



**Croatian Transmission System Operator Plc.**

**ZAGREB**

**Annual Financial Statements**

**as of and for the year ended 31 December 2025**

# Content

	<i>Page</i>
Management Report	2-56
Management's responsibility for the annual financial statements	57
Independent Auditors' Report	58-64
Statement of Comprehensive Income	65
Statement of Financial Position	66
Statement of Changes in Equity	67
Statement of Cash Flows	68
Notes to the financial statements	69-135



Hrvatski operator prijenosnog sustava d.d.

**Management report  
of the  
Croatian Transmission System Operator Plc.  
for the year 2025**

**Zagreb, 2026**

# Management Report

## Croatian Transmission System Operator Plc. 2025

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### **DEVELOPMENT AND ORGANIZATIONAL STRUCTURE OF THE COMPANY**

#### **History of development and management**

In the context of restructuring of the Croatian electric power system, the Croatian company 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 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 public limited company was registered in the Court Register. This company operates and participates in legal transactions under the company name Croatian Transmission System Operator Plc., (abbreviated: HOPS dd., hereinafter: company or HOPS).

HOPS is the only electricity transmission system operator in the Republic of Croatia 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 public limited 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 (hereinafter: EMA), especially in Art. 86-91

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 performed 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 behavioural biases, the manner of monitoring the compliance and determines the special obligations of employees related to the fulfilment of these objectives. 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 Southeast Europe (SEE CAO) 12.50%
- (5) Joint Auction Office (JAO) 3,84%

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 electric 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, 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 EU, 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 almost 70 years, through 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 Republic of Croatia. In addition to sectors and transmission areas, three independent organizational units at the Company's Management Board perform as a support for the

# Management Report

## Croatian Transmission System Operator Plc. 2025

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Management Board (Executive Office), Internal audit, and activities related to EU projects and programs.

On 31 December 2025 the Company had 1,199 employees, 17 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:

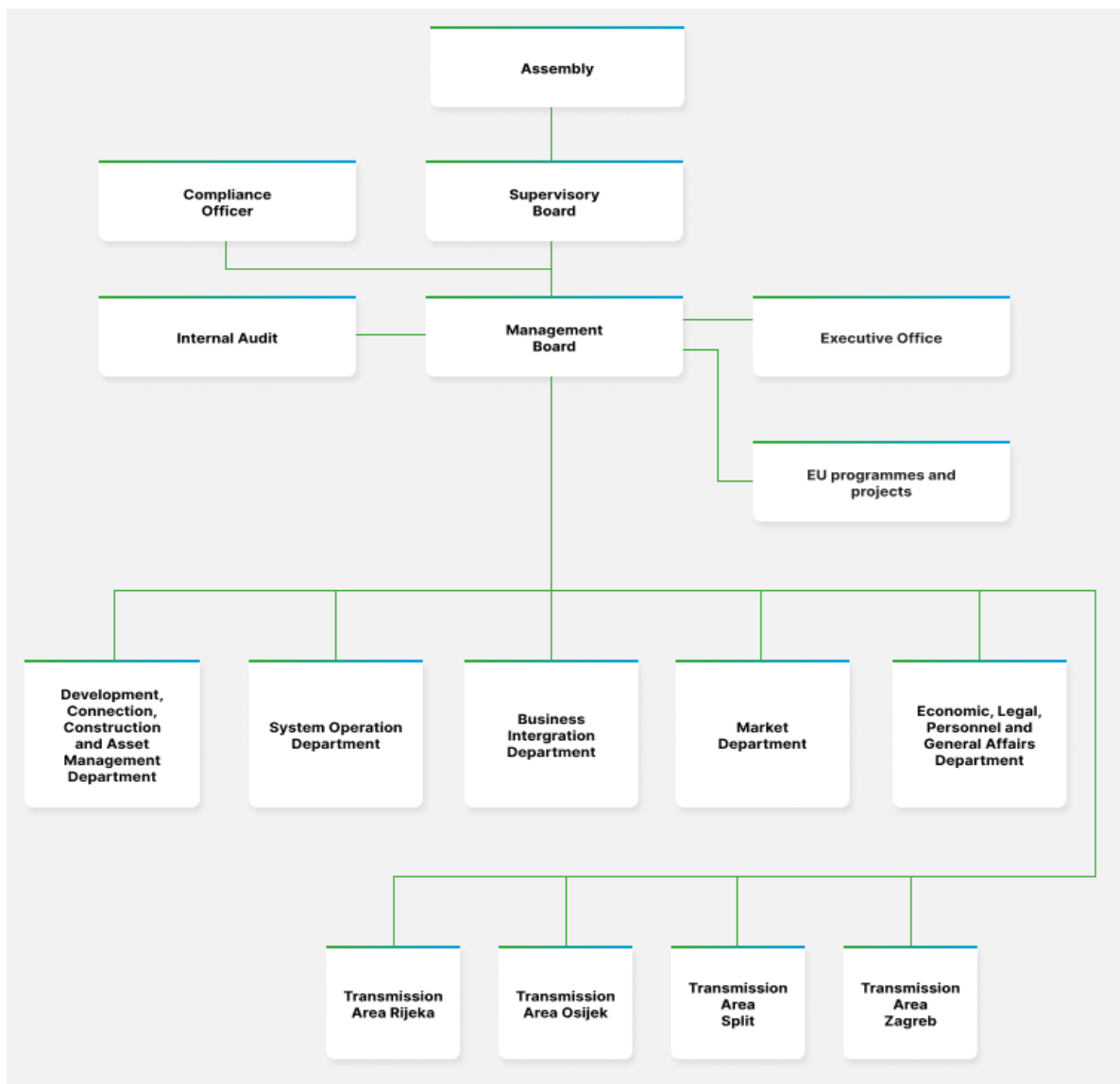
- Joško Grašo – Chairman of the Supervisory Board
- Srđana Delaš – Deputy Chairman of the Supervisory Board
- Krešimir Ugarković – Member
- Nikola Jaman – Member
- Dinko Andabaka – Member of the Supervisory Board until July 15, 2025

Audit Committee since 14 January 2019:

- Drago Jakovčević, Ph.D., President (independent external member)
- Mihovil Anđelinović, Ph.D. (independent external member)
- 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:

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



Picture 1. The Company's organizational scheme (31 December 2025)

**Internal supervision**

In order to ensure a systematic approach in the field of managing possible business irregularities, conflicts of interest and corrupt practices, in 2025 HOPS continued to carry out regular activities of systematic supervision of internal controls in certain business areas, through regular engagements carried out by employees of the Internal Audit.

During 2025, 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 Law on the Internal Control System in the Public Sector (Official Gazette Nos. 78/15, 102/19, and 105/25; hereinafter: the PIFC Law), which entered into force on

# Management Report

## Croatian Transmission System Operator Plc. 2025

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31 July 2025, HOPS became, for the first time, an entity obliged to apply this Law pursuant to Article 3, paragraph 4. This is due to the fact that its parent company, HEP, is subject to the application of the PIFC Law, while HOPS, based on the previous amendments to the Fiscal Responsibility Act that entered into force on 29 July 2023, is listed in the Register of Companies and Other Legal Entities Obligated to Submit a Statement of Fiscal Responsibility maintained by the Ministry of Finance.

Amendments to the aforementioned laws have strengthened state supervision over the internal control functions in HOPS. In accordance with this, HOPS has initiated activities to align internal acts in the field of internal auditing, in accordance with the deadline from Article 47 of the PIFC law.

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 2025, there were significant changes in the legislative framework related to HOPS operations, as some fundamental laws were amended: (such as the Energy Act, Act on Renewable Energy Sources and High-Efficiency Cogeneration, Act on Energy Efficiency, etc.). HOPS regularly monitored regulations that were in the legislative procedure during 2025 (regulations on e-Consultation, submitted to parliamentary procedure, etc.), and participated in e-Consultation for numerous regulations (Law on Renewable Energy Sources and High-Efficiency Cogeneration, Law on Energy Efficiency, Law on Construction, Law on Legal Entities Owned by the Republic of Croatia, Ordinance on Publishing and Reporting on the Business Operations of Legal Entities Owned by the Republic of Croatia, Ordinance on the Function of Monitoring Compliance in Legal Entities Owned by the Republic of Croatia, etc. Among the more important regulations whose adoption is not within the Company's competence, and which were adopted during 2025, the Critical Infrastructure Act, the Act on Legal Entities Owned by the Republic of Croatia, and the Act on Amendments to the Act on the Internal Control System in the Public Sector of 23 July 2025 are significant for HOPS operations, making HOPS obliged to implement the aforementioned Act.

In 2025, Regulation (EU) 2025/38 of the European Parliament and of the Council of 19 December 2024 laying down measures to enhance solidarity and capacities across the Union to detect, prepare for and respond to cyber threats and incidents, and amending Regulation (EU) 2021/694 (Cyber Solidarity Act), which is a significant EU act in the field of detection, preparation and response to cyber incidents, entered into force.

Of the other relevant EU regulations (directives and regulations), there were no significant amendments in 2025 that would be significant for the operations of HOPS.

### **Unit price proposal for connecting to the 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 (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

# Management Report

## Croatian Transmission System Operator Plc. 2025

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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 and a unit price for creating technical conditions in the high-voltage network 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 2025, 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. In March 2025, HOPS invited HERA to respond to the submitted objections to the proposed connection agreements for projects from the 2024. By the end of 2025, HOPS had not received a response from HERA regarding the submitted proposal.

In October 2025, HERA conducted a public consultation for the new Methodology (in which HOPS also participated), but the outcome of the consultation was not known at the time of writing this document.

### **Rules on the Connection to the Transmission Network**

During 2025, HOPS continued to implement connection procedures in accordance with the Rules on Connection to the Transmission Network, primarily as regards the procedures for the preparation of the Grid Connection Study (hereinafter: GCS) and the issuance of preliminary opinions, the preparation of the Elaboration of the Optimal Technical Connection Solution (hereinafter: 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 EMA and the Rules on Connection to the Transmission Network. (more in point 1.10).

### **Ten-year transmission network development plan 2025 - 2034, with detailed elaboration for the initial three-year and one-year periods**

In accordance with Article 104 of the EMA, the transmission system operator shall submit to HERA for approval, by 30 September of each year at the latest, an updated ten-year transmission network development plan based on existing and projected generation and system load, after consulting all relevant stakeholders. The ten-year transmission network development plan shall contain effective measures to guarantee the sufficiency of the transmission network and the security of supply in the transmission system.

According to HERA's request, in the first half of 2025, an update and submission of the revised Ten-year transmission network development plan for the period 2025-2034 was requested. HOPS submitted the updated proposal to the Ministry of the Economy (hereinafter: MoE) for approval in July 2025. This slowed down the activities on the development of the plan proposal for the period 2026-2035.

Based on the letter from the MoE dated 12 November 2025, it was requested to submit a plan for the period 2026–2035 with a detailed elaboration on the four given scenarios. HOPS continued activities on developing a draft plan for the period 2026-2035. The bases for the preparation of the subject plan, prepared by the Energy Institute Hrvoje Požar, were completed in December 2025, because they could not be prepared earlier due to the completion of the

# Management Report

## Croatian Transmission System Operator Plc. 2025

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connection procedure from 2024, i.e., the preparation of the Joint Analysis of the Required STUMs and Operational Limits for all 45 power plants from 2024, the preparation of which was requested by HERA, and which represents the input data for the preparation of the subject bases. Due to the above, it was not possible to complete the preparation of the plan proposal within 30 days, and the consent of the MoE was obtained on 4 February 2026. for scenarios 1 and 2.1, which enable investment in revitalization and investments for security of supply, as well as investments in connections for which connection contracts have been concluded. In addition, it is possible to invest in the preparation of the 400 kV program.

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

In accordance with Article 52, paragraphs 27 to 30 of the EMA, and based on Article 13 of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market in electricity (hereinafter: Regulation 2019/943), the Company is obliged to adopt the Rules on Congestion Management in the Transmission System, which will replace the currently valid Rules for Congestion Management within the Croatian EPS, including interconnectors (HOPS, 4/2021). At the beginning of 2022, the company initiated the development of new Rules on Congestion Management in the Transmission System, but the complexity of the issue and the absence of the adoption of related bylaws influenced the postponement of their adoption in 2025 with information on the issues of HERA.

### **Requirements of the Regulation (EU) 2019/943**

During 2025, the implementation of the action plan adopted in accordance with Article 15 of Regulation 2019/943 continued. By submitting four 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.

In the Croatian bidding zone, a 15-minute billing interval (15 min ISP) on the electricity market has been successfully introduced as of 1 January 2024.

Croatian market participants in wholesale markets, from January 1, 2024, were able to balance their market positions on a 15-minute level bilaterally within the Croatian trading zone from the start of the introduction of the 15-min ISP on January 1, 2024, and cross-border by using the connected (via Single Intraday Coupling - SIDC) intraday CROPEX ID market across the Slovenian-Croatian and Hungarian-Croatian borders from January 10, 2024.

The first monthly deviation calculation in the Croatian EPS, at the 15-minute level, was successfully carried out in February 2024, for January 2024.

On the day-ahead market of the CROPEX DA market, the 15-minute trading time unit (MTU) was successfully put into operation on 30 September 2025, with the delivery date of 1 October 2025.

The EU Agency for the Cooperation of Energy Regulators (ACER), on January 24, 2020, adopted the implementation legal (executive) frameworks (Implementation Frameworks) for the common European platforms for the exchange of balancing energy from mFRR and aFRR power reserves (mFRR Implementation Framework, mFRR IF and aFRR Implementation Framework, aFRR IF).

# Management Report

## Croatian Transmission System Operator Plc. 2025

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Article 20, paragraph 6, and Article 21, paragraph 6, of the EB GL Regulation stipulate that within 30 months from the approval of the proposal of the implementation framework for the common European platforms for the exchange of balancing energy from mFRR and aFRR power reserves, all transmission system operators must introduce and put into operation the platforms for the exchange of balancing energy from frequency restoration reserves with manual or automatic activation and through them provide all balancing energy offers from all standard products for aFRR and mFRR reserves.

Based on Article 62 of the EB GL Regulation, HERA, at the 15th session of the Management Board held on 23 July 2021, adopted a Decision granting HOPS authorization to deviate from the obligations prescribed by Articles 20 and 21 of the EB GL Regulation for the period from 24 July 2022 to 24 July 2024. Until 31 December 2025, neither neighbouring transmission system operators nor HOPS were connected to the joint European platforms for the exchange of balancing energy from mFRR and aFRR power reserves (MARI and PICASSO platforms).

The adaptation of the existing HOPS IT systems, for the management of the EPS and support to the electricity market, as well as the establishment and testing of the new HOPS IT system related to the balancing of the EPS and the Power Grid Balancing Platform are in progress. With the start of operational work of the relevant modules of the EPS Balancing Platform and the fulfilment of all technical prerequisites, it is expected that HOPS will be operationally connected to the common European platforms for the exchange of balancing electricity (PICASSO and MARI platforms).

### **Sustainability reporting**

The Company will publish the Sustainability Report for 2025 (non-financial report) as a separate report on its website no later than 30 June 2026. The report will be prepared using the guidelines of the Global Reporting Initiative (GRI) standards and elements of the European Sustainability Reporting Standards (ESRS) will be used to the reasonably greatest possible extent. In accordance with the Accounting Act (Official Gazette 85/24, 145/24, 151/25), the obligation to include the sustainability report in the management report, prepared and presented in accordance with the European Sustainability Reporting Standards, for HOPS comes into force in 2028 for the period of 2027.

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**

#### **Transmission Network Usage Fee**

Pursuant to the Regulation on the elimination of disturbances in the domestic energy market (Official Gazette 31/2023) and the Regulation on Amendments and Supplements to the Regulation on elimination of disturbances in the Local Energy Market (Official Gazette 74/23, 107/23, 122/23, 32/24, 104/24, and 132/24) adopted by the Government of the Republic of Croatia (hereinafter referred to as: Regulation of the Government of the Republic of Croatia), HOPS submitted on September 30, 2024, to HERA a Request for Determination / Change of the Amount of Transmission Tariff Items for Electricity Transmission in 2025. In accordance with the requirements defined by the Regulation of the Government of the Republic of Croatia, an average increase in the fee for the use of the transmission network for 2025 was proposed for all categories of customers linearly by 12%. The same request also proposed the determination of the tariff element for billed peak power for producers on the transmission network in the amount of 0.125

# Management Report

## Croatian Transmission System Operator Plc. 2025

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EUR/kW. On December 12, 2024, HERA adopts the Decision on the amount of tariff items for electricity transmission, which applies from January 1, 2025, based on which the tariff items were increased linearly on an annual basis by 12%, while the proposal to establish the tariff element for billed peak power for producers on the transmission network was not approved. The decision was published in Official Gazette 145/2024 on December 13, 2024.

The Decree amending the Regulation of the Government of the Republic of Croatia of 16 September 2025 (Official Gazette 121/25) adopted a decision enabling the Company to submit a request to HERA for an increase in the amount of tariff items in 2026 up to a maximum of 10%, which ensures further alignment of regulated revenues with the changed market circumstances. On 30 September 2025, HOPS sent HERA a Request for the determination or change of tariff items for carry-over for 2026. Meeting the requirements defined by the aforementioned Regulation, 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, proposed an average increase in the fee for the use of the transmission network for 2026 for all categories of customers linear by 10%. According to the planned data, would mean an annual increase in revenues from the use of the transmission network of 23.1 million euros. HOPS has again proposed to determine the tariff element of the billing peak power for producers on the transmission network, but this time, in the amount of EUR 0.116/kW, which would mean an annual increase in revenues from the use of the transmission network of 4.9 million euros.

With the Decision on the amount of tariff items for the transmission of electricity, which applies from 1 January 2026 (Official Gazette 150/2025 of 11 December 2025), tariff items for final customers have increased linearly on an annual level by 10%. The same Decision for the first time determined the tariff item of the billed peak power for transmission system producers in the amount of 0.116 EUR/kW, which introduced a fee for the use of the network for the produced energy delivered to the network of the transmission system operator.

### **Extension of the Regulation on Amendments to the Regulation on the Elimination of Disturbances in the Domestic Energy Market**

Based on the Government of the Republic of Croatia Regulations, HOPS was granted, for the period from January 1 to March 31, 2025, recognition of the difference in electricity procurement prices to cover losses incurred from long-term contracts and trading on the exchange in the range of EUR 79.412/MWh to EUR 120.00/MWh. By the Regulation on Amendments and Supplements to the Government of the Republic of Croatia's Regulation of March 26, 2025 (Official Gazette 56/25), which was in force in the period from April 1 to September 30, 2025, the conditions for compensation have been changed, whereby the range of the guaranteed price of working energy has been expanded and established in the range of EUR 79.41/MWh to EUR 140.00/MWh, thereby providing greater protection against the volatility of electricity market prices.

By the Regulation amending the Regulation of the Government of the Republic of Croatia dated 16 September 2025 (Official Gazette 121/25), which is valid from 1 October 2025 to 31 March 2026, the compensation thresholds have been adjusted, with the range of the guaranteed price set from 91.32 EUR/MWh to 140.00 EUR/MWh. By applying the Regulation of the Government of the Republic of Croatia in 2025, HOPS achieved revenue in the total amount of 7.98 million euros.

### **Volatility of electricity prices**

The highest realized average daily price on the CROPEX electricity market in 2025 was 232.76 EUR/MWh, which represents a decrease of approximately 32% compared to the highest average daily price recorded in 2024. At the same time, the average price on the short-term day-ahead

# Management Report

## Croatian Transmission System Operator Plc. 2025

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market in 2025 was 105.03 EUR/MWh, indicating an increase of around 7% compared to the previous year.

Despite a slight increase in prices on the short-term day-ahead market, primarily due to the lower average long-term procurement price (94.62 EUR/MWh), the average price of total purchased electricity to cover losses in 2025 amounts to 99.43 EUR/MWh and is approximately 5% lower than the average procurement price in 2024. Since in 2025 a total of approximately 11 MWh, or about 2% less electricity, was purchased to cover losses compared to last year, the cost of purchasing electricity to cover losses in the transmission network amounted to approximately 7% less than in 2024, or 48.28 million euros. The costs of purchasing electricity to cover losses are in line with the planned costs.

After 2022, marked by significant disruptions and high volatility in electricity markets, and 2023, in which a gradual return of prices to more stable levels began, the market stabilization process continued during 2024. In 2025, this trend largely persisted with a further reduction in price volatility and a more noticeable predictability of market trends.

Despite the general stabilization, one of the important characteristics of the electricity market in 2025 remained the occurrence of negative prices in the short-term day-ahead market, especially during weekends and periods of increased production from renewable energy sources in the summer months. This phenomenon is primarily associated with the further growth of installed renewable energy capacities, particularly solar power plants, which under conditions of lower demand leads to a temporary surplus of supply in the market. Such market conditions indicate the continuation of structural changes in the wholesale electricity market and emphasize the importance of developing system flexibility, including energy storage and consumption adjustment.

### **Rebalancing of the Investment Plan**

By reviewing the implementation of the investment plan from the beginning to the middle of 2025, deviations in the planned pace of investment implementation were observed, and this had repercussions on the structure of the plan for 2025. In accordance with the latest findings from the assessment of the implementation of the investment plan for 2025, a different realization was determined compared to what was previously planned, and due to various reasons (delivery deadlines, work dynamics, lack of contractors, etc.), a reduced implementation was expected for a certain number of investments. For optimal planning of the final completion date on a smaller number of activities, implementation was accelerated. For certain investment, the need to change the originally nominated source of financing has also been identified, in order to ensure the financing structure in accordance with the available resources.

In mid-2025, based on an assessment of realization by the end of 2025, the company implemented a revision (reduction) of the investment plan by 21.18 million euros (Decision of the Supervisory Board No. 123.4.25 of July 9, 2025). The investment plan for 2025, initially adopted in the amount of 218.48 million euros, after the implemented revision, amounts to 197.25 million euros.

### **National Recovery and Resilience Plan 2021 - 2026**

On September 28, 2022, the Company signed a grant agreement no. NRRP.C1.2.R1-I1.01.0001 "Revitalization, construction, and digitalization of the energy system and accompanying infrastructure for the decarbonization of the energy sector" for the project of revitalization, construction, digitalization, and modernization of the Croatian transmission power grid, for the implementation period from February 1, 2020, to June 30, 2026. The project is financed by funds from the Recovery and Resilience Facility, which is part of the EU's strategy for green and digital transformation, with a total amount of 235.66 million euros, based on the signed Grant Agreement

# Management Report

## Croatian Transmission System Operator Plc. 2025

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of 218.16 million euros from September 2022 and amended by Annex I to the Agreement in November 2024, which increased the eligible project costs by an additional 17.50 million euros.

The contract covers the Company's projects that will enable increased integration of renewable energy sources and the use of new technologies as well as digitization projects. The projects comply with the 'do no significant harm' principle (DNSH), and their implementation is expected to stimulate a new investment cycle and initiate economic activities to enable the green energy transition.

In May 2022, the European Commission launched the REPowerEU plan in response to Russia's invasion of Ukraine and the use of energy resources as an economic weapon by Russia. The main objectives of the plan were energy savings, diversification of energy supply, and increasing the production of clean energy for the EU. Funding was provided through the REPowerEU chapter as a supplement to national recovery and resilience plans, and member states were given access to additional financial resources for implementing reforms and investments.

The Croatian chapter within the REPowerEU plan has been integrated into the revised National Recovery and Resilience Plan (hereinafter: NRRP), and the European Commission confirmed it in November 2023. This chapter provides additional funds for an accelerated energy transition, reducing dependence on fossil fuels from Russia, and strengthening energy security. The measures are aimed at green energy production, building energy efficiency, sustainable transport, and the development of hydrogen technologies.

As part of measure C7.1 RI-16 "Strengthening transmission and distribution capacities of the power system," new investments in the power system are planned as a continuation of the existing measures under investment C1.2. R1-I1 Revitalization, construction, and digitalization of the energy system and accompanying infrastructure for the decarbonization of the energy sector. Additional funds are allocated for the transmission power system, with plans to revitalize and reconstruct existing facilities in order to increase the reliability of the transmission EPS and improve the quality of electricity supply, upgrade the network infrastructure for the management of the transmission EPS, digitize processes for optimal transmission system management, and continue the modernization of the Croatian transmission power network. MoE of the Republic of Croatia published a public Call for Grant Allocation in December 2024 entitled 'Optimization, Digitalization and Revitalization of the Electric Power Infrastructure with the Aim of Strengthening the Croatian Transmission Power Network' (Call Code: NRRP.C7.1. R1-I6.01), a grant agreement worth 99.18 million euros was concluded with the Company on April 9, 2025.

The project implementation period is from February 1, 2022, to June 30, 2026, and the project itself represents one of the key steps in the modernization of the Croatian power grid. It is focused on optimizing the existing transmission network capacities to increase the security and stability of electricity transmission, as well as the digitalization of infrastructure for better management and operation of the EPS.

The key objectives of this project involve the investment in and reconstruction of at least two power plants and the replacement of at least eight energy transformers. The project includes five groups of activities: an energy transformer replacement program, the construction of new transmission network components and the use of advanced software solutions, plant reconstructions, the upgrade of the existing management system of the Croatian transmission network and the power system, and the revitalization of existing plants.

This project is not just an infrastructure investment, but also a strategic reform that positions Croatia towards a smart and sustainable energy future.

Almost four years later, it is clear that the REPowerEU plan played a key role in protecting EU citizens and businesses from energy shortages. Through the joint efforts of member states, Europe has not only significantly reduced its imports of Russian energy, but has also accelerated its transition to clean energy and stabilized prices.

# Management Report

## Croatian Transmission System Operator Plc. 2025

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All indicators defined by the end of 2025 in contract no. NRRP.C1.2. R1-I1.01.0001 "Revitalization, construction, and digitalization of the energy system and supporting infrastructure for the decarbonization of the energy sector" are successfully fulfilled by the end of 2025.

The necessary building permits have been obtained, the replacement of submarine cables connecting the islands has been carried out, and the upgrade of more than 300 km of the transmission network has been completed. By mid-2026, the completion of projects to increase the capacity of transformers in TS Konjsko and RHE Velebit is planned, as well as the completion of more than 250 km of additional revitalized power lines through the increase of transmission capacity.

### **Significant operational events**

During 2025, no significant operational events were recorded that resulted in an interruption in the supply of substantial amounts of electricity.

### **Request for the rescheduling of an existing loan by concluding an addendum to the Long-Term Loan Agreement No. 5/2022**

In June 2025, the company, with the aim of optimizing repayment conditions and maintaining the stability of financial operations, taking into account long-term liquidity needs and investment plans, opened negotiations with HEP regarding the rescheduling of the existing long-term loan number 5/2022, concluded on November 30, 2022, under which HOPS is obliged to repay the total principal amount to HEP in the amount of 56.93 million euros, in a single payment due on April 30, 2027. HOPS, in accordance with Articles 12 and 13 of the Agreement on Mutual Relations of July 2, 2013, and Annex No. 1 to the Agreement on Mutual Relations of August 24, 2017, which regulate mutual rights and obligations arising from HEP ownership rights in the areas of finance, controlling, and accounting, taking into account the limitations arising from the provisions of the Electricity Market Act, on November 25, 2025, sent HEP a Request for the rescheduling of the existing loan by concluding an addendum to the Long-Term Loan Agreement No. 5/2022. The proposed terms envisaged repayment of the principal on a semi-annual basis in 10 instalments of E 2.00 million euros each, with the first instalment due on 30 June 2026, while the remaining amount of 36.93 million euros would become due in a lump sum upon the final maturity of the loan on 30 June 2031.

