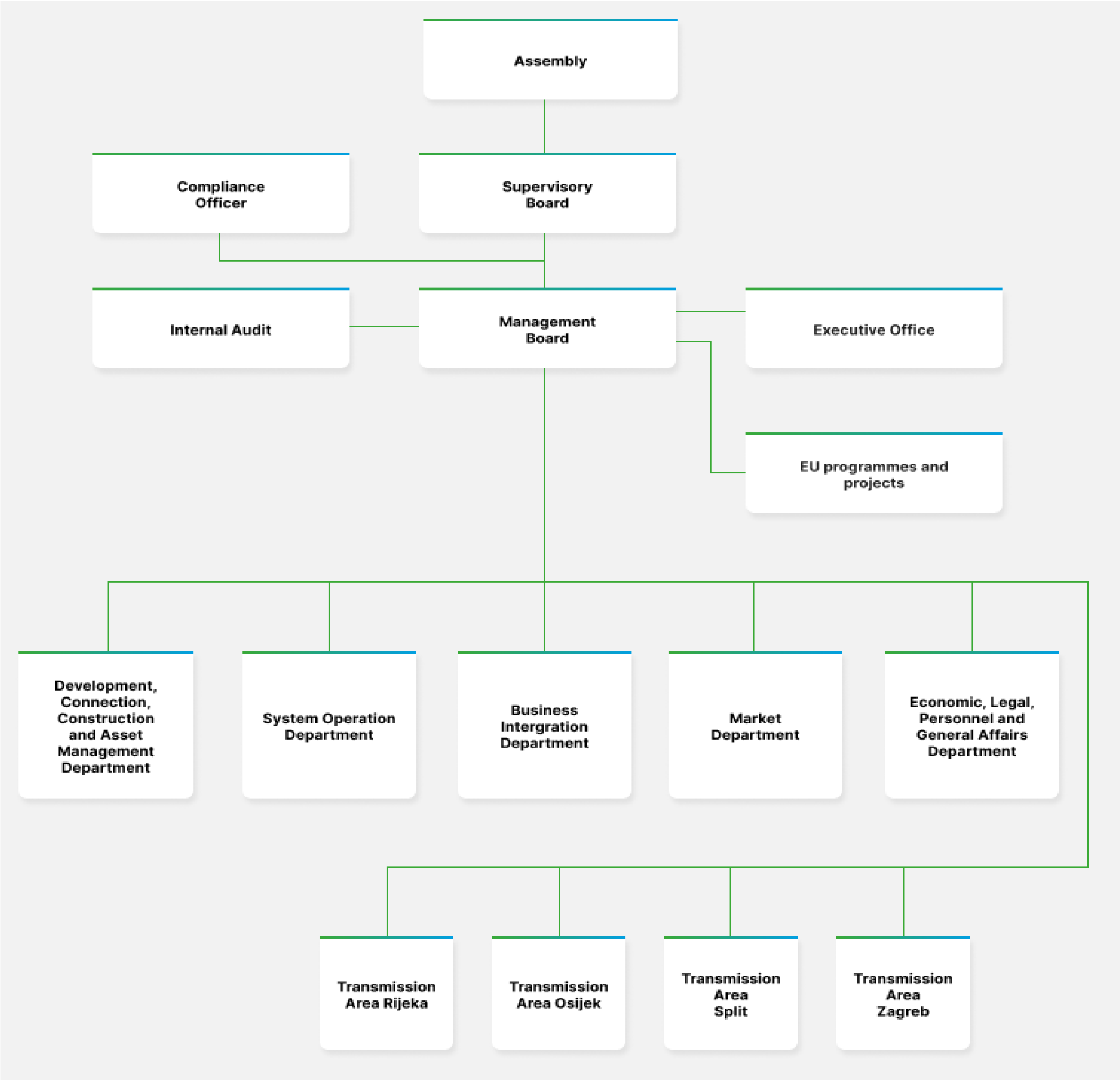
(5) Srđana Delaš – May 8, 2024 By the decision of the Supervisory Board, she was appointed a member of the Audit Committee for the period until 11 February 2026.

Management Board since 16 April 2022:

(1) Igor Ivanković – President of the Management Board

(2) Dejan Liović – member of the Management Board

(3) Darko Belić - member of the Management Board



Picture 1. The Company's organizational scheme (31 December 2024)

Internal supervision

In order to ensure a systematic approach in the field of managing possible business irregularities, conflicts of interest and corrupt practices, in 2024 HOPS continued to carry out regular activities of systematic supervision of internal controls in certain business areas, through regular (if necessary, extraordinary) engagements carried out by employees of the Internal Audit.

In 2024, in accordance with the Regulation on Internal Audit and the approved Annual Plan of Internal Audit, the Internal Audit carried out the planned activities, which included the implementation of engagements in various business areas in several organizational units of HOPS. The responsibilities of the Internal Audit include planning, conducting and reporting on conducted internal audits and monitoring the implementation of recommendations given in the Company's organizational units, as well as checking the compliance of internal acts with legal provisions, decisions of regulatory authorities and other regulations and tasks in accordance with internal acts.

Following the amendments to the Fiscal Responsibility Act (hereinafter referred to as "FRA"), which came into force on July 29, 2023, HOPS d.d. become obliged to implement the provisions of this Act in accordance with Article 4, paragraph 5, considering the fact that its mother company, HEP d.d., is obliged to implement the FRA. These amendments will lead to increased governmental control over the internal audit functions within HOPS.

These amendments will result in increased oversight by government authorities over the internal audit function within HOPS. Accordingly, based on the provisions of the FRA and its implementing regulations, the Management Board of HOPS will be required to prepare a Statement of Fiscal Responsibility starting from the following year. Additionally, the Internal Audit will, in accordance with legal provisions, provide an Opinion on the internal control system for areas that were audited in the previous year.

In accordance with the Audit Act, and for the purpose of fulfilling corporate obligations, a key part of internal oversight activities is carried out by the Audit Committee of HOPS, acting as an expert body of the Supervisory Board. Among other responsibilities, the Audit Committee is tasked with monitoring the effectiveness of the internal quality management system, the risk management system, and activities related to internal audit, while preserving its independence. The internal supervision conducted by the Audit Committee applies equally to both financial reporting and sustainability reporting.

Legislative framework

During 2024, there were no significant changes in the legislative framework governing HOPS's operations, as the fundamental laws remained unchanged (such as the Energy Act**,** the Renewable Energy Sources and High-Efficiency Cogeneration Act, etc.). HOPS regularly monitored regulations that were under legislative procedure in 2024 (e.g., regulations in e-Consultation, those sent to parliamentary procedure, etc.) and participated in the e-Consultation for the Integrated National Energy and Climate Plan of the Republic of Croatia for the period 2021-2030 and the Regulation on Special Use of Maritime Property**.** Among the important regulations whose adoption is not within the Company's competence, but which were not adopted during 2024, the most significant for HOPS's operations was the failure to adopt the HERA's decision on the unit connection fee for network connection.

At the end of 2023 and during 2024, amendments were made to the most relevant EU directives for the Company (Directive 2024/1711 amending Directives 2018/2001 and 2019/944 regarding the improvement of the electricity market model in the Union and Directive 2023/2413 (the so-called RED III)) and regulations (Regulation 2024/1747 amending Regulations 2019/942 and 2019/943 regarding the improvement of the electricity market model in the Union**,** and Regulation 2024/1106 (the so-called REMIT II)), based on which some provisions (or subsequent delegated acts by the European Commission or other regulations by EU authorities) are already in force, while others will come into effect in the following year. Considering that the Republic of Croatia, as an EU member state, has obligations to transpose EU directives into national legislation and ensure the application of EU regulations, appropriate changes to the national legislative framework will follow in the upcoming period.

- Unit price proposal for creating technical conditions in the high- and extra-high-voltage transmission network when connecting to the high-voltage, extra-high-voltage and medium-voltage distribution network

Since, on the basis of Article 112(1) subparagraph 1 point 1 of EMA, HERA adopted the Methodology for determining the fee for connection to the electricity network (Official Gazette no. 84/2022; hereinafter: Methodology) which determines the fee for connection to the electricity network, i.e. which prescribes the method of determining the fee for connecting to the network and the fee for increasing the connection capacity on the existing connection, HOPS is authorized, based on Article 4(3) of the Methodology, to propose a unit price for creating technical conditions in the high-voltage network when connecting to the medium-voltage network (CSNVN) and a unit price for creating technical conditions in the high-voltage network (CVN) from Article 4(1) of the Methodology, no later than 30 September of the current calendar year.

In August 2022, the Company submitted the first proposal of the unit price for creating technical conditions in the high and very high voltage network when connecting to the high, very high, and medium voltage network to HERA, and in September 2023, it submitted the second proposal for the following calendar year. Over the reporting period, the Company sent several reminders to HERA requesting the adoption of the Decision on the amount of the unit connection fee, but by the end of 2024, the Decision had not yet been adopted.

In September 2024, HOPS submitted a letter to HERA pointing out the incomplete regulatory framework, as the Connection Methodology, which came into force in 2022, could not be applied without the adoption of the unit price. This prevented the completion of connection analyses for 45 projects and the definition of STUM (Technical Conditions for Network Connection) and connection fees for all the projects. By the end of 2024, HOPS had not received a response from HERA regarding the submitted proposal.

Respecting the goal of the Methodology based on objective, transparent and impartial principles and the principle of economic performance of the connection, where the fee for the connection consists of the cost of creating technical conditions in the network and the cost of performing the connection to the network and represents the share of the energy entity and the end customer in financing the construction of the connection and the share for the creation of technical conditions in the network, with the obligation of HOPS directed towards the dedicated spending of funds from the collected fees, HOPS will be able to spend the funds exclusively on the construction of the connection, the creation of technical conditions in the network and the development of the network.

- Rules on the Connection to the Transmission Network

In 2024, HOPS continued to implement connection procedures in accordance with the Rules on Connection to the Transmission Network, primarily regarding the procedures for the preparation of the Grid Connection Study (EMP), the issuance of preliminary opinions, the preparation of the Study on the Optimal Technical Solution for Grid Connection (EOTRP), and the conclusion of connection agreements. It is important to note that due to the lack of adoption of the unit price, HOPS is facing difficulties in meeting the deadlines in connection procedures for producers and energy storage facilities, as defined by the Electricity Market Act and the Rules on Connection to the Transmission Network.

- Grid Core of Transmission System

Based on Article 93, paragraphs 1 and 3 of the EMA the Company submitted a request for prior approval to the Croatian Energy Regulatory Agency (HERA) in late October 2022 concerning the draft Grid Code of the Transmission System, which regulate the technical conditions for connection, operation, and management of the transmission network. HERA issued its approval on December 29, 2023, and the new Grid Code of the Transmission System (HOPS 1/2024) was adopted on January 9, 2024.

- Rules on non-frequency ancillary services

The development of Rules on non-frequency ancillary services for the transmission system is prescribed by Article 52 of the Electricity Market Act (EMA). According to EMA, the Company is responsible for organizing the market for non-frequency ancillary services for the entire territory of the Republic of Croatia. The Rules determine products and services, pre-qualification procedures, contractual relationships, procurement of non-frequency ancillary services, and pricing methods. The Company conducted a public consultation on the draft Rules on non-frequency ancillary services for the transmission system at the end of November 2022 and submitted them to HERA for approval on December 31, 2022. After HERA's approval on December 7, 2023, the

Management of HOPS adopted the Rules on non-frequency ancillary services for the transmission system, which came into force on January 1, 2024.

- Rules on congestion management in the transmission system, including connecting lines

In accordance with Article 52(27) to (30) of EMA and on the basis of Article 13 of the Regulation (EU) 2019/943 of the European Parliament and the Council of 5 June 2019 on the internal market for electricity (hereinafter: Regulation 2019/943) and the Rules on congestion management within the Croatian electrical power system, including connecting lines (HOPS, 4/2021), the Company initiated the drafting of new Rules on congestion management in the transmission system, including connecting lines, at the beginning of 2022.

The complexity of the issue and the absence of the adoption of related by-laws led to the postponement of the adoption of the new Rules on Congestion Management in the Transmission System, including interconnection lines, in 2024 with information on HERA issues.

- Rules on electricity system balancing

In accordance with Article 52, Paragraph 9 of EMA, with the previously obtained consent of HERA dated December 7, 2023, the Company's Management Board adopted the Rules on Balancing the Electric Power System on December 14, 2023, with application starting in 2024.

- Requirements of the Regulation (EU) 2019/943

During 2024, the implementation of the action plan adopted in accordance with Article 15 of Regulation 2019/943 continued. By submitting already three annual reports on the implementation of the Action Plan adopted in accordance with Article 15 of Regulation 2019/943, HOPS has shown that it meets the linear trajectory foreseen by the Action Plan in almost all market units.

- Requirements of the Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing

Article 53(1) and Article 53(2) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereinafter: EB GL Regulation) prescribe the mandatory application of a 15-minute deviation calculation period for all transmission system operators, in all areas of transmission planning, and ensuring that all the limits of market time units overlap with limits of the deviation calculation period, within three years after the EB GL Regulation has entered into force. Pursuant to Article 62 of the EB GL Regulation, at the 13th session of the Management Board held on 9 June 2020, HERA adopted the Decision about approving HOPS to deviate from the obligations prescribed by Article 53 of the EB GL Regulation, for the period from 1 January 2021 to 31 December 2022. On 24 May 2022, HOPS sent HERA a new request, including the necessary documentation, for deviation from the obligations prescribed by Article 53(1) and 53(2) of the EB GL Regulation. On 20 July 2022 HERA adopted the Decision about approving HOPS to deviate from the obligations prescribed by Article 53 of the EB GL Regulation, for the period from 1 January 2013 to 31 December 2024, with the obligation to apply a 15-minute deviation as soon as possible. All relevant bylaws and contracts of HOPS with other transmission system operators are adapted to the start of using the 15-minute calculation period.

During 2022 and 2023, HOPS adapted all existing IT systems and developed new ones for tasks related to the electricity market and the management of the EES, for operational work in a 15-minute resolution by all parties involved, which is the basis for the application of the deviation calculation period in a 15-minute resolution. Approximately one year before the deadline, from 1 January 2024, a 15-minute calculation period has been applied in the deviation calculation process. Accordingly, all operational processes related to planning and management of the EES in real time and all processes in the electricity market have been adjusted.

On 24 January 2020, the European Union Agency for the Cooperation of Energy Regulators (hereinafter: ACER) adopted implementation frameworks for common European platforms for the exchange of balancing energy from mFRR (manual frequency restoration reserve) and aFRR (automatic frequency restoration reserve). Pursuant to Article 20(6) and Article 21(6) of the EB GL Regulation, within thirty months after the approval of the proposal for the implementation framework for common European platforms for the exchange of balancing energy from mFRR and aFRR, all transmission system operators shall implement and make operational platforms for the exchange of balancing energy from frequency restoration reserves with manual and automatic activation and they shall use these platforms to submit all balancing energy bids from all standard products for frequency restoration reserves with automatic and manual activation. Pursuant to Article 62 of the EB GL Regulation, at the 15th meeting of the Management Board held on 23 July 2021, HERA adopted the Decision on approving HOPS to deviate from the obligations prescribed by Article 20 and Article 21 of the EB GL Regulation, for a period from 24 July 2022 to 24 July 2024.

By July 2024, transmission system operators neighboring HOPS were not connected to the platforms either. Also, the adaptation of the existing HOPS IT systems for managing the EES and supporting the electricity market is underway, as well as the establishment of a new IT platform for balancing the EES, and after creating the prerequisites for operational connection to common European platforms, it is expected in the first half of 2026.

Non-financial report

In accordance with the Accounting the Company will publish the Nonfinancial report for 2024 (sustainability report) as a separate report on its website no later than 30 June 2025. The report will be prepared using the guidelines of the Global Reporting Initiative (GRI) standards. According to applicable regulations, the obligation to publish the Sustainability Statement, integrated into the Management Report, in accordance with the Accounting Act, the Corporate Sustainability Reporting Directive (EU) 2022/2464, and the related European Sustainability Reporting Standards, will apply to HOPS d.d. in 2026 for the 2025 period.

The report will be published on the following link: https://www.hops.hr/en/annual-report-hops

Information on the purchase of own shares

The Company does not have its own purchased shares.

Most important indicators of the business year

Rebalancing of the Business and Investment Plan

The amendment of the business plan for 2024 (rebalance) was carried out by the decision of the Supervisory Board No. 83.1.24 of 21 June 2024. The plan was amended based on key events that occurred after the adoption of the plan, which led to significant changes in the Company's costs and revenues, namely:

(1) the decline and stabilization of prices on the wholesale electricity market in early 2024
(2) the adoption of new Rules on Balancing the Electricity System (HOPS 12/2023) and Rules on Non-Frequency Ancillary Services for the Transmission System (HOPS 12/2023)
(3) a new Decision on the Amount of Tariff Items for Electricity Transmission (Official Gazette 27/24)
(4) extension of the Regulation on Amendments to the Regulation on Eliminating Disturbances in the Local Energy Market (Official Gazette 32/24).

The rebalance of the business plan reduced total revenues by 70.84 million euros, and total expenses by 78.29 million euros.

In the first quarter of 2024, based on the estimated realization by the end of 2024, the Company rebalanced (reduced) the investment plan by 40.93 million euros (Decision of the Supervisory Board No. 83.2.24 of June 21, 2024).

European Union Solidarity Fund (remedy of effects of the earthquake in March 2020 and the series of earthquakes in December 2020)

The devastating earthquakes of 2020 resulted in significant material damage to the Company's power facilities, and during 2023 the company received a financial contribution from the European Union Solidarity Fund (EUSF). The company was entitled to a grant in the total amount of 35.41 million euros.

Based on the Decision of the Government of the Republic of Croatia on the continuation of project financing from the state budget of the Republic of Croatia, in May 2024, the Company was approved the amount of 2.32 million euros for the activities carried out during 2023, on the rehabilitation of buildings damaged by earthquakes.

National Recovery and Resilience Plan 2021 - 2026

On September 28, 2022, the Company and the Ministry of Economy and Sustainable Development, as the body responsible for „Component 1 - Economy“, and the Fund for Environmental Protection and Energy Efficiency, as the implementing body, signed the contract no. NPOO.C1.2.R1-I1.01.0001 "Revitalization, construction, digitalization and modernization of the Croatian electricity transmission network" on the allocation of grants for projects of revitalization, construction, digitalization and modernization of the Croatian electricity transmission network, financed by the European Union from the instrument "EU next generation", for the period of project implementation from 1 February 2020 to 30 June 2026 in amount of 218.16 million euros.

Grants are provided through the National Recovery and Resilience Plan 2021-2026 (hereinafter referred to as: NRRP), i.e. the total amount of expenditures eligible for the implementation of HOPS' projects is 218.16 million euros.

Through the implementation of 11 project activities of HOPS, it is planned to, among other things, revitalize and increase the transmission power of 550 km of overhead lines, as well as to enable the connection of an additional 1,500 MW of capacity from renewable energy sources (hereinafter referred to as RES) in the period until 2026. Through the NPOO, in 2024. The company is part of the C1.2 investment. R1-11 Revitalization, construction and digitalization of the energy system and accompanying infrastructure for the decarbonization of the energy sector, an additional 17.5 million euros from the NRRP was allocated for already existing projects that are in the implementation phase.

Within the framework of the NRRP, funds have been allocated for the implementation of the Project for the replacement of 110 kV things, revitalize and increase the transmission power of 550 km of overhead lines, as well as to enable the connection of an additional 1,500 MW of capacity from renewable energy sources (hereinafter referred to as RES) in the period until 2026.

Under the NRRP, funds have been allocated for the implementation of the 110 kV Submarine Cable Replacement Project, which is also a strategic project of the Government of the Republic of Croatia. The project involves replacing 6 sections of 110 kV submarine cables, including the reconstruction of the associated cable converter stations, cable sections and coastal interventions in two phases. The first phase of the project activities was completed in 2022, in during which the cables between the mainland and Brač, and between the mainland and Krk, were successfully replaced. The second phase of the project activities, which was completed in 2024, replaced the existing submarine cables Brač-Hvar and Hvar-Korčula, as well as Krk-Cres and Cres-Lošinj.

Up to the end of 2022, the Company was paid an advance in the amount of 20% of the contract (43.63 million euros), and through two requests for reimbursement of funds (ZNS) during 2024, 26.95 million euros was paid. The realization is proceeding in an orderly manner, with great challenges in meeting deadlines and higher costs of planned activities.

Furthermore, in November 2023 the European Commission has positively assessed Croatia's amended recovery and resilience plan, which includes a chapter on the REPowerEU plan. The plan now amounts to 10 billion euros (5.8 billion euros in grants from the Recovery and Resilience Facility and 4.2 billion euros in loans under the Recovery and Resilience Facility) and includes 78 reforms and 157 investments.

The new measures included in the REPowerEU chapter significantly contribute to the progress of the Republic of Croatia in the green transition and, among other things, include new investments in the transmission and distribution capacities of the power system through measure C7.1 RI-16 "Strengthening the transmission and distribution capacities of the power system", which is based on investment C1.2. R1-I1 Revitalization, construction and digitalization of the energy system and accompanying infrastructure for the decarbonization of the energy sector. The reforms under the existing NRRP aim to remove bottlenecks that slow down sustained and sustainable growth, while investments are aimed at accelerating the green transformation and digital transition of the economy.

Thus, within the investment C7.1 RI-16, 99.50 million euros is planned for the implementation of new projects, which are partly in the implementation phase, while part is intended for activities that are in a high stage of preparation. These are projects for the revitalization of existing HOPS plants and additional digitalization of the system, i.e. on projects that will further improve the power system of the Republic of Croatia. The project is implemented with the aim of increasing the reliability of the power system and reducing the age of the components of the existing power system. The key objectives of the project are the reconstruction of at least two power plants and the replacement of at least eight power transformers. The project includes five groups of activities, i.e., a program for the replacement of power transformers, the construction of new transmission network components and the use of advanced software solutions, the reconstruction/upgrade of the plant, the upgrade of the existing management system of the Croatian transmission network and the power system, and the revitalization of existing plants, all with the aim of increasing the security of supply. All measures must be implemented within a tight timeframe, as the Regulation establishing the Recovery and Resilience Facility requires that all milestones and targets within the national plans be completed by August 2026.

After the publication of the Public Call for Grants entitled "Optimization, Digitalization and Revitalization of Electricity Infrastructure with the Aim of Strengthening the Croatian Electricity Transmission Network" in December 2024 (Call code: NPOO. C7.1.R1-I6.01), whose only potential eligible applicant is the HOPS project, on January 20, 2025, the Company submitted for approval the project proposal "Optimization, digitalization and revitalization of the electricity infrastructure with the aim of strengthening the Croatian electricity transmission network".

Increasing the material rights of employees

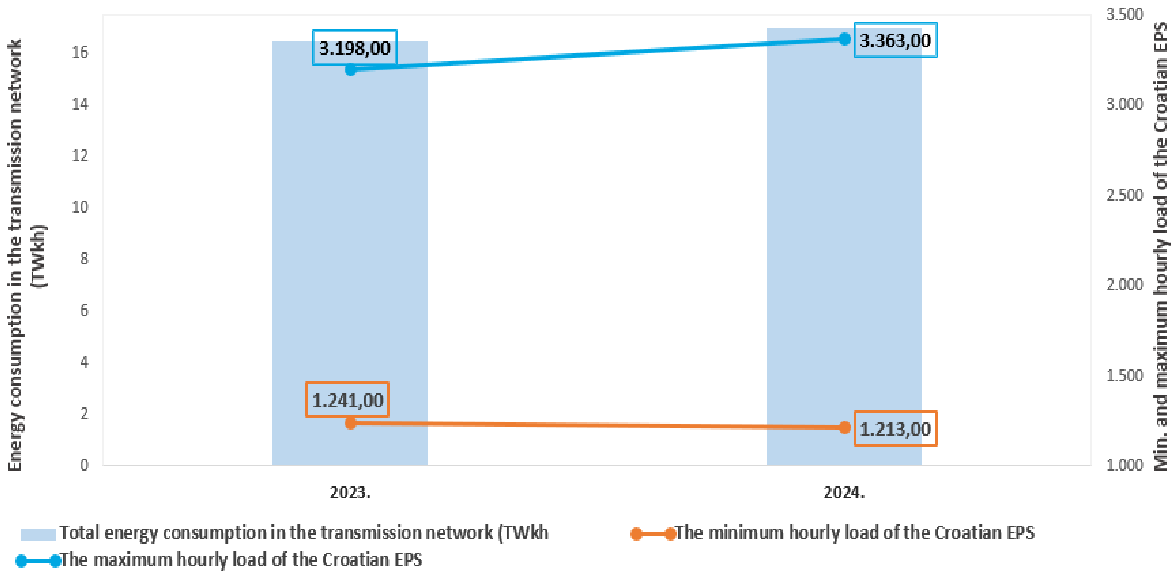
The material rights of workers for the period from 1 January 2024 to 31 December 2025 are determined by the Collective Agreement for HOPS, concluded on 22 November 2023 between HOPS and two representative trade unions. Due to rising inflation, an Agreement was concluded between the parties to the Collective Agreement in October 2024, which changed the date of application of the provisions on increasing coefficients for employees and brought part of the material rights for 2025 in line with the non-taxable amounts prescribed by the Income Tax Ordinance.

Electrical power indicators

In 2024, there was a slight decrease in the total energy consumption in the Croatian transmission network. The energy consumption in the transmission network with losses amounted to 17 TWh, which is 2.9 % less in comparison to 2023.

The maximum hourly load of the Croatian EPS in 2024 was recorded on 17 July at 20 p.m. It amounted to 3.363 MW which is also the historical maximum load. The minimum hourly load of the Croatian EPS in 2024 was recorded on 31 March at 5 a.m. It amounted to 1.213 MW.

In 2024, a total of 25.2 TWh of electricity was transmitted, which is an increase of 2.6 % in comparison to 2023. Transmission network losses amounted to 468 GWh, which is 0.64 % more than in 2023, i.e. 1.85 % of total transmitted electricity in 2023, which is 0.04 percentage points less than in 2023.



Picture 2. Comparison of consumption in the transmission network and the maximum and minimum load of the Croatian EPS

Integration of renewable energy sources

By adoption, the new Connection Rules of HOPS have processed a large number of received requests for the submission of data on the state of the transmission network for the preparation of the Connection Possibility Study (hereinafter: EMP).

During 2024, HOPS issued data on the state of the transmission network for 98 projects to authorized developers for the preparation of EMPs, revised 92 EMPs and issued a document of the Preliminary opinion on the possibility of connecting to the transmission network.

According to the new requirements in 2024, the distribution by specific technologies is as follows:

(1) battery storage 2,8 MW

(2) geothermal power plants 98 MW

(3) hydroelectric power plants 342 MW

(4) solar power plants 3313 MW

(5) wind farms 1078 MW

During 2024, 4 Connection Agreements were concluded. In 2024, the Mazin 2 (20 MW), Vidukin gaj (19.9 MW), Torine (9.9 MW), Dugobabe (19.9 MW), Drava 1 and Drava 2 (12.4 MW), Tijarica (19.8 MW) and Tarabnik (19.8 MW) will be connected to the transmission network.

Development plans

At the session of the Management Board of the Company held on December 11, 2024 (Decision No. 194.5.24), the proposal of the document "Ten-year development plan of the Croatian transmission network 2025-2034" with detailed elaboration for the initial three-year and one-year period" was adopted, and the proposal of the development plan was submitted to the competent Ministry for approval and to HERA for approval.

The "Ten-year development plan of the Croatian transmission network 2022-2031" is currently valid with detailed elaboration for the initial three-year and one-year period". The proposals of the ten-year plans for the periods 2023-2032 and 2024-2033 were not approved by HERA, and no public consultation was conducted for the draft plan for the period 2024-2033.

FINANCIAL POSITION AND BUSINESS PERFORMANCE

In 2024, operating earnings (EBIT) were realized in the amount of 61.41 million euros compared to 2023, which is an increase of 2.17 million euros or 3.7% compared to 2023.

In 2024, operating income grew, amounting to 408.79 million euros, which is 41.99 million euros (11.4%) more than in 2023, and operating expenses increased, amounting to 347.38 million euros, which is 39.82 million euros (12.9%) more than in 2023.

The company achieved significant operating profit due to record profit from cross-zonal capacity allocation (hereinafter referred to as PK), which was achieved in 2024 in the amount of 53.67 million euros, which is 8.79 million euros (19.6%) more than in 2023. The remaining operating profit (total operating profit less profit from PK) in the amount of 7.74 million euros was achieved due to the income from the reimbursement of part of the costs of electricity procurement to cover losses that, in the total amount of 14.86 million euros, were incurred based on three Regulations on Amendments to the Regulation on the Elimination of Disturbances in the Domestic Energy Market. Without the aforementioned reimbursement of costs by the Government of the Republic of Croatia, the Company would have achieved a negative operating result of 7.12 million euros in 2024, after deducting the total operating profit from the profit from the allocation of cross-zonal capacities.

In 2024, the Company achieved a loss from financial activities in the amount of 0.26 million euros, which is 1.74 million euros (87.0%) less than in 2023.

Accordingly, in 2024, the Company achieved profit before tax of 61.15 million euros, or profit after tax of 50.05 million euros, which is 3.00 million euros (6.4%) more than in 2023.

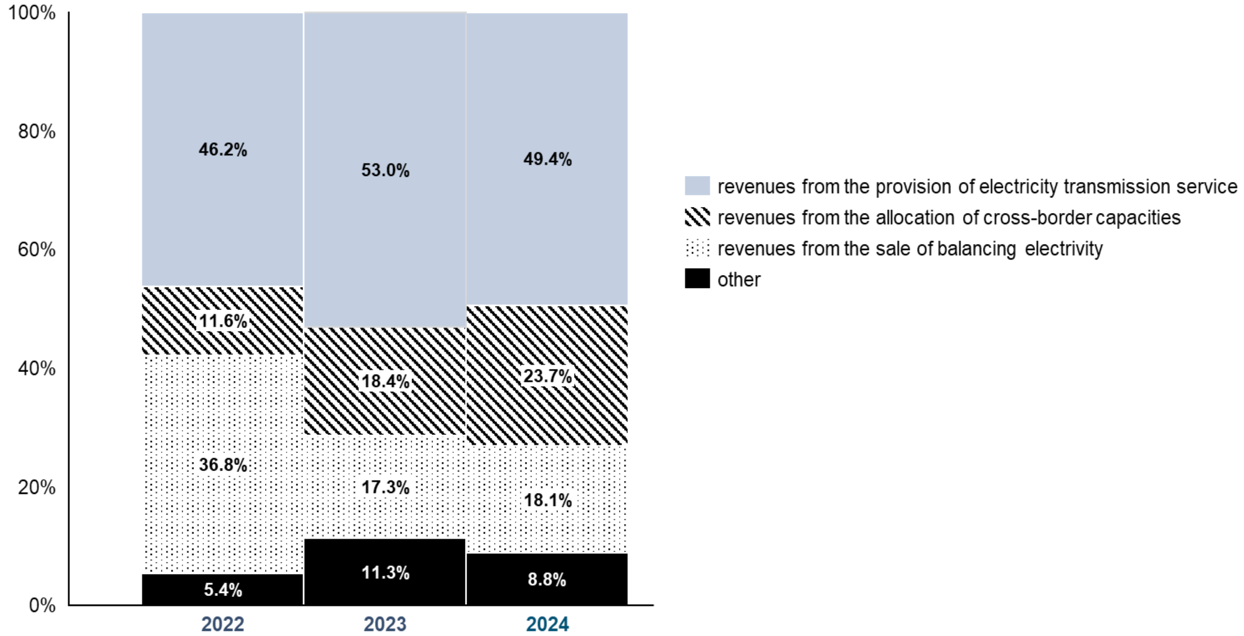
Table 1 shows the Statement of Comprehensive Income (Profit and Loss Statement) with the most important items and a comparison with the performance in the previous year.

Table 1. Excerpt from the Statement of Comprehensive Income (in EUR million)

Description	2024	2023	Difference
1	2	3	4 (2-3)
Revenues from sales and other business incomes	408.79	366.80	41.99
Business expenditures	347.38	307.56	39.82
PROFIT FROM BUSINESS ACTIVITIES	61.41	59.24	2.17
Financial income	1.66	0.69	0.97
Financial expenditures	1.92	2.69	(0.77)
Net financial expenditures	**(0.26)**	**(2.00)**	**1.74**
TOTAL INCOME	**410.45**	**367.49**	**42.96**
TOTAL EXPENDITURES	**(349.30)**	**(310.25)**	**(39.05)**
Pre-tax profit	61.15	57.25	3.91
Income tax	11.10	10.19	0.90
PROFIT FOR THE PERIOD	**50.05**	**47.05**	**3.00**

Total revenues increased significantly mainly due to higher revenues from the allocation of PK, which in 2024 compared to 2023 increased by 29.75 million euros or 44.1%. Higher revenues from PK were due to higher demand from market participants in monthly and daily capacity auctions, which caused higher prices. Total revenues from market functions in 2024 increased by 24.2% compared to 2023. Revenue from the provision of electricity transmission services in 2024 amounted to 202.68 million euros, which is 7.75 million euros or 4.0% more than in 2023, while its share in total revenue in 2024 is 49.4%, which is 3.7 percentage points less than in 2023.

