

**PLINACRO Ltd.**

**Zagreb**

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THE ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2019

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# RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Management Board of Plinacro Ltd., Zagreb, Savska cesta 88a (hereinafter: the "Company") is responsible for ensuring that the annual financial statements of the Company for the year 2019 are prepared in accordance with the Accounting Law (Official Gazette 78/15, 134/15, 120/16, 116/18) and the International Financial Reporting Standards to give a true and objective view of the financial position, the financial performance, the changes of equity and the cash flows of the Company for that period.

Based on performed enquiries, the Management Board reasonably expects the Company to have adequate resources to continue to operate in the foreseeable future. Accordingly, the Management Board prepared the annual financial statements using the going concern basis of accounting.

In preparing the annual financial statements, the Management Board is responsible for:

- selection and consistent application of appropriate accounting policies in accordance with the applicable financial reporting standards;
- giving reasonable and prudent judgments and estimates;
- drawing up of annual financial statement with the assumption of the going concern, unless the assumption is inappropriate.

The Management Board is responsible for keeping the proper accounting records, which at any time with reasonable certainty present the financial position, the financial performance, the changes of equity and the cash flows of the Company, and also their compliance with the Accounting Act and the International Financial Reporting Standards. The Management Board is also responsible for safe keeping the assets of the Company and also for taking reasonable steps for prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board:

  
Ivica Arar, President of the Management Board

  
Daria Krstičević, Member of the Management Board

  
Marin Zovko, Member of the Management Board

PLINACRO Ltd., Zagreb  
Savska cesta 88a  
10 000 Zagreb

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d.o.o. • Zagreb

Zagreb, April 22, 2020

# INDEPENDENT AUDITOR'S REPORT TO THE OWNERS AND MANAGEMENT OF PLINACRO Ltd., ZAGREB

## Report on the audit of the annual financial statements

### OPINION

We have audited the annual financial statements of the company Plinacro Ltd., Zagreb, Savska cesta 88a (the „Company“) for the year ended December 31, 2019, which comprise the Statement of financial position (Balance Sheet) as at December 31, 2019, Income statement, Statement of other comprehensive income, Statement of changes in equity, Cash flows statement for the year then ended, and accompanying Notes to the financial statements, including a summary of significant accounting policies and other explanations.

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with the Accounting Act and the International Financial Reporting Standards (IFRS) as adopted by European Commission and published in the Official Journal of the European Union.

### BASIS FOR OPINION

We conducted our audit in accordance with the Accounting Act, the Auditing Act and the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual financial statements section of our Independent Auditor's Report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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

The Company will prepare the consolidated financial statements of the Company and its subsidiary (The Group), and in order to better understanding of the Company as a whole, all users should read the consolidated annual financial statements of the Group in connection with these annual financial statements.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the annual financial statements for the current period, and include the most significant recognized risks of significant misstatement due to error or fraud with the greatest impact on our audit strategy, the allocation of our available resources, and the time spent by the engaged audit team. 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.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How we addressed key audit matter:
<p><b>Impairment of assets</b></p> <p>The Croatian Regulatory Agency in the 2017 adopted a Decision on the amount of tariff items for gas transport, which reduced tariffs by 20% (Official Gazette 127/2017) and on December 7, 2018, tariffs have been further reduced by another 20% (Official Gazette 111/2018), which has significantly impacted the decline in the Company's revenues and results in 2019. One of the variables that goes into the calculation of the level of tariffs is the amortization of long-term tangible assets, so the key issue was to confirm the recoverable value of the assets whose corresponding part cannot be covered from the intricated tariffs. The value of tariffs directly affects the solvency, liquidity and investment potential of the Company.</p> <p><b>Related disclosures in the accompanying annual financial statements</b></p> <p>See Notes 3.8, 3.13, 4 and 18 in accompanying annual financial statements.</p>	<p>Our audit procedures related to this area included:</p> <ul style="list-style-type: none"> <li>-the study of the Croatian Regulatory Agency's Decision on the amount of tariffs, the methodology for calculating tariffs, as well as the role of the Regulators in determine the value;</li> <li>-Interview with experts from the Company responsible for managing long-term tangible assets;</li> <li>-Analysis of profit and loss accounts, from which it is apparent that despite a significant decrease in sales revenues compared to the previous year by HRK 94.5 million, the Company continues to make a profit from its regular business.</li> </ul> <p><i>Based on the audit procedures and understanding of the role of regulators and the methodology for determining tariffs, we have confirmed that the Company's tangible assets have recoverable value at the balance sheet date.</i></p>
<p><b>Litigation and potential liabilities</b></p> <p>The Company stated in its records, on December 31, 2019, provisions for litigations in the amount of HRK 1.026.983. During the Company's regular business, potential exposure due to litigation may occur. Any declared liability or declared unforeseen liability, or failure to presentation of it in the financial statements, is inherently uncertain and depends on a number of significant assumptions and judgments. These are potentially significant amounts and the determination of the amounts to be reported and disclosed in the financial statements, if applicable, is a matter of subjective assessment. Because of all mentioned, we consider this area a key audit matter.</p> <p><b>Related disclosures in the accompanying annual financial statements</b></p> <p>See Notes 3, 16, 31 and the 41 in the accompanying annual financial statements.</p>	<p>Our auditing procedures, related to this area included, among others:</p> <ul style="list-style-type: none"> <li>-Receiving and analysing the attorneys' responses to our written inquiries and considering certain issues with them;</li> <li>-Critical review of the used assumptions and estimates pertaining to the claims. This includes assessing the likelihood of unfavourable outcome of court proceedings and the reliability of the assessment of the related amount of related liabilities;</li> <li>-Assessment of the adequacy of disclosure in the financial statements, taking into account sensitivity and possible prejudice in the disclosure of detailed information.</li> </ul> <p><i>Based on audit procedures, we have ensured that provisions for litigation in materially significant items are recorded and presented in accordance with International Financial Reporting Standards.</i></p>