Interest payments were also proposed to be made semi-annually, in 10 instalments calculated on the outstanding principal amount, with the first interest payment due on 30 June 2026.

### **Increasing the material rights of employees**

The substantive 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 the increase in the cost of living between the parties to the Collective Agreement, in April 2025, an Agreement was concluded on increasing the value of the point and material rights in terms of harmonization with the non-taxable amounts prescribed by the Ordinance on Income Tax. In accordance with the provision of Article 147. the parties to the Collective Agreement are obliged to start negotiations on concluding a new Agreement at least 90 days before the expiry of the period for which the Collective Agreement was concluded. Negotiations on the conclusion of a new Collective Agreement for HOPS began within the specified deadline and it was concluded on 30 December 2025 between HOPS as an employer and two representative trade unions (Independent Union of Employees of Croatian Electric Power Company and Croatian Electrotechnical Union)

# Management Report

## Croatian Transmission System Operator Plc. 2025

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### **Introduction of Fiscalization 2.0**

During 2025, the Company began preparatory actions related to the introduction of Fiscalization 2.0 in accordance with the provisions of the Fiscalization Act, which came into force on September 1, 2025 (Official Gazette 89/2025), with the start of application in business-to-business operations on January 1, 2026.

The activities included analyzing legal obligations, preparing specifications for adapting business applications, implementing upgrades, testing the system, and successfully deploying upgrades into production at the beginning of 2026, thereby achieving compliance with legal provisions.

In line with further development of functionalities on the side of information intermediaries for fiscalization and the need to simplify internal business processes related to the procedures for issuing e-Invoices and monitoring receivables collection, further development of business applications continued during 2026.

### **Independence of the information system**

During 2025, the Company independently carried out all business activities related to the maintenance and upgrade of the information system, and continued to invest continuously in the upgrade of its ICT infrastructure.

Significant events related to the above:

- CyberArk system installed for monitoring remote connections via VPN system to HOPS's key systems
- upgrade of HOPS's integrated information system for business management under the new Fiscalization Act
- the second phase of the upgrade of HOPS's existing ERP system has been completed
- document signing with a qualified electronic signature with a timestamp, FINA signing solution and electronic signing of public procurement documents have been introduced
- the first phase of the project with the implementation of the system in HOPS production in relation to recording IT equipment through the asset management system commercially known as Maximo has been completed
- through the ERP replacement project with a global solution, workshops were held related to the preparation of functional and non-functional specifications for procurement documentation of the new ERP
- continuous upgrades of the system supporting the functions of managing the electric power system have been carried out.

During 2025, planned activities aimed at ensuring and improving regulatory compliance of business, market, and information systems continued.

### **Electrical power indicators**

The load on the Croatian EPS is calculated as the sum of the production on the transmission network, distribution network and exchange (import – export) of electricity minus the electricity supplied by energy storage devices (pumped-storage hydro power plants in pumped storage mode and battery storage tanks). HOPS does not have access to all the amounts of electricity produced on the distribution network, which greatly complicates the assessment of the load on the Croatian EPS. According to the data of HEP - Distribution System Operator Ltd. (hereinafter: HEP-ODS), the total connection capacity of power plants connected to the distribution network

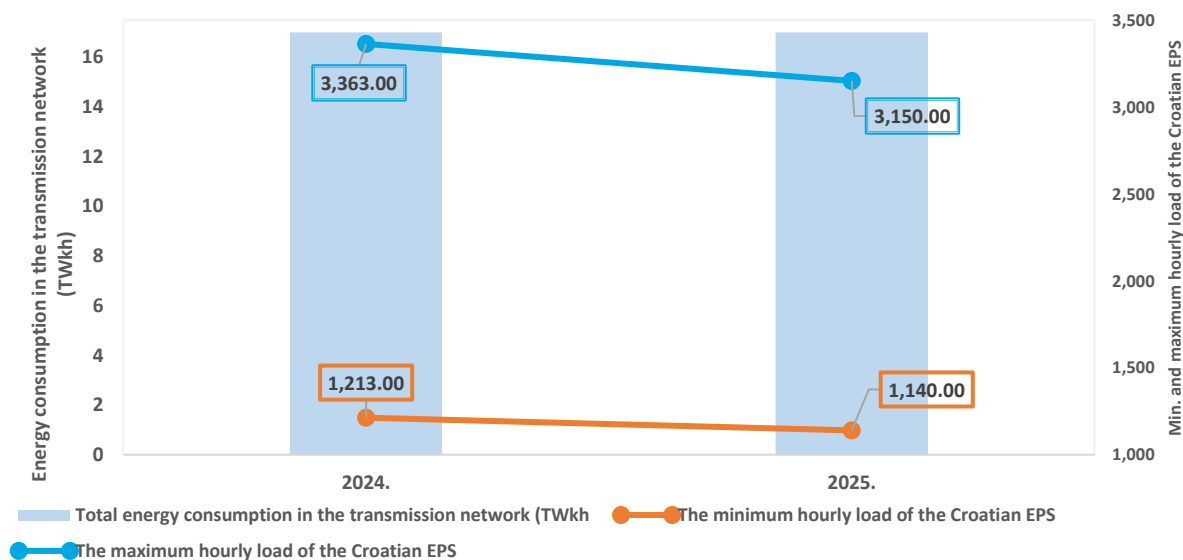
# Management Report

## Croatian Transmission System Operator Plc. 2025

on 31.12.2025 amounted to 1,540 MW. Power plants connected to the distribution network increase the security of supply to the Croatian EPS with their production, and the amounts of electricity produced can be found in the document Annual Report on Security of Supply in the Distribution System for the previous calendar year with a projection for the current calendar year prepared by HEP-ODS in accordance with Article 73, paragraph 6 of the Act. EMA. According to the data available to HOPS, the load of the Croatian EPS in 2025 was 18.229 TWh. The maximum hourly load of the Croatian power system in 2025 was recorded on July 3 at 8 p.m., and amounted to 3,150 MW. The minimum hourly load in 2025 was recorded on April 20 at 4 p.m., and amounted to 1,140 MW.

In 2025, there was a slight increase in total electricity consumption on the Croatian transmission network. Electricity consumption on the transmission network with losses amounted to 17 TWh and remained at the same level as in 2024.

In 2025, a total of 24.4 TWh of electricity was transmitted, which represents a decrease of 3.17% compared to 2024. Transmission network losses amounted to 461 GWh, which is 1.51% lower compared to 2024, or 1.89% of the total amount of electricity transmitted in 2025, which is 0.04 percentage points higher compared to 2024.



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

### Integration of renewable energy sources

During 2025, HOPS issued data on the state of the transmission network to authorized companies for the preparation of GCS for 56 RES projects (including battery storage) with a total capacity of 4509.03 MW.

The division of requests for the provision of data on the state of the transmission network for the preparation of GCS in 2025 according to individual technologies is as follows:

- 16 battery storage units with a capacity of 985.99 MW
- 1 geothermal power plant with a capacity of 15 MW
- 8 hybrid plants with a capacity of 565 MW
- 18 solar power plants with a capacity of 1917.1 MW

# Management Report

## Croatian Transmission System Operator Plc. 2025

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- 13 wind power plants with a capacity of 1025.94 MW

In 2025, HOPS, at the request of authorized GCS developers, revised 56 GCS and issued 56 preliminary opinions on the possibility of connecting to the transmission network for RES projects (including battery storage) with a total capacity of 4328.23 MW.

The distribution of issued preliminary opinions in 2025 by individual technologies is as follows:

- 16 battery storage units with a capacity of 890.49 MW

- 11 hybrid plants with a capacity of 999.2 MW

- 1 hydroelectric plant with a capacity of 0 MW

- 15 solar power plants with a capacity of 1575.6 MW

- 13 wind power plants with a capacity of 862.94 MW

HOPS also continued to carry out the connection procedures of 45 projects that submitted a request for the submission of data on the state of the transmission network for the development of the Report on the optimal technical solution for connection in May 2024 (hereinafter: the 2024 connection procedures), in such a way that in September 2025 it submitted to them proposals for a contract on connection to the transmission network. The connection capacity of the projects in question is 2638 MW.

Most investors have filed objections to the proposals of the contract on connection to the transmission network to HERA. Since the aforementioned objections have still not been decided and HOPS cannot continue the connection procedures from 2024 until the decision on the objections is made, this poses a great risk and uncertainty in the business of HOPS.

In 2025, the WPP Opor (27 MW), the WPP Boraja II (45 MW), the SPP Izlazak 1 (9.9 MW) and the SPP Izlazak 2 (7.6 MW), were connected to the transmission network.

### **FINANCIAL POSITION AND BUSINESS PERFORMANCE**

In 2025, operating earnings (EBIT) were realized in the amount of 99.53 million euros compared to 2024, which is an increase of 38.12 million euros or 62.1% compared to 2024.

In 2025, operating income grew, amounting to 446.16 million euros, which is 37.36 million euros (9.1%) more than in 2024, while operating expenses decreased, amounting to 346.63 million euros, which is 0.76 million euros (0.2%) lower than in 2024.

The company achieved significant operating profit due to record profit from cross-zonal capacity allocation (hereinafter referred to as PK), which was achieved in 2025 in the amount of 63.23 million euros, which is 9.55 million euros (17.8%) more than in 2024. The remaining operating profit in the amount of 36.31 million euros was generated on the basis of the net profit from electricity balancing (the difference between net billing revenues and the net cost of electricity procurement) in the amount of 27.92 million euros. In addition, income from the reimbursement of part of the costs for the purchase of electricity to cover losses, which amounted to 7.98 million euros, achieved on the basis of the Regulations on Amendments to the Regulation on the Elimination of Disturbances in the Domestic Energy Market. If the aforementioned net revenues are excluded from the structure of the achieved operating result, which show marked variability over the years because they depend on market circumstances, the level of deviations, energy prices and the conditions of cross-border flows, the Company would make an operating profit of 0.41 million euros.

# Management Report

## Croatian Transmission System Operator Plc. 2025

In 2025, the Company achieved a loss from financial activities in the amount of 0.26 million euros, which is in line compared to previous year (0.9%).

Accordingly, in 2025, the Company achieved profit before tax of 99.27 million euros, or profit after tax of 81.17 million euros, which is 31.12 million euros (62.2%) more than in 2024. The increase in corporate income tax proportionally follows the growth of realized profits.

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.

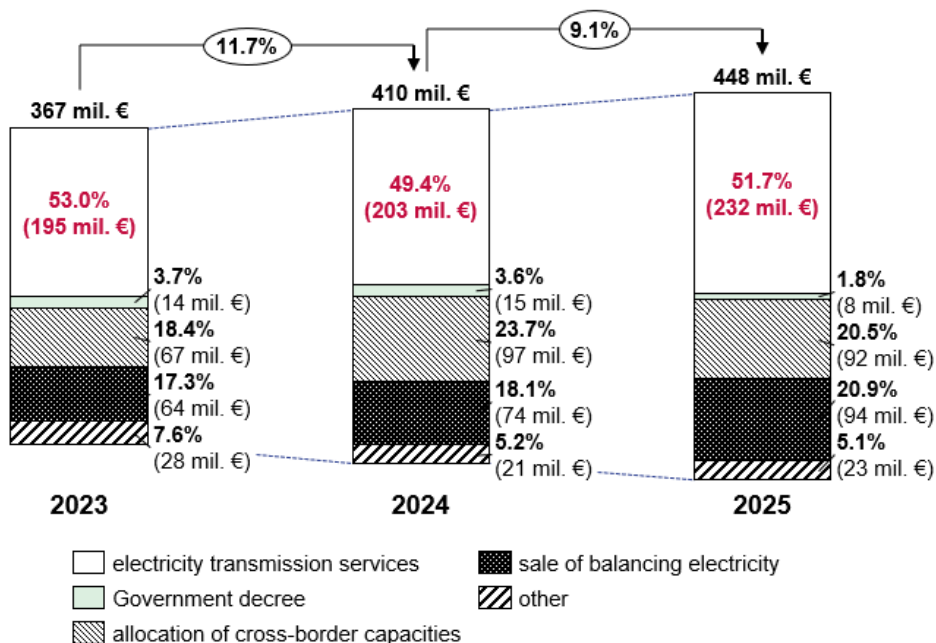
Table 1. Excerpt from the Statement of Comprehensive Income (in EUR million)

Description	2024	2025	Difference
1	2	3	4 (3-2)
Revenues from sales and other business incomes	408.79	446.16	37.36
Business expenditures	347.38	346.63	(0.76)
<b>PROFIT FROM BUSINESS ACTIVITIES</b>	<b>61.41</b>	<b>99.53</b>	<b>38.12</b>
Financial income	1.66	1.55	(0.11)
Financial expenditures	1.92	1.81	(0.11)
<b>Net financial expenditures</b>	<b>(0.26)</b>	<b>(0.26)</b>	<b>0.00</b>
<b>TOTAL INCOME</b>	<b>410.45</b>	<b>447.71</b>	<b>37.25</b>
<b>TOTAL EXPENDITURES</b>	<b>(349.30)</b>	<b>(348.43)</b>	<b>(0.87)</b>
Pre-tax profit	61.15	99.27	38.12
Income tax	11.10	18.10	7.00
<b>PROFIT FOR THE PERIOD</b>	<b>50.05</b>	<b>81.17</b>	<b>31.12</b>

Total income increased by 37.25 million euros (9.1%) compared to 2024, mostly due to higher revenues from the use of the transmission network in the amount of 28.89 million euros, and an increase in revenues from the calculation of balancing electricity due to higher deviations of balance groups in the amount of 23.14 million euros, while at the same time a decrease in revenues from the allocation of PK in the amount of 5.63 million euros, the ITC mechanism in the amount of 3.91 million euros and revenues from the provision of balancing services in the amount of 3.72 million euros was recorded.

Total revenues from market functions in 2025 are 5.6% higher compared to 2024. Revenue from the provision of electricity transmission services in 2025 amounted to 231.57 million euros, which is 14.3% more than in 2024, while its share in total revenue in 2025 is 51.9%, which is 2.3 percentage points more than in 2024. Higher revenue from the provision of electricity transmission services in 2025 was achieved mainly due to HERA's decision to increase tariff items for the use of the transmission network by 12% with effect from January 1, 2025.

The structure of revenues achieved in 2025 (*Picture 3*) consists of revenues from the provision of electricity transmission services (51.7 %), revenue from the allocation of cross-border capacities (20.5%), revenues from the calculation of balancing electricity (16.5 %), revenues from the sale of balancing electricity (4.4 %), and other business incomes (6.9 %) including revenues generated based on the Regulation amending the Regulation on the Elimination of Disturbances in the Local Energy Market, 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 2023 to 2025

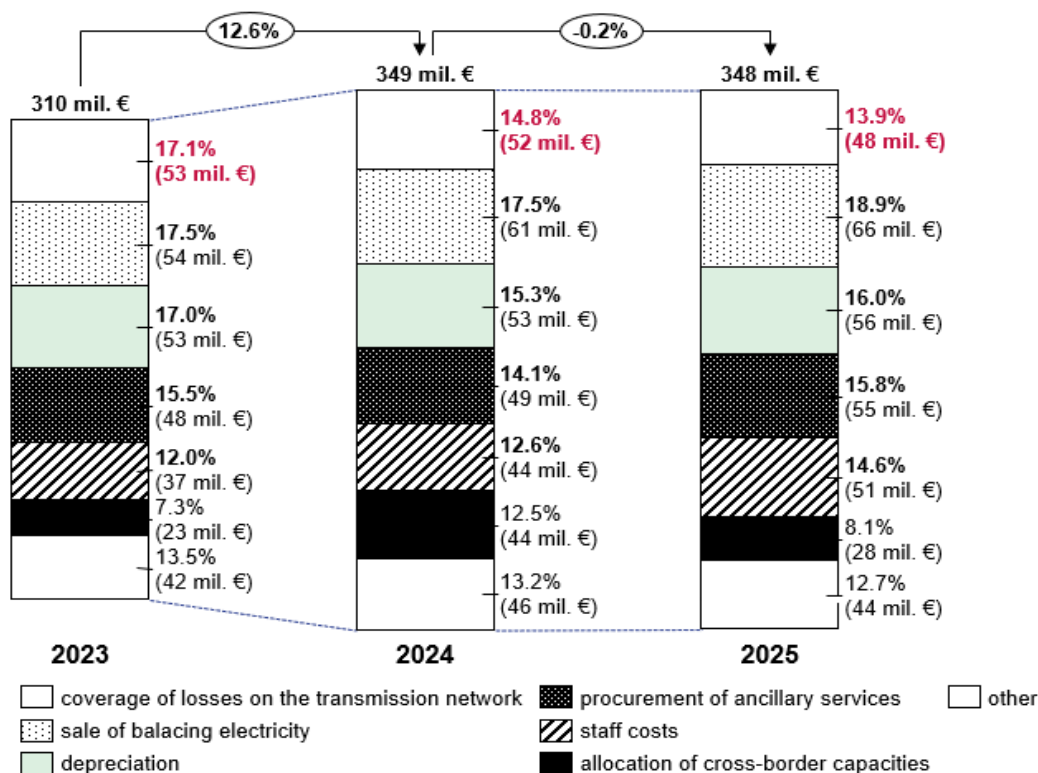
Total expenses are 0.87 million euros (0.2%) lower than in 2024. The slight decrease in expenses compared to 2024 was mainly due to lower costs from PK (15.18 million euros), electricity costs for covering losses on the transmission network (3.49 million euros) and the cost of balancing electricity (1.23 million euros). At the same time, the costs of purchasing ancillary services increased by 5.91 million euros compared to 2024, and the costs of purchasing balancing electricity by 5.81 million euros.

Developments in wholesale electricity markets, characterized by high volatility and increased prices on stock exchanges, significantly affected the structure and level of the costs involved. Despite the growth of individual items, the overall effect of the above changes resulted in a decrease in the costs of market functions compared to 2024 in the amount of 8.18 million euros, or 4.0%.

The costs of salaries and other employee benefits amount to 50.74 million euros and are higher by 6.67 million euros (15.1%), mostly due to the increasing in material rights of employees, based on the newly concluded Collective Agreement in April 2025.

Other expenses are lower compared to 2024 by 1.82 million euros, mostly due to lower value adjustment and provisioning costs, while general operating expenses and maintenance costs of energy facilities increased slightly.

The structure of expenditures effected in 2025 (Picture 4) consists of depreciation costs (16.0%), costs of the procurement of electricity to cover losses in the transmission network (13.9%), costs of procurement of ancillary services (15.8%), costs of balancing energy procurement (14.4%), costs of balancing energy calculation (4.5%), staff costs (14.6%), cost of PK (8.1%) and other operating expenses (12.7%) 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 2023 to 2025

Income tax for 2025 amounts to 18.1 million euros and is higher compared to the previous year by 7.0 million euros, or 63.1%.

The financial position of the Company has been presented in the Statement of Financial Position as of 31 December 2025. 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 2025	% share	2025/2024
1	2	3	4	5	6 (4/2)
Long-term assets	1,047.5	83.6%	1,165.2	78.8%	11.2%
Short-term assets	205.0	16.4%	314.4	21.2%	53.4%
<b>Total assets</b>	<b>1,252.5</b>	<b>100.0%</b>	<b>1,479.6</b>	<b>100.0%</b>	<b>18.1%</b>
Capital and reserves	785.9	62.8%	863.0	58.3%	9.8%
Long-term obligations	302.7	24.2%	442.6	29.9%	46.2%
Short-term obligations	163.8	13.1%	174.0	11.8%	6.2%
<b>Total obligations and capital</b>	<b>1,252.5</b>	<b>100.0%</b>	<b>1,479.6</b>	<b>100.0%</b>	<b>18.1%</b>

The value of total assets as of 31 December 2025 amounted to 1,479.6 million euros and is 227.1 million euros higher compared to 31 December 2024.

As a result of investments in 2025, long-term assets increased by 117.7 million euros or 11.2% and now amount to 1,165.2 million euros. The share of fixed assets in total assets compared to 2024 is 4.9 percentage points lower, and amounts to 78.8 %.

# Management Report

## Croatian Transmission System Operator Plc. 2025

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Short-term assets amount to 314.4 million euros and it increased compared to the previous year by 109.4 million euros or 53.4%, primarily due to an increase in cash and cash equivalents by 101.3 million euros and other current assets by 17.3 million euros, while trade receivables are lower by 9.8 million euros. The share of current assets in total assets is 21.2%, an increase of 4.9 percentage points compared to 2024.

Capital and reserves, which cover 58.3 % of the Company's total assets, increased by 77.1 million euros, while their share in total liabilities is 4.4 percentage points lower than in 2024. The share capital of the Company on 31 December 2025 amounts to 643.3 million euros and has not changed compared to 2024.

Total liabilities amount to 616.6 million euros and increased by 150.1 million euros compared to 2024, while their share in liabilities is 41.7%, which is 4.4 percentage points more compared to 2024. Long-term liabilities account for 71.8 %, and short-term ones for 28.2 % of total liabilities as of 31 December 2025.

The significant increase in long-term liabilities compared to the previous year is primarily a consequence of the accounting records of deferred revenue, which are 138.2 million euros higher than in 2024 and mostly related to deferred revenue for funds received from EU funds.

Deferred revenue for grants received from EU funds refers to grants received for the Company's participation in the SINCRO.GRID project in the amount of 9.68 thousand euros, the GREENSWITCH project in the amount of 2.95 million euros, the EPASSIS project in the amount of 0.02 million euros, the E-CYBIS project in the amount of 0.04 million euros, the ECLIPSE project in the amount of 0.03 million euros, the LIFE DANUBE FREE SKY project in the amount of 0.08 million euros and the HEDGE-IoT project in the amount of 0.02 million euros. For participation in the project from the National Recovery and Resilience Plan, the deferred revenue amounts to a total of 186.84 million euros. The depreciation costs of assets incurred by the implementation of this project until 31 December 2025 amounted to 4.70 million euros. For participation in the REPOWER project, the deferred revenue amounts to a total of 53.96 million euros. The costs incurred in implementing this project until 31 December 2025 amounted to 1.96 million euros. For the implementation of projects applied for financing from the EU Solidarity Fund (EUSF) as part of the reconstruction of infrastructure and equipment damaged by the earthquake, deferred revenue amounted to 34.81 million euros, while the costs incurred in implementing this project until 31 December 2025 amounted to 1.04 million euros.

In 2025, the situation with the liquidity of HOPS stabilized, primarily due to received payments from EU funds based on approved 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 2.70% annually (in 2024 it was 2.53% annually).

Positive working capital is the result of lower short-term liabilities compared to short-term assets. As of 31 December 2025, short-term liabilities amounted to 174.0 million euros, and short-term assets amounted to 314.4 million euros (as of 31 December 2024, short-term liabilities amounted to 163.8 million euros and short-term assets to 205.0 million euros). The most significant amount of short-term liabilities refers to liabilities to affiliated companies in the amount of 83.7 million euros and liabilities to banks in the amount of 32.5 million euros.

The indicators deriving from the balance sheet positions show a relatively low level of indebtedness that is visible in accordance with the activities performed by the Company. The Company finances current investments by adapting to the circumstances of the energy and financial markets, primarily from its own funds, with grants from EU funds, while taking care to properly pay off long-term obligations and to properly finance regular operations. The leverage

# Management Report

## Croatian Transmission System Operator Plc. 2025

ratio (existing liabilities profit after tax and depreciation) of the Company for 2025 amounts to 2.37 years and is lower than the previous year by 0.23 years.

EBITDA (EBIT excluding depreciation) was 155.4 million euros, which is 40.6 million euros or 35.3 % higher than in 2024. The EBIT margin increased by 7.3 percentage points, while the EBITDA margin increased by 6.7 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 3.04 percentage points, while ROA recorded a more significant increase by 1.49 percentage points.

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

Table 3. Business indicators

<b>Business indicators</b>	<b>2022.</b>	<b>2023.</b>	<b>2024.</b>	<b>2025.</b>
EBIT (Earnings before interest and taxes)	2.35	59.24	61.41	99.53
EBITDA (EBIT without the effect of amortization)	53.34	112.12	114.85	155.43
EBIT margin	0.56%	16.15%	15.02%	22.31%
EBITDA margin	12.77%	30.57%	28.10%	34.84%
Return on equity (ROE)	-0.18%	6.39%	6.37%	9.41%
Return on Total Assets - Net (ROA)	-0.12%	4.04%	4.00%	5.49%
Indebtedness factor (number of years)	4.74	3.28	2.60	2.37
Debt ratio	0.36	0.37	0.37	0.42
Coefficient of own financing	0.64	0.63	0.63	0.58
Current liquidity ratio	0.75	1.10	1.25	1.81

## THE COMPANY'S ACTIVITIES IN THE AREA OF DEVELOPMENT AND RESEARCH

### Innovative development projects

During 2025, the Company, as a partner in international project consortia, participated in the implementation of development and innovation projects co-financed by centralized programs of the EU. Thus, from the available programs for the period 2014 - 2020, the Danube Free Sky project, co-financed from the LIFE program, a financial instrument for environmental and climate protection, and the GreenSwitch project, co-financed from the Connecting Europe Facility (CEF), intended for investments in the construction of new and improvement of existing transport, energy and telecommunications infrastructure.

The project of protecting birds from harm on high-voltage transmission lines in the Danube region, Danube Free Sky, has been implemented by the Company since 2020 with 15 partners from 7 countries, including JUPP Kopački rit and HEP-ODS d.o.o. The total value of the project is 6.6 million euros, while the value of the grant for the Company is 0.11 million euros, and the goal of the project is to prevent bird life from collisions with high-voltage power lines, electrocution on medium-voltage lines and substations, and to improve the status of priority species populations in the Natura 2000 ecological network area - Danube Region and Lower Podravje.

Two projects were co-financed from the EU's centralised programmes for the 2021-2027 budget period, the ECLIPSE project, co-financed from the Digital Europe Programme, and the HEDGE – IoT project, co-financed from the Horizon Europe programme. The aim of the Digital Europe Programme (DEP) is to accelerate the recovery and drive the digital transformation of Europe by supporting the two objectives of the EU, namely the green transition and digital transformation,

## Management Report

### Croatian Transmission System Operator Plc. 2025

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and to strengthen the resilience and strategic autonomy of the EU. At the same time Horizon Europe is one of the key EU instruments for strengthening the European Research Area, boosting European competitiveness, steering and accelerating the digital and green transitions, European recovery, preparedness and resilience.

The ECLIPSE project, with a grant value of 0.13 million euros for the Society, started in September 2024 and will last for two years. The project aims to implement and demonstrate a Common European Reference Framework (CERF) for energy consumer applications across the EU, enabling voluntary energy consumption reduction and load shifting. At the end of 2025, a test interface for grid users was created in accordance with the ECLIPSE project requirements called "EnergyWhale" and is available on Android and Apple mobile phones. This was presented to the project implementation control members. The procurement of devices for the full operation of the "EnergyWhale" interface is underway.