The structure of revenues achieved in 2024 (*Picture 3*) consists of revenues from the provision of electricity transmission services (49.4 %), revenue from PK (23.7%), revenues from the calculation of balancing electricity (12.4 %), revenues from the sale of balancing electricity (5.7 %), and other business incomes (8.8 %) including revenues generated based on the Regulation amending the Regulation on the Elimination of Disturbances in the Local Energy Market (Official Gazette no. 107/23), revenues from the Inter-TSO compensation mechanism, revenues from the sale of electricity to cover losses, income from assets received free of charge, income from connection assets (IFRS 15), revenues generated from the use of own products and services, collected written receivables and revenues from non-standard services, and other operating and financial income.

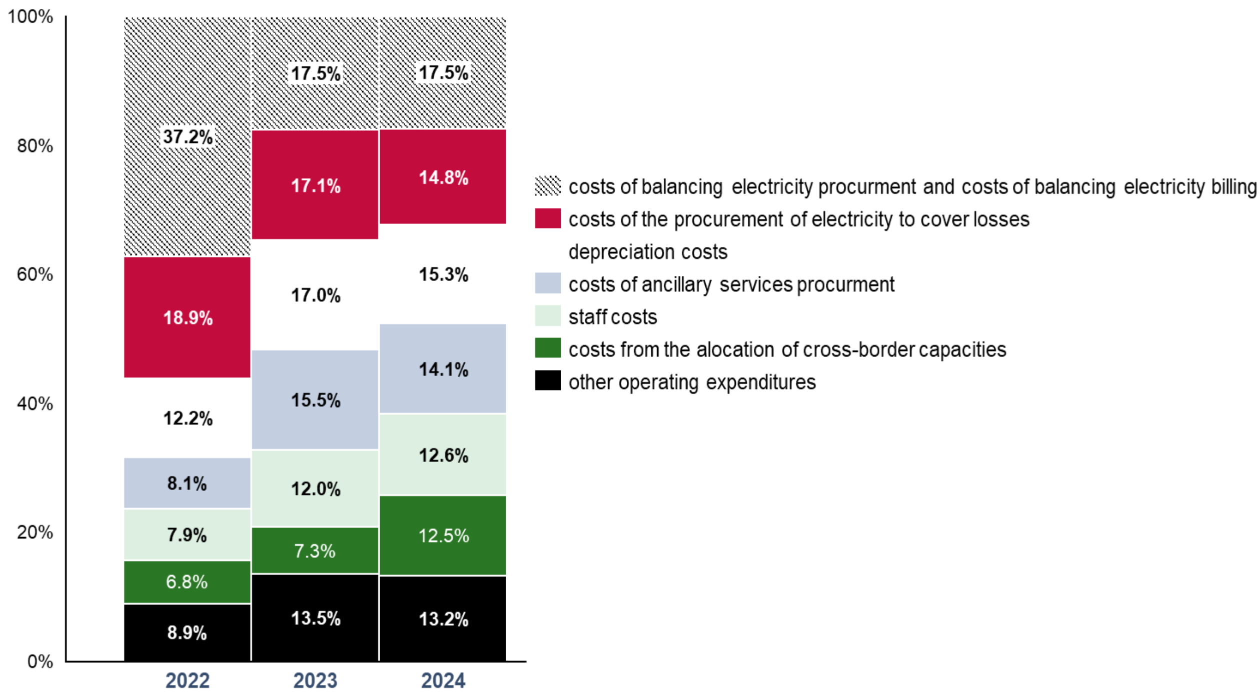


Picture 3. Structure of revenue in the period from 2022 to 2024

The increase in expenditure was mostly influenced by higher costs than PK (20.96 million euros), electricity billing, balancing (3.56 million euros) and the cost of purchasing electricity for balancing (3.31 million euros), while electricity costs to cover losses on the transmission network decreased (-1.29 million euros). Price volatility on wholesale electricity markets and significantly higher prices on electricity exchanges resulted in an increase in the above-mentioned costs compared to 2023 in the total amount of 26.54 million euros, or 20.4%.

The costs of salaries and other employee benefits amount to 44.08 million euros and are higher by 6.76 million euros (18.1%), mostly due to the signed Agreement on increasing the material rights of employees, which was adopted in October 2024, and due to the increase in the value of the payroll point for salary calculation of 15.0% from January 1, 2024.

The structure of expenditures effected in 2024 (*Picture 4*) consists of depreciation costs (15.3%), costs of the procurement of electricity to cover losses in the transmission network (14.8%), costs of procurement of ancillary services (14.1%), costs of balancing energy procurement (12.7%), costs of balancing energy calculation (4.8 %), staff costs (12.6 %), cost of PK (12.5%) and other operating expenses (13.2 %) related to the costs of the ITC mechanism, costs of telecommunications services, costs of value adjustment of assets and provisions, general operating costs, costs of fees and concessions, maintenance costs and other operating and financial expenses.



Picture 4. Structure of expenditures in the period from 2022 to 2024

Income tax for 2024 amounts to 11.1 million euros and is higher compared to the previous year by 0.90 million euros, or 8.9%.

The financial position of the Company has been presented in the Statement of Financial Position as of 31 December 2024. Table 2 shows an excerpt.

Table 2. Excerpt from the Statement of Financial Position of the Company as at (in EUR million)

Description	31 December 2024	% share	31 December 2023	% share	2024/2023
1	2	3	4	5	6 (2/4)
Long-term assets	1,047.5	83.6%	980.0	84.1%	6.9%
Short-term assets	205.0	16.4%	185.2	15.9%	10.7%
Total assets	**1,252.5**	**100.0%**	**1,165.2**	**100.0%**	**7.5%**
Capital and reserves	785.9	62.8%	735.9	63.2%	6.8%
Long-term obligations	302.7	24.2%	261.6	22.5%	15.7%
Short-term obligations	163.8	13.1%	167.7	14.4%	-2.3%
Total obligations and capital	**1,252.5**	**100.0%**	**1,165.2**	**100.0%**	**7.5%**

The value of total assets as of 31 December 2024 amounted to 1,252.5 million euros and is 87.3 million euros higher compared to 31 December 2023.

As a result of investments in 2024, long-term assets increased by 41.5 million euros and now amount to 1,047.5 million euros. The share of fixed assets in total assets compared to 2023 is 0.5 percentage points lower, and amounts to 83.6 %.

Short-term assets amount to 205.0 million euros and it increased compared to the previous year by 19.8 million euros or 10.7%, primarily due to receivables from affiliated companies, which compared to the previous year, are higher by 15.6 million, and slightly lower increase of 12.1 million euros was recorded by other short-term assets, cash and cash equivalents by 1.5 million euros. Receivables from customers and related companies, compared to the previous year are 9.6 million euros lower. The share of non-current assets in total assets is 16.4%, and compared to 2023, it increased by 0.5 percentage points.

Capital and reserves, which cover 62.8 % of the Company's total assets, increased by 50.1 million euros, while their share in total liabilities is 0.4 percentage points lower than in 2023. The share capital of the Company on 31 December 2024 amounts to 643.3 million euros.

Total liabilities amount to 466.5 million euros and increased by 37.2 million euros compared to 2023, while their share in liabilities is 37.2%, which is 0.4 percentage points more compared to 2023. Long-term liabilities account for 64.9 %, and short-term ones for 35.1 % of total liabilities as of 31 December 2024.

The significant increase in long-term liabilities compared to the previous year is primarily a consequence of the accounting records of deferred revenues on the item other long-term liabilities related to income for cash received from EU funds.

In 2024, the situation with the liquidity of HOPS stabilized, primarily due to received payments from EU funds based on approved of requests for reimbursement of financial resources that the Company had previously expended to pay the obligations to suppliers under the respective contracts. HOPS had sufficient funds to meet all contractual obligations to suppliers within the agreed deadlines and did not need to arrange new loans/credits.

The average weighted interest rate on loans is 2.53% annually (in 2023 it was 2.39% annually).

Deferred income for grants received from EU funds refers to grants received for the Company's participation in the SINCRO.GRID project in the amount of 10.238 thousand euros, the FARCROSS project in the amount of 35 thousand euros, the E-CYBIS project in in the amount of 65 thousand euros, the ECLIPSE project in the amount of 78 thousand euros, the CYBERSEAS project in the amount of 4 thousand euros, the LIFE DANUBE FREE SKY project in the amount of 87 thousand euros and the HEDGE-IoT project in the amount of 19 thousand euros.

For participation in the project, the deferred income from National recovery and resilience plan (NRRP) amounts to a total of 116.964 thousand euros, of which 16.128 thousand euros was reclassified as a short-term liability. Costs incurred by the implementation of this project until 31 December 2024 amounted to 1.653 thousand euros.

To implement the projects applied for financing from the European Union Solidarity Fund (EUSF) as a part of the reconstruction of infrastructure and equipment damaged by the earthquake, the deferred revenue amounts to 35.131 thousand euros, while the costs incurred by the implementation of this project until 31 December 2024 amounted to 712 thousand euros. Funds received will be recognized in future periods as income for costs incurred by the implementation of these projects.

Positive working capital is the result of lower short-term liabilities compared to short-term assets. As of 31 December 2024, short-term liabilities amounted to 163.8 million euros, and short-term assets amounted to 205.0 million euros (as of 31 December 2023, short-term liabilities amounted to 167.7 million euros and short-term assets to 185.2 million euros). The most significant amount of short-term liabilities refers to liabilities to affiliated companies in the amount of 63.7 million euros and liabilities to banks in the amount of 35.8 million euros.

The indicators deriving from the balance sheet positions show a relatively low level of indebtedness is visible in accordance with the activities performed by the Company. Based on the indicators derived from the balance sheet positions, it can be observed that the Company has a low leverage in line with the activity it performs. Adapting to the circumstances of the energy market and the financial market, the Company finances current investments primarily from its own funds and grants from EU funds and debts, in order to ensure regular repayments of long-term liabilities and regular finances for day-to-day business operations. The leverage ratio (existing liabilities profit after tax and depreciation) of the Company for 2024 amounts to 2.60 years and is lower than the previous year by 0.67 years.

EBITDA (EBIT excluding depreciation) was 114.9 million euros, which is 2.7 million euros or 2.4 % higher than in 2023. The EBIT margin decreased by 1.1 percentage points, while the EBITDA margin decreased by 2.5 percentage points compared to the previous year. Net profit after tax was used to calculate the return on capital and equity. Compared to the previous year, ROE decreased by 0.02 percentage points, while ROA decreased by 0.04 percentage points.

An overview of the selected business indicators is shown in Table 3.

Table 3. Business indicators

Business indicators	2021.	2022.	2023.	2024.
EBIT (Earnings before interest and taxes)	8.13	2.35	59.24	61.41
EBITDA (EBIT without the effect of amortization)	57.93	53.34	112.12	114.85
EBIT margin	3.02%	0.56°%	16.15%	15.02%
EBITDA margin	21.52%	12.77%	30.57%	28.10%
Return on equity (ROE)	0.53%	-0.18%	6.39%	6.37%
Return on Total Assets - Net (ROA)	0.37%	-0.12%	4.04%	4.00%
Indebtedness factor (number of years)	3.79	4.74	3.28	2.60
Debt ratio	0.31	0.36	0.37	0.37
Coefficient of own financing	0.69	0.64	0.63	0.63
Current liquidity ratio	0.45	0.75	1.10	1.25

THE COMPANY`S ACTIVITIES IN THE AREA OF DEVELOPMENT AND RESEARCH

Innovative development projects

During 2024 the company has participated in the implementation of several development and innovation projects co-financed by centralized programs of the European Union. Thus, from the available programs for the period 2014-2020, three projects were co-financed in which the Company participated as a partner in the project, of which the CyberSeas project co-financed by the Horizon 2020 program (CyberSeas project). Horizon 2020, the research and innovation program, the Danube Free Sky project, co-financed by the LIFE program, the financial instrument for environmental and climate protection, and the GreenSwitch project, co-financed by the Connecting Europe Facility (CEF). Connecting Europe Facility (CEF), intended for investments in the construction of new and improvement of existing transport, energy and telecommunications infrastructure.

The implementation of the CyberSeas project (Cyber Securing Energy Data Services), with a total value of 8 million euros of and the value of the grant for the Company is 108,452 euros continued in the planned dynamics in cooperation with 26 partners from 10 countries, with the aim of achieving a higher level of information security among stakeholders, including regulators and legislators.

The project to protect birds from harm on high-voltage transmission lines in the Danube countries, Danube Free Sky, has been implemented by the Company since 2020 with 15 partners from 7 countries, including JUPP Kopački rit and HEP-ODS. The total value of the project is 6.6 million euros, while the value of the grant for the Company is 108,549 euros, and the goal of the project is to prevent ornithofauna from collisions with high-voltage transmission lines, electrocution on medium-voltage lines and substations, and to improve the status of populations of priority species in the area of the Natura 2000 ecological network – Danube region and lower Podravlje.

From the centralized programs of the European Union for the budget period 2021-2027, two projects were co-financed, the ECLIPSE project, co-financed by the Digital Europe Program, and the HEDGE – IoT project, co-financed by the Horizon Europe program. The objective of the Digital Europe Program (DEP) is to accelerate the recovery and drive the digital transformation of Europe by supporting the two objectives of the European Union, namely the green transition and the digital transformation, and strengthening the resilience and strategic autonomy of the European Union, while Horizon Europe, one of the key instruments of the Union for strengthening the European Research Area, strengthening European competitiveness, guiding and accelerating the digital and green transitions, European recovery, preparedness and resilience.

The ECLIPSE project, whose grant value for the Company is 125,458 euros started in September 2024 and will last for two years. The aim of the project is to implement and demonstrate the Common European Framework of Reference (CERF) for energy consumer applications across the EU, enabling voluntary reduction of energy consumption and load shifting, based on recommendations, strategies and incentives, promoting sustainable energy consumption behavior and empowering end consumers. The project will define a set of rules and conditions for the development of new applications of energy consumers and the improvement of existing ones. These applications will provide end consumers with simple, useful and user-friendly information on energy savings and wider benefits (such as CO2 reduction and other financial and social incentives), while at the same time strengthening the stability and resilience of electricity grids through consumer flexibility (e.g. through smart EV charging, heating load switching, self-consumption, etc.). The project solutions will be implemented and demonstrated in 16 EU countries, potentially replicated across the European Union, ensuring interoperability with third-party systems, while respecting the current regulatory framework and any existing competing application offerings.

The HEDGE-IoT project, with a grant value of 67,375 euros for the Company, started in 2024 and will last for three years. Within the project, a new digital framework has been proposed with the aim of implementing IoT devices at different levels of the energy system, which will upgrade the capacities of energy systems for hosting renewable energy sources and release the untapped potential of flexibility. It will increase grid resilience, create new market opportunities, and promote advances in IoT standardization, by deploying and managing a multitude of diverse, interoperable energy services across scalable and highly distributed data platforms and infrastructure. Links will

be established with EU IoT and digitalization initiatives (e.g. AIOTI) and stakeholder engagement will be ensured by addressing IoT ethics and fostering trust among end-users, thereby promoting inclusiveness. Scalability and replication studies will be carried out and connections will be established with innovators and SMEs through the project's Open Call mechanism.
Based on good previous experiences at SINCRO. GRID project, KNG-Kärnten Netz, ELES, Elektro Celje, Elektro Gorenjska, Elektro Ljubljana, HOPS d.d. and HEP-ODS d.o.o. are participating in the new GreenSwitch advanced network project, which is 50% co-financed by the Connecting Europe Facility (CEF) in the amount of 73.0 million euros, while the total value of the project is 146.2 million euros. The project started on 1 March 2023 and will last a total of 70 months.
The main goal of the GreenSwitch project is to optimize the use of the existing energy infrastructure and install new technology in an efficient way, with advanced functionalities that enable greater storage capacity, efficient integration of new system users, optimization of future investments and improvement of the safety and quality of system operation. In addition to investments in primary infrastructure, a toolkit for the deployment and use of advanced networks of different technologies, platforms and functionalities is also envisaged to achieve maximum impact. The Company's activities in the project include the replacement of existing conductors with high-temperature low-hanging conductors on the OHL 220 kV Senj-Brinje, installation of a flow control device in the 110/35 kV Gračac substation and the upgrade of the existing ICT infrastructure (WAMS, SCADA, EMS systems). The total value of the Company's investments is estimated at approximately 11.5 million euros of which the amount of the grant for the Company is 5,726,450 euros.

Investments

In November 2023 the Management Board and the Supervisory Board of the Company adopted an investment plan for 2024 in the amount of 199.47 million euros. Through 2024, the plan, based on the realized realization estimates, was reduced to the amount of EUR 158.55 million by rebalancing.

In 2024 the Company realized 125.53 million euros of investments, or 79.17% of the investment plan. When the realized amount is added to the realized amount of 0.26 million euros of investments at own expense and 0.08 million euros of interest capitalization, the total investment in 2024 amounts to 125.87 million euros, or 79.39% of the plan. For the most part, the investment plan includes investments in the revitalization of the existing transmission infrastructure, replacement and reconstruction, new facilities, and electricity connection conditions

Table 4. Investments in 2024 in EUR

Type of investment	31 December 2024	% share	31 December 2023	% share	2024/2023
1	2	3	4	5	6 (2/4)
Preparation of investments	3,681,551	2.92%	1,371,325	1.42%	168.47%
Replacement and reconstruction	31,548,568	25.06%	32,305,800	33.43%	-2.34%
Revitalization	62,582,160	49.72%	36,026,462	37.28%	73.71%
New facilities	21,098,784	16.76%	14,407,772	14.91%	46.44%
Other investments	5,133,232	4.08%	1,036,887	1.07%	395.06%
Electrical power conditions for connection	1,824,315	1.45%	11,480,156	11.88%	-84.11%
Total	**125,868,610**	**100.0%**	**96,628,401**	**100.0%**	**30.26%**

During 2024, the most significant completed facilities are:

- SS 110/20 kV Stenjevec (GIS) - during 2024, the gradual removal of the external 110 kV switchgear was carried out, the cable connections of the GIS plant to the OHL field Rakitje

1 and the transformer bays TR 1, TR 2 and TR 3 as well as the connection KB 2x110 kV ELTO – Stenjevec. Sewerage and water supply connections have been made, the plateau of the old 110 kV RP has been arranged, and the fence has been completed. The works on the Stenjevec substation were completed with landscaping at the end of May 2024. Upon completion of the trial operation, a technical inspection was organized, and the contract was concluded with the final calculation in November 2024.

- Connection ELTO Zagreb - STUM-KB 110 kV - upon completion of all works, the cable is connected to the end transformer station and put into operation. A technical inspection was carried out and a usage permit was obtained in November 2024, and the handover and final calculation were carried out.
- OHL 2x110 kV Bilice-Trogir (NPOO) - during 2024, all works on the construction of the transmission line were completed, it was put into operation during the period October/November 2024, all necessary tests and measurements were carried out, as well as a technical inspection of separate structures on the sections OHL 2x110 kV Bilice – Boraja and OHL 2x110 kV Boraja – Trogir. In December 2024, usage permit were obtained for the same.
- Replacement of the 110 kV cable - southern interchange, section Hvar - Brač with the reconstruction of the associated cable stations (NPOO) - in 2024, all works on the replacement of the 110 kV submarine cable were completed, it was put into operation in May 2024, all necessary tests and measurements were carried out, as well as a technical inspection, and on July 26, 2024, the usage permit was obtained.
- OHL and cable 110 kV Krk - Lošinj (7.6 km) - replacement of cables section Krk (Mali Bok) - Cres (Merag) (NPOO) - at the end of 2023, FAT for submarine cables was implemented. The preparation of land locations and laying were completed in the first quarter of 2024. Works on the removal of the existing oil 110 cables (which were removed in the first half of 2024) have been contracted. In 2024, all works on the replacement of the 110 kV submarine cable were completed; it was put into operation in May 2024, all necessary tests, measurements, technical inspection were carried out, and on 26 July 2024 the usage permit was obtained.
- Replacement of the 110 kV cable - southern interchange, section Hvar - Korčula (17 km) with the reconstruction of the associated cable stations (NPOO) - during 2024, all works on the replacement of the 110 kV submarine cable were completed, it was put into operation in June 2024, all necessary tests and measurements were carried out, a technical inspection, and on September 17, 2024, the usage permit was obtained.
- OHL and cable 110 kV Krk - Lošinj (1 km) - replacement of cables part Cres (Osor 1) - Lošinj (Osor2) (NPOO) - at the end of 2023, FAT for submarine cables was carried out. During 2024, all works on the replacement of the 110 kV submarine cable were completed, it was put into operation in May 2024 all necessary tests, measurements and technical inspection were carried out, and on July 26, 2024, the usage permit was obtained.
- OHL 110 kV Obrovac - Bruška 1.2 - revitalization and increase of transmission capacity (part of HOPS) - in November 2023, works on the comprehensive revitalization and increase of the transmission capacity of the transmission line were contracted, with a deadline of 12 months. During 2024, all works began and ended; and the transmission line was put into permanent operation.
- OHL 110 KV Bruška - Benkovac 1.2 - revitalization and increase of transmission capacity - in November 2023, works on a comprehensive revitalization and increase of the transmission capacity of the transmission line were contracted, with a deadline of 12 months. During 2024, all works began and ended; and the transmission line was put into permanent operation.

- OHL 110 kV Otočac - Senj - increase of transmission capacity (NPOO) - revitalization works have been completed in 2024, and activation of facilities remains in 2025.
- OHL 110 kV Otočac - Lički Osik - increase of transmission capacity (NPOO) - revitalization works have been completed in 2024, and activation of facilities remains in 2025.
- OHL 220 kV Senj-Melina - revitalization and increase of transmission capacity (NPOO) - in 2024, electrical installation and construction works were completed, and the handover and activation of the facility was carried out
- Connection of SS 110/10(20) kV Kapela - in 2023 and during 2024, construction works were completed, and electrical installation works were contracted and started. The dynamic plan for the construction of the connection followed the dynamics of the construction of the SS Kapela. In 2024, a technical inspection was carried out and usage permit was obtained.
- SS 110/30/20/10 kV Kapela - represents a joint facility with HEP-ODS. In order to solve the solution for the supply of electricity in the western part of the wider Šibenik area (Vodice, Tisno, Murter), the construction of a new transformer station 110/30/10(20) is planned. At the end of 2021, the contractors were introduced into the work and construction work began. During 2023, construction and electrical installation work continued, and in 2024, a technical inspection was carried out and an occupancy permit was obtained.
- Connection 150 MW ELTO Zagreb - in accordance with the connection agreement in 2024, STUM for unit L was completed. - An operating permit was obtained for the 110/20 kV Stenjevec substation (GIS) and the 2x110 kV EL-TO cable - Stenjevec substation on November 12, 2024.
- SS 110/20 kV Stenjevec (GIS) and cable 2x110 kV EL-TO – TS Stenjevec a usage permit has been obtained on November 12, 2024.
- Connection of SE Radosavci and SPP Slatina Desol 1 - Radosavci and SPP Slatina Desol 1 - according to the Connection Agreement for the facilities SPP Radosavci and SPP Slatina Desol 1 to the distribution network, HOPS, as one of the contractual parties, is obligated to fulfill the technical conditions in the transmission network for the connection of the mentioned facilities to the distribution network, which involves replacing the 110/35 kV transformer in the SS 110/35/10 kV Slatina. During 2024, a transformer was procured and delivered, and construction and electrical installation works were carried out for the installation of the transformer, which was put into trial operation following a technical inspection report.

REPAIR OF DAMAGE TO OVERHEAD LINES - as part of the project of repairing damage to overhead lines in 2024, damage caused by a strong storm on 23 July 2023 was repaired on:

- OHL 110 kV Mraclin – TPP-HP Zagreb: 4 damaged poles (SM 31, 32, 33 and 34) and electrical installation equipment in the SM 30 - SM 35 bay have been replaced
- OHL 110 kV Međurić - HŽ Novska 2: 5 damaged poles (SM 4, 5, 6, 7 and 8) and electrical installation equipment in the SM 3 - SM 12 bay have been replaced
- OHL 110 kV Međurić - Daruvar: 6 damaged poles (SM 2, 3, 4, 5, 13 and 14) and electrical installation equipment in bays SM 1A - SM 10 and SM 10 - SM 20 were replaced.
- OHL 220 kV Međurić – TPP-HP Sisak: 3 damaged poles (SM 97, 98 and 99) and electrical installation equipment in the SM 91 - SM 101 bay have been replaced.

and damages caused during a severe storm on 1 July 2024 on:

- OHL 110 kV Zabok - Podsused: 6 damaged poles (SM 57, 58, 59, 61, 62 and 63) and electrical installation equipment in the SM 51 - SM 70 bay have been replaced and reconstructed.

- SS 110/20 kV ZAPREŠIĆ - equipping the transformer bay - due to the increase in consumption in the area of the city of Zaprešić and its surroundings, at the request of HEP-ODS, HOPS equipped the transformer bay 110 kV code =E3 of HEP-ODS's hitherto backup transformer -T2 110/20 kV, 40 MVA.
- SS 110/30/20 kV kV JARUN - replacement of energy transformer - instead of the existing worn-out transformer, a new transformer -T3, 110/35 kV, 63 MVA was purchased and installed. For the purpose of installing a new transformer, the construction and electrical installation adjustment of the connection was carried out.
- SS 400/110/30 kV TUMBRI - technical protection system - a new technical protection system was designed, purchased and installed instead of the old, worn-out system.

The most significant facilities in 2024 (ongoing implementation):

- Operation and business center of HOPS and SS Jarun with connections - in 2024, a location permit was obtained for 4 phases of construction. A parcel study was made. In 2025, preparatory activities will continue.
- Increasing the transmission capacity of the 220 kV Konjsko - Krš Pađene - Brinje (NPOO) transmission capacity - it is necessary to replace the existing conductor with a high-temperature HTLS conductor. It has been contracted to carry out works on the replacement of conductors, protective rope, connecting and suspension equipment and other interventions on the revitalization of transmission lines. In May 2024, Appendix I to the Contract was signed - extension of the deadline for the execution of works and construction works began at the end of 2024. In October 2024, a Contract was signed with the Supplier of equipment: HTLS conductors and electrical equipment, for Lots 1 and 2.
- SS Konjsko - Procurement and installation of three 400 MVA energy transformers (NPOO) - during 2023, the procurement of a 400 MVA autotransformer was contracted, the procedure for the procurement of equipment and the execution of works on the replacement of the existing two 150 MVA (220/110 kV) transformers and the existing two 400 MVA (400/220 kV) transformers was initiated, as well as on the installation of an additional 400 MVA (400/220 kV) transformer with the associated transformer bays. During 2024, construction work began on the construction of the foundation for the new transformer –AT3. In November and December 2024, two 400 MVA transformers (-AT1 and -AT2) were delivered, but they have not yet been replaced and installed because it is not possible to obtain the disconnection of existing transformers to replace them. These two transformers are expected to be installed and commissioned by the end of 2025. The third transformer (-AT3) is expected to be delivered in the first quarter of 2025, and throughout 2025, construction and electrical installation works will be carried out on the construction of new 400 kV and 220 kV transformer bays. In the first quarter of 2026, it is expected that all works on the installation of the third transformer – AT3 and the construction of the associated transformer bays will be completed, commissioning, handover, completion of the contract and obtaining an usage permit.
- SS Velebit construction of a 110 kV GIS plant and equipping of TB 400 kV (NPOO) - in 2023, the development of the preliminary and main design was completed, and a building permit was obtained. A public procurement procedure has been initiated for equipment and works for the construction of a GIS 110 kV plant and equipping a 400 MVA transformer bay. In 2024, the procurement of equipment and works for the construction of the GIS 110 kV plant and the equipping of the 400 MVA transformer field was contracted, and the works began. In December 2024, a temporary 110 kV cable connection was realized, as well as

the need to carry out construction work on the new building. In 2025, an installation of a new 400 MVA transformer (May 2025) and a 110 kV GIS plant in the new building (October 2025) is planned.

- Connection SS 110/10(20) kV TTTS Terminal - planned SS 110/20(10) kV. The terminal is located in the immediate vicinity of the existing 110 kV Zakučac – Meterize III substation. The connection of the SS 110/20(10) kV Terminal under construction to the transmission network is carried out by direct 110 kV cable connections to the existing transmission line. The connection cable 110 kV has a cross-section of 1600/95 mm2. During 2024, due to the inability to resolve property and legal affairs and appeals against decisions on incomplete expropriation, it was not possible to carry out all the planned works on the completion of the construction of the connection. During 2024, part of the construction and electrical installation works were carried out during two forced entries into the property on two cadastral parcels. The deadline for the completion of all works has been extended to July 31, 2025, and they will only be able to be completed after a new decision on entering the forced possession of the Split-Dalmatia County. During 2024, the procurement and supply of a 110 kV cable was contracted for the remaining sections from Pole 54A to TS Meterize. The development of the Main and Detailed Designs of KB 110 kV from Column 54A to SS Meterize has been contracted. The completion of the works, the implementation of the technical inspection and the final calculation of the connection are expected by the end of the second quarter of 2025, after the decision of the Split-Dalmatia County is issued.
- SS 110/10(20) kV Terminal TTTS - Terminal - represents a joint meeting facility with HEP-ODS. In 2022 and 2023, construction and electrical installation work began. During 2024, due to the inability to resolve property and legal affairs and appeals against decisions on incomplete expropriation, it was not possible to carry out all the planned works on the completion of the construction of the connection, and therefore it was not possible to complete the planned activities on commissioning under 110 kV voltage.
- SS 2x100 kV Vukovar - Ilok with connection to SS110/35/10 kV Nijemci - during 2024, the resolution of property and legal relations on the route of the future building - the 1st phase of construction (power connections between the Vukovar substation and the Nijemci substation) was completed, and the main designs of the 110 kV substation in the Vukovar substation and the Nijemci substation for the connection of the building of the 1st phase of construction (110 kV substation Vukovar - Nijemci) were made.
- OHL (2x)400 kV TS Lika - TS Melina - after the public procurement procedure, the Framework Agreement for Group 3 was signed on December 28, 2023. At the end of February 2024, the purchase order from the Framework Agreement for the development of the Conceptual Design of the OHL (2x)400 kV transmission line on the section from the planned 400/220 kV Lika substation to the existing 400/220/110 kV Melina substation was activated. The preliminary design is expected in early 2025.
- Connection SS 110/10(20) kV Kaštel Stari - is a joint facility with HEP ODS. For the purpose of electricity supply solutions for the western part of the wider Kaštela area, the construction of a new 110/20(10) kV transformer station Kaštel Stari with a 110 kV GIS plant is planned. During 2024, the main project for obtaining a building permit was made, which is under revision.
- SS 400/220 kV Lika - after the public procurement procedure at the end of 2023, the Framework Agreement for Group 1 was signed. At the end of April 2024, the purchase order from the Framework Agreement for the development of the Conceptual Design of the planned 400/220 kV Lika SS was activated. The conceptual solution was made, revised and accepted in November 2024.
- OHL 2x400 kV SS Konjsko - SS Lika - an investment that is significant for the safety of transmission network operation in the territory of the Republic of Croatia in order to increase the transmission of electricity from the direction of SS Konjsko to SS Melina, i.e. due to the increased integration of wind farms in the Lika and Dalmatia areas. During 2024,

the development of conceptual solutions was contracted and started, and during the first quarter of 2025, they are expected to be revised at the HOPS level.

- OHL 2x400 kV SS Lika - SS Tumbri/Veleševec - after the public procurement procedure, the Framework Agreement for Group 7 was signed on December 28, 2023. At the end of February 2024, the order form from the Framework Agreement for the development of the Conceptual Design of the OHL 2x400 kV transmission line on the section from the planned 400/220 kV Lika SS to the existing 400/220/110 kV Tumbri TS was activated. The conceptual solution was delivered in December 2024.
- OHL 2x110 kV Bilice - Ražine - revitalization - during 2024, the preparation of detailed project documentation was contracted and completed. Comprehensive works on the Revitalization of the transmission line have been contracted and will begin at the end of the third quarter of 2024. The estimated duration of the works is 5 months, depending on the possibility of disconnection of IMPOL and the surrounding 110 kV network.
- OHL 110 kV Matulji - Ilirska Bistrica - transmission capacity - preparation - during 2024, the main project was ordered, which was sent for revision. In 2025, a public procurement procedure will be launched for equipment and works for the revitalization of transmission lines.
- OHL 110 kV Buje - Koper (NPOO) - during 2024, a public procurement for goods and works was carried out. In August 2024, the delivery of HTLS conductors and electrical equipment was contracted, and part of the material was delivered in 2024, and in 2025 the delivery of fully contracted equipment is expected. A Contractor has been selected for the works, and the signing of the Contract and the start and completion of works are expected.
- OHL 110 kV Otočac - Senj - increase of transmission capacity (NPOO) - during 2024, revitalization works were completed and in 2025 the activation of facilities remains.
- OHL 110 kV Otočac - Lički Osik - increase of transmission capacity (NPOO) - during 2024, revitalization works were completed and in 2025 the activation of facilities remains.
- Revitalization and increase of the transmission capacity of the 110 kV transmission line Ston – Rudine – Komolac (NPOO) – in November 2023, works on a comprehensive revitalization and increase of the transmission capacity of the transmission line were contracted, with a deadline of 12 months. During the second half of 2024, the works began, but, due to the impossibility of ensuring the shutdown (failure of submarine cables, safety of electricity supply in the south of the Republic of Croatia and overhaul of the Dubrovnik HPP), they will be continued in 2025, based on the extension of the deadline for the execution until the end of March 2025.
- Revitalization and increase of the transmission capacity of the 110 kV transmission line Ston – Rudine – Komolac (NPOO) – in November 2023, works on a comprehensive revitalization and increase of the transmission capacity of the transmission line were contracted, with a deadline of 12 months. During the second half of 2024, the works began, but due to the impossibility of ensuring the shutdown (failure of submarine cables, security of electricity supply in the south of the Republic of Croatia and overhaul of the Dubrovnik HPP), they will be continued in 2025, based on the extension of the deadline for the execution until the end of March 2025.
- SS 110/35 kV Čakovec - expansion and revitalization of the 110 kV plant + provisional - in 2024, all works on the facility were completed and the completed calculation was carried out. The IPO is resolved.
- SS 110/35 kV Virovitica, revitalization - at the end of 2024, all instrument transformers were delivered for the purposes of revitalization of the 110 kV plant. The continuation of activities on the SS is predicted in 2025.
- SS Konjsko - procurement and installation of two 150 MVA transformers (NPOO) - during 2023, the procedure for the procurement of equipment and the execution of works on the

replacement of the existing two 150 MVA (220/110 kV) transformers was initiated. In the first half of 2024, works on the replacement of the existing two 150 MVA (220/110 kV) transformers were contracted. The first transformer was successfully replaced and put into operation in September 2024. The second transformer was also successfully replaced and put into idle in December 2024 and serves as a cold reserve as not all fire protection tests of the same have been completed. During January 2025, all tests on the second transformer are expected to be completed and the transformer is put into operation.