## OTHER ISSUES

The annual financial statements of the Company for the year ended December 31, 2018, were audited by another auditor who issued unmodified opinion on these financial statements on April 18, 2019.

## OTHER INFORMATION IN THE ANNUAL REPORT

The Management Board of the Company is responsible for other information. Other information contains information included in the Annual Report, but do not include the annual financial statements and our Independent Auditor's Report.

Our opinion on the annual financial statements does not include other information, except to the extent explicitly stated in the part of our Independent Auditor's Report, entitled Report on compliance with other legal or regulatory requirements, and we do not express any form of conclusion by expressing beliefs about them.

In connection with our audit of the annual financial statements, it is our responsibility to read the other information and consider whether other information have significant contradictions to annual financial statements or our knowledge gained while performing the audit, or otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of other information we are required to report this fact. In this sense, we do not have anything to report.

## RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE ANNUAL FINANCIAL STATEMENTS

The Company's Management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with the IFRS as adopted by European Commission and published in the Official Journal of the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error. In preparing the annual financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management 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.

## ▼ AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▼ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▼ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- ▼ Conclude on the appropriateness of the Management's Board use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Independent Auditor's Report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## ▼ AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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

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.

## Report on Other Legal Requirements

### ▼ REPORT BASED ON THE REQUIREMENTS OF REGULATION (EU) NO. 537/2014

- ▼ On September 27, 2019, the General Assembly of the Company appointed us to audit the annual financial statements for 2019.
- ▼ On the date of this report we have been continuously engaged in carrying out the statutory audit of the Company from the audit of the annual financial statements for the year 2019 to the audit of the annual financial statements for the year 2019, which amounts a total of 1 year.
- ▼ In addition to the matters we have included in our Independent Auditor's Report as Key Audit Matters presented in the subtitle Independent Auditor's Report of the annual financial statements, we have nothing to report in relation to point (c) of article 10 of Regulation (EU) No 537/2014.
- ▼ By our statutory audit of the annual financial statements of the Company for 2019, we are able to detect irregularities, including fraud in accordance with Section 225. Responding to Non-compliance with law of the IESBA Code of Conduct, which requires to assess, while performing our audit engagement, whether the Company has respected laws and regulations that are generally recognized to have a direct impact on the determination of the material amounts and disclosures in their annual financial statements, as well as other laws and regulations that do not have a direct effect on the determination of significant amounts and disclosures in its annual financial statements but compliance with which may be the key to the operational aspects of the Company's business, its ability to continue to operate as a going concern or to avoid significant penalties.



▼ **REPORT BASED ON THE REQUIREMENTS OF REGULATION (EU) NO. 537/2014**  
(CONTINUED)

Unless we encounter, or find out about, non-compliance with any of the before mentioned laws or regulations that are apparently insignificant, according to our judgment of its content and its influence, financially or otherwise, for the Company, its shareholders and the wider public, we are obliged to inform the Company thereof and request to investigate this case and take appropriate measures to resolve the irregularity and to prevent the reappearance of these irregularities in the future. If the Company, on the balance sheet date, does not correct irregularities based on which incorrect disclosures in the audited annual separate and consolidated financial statements arise that are cumulatively equal to or greater than the amount of materiality to the annual separate and consolidated financial statements as a whole, we are required to modify our opinion in the Independent Auditor's Report.