The HEDGE-IoT project, with a grant value of 0.07 million euros for the Society, started in 2024 and will last 42 months (30 July 2027). The goal is to develop a digital framework for the implementation of IoT solutions in the energy system to increase the capacity for the integration of renewables and take advantage of flexibility. The project will contribute to network resilience, market development and standardization through interoperable services and distributed data platforms, while connecting with EU initiatives and involving stakeholders. It is planned to implement six pilot projects and cooperate with innovators and SMEs through Open Call, where the Company participates in horizontal activities and contributes with its experience in standardization.

Based on good previous experiences in the SINCRO.GRID project, KNG-Kärnten Netz, ELES, Elektro Celje, Elektro Gorenjska, Elektro Ljubljana, HOPS d.d. and HEP-ODS are participating in the new GreenSwitch advanced grid 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 146.20 million euros. The project started on March 1, 2023 and will last a total of 70 months (December 31, 2028).

The main objective of the GreenSwitch project is to optimize the use of the existing energy infrastructure and install new technology in an efficient manner, 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 toolbox 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-sag conductors (High Temperature Low Sag, HTLS) on the 220 kV Senj-Brinje transmission line, the installation of a current control device (Phase Shift Transformer, PST) 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 11.45 million euros, of which the grant amount for the Company is 5.73 million euros. The project procured equipment for the HTLS guide and associated primary equipment, contracted a congestion management platform, and is currently conducting a repeated procurement for PST Gračac, as an appeal was filed with the State Commission for Competition and Consumer Protection against the decision to select the most favourable Bidder from October 2025, which was accepted.

# Management Report

## Croatian Transmission System Operator Plc. 2025

### Investments

In December 2024, the Company's Management Board and Supervisory Board adopted the 2025 investment plan for 218.43 million euros. Based on the prepared implementation estimates, the plan was reduced by 197.25 million euros through a rebalancing.

In 2025, the Company realized investments of 177.78 million euros, or 90.13% of the investment plan. When the realized amount is added to 0.17 million euros in self-performed investments and 0.03 million euros in capitalized interest, the total investment in 2025 amounts to 177.98 million euros, or 90.23% of the plan. The investment plan mainly includes investments in the revitalization of the existing transmission infrastructure, replacement and reconstruction, and new facilities.

Table 4. Investments in 2025 in EUR

Type of investment	31 December 2024	% share	31 December 2025	% share	2025/2024
1	2	3	4	5	6 (4/2)
Preparation of investments	3,681,551	2.92%	3,342,140	1.88%	-9.22%
Replacement and reconstruction	31,548,568	25.06%	49,961,905	28.07%	58.37%
Revitalization	62,582,160	49.72%	75,674,900	42.52%	20.92%
New facilities	21,098,784	16.76%	27,662,017	15.54%	31.11%
Other investments	5,133,232	4.08%	14,774,116	8.30%	187.81%
Electrical power conditions for connection	1,824,315	1.45%	6,563,950	3.69%	259.80%
<b>Total</b>	<b>125,868,610</b>	<b>100.0%</b>	<b>177,979,028</b>	<b>100.0%</b>	<b>41.40%</b>

During 2025, the most significant completed facilities are:

- **OHL BUJE - KOPAR 110 kV (NRRP)** - during 2024, a public procurement for goods and works was conducted. On August 12, 2024, the supply of HTLS conductors and electrical equipment was contracted, and part of the material was delivered in 2024, and the rest in 2025. Following the public procurement conducted at the end of 2024, a contract for the revitalization of the 110 kV Buje – Kopar transmission line (section in the territory of the Republic of Croatia) was signed on January 23, 2025. The work was completed, and a provisional handover and final settlement were carried out on July 29, 2025. The facility was activated.
- **TS KONJSKO** - procurement and installation of two 150 MVA transformers (NRRP) – replacement of the existing two 150 MVA transformers (220/110 kV). In the first half of 2024 works were contracted for the replacement of the existing two 150 MVA (220/110 kV) transformers. The first transformer was successfully replaced and put into service in September 2024, and the second transformer was also successfully replaced and put into idle operation in December 2024 and is serving as a cold standby as all fire protection tests have not been completed. During January 2025, all tests on the second transformer were completed, and it was put into service.
- **POLIČNIK Substation 110/10(20) kV** – part of the HOPS - it represents a joint facility with HEP-ODS. The problems of an underdeveloped transmission system in the Zadar area, a rising annual trend in electricity consumption, and the strong economic and tourist development of the region are the primary reasons for building new robust transmission network nodes in the Zadar area. The 110/10(20) kV Poličnik substation is planned with a 110 kV AIS (Air-Insulated Switchgear) installation. Contractors were brought on board in early 2022, and construction work began. During 2023, construction and electro montage work will continue. During 2024, the construction work was completed and the electro montage work continued. The contract was extended into 2025. In 2025, the electro montage and other works were completed, and the facility was energized. A technical inspection was conducted, and an occupancy permit was obtained.

# Management Report

## Croatian Transmission System Operator Plc. 2025

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- **POLIČNIK 110/10(20) kV TS CONNECTION** - the connection to TS Poličnik (under construction) is planned as an introduction/extraction from the existing 110 kV Obrovac–Nin overhead line. In 2023, the contracted works on the connection were awarded and commenced. The construction schedule for the Poličnik TS connection follows the construction schedule for the Poličnik TS. During 2024, construction and electrical installation works continue and are almost completely completed except for the final connection to the transmission network due to the extension of the deadline for the construction of TS Poličnik. In 2025, all works were completed, the contract was completed, the facility was put under voltage. A technical inspection was carried out and a usage permit was obtained.
- **BRUVNO WPP CONNECTION** - during 2023, work was completed on the construction of the Connection, which consists of an overhead 2x110 kV feeder from the 20(35)/110 kV substation 110 kV Mazin to the 110 kV Gračac-Kulen Vakuf distribution line and the 110 kV RP switchyard at the 20(35)/110 kV Mazin substation. The connection was energized, a technical inspection was conducted, and an occupancy permit was obtained during 2024. In 2025, the handover and activation of the facility were completed.
- **DRAVA INTERNATIONAL FACILITY CONNECTION** - the connection was built in December 2024. A Network Use Agreement was signed with both facilities. The handover and activation of the facility were completed in 2025.
- **WPP MAZIN 2 CONNECTION** – In June 2024, a Network Use Agreement was signed with Liburana d.o.o. In 2025, the handover of the connection and the activation of the facility were completed.

The most significant projects in 2025 (ongoing):

- **INCREASE THE TRANSMISSION CAPACITY OF THE 220 kV KONJSKO - KRŠ PAĐENE – BRINJE (NRRP) LINE** - the existing conductor needs to be replaced with a high-temperature conductor (HTLS). The contract was awarded for the replacement of conductors, guy ropes, jointing and suspension equipment, and other works for the revitalization of the transmission line. In May 2025, electro montage work began on the 220 kV Pađene – Brinje transmission line. In August 2025, an Addendum II to the Contract was signed—extending the work execution deadline—and a VTR regarding the demining of the transmission line section was signed. In September 2025, work began on the 220 kV Konjsko – Pađene transmission line. In October 2025, Annex III to the Contract was signed – a VTR for the replacement of OSO equipment, increasing the contract price.
- **TS KONJSKO - PROCUREMENT AND INSTALLATION OF THREE 400 MVA POWER TRANSFORMERS (NRRP)** - during 2023, the purchase of 400 MVA autotransformers was contracted, the equipment procurement procedure was initiated and the work on replacing the existing two 150 MVA transformers (220/110 kV) and the existing two 400 MVA transformers (400/220 kV) was carried out, as well as on installing an additional 400 MVA transformer (400/220 kV) with the associated transformer fields. Transformer –AT1 was replaced and put into operation in October 2025. Transformer –AT3 was delivered to the foundations in April 2025, and commissioning is expected in early 2026 after the completion of the associated 220 kV and 400 kV transformer fields. Throughout 2025, construction and electrical installation works were carried out on the construction of new 400 kV and 220 kV transformer bay. It is expected that the remaining –AT2 will be installed and put into operation by June 2026. Handover, contract completion and obtaining a usage permit are expected by June 2026.
- **TS VELEBIT CONSTRUCTION OF A 110 kV GIS SUBSTATION AND EQUIPMENT FOR**

- THE 400 kV TB (NRRP)** - throughout 2025, construction and electrical installation works were carried out on the construction of the GIS facility building and the new 400 kV TB. In June 2025, a new – AT2 400 MVA transformer was delivered and installed on the foundations. In November 2025, a 110 kV GIS facility was delivered and installed. All contracted works, commissioning and handover are expected to be completed by June 2026.
- **TS Terminal Connection TTTS 110/10(20) kV** - planned 110/20(10) kV TS Terminal is located in the immediate vicinity of the existing 110 kV Zakučac – Meterize III transmission line. The 110/20 kV TS connection (10) kV Terminal in construction to the transmission network is being carried out via direct 110 kV cable connections to the existing transmission line. The 110 kV connection cable has a cross-section of 1600/95 mm<sup>2</sup>. During 2025. The property rights issues along the route were finally resolved. The 110 kV connection cable was successfully completed and put into trial operation in December 2025. During 2025, the detailed design projects for phases 4C and 6 were prepared, and a construction permit for phase 4C was obtained. An Agreement was signed with Croatian Roads regarding the settlement of HOPS's financial costs and the method for resolving property rights on the shared corridor for the 110 kV cable route. The preparation of the Detailed Design Projects for KB 110 kV from pole 54A to the Meterize Substation for phases 4C and 6 was contracted.
  - **TS TERMINAL TTTS 110/10(20) kV** is a joint facility with HEP-ODS. In July 2025, the property rights issues along the cable route were finally resolved, fulfilling the prerequisites for commissioning the TS Terminal for trial operation. The TS Terminal and the connecting 110 kV cable were put into trial operation in December 2025. The technical inspection and operating permit are expected during the first half of 2026.
  - **TS LIKA - TS MELINA 2x400 kV OHL (construction preparation)** - In 2025, the conceptual design, access road documentation, forest-clearing documentation, and property rights documentation were delivered.
  - **KAŠTEL STARI TS CONNECTION 110/10(20) kV** - is a joint meeting facility with HEP ODS. In order to solve the electricity supply problem in the western part of the wider Kaštel Stari area, the construction of a new 110/20(10) kV transformer station in Kaštel Stari with a 110 kV GIS installation is planned. During 2025, the main and detailed design were prepared, a building permit was obtained, and a public procurement was launched for the purchase of approximately 17 km of the required 110 kV power line.
  - **OHL 2x400 kV TS KONJSKO - TS LIKA** - an investment that is significant for the security of the transmission network in the area of the Republic of Croatia, aimed at increasing the transmission of electric energy from the Konjsko substation to the Melina substation, and due to the increased integration of wind farms in the Lika and Dalmatian region. During 2025, conceptual designs and studies for access roads, forest clearings, and property legal relations were completed. Documentation for the preliminary assessment of the project's acceptability for the ecological network was prepared, and an Approval for the same was obtained from the Ministry of Environment and Sustainable Development.
  - **OHL 110 kV MATULJI – ILIRSKA BISTRICA** - transmission capacity - during 2025, a public procurement procedure was initiated for equipment and works for the revitalization of the transmission line. The revitalization works for the transmission line (section in the territory of the Republic of Croatia) were contracted in July and began in August 2025, with a completion deadline of May 2026.
  
  - **OHL 110 Kv BUJE - KOPER (NRRP)** - following a public procurement process at the end of 2024, a contract was signed in January 2025 for the revitalization of the 110 kV Buje – Koper transmission line (section in the territory of the Republic of Croatia). The work was completed, and a provisional handover and final settlement were carried out on July 29, 2025. The facility was activated.

- **Revitalization and increase of the transmission capacity of the 110 kV transmission line STON – RUDINE – KOMOLAC (NRRP)** - during the second half of 2024, works began due to the inability to ensure the shutdown (failure of submarine cables, security of power supply to the south of the Republic of Croatia and overhaul of the Dubrovnik HPP) and continued in 2025, based on the extension of the deadline for its implementation until March 31, 2025. All works were completed in May 2025 and the relevant HPP was reconnected and put into operation. Final settlement in progress.
- **Installation of 2x30 MVAR capacitor batteries in TS 110/35/10 kV ŠIJANA and in TS 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. In March 2025, construction work on the installation of the capacitor banks began. By the end of 2025, all construction and electromontage work was completed, and the trial operation began.
- **Equipment of 400 kV and 220 kV TB in the KONJSKO TS (NRRP)** - during 2025, construction and electrical installation works were carried out on the construction of new 400 kV and 220 kV TB. Commissioning, handover and obtaining a usage permit are expected in the first half of 2026. quarter of 2026.
- **TS VELEBIT** - procurement of a 400 MVA power transformer - a new 400 MVA transformer was installed in June 2025, and commissioning is expected by June 2026.

## ELECTRICAL POWER SYSTEM AND THE EUROPEAN ELECTRICITY MARKET

### Security of supply

Through the mechanisms of ENTSO-E, the Company participates in sufficiency analyses in the short, medium and long term. Development plans are continuously adapted to ensure security of supply. In the Croatian power system, electricity is provided by production capacities, as well as by importing electricity from neighbouring countries.

Considering the sufficiency of exclusively production capacities, in addition to considering the stochastic nature of electricity production in wind farms and other RES, part of the electricity needed to supply consumers was settled by importing electricity. It should also be taken into account that the amounts of imports are not only related to the availability of production units in the Republic of Croatia, but also to electricity prices on the Croatian and surrounding electricity markets.

For 2025, comparing the available transmission capacities and available generation capacities with the average hourly loads of the transmission system, the sufficiency of generation and import capacities to provide the necessary quantities of electricity to final customers is evident. Although relatively favourable hydrological conditions and the increasingly significant integration of solar power plants in households have significantly reduced the need for imports during 2025, it is still not possible to speak of self-sufficiency of the Croatian power plant for longer periods.

In 2025, 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 July 3, 2025, at 8 p.m., the highest load of the Croatian power system was recorded in the amount of 3150 MW, 6.8% lower than in 2024 (3363 MW) and 1.5% lower than in 2023 (3198 MW). The winter peak load in 2025 was 3052 MW, 5% more than in 2024 (2905 MW) and 2% more than in 2023 (2990 MW). According to the data available to the Company (18,229,761 MWh), the total annual consumption of the power system decreased compared to 2024 (18,289,503 MWh), and the needs for electricity imports were higher. HOPS does not have access to all the amounts of electricity produced on the distribution network, which greatly complicates the assessment of the load on the Croatian

# Management Report

## Croatian Transmission System Operator Plc. 2025

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EPS. According to HEP ODS data, the total connection capacity of power plants connected to the distribution network on 31.12.2025 amounted to 1,540 MW. Power plants connected to the distribution network increase the security of supply of the Croatian EPS with their production, and the amounts of electricity produced can be found in the document Annual Report on Security of Supply in the Distribution System for the previous calendar year with a projection for the current calendar year prepared by HEP ODS in accordance with Article 73, paragraph 6 of the Act EMA. In 2025, exports exceeded imports during 679 hours, of which in the first half of the year during 499 hours. The sufficiency of the system was not compromised. Regular exchanges of information with European authorities on how to maintain transmission network operations with a view to maintaining security of supply were carried out.

On 19 November 2025, ENTSO-E published the document "ENTSO-E Winter Outlook 2025-2026", which represents an assessment of the situation regarding the sufficiency of available electricity sources, indicates possible risks and opportunities to mitigate them. The projections for winter 2025/2026 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 at the periphery of ENTSO-E (such as Finland, Estonia, Poland) but also decrease when non-market-based sources are used.

Gas storage facilities are satisfactorily filled in all EU member states, and water levels in reservoirs are significantly higher compared to previous years.

Looking back at the summer of 2025 ("*Summer Review 2025*"), ENTSO-E reports record average surface air temperature values in Europe. Temperatures in the north western part of Europe ranged from average to below average, while Scandinavia and the south recorded record highs from June to August. Disasters (fires, floods) caused by extreme weather conditions were mentioned. However, it was concluded that there were generally no problems with sufficiency.

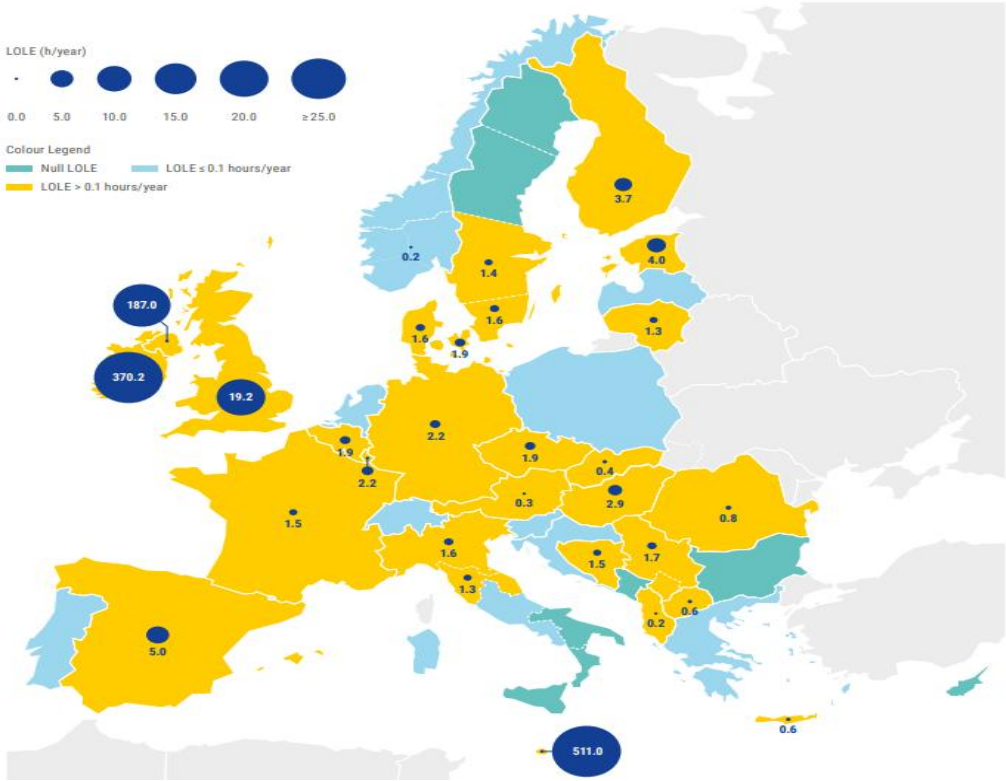
The long-term level of security of supply is linked to the sufficiency of the power system in the typical planning period of the power system up to ten years in advance. The sufficiency of the EPS refers to the stationary state and implies its sufficient construction to meet the consumption of electricity taking into account the planned maintenance and unplanned outages, within the nominal values of the load of system elements and voltage limits and is observed in particular through the sufficiency of production and the sufficiency of the transmission network. Sufficiency of electricity production is seen as the ability to meet the demand for consumption in the EPS. Transmission network sufficiency is seen as the ability to transmit power flows through the transmission network. The indicators of the medium-term level of security of supply are addressed in the ENTSO-E document "European Resource Adequacy Assessment", which also provides a methodology for considering the sufficiency of the EPS. *European Resource Adequacy Assessment (ERAA) for 2025* warns that some fossil power plants will become unprofitable, which may jeopardise Europe's security of electricity supply. Although renewables will grow strongly, their volatility will not be enough to replace the shutdown of thermal power plants and the growth of demand. Additional mechanisms (capacity mechanisms, storage, DSR, cross-border transmission) and careful monitoring of investments are needed to ensure the long-term stability of the system.

LOLE (*engl. Loss of Load Expectation*) is an indicator of the reliability of EPS, that indicates the expected time (usually in hours or days per year) during which the generation capacity is not sufficient to cover the demand for electricity. In the ERAA report for 2023, prepared by ENTSO-E and approved by ACER on 2 May 2024, the value of the LOLA indicator in the presented scenarios is less than 0.1 hours per year for the Republic of Croatia (Pictures 5 and 6). This ranks the

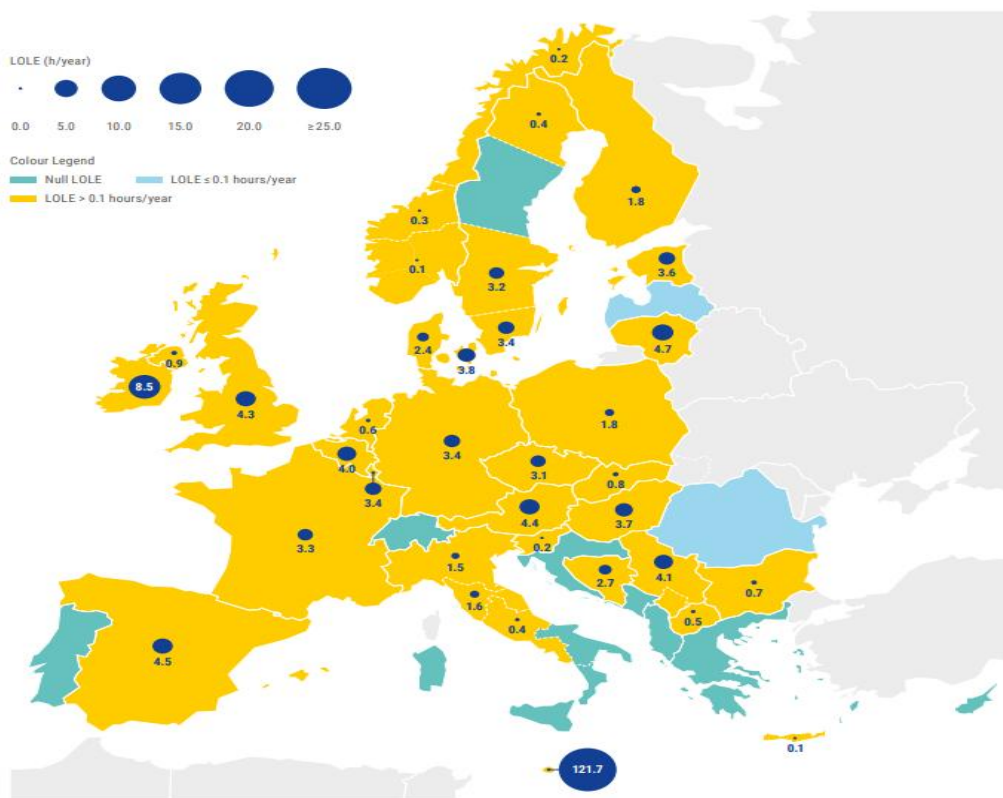
# Management Report

## Croatian Transmission System Operator Plc. 2025

Republic of Croatia among the countries with the most favourable values of this indicator, while some countries in the region have recorded an upward trend.



Picture 5. Expected Load Loss (LOLE) for 2025



Picture 6. Expected Load Loss (LOLE) for 2028

Based on the documents prepared by the association of transmission system operators ENTSO-E ("Winter Outlook 2025-2026", "ERAA 2025"), opportunities that are more favourable are expected for 2026 compared to the previous year, despite the challenges posed by the increase in the share of renewable sources whose production capabilities are unpredictable and difficulties in gas supply. This is due to the higher filling of hydro reservoirs than in previous years and a slightly lower degree of unavailability due to planned maintenance. In 2026, installed capacity in renewables, primarily solar and wind farms, is expected to increase further, as is the installed capacity of battery storage facilities. Although not yet drastic, there is a decline in available power in thermal power plants, including nuclear power plants. The exception is gas-fired power plants whose installed capacity is increasing. The causes of risks in security of supply are unplanned reductions in availability at individual system elements, adverse weather conditions, aging of production units and possible interruptions in gas supply. Island and peripheral areas such as Ireland, Cyprus, Malta, Estonia, Finland, Lithuania, Ukraine are particularly exposed to risks. It is anticipated that non-market sources may help to some extent. On the other hand, it is emphasized that constant monitoring of the situation, development of scenarios to avoid harmful consequences, and strengthening cooperation among operators and regional coordination centers are necessary.

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 taken 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

# Management Report

## Croatian Transmission System Operator Plc. 2025

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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 Ltd. were delegated certain tasks prescribed by the same Regulation, including the development of the Croatian Risk Preparedness Plan. Throughout 2025, revisions of national risk preparedness plans were carried out at the European level, and the draft Croatian risk preparedness plan was sent to the European Commission for opinion in May 2025, i.e. for consultation with other interested stakeholders. As no comments were received, the final draft of the document was sent to the MoE for adoption at the end of 2025, and the adoption of the document is expected in the first half of 2026.

It can be concluded that the security of supply is at a satisfactory level, but that there is a failure to meet the criteria (n-1) throughout the year. In 2025, the total number of hours of non-compliance with the criteria (n-1) for elements of the 220 kV voltage level network decreased primarily due to the increase in the transmission capacity of 220 kV Senj - Melina, but there is a visible increase in the overload of network elements of the 400 kV voltage level (increase in transit between European regions and long-term works in neighbouring 400 kV impact networks). The latter trend is particularly topical for the influential environment of the Ernestinovo substation in the second half of 2025 as a result of transit flows from the direction of north western Europe towards the Balkans with the long-term unavailability of the 400 kV Paks – Sandorfalva substation, which overlaps with the works on the 400 kV lines of the Ernestinovo substation. Overloads >120% Sn in 2025 are slightly lower for the 220 kV voltage level, but a significant increase was observed for the 110 kV and 400 kV voltage levels compared to the previous year. The trend of increasing the recorded overloads in the 110 kV network is a direct consequence of the works in Istria, in the form of replacement of secondary equipment in the 220 kV TS Plomin and in the first half of the year the works on increasing the transmission capacity of 110 kV Plomin-Lovran-Matulji, as well as the 110 kV Buje – Koper are still ongoing. The security of power supply on the Istrian peninsula largely depended on the engagement of TPP Plomin, which was absent in the first half of the year due to overhauls, the availability of 220 kV Plomin-Pehlin and Plomin-Melina and the only remaining 110 kV connection to the ELES. As for the overload of the 110 kV network of central Dalmatia, they are conditioned by the works in the Velebit substation, as well as the works on the 220 kV section Konjsko-Pađene-Brinje, which makes it difficult to evacuate the produced energy in this part of the power system. For the time being, such threats are successfully addressed 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 generally 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 the exposure to this risk, security of supply was not compromised.

### **Cross - zonal capacity**

During 2025, Croatia's organized day-ahead electricity market continued to function stably and orderly as part of the single day-ahead electricity market. Single Day Ahead Coupling (SDAC), which covers markets representing about 95% of European electricity consumption. SDAC-related activities during 2025 were largely focused on the further implementation and operational stabilization of fifteen-minute products at the SDAC level, as well as on the adaptation of market processes to the new requirements of the European regulatory framework.