- Installation of 2x30 MVAr capacitor batteries in SS 110/35/10 kV Šijana and in SS 110/20 kV Poreč - during 2024, the Contract for the Procurement and Installation of capacitor batteries 2x30 MVAr in SS 110/35/10 kV Šijana and in SS 110/20 kV Poreč was signed. Detailed designs were made and the order and start of production of capacitor batteries and primary equipment were approved. The start of construction work is scheduled for 2025. SS 110/10(20) kV Podi (Stage II) - part of HOPS - instrument transformers were purchased through a framework agreement for the procurement of primary equipment. The continuation of activities on the SS is predicted after 2025.
- Connection SS 110/10(20) kV Poličnik - is provided according to the principle of introduction/outlet from the existing 110 kV Obrovac – Nin substation. During 2023, the works on the construction of the connection were contracted, when they were started. The dynamics of the construction of the Poličnik SS connection follows the dynamics of the construction of the Poličnik SS. During 2024, construction and electrical installation works continue and they are almost completely completed, except for the part of the final connection to the transmission network due to the extension of the deadline for the construction of the Poličnik SS. The estimated deadline for the completion of the works and the final merger is April 2025.
- SS 110/10(20) kV Poličnik - part of HOPS - is a facility with HEP-ODS. The problems of underdeveloped transmission system in the Zadar area, the increased trend of annual increase in electricity consumption, which is the result of the strong economic and tourist development of this region, are the reasons for the construction of new solid connection points of the transmission network in the Zadar area. SS 110/10(20) kV Poličnik is planned with a 110 kV AIS plant. At the beginning of 2022, the contractors were introduced into the work and construction work began. In 2023, construction and electrical installation works continue, and during 2024, construction works were completed. The electrical installation works have not been completed, and the contract has been extended into 2025.
- Equipping 400 kV and 220 kV TB in the Konjsko SS (NPOO) - during 2024, the procurement of equipment and works on the construction of new 400 kV and 220 kV transformer bays have been contracted, along with the procurement of equipment and the execution of works on the replacement of the existing two 150 MVA (220/110 kV) transformers and the existing two 400 MVA (400/220 kV) transformers and the installation of an additional 400 MVA (400/220 kV) transformer. Also, during 2024, construction work began on the construction of a 400 kV transformer bay. The works are proceeding in accordance with the planned dynamics. In the first quarter of 2026, all works on the construction of 400 kV and 220 kV transformer bays are expected to be completed, commissioning, handover, completion of the contract and obtaining an usage permit.
- SS Velebit - procurement of a 400 MVA transformer - in 2023, the preparation of the preliminary and main design was completed, and the building permit was obtained. In addition, the procurement of a 400 MVA (AT2) autotransformer has been contracted, which is expected to be delivered by June 2025. In 2024, the procurement of equipment and works for the construction of the GIS 110 kV plant and the equipping of the 400 MVA transformer field was contracted, and the works began. In 2025, it is also planned to install a new 400 MVA transformer (May 2025) and put it into regular operation in the first quarter of 2026.
- Connection HPP Senj - HOPS has initiated the preparation of technical documentation for the needs of STUM (revitalization of DV using HTLS technology).

- Connection Rimac Automobili - was built in 2024. Usage permit was obtained for the connection and the plant at the end of 2024. The planned handover of the connection is scheduled for 2025.
- Connection Bruvno Wind Farm - during 2023, the works on the construction of the Connection were completed, which consists of a connection overhead transmission system 2x110 kV from SS 20(35)/110 kV Mazin to OHL 110 kV Gračac-Kulen Vakuf and a switchgear facvility 110 kV in SS 20(35)/110 kV Mazin. The connection was put into operation and a technical inspection was held in November 2023. During 2024, the certificate of occupancy was obtained, while in 2025 it remains to carry out the handover and activation of the facility.
- Connection WPP ST 3-1/2 VISOKO - ZELOVO - the construction of the connection was completed in 2024, while the handover is expected in 2025.
- Connections SPP Tarabnik and SE Tijarica were built in 2024. On December 27, 2024 a contract for the use of the network concluded with both plants. The handover of the connection is expected in 2025.
- Connections SPP Drava 1 and SE Drava 2 – in October 2024, an Annex to the Agreement on the use of the network was concluded with the company Drava International d.o.o. for the connection of the Drava 2 SE plant. The handover of the connection is expected in 2025.
- Connection Special Zone Pometeno brdo - built in 2024. On 24 July 2024, a Network Use Agreement was concluded with TORINE d.o.o. and for 2 other indirect network users. The handover of the connection is expected in 2025.
- Connection VPP Mazin 2 - in June 2024, the Contract on the use of the network was concluded with the company Liburana d.o.o. The handover of the connection is expected in 2025.
- Connection Istrabenz Plini - in April 2024, a Network Use Agreement was concluded with the company OXY TECHNICAL GASES d.o.o. The usage permit is expected to be obtained in 2025.
- Connection Knauf - in June 2024, a location permit for the connection was obtained (SS 110/x Knauf and connection cable). On August 12, 2024, a building permit was obtained for TS 110/x Knauf. Construction is expected to be completed and commissioned in 2025.
- Connection VPP Opor - the construction of the connection was completed in 2024. The conclusion of the contract on the use of the network is expected in the first quarter of 2025, and the handover of the connection by the end of 2025.

  Connection VPP Boraja II - is in a high degree of readiness. The conclusion of the contract on the use of the network is expected in the second quarter of 2025, and the handover of the connection by the end of 2025.

MEASURING TRANSFORMERS

In period 2023-2024, current, voltage and combined instrument transformers were purchased, which in 2024, in accordance with the priorities, replaced the existing worn-out instrument transformers in: SS 110/30/10 kV Dugo Selo - 9 current and 3 voltage transformers, in SS 110/35/10 kV Križevci - 9 current and 6 voltage transformers and in SS 110/20 kV Zdenčina - 3 current and 3 voltage transformers.

In 2025, the replacement of current, voltage and combined instrument transformers will continue in SS 110/20 kV Zdenčina, SS 110/35 kV Bjelovar, SS 110/35 kV Daruvar, SS 110/20 kV Botinec, SS 110/35 kV Virje, SS 110/35/10 kV Križevci, SS 110/30/10 kV Dugo Selo, in SS 110/35 kV combi TPP Jertovec (additional need after reconstruction), switchgear facility 110 kV Podsused, ETF 110/25 kV Ludina, SS 110/35/10(20) kV Prelog and switchgear facility 110 kV HPP Gojak.

- Reconstruction of the auxiliary electricity supply subsystem in the SS - within this project, the subsystem of 0.4 kV, 50 Hz subsystem was purchased and installed in the control building in the substation 400/110/30 kV Tumbri, the DC distribution and electricity supply of 220 V in the SS 110/30/10 kV Dugo Selo was reconstructed, the equipment of the auxiliary electricity supply 110 V DC in EVP 110/25 kV Ludina was replaced and the equipment for the reconstruction of the subsystem of direct current distribution and electricity supply -48 V in SS 110/35 kV Koprivnica was purchased, the installation of this equipment is planned for 2025.
- SS 110/35/20 kV NEDELJANEC - replacement of transformer - as part of the project, instead of the existing worn-out transformer, a new transformer -T2, 110/35 kV, 40 MVA was purchased, the installation of which is planned for installation in the last quarter of 2025.
- SS 220/110/35 kV MEĐURIĆ - replacement of transformer - as part of the project, instead of the existing worn-out transformer, a new transformer -T2, 110/35 kV, 40 MVA was purchased, the installation of which is planned for the last quarter of 2025.
- SS 220/110/10 kV MRACLIN - revitalization of the 220 kV plant - primary and secondary equipment and auxiliary power supply equipment has been installed and put into operation. The commissioning of the last bay was in the first quarter of 2025. In 2025, the landscaping of the plateau remains. The completion of the works is planned for the second quarter of 2025.
- SS 110/35 kV combi TPPJERTOVEC - revitalization of the 110 kV plant and secondary equipment - as part of this project, all primary and secondary equipment in the 110 kV plant was replaced on the "field by field" principle, the transformer field was upgraded and a transformer was added, and the plant was put into permanent operation. A new bus protection was also activated and a trial run was reported. Final tests and obtaining usage permit are planned for 2025.
- SS 110/20 kV RAKITJE - revitalization of the 110 kV plant - upon completion of the revitalization of the 110 kV plant in 2023, the plant was put into operation in the first quarter of 2024. What remains is the arrangement of the slope above the plant and the equipping and putting into operation of the auxiliary building. The completion of these works is expected in 2025. Upon completion of the works on the rehabilitation of the slope and the obtained amendment to the building permit, a technical inspection should be carried out and an occupancy permit should be obtained (Q4/2025).
- Meter replacement at billing metering points - covers all 4 transmission areas. For the needs of the Zagreb Transmission Area, 54 meters are purchased for billing metering points. They will replace meters that are of older generations and are unsuitable for the needs of today's measurements. In 2024, 20 meters were purchased, and in 2025 another 34 will be purchased. The installation of these meters is expected to be completed by the end of May 2026.
- Replacement of meters at settlement measurement points - covers all 4 transmission areas. For the needs of the Zagreb Transmission area, 54 meters are being procured for settlement measurement points. They will replace older generation meters that are unsuitable for the needs of today's measurements. In 2024, 20 meters were procured, and in 2025, another 34 will be procured. The installation of these meters is expected to be completed by the end of May 2026.
- SS 110/20 kV GLINA - revitalization of the 110 kV plant - The project of revitalization of the 110 kV plant after the earthquake in December 2020 includes the repair of the damage caused and the construction of a plant building for the needs of HOPS. By the end of 2024, all the necessary project documentation was prepared and primary equipment and auxiliary power supply equipment were purchased. By the end of the project (Q2/ 2026), it will be necessary to procure secondary equipment and carry out all the necessary works.

- SS 110/35 kV VIRJE - replacement of the transformer - as part of the project, instead of the existing worn-out transformer, a new transformer -T2, 110/35 kV, 40 MVA is purchased, and its installation is planned for 2026.
- SS 400/220/110 kV ŽERJAVINEC - replacement of circuit breakers and supporting insulators - as part of this project, the procurement of 110 and 400 kV circuit breakers has been contracted and their delivery is in progress. The plan is also to replace the 110 kV support insulators, and the procurement process is underway. This project is expected to be completed in the second quarter of 2026.
- SS 400/220/110 kV ŽERJAVINEC - replacement of switches and supporting insulators - as part of this project, the procurement of 110 kV and 400 kV switches has been contracted, and their delivery is ongoing. The replacement of 110 kV supporting insulators is also planned, and the procurement process is underway. The completion of this project is expected in the second quarter of 2026.
- SS 220/110/10 kV MRACLIN - rehabilitation of the 110 kV plant - as part of the project of rehabilitation of the 110 kV plant after the earthquake in 2020, the procurement of primary equipment was completed. The main design has been completed, and the preparation of the detailed design, the preparation of tender documentation and the obtaining of a building permit are in progress. The project is scheduled to be completed in 2028.
- SS 400/110/30 kV TUMBRI - rehabilitation of the 400 kV plant - as part of the project of rehabilitation of the 400 kV plant after the earthquake in 2020, the procurement of primary equipment has been completed. The main and detailed designs have been completed, and a building permit has been obtained. The works should begin in 2025 and will last 3 years.
- SS 220/110 kV TPP-HP SISAK - rehabilitation of the 110 kV plant – as part of the project of rehabilitation of the 110 kV plant after the earthquake in 2020, the procurement of primary equipment (circuit breakers, disconnectors, surge arresters, instrument transformers) was completed. The main design has been completed, and the preparation of the detailed design and the collection of documentation for the administrative procedure of obtaining a building permit are underway.

ELECTRICAL POWER SYSTEM AND THE EUROPEAN ELECTRICITY MARKET

Security of supply

The Company participates via ENTSO-E mechanisms in adequacy analyses for short-term, mid-term and long-term plans. Development plans are continuously adjusted according to the needs to ensure the security of supply. Electricity in the Croatian EPS is procured by production capacities, as well as by importing electricity from neighboring countries.

Considering exclusively the adequacy of production capacities, with regard to the stochastic nature of electricity generation from wind power plants and in other power plants using renewable sources, a part of electricity had to be imported in order to provide the necessary quantities of electricity to the consumers. In this context, it is also necessary to consider that the imported quantities not only related to the availability of production units in the Republic of Croatia, but also to the electricity prices on the Croatian and surrounding markets.

For 2024, comparing the available transmission capacities and available generation capacities with the average hourly loads of the transmission system, it is evident that the generation and import capacities are sufficient to provide the necessary amounts of electricity to final customers. Although relatively favorable hydrological conditions and the increasingly significant integration of solar power plants in households have significantly reduced the need for imports during 2024, it is still not possible to speak of self-sufficiency of the Croatian power system for longer periods of time.

In 2024, the mild winter and extreme heat during July and August are the main reason that the maximum summer peak load exceeded the winter one. On 17 July 2024, at 8 p.m., the historically highest load on the Croatian power system was achieved in the amount of 3363 MW, 5% more than in 2023 (3198 MW) and 8% more than in 2022 (3126 MW). The winter peak load in 2024 was 2905 MW, 2.82% lower than in 2023 (2990 MW) and 0.37% lower than in 2022 (2916 MW). According to the data available to the Company (18,289,503 MWh), the total annual consumption of the power system increased compared to 2023 (17,839,391 MWh), and the needs for electricity imports were higher. In 2024, exports exceeded imports for 1053 hours, of which in the first half of the year for 621 hours. The sufficiency of the system was not compromised. Activities were carried out on regular exchanges of information with European authorities on how to maintain the operation of transmission networks with the intention of maintaining security of supply.

On 15 November 2024, ENTSO-E published the document "ENTSO-E Winter Outlook 2024-2025" which presents an assessment of the situation regarding the sufficiency of available sources of electricity, indicates possible risks and opportunities to mitigate them. The projections for winter 2024/2025 do not expect an increase in risks compared to winter 2023/2024 but underline the obligation of transmission system operators to monitor the sufficiency situation throughout the period. The analyses presented in the document show that increased sufficiency risks persist in island areas (such as Ireland, Malta, Crete, Cyprus) and on the periphery of the ENTSO-E system (such as Finland, Estonia, Poland), but also decrease in the case of the use of non-market-based sources.

Gas storage facilities are satisfactorily filled in all EU member states.

Looking back at the summer of 2024 *("Summer Review 2024"),* ENTSO-E reports record average surface air temperature values in Europe. The average air temperature for the period June-August was the highest recorded in Europe. Southeast Europe recorded up to 60% more “warm days” than average. The daily maximum temperature in Southeast Europe reached at least 32°C during about two-thirds of the summer period. With 66 days, this is by far the highest number of days of severe heat stress recorded.

Regardless of the above circumstances, no sufficiency problems were observed during the summer of 2024, but it is necessary to point out a significant incident in Southeast Europe that led to a major disruption in the electricity system of continental Europe. The incident resulted in a significant loss of load and production, affecting multiple countries including Albania (OST), Bosnia and Herzegovina (NOSBiH), Croatia (HOPS), and Montenegro (CGES). The event was marked by a series of unforeseen events in the transmission network, which ultimately led to a (partial) supply disruption in these four countries. The incident is classified as a Scale Three event according to the Incident Classification Scale (ICS) methodology, which requires a detailed report by an expert panel. The event itself was not related to the sufficiency of production, but to real-time contingencies in the network.

The long-term level of security of supply is linked to the sufficiency of the power system in a typical planning period for the operation of the power system up to ten years in advance. The sufficiency of the power system refers to the stationary state and implies its sufficient construction to meet the electricity consumption within the nominal values of the load of the system elements and voltage limits, taking into account planned maintenance and unplanned outages, and is observed in particular through the sufficiency of production and the sufficiency of the transmission network. Adequacy of electricity generation is seen as the ability to meet the demand for consumption in the EES. The sufficiency of the transmission network is seen as the ability to transmit power flows through the transmission network. Indicators of the medium-term level of security of supply are covered in the ENTSO-E document "European Resource Adequacy Assessment", which also provides a methodology for considering the sufficiency of the EES. At the time of writing this document *"European Resource Adequacy Assessment (ERAA)"* for 2024 has not yet been published and is expected to be published in May 2025. The 2023 document seeks to provide guidelines in the investment process for 2025, 2028, 2030, and 2033. Special emphasis was placed on the planned decommissioning of fossil fuel sources and a sharp increase in the installed power of RES. Recognizing that such a development brings a risk in the supply of electricity, it points to the necessary cooperation of the parties involved in finding a solution.

The ERAA Report for 2023 was prepared by ENTSO-E and approved by ACER on 2 May 2024. For the Republic of Croatia, the LOLA indicator (*Loss of Load Expectation* in the presented scenarios is less than 0.1 hours per year, while the Republic of Croatia is among the countries with the best value of this indicator (Figure 5, Figure 6). It is important to point out the observed upward trend of this indicator for countries in the region.

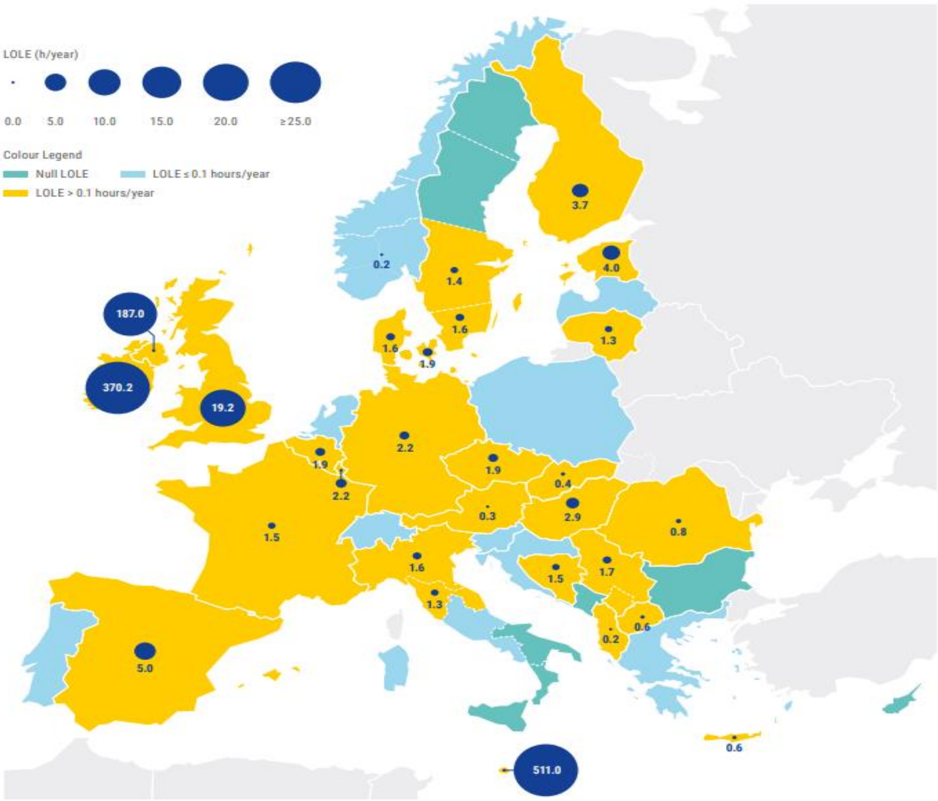


Figure 5. Expected Load Loss (LOLE) for 2025

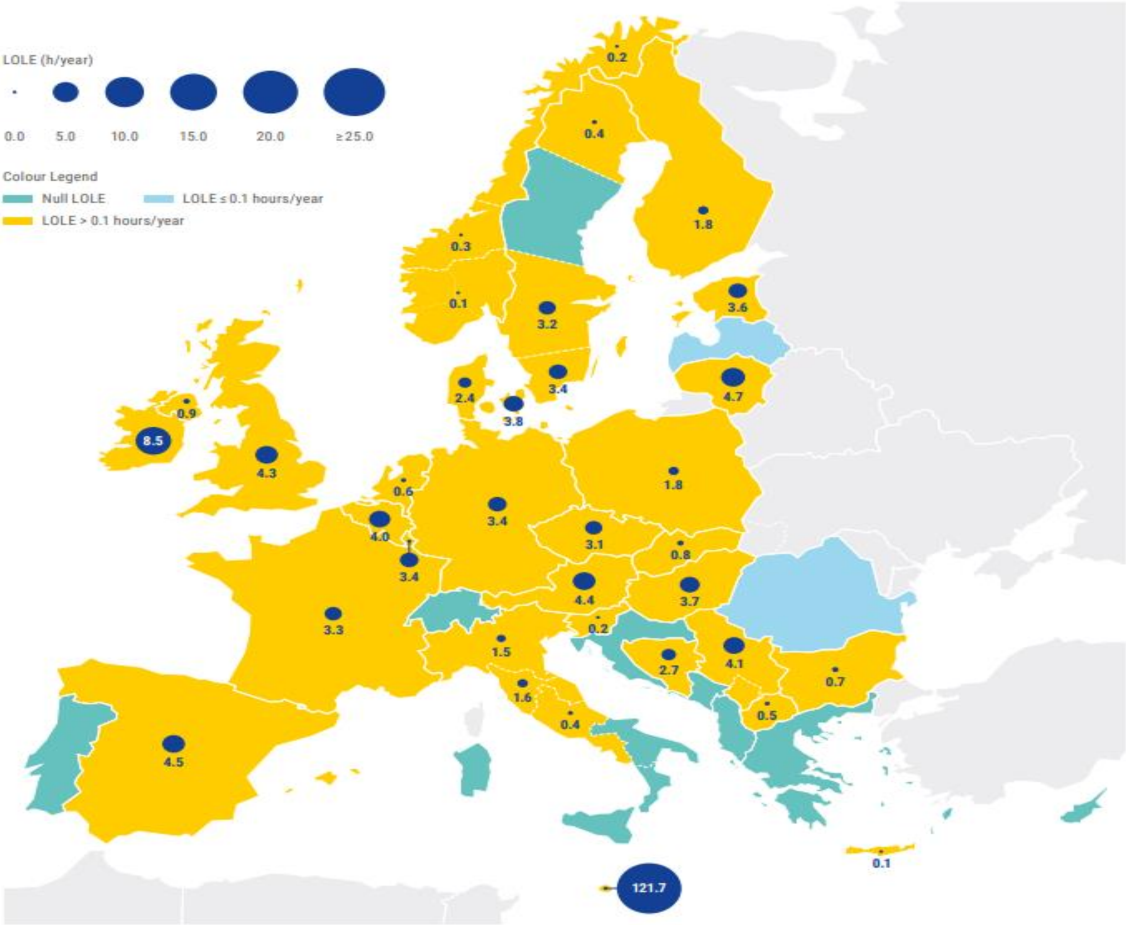


Figure 6. Expected Load Loss (LOLE) for 2028

From 2025 to 2033, the Republic of Croatia is expected to phase out natural gas (680 MW), coal (290 MW) and oil (300 MW) power plants, as well as the entry of demand response (DSR) with a capacity of 120 MW.

Pursuant to Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC, the competent authority of each Member State shall establish a risk-preparedness plan. Risk-preparedness plans consist of national, regional and bilateral measures, planned or undertaken to prevent, prepare for or mitigate electricity crises. By adopting the Decision on the designation of the competent authority for the security of electricity supply, the Government of the Republic of Croatia appointed the ministry responsible for energy as the competent authority for the security of electricity supply, while the Company, HEP ODS and the Croatian Energy Market Operator d.o.o. were delegated certain tasks prescribed by the same regulation, including the development of the Croatian risk-preparedness plan. In consultation with other interested stakeholders, the comments received from the European Commission on 7 December 2022 were respected. The final draft of the document was sent to the Ministry of Economy for adoption on July 4, 2024, but the Company has no further information on the stage of the adoption of the document.

It can be concluded that the security of supply is at a satisfactory level, but that there is non-compliance with the criteria (n-1) throughout the year and that, compared to the data from 2023 on an annual level, the duration of non-compliance with the criteria (n-1) has increased for elements of all voltage levels. The largest number of hours occurred in January, when the problem is the simultaneous high production of hydropower plants and wind power farms and high transits from east to west and during the summer period (June, July and August), which can be associated with the achieved historical maximum loads. For the time being, such threats have been successfully solved by available preventive and curative measures, but due to the further integration of RES in a narrow geographical area, the transmission network will have to be developed in order to maintain local security of supply with the simultaneous acceptance of all available production from volatile RES. In conclusion, it can be said that there is mostly enough electricity on the market, but its supply may be uncertain given the situation in Europe, primarily taking into account the armed conflict in Ukraine. Despite exposure to that risk, security of supply was not compromised.

Trans-zone capacities

During 2024, Croatia's organized day-ahead electricity market continued to function in an orderly manner as part of the single interconnected day-ahead electricity market (NYPD). Single Day Ahead Coupling (SDAC), which covers markets representing 95% of European electricity consumption. During 2024, most of the project's activities had to do with the introduction of fifteen-minute products at the SDAC level. After the previous years, the Company actively participated in the implementation of the project for the development of the method of calculating cross-zonal capacities using power flows(Flow based capacity calculation) and in the project of connecting the day-ahead markets based on the calculations of power flows in the Core region for capacity calculation (Capacity Calculation). Core Flow Based market coupling). During 2024, the Company also participated in the development of a long-term allocation of cross-zonal rights of use based on the calculation of power flows, which is expected to be fully launched in November 2026 (the first auctions for annual rights for 2027).

The Croatian organized intraday market is operationally connected to the single intraday market as part of the SIDC (SIDC) project across the Croatian-Slovenian and Croatian-Hungarian borders, formerly known as XBID (Cross-Border Intraday). The Company is also active in this market for the purpose of buying and selling electricity to cover losses in the transmission network, and for the purposes of trading throughout 2024, it uses advanced tools to automate placing orders on the organized market within the day.

Procurement of electricity to cover losses

With the aim of minimizing the total cost, HOPS procures electricity to cover losses on transparent, equitable and market principles. For the procurement of electricity to cover losses in 2024, HOPS conducted public tenders and conducted the procurement and management process of the electricity portfolio to cover losses in the transmission network in a transparent and impartial manner. Procurement in 2024 was based on three mechanisms, long-term and short-term on the day-ahead market and the intraday market of the Croatian Power Exchange (CROPEX) and on the basis of an imbalance mechanism.

For 2024, HOPS provided 193.91 GWh of electricity at a unit weight price of € 119.07/MWh on the basis of long-term (annual) contracts, which accounts for 39% of the planned volumes.

Short-term procurement implies the purchase and sale of electricity to cover losses on the day-ahead market and the intraday market of CROPEX. The amount of electricity bought/sold daily on CROPEX is based on the difference in the daily forecast of the quantities of electricity needed to cover losses and the long-term energy procured. The deviation of electricity procurement needed to cover losses in the transmission network in relation to the output shall be covered through balancing mechanisms.

Taking into account the above, for 2024, four (4) public tenders were conducted for the supply of electricity to cover losses in the transmission network, after which a total of sixteen (16) contracts were concluded, of which six (6) for the supply of electricity to cover losses in the transmission network with a period for the entire year, four (4) for the supply of electricity to cover losses in the transmission network with the period for the first quarter, two (2) for the supply of electricity to cover losses in the transmission network with the period for the third quarter and two (2) for the period for the fourth quarter of 2024, and two (2) contracts for the supply of electricity to cover losses in the transmission network with the period for the months of May and June 2024.

Total costs of purchasing electricity to cover losses amount to 51.77 million euros for a total of 496.47 GWh of electricity. The total cost consists of the cost of long-term and short-term purchases. The cost of long-term contracts is 23.09 million euros for a total of 193.91 GWh procured, and the cost of short-term procurement including the costs of trading and clearing fees on CROPEX is 28.65 million euros for the procurement of 302.56 GWh through day-ahead and intraday trading.

In 2024, HOPS also generated revenue from short-term electricity sales in the amount of 3.03 million euros, due to the negative price for day-ahead purchases and the sale of 29.85 GWh on the intraday market.

The average price of the total market purchase of electricity to cover losses is € 104.45/MWh. The stated price is higher than the average market price of short-term procurement, while it is lower than the price of long-term procurement.

Pursuant to the Decree on the Elimination of Disturbances in the Domestic Energy Market (Official Gazette 31/2023) and the Decree on Amendments to the Decree on the Elimination of Disturbances in the Domestic Energy Market (Official Gazette 74/2023, 107/2023, 122/2023, 32/2024 and 104/2024) adopted by the Government of the Republic of Croatia, recognizing to HOPS the difference in electricity purchase prices to cover losses generated by long-term contracts and trading on the stock exchange from € 70.276/MWh to € 150.00/MWh for the period from 1 January to 30 September 2024 and from € 79.412 /MWh to € 120.00 /MWh for the period from 1 October to 31 December 2024. Based on the above-mentioned regulations, HOPS generated revenue in the total amount of 14.86 million euros of which 13.58 million euros was paid in 2024, and the remaining 1.28 million euros (the amount for December 2024) was paid in 2025.

Balancing market

In accordance with the ZoTEE, the Transmission System Operator is responsible for ensuring safe, reliable and efficient operation of the power system, i.e. for ensuring the availability of all ancillary services and for organizing the market for balancing and non-frequency ancillary services for the transmission system throughout the territory of the Republic of Croatia.

Balancing services and non-frequency ancillary services shall be procured in a transparent and non-discriminatory manner by conducting the procurement procedure through public tenders in accordance with the Electricity Balancing Rules (EBR) and Frequency Ancillary Services Rules (FASR).

In accordance with Article 14. In accordance with Article 10 of the Constitution of the Republic of Croatia, HOPS balances the power system of the Republic of Croatia to ensure operational security. In the event of a shortage or surplus of electricity in the power system, HOPS shall provide energy for balancing the system in the billing interval in the following ways:

- activation or purchase and sale of energy from the balancing service provider through the contracted power reserve,
- the activation or purchase and sale of energy from a balancing service provider on the basis of voluntary offers for balancing energy,
- by purchase and sale from other transmission system operators,
- purchase and sale of electricity on market principles from market participants in the electricity market.

In accordance with Article 52, paragraph 35 until 30 September of each year, the transmission system operator shall submit to HERA a reasoned request for the procurement of products and services that cannot be procured on the market, with an assessment of the possibility of procuring each individual product and service.

By decision of 7 December 2023, HERA gave consent to HOPS for the procurement of products and services for 2024 that cannot be procured on the market.

After obtaining the approval of HERA, the contracting of ancillary services for 2024 was carried out in such a way that the obligation to deliver services procured in a regulated manner is reduced by the market-insured part, which has proven to be good practice in previous years and is a prerequisite for the general development of the ancillary services market.

HOPS is continuously developing the ancillary services market – the balancing market, increasing the share of market-procured balancing services, which increases the flexibility of the system and brings additional savings.

In the case of inability to procure balancing services and non-frequency ancillary services in public tender procedures (occurrence of only one pre-qualified - dominant provider) for a particular service, the procurement is carried out by contracting the service with the dominant provider in accordance with:

- Article 11. of the PoUEES and the Rules for the Setting of Marginal Prices for the Provision of Power Reserve for the Provision of Balancing Services (Annex 2. PoUEES),
- Rules for setting marginal prices for balancing energy (Annex 1. PoUEES),
- Article 9, paragraph 4 of the Act. PoNFPU – under regulated conditions in the amounts of needs, regulated prices and according to the values of parameters in accordance with Annexes I to IV of the PoNFPU.

By the decision of HERA, as of December 2023, approval was obtained for the proposals of the contract for the provision of ancillary services for 2024 with the dominant provider, the company HEP-Proizvodnja d.o.o

In view of the above circumstances, upon obtaining the consent of HERA dated 29 December 2023 and the Supervisory Board of the company, contracts for the provision of ancillary services were concluded with HEP-Proizvodnja d.o.o. for the period January - December 2024:

- Contract for the Provision of Compensatory Work Services for the Purposes of Voltage and Reactive Power Regulation,
- Contract for the provision of island drive services,
- Black Start Service Contract,
- Contract for the provision of power reserve for the restoration of frequency with manual activation for system safety,
- Frequency restoration power reserve contract with manual activation for balancing,
- Contract for the provision of power reserve for the restoration of frequency with automatic activation and balancing energy.

