

### 1 (b)(iii) 3 Capital expenditures

a) Methodologies to determine the initial value of the assets

It is recorded per acquisition cost in accordance with the International accounting standard 16 and the International accounting standard 38.

b) Methodologies to re-evaluate the assets

Measurement after recognition is carried out in accordance with the cost model in compliance with art. 30 of the International accounting standard 16 and article 74 of the International accounting standard 38.

c) Explanations of the evolution of the value of the assets

Changes in the asset value are recorded on the occasion of new purchases, state aid receiving, expenses and when calculating depreciation.

d) Depreciation period and the amounts per asset type.

(Source: *Methodology for the determination of the tariff items for gas transmission*, ("Official Gazette" nos. 85/13, 158/13, 118/15), Article 11

The depreciation of regulated assets is calculated using the linear method by applying annual depreciation rates established according to the expected asset life, in line with the principles of accounting standards.

The expected long-term tangible asset life in the category of gas pipelines, measuring-regulation stations and office buildings is at least 35 years.

The basis for depreciation calculation is the purchase accounting value of fixed assets whose net accounting value on the last day of regulatory year t-1 is in accordance with international accounting standards.

Applied annual depreciation rate and amount of annual depreciation for years of regulatory period have been shown in Table 8.

Table 8 Depreciation of regulated assets for years of the regulatory period

Regulatory year 2017 (T)			
No.	Structure of regulated assets	Applied annual depreciation rate (%)	Amount of annual depreciation (HRK)
1.	<b>Tangible assets</b>		127.768.642,60
1.1.	Buildings		109.149.932,82
	<i>Gas pipelines, MRSs, office buildings</i>	2,85%	109.079.487,15
	Other buildings. Barracks and garages.	10%	70.445,67
1.2.	Facilities and equipment		18.618.709,78
2.	<b>Intangible assets</b>	20; 25%	12.927.358,99
<b>TOTAL (1.+2.)</b>		-	<b>140.696.001,59</b>

Regulatory year 2018 (T+1)			
No.	Structure of regulated assets	Applied annual depreciation rate (%)	Amount of annual depreciation (HRK)
1.	<b>Tangible assets</b>		130.648.816,92
1.1.	Buildings		109.577.492,17
	<i>Gas pipelines, MRSs, office buildings</i>	2,85%	109.507.046,50
	Other buildings. Barracks and garages.	10%	70.445,67
1.2.	Facilities and equipment		21.071.324,74
2.	<b>Intangible assets</b>	20; 25%	5.324.805,11
<b>TOTAL (1.+2.)</b>		-	<b>135.973.622,03</b>

Regulatory year 2019 (T+2)			
No.	Structure of regulated assets	Applied annual depreciation rate (%)	Amount of annual depreciation (HRK)
1.	<b>Tangible assets</b>		141.761.962,45
1.1.	Buildings		110.684.754,38
	<i>Gas pipelines, MRSs, office buildings</i>	2,85%	110.654.352,00
	Other buildings. Barracks and garages.	10%	30.402,38
1.2.	Facilities and equipment		31.077.208,07
2.	<b>Intangible assets</b>	20; 25%	5.342.388,34
<b>TOTAL (1.+2.)</b>		-	<b>147.104.350,79</b>

Regulatory year 2020 (T+3)			
No.	Structure of regulated assets	Applied annual depreciation rate (%)	Amount of annual depreciation (HRK)
1.	<b>Tangible assets</b>		154.420.425,51
1.1.	Buildings		117.319.667,50
	<i>Gas pipelines, MRSs, office buildings</i>	2,85%	117.318.877,50
	Other buildings. Barracks and garages.	10%	790,00
1.2.	Facilities and equipment		37.100.758,01
2.	<b>Intangible assets</b>	20; 25%	7.610.626,01
<b>TOTAL (1.+2.)</b>		-	<b>162.031.051,52</b>

Regulatory year 2021 (T+4)			
No.	Structure of regulated assets	Applied annual depreciation rate (%)	Amount of annual depreciation (HRK)
1.	<b>Tangible assets</b>		153.601.380,72
1.1.	Buildings		117.319.667,50
	<i>Gas pipelines, MRSs, office buildings</i>	2,85%	117.318.877,50
	Other buildings. Barracks and garages.	10%	790,00
1.2.	Facilities and equipment		36.281.713,22
2.	<b>Intangible assets</b>	20; 25%	6.058.676,37
<b>TOTAL (1.+2.)</b>		-	<b>159.660.057,09</b>

Source: Plinacro Ltd.