After many years of active participation of the Company in the development of the method of calculating cross-zonal capacities using power flows and in the project of connecting the day-ahead market based on power flow calculations in the Core Capacity Calculation Region, during

# Management Report

## Croatian Transmission System Operator Plc. 2025

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2025, the Company continued to participate in the development and preparations for the long-term allocation of cross-zonal rights of use based on the calculation of power flows. Activities during 2025 were primarily focused on the preparation of the final documentation and the preparation of files and technical prerequisites that will be tested in 2026, ahead of the planned launch of the long-term full-scale allocation, with the first auctions for annual allowances for 2027 expected in November 2026.

The Croatian organized intraday market was operationally connected to the single intraday market within the day in 2025 as part of the SIDC project across the Croatian-Slovenian and Croatian-Hungarian borders, previously known as XBID. During 2025, preparatory activities and tests were carried out related to the introduction of an intraday cross-zonal market closure time of 30 minutes before delivery, whereby the border of the bidding zone of Croatia and Slovenia was included in the first set of borders of the European bidding zones included in this implementation. Intraday Cross-Zonal Gate Closure Time (IDCZGCT) represents the last opportunity for market participants to reconcile cross-zonal transactions before the start of electricity delivery, and the reduction of this time from 60 to 30 minutes before delivery allows for better alignment of market operations with electricity generation and greater flexibility to adjust trading positions, especially in the context of the integration of renewables. In parallel with the preparatory activities related to the IDCZGCT, preparatory activities were also carried out to reduce the time limit for intraday trading on the CROPEX, whereby the deadline will be shortened from 30 to 15 minutes before the start of delivery.

The Company continued to actively participate in the intraday market for the purpose of buying and selling electricity to cover losses in the transmission network, using advanced tools throughout the year to automate order placement and optimize intraday trading on the organized market.

### **Procurement of electricity to cover losses**

With the aim of minimizing the total cost, HOPS procures electricity to cover losses in accordance with the principles of transparency, impartiality and competition. In 2025, HOPS conducted public tenders and managed the procurement process and the electricity portfolio to cover transmission network losses in a transparent and impartial manner. Procurement in 2025 was based on three mechanisms, the long-term and short-term day-ahead and intraday markets of the CROPEX and the imbalance mechanism.

In 2025, four (4) public tenders were conducted for the supply of electricity to cover transmission system losses, after which a total of eight (8) contracts were concluded, of which five (5) for the supply of electricity to cover transmission system losses with a period for the entire year, two (2) for the supply of electricity to cover transmission system losses with a period for the third quarter and one (1) contract for the supply of electricity to cover losses in the transmission network transmission network with the period for the month of December 2025. Taking into account the above, HOPS, based on long-term contracts, provided 204.72 GWh of electricity in 2025 at a unit weight price of EUR 94.62/MWh, which makes 42% of the total quantities purchased.

Short-term procurement includes the purchase and sale of electricity to cover losses on the day-ahead and intraday markets of CROPEX. The quantities of electricity bought/sold on CROPEX on a daily basis were determined based on the difference between the daily forecast of the required amounts of electricity to cover losses and the previously procured energy in the long term. Imbalances between the quantities of electricity procured to cover transmission system losses and realisation shall be settled through a balancing mechanism. In 2025, HOPS procured 241.09 GWh on the short-term day-ahead market at an average price of 102.37 EUR/MWh, while on the intraday market in 2025, 39.79 GWh was procured at an average price of 105.50

# Management Report

## Croatian Transmission System Operator Plc. 2025

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EUR/MWh. A total of 280.88 GWh was procured on the short-term CROPEX market, which makes 58% of the total quantities purchased.

The average price of the total market purchase of electricity to cover losses is 99.43 EUR/MWh. The stated price is higher than the average market price of long-term procurement, while it is lower than the price of short-term procurement.

The total cost associated with the purchase of electricity to cover transmission system losses amounts to 48.28 million euros for a total of 485.60 GWh of electricity. This cost consists of the cost of long-term and short-term electricity procurement to cover losses in the transmission network. The cost of long-term contracts is 19.37 million euros for a total of 204.72 GWh purchased, and the cost of short-term procurement including the costs of trading and clearing fees on CROPEX is 28.91 million euros for the acquired 280.88 GWh through day-ahead and intraday trading.

In 2025, HOPS generated revenue from short-term electricity sales in the amount of 3.20 million euros due to the realized negative price for day-ahead purchase on the market and the sale of 30.47 GWh on the intraday market.

Pursuant to the Decrees of the Government of the Republic of Croatia recognizing the difference in electricity purchase prices for HOPS to cover losses incurred by long-term contracts and trading on the stock exchange from 79.412 EUR/MWh to 120.00 EUR/MWh for the period from 1 January to 31 March 2025, from 79.412 EUR/MWh to 140.00 EUR/MWh for the period from 1 April to 30 September 2025 and from 91.324 EUR/MWh to 140.00 EUR/MWh for the period from 1 October to 31 December 2025, HOPS generated revenue in the total amount of 7.98 million euros, of which 7.31 million euros was paid in 2025, and the remaining amount was paid in 2026.

### **Balancing market**

In accordance with the EMA, 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,
- activating or buying and selling energy from balancing service providers on the basis of voluntary balancing energy bids,
- 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

# Management Report

## Croatian Transmission System Operator Plc. 2025

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services that cannot be procured on the market, with an assessment of the possibility of procuring each individual product and service.

In accordance with Article 52(35) of the Act, by 30 September each year, the transmission system operator is obliged to submit to HERA for approval a reasoned request for the procurement of products and services that cannot be purchased on the market, with an assessment of the possibility of procurement of each individual product and service.

On 14 October 2024, HERA adopted a decision to grant consent to the procurement of products and services for 2025 that cannot be procured on the market. In addition, for all financial contracts with the dominant service provider (HEP-Proizvodnja d.o.o., hereinafter referred to as HEP-Proizvodnja) within the vertically integrated entity (HEP).

After obtaining HERA's approval, the contracting of ancillary services for 2025 was carried out in such a way that the obligation to deliver services procured in a regulated manner is reduced by the market-secured part. This approach has proven to be a good practice in previous years and is a prerequisite for the general development of the ancillary services market.

HOPS continuously develops 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 event of the impossibility of procuring balancing services and non-frequency ancillary services in public tender procedures (the occurrence of only one pre-qualified - dominant provider) for a particular service, the procurement shall be carried out by contracting the service with the dominant provider in accordance with:

- Article 11. Rules on balancing the electric power system and the Rules for Setting Limit Prices for the Provision of Power Reserve for the Provision of Balancing Services (Annex 2 of the Rules on balancing the electric power system)
- Rules for setting balancing energy marginal prices (Annex 1 of the Regulation).
- Article 9, paragraph 4 of the Act. Rules on non-frequency auxiliary services – 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 Rules on non-frequency auxiliary services.

By the decision of HERA of 9 December 2024, a decision was issued granting prior consent to the proposals for contracts for the provision of ancillary services with the dominant provider.

Given the above circumstances, upon the consent of HERA and the Supervisory Board of the company, contracts for the provision of ancillary services were concluded with HEP-Proizvodnja for the period January - December 2025.

The mFRR power reserve balancing service was provided mostly by the dominant balancing service provider, HEP-Proizvodnja, then by several smaller providers of balancing services with controlled consumption and four independent aggregators, which participated in the procurement procedure for mFRR power reserve and/or balancing energy through public tenders. The provision of mFRR power reserve shall be open to all transmission and distribution network users and network user groups (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 power reserve and/or balancing energy in the positive direction, raising production/lowering consumption, (hereinafter: mFRR+ Product 1), 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

# Management Report

## Croatian Transmission System Operator Plc. 2025

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is reduced by the market-secured amount.

- 40 MW/h mFRR power reserve and/or balancing energy in the negative direction, generation reduction/consumption increase, as of February 2023 (hereinafter: mFRR - Product 2), while the remaining required mFRR power reserve for balancing the system (-80 MW/h/ +100 MW/h) is provided from 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.

From 2019 to 2025, the share in mFRR of power reserves provided in public tenders by managed consumption balancing service providers and independent aggregators (mFRR+ Product 1), increased from 19% in 2019 to 45% at the end of 2025. In 2025, the dominant balancing service provider (HEP-Proizvodnja) secured a 55% share in the total volume of the mFRR+ power reserve - product P1.

During 2025, mFRR-Product 2., in addition to the dominant service provider (HEP-Proizvodnja) was provided by 4 other balancing service providers in the role of independent aggregators (KOER d.o.o., Nano Energies Hrvatska d.o.o., GENI-I Hrvatska d.o.o. and ENNA Next d.o.o.).

At the end of 2023, through a public tender procedure, 71% of the required volume of the mFRR-Product 2 power reserve was provided by the dominant provider HEP-Production, while the remaining 29% was provided by other balancing service providers. During 2025, the percentage market share of the provider in the insured volume is 98% of the requested amount, and HEP-Proizvodnja provides only 2% of the requested amount.

Until October 2024, the balancing service aFRR power reserve and/or balancing energy was provided exclusively from the dominant provider, in accordance with the provisions of the Rules on balancing the electric power system.

- From 17 October 2024, aFRR power reserve and/or balancing energy shall be procured through public tenders for the entire dimensioned amount of aFRR power reserve in the negative direction (lowering, generation, consumption increase, hereinafter: aFRR- Product P3) on a daily basis, the aFRR power reserve and balancing energy contracted on a long-term basis with the dominant provider shall be reduced by the market-secured amount
- From 12 May 2025, after the pre-qualification of the first market provider, public tenders shall be conducted for the service of balancing aFRR power reserve and/or balancing energy in the positive direction (lowering consumption, raising production, hereinafter: aFRR+ Product P4).
- During 2025, the prequalified amount of aFRR power reserve of market providers has been steadily increasing. With the regulatory scope of the dominant provider, at the end of 2025, 12,103 MW of aFRR+ of P4 Products were prequalified. (21% of the average hourly required range of aFRR+ power reserve) and 18,743 MW of aFRR- Product P3. (51.28% of the average hourly required range of aFRR- power reserve).

### **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.

# Management Report

## Croatian Transmission System Operator Plc. 2025

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Since the beginning of the application of the FSKAR process, no significant change in the amounts of energy deviations of the EPS 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 imbalance 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, it is expected that HOPS will be operationally connected to the MARI and PICASSO platforms.

### **Data transparency**

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 2025, HOPS achieved an outstanding result with a high percentage of 99.96% for the volume of submitted contracted data, which ranks it among the leading data providers in Europe according to ENTSO-E statistics.

The project of implementing a new system for automatic data transmission to ENTSO-E TP, launched through the DataHub, continued during 2025 and has entered the final phase of implementation. A series of meetings were held with the contractor at which user needs were specified in detail and guidelines for the implementation of the system were defined with the aim of increasing the 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 delivery status and data values in real time, implementation of ECP (Energy Communication Platform) channels for data delivery and download, user interface for better interaction between users and systems, and advanced capabilities for administration, analysis and monitoring of data sending. The completion of the implementation and production commissioning of the system is expected in the first half of 2026.

In 2025, an increase in the quality of data delivery was achieved. Automation of data delivery for the Current Balancing State in minute resolution was carried out, which enabled timely and reliable information to market participants about the current state of balancing of the system and further increased transparency of the transmission system operation in real time, i.e. 5 minutes after a 1-minute interval. Furthermore, in August, the quality of sending data for system deviation through the Imbalance Prices and Imbalance Volumes dataset was improved; automated transmission of imbalance prices, while the necessary changes have been implemented for

# Management Report

## Croatian Transmission System Operator Plc. 2025

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imbalance quantities in accordance with the new ENTSO-E specifications, which has increased the accuracy, consistency and reliability of the published data. Informative data are available no later than one hour after the 15-minute interval in question, and corrections are made based on manual calculations within a week. Final values are sent after the monthly calculation.

In accordance with the requirements of GL EB (Art. 12.3.E), at ENTSO-E TP, the method of submitting balancing data was changed by introducing the publication of Aggregated Balancing Energy Bids, whereby HOPS monitored all changes related to prices and volumes, ensuring compliance with the new rules. Testing and preparation of data on unavailability (planned and unplanned) of production facilities and transmission lines within the Unavailability of Production and Generation Units and Unavailability in Transmission Grid datasets was also carried out, which further improves the transparency of the availability of key infrastructure.

A new type of production – energy storage (battery) – has also been implemented in the Installed Generation Capacity per Type and Aggregated Generation per Type datasets, which enables more precise monitoring of the development and role of energy storage systems in the power system and a clearer presentation of installed capacities and actual production by types of sources. Furthermore, the quality of sending data for system deviation through the Imbalance Prices and Imbalance Volumes dataset has been improved; in August, the sending of imbalance prices was automated, while the necessary changes were implemented for imbalance quantities in accordance with the new ENTSO-E specifications, which increased the accuracy, consistency and reliability of the published 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 and the requirements of the new version of the ENTSO-E Technical Manual.

During 2025, ENTSO-E successfully migrated to a new version of the platform – TP Vision – that brings an improved user interface, improved data search and filtering capabilities, modernized API functionalities and an optimized publication structure in line with expanded regulatory requirements and the development of common European balancing platforms. The new platform enables greater visibility, faster data processing and easier integration with external user systems. As a data provider, HOPS actively participated in the migration process, adaptation of technical solutions and testing of data exchange, ensuring continuity and reliability of data delivery during the transition period.

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

### **Croatian Office for Issuing EIC Codes**

ENTSO-E maintains a single Energy Identification Codes, which ensures the unambiguous identification of participants and facilities in the electricity and gas market in Europe. The system is implemented through the central office at ENTSO-E and the National Designation and Administration Offices ("Local Offices").

The Croatian EIC Label Office (hereinafter: CLIO) is established within the transmission system operator and carries out all activities related to the issuance, administration and updating of unique energy labels that Croatian energy entities (traders, suppliers, producers, balancing service providers, aggregators, etc.) need to participate in market processes at local and common European levels.

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.

# Management Report

## Croatian Transmission System Operator Plc. 2025

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During 2025, a total of 241 EIC labels (29 → X, 144 → W and 68 → Z labels) were issued, which represents an increase of 7 labels compared to 2024. At the same time, in 2025, for the first time, the EIC W label was issued for an energy facility that represents an electricity storage facility, i.e., a battery, which formally enabled the inclusion of this type in market and operational processes. This step reflects the further adaptation of the EIC system to the development of new technologies and market roles, as well as the growing importance of electricity storage in the context of the integration of renewable energy sources and the increase in the flexibility of the EPS. Overall, although the growth in the number of issued labels is moderate, the structure of issued labels confirms the continuation of the trend of expanding the base of market participants and diversification of energy entities on the Croatian electricity market.

### **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 MoE 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: RKC) and the proposal providing for TSCNET and Coreso to be the RKC for the Central SORs was adopted at the beginning of 2021. Both RKC have made the necessary preparations and by the deadline of 1 July 2022, the transformation from regional security coordinators to RKC 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,

# Management Report

## Croatian Transmission System Operator Plc. 2025

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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.

During 2025, HOPS continued to use TSCNET services, and, in 2025, it was again a signatory of the MRA contract– 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 2025, 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.

After the launch of the FB DA CC, amendments were submitted in order to further improve the methodologies as expected by the CACM. On November 28, 2023, the second amendment of the FB DA CCM was adopted in favour of the introduction of Advanced Hybrid Coupling (AHC) that improves capacity allocation at the borders to other CCRs. The objective of the AHC is to create a level playing field at SDAC with respect to flows arising from intra-CCR trade and flows resulting from trade with non-Core CCR trading zones. On July 1, 2025, the third amendment of the FB DA CCM was adopted with the aim of formally introducing and structuring the coordinated validation (CV) process, strengthening regional operational security and harmonizing key transition parameters such as FRM. With 2026, the adoption of the fourth amendment of the FB DA CCM follows, which has a focus on technical improvements and on eliminating the inclusion of long-term allocations in the calculation of day-ahead capacity.

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 22:00 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 15:00 from the remaining cross-zonal transmission capacities for the day-ahead market period (A) began. Day Ahead leftovers) Flow-based method.

The calculation of the cross-zonal intraday transmission capacities of the FB ID CC is in accordance with the adopted FB ID CC methodology according to the ACER 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.

# Management Report

## Croatian Transmission System Operator Plc. 2025

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Furthermore, in the 2025, the fifth and sixth amendments to the methodology were prepared and sent to the national regulatory authorities (NRAs) for review and comments in early 2026. The regulatory process takes place in parallel for both amendments, with the possibility of adopting joint or separate decisions, depending on the legal approach of individual regulators.

The Fifth Amendment to the methodology refers to the application of Allocation Constraints in the context of specific requirements for the security of operation of individual electricity systems, including the continuation of the validity of transitional solutions until a new regulatory decision is adopted.

The sixth revision of the methodology includes broader methodological upgrades, including the integration of Advanced Hybrid Coupling (AHC) into the intraday timeframe, the inclusion of a new border between the single electricity market of Ireland and Northern Ireland and France (SEM-FR, Celtic interconnector) in the capacity calculation process, the introduction of limits on the change of power between time units on DC interconnections (HVDCs) between synchronous areas; removal of the inclusion of long-term allocations (LTA) from IDCC(a) capacities and redefinition of individual deadlines for the implementation of further phases of the IDCC process.

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, on 28 May 2024 (for the trading day of 29 May 2024), HOPS, together with other Core CCR TSOs, successfully started the operational implementation of the calculation of cross-zonal transmission capacities for the intraday market using the Flow-Based method (FB ID CC) for the purpose of connecting the intraday market (ID FB MC) to Core CCR delivery capacity FB ID CCb) to D-1 at 9:45 p.m. Single Intraday Coupling (SIDC). After the operational start of FB ID CCb), replacing the NTC intraday capacity calculation with the intraday capacity calculation based on power flows on 28.5.2024, HOPS, together with other TSOs Core CCR, on 13.6.2024 (for the delivery day of 14.6.2024) successfully started the delivery of cross-zonal transmission capacities FB ID CCa) to D-1 14:45h on the SIDC market platform for all hours of the next day.

The milestone of the establishment of FB ID CCb) marked the first effective calculation of cross-zonal capacities based on the calculation of power flows in Core CCR and a major step towards optimizing 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 15:00 in D-1 and provides the necessary data for the intraday auction at 15:00 in D-1.

Furthermore, on 25 June 2025, HOPS started delivering cross-zonal FB ID CC(c) transmission capacities through updated capacities for continuous intraday trading delivered to the SIDC platform at around 04:30 hours of the delivery day, allowing for additional capacity adjustment closer to real time.

Due to the stable performance of the FB ID CC(c) process and the continuation of coordination in the region, on 21 October 2025 the phase of external calculation of transmission capacities for the FB ID CC(d) process started, which further improved the intraday capacity calculation in D-days, HOPS and other TSOs are working on preparations for its operational launch during 2026 in accordance with the applicable procedures and provisions of the Core methodology.

All relevant information of the published results of FB ID CC(a), FB ID CC(b) and FB ID CC(c) can be found on the Core IDCC section of the JAO website.

Intraday auctions (IDAs) aim to improve the SIDC by introducing a new pricing mechanism for intraday capacities, complementing the existing continuous trading method. With the introduction of IDA, the new technical setup and communication processes of market coupling will be used in addition to the SIDC XBID platform used for continuous trading. In this sense, IDA and continuous

# Management Report

## Croatian Transmission System Operator Plc. 2025

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market mechanisms support each other and allow for the collection of bids and efficient allocation of transmission capacity. IDA is implemented across Europe to enable the pricing of cross-zonal capacities in the intraday timeframe, to harmonise the calculation and allocation of cross-zonal capacities in the intraday market and to increase the overall efficiency of intraday trading.

On 25 June 2025, following the launch of the external calculation phase at the end of 2024, HOPS, together with the other Core CCR TSOs, started the operational delivery of cross-zonal FB ID CC(c) transmission capacities, delivering updated cross-zonal capacities to the SIDC continuous trading platform for MTUs from 06:00 to 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's working group (Decision No. 41.11.18.) accompanied all the necessary steps in order to achieve all these milestones.

On 21 October 2025, the external calculation phase for the FB ID CC(d) process also started, which represents the further development of the intraday capacity budget for intraday auctions (IDA3) and continuous trading on day D. The operational launch of FB ID CC(d) is planned in the 2026, following the completion of the stabilisation phase and regulatory approvals.

In 2026, the operational launch of the FB ID CC(e) process is also planned (by 16:00h), which will complete the implementation of all envisaged phases of intraday flow-based capacity calculation in Core CCR.

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 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, as well as the first amendment proposal of the LTSR Methodology (1st amendment proposal of the long-term splitting rules methodology) were prepared and submitted to the competent regulatory authorities for approval.

HOPS actively participates in all other related projects of the Core CCR working bodies (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 of performing the process itself.

On 20 November 2023, Core CCR started the internal calculation phase of long-term cross-zonal capacity 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 (eng. 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 long-term cross-zonal capacity calculation after the implementation of external calculations over a period of 6 months.

During 2025, the phase of external (parallel) calculations using the FB LT CC method, which was started by Core CCR on 24 November 2025, was carried out, with the aim of testing and verifying long-term cross-zonal capacities through six-month parallel calculations and capacity allocation using the power flow-based method. These parallel calculations shall include the development of a network model, the calculation of available capacities and the analysis of their impact on long-

# Management Report

## Croatian Transmission System Operator Plc. 2025

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term allocations, with the coordination of all TSOs involved and the joint capacity calculation coordinator.

During 2025, preparations and technical upgrades were made for the implementation of the first amendment to the FB LT CC (long-term capacity calculation methodology), whose regulatory approval is expected to enable the operational launch of long-term cross-zonal capacity calculations for the capacity allocation process in 2026. The amendment aligns with the application of the FB LT CC methodology and includes updates related to technical criteria, coordination of parallel budgeting outcomes and improvement of the integration of long-term budgeting with other timeframes (YES and ID).

In early 2024, a joint proposal was submitted by all TSOs, the Core CCR on the SNB NTC capacity calculation methodologies and the Core-SNB PK validation for the day-ahead timeframe for the CH-GR, CH-DE/LU and CH-AT bidding borders. This method aims to strengthen coordination between Core CCR and Swissgrid due to the increasing physical flows after the FB DA MC in Core CCR, and partly due to the implementation of the Regulation on the Internal Market for Electricity, which includes a target of 70% of minimum transmission capacity while respecting the limit values of operating quantities.

By ACER's decision of 19.3.2024, the proposal to amend the determination of the CCR included the addition of the border between the RTE and the SEM (Single Electricity Market in Ireland and Northern Ireland) bidding zones in the Core CCR, which facilitated the further integration of Ireland into the European electricity market. This marks the beginning of implementation preparations for the operational launch of the new bidding frontier between the France (RTE) and SEM (Eirgrid and part of SONI) bidding zones once the Celtic interconnector is operational at the end of 2026, connecting Ireland and France with a 700MW DC cable.

By the same decision of ACER, the merger of Core CCR and Italy North CCR forms the Central Europe CCR (CE CCR). Initially, this merger will only apply to the day-ahead capacity calculation process. This will improve the coordination and efficiency of the capacity calculation and allocation process in continental Europe. On September 17, 2025, the CE DA CCM was adopted, and work on the first amendment of the CE DA CCM began immediately.

ACER's latest decision of 16 December 2025 establishes a new East Central Europe Capacity Calculation Region (ECE CCR), which includes, in addition to HOPS, MAVIR, EMS, NOSBiH and CGES. Initial preparations for the operationalization of the region are underway, which will be formally possible only after the completion of the transposition of EU regulations into the three countries of the Energy Community.

### **Exclusion 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 European Outage Coordination Region. Through the coordination process, the outage and availability plans of the relevant network elements and relevant power generating modules are agreed in accordance with the Outage Coordination Chapter of Regulation 2017/1485, which forms the basis for the development of common grid models and all processes using these models.

### **Work 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, the Agreement on the Operation of the LFC Block SHB was signed. Operational Agreement of LFC Block SHB). During 2025, work continued on activities related to the amendment of the LFC Work Agreement of the SHB LFC block. In addition to the need to align it with the expected

accession to the European balancing platforms, the need to include additional provisions that proved relevant in 2025 was also recognised. The signing of the amended Agreement is expected before accession to European platforms.

### **Bilateral and regional cooperation with neighbouring transmission system operators**

During 2025, cooperation with neighbouring system operators continued through thematic meetings at various levels, with the Slovenian ELES, the Hungarian MAVIR, the Serbian EMS, the Bosnian-Herzegovinian NOSBiH and the Montenegrin CGES, where a number of topics of common interest were discussed. The focus of the communication was on the preparation of a new decision of ACER by which EMS, NOSBiH and CGES are included in the new ECE CCR.

The new ECE CCR is the reason for the development of the Special Addendum to the HAR for the border between the Croatia-Serbia bidding zones in 2025, which was made in cooperation between HOPS and EMS, in order to harmonize with the current market situation regarding the affiliation of the capacity calculation region. In addition, in 2025, HOPS and EMS, together with the JAO auction office, have made a new proposal for the Rules for explicit daily capacity allocation for the border between bidding zones where the allocation is carried out by the JAO. The new rules for daily capacity allocation have a main body, which is the same for all bidding zone borders where capacity allocation is made explicitly. Special specifics of individual borders, as well as the boundaries between the trading zones of Croatia and Serbia, can be found in the Special Appendix to the Rules. As the goal is to connect the markets of the trading zones of Croatia and Serbia day-ahead, the explicit daily allocation of cross-zonal capacity represents a transitional state until the markets in the bidding zones of Croatia and Serbia are operationally connected.

### **Cooperation projects of transmission system operators of the Mediterranean region**

In 2025, HOPS actively participated in the work of the Med-TSO Association, which promotes cooperation between the countries of the Mediterranean area, with the aim of developing the Mediterranean EPS as a neighbourly 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 electricity systems.

The Association's project, TEASIMED2, was completed in December 2025 and the final conference of the project was held in February 2026.

The objectives of the project are to promote the progressive integration of the transmission networks of the Med-TSO countries, taking into account adequacy requirements and energy security, to improve the cross-border exchange of electricity as well as the integration of renewable energy sources in the Mediterranean region, through the coordination of national development plans and relevant rules for the operation of the networks.

Also, the objectives of the TEASIMED 2 project are aligned with the objectives of the EU policy on energy and climate change and with the goals of the EU growth strategy, i.e., European Green Deal, also taking into account the objectives from the annex to the NRRP, Chapter REPowerEU, through energy savings, diversification of energy supply and accelerated integration of renewable energy sources.

As a follow-up to the TEASIMED 2 project, the Association submitted a proposal for a new project, TEASIMED 3, to the European Commission, which started in January 2026. The association expects significant funding from the European Commission as the Directorate-General for the

# Management Report

## Croatian Transmission System Operator Plc. 2025

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Middle East, North Africa and the Gulf (DG MENA) is supporting a new project that will last 4 years (2026-2029).

The aim of the new project is to take advantage of the increasing shares of renewable energy production (thus supporting the Trans-Mediterranean Energy and Clean Technology initiative, T-MED, launched by the EC), by improving the framework for promoting regional integration of the power system, by developing new high-voltage connections and operating rules as drivers for achieving regional energy transition objectives.