The mFRR power reserve balancing service was provided for the most part by the balancing service provider, HEP-Proizvodnja d.o.o., then by several smaller providers of managed demand balancing services and two independent aggregators, which participated in the procurement procedure of mFRR power reserve and/or balancing energy for system security through public tenders. The provision of mFRR power reserve shall be open to all transmission and distribution network users and groups of network users (aggregators and independent aggregators).

HOPS carried out the procurement of the mFRR balancing service of power reserve and/or balancing energy through public tenders for:

- 130 MW/h mFRR of the power reserve in the positive direction (mFRR+ P1), which constitutes the entire dimensioned scope of the mFRR power reserve for system security, the same amount is contracted on a long-term basis with the dominant provider, provided that the power reserve and/or balancing energy contracted on a long-term basis with the dominant provider is reduced by the market-insured amount. During 2024, no use of a regulated contract with a dominant provider was recorded, the entire dimensioned amount of mFRR power reserve and/or balancing energy for system security was successfully secured on the market.

- 40 MW/h mFRR power reserve in the negative direction (mFRR-P2), while the remaining required mFRR balancing power reserve (-80 MW/h/ +100 MW/h) was provided by the dominant provider on the basis of long-term (annual) regulated contracts, provided that the power reserve and/or balancing energy contracted on a long-term basis with the dominant provider is reduced by the market-secured amount. During 2024, the entire mFRR product P2 has been successfully insured on the market.

From 2019 to 2024, the share in mFRR of power reserves provided in public tenders by managed demand balancing service providers and independent aggregators (mFRR+ - product P1), grew from 19% at the end of 2019 to 32% during 2024. In 2024, the dominant balancing service provider (HEP-Proizvodnja d.o.o.) provided a 68% share in the total volume of the mFRR+ power reserve - product P1.

During 2024, mFRR - product P2, in addition to the dominant service provider (HEP-Proizvodnja d.o.o.), was provided by two other balancing service providers in the role of independent aggregators (KOER d.o.o. and Nano Energies Hrvatska d.o.o.).

At the end of 2023, through the public bidding process, 71% of the required volume of mFRR product P2 was provided by the dominant provider HEP-Proizvodnja d.o.o., while the remaining 29% was provided by other balancing service providers. During 2024, there was a significant jump in the pre-qualified amount of mFRR products of P2 providers in the role of independent aggregators, so that the percentage share of the insured volume almost reversed in 2024 (74% of the requested amount is provided by independent aggregators and 26% by the dominant provider).

HOPS has signed eight market-based Balancing Service Agreements - mFRR, valid in 2024, with the following balancing service providers:

- DS Smith Belišće Croatia d.o.o., for the period 01/01/2024 to 31/12/2024
- Messer Croatia Plin d.o.o., for the period 01/01/2024 to 31/12/2024
- Nexe d.d., for the period 01/01/2024 to 31/12/2024
- PSP – Underground Gas Storage Ltd., for the period from 26/06/2024 to 31/12/2024
- KOER d.o.o. (aggregator), for the period from 01/01/2024 to 31./2/2024
- HEP - Proizvodnja d.o.o., for the period from 01/01/2024 to 31/12/2024
- Nano Energies Hrvatska d.o.o., for the period from 01/01/2024 to 31/12/2024
- GEN-I Hrvatska d.o.o., for the period from 19/09/2024 to 31/12/2024

With the aim of establishing the procurement of the aFRR balancing service of power reserve and/or balancing energy through public tenders, the following have been prepared:

- Balancing Service Contract Form – aFRR (hereinafter: Market Contract)
- Tender rules for the provision of aFRR power reserve and/or balancing energy (hereinafter: Bidding Rules)

The tender rules define products for balancing the aFRR power reserve and/or balancing energy in the positive (hereinafter: aFRR+ product) and negative (hereinafter: aFRR- product) direction. The parameters of the aFRR+ product and the aFRR- product (P3) are the same as those contracted in a regulated manner with the dominant balancing service provider.

Tenders for aFRR power reserve and/or balancing energy shall be conducted on a daily basis, on the day preceding the day of delivery (day D-1) for the day of delivery (day D).

A price limit has been introduced for the aFRR capacity reserves that corresponds to regulated prices contracted long-term with the dominant balancing service provider. The reserve of capacity and/or energy for balancing contracted long-term with the dominant provider is reduced by the market-secured amount. The Market Contract is standardized for all prequalified balancing service providers. The competition rules and the template of the Market Contract are publicly available on the HOPS website.

On 15 July 2024, a public call for expressions of interest for the provision of aFRR reserve power and/or energy balancing services was published, along with a public consultation for the proposal of the market Contract template and Tender Rules lasting from 16 July 2024, to 16 August 2024. No objections or comments to the text and content of the proposal for the market Contract template and the proposal for the Tender Rules were received during the public consultation process. Additionally, as part of the public consultation, the following were received:

- Expression of interest for the provision of aFRR power reserve balancing services from the company Ngen smart energy systems d.o.o
- Expression of interest for the provision of aFRR power reserve balancing services and a proposal for the improvement of the process by the company IE Energy d.o.o. - planned energy storage plant related to the use of devices for advanced measurements

After comprehensive preparatory activities related to the adaptation of business processes and HOPS IT systems, with the prior consent of the distribution system operator, on August 29, 2024, the independent aggregator Nano Energies Hrvatska d.o.o. was pre-qualified to provide aFRR power reserve and/or balancing energy in the negative direction.

In October 2024, the first contract for the provision of balancing services - aFRR on a market basis was concluded with Nano Energies Hrvatska d.o.o., and on 17 October 2024, the implementation of procurement procedures through public tenders began.

In accordance with Art. 60 of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing guidelines for the EB GL Regulation, HOPS is obliged to publish balancing reports at least once every two years, for the previous two calendar years. The report for 2022/23 was published on the HOPS website and contains information on the conditions and provisions for balancing in the Croatian EES for the reporting period. HOPS also regularly publishes monthly reports on system balancing on its website.

FSKAR process

Based on EB GL Regulation and the Synchronous Area Framework Agreement (SGA). Synchronous Area Framework Agreement - SAFA), all TSOs involved have developed "Common billing rules applicable to all planned energy exchanges from the frequency maintenance process and from the power change period in accordance with Article 50(3) of the Synchronous Area Framework Agreement (SAFA). Commission Regulation (EU) 2017/2195 of 23 November 2017 on the establishment of guidelines for electricity balancing" and "Common billing rules applicable to all unscheduled exchanges of energy in accordance with Article 51(1) of the same Regulation on the establishment of guidelines for electricity balancing" Financial Settlement of KΔf, ACE and ramping period - all together: FSKAR process), which apply from 1 June 2021.

Since the beginning of the application of the FSKAR process, no significant change in the amounts of energy deviations of the energy power system has been recorded, as it depends on meteorological conditions and socio-economic conditions in society. On the other hand, the revenue/cost generated from the FSKAR process within the entire ENTSO-E RGCE area is fairer, the weighted price of electricity realized on the day-ahead markets of the respective electricity exchanges is used as the deviation price.

Establishment of common European platforms for the exchange of balancing energy (IGCC, PICASSO, MARI)

In accordance with the provisions of Articles 20, 21 and 22 of the Act. EB GL Regulation, the Company actively participates as a full member of projects for the establishment of common European platforms for the exchange of balancing energy:

- exchange of balancing energy from frequency restoration reserves with manual activation – MARI project,
- exchange of balancing energy from frequency restoration reserves with automatic activation – PICASSO project;
- imbalance exchange process – IGCC project.

In the coming period, after the successful implementation of the appropriate IT support of HOPS and the successful testing process, the operational connection of HOPS to the MARI and PICASSO platforms is expected.

Transparency of data

HOPS as an authorized data provider for the Croatian regulatory area to the Central Information Platform for Transparent Publication of Basic Energy and Market Data (HOPS). The ENTSO-E Transparency Platform, hereinafter: ENTSO-E TP) is continuously working on expanding the scope of automatically and manually prepared data in accordance with the requirements of EU Regulations (TP, GL EB, SO GL, CACM, CEP) and improving the quality of the submitted data.

For 2024, HOPS achieved an outstanding result with a high percentage of 99.93% for the volume and 70.56% for the timeliness of the submitted contracted data, which ranks it among the leading data providers according to ENTSO-E statistics.

Through the DataHub project, the implementation of a new system for the automatic sending of data to ENTSO-E TP was initiated. A series of meetings with the contractor were held, where user needs were specified in detail and guidelines for the implementation of the system were defined with the aim of increasing quality in the process of sending data. The new system for sending data to ENTSO-E TP brings several benefits. This includes automated monitoring of the status of delivery and data value in real time, the implementation of ECP (Energy Communication Platform) channels for data delivery and retrieval, a user interface for better interaction between users and systems, and advanced capabilities for administration, analysis and monitoring of data transmission.

In 2024, an increase in the quality of data delivery was achieved. Automation of data delivery has been done for Total Imbalance Volumes [17.1.H] with 15-minute values and real-time delivery, Week-ahead Total Load Forecast [6.1.C] with a forecast of daily MIN/MAX load values for the next week, and Month-ahead Total Load Forecast [6.1.D] with a forecast of weekly MIN/MAX load values for the next month. In addition, numerous analyses of the data submitted to ENTSO-E TP were performed after the introduction of sending data in 15-minute resolution, in order for HOPS to be sure that the migration went well.

With the implementation of the new data delivery system, cooperation with primary data owners continues, primarily with producers, balance group managers and the distribution area operator, in order to expand the disclosures for production units and improve the quality of data disclosures by types of production, so that instead of planned values for production units from the distribution network, solar panels are primarily used. Turn on the sending or subsequent update with the measured values which would automatically increase the data quality for the load diagram. It is planned to extend the scope of data delivery for unavailability (planned/unplanned) of generation facilities and transmission lines, as well as to expand the scope and improve the quality of balancing data.

With these activities, HOPS continues to improve the quality and scope of data submitted to ENTSO-E TP, ensuring a high level of transparency and compliance with an increasing number of EU regulations, i.e., the requirements of the new version of the ENTSO-E Technical Manual.

In accordance with additional requirements, ENTSO-E is continuously expanding and improving the central TP platform, so that by the end of the year it is expected to switch to a new version of TP Vision with a number of different contents that optimize the requirements of the initial Transparency Regulation with subsequent requirements from other EU Regulations and significant market development, especially in the part of common platforms for system balancing. HOPS undertakes additional actions to ensure timely adjustment of the delivery of part of the "old" TP data in a new or different way.

ENTSO-E TP represents a unique and, for most of the data relating to the territory of the Republic of Croatia, the only source of information that can be easily downloaded by different users, which has been recognized and positively assessed by Croatian market participants.

Croatian EIC Local Issuing Office

ENTSO-E maintains a defined single EIC system (EIC). Energy Identification Codes, which are implemented through the Central Office of ENTSO-E (ENTSO-E). Central Issuing Office (CIO) and the Office for the Assignment and Administration of Labels by individual European countries ("local offices").

The Croatian EIC Label Issuance Office (hereinafter: CLIO) is organized in the transmission system operator and carries out all activities related to the issuance and updating of unique energy labels that Croatian energy entities (traders, suppliers, producers, balancing service providers, aggregators, etc.) need in order to exercise the right to participate in market processes on the local and common electricity and gas markets.

CLIO assigns two types of labels, international ones that are publicly published on the CIO and CLIO websites, and local ones that are published exclusively on the CLIO website.

During 2024, 234 tags (46X, 112W and 76 Z tags) were issued, which is 63 more than in the previous year. A further trend of increasing the number of registrations of new manufacturers and RES plants was observed, which, through affiliation in different balance groups, join the market as new participants.

Other activities in the European environment

In accordance with its legal obligations at the European and regional levels, the Company cooperates with system operators and market participants outside the Republic of Croatia, as well as with a number of European institutions whose competences also concern the transmission of electricity (European Commission - hereinafter: EC, Energy Community Secretariat, ACER and others) as well as associations of which it is a member (ENTSO-E, Renewable Energy Initiatives; The Renewables Grid Initiative (RGI) of the Association of Mediterranean Transmission System Operators (RGI) Mediterranean Transmission System Operators (hereinafter: Med-TSO/ and others). Besides, HOPS participates in several projects for preparing the implementation of obligations arising from new EU provisions or for investing in infrastructure. In matters and topics of common interest, HOPS coordinates its activities with MINGOR and HERA.

Pan-European level

By participating in activities of ENTSO-E at the European level, which means in the work of the Assembly and all Committees, HOPS is involved in all current processes jointly prepared and implemented by ENTSO-E and transmission system operators at the pan-European level.

Continental Europe

Part of the activities in ENTSO-E is organized according to the affiliation to individual synchronous areas, of which the synchronous area of continental Europe is the largest. In accordance with the available human resources, HOPS participates in the work of all the most important working groups at this level as well

System operation region Central SOR

Regulation 2019/943 provides that, upon a proposal from ENTSO-E, ACER is to determine which transmission system operators are covered by each of the system operation regions. Thus, by the decision of ACER, HOPS was classified in the Central Region of System Operation (HOPS). Central SOR). The TSOs of the Central SORs submitted a proposal to the competent regulatory authorities for the establishment of regional coordination centers (hereinafter: RKCs) and the proposal providing for TSCNET and Coreso to be the RKCs for the Central SORs was adopted at the beginning of 2021. Both RCCs have made the necessary preparations and by the deadline of 1 July 2022, the transformation from regional security coordinators to RCCs has been successfully implemented. As one of the co-owners, HOPS actively participated in the transformation process of TSCNET and is an active participant in the management and working bodies within Central SOR. In view of ACER's decision that each system operation region adjacent to third-country TSOs must conclude a cooperation agreement on the secure operation of the system and the establishment of arrangements for the compliance of third-country TSOs with the obligations set out in Regulation 2019/943, HOPS has been particularly active in the preparation of the Central SOR's agreements with ESM (Serbia) and NOSBiH (BiH). However, the signing of the agreement has not yet taken place, as the implementation of the system operation region, which would include the TSOs of the Western Balkan countries, and a decision on configurations and ways of cooperation between the system operation regions is expected as a prerequisite.

HOPS continued to use TSCNET services during 2024, and, in 2024, it was again a signatory of the MRA contract (MRA). Multilateral Remedial Action) – coordinated multilateral congestion removal between three or more operators within the TSC initiative. This contract gives the transmission system operators the opportunity to work together to eliminate congestion with certain beneficial impacts on the security of supply in each of the individual transmission system operators.

Capacity Calculation of Core CCR

The company actively participates in working bodies at the level of the central region for the calculation of (transferable) capacities, which was established by merging the CEE (*Central Eastern Europe*) and CWE regions (*Central Western Europe*) into a single region on the basis of ACER Decision 06/2016 of 17 November 2016 on the designation of regions for the calculation of transmission capacities.

During 2024, intensive activities within the Core CCR working bodies continued in the processes of adopting methodologies and developing and implementing business processes arising from the applicable European regulations.

Starting operationally from 8 June 2022, Core CCR performs transmission capacity calculations for the day-ahead market period using the flow-based method (FB DA CC), and the operational results are available daily on the JAO website from 9 June 2022.

Following the launch of the FB DA CC, amendments were submitted to further improve the methodologies as expected by the CACM. On 28 November 2023, the second amendment FB DA CCM was adopted in favor of the introduction of Advanced Hybrid Coupling (AHC), which improves capacity allocation at the borders to other CCRs. The objective of the AHC is to create a level playing field in the SDAC with regard to flows arising from trade within the CCR and flows arising from trade with trading zones outside the Core CCR. From 2025, the adoption of the third amendment of the FB DA CCM to establish coordinated validation and further improvement of the technical aspects of implementation, and the continuation of work on the fourth amendment of the FB DA CCM.

In December 2022 Core CCR started the phase of external calculations of transmission capacities for the intraday period of the FB ID CC(b) market calculated in D-1 at 10 p.m. according to ACER's decision of 21 February 2019. Intraday capacity calculation methodology of the Core capacity calculation region in accordance with Article 20ff. of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management). Furthermore, on 4 December 2023, the phase of external calculations of transmission capacities for the intraday period of the FB ID CC(a) market calculated in D-1 at 3:00 p.m. from the remaining cross-zonal transmission capacities for the day-ahead market period Flow-based method.

The calculation of cross-zonal intraday transmission capacities of FB ID CC is in accordance with the adopted FB ID CC methodology according to ACER's decision of 21 February 2019, but also its first amendment of 19 April 2022, and the second and third amendments of 14 March 2024, which were necessary during 2024 to prepare the operational launch of the process in mid-2024.

After more than 6 months of external calculations of transmission capacities for the intraday market FB ID CC(a) and FB ID CC(b) with stable process execution at the Core CCR level, HOPS, along with other OPSs of the Core CCR, successfully started the operational implementation of cross-zonal transmission capacity calculations for the intraday market using the Flow-Based method (FB ID CC) on May 28, 2024 (for the trading day of May 29, 2024) for the purposes of connecting the intraday market (ID FB MC) in Core CCR by delivering capacity FB ID CC(b) by D-1 at 9:45 p.m. on the market platform for market coupling (Single Intraday Coupling – SIDC). After the operational start of FB ID CC(b), replacing the NTC calculation of intraday capacity with intraday calculations of capacity based on power flows on May 28, 2024, HOPS, along with other OPSs of Core CCR, successfully also commenced the delivery of cross-zonal transmission capacities FB ID CC(a) by D-1 at 2:45 p.m. on the SIDC market platform for all hours of the following day on 13 June 2024 (for the delivery date of 14 June 2024).

The milestone of the establishment of FB ID CCb) marked the first efficient calculation of cross-zonal capacities based on the calculation of power flows in the Core CCR and a major step towards optimizing the available capacity for the intraday market while respecting operational security based on the latest available Common Grid Model (CGM). Also, the establishment of FB ID CCa) enables the opening of the intraday market in the Core region at 2:00 p,m, in D-1 and provides the necessary data for the intraday auction at 3:00 p.m. in D-1.

All relevant information of the published results of FB ID CCa) and FB ID CCb) can be found on the Core IDCC section of the JAO website.

Intraday auctions (IDAs) aim to enhance the SIDC by introducing a new pricing mechanism for intraday capacity, complementing the existing continuous trading method. With the introduction of IDA, the new technical setup and market coupling communication processes will be used in addition to the SIDC XBID platform used for continuous trading. In this respect, IDA and continuous market mechanisms support each other and allow for bidding and efficient allocation of transmission capacity. The IDA shall be implemented across Europe to enable the pricing of cross-zonal capacity in the intraday timeframe and to harmonize the calculation and allocation of cross-zonal capacity in the intraday market and to increase the overall efficiency of intraday trading.

The operational launch and FB ID CCc) is being prepared in mid-2025, while on 17 December 2024 the external calculation phase for FB ID CCc) of the process was launched at 4:30 a.m. related to the delivery of updated values of cross-zonal capacities for the purposes of intraday continuous trading (MTU 6:00 – 24:00) in accordance with Article 26(3)(b) of the Core ID CC methodology.

Through various external project teams, HOPS prepared, designed and implemented everything necessary for stable and successful participation in operational processes, and through the internal HOPS working group (Decision No: 41.11.18.) accompanied all the necessary steps in order to achieve all these milestones.

The establishment of other phases of the budget related to day D, i.e. FB ID CCd) until 10:00 a.m. (IDA3) is ongoing, with an expected operational start during the first and second quarters of 2026, and FB ID CCe) until 4:00 PM with an expected operational start during the third quarter of 2026.

The Core Intraday Capacity Calculation (Core IDCC) project is part of the Core Market Integration process. The aim is to develop and implement a methodology for determining intraday capacities for intraday auctions and intraday continuous trading across the Core CCR within the Single Intraday Coupling (SIDC).

In 2023, the BTCCM Methodology - Methodology for the calculation of cross-zonal capacity within the balancing time frame for balancing energy exchange or for the implementation of the imbalance exchange process was prepared and submitted to the competent regulatory authorities for approval, followed by the first amendment proposal of the LTSR Methodology (1st amendment proposal of the long-term splitting rules methodology).

HOPS actively participates in all other related Core CCR (LTCC- Long Term capacity calculation; ROSC&CS etc.) through the processes of adopting methodologies and the development and implementation of business processes, as well as in the process itself.

On 20 November 2023, Core CCR started the internal calculation phase of long-term cross-zonal capacities based on power flows. Flow-based) method (FB LT CC). The calculation of cross-zonal capacities is in accordance with the adopted LT CC methodology according to ACER's decision of 18 January 2023. Long-term capacity calculation methodology of the Core capacity calculation region in accordance with Article 10 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation). It is envisaged at the end of 2025 (for the capacity allocation process in 2026), with the submission and acceptance of the first amendment of the LT CCM, the operational launch of the calculation of long-term cross-zonal capacities after the implementation of external calculations for a period of 6 months.

At the beginning of 2024, a joint proposal by all TSOs, the Core CCR on the SNB NTC capacity calculation methodologies and the Core-SNB validation of the PK for the day-ahead timeframe for the CH-GR, CH-DE/LU and CH-AT bidding boundaries, was submitted. This method is intended to strengthen the coordination between Core CCR and Swissgrid due to the increasing physical flows after FB DA MC to Core CCR, and partly due to the implementation of the Regulation on the Internal Electricity Market, which includes a target of 70% of minimum transmission capacity while respecting the limits of operational volumes.

By ACER's decision of 13 March 2024, the proposal to amend the CCR setting included the addition of the boundary between RTE and SEM (Single Electricity Market in Ireland and Northern Ireland) bidding zones to the Core CCR, which facilitated the further integration of Ireland into the European electricity market. This started implementation preparations for the operational launch of the new bid boundary between the bidding zones of France (RTE) and SEM (Eirgrid and part of SONI) once the Celtic interconnector is operational at the end of 2026, connecting Ireland and France with a 700MW DC cable.

With the same decision of ACER, the merger of Core CCR and Italy North CCR will form Central Europe CCR (CE CCR). Initially, this merger will only apply to the day-ahead market capacity calculation process. This will improve the coordination and efficiency of the calculation and capacity allocation process in continental Europe. In addition to actively participating in the preparations for the implementation of the CE CCR process, HOPS also actively advocates and supports the inclusion of additional trading borders in the CE CCR, which would mean that CGES, EMS and NOSBiH become an integral part of this region. HOPS sees this configuration of regions for capacity calculation as crucial for the long-term safety of the plant and the reduction of maintenance and safety costs, primarily re-dispatching costs.

Outage coordination region

HOPS is part of the Outage Coordination Region, which territorially corresponds to the Core CCR Capacity Calculation Region, and with regard to the coordination between the different outage coordination regions, it also participates in the submission of data for the South-East Europe Outage Coordination Region. Through the coordination process, the outage and availability plans of the relevant network elements and relevant power modules are agreed in accordance with the Title Outage Coordination of Regulation 2017/1485, which forms the basis for the development of common grid models and all processes that use these models.

Operations in the LFC block SHB

Regional cooperation of HOPS continued in the management and regulation LFC block Slovenia-Croatia-BiH (hereinafter: LFC block SHB), where, in accordance with the Regulation of the SO GL, an Agreement on the operation of the LFC block SHB was prepared. Operational Agreement of LFC Block SHB). During 2024, HOPS actively worked on the amendment of the LFC Work Agreement of the SHB block, which is necessary to align with the expected accession to European balancing platforms, which is expected to be signed in 2025.

Bilateral cooperation with neighboring transmission system operators

During 2024, cooperation with neighboring system operators continued through thematic meetings at various levels, with Slovenian ELES, Hungarian MAVIR, Serbian EMS, Bosnia and Herzegovina's NOSBiH and Montenegrin CGES, where a number of topics of common interest were discussed. During 2024, the focus of communication was on the inclusion of EMS, NOSBiH and CGES in the CE CCR, given that it is common for neighboring transmission system operators to take on a proportionately larger part of the burden of preparing the expansion of regions.

In December 2023, by Decision 18/23, ACER approved the proposal of the transmission system operator to amend the Harmonized Allocation Rules for Long-Term Electricity Transmission Rights (ELRs). Harmonized allocation rules for long-term transmission rights in accordance with Article 51 of Commission Regulation (EU) 2019/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation hereinafter: HAR). The amended HAR entered into force on 31 January 2024. The main reason for the amendment is to introduce long-term transmission rights based on power flows and to enable cross-zonal coordination in order to make the long-term energy market more efficient and in line with the day-ahead market. In addition, obligations of market participants have been introduced with the aim of preventing the use of the EU financial system for the purpose of money laundering and terrorist financing. These changes are also the reason for a new Special Addendum to the HAR for the border between the Croatia-Serbia bidding zones, in order to be in line with the new HAR and to apply the HAR to the maximum extent possible for the border in question. Also, the entry into force of the amended HAR was the reason for the new Rules for explicit daily capacity allocation for the border of the Croatia-Serbia bidding zones, which HOPS in cooperation with the EMS drafted in 2024. Due to the new rules, Amendment 2 to the existing Agreement on Congestion Management between the borders of the Serbia-Croatia bidding zones between Elektromreža Srbije d.d. was also concluded.

In 2024, an Agreement on Congestion Management on the Croatian-Bosnian Border was concluded between HOPS and the Independent System Operator in Bosnia and Herzegovina (NOSBiH) for 2025 onwards. The Agreement between HOPS and NOSBIH has so far been signed on an annual basis, but the aforementioned proposal The Agreement enters into force on 1 January 2025 and has an unlimited duration. In the event of a change in the paragraph from the Agreement, HOPS and NOSBiH will jointly prepare a new proposal for the Agreement.

Cooperation projects between transmission system operators in the Mediterranean region

In 2024, HOPS actively participated in the work of Med-TSO, which promotes cooperation between the countries of the Mediterranean area with the aim of developing the Mediterranean electricity system, as a neighborhood partnership that will enable Europe to complete its energy transition by 2050. By doing so, the Company supports the development of an integrated, secure and sustainable Mediterranean electricity system, facilitating the use of common criteria and harmonized, transparent and non-discriminatory technical rules to guarantee the interoperability of interconnected power systems.

As a member of the Association, the Society has been part of the TEASIMED2 project since 2023, which, in addition to the Association, is significantly co-financed by the European Union. The project will last until December 2025 with the aim of promoting the progressive integration of transmission networks of countries in the European and North African Mediterranean area, taking into account the requirements of adequacy and energy security, improving cross-border electricity exchange as well as the integration of renewable energy sources in the Mediterranean region, through the coordination of national development plans and appropriate rules for the operation of networks.

The objectives of the TEASIMED 2 project are aligned with the objectives of the European Union's energy and climate change policy and with the goals of the European Union's growth strategy, i.e. European Green Deal, also taking into account the objectives of the NPOO appendix, REPowerEU chapter, through energy savings, diversification of energy supply and accelerated integration of renewable energy sources.

SUSTAINABLE DEVELOPMENT

Due to active participation of all organizational units of HOPS, obligations related to the Register of Environmental Pollution, which is kept by MINGOR, i.e. by the Croatian Environmental Protection Agency, have been fully realized. The Register of Environmental Pollution is a set of data on sources, type, quantity, manner and place of discharge, transfer and disposal of pollutants and waste into the environment. It is extremely important that every company which acts responsibly in regard to environmental protection and nature fulfils all obligations.

Considering that HOPS is listed in the “Register of legal entities and natural persons - entrepreneurs engaged in the activity of import/export and placing controlled substances and/or fluorinated greenhouse gases on the market, servicing, renewal and use of these substances”, the servicing and maintenance of equipment which contains the greenhouse gas sulphur-hexafluoride SF_6 has been successfully continued. A detailed report on SF_6 gas emissions from the HOPS facilities was submitted to the Croatian Environmental Protection Agency on the form KT 1 - Logbook of used quantities of controlled substances and fluorinated greenhouse gases. In addition, data on total quantities of SF_6 gas used in switchyards have been sent to MINGOR.

In 2024, municipal authorities (counties and municipalities) drafted numerous development strategies and programs, as well as spatial plans and their amended versions. Procedures for strategic environmental assessment were carried out, i.e. assessment procedures on the need for strategic assessment and audits of strategic environmental studies. Inquiries that HOPS receives from municipal authorities can be classified in the following manner:

- requests to competent authorities (HOPS) to provide data for the purpose of drafting development strategies and programs, spatial plans and their amendments,
- valuations of the need for strategic assessment, expressing opinions on the need for strategic assessment in relation to the drafted strategic documents,
- requests for providing opinion on the content of strategic environmental studies and development programs of municipal authorities, as well as with regard to spatial plans, when it is established that the implementation of a strategic environmental assessment is necessary,
- audit of completed strategies and development programs, spatial plans and strategic environmental assessments with regard to the mentioned documents, during public consultation procedures.

HOPS has responded to all received requests in due time, thus contributing to environmental protection as much as possible, while simultaneously enabling the development and construction of the transmission network in terms of ensuring security of supply to customers.

In 2024, intensive activities were carried out to achieve the objectives and improve the environmental management system, resulting in a successful supervisory audit of the system according to ISO 14001:2015 standard. HOPS undoubtedly has confirmed its dedication to systematic care for environmental protection.

HOPS also recognized energy efficiency as one of the most effective ways of achieving sustainable development goals considering that it contributes to the reduction of greenhouse gas emissions into the environment and has a positive effect on climate change. Implementing energy efficiency measures is important when raising the level of security of energy supply and it represents the backbone of the energy policy of the EU. In 2024, intensive activities were carried out to achieve the objectives and improve the energy management system, resulting in a successful supervisory audit of the system according to ISO 50001:2018 standard. Thus, HOPS undoubtedly confirmed its dedication to systematic care for energy efficiency.

Besides supervisory audits, internal training on management systems according to the 14001:2015 and 50001:2018 ISO standards were organized. The training was conducted during internal audits in entire HOPS. The response and interest were great, which once again confirmed the contribution of HOPS to environmental protection and the increase of energy efficiency.

Furthermore, HOPS is obliged to enter data on the measures taken for the improvement of energy efficiency realized in electricity transmission into the System for Monitoring and Verification of Energy Savings (SMIV). HOPS has adopted eight studies, which cover calculated savings related to projects realized in 2024:

- Study on energy savings achieved by replacing the 110 kV Krk – Lošinj submarine cable,
- Study on energy savings achieved by replacing conductors on OHL 110 kV Matulji-Lovran,
- Study on energy savings achieved by replacing the AT3 power transformer in the Mraclin substation
- Study on energy savings achieved by replacing conductors on the 110 kV transmission line Benkovac-Bruška
- Study on energy savings achieved by replacing conductors on the 110 kV Obrovac-Bruška transmission system
- Study on energy savings achieved by replacing the 110 kV Hvar-Korčula submarine cable
- Study on energy savings achieved by replacing the 110 kV Brač-Hvar submarine cable
- Study on energy savings achieved by replacing conductors on the 110 kV Senj-Otočac transmission line
- Study on energy savings achieved achieved by replacing conductors on the 110 kV Otočac-Lički Osik transmission system.

In 2024, HOPS calculated the company's carbon footprint for 2023, which was published in the Non-Financial Sustainability Report. Carbon footprint ("Carbon Footprint" is a measure of total greenhouse gas emissions directly or indirectly caused by a person, product, company or event. The carbon footprint is measured in tons of carbon dioxide equivalent (tCO2e). The concept of carbon dioxide equivalent (CO2e) enables the comparison of the effects or climatic impacts of concentrations of different greenhouse gases in relation to one unit of CO2. Scope 1 and Scope 2 emissions are calculated, while in the future it is expected that emissions and Scope 3 will be recorded. In 2024, a total of 1188.55 tons of hazardous and 540.83 tons of non-hazardous waste were generated in HOPS. Most of the waste consists of non-chlorinated insulating and heat transfer oils, as well as sludge from separators, lead-acid batteries and metal scrap. The amount of waste generated in 2024 is higher compared to previous years due to the replacement of submarine cables and conductors on transmission lines. Waste metals such as copper, aluminum and iron, which have valuable properties and can be recycled, are sold by HOPS through a bidding process and thus make a financial profit. It is important to note that during 2024, 1658.14 tons (95.88%) of waste was recycled - R procedures), and 70.88 tons (4.12%) of waste was disposed of - D procedures, and in this way HOPS achieved a significant contribution to the concept of circular management.

HEALTH PROTECTION AND OCCUPATIONAL SAFETY

In 2024, in the field of occupational health and safety, the following activities were performed: training for newly employed workers and workers relocated to work in a safe manner, training workers to provide first aid, as well as for students to perform regular professional practice.

Vaccination of workers against seasonal flu and tick bites has been organized, as well as regular inspections of the work environment in facilities, regular testing of low-voltage electrical installations in facilities, regular inspections of facility lightning protection systems on buildings, regular inspections and inspections of work equipment, procurement and distribution of personal protective equipment to workers, organization and realization of medical examinations of workers in jobs with special conditions and when working on a computer, breath tests of workers, inspection visits of substations, updating the technical specification for personal protective equipment in accordance with the internal act and implementing the procurement procedure for personal protective equipment.

In 2024, in the field of fire protection, the following activities were performed: inspections and functional tests of stable fire alarm and extinguishing systems, periodic inspections and control tests of fire extinguishers in all the Company's facilities, procurement of new and disposal of old fire extinguishers, regular annual inspection and service of the system for early fire detection and alarm, as well as regular testing of hydrant installations and lightning protection systems. Training of new workers for initial fire extinguishing, conducting evacuation and rescue drills for buildings, and fulfilling obligations under the Activity Program in the implementation of special fire protection measures of interest to the Republic of Croatia in 2024 were also carried out.