- ▼ In the audit of the Company's annual financial statements for 2019, we have determined materiality level for the financial statements as a whole HRK 5.234 thousand, representing approximately 1.5% of the sales income for 2019. We chose sales income as the materiality benchmark because we consider it to be the most appropriate benchmark considering the Company's activities.
- ▼ Our audit opinion is consistent with the additional audit report prepared for the Company's Audit Committee in accordance with the provisions of article 11 of Regulation (EU) No. 537/2014.
- ▼ We have not provided to the Company prohibited non-audit services during the period between the initial date of the Company's audited annual financial statements for the year 2019 and the date of this report. Also, we have not provided services for the design and implementation of internal control procedures or risk management related to the preparation and / or control of financial information or the design and implementation of technological systems for financial information. And therefore, we have remained independent of the Company in the performance of the audit.

▼ **REPORT BASED ON THE REQUIREMENTS OF THE ACCOUNTING ACT**

- ▼ In our opinion, based on the work that we performed during the audit, information in the disclosed Company's Management Report for the 2019, are in accordance with the financial information stated in the annual financial statements of the Company for the 2019.

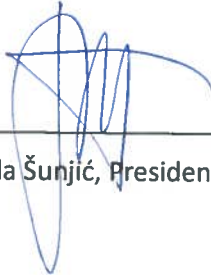
▼ **REPORT BASED ON THE REQUIREMENTS OF THE ACCOUNTING ACT (CONTINUED)**

- ▼ In our opinion, based on the work that we performed during the audit, the Company's Management Report for 2019, which is an integral part of the Annual Report for 2019 is prepared in accordance with the Accounting Act.
- ▼ Based on the knowledge and understanding of the Company and its environment obtained while performing the audit, we have not found that there are material misstatements in the Company's Management Report.

The Management is responsible for the preparation of annual financial statements for the year ended December 31, 2019, in prescribed form based on the Statute of structure and content of annual financial statements (Official Gazette 95/16) and in accordance with other regulations governing the operations of the Company ("Standard annual financial statements"). Financial information presented in Company's standard annual financial statements are in accordance with the information presented in the Company's annual financial statements given on pages 9 to 56 on which we expressed our opinion as stated in the Opinion section above.

Zagreb, April 22, 2020

FACT revizija Ltd.  
Radnička cesta 45  
10 000 Zagreb



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Daniela Šunjić, President of the Management Board

**FACT revizija d.o.o.**  
ZAGREB, OIB: 66538066056  
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Jeni Krstičević, Certified auditor

PLINACRO Ltd., Zagreb  
**INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME**  
For the year ended December 31, 2019

DESCRIPTION	Note	2019	2018
		HRK	HRK
<b>OPERATING INCOME</b>			
Sales income	4	348,912,643	443,481,988
Other operating income	5	42,658,928	11,861,562
<b>Total operating income</b>		<b>391,571,571</b>	<b>455,343,550</b>
<b>OPERATING EXPENSES</b>			
Cost of raw materials and materials	6	(16,268,587)	(14,920,802)
Cost of sold goods		-	(141,796)
Other external costs	7	(76,399,813)	(79,834,120)
Cost of employees	8	(62,292,322)	(60,483,428)
Depreciation	9	(135,498,377)	(129,205,005)
Other costs	10	(17,739,007)	(18,058,280)
Value adjustment of short-term assets	11	(1,953,158)	(282,400)
Provisions	12	(2,469,248)	(2,109,574)
Other operating expenses	13	(15,999,041)	(22,045,073)
<b>Total operating expenses</b>		<b>(328,619,553)</b>	<b>(327,080,478)</b>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>62,952,018</b>	<b>128,263,072</b>
<b>FINANCIAL INCOME</b>	14	<b>7,804,327</b>	<b>22,153,191</b>
<b>FINANCIAL EXPENSES</b>	15	<b>(53,283,294)</b>	<b>(55,068,059)</b>
<b>LOSS FROM FINANCIAL ACTIVITIES</b>		<b>(45,478,967)</b>	<b>(32,914,868)</b>
<b>TOTAL INCOME</b>		<b>399,375,898</b>	<b>477,496,741</b>
<b>TOTAL EXPENSES</b>		<b>(381,902,847)</b>	<b>(382,148,537)</b>
<b>Profit before taxation</b>		<b>17,473,051</b>	<b>95,348,204</b>
Corporate income tax	16	(2,383,598)	(17,501,351)
<b>PROFIT FOR THE CURRENT YEAR</b>		<b>15,089,453</b>	<b>77,846,853</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>15,089,453</b>	<b>77,846,853</b>

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

PLINACRO Ltd., Zagreb  
**STATEMENT OF FINANCIAL POSITION / BALANCE SHEET**  
As at December 31, 2019