### **SUSTAINABLE DEVELOPMENT**

Due to active participation, particularly the entry of data into the Environmental Pollution Register regarding generated waste and air emissions (SF6 gas), the Company's obligations related to the Environmental Pollution Register maintained by the Ministry of Environmental Protection and Green Transition (hereinafter: MEPGT) have been fully fulfilled. 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 concerning environmental protection and nature, fulfil all obligations.

In September 2025, the document "Climate Risk Assessment and Impact on Company Business with Mitigation Measures" was prepared. The Company's Management Board adopted the document in November, after which it was submitted to the Environmental Protection and Energy Efficiency Fund, acting as the Implementing Body for grant agreements under the National Recovery and Resilience Plan (NRRP). Pursuant to Agreement No. NRRP.C7.1. R1-I6.01.0001, the project implementation is expected to contribute to the achievement of an additional indicator at the Call level, specifically the completion of the aforementioned study by the end of December 2025.

Since HOPS is registered in the "Register of Legal and Natural Persons-Craftsmen Engaged in the Import/Export and Placing on the Market of Controlled Substances and/or Fluorinated Greenhouse Gases, Servicing, Refurbishing and Use of These Substances", the successful servicing and maintenance of equipment containing the greenhouse gas sulphur hexafluoride SF6 continued. A detailed report on SF6 gas emissions from the HOPS plant was submitted to the MEPGT on the form KT 1 - Logbook of used quantities of controlled substances and fluorinated greenhouse gases. In addition, MoE was provided with data on the total quantities of SF6 gas used in switchgear.

During 2025, local self-government units (counties and municipalities) developed numerous development strategies and programs, as well as spatial plans and amendments to them. Strategic Environmental Impact Assessment procedures were carried out, i.e., procedures for assessing the need for strategic assessment and revision of strategic environmental impact studies. Inquiries from local self-government units that come to HOPS can be classified as follows:

- inquiries to competent authorities (HOPS) for the submission of data for the development of strategies and development programs, spatial plans and amendments to spatial plan,
- valuations of the need for strategic assessment, expressing opinions on the need for strategic assessment in relation to the drafted strategic documents,
- inquiries for giving opinions on the content of the strategic environmental impact study, strategies and programs for the development of local self-government units and with regard to spatial plans, when it is established that it is necessary to carry out a strategic environmental impact assessment of the project
- audit of completed strategies and development programs, spatial plans and strategic

# Management Report

## Croatian Transmission System Operator Plc. 2025

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environmental assessments with regard to the aforementioned documents, during public consultation procedures.

HOPS responded to all submitted 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.

During 2025, 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 has undoubtedly confirmed its commitment 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. The use of energy efficiency measures is important in increasing the security of energy supply and it represents the backbone of the energy policy of the EU. In 2025, 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.

Internal training was also conducted regarding management systems according to ISO standards 14001:2015 and 50001:2018. The training was conducted during internal audits at the level of the entire HOPS, which once again confirmed the contribution of HOPS to environmental protection and increasing energy efficiency.

HOPS is obliged to enter measures to improve energy efficiency achieved in electricity transmission into the System for Monitoring, Measurement and Verification of Energy Savings (SMIV), and four studies have been prepared in which savings related to projects implemented during 2025 have been calculated:

- Study on energy savings achieved by replacing conductors on the 110 kV Buje-Kopar
- Study on energy savings achieved by replacing conductors on the 110 kV Ston-Rudine
- Study on energy savings achieved by replacing conductors on the 110 kV Rudine-Komolac
- Study on energy savings achieved by replacing the TR2 power transformer in TS Slatina

In 2025, HOPS calculated the company's carbon footprint for 2024, which was published in the 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 (tCO<sub>2</sub>e). The concept of carbon dioxide equivalent (CO<sub>2</sub>e) enables the comparison of the effects or climatic impacts of concentrations of different greenhouse gases in relation to one unit of CO<sub>2</sub>. Scope 1 and Scope 2 emissions are calculated, while in the future it is expected that emissions and Scope 3 will be recorded.

In 2025, a total of 299.20 tons of hazardous and 308,98 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 2025 is smaller compared to previous years. Waste metals such as copper, aluminium 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 2025, 544.72 tons (89.56%) of waste was recycled - R procedures), and 63.46 tons (10.44%) of waste was disposed of - D procedures, HOPS achieved a significant contribution to the concept of circular management.

# Management Report

## Croatian Transmission System Operator Plc. 2025

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### **HEALTH PROTECTION AND OCCUPATIONAL SAFETY**

During 2025, occupational health and safety activities were focused on improving the occupational health and safety management system and strengthening preventive measures at all organizational levels of the Company. In February 2025, the Occupational Health and Safety Committee adopted a new risk assessment for employees in the sectors, while revisions of risk assessments were also carried out in the transmission areas. Occupational Health and Safety Committee meetings, expert working groups, and coordination meetings with the competent authorities were held regularly.

The implementation of the occupational health and safety management system in accordance with the requirements of the ISO 45001:2018 standards were initiated, including the conduct of internal audits in all transmission areas and the training of internal auditors. In addition, a new one-year contract was signed for an application solution aimed at more efficient management of occupational health and safety and fire protection activities.

In the field of health care of workers, preliminary and periodic medical examinations were organized for jobs with special working conditions. During 2025, health check-ups defined by the collective agreement were organized. Influenza vaccinations have also been carried out.

Employee training for safe work practices was continuously carried out, including training for newly employed workers and workers reassigned to other positions, training for working at heights, training for the operation of hand-held motor chainsaws, and first aid training. Induction training for external contractors performing work at the Company's facilities was also conducted.

Testing of work equipment, pressure equipment, working environment, and elevator safety was carried out, along with regular preventive inspections of facilities and workplaces, with identified deficiencies recorded in inspection logs. During the year, personal protective equipment was procured under a new two-year framework agreement, including protective clothing and footwear.

During 2025, numerous preventives, technical and organizational fire protection activities were carried out in order to maintain and improve the fire protection system. Periodic inspections and functional testing of fixed fire detection, alarm, and extinguishing systems (including FM-200 gas systems), fire dampers, internal hydrant networks, as well as safety and emergency lighting systems were performed. Fire extinguishers in the facilities were regularly serviced.

Employees were trained in preventive fire protection and the basic fire safety ("firefighting minimum"). Activities related to communication and reporting to the Croatian Firefighting Association were also carried out, as well as cooperation with the competent public fire departments.

### **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.

# Management Report

## Croatian Transmission System Operator Plc. 2025

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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.

Part of the relevant acts within the Company's jurisdiction, the Rules on Connection to the Transmission Network, the Rules on Non-frequency Ancillary Services for the Transmission System and the Rules on Balancing the Electricity System, were adopted by the Company in 2023, while the Grid Rules were adopted in 2024. In 2023, the Company submitted the Rules on Non-standard Services of the Transmission System Operator and the Price List of Non-standard Services to the approval procedure at HERA, for which acts HERA has not yet given its consent.

The adoption of the Congestion Management Rules in the Transmission System has been postponed in 2025 due to the complexity of the issue and the absence of the adoption of related bylaws (primarily the Rules for Organizing Wholesale Electricity Markets), the adoption of which is not within the competence of the Company, but they are being prepared.

From autumn 2022, the Decision on the amount of the single fee for connecting to the network is expected by HERA. Due to the failure to adopt a unit price, HOPS is unable to fully apply the Connection Methodology and, when creating the EOTRP, for electricity producers, define the connection fee, which is an integral part of the EOTRP and the connection contract.

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 EMA 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. 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 EU Networks Action Plan (published by the previous European Commission at the end of 2023), preparations have been made and the adoption of the European Networks Package is expected, which should include a series of regulations relating to electricity networks during 2026. 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. 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 Company's employment and transfer procedures are regulated and implemented in accordance with the Company's current instructions that regulate the aforementioned processes (planning and internal procedures for implementing and approving procedures). Employment planning is based on an analysis of employee fluctuation, the expressed needs of organizational units, the financial framework established by the Business Plan, and realistic possibilities for implementing employment on the labor market.

Timely and efficient recruitment of workers is particularly important in cases of replacing workers who retire or stop working at their own request, both for the sake of timely knowledge transfer and for the sake of faster integration of workers into business processes and the work environment. The changed circumstances on the labor market, marked by increased competition on the part of employers and the simultaneous lack of qualified workers with appropriate profiles, continue to significantly affect employment processes. The aforementioned trends are particularly pronounced in technical occupations, which make up a significant part of the Company's employee structure, with an increased number of departures of workers motivated by opportunities for faster advancement or more favorable working conditions on the market, compared to previous periods.

In the past period, an increased number of repetitions of advertising procedures was observed due to the inability to find a suitable candidate, i.e., an extremely small number of candidates applying for vacancies, especially for technical positions with a place of work in Zagreb, where market competition is extremely strong. The above circumstances extend the duration of employment procedures and increase the risk of untimely filling of key positions. Although employee fluctuation in some cases can have positive effects, it represents a significant organizational risk if the worker is not replaced in a timely manner and with a quality candidate.

Consequently, the Company continuously carries out activities aimed at strengthening its visibility and competitiveness in the labor market and retaining the existing key personnel. In addition, regular scholarships for students of technical professions, especially in the field of electrical engineering (energy) and information and communication technology, ensures a long-term and stable influx of professional staff entering the labor market and, through contractual obligations, encourages their stay in the Company.

### **Procurement risks**

Timely planning of regular operations and activities (primarily investment) and continuous monitoring of implementation and alignment with previously established goals form the basis of stable and efficient development of the EPS. In order for all plans (operations, development and others) to be fully and qualitatively implemented, coordination of stakeholders and effective cooperation within the organization are essential, especially in the process of planning and implementing procurement procedures. It is necessary to devote adequate time to procurement procedures, both in the preparation of the procedures themselves, and in the subsequent evaluation of received bids and the conclusion of contracts with selected economic entities. The key segment in this is the collection of various information and data, both from the company's own environment and from external sources. Procurement, as one of the key strategic functions, has the task of ensuring economical and transparent procedures, rational management of financial resources and the application of the principle of achieving the best possible value for the invested financial resources.

The current situation in the Company close to the market represents one of the key challenges in the area of procurement and has a direct impact on other segments of the Company. The primary problem is the limited number of qualified and reliable economic entities in a certain area, which contributes to a decrease in the level of market competition and increases the Company's

# Management Report

## Croatian Transmission System Operator Plc. 2025

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exposure. The second problem is price volatility, which, combined with insufficient market competition, can contribute to an increase in costs and threaten planned investment activities. Finally, at a global level, instability in supply chains that causes longer delivery times for equipment or frequent delays in implementation also increases financial risks and threatens planned activities.

The Company strives to respond to the above-mentioned difficulties with a proactive and strategic approach and systematically monitors market trends, analyzes opportunities to expand the 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 it may face, and considers possible measures to minimize risks. In order to minimize risk, the Company continuously invests in employee training. In the coming years, the Company will continue to develop and improve procurement business processes and train employees 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 Directive (EU) 2022/2555 (NIS2) and the Act on Cybersecurity of Operators of Key Services and Digital Service Providers (Official Gazette 14/24), the Company recognizes the risk of unavailability of information and operational systems and threats to data security as one of the key risks for business continuity and the security of the transmission power system of the Republic of Croatia. As a key entity in the energy sector, the Company is obliged to implement advanced cyber risk management measures on the entire infrastructure used in its business.

During 2025, activities to comply with regulatory requirements continued through further development of the information security management system, implementation of risk assessments of key systems, updating internal acts and business continuity plans.

Increased geopolitical risks and pronounced instability of the environment in Europe further increase the exposure of critical energy infrastructure to cyber threats, making cybersecurity not only a regulatory, but also a strategic issue for the security of electricity supply. The Company is monitoring the development of future binding regulations at the EU level, in particular the Network Code on Cybersecurity for Cross-Border Electricity Flows (NCCS), which is expected to be implemented by the end of 2028. This regulatory framework for the energy sector in the EU will further expand the scope of requirements to almost all business processes of transmission system operators.

An additional challenge for the Company arises from the model of shared network and communication infrastructure within the HEP Group in the part of the OPGW infrastructure that represents the communication backbone for key EMS control systems. In accordance with the applicable legal framework, the Company bears regulatory responsibility for the security of the infrastructure it uses, regardless of ownership, which, given the different regulatory status of the companies in the Group, represents additional operational and regulatory risk, including potential exposure to sanctions in the event of an incident or unavailability of the shared infrastructure.

The Company focuses its activities on systematic cyber risk management through the implementation of risk assessments and business impact analyses (BIA), strengthening oversight of the IT and OT environment, improving incident detection and response mechanisms, segmenting and protecting network infrastructure, and regularly testing disaster recovery plans, with the aim of ensuring the availability of key systems for managing the EMS.

### **Risk of unresolved property relations**

Due to numerous reasons (primarily due to the unregulated land registry situation), the procedures for resolving property relations are very complex and time-consuming. Since they have a significant impact on the implementation of the investment plan, the Company pays special attention to their resolution and tries to approach this issue systematically. Unresolved property

# Management Report

## Croatian Transmission System Operator Plc. 2025

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relations have a negative impact on the duration and progress of projects, in terms of the inability to obtain a building permit, delays in starting work, maintenance of facilities, free disposal of property, and the like.

### **Financial risks**

The Management Board of the Company monitors and manages financial risks 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 unfavourable 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 weekly, monthly and annual basis.

### **Risks based on participation in projects co-financed by programs of the EU**

The most complex part of the project implementation is the implementation of the public procurement procedure and the financial monitoring of the project, while ensuring publicity and visibility are simpler parts of the project implementation process. Namely, the risks of appeal procedures in the implementation of public procurement procedures can cause a significant extension of the implementation period from the initially planned deadline (appeals to documentation, appeals to the selection decision, State Commission for the control of Public Procurement decisions, hereinafter: DKOM

The 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 during the project implementation period, therefore, in addition to the above, the risks of the eligibility period of expenditures and the project implementation period are also significant. Namely, it is necessary to implement the projects within the contracted period and realize the costs within the eligibility period, otherwise the same costs will not be accepted for financing from EU sources and will be charged to the Company.

Therefore, the greatest risks relate to the implementation of public procurement procedures, the implementation of contractual obligations, as well as related cash flow problems, i.e., the risk of finding financial resources to co-finance project activities. In general, significant risks are represented by failure to meet set goals and milestones, or failure to fulfil contractual obligations, which may lead to the termination of the grant agreement for a number of reasons, which may have negative financial consequences for the Company.

By signing the grant agreement for projects financed from the Recovery and Resilience Mechanism (RRM), key milestones in the project implementation have been 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

# Management Report

## Croatian Transmission System Operator Plc. 2025

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2026,

- replacement 8 old transformers on the high-voltage power system (110 kV, 220 kV, 400 kV) with new transformers, by June 30, 2026,
- reconstruction of 2 facilities on the high-voltage power system (110 kV, 220 kV, 400 kV) carried out, by June 30, 2026,
- key indicators have been realized or are about to be realized by December 31, 2025. In the continuation of the project, it is necessary to continue with the implementation of the remaining activities, which are extremely time-consuming.

All key events, i.e., indicators, in the implementation of the project that were foreseen in the course of the project so far, have been successfully achieved.

### **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 2025, HOPS, in accordance with the relevant provisions of the current EMA, issued preliminary opinions for the possibility of connecting more than 8000 MW (from RES) to the transmission network. During May 2025, HOPS received 420 requests for the submission of data for the development of EOTRP with the requested connection power of 1127.7 MW. Based on the request, input data was prepared and submitted in June 2025 to the EOTRP developers who started the EOTRP drafting process. At the time of submission of the data, HERA still did not adopt a unit price. In September 2024 HOPS sent a letter to HERA indicating 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 2025, HOPS submitted 45 proposals for the contract on connection to the transmission network to investors of 45 projects. Most investors complained to HERA about the proposal of the contract on connection to the transmission network, mostly regarding the method of calculating the connection fee. HERA did not respond to the received investor complaints by the end of 2025, thereby significantly slowing down the continuation of the connection procedure.

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, due to large production (including RES), the transmission network cannot take over all the energy produced. An additional risk is the possibility of expiration of the energy approval period for these 45 projects, given that HERA has not responded to the objections to the contract on connection to the transmission network, so the connection procedure cannot continue.

### **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 impossibility of completing the started connection procedures for the projects from 2024 and 2025 within the period in which HOPS should prepare the input data for the new connection procedures in 2026.

### **SIGNIFICANT BUSINESS EVENTS AFTER THE END OF THE BUSINESS YEAR**

#### **Reprogramming of the existing loan by concluding an addendum to the Long-Term Loan Agreement No. 5/2022**

Responding to HOPS's Request for rescheduling the existing loan by concluding an amendment to the Long-Term Loan Agreement No. 5/2022, the HEP Management Board, after conducting a market survey, on 26 February 2026 adopted Decision No. 7-5.1/2026 approving the rescheduling of the existing long-term loan to HOPS in the amount of 56.93 million euros under the terms proposed by HOPS with a market interest rate of 3.0%, which remains unchanged compared to the Long-Term Loan Agreement No. 5/2022. By the same decision, the HEP Management Board approved the conclusion of the I. Amendment to the Long-Term Loan Agreement No. 5/2022 with HOPS, which regulates the rescheduling under the aforementioned terms. As the commercial banks to which HOPS sent a request for an indication of the possibility of approving a long-term loan to secure earmarked funds in the amount of 56.93 million euros for the purpose of refinancing obligations to HEP offered financing under less favourable conditions than those offered by HEP, the Company, at the Management Board meeting on March 17, 2026, adopted Decision No. 278.11.26 approving the conclusion of the I. Amendment to the Long-Term Loan Agreement No. 5/2022 with HEP. The consent of the Company's Supervisory Board was obtained on March 25, 2026, by Decision No. 152.9.26. while HERA's prior consent to the proposal for the I. appendix to the long-term loan agreement number 5/2022 was obtained by Decision class: 391-43/26-01/17, reg. no.: 371-06-26-3, on April 15, 2026.

#### **Ten-year transmission network development plan 2025 - 2034, with detailed elaboration for the initial three-year and one-year period**

After obtaining the consent of the MoE, Class: 391-01/25-01/278, Reg. No.: 526-06-03-26-10, from 4 February 2026, for scenarios 1 and 2.1, which allow for investment in revitalization and investments for security of supply, as well as investments in connections for which connection contracts have been concluded. Additionally, investment in the preparation of the 400 kV program is enabled. In accordance with Article 104, Paragraph 1 of the EMA, by 3 March 2026, HOPS submitted to HERA, for approval and further action, a proposal for a ten-year transmission network development plan 2026-2035 with detailed elaboration for the initial three-year and one-year periods. HERA conducted a public consultation from 3 to 18 March 2026 and, by letter dated 24 March 2026, requested HOPS to respond to the comments from the public consultation and to submit the revised 10G plan, which were submitted to HERA on 14 April 2026.

#### **Sources of financing for the transmission network development plan - insufficient funds**

In addition to the proposed ten-year plan, the Company has prepared planned financial statements for the period 2026-2028, according to which the sources of financing show a shortfall of 48.33 million euros in 2027 and 76.20 million euros in 2028. The aforementioned financial statements simulate borrowing, although the Company will strive to secure the aforementioned shortfall with non-refundable EU funds. If the amount of tariff items for electricity transmission remains at the current level, and no non-refundable EU funds or additional sources of financing for the planned necessary investments in the upcoming five-year period are secured, unofficial projections, in addition to the already planned borrowings for 2027 and 2028, indicate the need for additional borrowing of 133.36 million euros in 2029 and 151.04 million euros in 2030. If HERA does not adopt a Decision on the amount of the unit fee for connection to the network, the shortage of funds for financing planned investments will increase further, since the ten-year plan envisages financing projects from this source in the amount of 9.04 million euros in 2029 and 31.59 million euros in 2030.

# Management Report

## Croatian Transmission System Operator Plc. 2025

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The awareness of the competent ministries and HERA of the necessity of developing the transmission network in order to maintain a high level of security of electricity supply, as well as to enable further connection of RES producers, is reflected in the announcement of the adoption of a decision on the unit fee for connection to the network by HERA in April 2026, as well as in meetings held with the competent ministry regarding the possibilities of securing funds from EU funds. During 2025 and 2026, HOPS, through active cooperation, prepared a list of investments that can be nominated, depending on the specificities of each fund. According to available information, the Modernisation Fund and the new multiannual financial framework at the EU level are available for the period until 2034.

### **Extension of the Regulation of the Government of the Republic of Croatia**

The Decree amending the Regulation of the Government of the Republic of Croatia of 23 March 2026 (Official Gazette 29/2026) extended the application period from 1 April to 30 September 2026, with the guaranteed price range of 91.32 EUR/MWh to 140.00 EUR/MWh unchanged. It is estimated that the Company will generate additional revenue of 2.20 million euros in the aforementioned period.

### **National Recovery and Resilience Plan 2021-2026 – open issues**

During 2025, various procedures were established for dismantled material on transmission lines where conductors were replaced. By the end of 2025, the relevant issues were opened with the Contractors on individual Contracts, an extraordinary internal audit was conducted and the Report on the extraordinary internal audit was submitted to the Management Board of the Company. At the beginning of 2026, criminal charges were filed against an unknown perpetrator and proposals for an Agreement for the compensation of unearned income were sent to the Contractors for transmission lines where the procedures for dismantled material were not in accordance with good practice and the actual ownership of the dismantled material.

The supplier of equipment on the 2x110 kV Bilice-Trogir overhead line submitted a request to HOPS for an increase in the price of the equipment compared to the initially signed contracts due to market disruptions. In addition, a request was submitted to increase the price of works on the revitalization of the 220 kV Konjsko-Pađene-Brinje transmission line. At the time of writing this report, the requests in question have not been resolved and the procedures for proving the merits of the request are ongoing. Also, the final calculation for the revitalization activity of the Ston – Rudine – Komolac transmission line has not yet been made and is being coordinated with the contractor regarding the same. The total financial impact based on the requests in question is still unknown.

During 2025, the project of installing capacitor batteries in TS Šijana and TS Poreč was carried out. Given that the Contractor did not complete the project in question in accordance with the contractual deadlines, in the first quarter of 2026, the Contract in question was terminated and a contractual penalty in the amount of 10% of the contract amount was charged.

The circumstances described in the previous paragraph represent certain financial risks, in the part relating to potential unplanned expenses of the Company, but it is unlikely that they will have a decisive impact on the Company's operations.

### **GreenSwitch project – problems in implementation**

The project has recorded significant financial deviations from the initially planned funds, primarily for the activities of installing PST transformers in TS Gračac, the price of which increased from the initially planned 4.5 million euros to 10.9 million euros due to the global increase in market prices and the increase in the scope of construction works. In accordance with the signed Grant Agreement, the European Executive Agency for Climate, Infrastructure and Environment does not recognize the increase in co-financed funds, but the risk is borne by the signatories. The

# Management Report

## Croatian Transmission System Operator Plc. 2025

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significant increase in costs required additional time for internal evaluation, ensuring the financial framework and stability of the project, which caused a delay in the public procurement procedure (announcement in July 2025, selection decision in October 2025). An appeal was submitted to DKOM against the decision to select the most favourable Bidder, which was accepted. After the appeal was accepted by the DKOM, the procurement procedure is being repeated, with shortened deadlines, whereby there is still a risk of further project delays due to possible legal and procedural complications and standard public procurement risks.

Given the circumstances, the project has a relatively high risk of delays and non-fulfilment of HOPS obligations under the assumed obligations from the Consortium Agreement and the Grant Agreement if the repeated procurement procedure of PST Gračac is prolonged. Failure to fulfil HOPS obligations may have an impact on all members of the consortium, given that the Project was awarded based on the total estimated contribution of all consortium activities. For this reason, it is necessary to prioritize the procedure at the HOPS level in order to avoid undesirable consequences.

### **Claims by Croatian Forests**

In March 2026, HOPS filed a claim by Croatian Forests d.o.o. in proceedings before the Commercial Court in Zadar, Permanent Service in Šibenik (P-42/2026), and while in April 2026, a claim was also received by e-mail before the Commercial Court in Split (P-69/2026). In both mentioned cases, the proceedings are factually and legally identical due to alleged non-contractual liability for damage to forests and forest land, and which differ only in the amount of the claim and the stage of the proceedings. The value of the subject matter of both disputes is 0.76 million euros.

The claims are based on a calculation of forest damage prepared by, which includes several items, with the largest part of which is compensation for alleged illegal use of forest land, while the remaining part includes compensation for damage to timber, young plants, costs of raising the stand and costs of rehabilitation.

The Company does not dispute the occurrence of damage in the part relating to the damage to the forest stand and the associated rehabilitation costs; however, it disputes the legal basis and amount of the claim in the part relating to compensation for illegal use of forest land. According to the Energy Act, the Company had the legal right to use the real estate in question, as a result of which illegality as one of the assumptions of liability for damage is absent.

Accordingly, the Company will submit responses to the claims within the statutory deadline in which it will dispute the legal basis and amount of the claim, while simultaneously accepting the proposal for an amicable settlement of the dispute, with the aim of completing the proceedings economically and efficiently.

### **Switching of DV 110 kV due to power supply of SS Velika Gorica from two connection points**

In 2025, all preparatory work for the connection of two transmission lines (110 kV Mraclin – Resnik 2 and 110 kV Mraclin – Velika Gorica 2 overhead line) was completed, and the works themselves were carried out in February 2026. The works in question ensured power supply to TS 110/20 kV Velika Gorica from two sides.

### **Energy crisis caused by the war in Iran**

The energy crisis caused by the war in Iran affects HOPS operations in several ways: through an increase in prices on the wholesale electricity market, through increased inflation (general increase in prices of goods and equipment), and through difficult delivery of equipment in the event of an expansion of the war zone (Red Sea).

# Management Report

## Croatian Transmission System Operator Plc. 2025

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Geopolitical tensions in the Middle East have led to an increase in gas prices on European markets, with increased volatility and uncertainty of supply. Since the price of electricity in Europe largely depends on marginal gas-fired generation units, the increase in the price of gas directly spills over into the increase in wholesale electricity prices.

Consequently, HOPS is directly exposed to increased costs of purchasing electricity to cover technical losses in the transmission network. An increase in electricity prices may significantly affect the company's operating costs, given that the purchase of energy to cover losses constitutes an important part of the Company's total expenses.

At the same time, high energy prices may lead to a broader economic crisis, a decrease in industrial activity and total electricity consumption. Reduced electricity consumption directly affects the reduction of income from the transmission network use fee, i.e. the transmission network use fee, which further burdens the financial position of HOPS.

### **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 focused on maintaining a high level of reliability of the transmission network as a national infrastructure of the greatest importance for the Republic of Croatia and on maintaining a high level of security of electricity supply at the level of the Croatian transmission system.

Furthermore, the emphasis is on harmonizing the Company's operations with obligations arising from national and EU regulations, supporting the further development of a single interconnected EU electricity market, optimizing personnel, improving and optimizing business processes, optimizing operating costs and increasing efficiency, strengthening financial stability, business sustainability, and systematically managing environmental, social, and corporate (ESG) impacts. Special attention is also given to increasing the recognition of HOPS' activities and results in the public.