UNPREDICTABLE EVENTS

Key events that led to significant changes in the Company's financial plans, costs and revenues:

Rebalancing the business plan and investment plan:

In June 2024, the preparation of the Rebalance of the Business Plan and the Investment Plan for 2024 began.

The need to prepare the Rebalance arose for the following reasons:

- Decline and stabilization of prices on the wholesale electricity market at the beginning of 2024

  The average electricity price in Q1 2024 was € 72.15/MWh, a decrease of 30.4% compared to average prices in 2023. The average price of the first quarter for all trading zones in the related European market was below € 85/MWh.

- Adoption of new Rules on Balancing of the Electricity System (HOPS 12/2023) and Rules on Non-Frequency Auxiliary Services for the Transmission System (HOPS 12/2023)

  The rules came into force on January 1, 2024, introducing a new way of calculating the prices of ancillary services that cannot be procured on the market, which resulted in lower costs of procurement of ancillary services than planned

- Decision on the amount of tariff items for the transmission of electricity (Official Gazette 27/24)

  By the decision of HERA of 29 February 2024, a new category of the tariff model "Purple" was introduced for very high-voltage enterprises, with a lower price for the billed peak workforce compared to the White tariff model at high voltage, which affected the fee for the use of the transmission network.

- Extension of the Decree on Amendments to the Decree on the Elimination of Disturbances in the Domestic Energy Market (Official Gazette 32/24)

  The Decision of the Government of the Republic of Croatia of 14 March 2024 extended the deadline for an additional 6 months (from 1 April 2024 to 30 September 2024) to compensate for the difference between the market purchase price and the guaranteed price of working energy to cover losses on the transmission network, with this threshold ranging from € 70.28 /MWh to € 150 /MWh. With the entry into force of the new Regulation on Amendments to the Regulation on the Elimination of Disturbances in the Domestic Energy Market, HOPS is restricted from submitting a request to HERA for an increase in the amount of tariff items until 30 September 2024.

- Decision on the implementation of the rebalance (reduction) of the investment plan by 40.93 million euros, based on new knowledge and assessment of realization by the end of 2024.

Extension of the Regulation on Amendments to the Regulation on the Elimination of Disturbances in the Domestic Energy Market (Official Gazette 104/24):

The Decision of the Government of the Republic of Croatia of 6 September 2024 extended the deadline for an additional 6 months (from 1 October 2024 to 31 March 2025) to compensate for the difference between the market purchase price and the guaranteed price of working energy to cover losses on the transmission network, with this threshold ranging from € 79.41 /MWh to € 120 /MWh. In 2025, the company is allowed to submit a request to the Croatian Energy Regulatory Agency for an increase in the amount of tariff items up to a maximum of 12%.

Operating Events

During the year, one significant operational event was recorded, which resulted in the interruption of the supply of significant amounts of electricity. Namely, on 21 June 2024, a regional system breakdown occurred, leaving all network users in Dalmatia without electricity, and a smaller part of them in Slavonia in the wider vicinity of Đakovo. Details of the event are described in the report prepared by the expert group, which was published on the ENTSO-E website.

RISK MANAGEMENT AND EXPOSURE TO RISKS

The company's business activities are exposed to various types of strategic, financial and operational risks that can affect the adopted goals. Therefore, the company monitors risks and undertakes the necessary activities within the given possibilities in order to secure effective risk management, i.e. to minimize the risks as far as possible.

Regulatory and business environment risk

The business environment risk is determined by political, economic, and social conditions in Croatia and the surrounding area (both regional and throughout the EU), which affect the operations and success of business entities.

The energy sector, and in particular regulated activities, including the transmission of electricity, is subject to special legal provisions that govern the manner and conditions of performing activities, which in this respect represents a regulatory risk.

HOPS, as a company whose activity is governed by numerous laws and bylaws, is constantly exposed to regulatory compliance risks, which can affect or affect the integrity, quality and timeliness of the execution of legally prescribed obligations. This especially refers to working in accordance with the rules on functional independence and non-discriminatory behavior of HOPS as an independent transmission system operator, and exposure to internal weaknesses and external threats to the continuity of the execution of these obligations. At the same time, regulatory risks cannot be viewed separately from the context of other legal and business risks, given that the stability and success of business is directly related to the long-term ability of the company to fulfil its obligations established by legal provisions.

Risks of application and implementation of laws and regulations

The current EMA, which entered into force in the last quarter of 2021, is still not fully implemented, because at the time of writing this report, the bylaws on which the fulfilment of some of the main goals set by EMA depends, have not been adopted.

In 2024, the Company adopted some of the relevant acts within its jurisdiction, Rules on connection to the transmission network, Rules on Non-Frequency Ancillary Services for the Transmission System, and Rules on Balancing the Power System. The Company requested and got HERA's approval for the Grid Code of the Transmission System Operator. The Rules for Non-Standard Services of the Transmission System Operator and the Price List for Non-Standard Services were submitted to HERA for approval in 2023. The adoption of the Congestion Management Rules in the transmission system was postponed in 2023 due to the complexity of the issues and the absence of related sub-legal acts, but they are currently being prepared.

From autumn 2022, the Decision on the amount of the single fee for connecting to the network is expected by HERA.

Following the amendments to the most relevant EU directives and regulations for the Company (mainly as part of the so-called reform of the electricity market model /(EMDR) will come their transposition and/or enabling application through amendments to the appropriate national legislative framework (primarily ZOTEA and the Law on Renewable Energy Sources and High-Efficiency Cogeneration).
It also follows a series of new legislative initiatives announced by the new European Commission in its Work Program (especially for 2025). Of those legislative initiatives that are intended as preparation for the adoption of new or refinement of existing regulations (largely with the aim of simplifying - the regulations themselves but also their implementation) and which partly relate to the Company's operations, the most significant are the EU Compass for Strengthening Competitiveness, the Clean Industry Plan and the Action Plan for Affordable Energy. Additionally, following the European Union Networks Action Plan (published by the previous European Commission at the end of 2023), the preparation (during 2025) and adoption (at the beginning of 2026) of the European Networks Package was announced, which should include a number of regulations relating to electricity networks. The aforementioned processes are of great importance for the future operating conditions of the Company and at the same time represent opportunities for their improvement, but also a risk for their deterioration, so additional engagement will be required for active participation in them or at least their monitoring, together with other interested stakeholders, primarily EU transmission system operators (especially through ENTSO-E) but also distribution system operators.

Risks of recruitment and retaining workers in shortage occupations

The recruitment and relocation procedures of the company's employees are regulated and carried out in accordance with the valid instructions of the company. Timely and effective recruitment of workers is extremely important, especially when the reason for employment is to replace a worker who leaves the company, both for the reason of timely transfer of knowledge and for the faster integration of workers into business processes and the working environment. The changed circumstances on the labor market in terms of increased job competition on the employer's side and a shortage of skilled candidates who are actively looking for a new job have led to a situation where workers more often and easier decide to change their job. The aforementioned trends are also present in the company because we employ a large number of workers in shortage technical occupations at all levels of professional education. Besides, compared to earlier periods, the number of workers who leave the company due to inappropriate career possibilities and who for example find a better-paid job has increased. In the context of attracting candidates, in the past period the number of repetitions of tender procedures has increased due to the impossibility of finding a suitable candidate, i.e. because an extremely small number of candidates apply for jobs, especially for technical positions in Zagreb. Although the fluctuation of workers is natural and can have positive effects, it represents a particular risk if a quality candidate does not replace the employee in due course. Accordingly, in the following period, the Company's activities will be focused especially on strengthening the brand of HOPS as a desirable employer, on competitiveness on the labor market and on retaining key personnel. In addition to the abovementioned, regular scholarships for students in technical professions, especially in the fields of electrical engineering (energy), information and communication technology, will enable a continuous influx of quality personnel who are just entering the labor market and keeping them in the company with regard to the contractual obligations.

Procurement risks

Timely adoption of regular business and investment plans and monitoring and coordination of their realization are the basis of effective development and maintenance of the electric power system.

The timely adoption of plans for regular operations and investments, as well as the monitoring and coordination of their implementation, represent the basis of effective development and maintenance of the electrical power system. For an effective fulfilment of all business and development plans, timely organization and implementation of public procurement procedures play a key role. Therefore, this area should be given enough time for special attention using as much information and data as possible, both internal and external data, with the aim of making the plans as exact as possible and being a quality tool in achieving the Company`s set goals. Procurement as a strategic function strives to ensure economical and efficient procedures and rational spending of financial resources, i.e. to ensure the implementation of a very important principle, which is to obtain "the best value for the invested money”.

The market situation poses a significant challenge in the implementation of procurement, with the problem of a limited number of capable bidders being particularly pronounced. The lack of market competition leads to reduced competition, which may result in increased prices and more difficult implementation of planned projects. Given that the market is increasingly affected by disruptions in supply chains, the Company is facing delays in deliveries of equipment and works and rising costs that directly affect the implementation of business plans. In order to mitigate these challenges, the Company actively monitors market trends, analyzes opportunities to expand its supplier base and adjusts procurement strategies with the aim of ensuring business continuity and sustainable development of the electricity infrastructure.

When planning procurement, the company thinks in advance about potential events that may occur, the effects and consequences that the organization may face, and considers possible measures to minimize the risks. Significant risks definitely are appeal procedures, which the company through continuous employee education tries to reduce to the minimum possible extent.

In the following years, the Company will continue the development and improvement of procurement business processes and the training of workers for the purpose of economical, efficient and effective implementation of public procurement procedures at all levels.

Risk of IT system unavailability and threats to data security

In accordance with the increased requirements imposed by the NIS2 Directive and the national Act on Cybersecurity of Operators of Key Services and Digital Service Providers from 2024, the Company recognizes the risk of unavailability of information systems and threats to data security as one of the key risks for business continuity and the security of the transmission electricity system of the Republic of Croatia. A particularly high risk arises from possible cyberattacks by third parties, the consequences of which could include interruptions in the availability of services, compromise of the integrity and confidentiality of data, and disruption of the secure and stable operation of critical IT and OT systems. Given the increasingly complex threats and stricter regulatory requirements, the Company systematically develops and implements cybersecurity measures through risk assessments, the application of technical and organizational protective measures, continuous monitoring and detection of threats, and incident response plans. Ensuring a high level of cyber resilience, data protection, and continuous availability of key systems are priority goals, and in the coming period, additional strengthening of capacities and processes is expected in accordance with the obligations arising from the NIS2 framework and HOPS's status as a key service operator.

Risk of unresolved property relations

Due to numerous reasons (primarily due to the disorderly state of the land register), the procedures for resolving property relations are very complex and long-lasting. Since they have a significant impact on the implementation of the investment plan, the company pays special attention to their solution and tries to systematically approach this issue. Unresolved property relations have a negative impact on the duration and course of projects, because they can make it impossible to obtain a building permit, they can cause delays of the work start, of the maintenance of buildings and they can limit the free disposal of assets.

Financial risks

The Management Board of the Company monitors and manages financial risks (interest rate risk, price risk, liquidity risk and credit risk) related to the Company's operations. The situation on the financial markets globally and in the Republic of Croatia can be a limiting factor for refinancing existing and securing new loan arrangements.

In the case of unfavorable trends on the cost side and the impossibility of correcting the income side for growth of exogenously determined uncontrollable costs, the Company may find itself in a situation of impaired liquidity, or, in the last case, impaired ability to perform its duties established by law. An additional liquidity risk of the Company arises from the fact that the Company, in order to finance projects financed by external funds (EU funds or state funds), has to cover the costs with its own funds, for which, only a few months later, it will be reimbursed for the payments made.

Liquidity risk the Company manages constant cash flow projections on a monthly and annual level

Risks based on participation in projects co-financed by programs of the European Union

The biggest risks relate to the implementation of public procurement procedures, the implementation of contractual obligations, as well as related problems with cash flow, i.e. the risk of finding financial resources to co-finance project activities. In general, significant risks are represented by failure to meet the set goals and milestones, i.e., failure to fulfill the obligations assumed by contracts.

The most complex part of project implementation is the implementation of the public procurement procedure and the financial monitoring of the project, while ensuring publicity and visibility are the simplest parts of the project implementation process.

The risks of appeal procedures in the implementation of public procurement procedures can cause a significant extension of the implementation deadline from the initially planned deadline (appeals on documentation, appeals on selection decisions, State Commission decisions, etc.).

The infrastructure projects in question represent a significant engagement of the Company's capacities, i.e. the execution of tasks based on the grant agreement becomes a priority in the project implementation period, therefore, in addition to the above, the risks of the expenditure eligibility period and the project implementation period are also significant.

Namely, it is necessary to implement the projects within the agreed period and realize the costs within the eligibility period, otherwise the same costs will not be accepted for being funded by EU sources and will have to be paid by the Company.

In relation to the aforementioned risks, the existence of them may for several reasons lead to the termination of the Grant Agreement, which may have negative financial consequences for the Company.

By signing Contracts on the allocation of grants for projects co-funded by the Recovery and Resilience Mechanism, the key events in the implementation of the project are defined as follows:

- obtaining 11 building permits for the modernization of the high-voltage network until 30 June 2023,
- upgrading submarine cables that connect six islands with the land network (Krk, Cres, Lošinj, Brač, Hvar and Korčula) until 30 June 2024,

- completion of upgrading 300 km or more of the high-voltage network (220/110 kV) until 30 September 2024,
- connecting additional 1,500 MW capacity of renewable energy sources to the grid until 31 December 2024,
- completion of upgrading 550 km of the high-voltage network (220/110 kV) until 30 June 2026,
- key indicators that were defined in 2023 and 2024 have been realized or are about to be realized as of December 31, 2024. In the continuation of the project, it is necessary to continue with the implementation of the remaining activities that are extremely time-consuming.

All key events, i.e., indicators, in the implementation of the project that were foreseen by the end of 2024, have been successfully achieved by the time this Report is drafted.

Risk of large number of connections not being accompanied by adequate network development

The risks related to the requested connections of production facilities continue to be dominant in their intensity, i.e. significantly higher than any other type of risk to which the company was exposed before. In 2024 alone, HOPS, in accordance with the relevant provisions of the current LoTEE, issued preliminary opinions for the possibility of connecting more than 8000 MW (from RES) to the transmission network. During May 2024, HOPS received 45 requests for the submission of data for the development of EOTRP with the requested connection power of 2638 MW. We emphasize that the Ministry communicated with HOPS in April that about 500 MW of energy permits would be issued, and in May that amount was about 1300 MW (the remaining 1300 MW had EO from before). Based on the request, input data was prepared and submitted in June 2024 to the EOTRP developers who started the EOTRP drafting process. At the time of submission of the data, HERA still did not provide a unit price. In view of this, in September 2024, in a letter to HERA, HOPS pointed to an incomplete regulatory framework, because due to the non-adoption of a unit price, it was not possible to apply the Methodology for Determining the Connection Fee, which entered into force in 2022. In the letter, HOPS also presented a proposal for procedures for the analysis of the connection of 45 projects and the definition of STUM and connection fees for all projects. By the end of 2024, HOPS had not received HERA's response to the submitted proposal.

The extremely high interest in connection to the grid (primarily RES) that is not accompanied by an adequate construction of the electricity network and the failure to make a decision on the amount of the unit price for the connection fee may represent the most important potential threat to the long-term financial sustainability of HOPS's operations in the next medium-term, and probably in the long-term period.

In the event that a significant number of connections are made without adequate network development, there is a risk of significantly higher costs for the operational constraints of connected RES. In some European countries, there has been a trend of situations where the transmission network cannot take over all the produced energy due to high production (including RES).

Risk based on submitted objections to the company's actions in connection procedures

Due to the duration of the decision-making process in HERA on the applicants' objections to the Company's actions in relation to the EOTRP of users' facilities to the transmission network in connection procedures, there is a risk of the inability to complete the initiated connection procedures for projects from 2024 within the deadline within which HOPS should prepare input data for new connection procedures in 2025.

SIGNIFICANT BUSINESS EVENTS AFTER THE END OF THE BUSINESS YEAR

Transmission Network Usage Fee

In accordance with the provisions of the Regulation on the elimination of disturbances in the domestic energy market (OG 31/2023, 74/2023, 107/2023, 122/2023 and 32/2024) HOPS did not submit to HERA a Request for an increase in the fee for the use of the transmission network for 2023 or for 2024.
By complying with the requirements defined by the Decree on Amendments to the Decree on the Elimination of Disturbances in the Domestic Energy Market, which limits the submission of the Request for an increase in the amount of tariff items for transmission to a maximum of 12%, and due to changes in business conditions, in particular the increase in the costs of providing electricity to cover losses, ancillary services and the necessity of investing in the transmission network (revitalization and reconstruction of existing facilities and construction of new facilities). HOPS, based on the determined recognized costs for the future regulatory year (2025), proposed an average increase in the fee for the use of the transmission network for 2025 for all categories of customers in a linear manner of 12%, which would mean an annual increase in revenues from the use of the transmission network of 23.7 million euros.
HOPS proposed setting a tariff element of the billing peak power for producers on the transmission network in the amount of EUR 0.125/kW, which would mean an increase in revenues from the use of the transmission network of 5.3 million euros on an annual basis, but at the moment no decision has been made on the amount and date of application.

The Decision on the amount of tariff items for electricity transmission, which applies from 1 January 2025, on the basis of which tariff items were linearly increased by 12% on an annual basis, was published in the Official Gazette 124/2024 of 13 December 2024.

Information security

In accordance with Article 19, in March 2025, the National Cyber Security Centre (established within the Security and Intelligence Agency (SOA)) issued a Notice categorizing HOPS as a key entity in the energy sector with a high level of cyber security risks. HOPS is required to implement an advanced level of cybersecurity risk management measures, in accordance with Article 42 of the Act. of the Cybersecurity Regulation, no later than 4 April 2026. In addition, it is required to carry out regular cybersecurity audits at least every two years, with the first mandatory audit foreseen as of 4 April 2026 and to be carried out exclusively by certified auditors. Within 15 days of receiving the notification, HOPS must submit the required data to the National Cyber Security Centre, while from 5 May 2025, the obligation to report significant cyber incidents begins. HOPS has become a user of the PiXi platform for exchanging data on cyber threats, and access through the National Identification and Authentication System (NIAS) must be implemented between April 7 and May 2, 2025.

.BUSINESS DEVELOPMENT IN THE FUTURE

Operations and development of the Company are continuously adjusted to the set goals and tasks conditioned by the requirements of network users, legislative and regulatory frameworks, and the regional and European environment.

Special attention is paid to maintain a high level of reliability of the transmission network as a national infrastructure of the greatest importance for the RoC and to maintain a high level of security of electricity supply at the level of the Croatian transmission system, to harmonize the Company's operations in relation to obligations from national and EU regulations, to provide support for the development of a single connected EU electricity market, to optimize human resources, to improve and optimize business processes, to optimize operating costs and increasing efficiency, to strengthen financial stability and to enable recognition of the activities and results of HOPS in public.

The Company's activities in the coming period will also be directed towards the realization of the goals of the EU green transition and the goals of the Integrated National Energy Climate Plan and the Energy Development Strategy of the Republic of Croatia aligned with them, as well as increasing its own and finding additional external sources of financing for the realization of the necessary investments.

The extremely high interest of investors in connecting production facilities from renewable energy sources, as well as changes in the relevant legislative framework represent major challenges for the Company in terms of planning and developing the transmission network and financing the creation of technical conditions in the network. Therefore, in the following period, the company will be faced with significant challenges related to investments in the revitalization of existing facilities and transmission lines, as well as new infrastructure investments necessary for the secure transmission of electricity and further development of the transmission network, in accordance with the economic development of the Republic of Croatia.

The necessary investments in the development of the transmission network in the upcoming medium-term period significantly exceed the possibilities of financing the Company from its own resources, so it is of significant importance to make the most favorable decision on the unit fee for connecting new network users, setting the tariff by the regulator in accordance with the applicable methodology. Given that the problem of financing the development of the transmission network is a problem at the EU level, ENTSO-E is engaged to enable operators, in cooperation with the relevant EU institutions, to provide new packages of grants from EU funds and favorable credit lines for the development of the transmission network with guarantees from national and European development banks. At the EU level, additional modernization of the regulatory framework is also advocated in order to better align it with the financial requirements of operators necessary for the development of the transmission network, and work is being done to find additional new sources of financing. It is important to note that the possibility of borrowing the Company, in addition to its own creditworthiness, also depends on the readiness of the owners of HEP d.d. to approve the use of credit frameworks at the level of the HEP Group as well as guarantees for companies within the Group. The necessity of significant investments, as expressed in the Ten-Year Transmission Network Development Plan, without clear sources of financing is not sustainable and represents a significant risk in reducing security of supply and timely activities on the development of the transmission network, and jeopardizes the fulfilment of the objectives of the Energy Development Strategy of the Republic of Croatia and the Integrated National Energy Climate Plan, i.e. the goals of the EU green transition.

The company will continue, within the limits, to undertake appropriate business activities and measures in order not to undermine the continuity of the Company's operations and, despite exposure to the aforementioned risks and circumstances, in order to ensure stable operations, achieve planned revenue growth and control of justified costs of the Company.

With the aim of maintaining high and professional business reputation and recognition that the company has on national and international level, the Company's Management Board will insist in the following period on business processes based on high-quality planning and implementation of business and investment plans, on the due fulfilment of all obligations at the national and European level, and on the timely adoption and implementation of bylaws within the Company's area of competences.

Management's responsibility for the annual financial statements Croatian Transmission System Operator Plc. 2024

The Management Board of the Croatian Transmission System Operator Plc., Zagreb, Kupska 4, (hereinafter: "the Company") is responsible for ensuring that the financial statements for each financial year are prepared in accordance with the Accounting Act (Official Gazette 85/24, 145/24) and International Financial Reporting Standards, as adopted by the European Commission and published in the Official Journal of the European Union, and that they give a true and fair view of the financial position, operating results, changes in equity and cash flows of the Company for that period.
The Company prepares and issues an Annual Report separately in accordance with legal and regulatory provisions.
The Management Board reasonably expects that the Company has adequate resources to continue its operations for the foreseeable future. Accordingly, the Management Board has prepared the annual financial statements under the assumption of going concern.

In preparing those financial statements, the responsibilities of the Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable financial reporting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless such assumption is not appropriate.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and results of the Company's operations and must ensure that they comply with the Croatian Accounting Act and International Financial Reporting Standards as adopted by the European Commission and published in the Official Journal of the European Union. The Management Board is also responsible for safeguarding the Company's assets and therefore for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The Management Board is also responsible for the preparation and content of the Management Report in accordance with Article 24 of the Croatian Accounting Act.
The Management Report and the annual financial statements were approved by the Management Board for submission to the Supervisory Board on 29 April 2025.

Signed on behalf of the Management Board:

Darko Belić	Dejan Liović	Igor Ivanković
Member of the Management Board	Member of the Management Board	President of the Management Board

Croatian Transmission System Operator Plc.
Kupska 4
10 000 Zagreb
Republic of Croatia, 29 April 2025

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INDEPENDENT AUDITORS' REPORT

To the Owner of the Croatian Transmission System Operator Plc., Zagreb

Report on the audit of the annual financial statements

Opinion

We have audited the annual financial statements of the company Croatian Transmission System Operator Plc., Kupska ulica 4, Zagreb ("the Company"), which comprise the Statement of Financial Position as of 31 December 2024, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and the Notes to the annual financial statements, including significant accounting policy information. In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company as of 31 December 2024, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 17. Property, Plant and Equipment within the annual financial statements, which states that the Company has not fully resolved its property-legal relations, ie ownership of real estate. The Company is in the process of acquiring ownership documentation. Our opinion is not modified in relation to this matter.

Key Audit Matters

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

This version of the Independent Auditor's Report and Annual Report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

INDEPENDENT AUDITORS' REPORT (continued)

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

Key Audit Matters (continued)

We have determined that the matter below is a key audit matter that should be disclosed in our Independent Auditors' Report.

Key audit matter	How we addressed the key audit matter
Revenue recognition In the Statement of Comprehensive Income for the year ended 31 December 2024, the Company reported sales revenue in the amount of EUR 385,320 thousand (for the year ended 31 December 2023 in the amount of EUR 343,268 thousand). The Company's sales revenues comprise the following: - Electricity transmission revenue, - Revenue from sales of balancing energy - deviation, - Revenue from sales of balancing energy, - Revenue from the sale of cross-border transmission capacity, - Revenue from the Inter-Transmission System Operator Compensation (ITC), - Revenue from the sale of electricity for losses In accordance with *International Financial Reporting Standard 15 - Revenue from Contracts with Customers*, the Company recognizes revenue from sales to reflect the transfer of promised goods or services to customers in the amount of the transaction price to which it expects to be entitled in exchange for those goods or services. Given the materiality of the sales revenue presented in the Statement of Comprehensive Income and the risk of recognition thereof, we concluded that the consistency, accuracy and completeness of the revenue as well as its allocation to the proper reporting period is a key audit matter. See notes 3.1. “Revenue recognition” and 6. “Sales revenue” in the related annual financial statements.	Our audit procedures related to this matter included, among others: - Gaining an understanding of the sales process by conducting interviews with key individuals in the Market Department; - Gaining an understanding of key controls related to the sales revenue recognition; - Examining the design and implementation of relevant internal controls related to the accuracy and consistency of revenue recognition; - Performing sample tests of details to identify unusual or irregular items and the correct allocation of revenue between reporting periods; - Comparing the external confirmations received of the amount of outstanding trade receivables at the reporting date with the balances in the Company's books at the same date; - Assessing compliance of the sales revenue recognition policy with International Financial Reporting Standard 15 - Revenue from Contracts with Customers; - Assessing the adequacy of disclosures related to the sales revenue recognition in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

INDEPENDENT AUDITORS' REPORT (continued)

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

Key Audit Matters (continued)

We have determined that the matter below is a key audit matter that should be disclosed in our Independent Auditors' Report.

Key audit matter	How we addressed the key audit matter
Valuation of assets under construction The Company reported in its Statement of Financial Position for the year ended 31 December 2024 investments in assets under construction in the amount of EUR 122,437 thousand (EUR 151,420 thousand for the year ended 31 December 2023). Assets under construction mainly relate to investments in the construction of property, plant and equipment. The cost of acquisition includes all costs that can be directly attributed to bringing the asset to working condition for its intended use. Assets under construction are not depreciated. At each reporting date, the Company reviews the carrying amounts of assets under construction to determine whether there are any indications of impairment losses. If such indications exist, the recoverable amount of the asset is estimated in order to be able to determine any losses caused by impairment. Impairment losses are recognized in the Statement of Comprehensive Income. As the determination of the value of assets under construction at each reporting date requires the implementation of a valuation model and is to some extent dependent on the Management Board's judgment, we have concluded that the valuation of assets under construction is a key audit matter. See notes 3.5. “Property, plant and equipment”, 3.6. “Impairment of non-financial assets” and 17. “Property, plant and equipment” in the related annual financial statements.	Our audit procedures related to this matter included, among others: - Interviewing relevant persons from the Asset Management Department to gain an understanding of the process of recognition and measurement, or valuation of assets under construction, of the Company's investment cycle, as well as gaining an understanding of individual ongoing investments and their planned activation or intended use. - Confirming the accuracy and completeness of data from the Company's analytical reviews and reconciling the said reviews with the general ledger; - Conducting sample detail tests to confirm the accuracy, consistency and valuation of ongoing investments and reviewing relevant documentation throughout the asset acquisition process from the selected sample; - Assessing the compliance of the ongoing investment recognition and measurement policy with International Accounting Standard 16 - Property, Plant and Equipment and International Accounting Standard 36 - Impairment of Assets; and - Assessing the adequacy of disclosures related to the recognition and measurement of ongoing investments in accordance with International Accounting Standard 16 - Property, Plant and Equipment and International Accounting Standard 36 - Impairment of Assets.

INDEPENDENT AUDITORS' REPORT (continued)

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

Other Matters

The Company's annual financial statements for the year ended 31 December 2023 were audited by other auditing firm, which expressed an unmodified opinion on those annual financial statements on 29 April 2024.

Other Information in the Annual Report

The Management Board is responsible for the other information. The other information includes the Management Report included in the Annual Report but does not include the annual financial statements and our auditors' report thereon. Our opinion on the annual financial statements does not comprise the other information.

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

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

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

1. the information in the attached Management Report is consistent, in all material respects, with the attached annual financial statements;

2. the attached Management Report has been prepared in accordance with Article 24 of the Accounting Act.

Based on our knowledge and understanding of the Company's operations and its environment obtained in the audit of the annual financial statements, we are required to report if we have determined that there are material misstatements in the attached Management Report. In this regard, we have nothing to report.

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

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

INDEPENDENT AUDITORS' REPORT (continued)

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

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements (continued)

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

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

Auditors' Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 based on these annual financial statements.

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

- Identify and assess the risks of material misstatement of the 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to operate under the assumption of going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements reflect the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT (continued)

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

Auditors' Responsibilities for the Audit of the Annual Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

On 12 June 2024, the General Assembly of the Company appointed us to audit the Company's annual financial statements for the year 2024.

We were engaged to conduct the statutory audit of the Company's annual financial statements for the first time for the year 2024, which represents a one-year engagement.

In the audit of the Company's annual financial statements for the year 2024, we determined materiality for the annual financial statements as a whole in the amount of EUR 12,520 thousand, which represents approximately 1% of the Company's total assets as of 31 December 2024.

Our audit opinion is consistent with the additional report for the Company's Audit Committee prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

During the period between the initial date of the Company's audited annual financial statements for 2024 and the date of this Report, we did not provide the Company with prohibited non-audit services and did not provide services in the business year prior to the aforementioned period for the design and implementation of internal control procedures or risk management related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained our independence from the Company in performing the audit.

The engagement partners in the audit resulting in this Independent Auditors' Report are Vedrana Stipić and Radovan Lucić.