The extremely high interest of investors in connecting production facilities from RES, along with simultaneous changes in the relevant legislative and regulatory framework, poses significant challenges for the Company in the area of planning and development of the transmission network and securing financing for creating the necessary technical prerequisites in the network. Accordingly, it is expected that in the upcoming period the Company will be exposed to increased demands related to the realization of investments in the revitalization of existing facilities and transmission lines as well as in the implementation of new investments necessary to ensure safe and reliable transmission of electricity and further development of the transmission network in accordance with the projections of 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 Company's financing capabilities from its own funds; therefore, timely securing of sources of financing with an emphasis on funds from EU funds and a unit fee for connecting new network users is of particular importance. Given that the problem of financing the development of the transmission network has a wider European dimension, ENTSO-E is engaged in initiatives that, in cooperation with relevant EU institutions, aim to provide transmission system operators with access to new grant packages from EU funds and favorable credit lines for the development of the transmission network, supported by guarantees from national and European development banks. At the EU level, additional modernizations of the regulatory framework are also advocated in order to better align them with the financial

# Management Report

## Croatian Transmission System Operator Plc. 2025

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requirements of operators necessary for the development of the transmission network, while additional sources of financing are also being considered. It is important to emphasize that the Company's ability to borrow, in addition to its own creditworthiness, also depends on the willingness of the owners of HEP to approve the use of credit lines at the level of the HEP Group and to issue appropriate guarantees for companies within the Group. The scope of necessary investments, stated in the Ten-Year Transmission Network Development Plan, without clearly secured sources of financing is not sustainable and poses a significant risk to maintaining security of supply and timely implementation of development activities on the transmission network. Consequently, this calls into question the achievement of the goals set by the Energy Development Strategy of the Republic of Croatia and the Integrated National Energy and Climate Plan, or the goals of the EU's green transition.

The Company will continue to systematically and continuously strengthen internal competencies, especially in the areas of establishing and developing management functions of the business strategy and the transmission network development strategy, further improving business with network users and market participants, and developing the information system. Special attention will be paid to strengthening internal legal support and business analysis functions, taking into account the rapid increase in the scope and complexity of interactions with external institutions and business entities.

As part of business development in the future, the Company plans to improve the existing business information system that will ensure better data availability and processing, improve business decision-making, and increase operational efficiency and transparency of business. The current ERP system, based on outdated technologies and limited functionalities, does not fully meet modern business needs and makes further development and optimization of processes difficult. Accordingly, the procurement and implementation of a modern ERP solution is planned, through which business processes will be digitalized and standardized in accordance with leading industry practices, with adaptation.

Zagreb, 28 April 2026

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

# Management's responsibility for the annual financial statements

## Croatian Transmission System Operator Plc.

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### Management's responsibility statement

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, 151/25) 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 28 April 2026.

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, 28 April 2026

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Annual Financial Statements**

#### **Opinion**

We have audited the annual financial statements of the Croatian Transmission System Operator Plc. ("Company"), which comprise the statement of financial position as at 31 December 2025, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, as well as the notes to the financial statements, including material 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 at 31 December 2025, 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 conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants (IESBA Code), as applicable to audits of public interest entities, together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements of public interest entities in the Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

#### **Emphasis of Matter**

We draw attention to Note 17, Property, Plant and Equipment, to the annual financial statements, which states that the Company has not yet fully resolved all property-law matters, specifically ownership rights relating to certain real estate assets. The Company is in the process of obtaining documentation evidencing ownership. Our opinion is not modified in respect of 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. These matters were addressed 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. For each matter below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT**
**To the Owner of Croatian Transmission System Operator Plc., Zagreb (continued)**
**Key Audit Matters**

<b><i>Key Audit Matter</i></b>	<b><i>How we addressed Key Audit Matter</i></b>
<p><b>Revenue Recognition</b>  <b>Refer to Notes 3.1 and 6 to the financial statements.</b></p> <p>In 2025, the Company achieved revenue from sales in the amount of EUR 424,465 thousand (2024: EUR 385,320 thousand).  The Company's revenue from sales relates to:</p> <ul style="list-style-type: none"> <li>- transmission of electricity revenue</li> <li>- electricity balancing sales revenue – deviation</li> <li>- electricity balancing sales revenue</li> <li>- cross-border capacity allocation revenue</li> <li>- Inter-Transmission System Operator Compensation (ITC) mechanism revenue</li> <li>- electricity losses procurement revenue</li> </ul> <p>In accordance with IFRS 15 <i>Revenue from Contracts with Customers</i>, revenue from the sale of goods and services is recognized:</p> <ul style="list-style-type: none"> <li>- at the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services;</li> <li>- upon transfer of control, at a point in time or over time. Control of an asset refers to the ability to direct the use of the asset and obtain substantially all of the remaining benefits from it.</li> </ul> <p>Given the significance of revenue presented in the statement of comprehensive income and the complexity of revenue recognition, we concluded that the existence and accuracy of revenue, as well as its allocation to the appropriate reporting period, represent a key audit matter.</p>	<p><b>Our audit procedures in this area included, among others:</b></p> <ul style="list-style-type: none"> <li>- Gaining an understanding of the revenue recognition process and assessing compliance with policies related to applicable accounting standards. In addition, we obtained an understanding of the controls implemented in the revenue recognition process;</li> <li>- Performing analytical review of revenue accounts and comparing financial data with non-financial data, as well as comparing actual results with expectations;</li> <li>- Performing substantive testing on a sample basis to identify unusual or irregular items;</li> <li>- Obtaining external confirmations of customer balances as at 31 December 2025 on a selected sample (related parties in 100% of cases), reconciling the confirmed balances with the Company's analytical records, and obtaining an understanding of all significant differences between customer confirmations and the Company's accounting records;</li> <li>- Testing the cut-off of revenue recognition on a sample of sales invoices issued before and after the reporting period end;</li> <li>- IT audit of the revenue business process.</li> </ul> <p>We also assessed the appropriateness of relevant disclosures in the financial statements and their compliance with IFRSs as adopted by the EU.</p>

**INDEPENDENT AUDITOR'S REPORT**
**To the Owner of Croatian Transmission System Operator Plc., Zagreb (continued)**
**Key Audit Matters (continued)**

<p><b>Property, Plant and Equipment in Progress</b></p> <p><i>Refer to Notes 4 and 17 to the financial statements.</i></p> <p>In the financial statements as at 31 December 2025, the Company has recognized assets under construction in the amount of EUR 237,016 thousand (31 December 2024: EUR 122,437 thousand).</p> <p>One of the Company's core responsibilities is the maintenance, development, and construction of the transmission network in order to ensure a reliable and sufficient supply to users. Investments in the transmission network are based on the Ten-Year Transmission Network Development Plan 2022–2031. These are mainly multi-year, technically complex projects of significant financial value, the completion of which within planned timeframes and budgets depends, among other things, on coordination with HEP Operator distribucijskog sustava d.o.o., Zagreb regarding construction dynamics and financing. This also affects the complexity of asset capitalization and the commencement of depreciation.</p> <p>Given the significance of investments in the Company's financial statements, this matter is of particular importance to our audit.</p>	<p>Our audit procedures in this area included, among others:</p> <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- Assessing the compliance of the property, plant and equipment recognition policy with the relevant financial reporting standards;</li> <li>- Reviewing selected investment projects on a sample basis by inspecting contracts, incoming invoices, delivery notes, and similar documentation;</li> <li>- Analyzing explanations provided by technical departments regarding the current status and expected completion of ongoing investment projects;</li> </ul> <p>We also reviewed the information disclosed in the Company's financial statements in order to assess its accuracy and completeness.</p>
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## INDEPENDENT AUDITOR'S REPORT

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

### Other Matter

The Company's annual financial statements for the year ended 31 December 2024 were audited by another auditor, whose report dated 29 April 2025 expressed an unmodified opinion on those financial statements.

### Other information

Management is responsible for the other information. The other information comprises the Management Report and the Non-Financial Statement included in the Annual Report but does not include the annual financial statements and our auditor's report thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information and consider whether, based on our work, the other information is materially inconsistent with the annual financial statements or the knowledge we obtained during the audit, or otherwise appears to be materially misstated.

In relation to the Management Report and the Non-Financial Report, we also performed procedures required by the Accounting Act. These procedures included considering whether the Management Report was prepared in accordance with Article 24 of the Accounting Act and whether the Non-Financial Report was prepared in accordance with Article 61 of the Accounting Act.

Based on the work undertaken, and to the extent we are able to assess it, we conclude that:

1. the information contained in the Management Report is consistent, in all material respects, with the financial statements for the year for which they have been prepared;
2. the Management Report has been prepared in accordance with Article 24 of the Accounting Act; and
3. the Non-Financial Report has been prepared in accordance with Article 61 of the Accounting Act.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report any material misstatements identified in the Management Report and the Non-Financial Report. We have nothing to report in this respect.

### **(i) Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements**

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards (IFRSs) and the accounting regulations applicable in the Republic of Croatia, and for such internal control as Management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

## INDEPENDENT AUDITOR'S REPORT

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

### (II) Auditor's responsibilities for the audit of 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 independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated 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 and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## INDEPENDENT AUDITOR'S REPORT

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

### (III) Auditor's responsibilities for the audit of 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the actions taken to eliminate threats to independence and the safeguards applied.

From 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 independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

1. On 21 May 2025, we were appointed by a resolution of the General Assembly, upon the proposal of the Supervisory Board of Hrvatski operator prijenosnog sustava d.d., to perform the audit of the annual financial statements for 2025 and 2026.
2. As at the date of this report, we have been continuously engaged to perform statutory audits of the Company's financial statements since the audit of the Company's annual financial statements for 2025, which amounts to one (1) year in total.
3. For the audit of the Company's annual financial statements for 2025, we determined materiality for the financial statements as a whole in the amount of EUR 14,335,000, which represents approximately 1% of the Company's total assets for 2025.
4. Our audit opinion is consistent with the additional report to the Audit Committee of the Company prepared in accordance with Article 11 of Regulation (EU) No 537/2014.
5. During the period between the initial date of the audited annual financial statements of the Company for 2025 and the date of this report, we have not provided prohibited non-audit services to the Company and/or its parent company, and we have not provided services in the preceding financial year that involved the design and implementation of internal control or risk management procedures relating to the preparation and/or control of financial information or the design and implementation of financial information technology systems. In performing the audit, we have maintained our independence from the Company.

**INDEPENDENT AUDITOR'S REPORT****To the Owner of Croatian Transmission System Operator Plc., Zagreb (continued)**

The engagement partners responsible for the audit that resulted in this independent auditor's report are Vedran Miloš and Ivan Horvat.

28 April 2026

Vedran Miloš  
Director and Certified auditor

Grant Thornton revizija d.o.o.  
Ulica grada Vukovara 284  
10000 Zagreb  
Croatia

Ivan Horvat  
Director and Certified Auditor

RSM Croatia d.o.o.  
Ulica Josipa Vargovića 2  
48000 Koprivnica  
Croatia

# Croatian Transmission System Operator Plc., Zagreb

## Statement of Comprehensive Income for the year ended 31 December 2025

<i>( in EUR '000)</i>	Note	<b>2025</b>	<b>2024</b>
Sales revenue - related parties	6,38	272,582	233,157
Sales revenue - outside the Group	6	151,883	152,163
Other operating income - related parties	39	1,811	-
Other operating income - outside the Group	7	19,880	23,472
		<b>446,156</b>	<b>408,792</b>
Materials and spare parts used	8	(2,696)	(2,337)
Service expenses	9	(51,901)	(64,781)
Personnel expenses	10	(49,900)	(43,636)
Depreciation and amortisation	16,17,18	(55,903)	(53,439)
Ancillary services	11,39	(55,004)	(49,094)
Transmission grid losses	11	(48,281)	(51,772)
Purchase of balancing energy	11,39	(65,838)	(61,298)
Other expenses – related parties	39	(7,424)	(7,334)
Other operating expenses	12	(9,678)	(13,689)
		<b>(346,625)</b>	<b>(347,380)</b>
<b>Operating profit</b>		<b>99,531</b>	<b>61,412</b>
Financial income	13	1,549	1,660
Financial expenses	14	(1,807)	(1,921)
<b>Net loss from financial activities</b>		<b>(258)</b>	<b>(261)</b>
<b>Profit before tax</b>		<b>99,273</b>	<b>61,151</b>
Profit tax	15	(18,100)	(11,097)
<b>Profit for the year</b>		<b>81,173</b>	<b>50,054</b>
Other comprehensive income	29	(4,115)	-
<b>Total comprehensive income</b>		<b>77,058</b>	<b>50,054</b>

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.

# Croatian Transmission System Operator Plc., Zagreb

## Statement of Comprehensive Income for the year ended 31 December 2025

<i>(in EUR '000)</i>	Note	31 December 2025	31 December 2024
<b>ASSETS</b>			
Intangible assets	16	6,499	7,427
Property, plant and equipment	17	1,143,059	1,023,480
Right-of-use assets	18	1,514	1,576
Prepayments for property, plant and equipment	19	54	121
Investment property	20	352	806
Investments in associates	21	2,209	1,446
Financial assets at fair value through other comprehensive income	22	5,126	7,037
Deferred tax assets	15	6,364	5,580
<b>Total fixed assets</b>		<b>1,165,177</b>	<b>1,047,473</b>
Inventories	24	1,417	1,573
Trade receivables	25	9,416	19,191
Receivables from related parties	39	60,303	58,992
Other current assets	23,26	52,092	34,824
Deposits given	27	2,392	2,907
Cash and cash equivalents	28	188,776	87,516
<b>Total current assets</b>		<b>314,396</b>	<b>205,003</b>
<b>TOTAL ASSETS</b>		<b>1,479,573</b>	<b>1,252,476</b>
<b>EQUITY AND LIABILITIES</b>			
Subscribed capital	29	643,322	643,322
Capital and legal reserves	29	19,246	16,743
Other reserves	29	(4,115)	-
Retained earnings	29	204,541	125,871
<b>Total equity</b>		<b>862,994</b>	<b>785,936</b>
Liabilities from sub-loan and liabilities to related parties	30,39	56,928	56,939
Provisions	31	22,337	18,542
Long term liabilities – deferred income	32	361,130	222,909
Long term liabilities to banks	33	1,025	3,075
Long term lease liabilities	34	1,137	1,247
Other long-term liabilities	35	7	12
<b>Total long-term liabilities</b>		<b>442,564</b>	<b>302,724</b>
Liabilities from sub-loan and liabilities to related parties	30	-	4,683
Provisions	31	427	328
Trade payables	36	83,747	63,723
Liabilities to related parties	39	32,468	35,752
Liabilities to banks	37	2,050	2,050
Lease liabilities	34	416	352
Other short-term liabilities	38	54,907	56,928
<b>Total short-term liabilities</b>		<b>174,015</b>	<b>163,816</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,479,573</b>	<b>1,252,476</b>

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.

# Croatian Transmission System Operator Plc., Zagreb

## Statement of Changes in Equity

for the year ended 31 December 2025

<i>(in EUR '000)</i>	<b>Subscribed capital</b>	<b>Legal reserves</b>	<b>Capital reserves</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance as of 31 December 2023</b>	<b>643,322</b>	<b>184</b>	<b>14,207</b>	<b>-</b>	<b>78,169</b>	<b>735,882</b>
Transfer to reserves	-	2,352	-	-	(2,352)	-
Profit for the current year	-	-	-	-	50,054	50,054
<b>Balance as of 31 December 2024</b>	<b>643,322</b>	<b>2,536</b>	<b>14,207</b>	<b>-</b>	<b>125,871</b>	<b>785,936</b>
Transfer to reserves	-	2,503	-	-	(2,503)	-
Actuarial losses	-	-	-	(2,548)	-	(2,548)
Loss from subsequent fair valuation of financial assets	-	-	-	(1,567)	-	(1,567)
Profit for the current year	-	-	-	-	81,173	81,173
<b>Balance as of 31 December 2025</b>	<b>643,322</b>	<b>5,039</b>	<b>14,207</b>	<b>(4,115)</b>	<b>204,541</b>	<b>862,994</b>

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.

# Croatian Transmission System Operator Plc., Zagreb

## Statement of Cash Flows

for the year ended 31 December 2025

<i>(in EUR '000)</i>	<b>Note</b>	<b>2025</b>	<b>2024</b>
Net profit for the year		<b>81,173</b>	<b>50,054</b>
<i>Adjustments:</i>			
Profit tax	15	18,100	11,097
Depreciation and amortization	16,17,18	55,903	53,439
Change in provisions	31	3,895	6,402
Net loss from financial activities	13,14	256	224
Write off of fixed assets	12	4,022	738
Excess fixed assets	7	(156)	-
Value adjustment of inventories	12	81	100
Value adjustment of trade receivables, net	12	(56)	208
Income from change in fair value of financial assets	21	(762)	(556)
Income from change in fair value of investment property	20	-	(104)
<b>Cash flow generated from operating activities before changes in working capital</b>		<b>162,456</b>	<b>121,602</b>
Decrease/(increase) in trade receivables	25,39	9,831	9,383
(Increase)/decrease in receivables from related parties	39	(1,311)	(15,617)
Increase in other receivables	26	(17,269)	(12,106)
Decrease in receivables for sold apartments	23	-	12
(Increase)/decrease in inventories	24	41	(420)
Increase in trade payables	19,35	20,024	6,432
Decrease in payables to related parties	39	(7,978)	(1,285)
Increase in other liabilities	34,37	130,335	48,689
<b>Cash flow from operating activities</b>		<b>296,129</b>	<b>156,690</b>
(Payment) / refund of profit tax		(14,672)	(16,978)
Interest paid		(1,805)	(1,889)
<b>Net cash from operating activities</b>		<b>279,652</b>	<b>137,823</b>
(Increase) in prepayments for tangible assets	19	67	(285)
Net expenses for deposits		515	98
Interest collected		1,549	1,660
Disposal of real estate investments	20	454	-
Purchase of property, plant and equipment and intangible assets	16,17	(177,979)	(125,869)
<b>Cash flows used in investing activities</b>		<b>(175,394)</b>	<b>(124,396)</b>
Borrowing and lease expenses		(2,998)	(11,906)
<b>Cash flows from financing activities</b>		<b>(2,998)</b>	<b>(11,906)</b>
Net increase in cash		101,260	1,521
Cash and cash equivalents at the beginning of the year		87,516	85,995
<b>Cash and cash equivalents at the end of the year</b>	28	<b>188,776</b>	<b>87,516</b>

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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements  
for the year ended 31 December 2025

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## 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 1,187 employees in 2025 (2024: 1,170 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 is registered for electricity transmission.

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 2025 HEP Group consists of the following entities;

<b>Group members</b>	<b>Country</b>	<b>Core business activity</b>
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

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)  
for the year ended 31 December 2025

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## 1. GENERAL INFORMATION (continued)

As of 31 December 2025, the Company had 1,199 employees (31 December 2024: 1,182 employees). The employee analysis by professional qualifications is shown below.:

<b>Structure</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
PhD	19	20
Master's degree	16	17
University degree	521	505
College degree	90	95
Highly skilled	59	63
High school degree	478	465
Skilled	6	6
Primary school degree	4	4
Semiskilled and unskilled	6	7
<b>Total</b>	<b>1,199</b>	<b>1,182</b>

## Governance and management

### GENERAL ASSEMBLY

The General Assembly consists of the Founder`s representative:

Vice Oršulić	President	since 8 December 2023
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### Supervisory Board

*Members of the Supervisory Board in 2025 and 2024:*

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
Zorica Madžarević	Member (representative of employees)	since 26 January 2026
Dinko Andabaka	Member (representative of employees)	from 16 July 2021 to 15 July 2025
Marko Dvorski	Vice President	from 4 April 2020 to 15 January 2024

*Management Board in 2025 and 2024:*

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

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)  
for the year ended 31 December 2025

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## **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 2025 and 2024**

In the period 2022-2025, 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 1,036 thousand until 31 December 2025 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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025

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## 2. BASIS OF PREPARATION (continued)

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

#### *Standards and interpretations effective in the current period*

The following new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee, and adopted by the EU, are effective in the current period:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, issued on 15 August 2023 (effective for annual periods beginning on or after 1 January 2025).

The adoption of these standards and interpretations did not have a material impact on the Company's financial statements.

#### *Standards and interpretations issued by the IASB and adopted by the EU but not yet effective*

- Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments, issued on 30 May 2024 (effective for annual periods beginning on or after 1 January 2026).
- Amendments to IFRS 9 and IFRS 7 – Contracts Linked to Nature-Dependent Electricity, issued on 18 December 2024 (effective for annual periods beginning on or after 1 January 2026).
- Annual Improvements to IFRS Accounting Standards – Volume 11, issued on 18 July 2024 (effective for annual periods beginning on or after 1 January 2026).

#### *Standards and interpretations issued by the IASB but not yet endorsed by the EU*

As at the date of issuance of these financial statements, the following standards, amendments and interpretations issued by the IASB have not yet been endorsed by the European Union:

- IFRS 18 Presentation and Disclosure in Financial Statements (issued 9 April 2024).
- IFRS 19 and Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued 9 May 2024 and 21 August 2025).
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation into a Hyperinflationary Presentation Currency (issued 13 November 2025).

The Company does not expect the adoption of the above standards and interpretations to have a material impact on its financial statements.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)  
for the year ended 31 December 2025

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## **2. BASIS OF PREPARATION (continued)**

### **2.5. Use of estimates and judgments**

Preparation of financial statements in accordance with IFRS requires management to exercise judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and related assumptions are based on historical experience and other factors considered reasonable under the circumstances and represent the basis for determining the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Such estimates and underlying assumptions are reviewed on a regular basis. The effect of changes in accounting estimates is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management judgements applied in the process of IFRS implementation that have a significant impact on the financial statements, as well as judgements involving a high risk of material adjustment in the following year, are disclosed in Note 4.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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 Company's core activity is the operation of the power system and management of the transmission system of the Republic of Croatia, as well as interconnection with other transmission systems and the distribution system in the Republic of Croatia.

In accordance with IFRS 15, the Company applies the five-step model for revenue recognition from contracts with customers:

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

Revenue is recognised for each distinct performance obligation in the contract in the amount of the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to the customer.

#### *Transmission network usage fee revenue*

Since 2016, the Company's revenues have been based on energy data relating to sales to customers, the Methodology for determining tariff rates for electricity transmission, and the Decision on tariff rates for electricity transmission issued by the Croatian Energy Regulatory Agency ("HERA"). On 13 December 2021, HERA issued a Decision amending the tariff rates for electricity transmission applicable in 2022. These rates applied from 1 April 2022 until 31 December 2024.

On 13 December 2024, HERA issued a Decision amending the tariff rates for electricity transmission effective from 1 January 2025, applicable until 31 December 2025. On 11 December 2025, HERA issued a further Decision amending the tariff rates for electricity transmission effective from 1 January 2026.

#### *ITC mechanism revenue*

The Company, as a Transmission System Operator, is a signatory to the ITC Clearing and Settlement Agreement under which it earns revenue as compensation for covering costs arising from electricity transit. ITC mechanism revenues are determined based on the methodology established by ENTSO-E (European Network of Transmission System Operators for Electricity), in accordance with 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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.1. Revenue recognition (continued)

#### *Revenue from the cross-border transfer capacity*

During 2025 and 2024, bilateral and multilateral allocation of cross-zonal capacities at the borders of the Republic of Croatia with neighbouring transmission system operators is carried out in accordance with specific rules, separately for one or more borders. These rules are developed by the involved transmission system operators, are publicly published, and are subject to regulatory approval.

#### *Balancing energy revenue*

From 1 January 2020 to 1 January 2024, the Company generated revenues and incurred costs from the provision of balancing services and settlement of balancing energy through the imbalance settlement process of balancing groups, in accordance with the applicable Grid Code for the Operation of the Electricity System (HOPS 11/2019), Imbalance Responsibility Agreements concluded with Balance Responsible Parties (BRPs), and a set of ancillary services agreements concluded with HEP-Proizvodnja d.o.o. and all other market providers of balancing services (mFRR).

During 2024 and 2025, the Company generated revenues and incurred costs from balancing services and balancing energy settlement through the imbalance settlement process of balancing groups, in accordance with the applicable Grid Code for the Operation of the Electricity System (HOPS 12/2023), Rules on Non-Frequency Ancillary Services for the Transmission System (HOPS 12/2023), Imbalance Responsibility Agreements concluded with BRPs, and a set of ancillary services agreements concluded with HEP-Proizvodnja d.o.o. and all other market providers of balancing services (mFRR and aFRR).

#### *Connection fees revenue – application of IFRS 15 “Revenue from Contracts with Customers”*

In accordance with IFRS 15, connection to the grid is considered a non-refundable connection fee related to a future contract for network usage and electricity supply.

Accordingly, the revenue recognition period for connection fees extends beyond the initial contractual period, as the customer, upon completion of the connection contract, obtains the right to use the transmission network and subsequently receive electricity supply. The revenue is therefore systematically allocated over the useful life of the constructed or transferred asset used to provide ongoing service, while the fee received from customers is recognised as deferred income and recognised as revenue over time in line with the depreciation of the related asset (connection infrastructure).

#### *Finance income*

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

# Croatian Transmission System Operator Plc., Zagreb

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

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.1. Revenue recognition (continued)

#### *Finance income (continued)*

Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised when the right to receive the dividend is established.

#### *Government grants*

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the Company recognises the related expenses for which the grants are intended to compensate.

Government grants related to depreciable assets are recognised in profit or loss over the periods and in proportions in which depreciation expense on those assets is recognised, i.e. over the expected useful life of the related assets.

Government grants related to non-depreciable assets are recognised in profit or loss over the periods in which the costs of fulfilling the related obligations are incurred.

### 3.2. Foreign currency transactions and balances

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

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the reporting date.

Foreign exchange gains or losses arising on the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets measured at historical cost in a foreign currency are not retranslated using updated exchange rates. Non-monetary assets and liabilities denominated in a foreign currency and carried at historical cost are translated using the exchange rates prevailing at the date of the transaction.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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 short-term leases and leases of low-value assets, the Company applies a single recognition and measurement approach. The Company recognises lease liabilities and right-of-use assets, which represent the right to use the underlying assets.

#### *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e. when the underlying asset becomes 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 right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease term.

#### *Lease liabilities*

At the commencement of the lease, the Company recognises lease liabilities measured at the present value of future lease payments over the lease term.

Lease payments include fixed payments (less any lease incentives receivable), variable lease payments, and amounts expected to be payable under residual value guarantees. Lease payments may also include the exercise price of purchase options, if reasonably certain to be exercised, and penalties for lease termination, if the lease term reflects the exercise of a termination option.

Variable lease payments that are not dependent on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

Lease liabilities are presented as separate line items within non-current and current liabilities. The statement of comprehensive income includes depreciation of right-of-use assets and interest expense on lease liabilities.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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## 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	2-5 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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## **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 entities over which the Company has significant influence, but not control, which generally involves holding between 20% and 50% of the voting rights. The Company accounts for investments in associates using the equity method. The equity method is applied by investors holding more than 20% of the voting power but not exercising control over the investee.

Investments in associates are tested for impairment on an annual basis (accounting policy 3.13).