In Zagreb, 29 April 2025

Hrvoje Stipić President of the Management Board BDO Croatia d.o.o. Radnička cesta 180 10000 Zagreb	Vedrana Stipić Certified Auditor BDO Croatia d.o.o. Radnička cesta 180 10000 Zagreb	Radovan Lucić Director and Certified Auditor Šibenski Revicon d.o.o. Ulica Stjepana Radića 44a 22 000 Šibenik

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ŠIBENSKI REVICON d.o.o.
za reviziju i poslovne usluge
ŠIBENIK
S. Radića 44

Croatian Transmission System Operator Plc., Zagreb
Statement of Comprehensive Income
for the year ended 31 December 2024

(in EUR '000)	**Note**	**2024.**	**2023**
Sales revenue - related parties	*6,38*	233,157	220,390
Sales revenue - outside the Group	*6*	152,163	122,878
Other operating income - outside the Group	*7*	23,472	23,529
		408,792	**366,797**
Materials and spare parts used	*8*	(2,337)	(2,661)
Service expenses	*9*	(64,781)	(42,416)
Personnel expenses	*10*	(43,636)	(36,599)
Depreciation and amortisation	*16,17,18*	(53,439)	(52,883)
Ancillary services	*11,38*	(49,094)	(48,166)
Transmission grid losses	*11,38*	(51,772)	(53,064)
Purchase of balancing energy	*11,38*	(61,298)	(54,421)
Other expenses – related parties	*38*	(7,334)	(8,178)
Other operating expenses	*12*	(13,689)	(9,169)
		(347,380)	**(307,557)**
Operating profit		**61,412**	**59,240**
Financial income	*13*	1,660	692
Financial expenses	*14*	(1,921)	(2,690)
Net loss from financial activities		**(261)**	**(1,998)**
Profit before tax		**61,151**	**57,242**
Profit tax	*15*	(11,097)	(10,193)
Profit for the year		**50,054**	**47,049**
Other comprehensive income		-	-
Total comprehensive income		**50,054**	**47,049**

Darko Belić	Dejan Liović	Igor Ivanković
Member of the Management Board	Member of the Management Board	President of the Management Board

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

Hrvatski operator prijenosnog sustava d.d.
Kupska 4, Zagreb 1

Croatian Transmission System Operator Plc., Zagreb

Statement of Financial Position

as of 31 December 2024

(in EUR '000)	Note	31 December 2024	31 December 2023
ASSETS			
Intangible assets	*16*	7,427	6,804
Property, plant and equipment	*17*	1,023,480	953,379
Right-of-use assets	*18*	1,576	589
Prepayments for property, plant and equipment	*19*	121	5,282
Investment property	*20*	806	702
Investments in associates	*21*	1,446	890
Financial assets at fair value through other comprehensive income	*22*	7,037	7,037
Receivables from sale of apartments	*23*	-	12
Deferred tax assets	*15*	5,580	5,327
Total fixed assets		**1,047,473**	**980,022**
Inventories	*24*	1,573	1,279
Trade receivables	*25*	19,191	28,782
Receivables from related parties	*38*	58,992	43,375
Other current assets	*26*	34,824	22,718
Deposits given	*27*	2,907	3,005
Cash and cash equivalents	*28*	87,516	85,995
Total current assets		**205,003**	**185,154**
TOTAL ASSETS		**1,252,476**	**1,165,176**
EQUITY AND LIABILITIES			
Subscribed capital	*29*	643,322	643,322
Capital and legal reserves	*29*	16,743	14,391
Retained earnings		125,871	78,169
Total equity		**785,935**	**735,882**
Liabilities from sub-loan and liabilities to related parties	*30,38*	56,939	61,630
Provisions	*31*	18,542	12,263
Long term liabilities – deferred income	*32*	222,909	182,127
Long term liabilities to banks	*33*	3,075	5,125
Long term lease liabilities	*34*	1,247	411
Other long-term liabilities	*35*	12	28
Total long-term liabilities		**302,724**	**261,584**
Liabilities from sub-loan and liabilities to related parties	*30,39*	4,683	7,617
Provisions	*31*	328	205
Trade payables	*36*	63,723	62,742
Liabilities to related parties	*39*	35,752	29,412
Liabilities to banks	*37*	2,050	10,641
Lease liabilities	*34*	352	204
Other short-term liabilities	*38*	56,928	56,889
Total short-term liabilities		**163,816**	**167,710**
TOTAL EQUITY AND LIABILITIES		**1,252,476**	**1,165,176**

Darko Belić	Dejan Liović	Igor Ivanković
Member of the Management Board	Member of the Management Board	President of the Management Board

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

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Hrvatski operator prijenosnog sustava d.d.
Kupska 4, Zagreb
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Croatian Transmission System Operator Plc., Zagreb

Statement of Changes in Equity

for the year ended 31 December 2024

(in EUR '000)	**Subscribed capital**	**Legal reserves**	**Capital reserves**	**Retained earnings**	**Total**
Balance as of 31 December 2022	**656,796**	**184**	**733**	**31,120**	**688,833**
Transfer to reserves	(13,474)	-	13,474	-	-
Profit for the current year	-	-	-	47,049	47,049
Balance as of 31 December 2023	**643,322**	**184**	**14,207**	**78,169**	**735,882**
Transfer to legal reserves	-	2,352	-	(2,352)	-
Profit for the current year	-	-	-	50,054	50,054
Balance as of 31 December 2024	**643,322**	**2,536**	**14,207**	**125,871**	**785,936**

Darko Belić
Member of the Management Board

Dejan Liović
Member of the Management Board

Igor Ivanković
President of the Management Board

HOPS
Hrvatski operator prijenosnog sustava d.d.
Kupska 4, Zagreb 1

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

Croatian Transmission System Operator Plc., Zagreb
Statement of Cash Flows
for the year ended 31 December 2024

(in EUR '000)	**Note**	**2024**	**2023**
Net profit for the year		**50.054**	**47.049**
Adjustments:			
Profit tax	15	11,097	10,193
Depreciation and amortization	16,17,18	53,439	52,883
Change in provisions	31	6,402	1,816
Net loss from financial activities	13,14	224	1,964
Write off of fixed assets	12	738	1,235
Surplus of fixed assets	12	-	(822)
Value adjustment of inventories	17	100	(285)
Value adjustment of trade receivables, net	12	208	2
Income from change in fair value of financial assets	21	(556)	(260)
Income from change in fair value of investment property	20	(104)	-
Cash flow generated from operating activities before changes in working capital		**121,602**	**113,775**
Decrease/(increase) in trade receivables	25,39	9,383	(1,189)
(Increase)/decrease in receivables from related parties	39	(15,617)	27,987
Increase in other receivables	26	(12,106)	(18,056)
Decrease in receivables for sold apartments	23	12	18
(Increase)/decrease in inventories	24	(420)	12
Increase in trade payables	19,35	6,432	2,778
Decrease in payables to related parties	39	(1,285)	(53,459)
Increase in other liabilities	34,37	48,689	88,022
Cash flow from operating activities		**156,690**	**159,888**
(Payment) / refund of profit tax		(16,978)	1,261
Interest paid		(1,889)	-
Net cash from operating activities		**137,823**	**161,149**
(Increase) in prepayments for tangible assets	19	(285)	(439)
Net expenses for deposits		98	(3)
Interest collected		1,660	589
Purchase of property, plant and equipment and intangible assets	16,17	(125,869)	(96,629)
Cash flows used in investing activities		**(124,396)**	**(96,482)**
Borrowing and lease expenses		(11,906)	(9,708)
Cash flows from financing activities		**(11,906)**	**(9,708)**
Net increase in cash		1,521	54,959
Cash and cash equivalents at the beginning of the year		85,995	31,036
Cash and cash equivalents at the end of the year		**87,516**	**85,995**

Darko Belić
Member of the Management Board

Dejan Liović
Member of the Management Board

Igor Ivanković
President of the Management Board

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

HOPS
Hrvatski operator prijenosnog sustava d.d.
Kupska 4, Zagreb
1

1. GENERAL INFORMATION

Croatian Transmission System Operator Plc., Zagreb („the Company") is joint stock company incorporated in the Republic of Croatia in 2005 as a limited liability company. The founder and sole owner of the Company is Hrvatska elektroprivreda d.d. („the 'Parent Company" or "HEP d.d."), a joint stock company owned by the Republic of Croatia. The Company is registered at the Commercial Court in Zagreb, Republic of Croatia. The identification number of a Company is 080517105, and VAT number is HR13148821633. The Company had an average of 1,170 employees in 2024 (2023:1,167 employees). On 6 October 2021 The Electricity Market Act was promulgated, which, among other, stipulates that within 6 months of the law promulgation the transmission system operator must be organized as a joint stock company. On April 6, 2022, the General Assembly of the Company passed a Decision on reconstitution of the Company into a joint stock company. On 11 April 2022, the Commercial Court in Zagreb issued a Decision on the transformation of a limited liability company into a joint stock company.

The Company has certain business transactions with other members of the HEP Group; Related party transactions are set out in Note 39.

As of 31 December 2024 HEP Group consists of the following entities;

Group members	**Country**	**Core business activity**
Hrvatska elektroprivreda d.d.	Croatia	Production and distribution of electricity and heat
HEP - Proizvodnja d.o.o.	Croatia	Electricity production
Hrvatski operator prijenosnog sustava d.d.	Croatia	Electricity transmission
HEP- Operator distribucijskog sustava d.o.o. (HEP-ODS)	Croatia	Electricity distribution
HEP Opskrba d.o.o.	Croatia	Electricity supply
HEP Elektra d.o.o.	Croatia	Electricity supply
HEP – Toplinarstvo d.o.o.	Croatia	Production and distribution of heat
HEP – Plin d.o.o.	Croatia	Gas distribution and supply
HEP ESCO d.o.o.	Croatia	Energy efficiency projects financing
Plomin Holding d.o.o.	Croatia	Infr, development of the surrounding area of Plomin
CS Buško Blato d.o.o.	BiH	Maintenance of hydropower plants
HEP – Upravljanje imovinom d.o.o.	Croatia	Leisure and Recreation services
HEP Telekomunikacije d.o.o.	Croatia	Telecom services
HEP NOC Velika	Croatia	Accommodation and education services
Energetski park Korlat d.o.o.	Croatia	Electricity production
HEP –Trgovina d.o.o.	Croatia	Electricity trading
HEP – Energija d.o.o.	Slovenia	Electricity trading
HEP– Energija d.o.o. Mostar	BIH	Electricity trading
HEP– Energija d.o.o. Beograd	Serbia	Electricity trading
HEP Energija sh.p.k.	Kosovo	Electricity trading
HEP VHS Zaprešić d.o.o.	Croatia	Design and construction of a mult. hydraulic system
Sunčana elektrana Poreč d.o.o.	Croatia	Electricity production
LNG Hrvatska d.o.o.	Croatia	Liquefied natural gas business
NE Krško	Slovenija	Electricity production

1. GENERAL INFORMATION (continued)

As of 31 December 2024, the Company had 1,182 employees (31 December 2023: 1,168 employees). The employee analysis by professional qualifications is shown below.:

Structure	**31 December 2024**	**31 December 2023**
PhD	20	19
Master's degree	17	18
University degree	505	488
College degree	95	96
Highly skilled	63	69
High school degree	465	458
Skilled	6	6
Primary school degree	4	5
Semiskilled and unskilled	7	9
Total	**1.182**	**1.168**

Governance and management

General Assembly

The General Assembly consists of the Founder`s representative:

Vice Oršulić	President	since 8 December 2023
Frane Barbarić	President	From 1 January 2018 to 7 December 2023

Supervisory Board

Members of the Supervisory Board in 2024 and 2023:

Joško Grašo	President	member since 12 February 2024
Kažimir Vrankić	President	from 4 April 2016 to 3 April 2024
Srđana Delaš	Vice President	member since 4 April 2024
Nikola Jaman	Member	since 20 September 2021
Krešimir Ugarković	Member	since 4 April 2020
Dinko Andabaka	Member (representative of employees)	since 16 July 2021
Marko Dvorski	Vice President	from 4 April 2020 to 15 January 2024

Management Board in 2024 and 2023:

Igor Ivanković	President	since 16 April 2022
Darko Belić	Member	since 16 April 2022
Dejan Liović	Member	since 25 April 2019

2. BASIS OF PREPARATION

2.1. Statement of compliance

The annual financial statements have been prepared in accordance with the Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the European Commission and published in the Official Journal of the European Union. Significant accounting policies have not been changed compared to the previous period. The Company does not prepare annual consolidated financial statements as it uses the exemption under International Accounting Standard (IAS) 27 "Separate Financial Statements" because the Company is a wholly owned subsidiary of Hrvatska elektroprivreda d.d., a company registered in Zagreb, Croatia, which prepares annual financial statements that include annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and are available in the Register of Annual Financial Statements maintained by FINA.

The accounting policies have been consistently applied to all periods included in these statements.

2.2. Basis of preparation and functional currency

The annual financial statements have been prepared using the accrual basis of accounting, whereby the effects of transactions are recognised when they occur and are reported in the financial statements for the period to which they relate, and under the going concern basis of accounting.

The annual financial statements have been prepared on the historical cost basis, except for investment property which is carried at fair value and financial assets and liabilities. The methods used to measure fair value are explained in Note 5 to the annual financial statements.

Items included in the Company's annual financial statements are stated in euros. The euro is the currency of the primary economic environment in which the Company operates (functional currency).

2.3. Impact of earthquakes on operations in 2024 and 2023

In the period 2022-2024, for the implementation of projects applied for financing from the European Union Solidarity Fund (EUSF) EUR 35,843 thousand were received for the reconstruction of infrastructure and equipment damaged by the earthquake. The operating expenses incurred in the implementation of this project amounted to a total of EUR 712 thousand until 31 December 2024 and were recognized as income. The received grants will be recognized as income in future periods depending on the costs incurred in the implementation of these projects.

2. BASIS OF PREPARATION (continued)

2.4. Adoption of new standards, interpretations and amendments to International Financial Reporting Standards ("IFRS")

First-time application of new amendments to existing standards effective for the current reporting period

The following amendments to existing standards published by the International Accounting Standards Board ("IASB") and adopted by the European Union are effective for the period beginning on or after 1 January 2024:

- Supplier finance arrangements (Amendment to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures")
- Lease liability in a sale and leaseback transaction, effective for annual periods beginning on or after 1 January 2024 (Amendment to IFRS 16 "Leases")
- Classification of liabilities as current or non-current (Amendment to IAS 1 "Presentation of Financial Statements")
- Long-term liabilities with covenants (Amendment to IAS 1 "Presentation of Financial Statements"),

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

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

The following changes are effective for annual reporting periods beginning on or after 1 January 2025:

- Effects of changes in foreign exchange rates: lack of exchangeability (Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates")

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

IFRSs currently adopted in the European Union do not differ significantly from the provisions issued by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, the adoption of which by the European Union has not yet been decided (the effective dates below refer to IFRSs issued by the IASB):

The following amendments are effective for annual reporting periods beginning on or after 1 January 2026:

- Amendments to classification and measurement of financial instruments (Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures")
- Nature-dependent electricity contracts (Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures")

The following amendments are effective for annual reporting periods beginning on or after 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

2. BASIS OF PREPARATION (continued)

2.4. Adoption of new standards, interpretations and amendments to International Financial Reporting Standards ("IFRS") (continued)

The Company is currently assessing the impact of these new accounting standards and amendments.
IFRS 18 Presentation and Disclosures in Financial Statements, issued by the IASB in April 2024, replaces IAS 1 and will result in significant consequential changes to IFRS accounting standards, including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Although IFRS 18 will not have any impact on the recognition and measurement of items in the consolidated and separate financial statements, it is expected to have a significant impact on the presentation and disclosure of certain items. These changes include categorization and subtotals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of performance measures determined by management.

The Company does not expect to be entitled to apply IFRS 19.

2.5. Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of policies and the amounts disclosed for assets and liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors, which are considered reasonable in the circumstances, the result of which forms the basis for making estimates of the value of assets and liabilities, which cannot be obtained from other sources. Actual results may differ from such estimates. The aforementioned estimates and related assumptions are subject to regular review. The impact of an estimate adjustment is recognized in the period in which the estimate is adjusted if the adjustment affects only that period; or in the period in which the adjustment is made and future periods if the adjustment affects both current and future periods.

The judgments made by the Management Board in applying IFRS that have a significant effect on the financial statements and judgments where the risk of a material adjustment occurring within the next year is high are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted in the preparation of these financial statements. These accounting policies have been consistently applied by the Company to all periods included in these statements.

3.1. Revenue recognition

The main Company's activity is the management of the power and transmission system of the Republic of Croatia with interconnected transmission systems, i.e. the distribution system in the Republic of Croatia.

In accordance with the new IFRS 15, the Company applies a five-step model for recognizing a customer agreement:

1. Identify the contract
2. Identify separate performance obligations
3. Determine the transaction price
4. Allocate transaction price to performance obligations
5. Recognise revenue when each performance obligation is satisfied

Revenue is recognized for each separate delivery obligation in the contract at the amount of the transaction price. The transaction price is the amount of contractual consideration to which the Company expects to be entitled in exchange for the transfer of promised goods or services to the customer.

Revenue from the use of transmission network fee

Since 2016, the Company's remuneration is based on energy sales data, the Methodology for determining the tariff items for electricity transmission and the Decision on the amount of tariff items for the transmission of electricity by the Croatian Energy Regulatory Agency (HERA). On 31 December 2021, HERA issued a Decision amending the tariff items for electricity transmission in 2022. The same Decision was applied from 1 April 2022 to 31 December 2024. On 13 December 2024, HERA issued a Decision that changed the tariff items for electricity transmission in from 1 January 2025.

ITC Agreement Revenue

The Company, as a Transmission System Operator (TSO), signed an ITC Clearing and Settlement Agreement, under which it generates revenue as a compensation for losses incurred on transit of electric energy. Revenues generated by applying the ITC mechanism are determined based on the methodology established by the European Network of Transmission System Operators (ENTSO), pursuant to the Regulation (EC) No 1228/2003 of the European Parliament and of the Council on conditions for access to the network for cross-border exchanges in electricity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1. Revenue recognition (continued)

Revenue from the cross-border transfer capacity

During 2024 and 2023, the bilateral and multilateral allocation of cross-border transmission capacities at the borders of the Republic of Croatia with adjacent transmission operators shall take place in accordance with the specific Rules on allocation of cross-border transmission capacities, separately for one or more borders and in accordance with the Rules on the use of cross-border transmission capacities regulating capacity utilization borders with neighbouring system operators.

Revenue from sales of balancing energy

From 1 January 2020 to 1 January 2024, the Company generated revenues and expenses from the provision of balancing services and the calculation of balancing electricity through the process of imbalance of balance groups in accordance with the applicable Electricity Balancing Rules (HOPS 11/2019), the Discontinuance Liability Contracts signed with the Heads of Balance groups, and in accordance with the set of Auxiliary services contracts signed with HEP Proizvodnja d.o.o. and all other market providers of balancing services - mFRR.

During 2024 the Company generated revenues and expenses from the provision of balancing services and the calculation of balancing electricity through the process of imbalance of balance groups in accordance with the applicable Electricity Balancing Rules (HOPS 12/2023), Rules on non-frequency ancillary services for the transmission system (HOPS 12/2023), the Discontinuance Liability Contracts signed with the Heads of Balance groups, and in accordance with the set of Auxiliary services contracts signed with HEP Proizvodnja d.o.o. and all other market providers of balancing services – mFRR and aFRR.

Revenue from connection fees - application of the International Financial Reporting Standard 15 “Revenue from Contracts with Customers”

On 1 January 2018 the International Financial Reporting Standard 15 has come into force (hereinafter: IFRS 15) Revenue from Contracts with Customers, which replaces IFRIC 18 related to the contract for transmission network connections. In accordance with IFRS 15, the network connection is considered to be a non-refundable network connection fee which is linked to the future network usage agreement and the electricity supply contract.

Consequently, the period of the revenue recognition from the connection fee is extended after the initial contractual period since the customer after the realization of the connection contract has acquired the right to use the transmission grid and electricity supply. Revenue should therefore be systematically allocated over the period of useful life of the constructed asset or transferred asset used for providing permanent services and the connection fees received from the customers recorded as deferred income and recognized as the income of the period at the same time as the depreciation of the assets (connection) to which it refers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1. Revenue recognition (continued)

Financial income

Financial income consists of interest income on invested funds, changes in the fair value of financial assets carried at fair value through profit or loss, and foreign exchange gains.

Interest income is recognized when it is earned, using the effective interest method. Dividend income is recognized when the right to receive payment is established..

Government grants

Government grants are recognized when there is sufficient assurance that the Company will meet the conditions required for them and that the grant will be received.
Government grants are recognized in the Statement of Comprehensive Income on a systematic basis over the period in which the Company recognizes the related costs for which the grants are intended to cover as expenses .
Government grants related to tangible assets that are depreciable are recognized in profit or loss in the periods and in the proportions in which the depreciation cost of those assets is recognized, or over the expected useful life of those assets.
Government grants related to non-depreciable assets are recognized in profit or loss in the periods in which the costs of meeting those obligations are incurred.

3.2. Transactions and balances in foreign currencies

These financial statements are presented in euros (EUR), which is the Company's functional and presentation currency.

Transactions in foreign currencies are expressed in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the exchange rate ruling at the reporting date. Foreign exchange gains or losses arising on the settlement of these transactions and on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items measured at historical cost in a foreign currency are not translated at the new exchange rates. Non-monetary assets and liabilities denominated in foreign currencies carried at historical cost are translated into the functional currency using the exchange rate ruling at the date of the transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Leases

Leases are recognized as a right-of-use asset and a lease liability whenever substantially all the risks and rewards incidental to ownership of the asset are transferred to the lessee during the lease term, except:

All leases are accounted for by recognizing a right-of-use asset and a lease liability, except for:

- Low value leases;
- Leases with lease term ending within 12 months from the date of initial application or less;
- Leases that have the option of mutual termination without significant contractual penalties.

The Company as a lessee

For all leases, except for short-term leases and leases of low-value assets, the Company applies a single recognition and measurement approach. The Company recognizes lease liabilities and the right-of-use asset, which represents the right to use the underlying asset.

Right-of-use assets

The Company recognizes right-of-use assets at the time the lease agreement is entered into (i.e. when the asset is available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of a right-of-use asset includes the amount of the lease liability recognized, initial direct costs, and lease payments made on or before the date of inception. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

When entering into a lease agreement, the Company recognizes lease liabilities, measured at the present value of future lease payments over the term of the lease. Lease payments include fixed payments (net of any incentive receivables), variable payments and amounts expected to be paid under residual value guarantees. Lease payments may also include the value of a purchase option that is reasonably certain to be exercised and the payment of a termination penalty, if the terms of the contract provide for a termination option. Variable lease payments that are not index- or rate-dependent are recognized as an expense in the period in which the event or condition that gives rise to the payment occurs.

Lease liabilities are presented as a separate line item within long-term and short-term liabilities. The Statement of Comprehensive Income includes the depreciation expense of the right-of-use asset and interest expense on the lease liability..

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4. Intangible assets

Long-term intangible assets include software and investments in third party's assets for the purpose of acquiring rights, and they are capitalized up to the amount for which future economic benefits are probable and if they will flow to the Company. Subsequent costs related to capitalized intangible assets are recognized in the carrying amount of the items only if they increase the future economic benefits associated with the asset and if they will flow to the Company.

Amortisation is calculated using the straight-line method through the estimated useful life of an individual asset. Intangible assets are amortized from the date they are available for use. The estimated useful lives of intangible assets are as follows:

Software	5 years
Investments in third party's property for the purpose of acquiring rights	25 years

3.5. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes all costs that are directly attributable to bringing the asset to working condition for its intended use.

Assets under construction and land are not depreciated. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life as follows:

Buildings (real estate and construction parts of buildings and facilities for electricity transmission)	10-40 years
Equipment (equipment of plants and facilities for electricity transmission)	5-40 years
Inventory and other equipment (office and data center equipment, furniture and motor vehicles)	5-20 years

The useful life is reviewed at each reporting date and adjusted if necessary. If the carrying amount of an asset exceeds its estimated recoverable amount, the difference is written down to its recoverable amount. Gains and losses on disposal are determined as the difference between the proceeds from the sale and the carrying amount of the asset sold and are recognized in profit or loss as other income/expenses. Subsequent expenditures are included in the carrying amount of the asset or, as appropriate, recognized as a separate asset only if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. All other maintenance costs are charged to the Statement of Comprehensive Income in the financial period in which they are incurred. In situations where it is undisputed that the costs have resulted in an increase in the future economic benefits expected to be derived from the use of an item of property, plant and equipment beyond its originally estimated potential, they are capitalized as an additional cost of property, plant and equipment. Costs eligible for capitalization include the costs of periodic, pre-planned major inspections and repairs necessary for continued operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Property, plant and equipment (continued)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, that is, an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized until the asset is substantially ready for its intended use or sale.

Borrowing costs include interest on bank overdrafts, short-term and long-term borrowings, and exchange differences arising on foreign currency borrowings in an amount that is considered an adjustment to interest expense.

3.6. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (excluding inventories and deferred tax assets that are considered) to determine whether there are indications that impairment losses have occurred. If such indications exist, the recoverable amount of the asset is estimated in order to be able to determine any losses caused by impairment. If the recoverable amount of an asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If it is possible to determine a realistic and consistent basis for allocation, the Company's assets are also allocated to individual cash-generating units or, if this is not possible, to the smallest group of cash-generating units for which a realistic and consistent basis of allocation can be determined.

Intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment once a year and when there is an indication of a possible impairment of the asset.

The recoverable amount is the higher of the fair value less sales costs and the asset's value in use. For value in use purposes, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to that asset for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than the carrying value, the carrying value of that asset (cash-generating unit) is reduced to the recoverable amount. Impairment losses are recognized immediately as an expense, except for an asset shown in a revalued amount, in which case the impairment loss is reported as a decrease in value resulting from the revaluation of the asset.

In case of subsequent reversal of an impairment loss, the carrying value of the asset (cash-generating unit) is increased to the revised estimated recoverable amount of that asset in such a way that the increased carrying value does not exceed the carrying value that would have been determined if there had been no recognized impairment losses on that asset (cash-generating unit) in previous years. The reversal of an impairment loss is recognized as income immediately, unless the asset in question is carried at a revalued amount, in which case the reversal of the impairment loss is recognized as a revaluation increase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7. Investment property

Investment property includes property held for rental income, capital appreciation or both. Installed equipment is considered an integral part of investment property. Cost includes all costs directly attributable to the acquisition of the property. Investment property under construction is classified as fixed tangible assets until it is ready for use. After initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise.

The cost of replacing an investment property item is recognised in the carrying amount of that asset if it is probable that the future economic benefits embodied in that asset will flow to the Company and their value can be measured reliably. The cost of regular maintenance of investment property is recognised in the income statement as incurred. Investment property is written-off or derecognised by sale or permanent retirement, and when no future economic benefits are expected from its disposal. Any gain or loss arising from derecognition of the property, determined as the difference between the net proceeds from the sale and the net carrying amount of the property in question, is included in profit or loss in the period in which the property is derecognised.

3.8. Investments in related parties

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) where the Company has control over the financial and operating policies, which generally includes more than half of the voting rights. The existence and effect of potential voting rights that can be exercised or exchanged are considered when assessing whether the Company has control over another business entity. Investments in subsidiaries are initially recognised at cost and subsequently at cost less impairment losses. Investments in subsidiaries are tested for impairment annually (accounting policy 3.13).

(ii) Associates

Associates are those entities where the Company has significant influence, but not control, which generally includes 20% to 50% of the voting rights. Investments in associates are initially recognized at cost, and subsequently at cost less impairment losses. Investments in associates are tested for impairment annually (accounting policy 3.13).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9. Inventories

Inventories consist mainly of electrical equipment, spare parts for transmission network plants and equipment and small inventory, and are stated at the lower of cost, determined based on the weighted average price less any allowance for obsolete inventory, and net realizable value. Cost includes the invoiced amount and other costs directly attributable to bringing the inventory to its location and working condition. Net realizable value represents the estimated selling price in the ordinary course of business less variable selling expenses.

The Management Board makes an allowance for inventories based on a review of the overall aging structure of inventories and a review of significant individual amounts included in inventories. Small inventory and tools are fully written off when put into service.

3.10. Cash and cash equivalents

Cash and cash equivalents include cash, deposits held with banks on demand and other short-term highly liquid instruments with maturities of three months or less.

3.11. Employee benefits

(i) Pension and other post-retirement obligations

In the ordinary course of business, when paying salaries, the Company makes regular contributions on behalf of its employees who are members of mandatory pension funds in accordance with the law. Mandatory pension contributions to the funds are reported as part of the salary expense when they are calculated. The Company does not have to provide any other benefits to employees after their retirement in connection with pensions from mandatory pension funds.

The obligation applies to all persons employed under an employment contract. The aforementioned contributions are paid in a certain percentage amount determined based on the gross salary. Contributions on behalf of the employee and on behalf of the employer are calculated as an expense in the period in which they are incurred (see Note 10).

(ii) Severance pay upon termination of employment

Severance pay liabilities are recognized when the Company terminates the employment contract of an employee before the normal retirement date. The Company recognizes severance pay liabilities when it has demonstrably undertaken to terminate the employment of current employees, based on a detailed formal plan without the possibility of withdrawal, or provides severance pay as a result of an offer to encourage voluntary redundancy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11. Employee benefits (continued)

(iii) Provisions for retirement benefits

Severance payments falling due more than 12 months after the reporting date are discounted to their present value based on an actuarial calculation performed at the end of each reporting period, using assumptions about the number of employees estimated to be eligible for severance pay upon normal retirement, the estimated cost of the aforementioned severance pay, and a discount rate that is similar to the average expected rate of return on investments in government bonds in the Republic of Croatia that are quoted on the market and whose currencies and maturities are in line with the currencies and estimated duration of the obligation to pay benefits. Actuarial gains and losses arising from adjustments and changes based on experience in actuarial assumptions are recognized immediately in profit or loss.

(iv) Regular severance pay upon retirement

Based on the Collective Agreement (in force from 1 January 2020 to 31 December 2023), employees are entitled to regular severance pay upon retirement in the amount of 1/8 of the gross average monthly salary paid to the employee for the previous three months before the termination of the employment contract, and for each completed year of continuous employment with the employer. The aforementioned Collective Agreement was valid until 31 December 2023. The new collective agreement entered into force on 1 January 2024 and contains identical provisions..

(v) Long-term employee benefits

The Company recognizes a liability for long-term employee benefits (jubilee awards) evenly over the period in which the award is realized based on the actual number of years of service. The long-term service award amounts to EUR 199.09 to EUR 729.98 net for continuous work in the Company for 10 to 45 years. The Agreement between the Company and the trade union signed in 2024 stipulates that from 1 January 2025, long-term service compensation will amount to EUR 280.00 to EUR 729.98 net for continuous work in the Company for 10 to 45 years. The liability for long-term employee benefits is measured by an independent actuary at the end of each reporting period using assumptions about the number of employees to whom the aforementioned benefits are to be paid, the estimated cost of the aforementioned benefits, and the discount rate, which is determined as the average expected rate of return on investment in government bonds. Actuarial gains and losses arising from adjustments and experience-based changes in actuarial assumptions are recognised immediately in profit or loss.

(vi) Short-term employee benefits

The Company recognizes a provision for employee bonuses when there is a contractual obligation or past practice that has given rise to a constructive liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12. Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of past events and it is probable (more likely than not) that an outflow of resources will be required to settle the liability, and a reliable estimate of the amount of the liability can be made. Provisions are reviewed at the reporting date and adjusted to reflect the best available evidence. When the amount of the impairment loss is significant, the amount of the provision is the present value of the costs expected to be incurred to settle the liability, determined using the estimated risk-free interest rate as the discount rate. When discounting is used, the effect of discounting is recorded as a financial expense each year and the carrying amount of the provision is increased each year for the period elapsed.

3.13. Financial assets

The Company adopted IFRS 9 “Financial Instruments” on 1 January 2018 and its application did not have a significant impact on the Company’s financial statements.

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

The Company classifies assets as shown below:

DESCRIPTION	Classification / measurement
Fixed assets	
Financial assets through other comprehensive income	Equity instruments / fair value through other comprehensive income
Loans granted	Held-to-collect / amortized cost
Current assets	
Cash and cash equivalents (deposits)	Held-to-collect / amortized cost
Trade and other receivables	Held-to-collect / amortized cost

The Company's business models reflect how the Company manages its assets, with the aim of generating cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13. Financial assets (continued)

The business model reflects how the Company manages assets to generate cash flows – regardless of whether the Company's objective is (i) solely to collect contractual cash flows from the assets ('held to collect contractual cash flows') or (ii) to collect both contractual cash flows and cash flows arising from the sale of the assets ('held to collect contractual cash flows and sell'), and if none of the above is applicable, the financial asset is classified as part of another business model and measured at fair value through profit or loss.

i) Financial assets through other comprehensive income

Initial recognition

The Company recognizes a financial asset or liability when, and only when, it becomes a party to the contractual provisions of the instrument.

The Company initially recognizes financial assets at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Equity instruments include strategic investments. The valuation of equity instruments is measured through other comprehensive income (FVTOCI) without subsequent reclassification to profit or loss. This is because the priority of strategic investments is not to maximize short-term profit. The acquisition and disposal of strategic investments are based on business policy considerations. Dividends are recognized in profit or loss, unless the dividends clearly represent part of the cost of the investment.

Subsequent measurement

After initial recognition, the Company measures financial assets at fair value through other comprehensive income.

ii) Loans granted

The Company's loans are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual terms give rise to cash flows on a specific date that represent only payments of principal and interest. The principal is the fair value of the asset at initial recognition.

Accordingly, loans are measured at amortized cost.

Measurement at amortized cost includes the following;

- Interest income is calculated using the effective interest rate, and the same is applied to the gross carrying value of the asset during the calculation.

iii) Trade receivables

Trade receivables without a significant financial component are measured at initial recognition in accordance with IFRS 15 at their transaction price.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13. Financial assets (continued)

iv) Impairment

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

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

Regarding trade receivables, the Company applies the simplified approach of IFRS 9 for measuring expected credit losses using expected provisions for credit losses on trade receivables.

To measure expected credit losses on trade receivables, the Company determined potential future losses by analysing the aging structure and historical data. The aging structure analysis determined that the Company has no significant past due receivables, the most significant portion of receivables is not past due, and the Company estimates that they will be collected in full. No significant expected credit losses were determined.

v) Derecognition of financial assets

The Company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- the financial asset is transferred, and the transfer qualifies for derecognition.

The Company transfers a financial asset if, and only if:

(a) it transfers the contractual rights to receive cash flows from the financial asset, or

(b) it retains the contractual rights to receive cash flows from the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in the arrangement..

When the Company transfers a financial asset, it is required to assess the extent to which it retains the risks and rewards of ownership of the financial asset. In this case, when all risks and rewards of ownership are transferred, the Company derecognises the financial asset and recognizes separately all rights and obligations that arise or are retained in the transfer as assets or liabilities.

If substantially all risks and rewards of ownership of the financial asset are retained, the Company continues to recognize the financial asset. If the Company neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, the Company determines whether control over the financial asset is retained. If control over the financial asset is not retained, the Company derecognises the financial asset and recognizes separately all rights and obligations that arise or are retained in the transfer as assets or liabilities . If control is retained, the Company continues to recognize the financial asset to the extent that it continues to participate in that financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14. Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Short-term borrowings and loans from suppliers are stated at the amount originally borrowed less repayments. Interest expense is charged to the statement of comprehensive income in the period to which the interest relates.

Derecognition

The Company derecognises liabilities in its financial statements when, and only when, the liability is settled. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are significantly modified, such change or modification is treated as a settlement of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3.15. Capital, capital reserves and legal reserves

The subscribed capital is expressed in euros at nominal value. Capital reserves were formed in accordance with the Companies Act and the Company's Articles of Association and were created based on cash payments and contributions in kind by the Company's owners. Legal reserves were created by the Decision of the Company's General Assembly on the distribution of profits from 2021 and 2023 (part twenty) in accordance with the provisions of the Companies Act and the Company's Articles of Association.

3.16. Dividend

The distribution of dividends to the Company's owner is recognized as a liability in the financial statements in the period in which they are approved by the Company's General Assembly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Taxation

(i) Profit tax

Profit tax expense consists of current and deferred tax. Profit tax is recognized in profit or loss to the extent of the profit tax relating to items within equity when the profit tax expense is recognized in other comprehensive income.

Current tax represents the expected tax liability calculated on the taxable amount of income for the year, using the tax rate in effect at the reporting date and any adjustments to tax liability from prior periods. Taxable profit differs from net profit for the period reported in the statement of comprehensive income because it excludes items of income and expenses that are taxable or deductible in other years, as well as items that are never taxable or deductible. The Company's current tax liability is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

(ii) Deferred tax assets and liabilities

Deferred tax is recognized using the balance sheet liability method and takes into account temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences related to investments in subsidiaries and jointly controlled entities when it is probable that the situation will not change in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted at the reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reduced by the amount that is no longer probable that it will be possible to utilize the temporary differences as a tax benefit. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and if they relate to taxes assessed by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or to realise their tax assets and liabilities simultaneously. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the tax asset to be recovered.