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.11. Employee benefits (continued)

#### (iii) Provisions for retirement benefits

Severance payments that fall due more than 12 months after the reporting date are discounted to their present value based on actuarial calculations performed at the end of each reporting period. These calculations use assumptions regarding the number of employees expected to become entitled to severance payments upon regular retirement, the estimated cost of such severance payments, and a discount rate similar to the average expected yield on government bonds of the Republic of Croatia traded on the market, with currencies and maturities matching the currencies and estimated duration of the related benefit obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as an equity item through other comprehensive income, effective from 1 January 2025.

#### (iv) Regular severance pay upon retirement

Based on the collective agreement (in force from 1 January 2024 to 31 December 2025), employees are entitled, upon retirement, to a regular severance payment equal to 1/8 of the employee's average gross monthly salary paid in the three months preceding termination of employment, for each completed year of continuous service with the employer. The new collective agreement entered into force on 1 January 2026 and contains identical provisions.

#### (v) Long-term employee benefits

The Company recognises a liability for long-term employee benefits (jubilee awards) on a straight-line basis over the period in which the award is earned, based on the actual number of years of service. The jubilee award ranges from EUR 199.09 to EUR 729.98 net for 10 to 45 years of continuous employment with the Company.

By agreement between the Company and the trade union signed during 2024, it was determined that from 1 January 2025 the jubilee awards will range from EUR 280.00 to EUR 729.98 net for 10 to 45 years of continuous employment with the Company.

The obligation for long-term employee benefits is measured by an independent actuary at the end of each reporting period using assumptions regarding the number of employees expected to be entitled to such benefits, the estimated cost of those benefits, and a discount rate determined as the average expected yield on government bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit or loss.

#### (vi) Short-term employee benefits

The Company recognises a provision for employee bonuses when there is a contractual obligation or a past practice that has created a constructive obligation.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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## 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 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:

<b>DESCRIPTION</b>	<b>Classification / measurement</b>
<b>Fixed assets</b>	
Financial assets through other comprehensive income	Equity instruments / fair value through other comprehensive income
Loans granted	Held-to-collect / amortized cost
<b>Current assets</b>	
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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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## 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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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## **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, 2023 and 2024 (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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.17. Taxation

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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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## **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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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 2025, 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 2025 is EUR 6,364 thousand (31 December 2024: EUR 5,580 thousand).

### *(iii) Inventory recoverability*

The Company performs an inventory impairment test according to the aging structure. In 2025, the Company performed an inventory impairment test of EUR 81 thousand (in 2024: EUR 100 thousand) (see notes 12 and 24).

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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 2025 amount to EUR 16,499 thousand (31 December 2024: EUR 12,811 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 assesses the recoverable amount of investments annually through a net asset value test of subsidiaries, i.e. the value of interests in associates increased by the share in the results of associates accounted for using the equity method. Based on the valuation of the investment in HEP Telekomunikacije d.o.o. as at 31 December 2025, the carrying amount of the investment was reduced by EUR 1,911 thousand.

### *(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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### *(viii) Expected loss model (continued)*

In determining expected future impairment requirements, historical probabilities of default are generally used, supplemented by forward-looking parameters relevant to credit risk.

The most significant part of the Company's financial assets comprises receivables from related parties (HEP Operator distribucijskog sustava d.o.o., Zagreb, arising from transmission network usage fees, and Hrvatska elektroprivreda d.d., Zagreb, relating to balancing energy), trade receivables, investments in deposits, and cash and cash equivalents.

Trade receivables are stated at invoiced amounts. The impairment of doubtful and disputed receivables is based on the best estimate of the Company's Management regarding their collectability. All receivables from entities in bankruptcy proceedings, as well as litigated receivables, are fully written off. The Company's Management performs impairment of doubtful and disputed receivables based on a review of the overall ageing structure of all receivables, as well as a review of significant individual amounts included in receivables.

The recoverable amount of trade and other receivables is estimated as the present value of future cash flows discounted at the market interest rate at the measurement date. Short-term receivables without stated interest rates are measured at the original invoice amount where the effect of discounting is not material.

Due to the probability that certain receivables may not be collected over a longer period, the Company, based on reasonable estimates and experience gained over an extended period, performs impairment of uncollected receivables by reducing them as follows:

<b>Age of receivables</b>	<b>Impairment percentage</b>
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 expected credit loss approach is applied to equity instruments measured at fair value through other comprehensive income.

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

The application of the simplified approach for financial assets and the impairment of contract assets recognised in accordance with IFRS 9 does not have a material impact on the Company's operating results.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 4. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### *(viii) Expected loss model (continued)*

The analysis of receivables and the related impairment allowance indicated significant collection of receivables in previous years. Historically, these trends have been stable and there are no known facts or indications that the trend will change in future periods.

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

During the reporting period, there were no changes in the methods of initial measurement or in the significant assumptions applied. During the reporting period, there were no significant changes in the carrying amounts of financial instruments and, consequently, no significant impact on the amount of the impairment allowance.

### *(viii) Revenue from ITC agreements*

Estimated revenue from ITC agreements relates to revenue estimated by the Company for part of 2025, as such revenue had not been invoiced during the current year. The estimate was prepared based on the announced settlement calculations for October 2025.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 6. SALES REVENUE

(in EUR '000)

	<b>2025</b>	<b>2024</b>
<b>Revenue from sales – related parties</b>		
Electricity transmission income	221,050	193,108
Sales of balancing energy – imbalance settlement	42,564	30,286
Sales of balancing energy	5,489	6,432
Other sales revenue	3,479	3,331
	<b>272,582</b>	<b>233,157</b>
<b>Revenue from sales – outside Group</b>		
Electricity transmission income	10,519	9,569
Cross-border transmission capacity - foreign	91,574	97,202
Sales of balancing energy	14,234	17,010
Sales of balancing energy - imbalance settlement	31,499	20,640
ITC revenue	795	4,709
Sales from energy for transmission grid losses	3,202	3,033
	<b>151,883</b>	<b>152,163</b>

Revenue from the sale of balancing electricity and the sale of balancing electricity – - imbalance settlement (both from related and non-Group companies) in 2025 compared to 2024 is higher by EUR 19,418 thousand, which is largely caused by the increase in electricity prices on the market.

## Croatian Transmission System Operator Plc., Zagreb

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

### 7. OTHER OPERATING INCOME OUTSIDE THE GROUP

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Revenue from reimbursement of costs of losses by the Republic of Croatia	7,977	14,860
Income from the assets of the IFRS 15 connectors	3,173	2,971
Revenue from reimbursement of EU projects	6,028	2,156
Revenues based on the use of our own products and services	200	342
Income from property received without compensation	522	492
Increase in the value of financial assets (note 21)	762	556
Revenue from non-standard services	327	280
Reversal of provisions for litigation (footnote 31)	27	17
Recovered written-off receivables (note 25)	56	-
Write-of of liabilities	-	679
Change in the fair value of investment property	-	104
Capitalisation of property, plant and equipment	156	-
Other operating income	652	1,015
	<b>19,880</b>	<b>23,472</b>

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 297 thousand (2024: EUR 473 thousand), rental income of EUR 34 thousand (2024: EUR 35 thousand), and other income of EUR 322 thousand (2024: EUR 507 thousand).

# Croatian Transmission System Operator Plc., Zagreb

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

## 8. MATERIAL AND SPARE PARTS USED

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Maintenance material for power facilities	1,115	829
Energy	677	726
Maintenance material for other assets	120	101
Low value stock and safety clothes	353	220
Other	431	461
	<b>2,696</b>	<b>2,337</b>

## 9. COST OF SERVICES

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Joint auctions for cross border transmission capacity	28,348	43,528
Power facility maintenance services	12,225	12,181
Intellectual services	3,957	3,957
ITC mechanism costs	1,291	473
Other assets maintenance services	1,704	1,454
Security services	1,256	1,120
Research and development expenses	406	263
Telecommunication services	366	366
Low value leases	128	116
Other	2,220	1,323
	<b>51,901</b>	<b>64,781</b>

In 2025, a part of intellectual services related to fees for the statutory audit of the 2024 annual financial statements in the amount of EUR 35 thousand (in 2024, the fee for the 2023 audit amounted to EUR 25 thousand), fees for other assurance services in the amount of EUR 10 thousand (in 2024: EUR 10 thousand), and fees for tax advisory and other consulting services in the amount of EUR 10 thousand (in 2024: EUR 25 thousand). The fee for the statutory audit for 2025 amounts to EUR 40 thousand.

# Croatian Transmission System Operator Plc., Zagreb

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

## 10. PERSONNEL EXPENSES

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Net salaries	25,883	22,548
Taxes from salaries	3,609	3,003
Contributions from salaries – Pension Insurance	7,366	6,379
Contributions on salaries	5,669	4,853
	<b>42,527</b>	<b>36,783</b>

Total employee costs were as follows:

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Gross salaries	42,527	36,783
Reimbursement of costs to employees	1,938	1,752
Material rights of employees	4,878	4,261
In-kind receipts	88	89
Costs of payments to the pension fund	133	118
Costs of supplementary health insurance	129	129
Compensation for unused annual leave	207	504
	<b>49,900</b>	<b>43,636</b>

As of 31 December 2025, the Company had 1,199 employees (2024: 1,182 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 2025 amounted to EUR 903 thousand (2024: EUR 964 thousand) and relate to severance payments for 14 employees (2024: 30 employees).

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

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Gross salaries	1,080	953
Pension insurance contributions	231	206
Benefits in kind	76	79
	<b>1,387</b>	<b>1,238</b>

Number of directors and executives	14	13
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# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 10. PERSONNEL EXPENSES (continued)

Supervisory Board remuneration:

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Gross salaries	4	3
Pension insurance contributions	1	1
Benefits in kind	8	7
	<b>13</b>	<b>11</b>
Number of Supervisory Board members	5	5

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

(in EUR '000)

	<b>2025</b>	<b>2024</b>
<b>Ancillary services</b>		
Ancillary services – related parties (Note 39)	48,535	44,932
Ancillary services – third parties	6,469	4,162
	<b>55,004</b>	<b>49,094</b>
<b>Cost of transmission grid losses</b>		
Cost of transmission grid losses – third parties	48,281	51,772
	<b>48,281</b>	<b>51,772</b>
<b>Purchase of balancing energy</b>		
Purchase of balancing energy – related parties HEP Proizvodnja d.o.o. (Note 39)	23,459	21,063
Purchase of balancing energy – imbalance settlement – related parties (Note 39)	11,973	11,153
Purchase of balancing energy – third parties	26,805	23,429
Purchase of balancing energy – imbalance settlement – third parties	3,601	5,653
	<b>65,838</b>	<b>61,298</b>

During 2025 and 2024, the Company procured electricity to cover transmission grid losses on the electricity exchange and bilateral contracts.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 12. OTHER OPERATING EXPENSES

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Taxes, contributions and fees	2,680	2,648
Provisions for severance pay and jubilee awards	581	2,391
Cost of unwritten value of disposed tangible assets	2,162	738
Cost of business trips	1,052	946
Write-off of transmission network fee receivables – earthquake	906	736
Membership fees for business associations	752	717
Insurance premiums	123	150
Compensation for damages to natural persons	87	88
Value adjustment of trade receivables (note 25)	-	208
Value adjustment of inventories (note 24)	80	100
Provisions for legal disputes (note 31)	233	4,029
Other expenses	1,022	938
	<b>9,678</b>	<b>13,689</b>

## 13. FINANCIAL INCOME

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Interest income	1,549	1,660
Foreign exchange gains	-	-
	<b>1,549</b>	<b>1,660</b>

## 14. FINANCIAL EXPENSES

(in EUR '000)

	<b>2025</b>	<b>2024</b>
Interest - related parties	1,745	1,853
Interests - banks	16	32
Default interest	1	5
Foreign exchange losses	1	2
Interest for lease – IFRS 16	44	29
	<b>1,807</b>	<b>1,921</b>

## Croatian Transmission System Operator Plc., Zagreb

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

### 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% (2024: 18%).

Tax expense includes:

<i>(in EUR '000)</i>	<b>2025</b>	<b>2024</b>
Current tax	17,981	11,350
Deferred tax	119	(253)
<b>Tax expense in the Statement of Comprehensive Income</b>	<b>18,100</b>	<b>11,097</b>

<i>(in EUR '000)</i>	<b>2025</b>	<b>2024</b>
<b>Profit before tax</b>	<b>99,273</b>	<b>61,151</b>
Profit tax at 18% tax rate	17,869	11,007
Tax effect of permanent differences - increase	715	129
Tax effect of permanent differences - decrease	(484)	(39)
Tax effect of temporary differences	(119)	253
<b>Current tax expense</b>	<b>17,981</b>	<b>11,350</b>
<b>Effective tax rate (%)</b>	<b>18.11%</b>	<b>18.56%</b>

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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 15. PROFIT TAX (continued)

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

<i>(in EUR '000)</i>	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	Total
<b>As of 31 December 2023</b>	<b>369</b>	<b>1,939</b>	<b>224</b>	<b>776</b>	<b>1,831</b>	<b>188</b>	<b>5,327</b>
In profit or loss	18	430	(64)	3	(90)	(44)	253
<b>As of 31 December 2024</b>	<b>387</b>	<b>2,369</b>	<b>160</b>	<b>779</b>	<b>1,741</b>	<b>144</b>	<b>5,580</b>
In profit or loss	14	105	(98)	(52)	(88)	-	(119)
To the credit/(charge) of other comprehensive income	-	559	-	-	-	344	903
<b>As of 31 December 2025</b>	<b>401</b>	<b>3,033</b>	<b>62</b>	<b>727</b>	<b>1,653</b>	<b>488</b>	<b>6,364</b>

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 16. INTANGIBLE ASSETS

<i>(in EUR '000)</i>	Software	Investing in third party's fixed assets to acquire rights	Assets under construction	Total
<b>PURCHASE VALUE</b>				
<b>As of 1 January 2024</b>	<b>19,985</b>	<b>203</b>	-	<b>20,188</b>
Increase	13	-	-	13
Transfer from tangible assets	3,755	-	-	3,755
Reclassification from tangible assets	15	-	-	15
Sales and expenses	(610)	-	-	(610)
<b>As of 31 December 2024</b>	<b>23,158</b>	<b>203</b>	-	<b>23,361</b>
Increase	153	-	-	153
Transfer from tangible assets	1,889	-	-	1,889
Reclassification from tangible assets	-	-	-	-
Sales and expenses	(1,507)	-	-	(1,507)
<b>As of 31 December 2025</b>	<b>23,693</b>	<b>203</b>	-	<b>23,896</b>
<b>ACCUMULATED AMORTISATION</b>				
<b>As of 1 January 2024</b>	<b>13,377</b>	<b>7</b>	-	<b>13,384</b>
Amortisation for the year	3,090	6	-	3,096
Sales and expenses	(561)	-	-	(561)
Reclassification	15	-	-	15
<b>As of 31 December 2024</b>	<b>15,921</b>	<b>13</b>	-	<b>15,934</b>
Amortisation for the year	2,947	6	-	2,953
Sales and expenses	(1,490)	-	-	(1,490)
Transfer	-	-	-	-
<b>As of 31 December 2025</b>	<b>17,378</b>	<b>19</b>	-	<b>17,397</b>
<b>NET CARRYING VALUE</b>				
<b>As of 31 December 2024</b>	<b>7,237</b>	<b>190</b>	-	<b>7,427</b>
<b>As of 31 December 2025</b>	<b>6,315</b>	<b>184</b>	-	<b>6,499</b>

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 17. PROPERTY, PLANT AND EQUIPMENT

<i>(in EUR '000)</i>	Land	Buildings	Plant and equipment	Assets under construction	Total
<b>PURCHASE VALUE</b>					
<b>As of 1 January 2024</b>	<b>20,853</b>	<b>679,237</b>	<b>1,332,934</b>	<b>151,420</b>	<b>2,184,444</b>
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 and reclassifications	-	-	(15)	-	(15)
Surplus	(639)	(2,150)	-	-	(2,789)
Sales and expenses	-	(597)	(21,493)	(51)	(22,141)
<b>As of 31 December 2024</b>	<b>22,350</b>	<b>720,811</b>	<b>1,416,001</b>	<b>122,437</b>	<b>2,281,599</b>
Increases	8,235	-	4,733	164,858	177,826
Transfers from assets under construction	-	10,227	37,651	(49,767)	(1,889)
Transfers to intangible assets	-	(843)	843	-	-
Surplus	156	-	-	-	156
Sales and expenses	(1,858)	(1,252)	(26,283)	(512)	(29,905)
<b>As of 31 December 2025</b>	<b>28,883</b>	<b>728,943</b>	<b>1,432,945</b>	<b>237,016</b>	<b>2,427,787</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>As of 1 January 2024</b>	-	<b>436,756</b>	<b>794,309</b>	-	<b>1,231,065</b>
Depreciation for the year	-	11,793	38,273	-	50,066
Transfers between companies	-	(1,518)	-	-	(1,518)
Transfers	-	-	(16)	-	(16)
Sales and expenses	-	(595)	(20,883)	-	(21,478)
<b>As of 31 December 2024</b>	-	<b>446,436</b>	<b>811,683</b>	-	<b>1,258,119</b>
Depreciation for the year	-	12,464	40,079	-	52,543
Transfers between companies	-	-	-	-	-
Transfers	-	(69)	69	-	-
Sales and expenses	-	(894)	(25,040)	-	(25,934)
<b>As of 31 December 2025</b>	-	<b>457,937</b>	<b>826,791</b>	-	<b>1,284,728</b>
<b>NET CARRYING VALUE</b>					
<b>As of 31 December 2024</b>	<b>22,350</b>	<b>274,375</b>	<b>604,318</b>	<b>122,437</b>	<b>1,023,480</b>
<b>As of 31 December 2025</b>	<b>28,883</b>	<b>271,006</b>	<b>606,154</b>	<b>237,016</b>	<b>1,143,059</b>

# Croatian Transmission System Operator Plc., Zagreb

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

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## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction mainly relate to investments in the construction of property, plant and equipment. The most significant construction in progress includes the revitalisation of the 220 kV Brinje – Konjsko transmission line in the amount of EUR 31,160 thousand (31 December 2024: EUR 2,654 thousand), the revitalisation of the 110 kV Matulji – Ilirska Bistrica transmission line in the total amount of EUR 6,740 thousand (31 December 2024: EUR 244 thousand), the reconstruction of the TS Rakitje in the amount of EUR 11,274 thousand (31 December 2024: EUR 10,756 thousand), the reconstruction of the TS Mraclin in the amount of EUR 11,776 thousand (31 December 2024: EUR 10,867 thousand), the reconstruction of the TS Konjsko in the amount of EUR 26,031 thousand (31 December 2024: EUR 16,453 thousand), the reconstruction of the switchyard at RHE Velebit in the amount of EUR 14,717 thousand (31 December 2024: EUR 4,449 thousand), the construction of the 110 kV Ston – Rudine – Komolac transmission line in the amount of EUR 4,939 thousand (31 December 2024: EUR 3,228 thousand), the construction of the TS 110/10(20) kV Terminal in the amount of EUR 2,981 thousand (31 December 2024: EUR 2,876 thousand), the revitalisation of the TS 220/110 kV Đakovo in the amount of EUR 3,338 thousand (31 December 2024: EUR 2,617 thousand), and the switchyard at Dubrovnik HPP in the amount of EUR 6,459 thousand (31 December 2024: EUR 4,215 thousand). Contractual commitments related to construction in progress as at the reporting date amount to EUR 111,965 thousand (2024: EUR 46,805 thousand), while the planned implementation schedule is aligned with the construction deadlines.

During 2025, the following significant investments, among others, were brought into use: the TS Tumbri power transformer in the amount of EUR 4,523 thousand, the TS Mraclin power transformer in the amount of EUR 2,535 thousand, the 110 kV Buje – Koper transmission line in the amount of EUR 2,630 thousand, the TS (400)/110/20(10) kV Poličnik with associated connections in the amount of EUR 2,655 thousand, the TS 110/20(10) kV Kapela in the amount of EUR 2,225 thousand, the Bruvno wind farm connection in the amount of EUR 2,773 thousand, and the 110 kV Đakovo – Vinkovci transmission line in the amount of EUR 1,964 thousand.

During 2025, the Company capitalised a portion of borrowing costs in the total amount of EUR 26 thousand (2024: EUR 80 thousand). The capitalisation rate used in determining borrowing costs eligible for capitalisation amounted to 0.0400% (2024: 0.864%). During 2025, the Company also capitalised a portion of labour costs in the total amount of EUR 174 thousand (2024: EUR 249 thousand).

### *Ownership of land and buildings*

The Company is in the process of obtaining ownership documentation for certain properties. Restrictions relating to ownership of land and buildings pertain to properties that are not officially registered as owned by the Company. In order to protect its interests, the Company is involved in several court and/or administrative proceedings, primarily relating to land partially registered in the Company's name and on which substation facilities and other assets used in the Company's operations have been constructed. The outcome of these proceedings is not expected to have a significant impact on the Company's financial position or results of operations.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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
<b>PURCHASE VALUE</b>			
<b>As of 1 January 2024</b>	<b>1,221</b>	<b>176</b>	<b>1,397</b>
Increase	1,264	-	1,264
Disposal	-	-	-
<b>As of 31 December 2024</b>	<b>2,485</b>	<b>176</b>	<b>2,661</b>
Increase	345	-	345
<b>As of 31 December 2025</b>	<b>2,830</b>	<b>176</b>	<b>3,006</b>
<b>ACCUMULATED DEPRECIATION</b>			
<b>As of 1 January 2024</b>	<b>632</b>	<b>176</b>	<b>808</b>
Depreciation for the year	277	-	277
Increase	-	-	-
<b>As of 31 December 2024</b>	<b>909</b>	<b>176</b>	<b>1,085</b>
Depreciation for the year	407	-	407
Increase	-	-	-
<b>As of 31 December 2025</b>	<b>1,316</b>	<b>176</b>	<b>1,492</b>
<b>NET CARRYING VALUE</b>			
<b>As of 31 December 2024</b>	<b>1,576</b>	<b>-</b>	<b>1,576</b>
<b>As of 31 December 2025</b>	<b>1,514</b>	<b>-</b>	<b>1,514</b>

The total cash outflow for lease principal repayment in 2025 amounted to EUR 345 thousand (2024: EUR 301 thousand).

## 19. PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

*(in EUR '000)*

<b>Balance as of 1 January 2024</b>	<b>5,282</b>
New prepayments	285
Used in the current year	(5,446)
	<hr/>
<b>Balance as of 31 December 2024</b>	<b>121</b>
	<hr/>
New prepayments	772
Used in the current year	(839)
	<hr/>
<b>Balance as of 31 December 2025</b>	<b>54</b>
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## Croatian Transmission System Operator Plc., Zagreb

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

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### 20. INVESTMENT PROPERTY

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Fair value at the beginning of the year	806	702
Asset disposal through sale	(454)	-
Net change in value based on fair value adjustments	-	104
<b>Balance at the end of the year at fair value</b>	<b>352</b>	<b>806</b>

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 (2024: EUR 2 thousand). The Company recorded direct operating expenses (including provision) in the amount of EUR 3 thousand (2024: 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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 21. INVESTMENTS IN ASSOCIATES

<i>(in EUR '000)</i>	Country	31 December 2025		31 December 2024	
		% of ownership	Net carrying value	% of ownership	Net carrying value
Hrvatska burza električne energije d.o.o., Zagreb	Hrvatska	50.0%	1,062	50.0%	1,062
Impairment			1,147		384
			<b>2,209</b>		<b>1,446</b>

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 2025, 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 762 thousand, (2024: increase by EUR 556 thousand) which is presented in Note 7 "Other operating income outside the Group".

## Croatian Transmission System Operator Plc., Zagreb

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

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in EUR '000)	Country	31 December 2025		31 December 2024	
		% of ownership	Net carrying value	% of ownership	Net carrying value
HEP Telekomunikacije d.o.o.	Hrvatska	13.7%	4,379	13.7%	6,290
JAO S.A.	Luksemburg	3.85%	336	4%	336
TSCNET Services GmbH	Njemačka	6.25%	371	6.25%	371
SEE CAO d.o.o.	Crna Gora	12.5%	40	12.5%	40
			<b>5,126</b>		<b>7,037</b>

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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 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.

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Total receivables from apartment sales	9	16
Current maturity of long-term receivables (Note 26)	(9)	(16)
<b>Long-term portion</b>	<b>-</b>	<b>-</b>

## 24. INVENTORIES

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Inventories of electrical and other materials	1,161	1,107
Spare parts	2,384	2,545
Construction materials	83	59
Other	16	9
Impairment	(2,227)	(2,147)
	<b>1,417</b>	<b>1,573</b>

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

<i>(in EUR '000)</i>	<b>2025</b>	<b>2024</b>
<b>As of 1 January</b>	<b>2,147</b>	<b>2,047</b>
(Decrease) / increase in value adjustment (Note 12)	80	100
<b>As of 31 December</b>	<b>2,227</b>	<b>2,147</b>

## Croatian Transmission System Operator Plc., Zagreb

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

### 25. TRADE RECEIVABLES

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Trade receivables	10,116	19,947
Impairment	(700)	(756)
<b>Net trade receivables</b>	<b>9,416</b>	<b>19,191</b>

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

<i>(in EUR '000)</i>	<b>2025</b>	<b>2024</b>
<b>Balance as of 1 January</b>	<b>756</b>	<b>5,941</b>
Provisions for expected losses	-	208
Reversal of provisions	(56)	-
Reversal of previously adjusted receivables	-	(5,393)
<i>Change in impairment</i>	(56)	(5,185)
<b>Balance as of 31 December</b>	<b>700</b>	<b>756</b>

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".

# Croatian Transmission System Operator Plc., Zagreb

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

## 25. TRADE RECEIVABLES (continued)

The age structure of unimpaired trade receivables was as follows:

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Not due	9,298	19,091
0 - 30 days	82	6
31 – 60 days	-	2
61 – 90 days	3	10
91 – 180 days	-	2
181 – 365 days	33	80
Over 365 days	-	-
	<b>9,416</b>	<b>19,191</b>

Trade receivables are denominated in the following currencies:

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Euro (EUR)	9,416	19,191
	<b>9,416</b>	<b>19,191</b>

## 26. OTHER CURRENT ASSETS

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Receivables for reimbursement of costs under EU projects	42,021	25,872
Prepaid expenses and accrued income	1,837	2,459
Receivables for value added tax	6,559	4,515
Receivables from the state for reimbursement of costs of losses	1,224	1,281
Current maturity of long-term receivables (Note 23)	9	16
Other receivables	442	681
	<b>52,092</b>	<b>34,824</b>

Receivables for reimbursement of costs related to EU projects refer to receivables arising from claims for reimbursement of funds under the NPOO project in the amount of EUR 22,959 thousand and under the REPOWER project in the amount of EUR 19,062 thousand (2024: EUR 25,872 thousand for the NPOO project).

Prepaid expenses relate to supplementary health insurance premiums and other costs in the amount of EUR 1,143 thousand (2024: EUR 712 thousand).