(iii) Tax exposure

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and the possibility of additional taxes and interest. This consideration relies on estimates and assumptions and may involve a number of judgments about future events. New information that may become available may cause the Company to change its judgment about the adequacy of existing tax liabilities; such changes in tax liabilities will affect tax expense in the period in which such a decision is made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18. Trade payables

Trade payables are obligations to pay suppliers for goods received or services received in the ordinary course of business. Trade payables are classified as current if they are due within one year, or as long-term liabilities if they are due after one year. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the Company's annual financial statements, the Management Board has used certain estimates and assumptions that affect the reported income, expenses, assets and liabilities and the disclosure of contingent liabilities during and at the reporting date. However, uncertainty related to these estimates and assumptions may result in significant changes in the carrying amounts of the related assets or liabilities in future periods. The key assumptions relating to the future and other key sources of estimation uncertainty at the date of the statement of financial position that carry a significant risk of changes in the carrying amounts of assets and liabilities within the next financial year are set out below.

The preparation of annual financial statements in accordance with IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of policies and the amounts disclosed for assets, liabilities, income and expenses and the disclosure of contingent liabilities. Actual results may differ from such estimates.

Estimates and related assumptions are reviewed on an ongoing basis. The impact of a revision to an estimate is recognized in the period in which the estimate is revised and in future periods if the revision affects both current and future periods.

(i) Useful life of property, plant and equipment

The determination of the useful life of an asset is based on historical experience with similar assets, as well as anticipated technological developments. The appropriateness of the estimated useful life is reviewed annually, or whenever there is an indication of significant changes in the assumptions. We believe that this is a critical accounting estimate, as it involves assumptions about technological developments and is significantly dependent on the Company's investment plans. Furthermore, given the significant share of the depreciable Company's assets in total assets, the impact of major changes in these assumptions could be significant for the Company's financial position and operating results. During 2024, there was no change in the estimated useful life of property, plant and equipment or the depreciation rate.

(ii) Recognition of deferred tax assets

Net deferred tax assets represent the amounts of profit taxes that are recoverable from taxable profit based on future deductions and are disclosed in the Statement of Financial Position. Deferred tax assets are recognized to the extent that it is probable that the tax benefits will be realized. In determining future taxable profit and the amount of tax benefits that are probable to be realized in the future, the Management Board makes judgments and estimates based on taxable profit from previous years and expectations of future income that are considered reasonable in the current circumstances (see Note 15). The carrying amount of deferred tax assets for 2024 is EUR 5,580 thousand (31 December 2023: EUR 5,327 thousand).

(iii) Inventory recoverability

The Company performs an inventory impairment test according to the aging structure. In 2024, the Company performed an inventory impairment test of EUR 100 thousand (in 2023: a decrease in the impairment test of EUR 285 thousand) (see notes 7 and 24).

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(iv) Actuarial estimates used to calculate retirement benefits

The cost of defined benefit plans is determined using actuarial estimates. Actuarial estimates include assumptions about discount rates, future salary increases and mortality or turnover rates. Due to the long-term nature of these plans, these estimates contain an element of uncertainty. Provisions for retirement benefits and jubilee awards as of 31 December 2024 amount to EUR 12,811 thousand (31 December 2023: EUR 10,421 thousand) (see Note 31).

(v) Consequences of certain legal disputes

The Company is a party to numerous legal disputes arising from the ordinary course of business. Provisions are recorded if there is a present obligation as a result of a past event (considering all available evidence, including the opinion of legal experts) where it is probable that an outflow of resources will be required to settle the obligation and if the amount of the obligation can be reliably estimated. A provision is made for the amount of the dispute for which the Company's legal experts and external lawyers, in accordance with their best judgment, have estimated that it will not be resolved in the Company's favour. The amount of provision relates to the amount of the claim or principal, there is no provision for interest because, based on past experience, the Company's position is that additional provision for default interest, based on calculations based on unknown input data until the resolution of legal disputes, would ultimately be the recognition of an unforeseen obligation of an outflow of economic resources, given the significant uncertainty.

(vi) Impairment testing of investments in subsidiaries

The Company annually assesses the recoverability of investments through a test of the net asset value of subsidiaries, i.e. the value of shares in associated companies increased by the share in the results of associated companies accounted for using the equity method. The assessment did not determine assumptions for impairment of the aforementioned financial assets.

(vii) Ownership of land and buildings

The Company is in the process of obtaining documentation on the ownership of certain properties. The restrictions regarding ownership of land and buildings apply to properties that are not officially registered as the Company's property. The Company is involved in several legal disputes regarding the ownership of certain properties. However, the Management Board believes that the outcome of these legal disputes will result in the Company obtaining all relevant documents related to the ownership over the properties that it has recorded in its business books.

(viii) Expected loss model

The expected loss (ECL) model was introduced with the application of IFRS 9. The measurement of expected impairment loss is based on reasonable and supportive information that is available without undue cost and effort, and which includes information about past events, current and expected future conditions and circumstances.

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(viii) Expected loss model (continued)

When determining expected future impairment needs, historical probabilities of default are usually used, supplemented by future parameters relevant to credit risk.

The most significant part of the Company's financial assets consists of receivables from related parties (HEP Operator distribucijskog sustava d.o.o., Zagreb - for the fee for the use of the transmission network and Hrvatska elektroprivreda d.d., Zagreb - for balancing energy), trade receivables, investments in deposits and cash.

Trade receivables are stated at the invoiced amount. The allowance for doubtful and disputed receivables is based on the Company's best estimate of the collectability of the receivables. All receivables from entities in bankruptcy, as well as claims against receivables, are written off in full. The Company's Management Board performs the allowance for doubtful and disputed receivables based on a review of the overall aging structure of all receivables and based on a review of significant individual amounts included in receivables.

The recoverable amount of trade receivables and other receivables is estimated at the present value of future cash flows discounted at the market interest rate at the measurement date. Current receivables without a stated interest rate are measured at the original invoice amount if the effect of discounting is not significant.

Due to the likelihood that some receivables will not be collected over a longer period of time, and based on reasonable estimates and experience gained over a longer period, the Company performs an impairment of uncollected receivables in the following manner:

Age of receivables	**Impairment percentage**
Not due	0.97 %
up to 30 days	0.97 %
31 — 60 days	2.50 %
61 — 90 days	3.28 %
90 — 180 days	6.28 %
181 — 365 days	12.63%%
Over one year	100 %

The general approach of expected credit losses is applied to equity instruments measured through other comprehensive income.

The simplified approach of expected credit losses is applied to trade receivables, which results in earlier recognition of an impairment loss.

The application of the simplified approach for financial assets and impairment of contract assets, which is recognized in accordance with IFRS 9 from 1 January 2018, does not have a significant impact on the Company's operating results.

4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(viii) Expected loss model (continued)

The analysis of receivables and the associated impairments showed significant collection of receivables in previous years. Historically, the aforementioned trends are stable and there are no known facts or indications that the trend will change in future periods.

Historical data shows that receivables from related parties are collected in full and are not subject to impairment.

During the reporting period, there were no changes in the initial valuation methods or significant assumptions used. During the reporting period, there were no significant changes in the carrying amount of financial instruments, and thus no significant impact on the amount of impairment.

(ix) Income from ITC agreements

Estimated revenues from the ITC agreement refer to the Company's estimated revenues for part of 2024, given that they have not been charged in the current year. The estimate was made based on the announced calculations for the period June - October 2024.

5. FAIR VALUE DETERMINATION

The Company applies a number of accounting policies and disclosures that require fair value measurements for financial and non-financial assets and liabilities.

The Company has established a system of controls over fair value measurements that includes the overall responsibility of the Management Board and the Finance function for overseeing all significant fair value measurements, consulting with external experts and reporting to the same bodies charged with corporate governance.

Fair values are measured in relation to information collected from third parties in which case the Management Board and the Finance function assess whether the evidence collected from third parties ensures that the stated fair value estimates meet the requirements of IFRS, including the level of the fair value hierarchy in which these estimates should be classified.

All significant issues related to fair value estimation are reported to the Supervisory Board. Fair values are categorized into different levels in the fair value hierarchy based on the input variables used in the estimation techniques as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs that are not quoted prices included in Level 1 and are inputs for assets or liabilities that are observable either directly (e.g. as prices) or indirectly (e.g. derived from prices).

Level 3 - inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices are known from an exchange, broker, industry group or regulatory agency, and those prices represent actual and regular market transactions under normal commercial conditions.

The fair value of financial instruments not traded in an active market (for example, OTC derivatives) is determined using valuation techniques. These valuation techniques require the maximum use of observable market data where possible and rely as little as possible on entity-specific estimates. If one or more significant input variables are not based on observable market data, the fair value estimate is categorized as Level 3.

The Company has made the following significant fair value estimates in the preparation of its financial statements, which are explained in more detail in the following note:

- Note 20: Investment property

6. SALES REVENUE

(in EUR '000)	**2024**	**2023**
Revenue from sales – related parties		
Electricity transmission income	193,108	184,749
Sales of balancing energy – imbalance settlement	30,286	24,695
Sales of balancing energy	6,432	7,008
Other sales revenue	3,331	3,938
	233,157	**220,390**
Revenue from sales – outside Group		
Electricity transmission income	9,569	10,174
Cross-border transmission capacity - foreign	97,202	67,452
Sales of balancing energy	17,010	18,257
Sales of balancing energy - imbalance settlement	20,640	13,557
ITC revenue	4,709	10,109
Sales from energy for transmission grid losses	3,033	3,329
	152,163	**122,878**

Revenue from the sale of balancing electricity and the sale of balancing electricity – - imbalance settlement (both from related and non-Group companies) in 2024 compared to 2023 is higher by EUR 10,852 thousand, which is largely caused by the increase in electricity prices on the market.

7. OTHER OPERATING INCOME OUTSIDE THE GROUP

(in EUR '000)	**2024**	**2023**
Revenue from reimbursement of costs of losses by the Republic of Croatia	14,860	11,888
Income from the assets of the IFRS 15 connectors	2,971	2,843
Revenue from the ITC mechanism 2023	-	1,990
Revenue from reimbursement of costs of write-off claims of the transmission network fee - European Union Solidarity Fund	-	1,884
Revenue from reimbursement of EU projects	2,156	1,857
Revenues based on the use of our own products and services	342	500
Income from property received without compensation	492	369
Inventory adjustment impairment income (note 24)	-	285
Increase in the value of financial assets (note 21)	556	260
Revenue from non-standard services	280	133
Reversal of provisions for litigation (footnote 31)	17	26
Collected written-off receivables	-	2
Write-of of liabilities	679	-
Change in the fair value of investment property	104	-
Other operating income	1,015	1,492
	23,472	**23,529**

Revenue from connection fees to the transmission network is systematically allocated over the useful life of the asset (connection), and the fee received from the customer for connection to the transmission network is recorded as deferred income and recognized as income in the period simultaneously with the depreciation of the asset to which it relates.

Revenue from the use of own products and services refers to the capitalized cost of the Company's personnel related to assets under construction (work of supervisory engineers) and capitalized borrowing costs.

Other operating income refers to the sale of previously written-off assets as secondary raw materials in the amount of EUR 473 thousand (2023: EUR 535 thousand), rental income of EUR 35 thousand (2023: EUR 35 thousand), and other income of EUR 507 thousand (2023: EUR 922 thousand).

8. MATERIAL AND SPARE PARTS USED

(in EUR '000)	**2024**	**2023**
Maintenance material for power facilities	829	1,248
Energy	726	753
Maintenance material for other assets	101	81
Low value stock and safety clothes	220	243
Other	461	336
	2,337	**2,661**

9. COST OF SERVICES

(in EUR '000)	**2024**	**2023**
Joint auctions for cross border transmission capacity	43,528	22,566
Power facility maintenance services	12,181	11,358
Intellectual services	3,957	3,598
ITC mechanism costs	473	1,155
Other assets maintenance services	1,454	1,101
Security services	1,120	951
Research and development expenses	263	220
Telecommunication services	366	348
Low value leases	116	99
Other	1,323	1,020
	64,781	**42,416**

In 2024, part of intellectual services related to fees for the statutory audit of the annual financial statements for 2023 in the amount of EUR 25 thousand, fees for other verification services in the amount of EUR 10 thousand, fees for tax and other consulting services in the amount of EUR 25 thousand. The fee for the statutory audit in 2024 is EUR 35 thousand, and the fee for other verification services is EUR 10 thousand.

10. PERSONNEL EXPENSES

(in EUR '000)	**2024**	**2023**
Net salaries	22,548	18,745
Taxes from salaries	3,003	2,362
Contributions from salaries – Pension Insurance	6,379	5,276
Contributions on salaries	4,853	3,938
	36,783	**30,321**

Total employee costs were as follows:

(in EUR '000)	**2024**	**2023**
Gross salaries	36,783	30,321
Reimbursement of costs to employees	1,752	1,681
Material rights of employees	4,261	4,210
In-kind receipts	89	94
Costs of payments to the pension fund	118	105
Costs of supplementary health insurance	129	130
Compensation for unused annual leave	504	58
	43,636	**36,599**

As of 31 December 2024, the Company had 1,182 employees (2023: 1,168 employees). Employee benefits include travel expenses, daily allowances and other similar expenses.

Employee benefits include retirement benefits, anniversary bonuses and special benefits and gifts. The costs of the severance payments in 2024 amounted to EUR 964 thousand (2023: EUR 942 thousand) and relate to severance payments for 30 employees.

Remuneration to members of the Management Board and executive directors included in personnel expenses:

(in EUR '000)	**2024**	**2023**
Gross salaries	953	957
Pension insurance contributions	206	164
Benefits in kind	79	91
	1,238	**1,212**
Number of directors and executives	13	13

10. PERSONNEL EXPENSES (continued)

Supervisory Board remuneration:

(in EUR '000)	**2024**	**2023**
Gross salaries	3	-
Pension insurance contributions	1	-
Benefits in kind	7	5
	11	**5**
Number of Supervisory Board members	5	5

11. ANCILLARY SERVICE COST, TRANSMISSION GRID LOSSES AND PURCHASE OF BALANCING ENERGY

(in EUR '000)	**2024**	**2023**
Ancillary services		
Ancillary services – related parties (Note 39)	44,932	45,442
Ancillary services – third parties	4,162	2,724
	49,094	**48,166**
Cost of transmission grid losses		
Cost of transmission grid losses – related parties (Note 39)	-	2,172
Cost of transmission grid losses – third parties	51,772	50,892
	51,772	**53,064**
Purchase of balancing energy		
Purchase of balancing energy – related parties HEP Proizvodnja d.o.o. (Note 39)	21,063	15,959
Purchase of balancing energy – imbalance settlement – related parties (Note 39)	11,153	7,749
Purchase of balancing energy – third parties	23,429	25,217
Purchase of balancing energy – imbalance settlement – third parties	5,653	5,496
	61,298	**54,421**

During 2024 and 2023, the Company procured electricity to cover transmission grid losses on the electricity exchange and bilateral contracts.

12. OTHER OPERATING EXPENSES

(in EUR '000)	**2024**	**2023**
Taxes, contributions and fees	2,648	2,681
Provisions for severance pay and jubilee awards	2,391	1,774
Cost of unwritten value of disposed tangible assets	738	1,235
Cost of business trips	946	775
Write-off of transmission network fee receivables – earthquake	736	751
Membership fees for business associations	717	677
Insurance premiums	150	159
Compensation for damages to natural persons	88	111
Value adjustment of trade receivables	208	-
Value adjustment of inventories	100	-
Provisions for legal disputes (note 31)	4,029	68
Other expenses	938	938
	13,689	**9,169**

13. FINANCIAL INCOME

(in EUR '000)	**2024**	**2023**
Interest income	1,660	691
Foreign exchange gains	-	1
	1,660	**692**

14. FINANCIAL EXPENSES

(in EUR '000)	**2024**	**2023**
Interest - related parties	1,853	2,082
Interests - banks	32	561
Default interest	5	19
Foreign exchange losses	2	2
Interest for lease – IFRS 16	29	26
	1,921	**2,690**

15. PROFIT TAX

The Company is a taxpayer, in accordance with the tax laws and regulations of the Republic of Croatia. The tax base is determined as the difference between income and expenses for the period and increased by expenses that are not tax deductible. The profit tax rate is 18% (2023: 18%).

Tax expense includes:

(in EUR '000)	**2024**	**2023**
Current tax	11,350	10,187
Deferred tax	(253)	6
Tax expense in the Statement of Comprehensive Income	**11,097**	**10,193**

(in EUR '000)	**2024**	**2023**
Profit before tax	**61,151**	**57,242**
Profit tax at 18% tax rate	11,007	10,304
Tax effect of permanent differences - increase	129	228
Tax effect of permanent differences - decrease	(39)	(339)
Tax effect of temporary differences	253	(6)
Current tax expense	**11,350**	**10,187**
Effective tax rate (%)	**18,56%**	**17.80%**

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

15. PROFIT TAX (continued)

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

(in EUR '000)	**Value adjustment of inventories**	**Provisions for jubilee awards and severance**	**Provisions for expenses**	**Depreciation of bigger spare parts**	**Initial recognition of IFRS 15 and IFRS 16**	**Value adjustment of financial assets and investment property**	**Tax loss**	**Total**
As of 31 December 2022	**420**	**1,620**	**92**	**779**	**1,927**	**232**	**264**	**5,333**
In profit or loss	(51)	319	132	(3)	(96)	(43)	(264)	(6)
As of 31 December 2023	**369**	**1,939**	**224**	**776**	**1,831**	**189**	**-**	**5,327**
In profit or loss	18	430	(64)	3	(90)	(44)	-	253
As of 31 December 2024	**387**	**2,369**	**160**	**779**	**1,741**	**145**	**-**	**5,580**

16. INTANGIBLE ASSETS

(in EUR '000)	**Software**	**Investing in third party's fixed assets to acquire rights**	**Assets under construction**	**Total**
PURCHASE VALUE				
As of 1 January 2023	**17,136**	**7**	**196**	**17,339**
Transfer from tangible assets	3,745	196	(196)	3,745
Reclassification	(13)	-	-	(13)
Sales and expenses	(883)	-	-	(883)
As of 31 December 2023	**19,985**	**203**	**-**	**20,188**
Increase	13	-	-	13
Transfer from tangible assets	3,755	-	-	3,755
Reclassification from tangible assets	15	-	-	15
Sales and expenses	(610)	-	-	(610)
As of 31 December 2024	**23,158**	**203**	**-**	**23,361**
ACCUMULATED AMORTISATION				
As of 1 January 2023	**11,631**	**7**	**-**	**11,638**
Amortisation for the year	2,637	-	-	2,637
Sales and expenses	(883)	-	-	(883)
Reclassification	(8)	-	-	(8)
As of 31 December 2023	**13,377**	**7**	**-**	**13,384**
Amortisation for the year	3,090	6	-	3,096
Sales and expenses	(561)	-	-	(561)
Transfer	15	-	-	15
As of 31 December 2024	**15,921**	**13**	**-**	**15,934**
NET CARRYING VALUE				
As of 31 December 2023	**6,608**	**196**	**-**	**6,804**
As of 31 December 2024	**7,237**	**190**	**-**	**7,427**

17. PROPERTY, PLANT AND EQUIPMENT

(in EUR '000)	**Land**	**Buildings**	**Plant and equipment**	**Assets under constructio n**	**Total**
PURCHASE VALUE					
As of 1 January 2023	**20,723**	**656,969**	**1,286,006**	**140,697**	**2,104,395**
Increases	-	84	1,511	95,033	96,628
Transfers from assets under construction	106	22,668	57,766	(84,285)	(3,745)
Transfers and reclassifications	24	6	7	-	37
Surplus	-	1,562	608	-	2,170
Sales and expenses	-	(2,052)	(12,964)	(25)	(15,041)
As of 31 December 2023	**20,853**	**679,237**	**1,332,934**	**151,420**	**2,184,444**
Increases	8	1	2,936	122,910	125,855
Transfers from assets under construction	2,128	44,320	101,639	(151,842)	(3,755)
Transfers to intangible assets	-	,	(15)	-	(15)
Transfers between companies	(639)	(2,150)	-	-	(2,789)
Sales and expenses	-	(597)	(21,493)	(51)	(22,141)
As of 31 December 2024	**22,350**	**720,811**	**1,416,001**	**122,437**	**2,281,599**
ACCUMULATED DEPRECIATION					
As of 1 January 2023	**-**	**426,045**	**767,720**	**-**	**1,193,765**
Depreciation for the year	-	11,728	38,272	-	49,961
Transfers	-	-	8	-	8
Surplus	-	970	377	-	1,347
Sales and expenses	-	(1,987)	(12,029)	-	(14,016)
As of 31 December 2023	**-**	**436,756**	**794,309**	**-**	**1,231,065**
Depreciation for the year	-	11,793	38,233	-	50,065
Transfers between companies	-	(1,518)	-	-	(1,518)
Transfers	-	-	(15)	-	(15)
Sales and expenses	-	(595)	(20,883)	-	(21,478)
As of 31 December 2024	**-**	**446,436**	**811,683**	**-**	**1,258,119**
NET CARRYING VALUE					
As of 31 December 2023	**20,853**	**242,481**	**538,625**	**151,420**	**953,379**
As of 31 December 2024	**22,350**	**274,375**	**604,318**	**122,437**	**1,023,480**

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction mainly relate to investments in the construction of property, plant and equipment. The most significant assets under construction include the reconstruction of the TS Rakitje in the amount of EUR 10,756 thousand (31 December 2023: EUR 10,541 thousand), the reconstruction of TS Mraclin in the amount of EUR 10,867 thousand (31 December 2023: EUR 8,089 thousand), the reconstruction of TS Konjsko in the amount of EUR 16,453 thousand (31 December 2023: EUR 1,190 thousand), the reconstruction of the switchyard in the Velebit RHE in the amount of EUR 4,449 thousand (31.12.2023: EUR 503 thousand), the construction of the 110 kV Ston – Rudine – Komolac transmission line in the amount of EUR 3,228 thousand (31 December 2023: EUR 195 thousand), the construction of the 110/10(20) kV Terminal substation in the amount of EUR 2,876 thousand (31 December 2023 in the amount of EUR 2,823 thousand), revitalization of TS 220/110 kV Đakovo in the amount of EUR 2,617 thousand (31 December 2023 in the amount of EUR 964 thousand), HPP Dubrovnik switchyard in the amount of EUR 4,215 thousand (31 December 2023 in the amount of EUR 2,632 thousand. Contractual obligations related to assets under construction at the reporting date amount to EUR 46,805 thousand (2023: EUR 131,962 thousand), and the planned implementation schedule is aligned with the construction deadlines.

During 2024, the following significant investments were put into operation, among others: 2x110kV Bilice – Trogir transmission line worth EUR 14,328 thousand, 110 kV Krk – Cres submarine cable worth EUR 10,737 thousand, 110 kV Cres - Lošinj submarine cable worth EUR 1,366 thousand, 220 kV Senj – Melina transmission line worth EUR 9,666 thousand, 110/20 kV Stenjevec substation worth EUR 8,471 thousand, 110 kV Brač – Hvar submarine cable worth EUR 7,017 thousand, 110 kV Hvar - Korčula submarine cable worth EUR 23,233 thousand, 110 kV EL-TO – Stenjevec substation cable worth EUR 6,654 thousand.

During 2024, the Company capitalized a portion of borrowing costs totalling EUR 80 thousand (2023: EUR 211 thousand). The capitalization rate used to determine the borrowing costs eligible for capitalization is 0.864% (2023: 1.122%). During 2024, the Company capitalized a portion of labour costs totalling EUR 249 thousand (2023: EUR 289 thousand).

Ownership over land and buildings

The Company is in the process of acquiring documentation on the ownership of certain real estate. Restrictions on ownership of land and buildings apply to real estate that is not officially registered as the Company's property. In order to protect its interests, the Company is conducting several court and/or administrative proceedings, which primarily relate to land that is partly registered in the Company's name and on which substations and other facilities serving the Company have been built. The outcome of these proceedings is not expected to have a significant impact on the Company's financial position or results

The assets are not subject to pledges by commercial banks or other third parties.

18. RIGHT-OF-USE-ASSETS

(in EUR '000)	**Business premises**	**Equipment**	**Total**
PURCHASE VALUE			
As of 1January 2023	**1,213**	**176**	**1,389**
Increase	8	-	8
Disposal	-	-	-
As of 31 December 2023	**1,221**	**176**	**1,397**
Increase	1,264	-	1,264
As of 31 December 2024	**2,485**	**176**	**2,661**
ACCUMULATED DEPRECIATION			
As of 1January 2023	**386**	**132**	**518**
Depreciation for the year	241	44	285
Increase	5	-	5
As of 31 December 2023	**632**	**176**	**808**
Depreciation for the year	277	-	277
Increase	-	-	-
As of December 31, 2024	**909**	**176**	**1,085**
NET CARRYING VALUE			
As of 31 December 2023	**589**	**-**	**589**
As of 31 December 2024	**1,576**	**-**	**1,576**

The total cash outflow for lease principal repayment in 2024 amounted to EUR 301 thousand (2023: EUR 306 thousand).

19. PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in EUR '000)	
Balance as of 1 January 2023	**7,543**
New prepayments	439
Used in the current year	(2,700)
Balance as of 31 December 2023	**5,282**
New prepayments	285
Used in the current year	(5,446)
Balance as of 31December 2024	**121**

20. INVESTMENT PROPERTY

(in EUR '000)	**31 December 2024**	**31 December 2023**
Fair value at the beginning of the year	702	702
Net change in value based on fair value adjustments	104	-
Balance at the end of the year at fair value	**806**	**702**

Investment properties refer to non-operating assets (business premises, apartments and garages) owned by the Company and leased for an indefinite period to the Company's employees and third parties.

Investment properties are carried at fair value determined by assessment of an independent, expert appraiser based on the comparative method with market prices for similar properties – Level 2.

The Company generates rental income from properties classified as investment properties in the amount of EUR 2 thousand (2023: EUR 2 thousand). The Company recorded direct operating expenses (including provision) in the amount of EUR 4 thousand (2023: EUR 4 thousand).

The Company regularly tests investment properties for impairment by analysing the price of comparable properties. The assessment of a certified appraiser and a court expert was used at the reporting date.

21. INVESTMENTS IN ASSOCIATES

(in EUR '000)	Country	31 December 2024 % of ownership	31 December 2024 Net carrying value	31 December 2023 % of ownership	31 December 2023 Net carrying value
Hrvatska burza električne energije d.o.o., Zagreb	Croatia	50.0%	1,062	50.0%	1,062
Impairment			384		(172)
			1,446		**890**

The Company manages investments in associates using the equity method. The method is applied by investors who have an investment of more than 20% of the voting power, but do not have control over the entity in which they invest.

During 2018, the Company recapitalized the company Hrvatska burza električne energije d.o.o. in the amount of EUR 265 thousand (HRK 2,000 thousand). As of 31 December 2024, the Company, based on an internal assessment, increased the value of the investment in the company Hrvatska burza električne energije d.o.o. by EUR 556 thousand, (2023: increase by EUR 260 thousand) which is presented in Note 7 "Other operating income outside the Group“.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		31 December 2024		31 December 2023	
(in EUR '000)	Country	% of ownership	Net carrying value	% of ownership	Net carrying value
HEP Telekomunikacije d.o.o.	Croatia	13.7%	6,290	13.7%	6,290
JAO S.A.	Luxembourg	4%	336	4%	336
TSCNET Services GmbH	Germany	6.25%	371	6.25%	371
SEE CAO d.o.o.	Montenegro	12.5%	40	12.5%	40
			7,037		**7,037**

During 2013, the Company entered into the Agreement on the Establishment of the Limited Liability Company HEP Telekomunikacije d.o.o. with Hrvatska elektroprivreda d.d. and HEP Operator distribucijskog sustava d.o.o., thereby becoming the owner of a share in the company HEP Telekomunikacije d.o.o. in the total amount of EUR 4,585 thousand (HRK 34,545 thousand), which constitutes 13.73% of ownership. The Company's founding contribution in the company HEP Telekomunikacije d.o.o. consists of items that include optical and telecommunications assets. During 2020, the Company, together with other co-owners, participated in the increase in the share capital of the company HEP Telekomunikacije d.o.o. and increased its share by EUR 1,705 thousand (HRK 12,849 thousand) by contributing property (optics and telecommunications assets) in the amount of EUR 1,457 thousand (HRK 10,979 thousand) and by paying cash in the amount of EUR 248 thousand (HRK 1,870 thousand). The ownership shares remained unchanged.

The general assemblies of CAO GmbH and CASC EU, two regional allocation offices for cross-border electricity transmission capacities, approved in 2015 a Merger Agreement to create a Joint Allocation Office (JAO). The merger facilitated the internal electricity market in the European Union. JAO S.A. is a joint service provider owned by twenty-five transmission system operators (TSOs) from twenty-two countries.

SEE CAO d.o.o. is a joint venture that performs the explicit allocation of cross-border transmission capacities between its TSO shareholders.

TSCNET GmbH, as a regional security coordinator, provides transmission system operators with a forecast service on the security status and flow of electricity across their transmission networks. These forecasts cover a period of one year in advance up to the intraday phase of the business day.

23. RECEIVABLES FROM THE SALE OF APARTMENTS

Long-term receivables relate to apartments sold on credit to employees of HEP d.d. in previous years in accordance with the laws of the Republic of Croatia. The aforementioned receivables were transferred to the Company by the Parent Company on 1 July 2002. The receivables from sales, which have an interest rate lower than the market rate, are repaid monthly over a period of 20 to 35 years. The Management Board believes that the fair value of long-term receivables approximates their net carrying value, since the discounting effect would be immaterial given the current low levels of market interest rates for similar credit relationships. The receivables are secured by a mortgage on the purchased apartments.

(in EUR '000)	**31 December 2024**	**31 December 2023**
Total receivables from apartment sales	16	41
Current maturity of long-term receivables	(16)	(29)
Long-term portion	**-**	**12**

24. INVENTORIES

(in EUR '000)	**31 December 2024**	**31 December 2023**
Inventories of electrical and other materials	1,107	991
Spare parts	2,545	2,280
Construction materials	59	46
Other	9	9
Impairment	(2,147)	(2,047)
	1,573	**1,279**

The movement in the value adjustment of inventories was as follows::

(in EUR '000)	**2024**	**2023**
As of 1 January	**2,047**	**2,332**
(Decrease) / increase in value adjustment (Notes 7 and 12)	100	(285)
As of 31 December	**2,147**	**2,047**

25. TRADE RECEIVABLES

(in EUR ‘000)	**31 December 2024**	**31 December 2023**
Trade receivables	19,947	34,723
Impairment	(756)	(5,941)
Net trade receivables	**19,191**	**28,782**

The movement in the impairment of trade receivables was as follows:

(in EUR ‘000)	**2024**	**2023**
Balance as of 1 January	**5,941**	**5,943**
Provisions for expected losses	208	-
Reversal of provisions	-	(2)
Reversal of previously adjusted receivables	(5,393)	-
Change in impairment	(5,185)	(2)
Balance as of 31 December	**756**	**5,941**

The Management Board believes that the fair value of receivables at the reporting date approximates the carrying amount of trade receivables. Impairment costs of trade receivables are disclosed in Note 12 "Other operating expenses", and income from collected corrected receivables in Note 7 "Other operating income outside the Group“.

25. TRADE RECEIVABLES (continued)

The age structure of unimpaired trade receivables was as follows::

(in EUR '000)	**31 December 2024**	**31 December 2023**
Not due	19,091	28,113
0 - 30 days	6	653
31 – 60 days	2	16
61 – 90 days	10	-
91 – 180 days	2	-
181 – 365 days	80	-
Over 365 days	-	-
	19,191	**28,782**

Trade receivables are denominated in the following currencies:

(in EUR '000)	**31 December 2024**	**31 December 2023**
Euro (EUR)	19,191	28,782
	19,191	**28,782**

26. OTHER CURRENT ASSETS

(in EUR '000)	**31 December 2024**	**31 December 2023**
Receivables for reimbursement of costs under EU projects	25,872	14,171
Prepaid expenses and accrued income	2,459	4,149
Receivables for value added tax	4,515	2,209
Receivables from the state for reimbursement of costs of losses	1,281	1,892
Current maturity of long-term receivables (Note 23)	16	28
Other receivables	681	269
	34,824	**22,718**

Receivables for reimbursement of costs under EU projects relate to the receivables under the request for reimbursement of funds under the NPOO project in the amount of EUR 25,872 thousand (2023: EUR 11,594 thousand for the NPOO project and EUR 2,577 thousand for the EUSF project).

Prepaid expenses relate to supplementary health insurance premiums and other expenses in the amount of EUR 712 thousand (2023: EUR 459 thousand).

26. OTHER CURRENT ASSETS (continued)

Accrued income in 2024 refers to the Company's Management Board's estimated income from the ITC mechanism for the period June - October 2024 in the amount of EUR 1,434 thousand (2023: EUR 3,690 thousand) and other unaccounted income in the amount of EUR 313 thousand.

27. DEPOSITS GIVEN

(in EUR '000)	**31 December 2024**	**31 December 2023**
Deposits given – expropriation	2,884	2,982
Guarantees	23	23
	2,907	**3,005**

Deposits given – expropriation

The Company is obliged to deposit funds in particular expropriation proceedings during the construction of energy facilities that will be withdrawn after the conditions of Expropriation Act are met. The deposits have maturity of three months to one year, or until the fulfilment of the conditions and carry interest rates ranging from 0.1% to 2.7%.

28. CASH AND CASH EQUIVALENTS

(in EUR '000)	**31 December 2024**	**31 December 2023**
Money in business accounts	19,342	47,725
Foreign currency account	15	8
Deposits with maturity up to 90 days	68,156	38,260
Cash register	3	2
	87,516	**85,995**

Money in the business accounts refers to cash accounts in commercial banks that carry an average interest rate of 0.01% on a foreign currency account and 0.1% on a euro account on an annual basis.

29. CAPITAL AND RESERVES

Subscribed capital

(in EUR '000)	31 December 2024	31 December 2023
Subscribed capital	**643,322**	**643,322**

During 2013, in accordance with the Electricity Market Act Hrvatska elektroprivreda d.d., Zagreb recapitalized the Company by entering things and rights and the subscribed capital was increased from EUR 3 thousand by the amount of EUR 446,865 thousand to the amount of EUR 446,868 thousand. Seven business shares were registered.

On 18 March 2019, the Commercial Court in Zagreb issued a Decision on the increase of the Company's subscribed capital by entering things by HEP d.d. for the amount of EUR 2,579,000. After the increase, the subscribed capital amounts to EUR 656,796 thousand.

At its session on 19 2023, the General Assembly of the Company adopted a Decision covering the loss in 2022 from retained earnings in previous years.

On 29 November 2023, the Company's General Assembly of the Company adopted a Decision on the adjustment of the share capital and shares by reducing the share capital by which the amount of the share capital decreased by the amount of EUR 13,474 thousand to the amount of EUR 643,322 thousand. The same Decision reduced the nominal amount of the share from the amount of EUR 13.27 by the amount of EUR 0.27 to the amount of EUR 13,00.

During 2024, the Company's General Assembly adopted a Decision by which a part of the profit of 2024 is transferred to legal reserves in the amount of EUR 2,352 thousand, while the remaining part of the profit in the amount of EUR 44,697 thousand is allocated to retained earnings.

Legal and capital reserves

Reserves reported in the amount of EUR 733 thousand were created during the merger of subsidiaries in 2005 in the amount of EUR 5 thousand and the transfer of property from Hrvatska elektroprivreda d.d., Zagreb in 2013 in the amount of EUR 728 thousand. Legal reserves were formed in the amount of EUR 184 thousand by the distribution of profit in 2021, and during 2024 they were increased by an additional EUR 2,352 thousand by transfer from retained earnings. The decision on the adjustment of share capital and shares by reducing share capital from 29 November 2023 increased capital reserves by EUR 13,474 thousand.

Proposed profit distribution

The Company's Management Board will propose to the General Assembly the distribution of profit for 2024 in the total amount of EUR 50,054 thousand, in such a way that one twentieth of the profit is transferred to legal reserves, and the remaining part is distributed to retained earnings. The final Decision on the profit distribution for 2024 will be made by the Company's General Assembly in accordance with the provisions of the Articles of Association and the Companies Act.

30. LIABILITIES FOR SUB-LOAN AND LOAN TO RELATED PARTIES

(in EUR '000)	**31 December 2024**	**31 December 2023**
Liabilities to HEP d.d. for sub-loan and loan	61,611	69,228
Other long-term liabilities to related parties	11	19
	61,622	**69,247**
Current maturity of long-term debt	(4,683)	(7,617)
The long-term portion	**56,939**	**61,630**

On 31 December 2012, the lease agreement for property, plant and equipment necessary for the performance of operations, in accordance with the Electricity Market Act, was terminated. Part of the due liabilities under the terminated lease agreement was settled with long-term loans based on the sub-loan agreement concluded with HEP d.d., Zagreb, and the Parent Company's loans received from commercial banks. During 2020, the Company concluded long-term loan agreements with the Parent Company for the amount of EUR 18,817 thousand and EUR 23,474 thousand for the purpose of financing investment projects. During 2021, the Company concluded a long-term loan agreement with the Parent Company for the amount of EUR 6,994 thousand for the purpose of financing investment projects. During 2022, the Company concluded a long-term loan agreement with the Parent Company for the amount of EUR 56,928 thousand for the purpose of refinancing a loan that matured in 2022.

The maturing liabilities for the sub-loan and loan at the reporting date are as follows::

(in EUR '000)	**31 December 2024**	**31 December 2023**
Up to 6 months	3,809	3,808
7 – 12 months	874	3,809
1 – 2 years	-	4,683
2 - 5 years	56,928	56,928
	61,611	**69,228**

30. LIABILITIES FOR SUB-LOAN AND LOAN TO RELATED PARTIES (continued)

The maturities of other long-term liabilities at the reporting date are as follows::

(in EUR '000)	**31 December 2024**	**31 December 2023**
Up to 6 months	6	6
7 – 12 months	5	6
1 – 2 years	-	7
	11	**19**

The carrying amount of borrowings approximates their fair value, as most borrowings have a variable interest rate or a fixed interest rate that approximates the current market interest rate at the time of contracting. Fair value is calculated using discounted cash flows. Loans in the amount of EUR 61,611 thousand carry a fixed interest rate (2023: EUR 69,228 thousand). The weighted average fixed interest rate on loans is 2.897% per annum (2023: 2.741% per annum). The collateral is promissory note.

31. PROVISIONS

(in EUR '000)	**Jubilee awards**	**Retirement benefits**	**Provisions for legal disputes**	**Total**
As of 31 December 2023:				
Long-term portion	387	9,829	2,047	12,263
Short-term portion	67	138	-	205
	454	**9,967**	**2,047**	**12,468**
As of 31 December 2024:				
Long-term portion	496	11,987	6,059	18,542
Short-term portion	60	268	-	328
	556	**12,255**	**6,059**	**18,870**

The movement in provisions was as follows:

(in EUR '000)	**Jubilee awards**	**Retirement benefits**	**Provisions for legal disputes**	**Total**
As of 1 January 2023	**463**	**8,184**	**2,005**	**10,652**
Increase	60	2,451	68	2,579
Decrease	-	-	(26)	(26)
Payments	(69)	(668)	-	(737)
As of 31 December 2023	**454**	**9,967**	**2,047**	**12,468**
As of 1 January 2024				
Increase	454	9,967	2,047	12,468
Decrease	165	2,879	4,029	7,073
Payments	-	-	(17)	(17)
	(63)	(591)	-	(654)
As of 31 December 2024	**556**	**12,255**	**6,059**	**18,870**

31. PROVISIONS (continued)

Jubilee awards and retirement benefits

In accordance with collective agreements, the Company is obliged to pay jubilee awards, retirement benefits and other benefits to its employees. According to the aforementioned agreements, if employees retire on a regular basis (without retirement incentive), they are paid a regular severance pay in the amount of 1/8 of the gross average monthly salary paid to the employee for the previous three months before the termination of the employment contract, and for each completed year of continuous employment with the employer. There are no other forms of income after retirement.

Provision for retirement benefits and jubilee awards is based on the calculation of a certified actuary. Actuarial estimates were made based on the following main assumptions:

	Estimate	
	2024	**2023**
Turnover rate	2.00%	2.30%
Discount rate	2.75%	3.9%
Salary growth assumption	2% annually	15% in 2024; 9% in 2025 and 2% from 2026 onwards
Average expected retirement age (in years)	61	61

Legal disputes

Provisions for legal disputes relate to legal disputes brought against the Company, which are assessed as unlikely to be resolved in the Company's favour. The cost of the provision is disclosed in the Statement of Comprehensive Income in Note 12. "Other operating expenses". The most significant legal disputes for which it is assessed as unlikely to be resolved in the Company's favour relate to a lawsuit by a natural person for compensation for expropriated real estate initiated with the State Administration Office in Split, for which an amount of EUR 1,784 thousand was reserved in 2010, a lawsuit by natural persons for compensation for damage due to impairment of real estate and lost earnings, for which an amount of EUR 2,893 thousand was reserved in 2024, and a lawsuit by a legal person for compensation for damage, for which an amount of EUR 1,126 thousand was reserved in 2024.

Based on the expert opinion of legal advisors, the Management Board anticipates that the outcome of all disputes will not result in significant losses in excess of the amount provided as of 31 December 2024.

32. LONG TERM LIABILITIES – DEFERRED INCOME

(in EUR '000)	**31 December 2024**	**31 December 2023**
Deferred income related to assets received free of charge under IFRS 15 /i/	69,268	68,462
Deferred income related to assets received free of charge until 30 June 2009 /ii/	11,515	8,430
Deferred income for funds received from European Union grants /iii/	165,465	126,642
Deferred income for funds received from others /iv/	231	3,458
	246,479	**206,992**
Current maturity of other long-term liabilities (see note 37)	(23,570)	(24,865)
	222,909	**182,127**

/i/ By applying IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018, the connection fee is recognised as deferred revenue, meaning it is recognised as revenue on a systematic and rational basis over the useful life of the asset (see Note 7 "Other operating income outside the Group"). By first-time application of IFRS 15, the Company recognised the cumulative effect of applying IFRS 15 to the opening balance and recorded deferred revenue from the present value of assets financed from the connection fee in the period from 1 July 2009 to 31 December 2017 in the amount of EUR 42,000 thousand.

/ii/ Deferred income refers to income from receipts of tangible assets without compensation and fixed tangible assets financed from compensation for connection to the transmission network. Income from receipt of these assets is recognized simultaneously with the depreciation of the tangible assets to which it relates, which applies to network connection contracts concluded with customers until 30 June 2009.

/iii/ Deferred income for funds received from EU grants refers to funds received for the Company's participation in the SINCRO.GRID project in the amount of EUR 10,238 thousand, the GREENSWITCH project in the amount of EUR 2,844 thousand, the EPASSIS project in the amount of EUR 35 thousand, the E-CYBIS project in the amount of EUR 65 thousand, the ECLIPSE project in the amount of EUR 78 thousand, the CYBERSEAS project in the amount of EUR 4 thousand, the LIFE DANUBE FREE SKY project in the amount of EUR 87 thousand and the HEDGE-IoT project in the amount of EUR 19 thousand. For participation in the project from the National Recovery and Resilience Plan (hereinafter NPOO), deferred income amounts to a total of EUR 116,964 thousand, of which EUR 16,128 thousand was reclassified as a short-term liability. The costs incurred in implementing this project until 31 December.2024 amounted to EUR 1,653 thousand. For the implementation of projects applied for financing from the European Union Solidarity Fund (EUSF) as part of the reconstruction of infrastructure and equipment damaged by the earthquake, deferred revenue amounts to EUR 35,131 thousand, while the costs incurred in implementing this project until 31 December 2024 amounted to EUR 712 thousand. The grants received will be recognized as revenue in future periods depending on the costs incurred in implementing these projects..

33. LONG TERM LIABILITIES TO BANKS

In 2022, the Company concluded a loan agreement with ERSTE&STEIERMARKISCHE BANK d.d., Rijeka for a total amount of EUR 10,250 thousand for investment purposes with a fixed interest rate of 0.40% per annum for the entire duration of the loan, maturing in 2027. In 2024, EUR 2,050 thousand was repaid in accordance with the repayment plan (EUR 2,050 thousand in 2023). The collateral is a promissory note.

(in EUR '000)	**31 December 2024**	**31 December 2023**
Loan liability	5,125	7,175
Current maturity (note 36)	(2,050)	(2,050)
	3,075	**5,125**

The maturity of the loan liability at the reporting date is as follows:

(in EUR '000)	**31 December 2024**	**31 December 2023**
Up to 6 months	1,025	1,025
7 – 12 months	1,025	1,025
1 – 2 years	2,050	2,050
2 - 5 years	1,025	3,075
	5,125	**7,175**

34. LONG TERM LEASE LIABILITIES

(in EUR '000)	**31 December 2024**	**31 December 2023**
Lease liabilities	1,599	615
Current maturity of lease liabilities	(352)	(204)
Long-term portion	**1,247**	**411**

34. LONG TERM LEASE LIABILITIES (continued)

The maturity of the lease liability at the reporting date is as follows:

(in EUR '000)	**31 December 2024**	**31 December 2023**
up to 3 months	88	51
3 to 12 months	264	153
1 to 2 years	352	205
2 to 5 years	657	206
over 5 years	238	-
	1,599	**615**

Movements in lease liabilities are shown as follows:

(in EUR '000)	**2024**	**2023**
Balance as of 1 January	**615**	**891**
Interest expense (note 14)	(29)	(26)
New lease	1,265	3
Lease payment	(251)	(253)
Balance as of 31 December	**1,599**	**615**

35. OTHER LONG-TERM LIABILITIES

(in EUR '000)	**31 December 2024**	**31 December 2023**
Liabilities to the state for the apartments sold	12	28
Long-term portion	**12**	**28**

Liabilities to the state for the sale of apartments to employees in accordance with the state program that was abolished in 1996. According to legal regulations, 65% of the proceeds from the sale of apartments to employees are paid to the state upon receipt of the funds. According to the law, the Company is not obligated to transfer the funds before collecting them from the employees.

36. TRADE PAYABLES

(in EUR '000)	**31 December 2024**	**31 December 2023**
Suppliers for fixed assets	40,931	44,952
Suppliers for current assets	22,792	17,790
	63,723	**62,742**

37. LIABILITIES TO BANKS

(in EUR '000)	**31 December 2024**	**31 December 2023**
Current maturity of long-term loan liability (Note 33) /i/	2,050	2,050
Short-term factoring liabilities /ii/	-	8,591
	2,050	**10,641**

/i/ The current maturity of the long-term loan liability refers to the loan amount due for collection in 2025 (Note 33).

/ii/ At the end of 2021, the Company entered into an Agreement on the Settlement of Monetary Receivables with ERSTE&STEIERMARKISCHE BANK d.d., Rijeka, by which the bank undertook to purchase receivables that other legal entities/suppliers have towards the Company. Based on the aforementioned agreement and individual Supplier Factoring Agreements, the bank paid suppliers in the total amount of EUR 8,591 thousand on behalf and for the account of the Company. The Company's liabilities to the bank under supplier factoring matured in January 2024, and the contractual interest rate was 0.40% per annum. All liabilities to the bank under this Agreement were settled within the due dates.

38. OTHER SHORT-TERM LIABILITIES

(in EUR '000)	**31 December 2024**	**31 December 2023**
Profit tax liabilities	4,559	10,187
Liabilities for prepayments received for connection to the grid	7,485	7,419
Liabilities for guarantees received	6,986	4,754
Net salaries	1,969	1,476
Liabilities for compensation for unused vacation days	1,935	1,431
Liabilities for taxes, contributions and other fees	790	615
Contributions from salaries	588	435
Taxes from salaries	286	176
Liabilities for severance pay and other liabilities to employees	462	406
Deferred income for cross-border transmission capacity	7,186	3,589
Other deferred income	20	38
Accrued expenses of balancing electricity (imbalance)	360	-
Accrued expenses of the ITC mechanism	495	1,155
Current maturity of long-term liabilities - deferred income (see note 32)	23,570	24,865
Other short-term liabilities	237	343
	56,928	**56,889**

Deferred income for cross-border transmission capacity relate to transmission capacity allocated in the annual and monthly auctions held in December 2024, which will be used in January and February 2025.

39. RELATED PARTY TRANSACTIONS

A party is related to an entity when it directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with an entity, has a stake in an entity that gives it significant influence over that entity and has joint control over the entity.

The Company's founder and the sole owner is Hrvatska elektroprivreda d.d. (the Parent Company), owned by the Republic of Croatia. In addition to the above, the Company also discloses significant transactions with companies and/or entities that are fully or partially owned by the State in the notes to the annual financial statements.

The Company has certain business relationships with other companies within the HEP Group. Related parties are listed in Note 1.

In 2024 and 2023, the Company bases its fees on energy data from sales to customers, the Methodology for Determining Tariff Items for Electricity Transmission and the Decision on the Amount of Tariff Items for Electricity Transmission issued by the Croatian Energy Regulatory Agency (HERA). On 13 December 2021, HERA issued a Decision changing the tariff items for electricity transmission in 2022. It applies from 1 April 2022 until 31 December 2024. On 13 December 2024, HERA issued a Decision changing the tariff items for electricity transmission from 1 January 2025.

The costs of purchasing ancillary services in the total amount of EUR 44,932 thousand (2023: EUR 45,442 thousand) are defined in the ancillary services contracts concluded by HOPS with the company HEP – Proizvodnja d.o.o., all in accordance with the Methodology for Determining Prices for the Provision of Ancillary Services.

From 1 January 2020 to 1 January 2024, the Company generated revenues and expenses from the provision of balancing services and the calculation of balancing electricity through the process of imbalance of balance groups in accordance with the applicable Electricity Balancing Rules (HOPS 11/2019), the Discontinuance Liability Contracts signed with the Heads of Balance groups, and in accordance with the set of Auxiliary services contracts signed with HEP Proizvodnja d.o.o. and all other market providers of balancing services - mFRR.

During 2024 the Company generated revenues and expenses from the provision of balancing services and the calculation of balancing electricity through the process of imbalance of balance groups in accordance with the applicable Electricity Balancing Rules (HOPS 12/2023), Rules on non-frequency ancillary services for the transmission system (HOPS 12/2023), the Discontinuance Liability Contracts signed with the Heads of Balance groups, and in accordance with the set of Auxiliary services contracts signed with HEP Proizvodnja d.o.o. and all other market providers of balancing services – mFRR and aFRR.

39. RELATED PARTY TRANSACTIONS (continued)

Receivables and liabilities, as well as income and expenses with the Parent Company and other related parties, are listed in the table below.:

(in EUR ‘000)	2024	2023
Income and expenses		
Sales revenue		
Revenues from electricity transmission – HEP-ODS d.o.o., HEP Proizvodnja d.o.o. and EPK d.o.o.	193,108	184,749
Revenues from sales of balancing electricity – heads of balancing groups within the HEP Group	30,286	24,694
Revenues from sales of balancing electricity – HEP Proizvodnja d.o.o.	6,432	7,008
Revenues from providing services to HEP Telekomunikacije d.o.o.	2,544	2,529
Other sales revenue from related parties	787	1,410
	233,157	**220,390**
Expenses		
Other expenses		
- telecommunications service costs – HEP Telekomunikacije d.o.o.	6,029	5,897
- other operating expenses of related parties	1,305	2,281
	7,334	**8,178**
Transmission network loss costs (Note 11)	**-**	**2,172**
Balancing electricity costs (Note 11)		
- costs of purchasing balancing electricity – imbalance – heads of balancing groups within the HEP Group	11,153	7,749
- costs of purchasing balancing electricity – HEP Proizvodnja	21,063	15,959
	32,215	**23,708**
Costs of ancillary system services – HEP Proizvodnja d.o.o. (Note 11)	**44,932**	**45,442**
Financial expenses of HEP d.d.	1,853	2,093

39. RELATED PARTY TRANSACTIONS (continued)

(in EUR '000)	31 December 2024	31 December 2023
Receivables and liabilities		
Receivable from HEP d.d. and other HEP Group companies		
- for compensation for electricity transmission from HEP-ODS, HEP Proizvodnja d.o.o. and EPK d.o.o.	37,334	33,861
- for balancing electricity from the heads of balancing groups within the group (HEP d.d. and HEP ODS d.o.o.)	19,559	7,510
- for balancing electricity from HEP Proizvodnja d.o.o.	1,578	1,063
- other	521	941
	58,992	**43,375**
Liabilities to related parties		
Short-term liabilities		
- for due lease liabilities – HEP d.d.	263	1,535
- for balancing energy - from the head of balance groups within the group and HEP Proizvodnja d.o.o.	19,393	9,528
- for losses on the transmission network – HEP d.d.	-	208
- for received payment insurance deposits – HEP d.d. and HEP-ODS d.o.o., EPK d.o.o.	4,626	1,730
- for the calculated sub-loan interest on the – HEP d.d.	294	1,877
- received prepayments for connection from HEP d.d. and other companies	808	4,238
- other short-term liabilities to related parties	855	927
	26,239	**20,043**
Liabilities to HEP Proizvodnja d.o.o. for ancillary system services	9,355	9,211
Liabilities to HEP Proizvodnja d.o.o. for connection to the transmission network - received prepayments	158	158
	9,513	**9,369**
Total liabilities to related parties	**35,752**	**29,412**
Long-term liabilities		
Liabilities to HEP d.d. for sub-loan and loan (Note 30)	61,611	69,228
Liabilities to HEP d.d. for sold apartments (Note 30)	11	19
	61,622	**69,247**
Current maturity of long-term liabilities (Note 30)	(4,683)	(7,617)
	56,939	**61,630**

During the year ended 31 December 2024, the Company offset due liabilities and interest on sub-loans to related companies with receivables from related companies in the amounts of EUR 7,617 thousand relating to principal and EUR 3,436 thousand relating to interest (2023: EUR 12,321 thousand and EUR 450 thousand).

39. RELATED PARTY TRANSACTIONS (continued)

(in EUR '000)	**Expenses 2024**	**Expenses 2023**	**Income 2024**	**Income 2023**
Companies in majority ownership of the State				
Hrvatska burza električne energije d.o.o	28,993	38,903	3,033	3,329
HROTE d.o.o.	1,482	1,088	3,613	4,896
HŽ Infrastruktura d.o.o.	4	2	1,791	1,849
Legislative, executive and other bodies of the Republic of Croatia	-	-	14,860	11,888
Hrvatske šume d.o.o.	14	217	-	-
Narodne novine d.d.	50	36	-	-
Croatian Radio Television	70	70	-	-
Healthcare institutions and organizations	26	90	-	-
Universities and polytechnics	202	383	-	-
Jadrolinija d.d.	24	22	-	-
Other users	307	14	-	-
TOTAL	**31,172**	**40,825**	**23,297**	**21,962**

(in EUR '000)	**Receivables 31 December 2024**	**Receivables 31 December 2023**	**Liabilities 31 December 2024**	**Liabilities 31 December 2023**
HŽ Infrastruktura d.o.o.	173	173	1,891	1,891
HROTE d.o.o.	-	626	1,616	47
Legislative, executive and other bodies of the Republic of Croatia	1,281	1,892	-	-
Hrvatska burza električne energije d.o.o.	417	30	787	151
Other users	89	53	454	77
TOTAL	**1,960**	**2,774**	**4,748**	**2,15**

40. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities are possible liabilities, or liabilities for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the liability, or the amount of the liability cannot be estimated reliably. The Company's financial liabilities not included in the Statement of Financial Position, and for which the Company issued as collateral for loan and other contractual obligations as of 31 December 2024, amount to EUR 146,548 thousand (31 December 2023: EUR 166,675 thousand).

The Company, as a shareholder in the Hrvatska burza električne energije d.o.o., is ready to provide all funds necessary for the Company to continue operating and meet its due liabilities.

Liabilities arising from operations

As of 31 December 2024, the Company had concluded contracts under which investments in various facilities and equipment had begun but not been completed. The value of contracted unfinished works for the most significant projects amounted to EUR 46,805 thousand (2023: EUR 131,962 thousand).

Environmental protection

The Company continuously monitors and analyses the impact of its business processes on the environment. The most important indicators of such impacts are emissions of pollutants into the air and the amount of generated production waste, about which the Company timely and objectively reports to the relevant institutions, local government units and the interested public. Employees involved in nature and environmental protection receive additional training at seminars and workshops, where they are informed about the obligations and activities arising from the provisions of legal regulations in the field of nature and environmental protection. The Company has a system for monitoring expenditures for nature and environmental protection (RETZOK) that has been monitoring all expenditures for nature and environmental protection since 2004.

The Company is continuously analysing and preparing for compliance with obligations arising from EU legislation regarding stricter limit values for pollutant emissions and reduction of greenhouse gas emissions, the greenhouse gas emission allowance trading scheme, integrated environmental protection conditions (so-called “environmental permits”), the system of ecologically significant areas and ecological corridors (National Ecological Network).

41. FINANCIAL INSTRUMENTS

Capital risk management

Gearing ratio

The Company manages its capital to ensure that it will be able to continue as a going concern simultaneously increasing the return to owners through optimizing the ratio of debt to capital. The Management Board monitors the capital structure on a semi-annual basis. As part of this monitoring, the Management Board analyses the cost of capital, and the risks associated with each capital item. The ratio of net debt to principal on the reporting date was as follows:

(in EUR '000)	**31 December 2024**	**31 December 2023**
Loan debt	(66,746)	(80,504)
Short-term financial assets	2,907	3,005
Cash and cash equivalents	87,516	85,995
Net debt	23,676	8,496
Capital	785,935	735,882
Debt to equity ratio	**3.01%**	**1.15%**

41. FINANCIAL INSTRUMENTS (continued)

Capital risk management (continued)

Debt is defined as a liability for long-term and short-term sub-loan liabilities and other long-term liabilities to related parties. Principal includes all capital and all reserves.

Categories of financial instruments

(in EUR '000)	**31 December 2024**	**31 December 2023**
Financial assets		
Receivables from the sale of apartments	16	41
Trade receivables	19,191	28,782
Receivables from related parties	58,992	43,375
Other current assets	34,824	22,718
Current financial assets	2,907	3,005
Cash and cash equivalents	87,516	85,995
Total loans and receivables at amortized cost	**203,446**	**183,916**

(in EUR '000)	**31 December 2024**	**31 December 2023**
Financial liabilities		
Loan liabilities	66,746	85,013
Other long-term liabilities	1,259	1,626
Trade payables	63,723	62,742
Liabilities to related parties	35,752	29,412
Other short-term liabilities	57,280	57,093
Total financial liabilities at amortized cost	**224,760**	**234,699**

Fair value of financial instruments

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

- the fair value of other financial assets and other financial liabilities is determined in accordance with pricing models, based on the analysis of discounted cash flows using prices from known market transactions and prices offered for similar instruments

Financial instruments held to maturity in the normal course of business are recorded at cost or net amount less any portion repaid.

Fair value is determined as the amount at which a financial instrument could be sold in an arm's length transaction between willing, knowledgeable parties, except in a forced sale or for the liquidation purposes.

41. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

The fair value of a financial instrument is that which is published on the securities market or obtained using the discounted cash flow method.

The Management Board believes that as of 31 December 2024, the carrying amounts of financial assets and liabilities and investment properties approximate their market values.

Financial risk management objectives

The Finance function within the Company provides business support, coordinates access to domestic and international money and capital markets, monitors and manages financial risk related to the Company's operations through internal risk reports that analyse exposure by degree and impact of risk. The most important risks include market risks (risk of exchange rate changes, risk of interest rate and price changes), credit risk and risk of possible insolvency. The most important risks, together with the methods used to manage these risks, are described below.

Market risks

(i) Price risk

The Company is exposed to international markets and is financed through loans denominated in foreign currencies to a significant extent. As a result, the Company is subject to the impact of exchange rate differences and changes in interest rates. The Company is also exposed to the risk of non-collectability of receivables due to the sale of services with deferred payment.

(ii) Currency risk

The Company carries out certain transactions in foreign currency and is therefore exposed to the risks of exchange rate changes. The carrying value of assets and liabilities expressed in foreign currency is not significant and the Company's exposure to currency risk is minimal.

Currency risk sensitivity analysis

Until 31 December 2022, the Company was mainly exposed to the currency risk of changes in the exchange rate of the HRK against the EUR. Given that the Republic of Croatia introduced EUR as the official payment currency on 1 January 2023 and fixed the HRK exchange rate to EUR (1 EUR = 7.53450 HRK), exposure to foreign exchange rate changes no longer represents a risk for the Company. Exposure to exchange rate changes was mostly related to the balances of loans received, suppliers, trade receivables and deposits expressed in euros (EUR).

The Company is not currently hedging against currency risk related to other currencies.

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives (continued)

Market risks (continued)

(iii) Interest rate risk management

Because it uses loans with fixed interest rates, it is not exposed to the risk of interest rate changes. The Company is exposed to interest rate risk to the extent that the Parent Company is exposed to it.

Interest rate risk sensitivity analysis

The sensitivity analysis below is based on the exposure to interest rate risk at the reporting date. For liabilities with variable interest rates, the analysis is prepared assuming that the amount of liabilities stated at the reporting date was valid throughout the year. The Company does not currently hedge interest rate risk given that all liabilities are contracted at a fixed interest rate and since the assessment of the potential impact of interest rate changes is not considered significant.

Credit risk management

Credit risk refers to the risk that a counterparty will not meet its contractual obligations, resulting in a financial loss for the Company.

The Company does not have significant credit risk exposure to any customer outside the Group or to a group of customers with similar characteristics. The Company defines customers as having similar characteristics if they are related parties. The most significant customer is the related party HEP-ODS and accounts for more than 33% of receivables as of 31 December 2024.

The carrying amount of financial assets presented in the financial statements, net of impairment losses, represents the Company's maximum exposure to credit risk without considering the value of collateral received.

Liquidity risk management

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

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk analysis

The tables below show the contractual maturities of financial liabilities and financial assets reported in the Statement of Financial Position at the end of the reporting period. The tables are prepared based on undiscounted cash flows to maturity and include cash flows for principal and interest.

As of 31 December 2024	**Net carrying value**	**Contracted cash flows**	Up to one year	1 – 2 years	2 – 5 years	Over 5 years
			(in EUR '000)			
Non-interest-bearing liabilities:						
Liabilities for sold apartments	**12**	**12**	12	-	-	-
Trade payables	**63,723**	**63,723**	63,723	-	-	-
Liabilities to related parties	**35,752**	**35,752**	35,752	-	-	-
Other short-term liabilities	**57,280**	**57,280**	57,280	-	-	-
	156,767	**156,767**	**156,767**	**-**	**-**	**-**
Interest-bearing liabilities:						
Loan liabilities	**66,746**	**70,263**	8,722	3,766	57,775	,
Lease liabilities	**1,247**	**1,500**	356	356	548	240
	67,993	**71,763**	**9,078**	**4,122**	**58,323**	**240**
Total	**224,760**	**228,530**	**165,845**	**4,238**	**58,323**	**240**

As of 31 December 2023	**Net carrying value**	**Contracted cash flows**	Up to one year	1 – 2 years	2 – 5 years	Over 5 years
			(in EUR '000)			
Non-interest-bearing liabilities:						
Liabilities for sold apartments	**28**	**28**	28	-	-	-
Trade payables	**3,458**	**3,458**	104	104	3,250	-
Liabilities to related parties	**62,742**	**62,742**	62,742	-	-	-
Other short-term liabilities	**29,412**	**29,412**	29,412	-	-	-
Non-interest-bearing liabilities:	**57,093**	**57,093**	57,093	-	-	-
	152,733	**152,733**	**149,379**	**104**	**3,250**	**-**
Interest-bearing liabilities:						
Loan liabilities	**85,013**	**89,493**	13,073	8,773	67,647	-
Lease liabilities	**614**	**636**	212	212	212	-
	85,627	**90,129**	**13,285**	**8,985**	**67,859**	**-**
Total	**238,360**	**242,862**	**162,664**	**9,089**	**71,109**	**-**

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk analysis (continued)

As of 31 December 2024	**Net carrying value**	**Contracted cash flows**	Up to one year	1 – 2 years	2 – 5 years	Over 5 years
			(in EUR '000)			
Non-interest-bearing assets:						
Long-term receivables	**16**	**16**	16	-	-	-
Trade receivables	**19,191**	**19,191**	19,191	-	-	-
Receivables from related parties	**58,992**	**58,992**	58,992	-	-	-
Other current assets	**34,824**	**34,824**	34,824	-	-	-
Current financial assets	**23**	**23**	23			
	113,046	**113,046**	**113,046**	**-**	**-**	**-**
Interest-bearing assets:						
Current financial assets	**2,884**	**2,913**	2,913	-	-	-
Cash and cash equivalents	**87,516**	**89,266**	89,266	-	-	-
	90,400	**92,179**	**92,179**	**-**	**-**	**-**
Total	**203,445**	**205,225**	**205,225**	**-**	**-**	**-**

As of 31 December 2023	**Net carrying value**	**Contracted cash flows**	Up to one year	1 – 2 years	2 – 5 years	Over 5 years
			(in EUR '000)			
Non-interest-bearing assets:						
Long-term receivables	**41**	**41**	28	13	-	-
Trade receivables	**28,782**	**28,782**	28,782	-	-	-
Receivables from related parties	**43,375**	**43,375**	43,375	-	-	-
Other current assets	**23**	**23**	23	-	-	-
Current financial assets	**6,357**	**6,357**	6,357	-	-	-
	78,578	**78,578**	**78,565**	**13**	**-**	**-**
Interest-bearing assets:						
Current financial assets	**2,982**	**3,012**	3,012	-	-	-
Cash and cash equivalents	**85,995**	**87,715**	87,715	-	-	-
	88,977	**90,727**	**90,727**	**-**	**-**	**-**
Total	**167,555**	**169,305**	**169,292**	**13**	**-**	**-**

42. EVENTS AFTER THE REPORTING DATE

There were no other events after the reporting date that would have a significant impact on the Company's annual financial statements for 2024, and which would therefore need to be disclosed.

43. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Management Board adopted the annual financial statements and approved their issuance.

Signed on behalf of the Company on 29 April 2025

Darko Belić	Dejan Liović	Igor Ivanković
Member of the Management Board	Member of the Management Board	President of the Management Board

HOPS
Hrvatski operator prijenosnog sustava d.d.
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