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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## 26. OTHER CURRENT ASSETS (continued)

Accrued income in 2025 relates to estimated income from the ITC mechanism for October 2025 in the amount of EUR 313 thousand, as estimated by the Company's Management (2024: EUR 1,434 thousand), and other unaccounted income in the amount of EUR 381 thousand.

## 27. DEPOSITS GIVEN

(in EUR '000)

	<b>31 December 2025</b>	<b>31 December 2024</b>
Deposits given – expropriation	2,369	2,884
Guarantees	23	23
	<b>2,392</b>	<b>2,907</b>

*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)

	<b>31 December 2025</b>	<b>31 December 2024</b>
Money in business accounts	41,535	19,342
Foreign currency account	5	15
Deposits with maturity up to 90 days	147,234	68,156
Cash register	2	3
	<b>188,776</b>	<b>87,516</b>

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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 29. CAPITAL AND RESERVES

### Subscribed capital

(in EUR '000)

	<u>31 December 2025</u>	<u>31 December 2024</u>
Subscribed capital	<u>643,322</u>	<u>643,322</u>

During 2013, in accordance with the Electricity Market Act, Hrvatska elektroprivreda d.d., Zagreb recapitalised the Company through contributions in kind and rights. The registered share capital of EUR 3 thousand was increased by EUR 446,865 thousand to 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 share capital through a contribution in kind by HEP d.d. in the amount of EUR 2,579 thousand. Following this increase, the share capital amounted to EUR 656,796 thousand.

At its meeting held on 19 June 2023, the General Assembly of the Company adopted a resolution whereby the loss for 2022 was covered from retained earnings from previous years.

On 29 November 2023, the General Assembly of the Company adopted a resolution on the adjustment of share capital and shares through a reduction of share capital, whereby the share capital was reduced by EUR 13,474 thousand to EUR 643,322 thousand. The same resolution reduced the nominal value of the share from EUR 13.27 by EUR 0.27 to EUR 13.00.

During 2024, the General Assembly of the Company adopted a resolution whereby part of the profit for 2023 was allocated to statutory reserves in the amount of EUR 2,352 thousand, while the remaining profit of EUR 44,697 thousand was allocated to retained earnings.

During 2025, the General Assembly of the Company adopted a resolution whereby part of the profit for 2024 was allocated to statutory reserves in the amount of EUR 2,503 thousand, while the remaining profit of EUR 47,551 thousand was 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. By the decision on the allocation of 2024 profits, the statutory reserves were increased by an additional EUR 2,503 thousand.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 29. CAPITAL AND RESERVES (continued)

### Other reserves

Reserves in the amount of EUR 4,115 thousand relate to the effect of actuarial losses recognised in other comprehensive income in the amount of EUR 2,548 thousand and the effect of an impairment loss on the investment in HEP Telekomunikacije d.o.o. during 2025, also recognised in other comprehensive income, in the amount of EUR 1,567 thousand.

As a result of these items recognised through other comprehensive income during 2025, the Company reported other comprehensive loss of EUR 4,115 thousand.

### Proposed appropriation of profit

The Company's Management Board will propose to the General Assembly the appropriation of profit for 2025 in the total amount of EUR 81,173 thousand, whereby one-twentieth of the profit will be allocated to statutory reserves, and the remaining portion will be allocated to retained earnings.

The final decision on the appropriation of profit for 2025 will be adopted by the General Assembly of the Company in accordance with the provisions of the Articles of Association and the Companies Act.

## Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Liabilities to HEP d.d. for sub-loan and loan	56,928	61,611
Other long-term liabilities to related parties	6	11
	<b>56,934</b>	<b>61,622</b>
Current maturity of long-term debt (Note 39)	(6)	(4,683)
<b>The long-term portion</b>	<b>56,928</b>	<b>56,939</b>

As at 31 December 2012, the lease agreement for property, plant and equipment necessary for carrying out the business activity in accordance with the Electricity Market Act was terminated. Part of the due liabilities under the terminated lease agreements was settled through long-term loans based on sub-loan agreements concluded with Hrvatska elektroprivreda d.d., Zagreb, financed from parent company borrowings obtained from commercial banks. During 2020, the Company concluded long-term loan agreements with its parent company in the amounts of EUR 18,817 thousand and EUR 23,474 thousand for the purpose of financing investment projects. The obligations under these agreements were settled in accordance with the repayment schedules. The loan in the amount of EUR 18,817 thousand was fully repaid in previous years, while the loan in the amount of EUR 23,474 thousand was fully repaid during 2025. During 2021, the Company concluded a long-term loan agreement with its parent company in the amount of EUR 6,994 thousand for the purpose of financing investment projects. This loan was fully repaid during 2025. During 2022, the Company concluded a long-term loan agreement with its parent company in the amount of EUR 56,928 thousand for the purpose of refinancing a loan that was due in 2022. The loan in the amount of EUR 56,928 thousand bears a fixed interest rate (2024: EUR 61,611 thousand). The weighted average fixed interest rate on the loan amounts to 3.000% per annum (2024: 2.897% per annum). The security instrument consists of promissory notes.

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

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Up to 6 months	-	3,809
7 – 12 months	-	874
1 – 2 years	56,928	-
2 - 5 years	-	56,928
	<b>56,928</b>	<b>61,611</b>

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 31. PROVISIONS

<i>(in EUR '000)</i>	<b>Jubilee awards</b>	<b>Retirement benefits</b>	<b>Provisions for legal disputes</b>	<b>Total</b>
<b>As of 31 December 2024:</b>				
Long-term portion	496	11,987	6,059	18,542
Short-term portion	60	268	-	328
	<b>556</b>	<b>12,255</b>	<b>6,059</b>	<b>18,870</b>
<b>As of 31 December 2025:</b>				
Long-term portion	589	15,483	6,265	22,337
Short-term portion	73	354	-	427
	<b>662</b>	<b>15,837</b>	<b>6,265</b>	<b>22,764</b>

The movement in provisions was as follows:

<i>(in EUR '000)</i>	<b>Jubilee awards</b>	<b>Retirement benefits</b>	<b>Provisions for legal disputes</b>	<b>Total</b>
<b>As of 1 January 2024</b>				
Increase	165	2,879	4,029	7,073
Decrease	-	-	(17)	(17)
Payments	(63)	(591)	-	(654)
	<b>556</b>	<b>12,255</b>	<b>6,059</b>	<b>18,870</b>
<b>As of 1 January 2025</b>				
Increase	169	4,209	233	4,611
Decrease	-	-	(27)	(27)
Payments	(63)	(627)	-	(690)
	<b>662</b>	<b>15,837</b>	<b>6,265</b>	<b>22,764</b>

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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	
	2025	2024
Turnover rate	2.00%	2.00%
Discount rate	3.25%	2.75%
Salary growth assumption	10% in 2026; 6% in 2027 and 2% from 2028 onwards	2% annually
Average expected retirement age (in years)	61	61

### *Legal disputes*

Provisions for legal proceedings relate to lawsuits filed against the Company, for which it has been assessed that it is probable they will not be resolved in favour of the Company. The cost of provisions is recognised in the statement of comprehensive income in Note 12 "Other operating expenses".

The most significant legal proceedings assessed as not likely to be resolved in favour of the Company relate to a lawsuit filed by a natural person for compensation for expropriated property initiated before the State Administration Office in Split, for which a provision of EUR 1,784 thousand was recognised in 2010; a lawsuit filed by natural persons for damages relating to a decrease in property value and loss of profit, for which a provision of EUR 2,893 thousand was recognised in 2024; and a lawsuit filed by a legal entity for damages, for which a provision of EUR 1,126 thousand was recognised in 2024.

Based on the professional opinion of legal advisors, the Management expects that the outcome of all proceedings will not result in significant losses exceeding the amounts provided for as at 31 December 2025.

# Croatian Transmission System Operator Plc., Zagreb

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

## 32. LONG TERM LIABILITIES – DEFERRED INCOME

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Deferred income related to assets received free of charge under IFRS 15 /i/	70,076	69,268
Deferred income related to assets received free of charge until 30 June 2009 /ii/	10,993	11,515
Deferred income for funds received from European Union grants /iii/	288,409	165,465
Deferred income for funds received from others /iv/	858	231
	<b>370,336</b>	<b>246,479</b>
Current maturity of other long-term liabilities (see note 38)	(9,206)	(23,570)
	<b>361,130</b>	<b>222,909</b>

/ i / By applying IFRS 15 “Revenue from Contracts with Customers” from 1 January 2018, connection fees are recognised as deferred income, which is recognised as revenue on a systematic and rational basis over the useful life of the related asset (see Note 7 “Other operating income outside the Group”). Upon initial application of IFRS 15, the Company recognised the cumulative effect of the standard in the opening balance and recorded deferred income arising from the present value of assets financed through connection fees in the period from 1 July 2009 to 31 December 2017 in the amount of EUR 42,000 thousand.

/ ii / Deferred income relates to income arising from the receipt of tangible assets free of charge and from property, plant and equipment financed through connection fee contributions for connection to the transmission network. Income from such assets is recognised concurrently with the depreciation of the related assets, which applies to connection agreements concluded with customers up to 30 June 2009.

/ iii / Deferred income related to funds received from EU funds refers to funds received for the Company’s participation in the SINCRO.GRID project in the amount of EUR 9,679 thousand, the GREENSWITCH project in the amount of EUR 2,948 thousand, the EPASSIS project in the amount of EUR 16 thousand, the E-CYBIS project in the amount of EUR 44 thousand, the ECLIPSE project in the amount of EUR 26 thousand, the LIFE DANUBE FREE SKY project in the amount of EUR 78 thousand, and the HEDGE-IoT project in the amount of EUR 19 thousand. For participation in projects under the National Recovery and Resilience Plan (NRRP), deferred income amounts to EUR 186,836 thousand in total. Costs incurred in relation to the implementation of these projects up to 31 December 2025 amounted to EUR 4,703 thousand.

For participation in the REPOWER project, deferred income amounts to EUR 53,956 thousand in total. Costs incurred in relation to the implementation of this project up to 31 December 2025 amounted to EUR 1,964 thousand. For the implementation of projects financed from the EU Solidarity Fund (EUSF) within the scope of reconstruction of infrastructure and equipment damaged by the earthquake, deferred income amounts to EUR 34,807 thousand, while costs incurred in relation to these projects up to 31 December 2025 amounted to EUR 1,036 thousand.

# Croatian Transmission System Operator Plc., Zagreb

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

## 32. LONG-TERM LIABILITIES – DEFERRED INCOME (continued)

The received grants will be recognised as income in future periods in line with the costs incurred in the implementation of these projects.

## 33. LONG TERM LIABILITIES TO BANKS

In 2022, the Company concluded a loan agreement with ERSTE&STEIERMARKISCHE BANK d.d., Rijeka, in the 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. During 2025, EUR 2,050 thousand was repaid in accordance with the repayment schedule (2024: EUR 2,050 thousand). The security instrument is a promissory note.

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Loan liability	3,075	5,125
Current maturity (note 37)	(2,050)	(2,050)
	<b>1,025</b>	<b>3,075</b>

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

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Up to 6 months	1,025	1,025
7 – 12 months	1,025	1,025
1 – 2 years	1,025	2,050
2 - 5 years	-	1,025
	<b>3,075</b>	<b>5,125</b>

## 34. LONG TERM LEASE LIABILITIES

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Lease liabilities	1,553	1,599
Current maturity of lease liabilities	(416)	(352)
<b>Long-term portion</b>	<b>1,137</b>	<b>1,247</b>

# Croatian Transmission System Operator Plc., Zagreb

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

## 34. LONG TERM LEASE LIABILITIES (continued)

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

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
up to 3 months	104	88
3 to 12 months	312	264
1 to 2 years	416	352
2 to 5 years	720	657
over 5 years	-	237
	<b>1,553</b>	<b>1,599</b>

Movements in lease liabilities are shown as follows:

<i>(in EUR '000)</i>	<b>2025</b>	<b>2024</b>
<b>Balance as of 1 January</b>	<b>1,599</b>	<b>615</b>
Interest expense (note 14)	(44)	(29)
New lease	345	1,265
Lease payment	(346)	(251)
<b>Balance as of 31 December</b>	<b>1,553</b>	<b>1,599</b>

## 35. OTHER LONG-TERM LIABILITIES

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Liabilities to the state for the apartments sold	7	12
<b>Long-term portion</b>	<b>7</b>	<b>12</b>

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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 36. TRADE PAYABLES

(in EUR '000)

	<b>31 December 2025</b>	<b>31 December 2024</b>
Suppliers for fixed assets	68,342	40,931
Suppliers for current assets	15,405	22,792
	<b>83,747</b>	<b>63,723</b>

## 37. LIABILITIES TO BANKS

(in EUR '000)

	<b>31 December 2025</b>	<b>31 December 2024</b>
Current portion of long-term loan liabilities (Note 33)	2,050	2,050
	<b>2,050</b>	<b>2,050</b>

Current portion of long-term loan liability refers to the amount of the loan that becomes due for repayment in 2026 (Note 33).

## Croatian Transmission System Operator Plc., Zagreb

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

### 38. OTHER SHORT-TERM LIABILITIES

(in EUR '000)

	<b>31 December 2025</b>	<b>31 December 2024</b>
Profit tax liabilities	7,868	4,559
Liabilities for prepayments received for connection to the grid	11,191	7,485
Liabilities for guarantees received	17,070	6,986
Net salaries	2,249	1,969
Liabilities for compensation for unused vacation days	2,142	1,935
Liabilities for taxes, contributions and other fees	875	790
Contributions from salaries	675	588
Taxes from salaries	350	286
Liabilities for severance pay and other liabilities to employees	514	462
Deferred income for cross-border transmission capacity	2,080	7,186
Other deferred income	121	20
Accrued expenses of balancing electricity (imbalance)	-	360
Accrued expenses of the ITC mechanism	308	495
Current maturity of long-term liabilities - deferred income (see note 32)	9,206	23,570
Other short-term liabilities	258	237
	<b>54,907</b>	<b>56,928</b>

Deferred income for cross-border transmission capacity relate to transmission capacity allocated in the annual and monthly auctions held in December 2025, which will be used in January and February 2026.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 39. RELATED PARTY TRANSACTIONS

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

The founder and sole owner of the Company is Hrvatska elektroprivreda d.d. (the Parent), which is owned by the Republic of Croatia. Accordingly, the Company also discloses in its notes significant transactions with companies and/or entities that are wholly or partially owned by the State.

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

The Company's revenues since 2016 have been based on energy data of realized sales to customers, the Methodology for determining transmission electricity tariffs, and the Decision on tariff rates for electricity transmission issued by the Croatian Energy Regulatory Agency ("HERA"). On 13 December 2021, HERA adopted a Decision changing the tariff rates for electricity transmission in 2022. This was applied from 1 April 2022 until 31 December 2024. On 13 December 2024, HERA adopted a Decision changing the tariff rates for electricity transmission from 1 January 2025, which was applied until 31 December 2025. On 11 December 2025, HERA adopted a Decision changing the tariff rates for electricity transmission from 1 January 2026.

Costs of procurement of ancillary services in the total amount of EUR 48,535 thousand (2024: EUR 44,932 thousand) are defined by ancillary service agreements concluded between the Company and HEP – Proizvodnja d.o.o., in accordance with the Methodology for determining prices for the provision of ancillary services.

During 2024 and 2025, the Company generated revenues and incurred costs from the provision of balancing services and settlement of balancing energy through the imbalance settlement process of balancing groups, in accordance with the applicable Rules on the balancing of the electricity system (HOPS 12/2023), Rules on non-frequency ancillary services for the transmission system (HOPS 12/2023), Imbalance Responsibility Agreements concluded with balance responsible parties (BRPs), as well as in accordance with a set of ancillary service agreements concluded with HEP Proizvodnja d.o.o. and all other market providers of balancing services – mFRR and aFRR.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 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)	<b>2025</b>	<b>2024</b>
<b>Income and expenses</b>		
<b>Sales revenue</b>		
Revenues from electricity transmission – HEP-ODS d.o.o., HEP Proizvodnja d.o.o. and EPK d.o.o.	221,050	193,108
Revenues from sales of balancing electricity – heads of balancing groups within the HEP Group	42,564	30,286
Revenues from sales of balancing electricity – HEP Proizvodnja d.o.o.	5,489	6,432
Revenues from providing services to HEP Telekomunikacije d.o.o.	2,573	2,544
Other sales revenue from related parties	906	787
	<b>272,582</b>	<b>233,157</b>
<b>Other operating income</b>		
Other operating income – related parties – sale of non-current assets	1,811	-
<b>Expenses</b>		
Other expenses		
- telecommunications service costs – HEP Telekomunikacije d.o.o.	6,120	6,029
- other operating expenses of related parties	1,304	1,305
	<b>7,424</b>	<b>7,334</b>
<b>Transmission network loss costs (Note 11)</b>	-	-
<b>Balancing electricity costs (Note 11)</b>		
- costs of purchasing balancing electricity – imbalance – heads of balancing groups within the HEP Group	11,973	11,153
- costs of purchasing balancing electricity – HEP Proizvodnja	23,459	21,063
	<b>35,432</b>	<b>32,215</b>
<b>Costs of ancillary system services – HEP Proizvodnja d.o.o. (Note 11)</b>	<b>48,535</b>	<b>44,932</b>
Financial expenses of HEP d.d.	1,744	1,853

# Croatian Transmission System Operator Plc., Zagreb

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

## 39. RELATED PARTY TRANSACTIONS (continued)

(in EUR '000)

	31 December 2025	31 December 2024
<b>Receivables and liabilities</b>		
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.	42,181	37,334
- for balancing electricity from the heads of balancing groups within the group (HEP d.d. and HEP ODS d.o.o.)	16,139	19,559
- for balancing electricity from HEP Proizvodnja d.o.o.	762	1,578
- other	1,221	521
	<b>60,303</b>	<b>58,992</b>
<b>Liabilities to related parties</b>		
<b>Short-term liabilities</b>		
- for due lease liabilities – HEP d.d.	263	263
- for balancing energy - from the head of balance groups within the group and HEP Proizvodnja d.o.o.	17,269	19,393
- for received payment insurance deposits – HEP d.d. and HEP-ODS d.o.o., EPK d.o.o.	17	4,626
- for the calculated sub-loan interest on the – HEP d.d.	291	294
- received prepayments for connection from HEP d.d. and other companies	1,218	808
- other	859	855
- purchased fixed assets from HEP d.d.	2,050	-
	<b>21,967</b>	<b>26,239</b>
Liabilities to HEP Proizvodnja d.o.o. for ancillary system services	10,343	9,355
Liabilities to HEP Proizvodnja d.o.o. for connection to the transmission network - received prepayments	158	158
	<b>10,501</b>	<b>9,513</b>
<b>Total liabilities to related parties</b>	<b>32,468</b>	<b>35,752</b>
<b>Long-term liabilities</b>		
Liabilities to HEP d.d. for sub-loan and loan (Note 30)	56,928	61,611
Liabilities to HEP d.d. for sold apartments (Note 30)	6	11
	<b>56,934</b>	<b>61,622</b>
Current maturity of long-term liabilities (Note 30)	(6)	(4,683)
	<b>56,928</b>	<b>56,939</b>

During the year ended 31 December 2025, the Company offset due liabilities and interest on sub-loans with related parties against receivables from related parties in the amounts of EUR 4,683 thousand relating to principal and EUR 1,747 thousand relating to interest (2024: EUR 7,617 thousand and EUR 3,436 thousand, respectively).

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 39. RELATED PARTY TRANSACTIONS (continued)

<i>(in EUR '000)</i>	<b>Expenses</b>		<b>Income</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<i>Companies in majority ownership of the State</i>				
Hrvatska burza električne energije d.o.o	29,247	28,993	3,201	3,033
HROTE d.o.o.	1,833	1,482	6,731	3,613
HŽ Infrastruktura d.o.o.	-	4	2,015	1,791
Legislative, executive and other bodies of the Republic of Croatia	109	-	7,977	14,860
Hrvatske šume d.o.o.	-	14	-	-
Narodne novine d.d.	54	50	-	-
Croatian Radio Television	70	70	-	-
Healthcare institutions and organizations	24	26	-	-
Universities and polytechnics	256	202	-	-
Jadrolinija d.d.	10	24	-	-
Other users	25	307	-	-
<b>TOTAL</b>	<b>31,628</b>	<b>31,172</b>	<b>19,924</b>	<b>23,297</b>

<i>(in EUR '000)</i>	<b>Receivables</b>		<b>Liabilities</b>	
	<b>31 December 2025</b>	<b>31 December 2024</b>	<b>31 December 2025</b>	<b>31 December 2024</b>
HŽ Infrastruktura d.o.o.	188	173	2,522	1,891
HROTE d.o.o.	328	-	221	1,616
Legislative, executive and other bodies of the Republic of Croatia	1,224	1,281	-	-
Hrvatska burza električne energije d.o.o.	10	417	181	787
Other users	2	89	324	454
<b>TOTAL</b>	<b>1,752</b>	<b>1,960</b>	<b>3,248</b>	<b>4,748</b>

# Croatian Transmission System Operator Plc., Zagreb

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

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## 40. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities are possible obligations, i.e. obligations for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Financial obligations of the Company not included in the Statement of Financial Position, which the Company has issued as security instruments for the payment of liabilities under loans and other contractual obligations as at 31 December 2025, amount to EUR 105,272 thousand (31 December 2024: EUR 146,548 thousand).

The Company, as a shareholder in Hrvatska burza električne energije d.o.o., is prepared to provide all necessary funds to enable the company to continue operating and to meet its obligations as they fall due.

### *Operating liabilities*

As at 31 December 2025, the Company had concluded contracts under which investments in various facilities and equipment had commenced but were not yet completed. The value of contracted unfinished works for the most significant projects amounted to EUR 111,965 thousand (2024: EUR 46,805 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, which the Company reports in a timely and objective manner to the competent institutions, local self-government units, and the interested public.

Employees involved in environmental protection activities receive additional training through seminars and workshops, where they are informed about obligations and activities arising from environmental legislation. The Company has an environmental cost tracking system (RETZOK), which has been used since 2004 to monitor all environmental expenditures.

The Company analyses and prepares for compliance with obligations arising from EU legislation regarding stricter emission limit values and greenhouse gas emission reductions, the greenhouse gas emission trading scheme, integrated environmental protection requirements (so-called "environmental permits"), and the system of ecologically significant areas and ecological corridors (National Ecological Network).

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

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## 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:

<i>(in EUR '000)</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
Loan debt	(60,009)	(66,747)
Short-term financial assets	2,392	2,907
Cash and cash equivalents	188,776	87,516
Net debt	131,159	23,676
Capital	862,994	785,935
Debt to equity ratio	<b>15.20%</b>	<b>3.01%</b>

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 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)

	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Financial assets</b>		
Receivables from the sale of apartments	9	16
Trade receivables	9,416	19,191
Receivables from related parties	60,303	58,992
Other current assets	52,092	34,824
Current financial assets	2,392	2,907
Cash and cash equivalents	188,776	87,516
	<b>312,988</b>	<b>203,446</b>

### **Total loans and receivables at amortized cost**

(in EUR '000)

	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Financial liabilities</b>		
Loan liabilities	60,009	66,746
Other long-term liabilities	865	1,259
Trade payables	83,747	63,723
Liabilities to related parties	32,462	35,752
Other short-term liabilities	55,323	57,280
	<b>232,406</b>	<b>224,760</b>

### **Total financial liabilities at amortized cost**

### **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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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 2025, 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.

# Croatian Transmission System Operator Plc., Zagreb

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

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## 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 69 % of receivables from the related parties as of 31 December 2025.

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.

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 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.

<b>As of 31 December 2025</b>	<b>Net carrying value</b>	<b>Contracted cash flows</b>	<b>Up to one year</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>Over 5 years</b>
			<i>(in EUR '000)</i>			
<i>Non-interest-bearing liabilities:</i>						
Liabilities for sold apartments	7	7	7			
Trade payables	83,747	83,747	83,747	-	-	-
Liabilities to related parties	32,462	32,462	32,462	-	-	-
Other short-term liabilities	55,323	55,323	55,323	-	-	-
	<b>171,539</b>	<b>171,539</b>	<b>171,539</b>	-	-	-
<i>Interest-bearing liabilities:</i>						
Loan liabilities	60,009	62,582	3,774	58,808	-	-
Lease liabilities	1,137	1,600	428	428	743	-
	<b>61,146</b>	<b>64,182</b>	<b>4,202</b>	<b>59,236</b>	<b>743</b>	-
<b>Total</b>	<b>232,685</b>	<b>235,721</b>	<b>175,741</b>	<b>59,236</b>	<b>743</b>	-
			<i>(in EUR '000)</i>			
<b>As of 31 December 2024</b>	<b>Net carrying value</b>	<b>Contracted cash flows</b>	<b>Up to one year</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>Over 5 years</b>
			<i>(in EUR '000)</i>			
<i>Non-interest-bearing liabilities:</i>						
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	-	-	-
	<b>156,767</b>	<b>156,767</b>	<b>156,767</b>	-	-	-
<i>Interest-bearing liabilities:</i>						
Loan liabilities	66,746	70,263	8,722	3,766	57,775	-
Lease liabilities	1,247	1,500	356	356	548	240
	<b>67,993</b>	<b>71,763</b>	<b>9,078</b>	<b>4,122</b>	<b>58,323</b>	<b>240</b>
<b>Total</b>	<b>224,760</b>	<b>228,530</b>	<b>165,845</b>	<b>4,238</b>	<b>58,323</b>	<b>240</b>

# Croatian Transmission System Operator Plc., Zagreb

Notes to the annual financial statements (continued)

for the year ended 31 December 2025.

## 41. FINANCIAL INSTRUMENTS (continued)

### Liquidity risk analysis (continued)

<i>As of 31 December 2025</i>	Net carrying value	Contracted cash flows	Up to one year	1 – 2 years	2 – 5 years	Over 5 years
			<i>(in EUR '000)</i>			
<i>Non-interest-bearing assets:</i>						
Long-term receivables	9	9	9	-	-	-
Trade receivables	9,416	9,416	9,416	-	-	-
Receivables from related parties	60,303	60,303	60,303	-	-	-
Other current assets	52,093	52,093	52,093	-	-	-
Current financial assets	22	22	22	-	-	-
	<b>121,843</b>	<b>121,843</b>	<b>121,843</b>	-	-	-
<i>Interest-bearing assets:</i>						
Current financial assets	2,370	2,393	2,393	-	-	-
Cash and cash equivalents	188,776	192,552	192,552	-	-	-
	<b>191,146</b>	<b>194,945</b>	<b>194,945</b>	-	-	-
<b>Total</b>	<b>312,989</b>	<b>316,788</b>	<b>316,788</b>	-	-	-

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

## Croatian Transmission System Operator Plc., Zagreb

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

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### **42. EVENTS AFTER THE REPORTING DATE**

On 26 January 2026, by decision of the Main Workers' Council, Ms. Zorica Madžarević was appointed as the employee representative member of the Supervisory Board of the Company.

There were no other events after the reporting date that would have a significant impact on the Company's financial statements for the year 2025 and that 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 28 April 2026

Darko Belić  
Member of the Management  
Board

Dejan Liović  
Member of the Management  
Board

Igor Ivanković  
President of the Management  
Board