DESCRIPTION	Note	Dec 31, 2019	Dec 31, 2018
		HRK	HRK
<b>ASSETS</b>			
<b>Long-term assets</b>			
Intangible assets	17	29,741,505	23,393,190
Property, plant and equipment	18	3,346,637,552	3,106,583,590
Assets with the right of use	19	5,863,928	-
Financial assets	20	599,007,539	595,823,357
Deferred tax assets	21	2,548,572	2,348,246
<b>Total long-term assets</b>		<b>3,983,799,096</b>	<b>3,728,148,383</b>
<b>Short-term assets</b>			
Inventories	22	24,124,047	25,641,825
Trade receivables	23	43,240,545	54,383,337
Receivables from related companies	40	102,169	189,931
Receivables from employees	24	2,665	3,157
Receivables from the State	25	30,970,924	17,855,853
Other short-term receivables	26	3,039,500	1,210,440
Investment in securities	27	323,589	219,122
Given deposits	27	16,024,654	5,839,709
Given loans	27	20,320,893	-
Cash at the bank and in treasury	28	397,560,346	718,684,703
Prepaid expenses and accrued income	29	2,225,580	1,606,345
<b>Total short-term assets</b>		<b>537,934,912</b>	<b>825,634,422</b>
<b>Total short-term assets</b>		<b>4,521,734,008</b>	<b>4,553,782,805</b>

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

PLINACRO Ltd., Zagreb  
**STATEMENT OF FINANCIAL POSITION / BALANCE SHEET**  
As at December 31, 2019 - continued

DESCRIPTION	Note	Dec 31, 2019	Dec 31, 2018
		HRK	HRK
<b>CAPITAL AND LIABILITIES</b>			
<b>Capital</b>	30		
Subscribed capital		912,022,000	912,022,000
Profit reserves		2,143,573,114	2,065,726,261
Capital reserves		789	789
Current year profit		15,089,453	77,846,853
<b>Total capital</b>		<b>3,070,685,356</b>	<b>3,055,595,903</b>
<b>Provisions</b>	31	<b>8,909,697</b>	<b>10,023,602</b>
<b>Long-term liabilities</b>	32	<b>1,011,544,506</b>	<b>1,138,367,153</b>
<b>Short-term liabilities</b>			
Loans	33	136,287,245	135,829,357
Liabilities to suppliers	34	144,184,875	62,991,597
Liabilities to related companies	40	137,194	138,687
Liabilities for taxes and contributions	35	2,205,339	6,691,802
Liabilities to employees	36	3,134,808	2,972,230
Other short-term liabilities	37	66,518,062	61,458,618
Accrued expenses and deferred income	38	78,126,926	79,713,856
<b>Total short-term liabilities</b>		<b>430,594,449</b>	<b>349,796,147</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>4,521,734,008</b>	<b>4,553,782,805</b>

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

PLINACRO Ltd., Zagreb  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended December 31, 2019

DESCRIPTION	Subscribed capital		Profit reserves		Capital reserves		Profit for the current year		TOTAL	
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
<b>Balance at January 1, 2018</b>	<b>912,022,000</b>	<b>1,830,740,793</b>	<b>789</b>	<b>234,985,468</b>	<b>789</b>	<b>234,985,468</b>	<b>2,977,749,050</b>			
Effects of restatements of the errors of the previous period	-	-	-	-	-	-	-			
<b>Balance at January 1, 2018</b>	<b>912,022,000</b>	<b>1,830,740,793</b>	<b>789</b>	<b>234,985,468</b>	<b>789</b>	<b>234,985,468</b>	<b>2,977,749,050</b>			
Allocation of the profit from 2017 to reserves	-	234,985,468	-	(234,985,468)	-	(234,985,468)	-			
Comprehensive profit for the current year	-	-	-	-	-	77,846,853	77,846,853			
<b>Balance at December 31, 2018</b>	<b>912,022,000</b>	<b>2,065,726,261</b>	<b>789</b>	<b>77,846,853</b>	<b>789</b>	<b>77,846,853</b>	<b>3,055,595,903</b>			
Allocation of the profit from 2018 to reserves	-	77,846,853	-	(77,846,853)	-	(77,846,853)	-			
Comprehensive profit for the current year	-	-	-	-	-	15,089,453	15,089,453			
<b>Balance at December 31, 2019</b>	<b>912,022,000</b>	<b>2,143,573,114</b>	<b>789</b>	<b>15,089,453</b>	<b>789</b>	<b>15,089,453</b>	<b>3,070,685,356</b>			

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

PLINACRO Ltd., Zagreb  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2019 - direct method

DESCRIPTION	2019	2018
	HRK	HRK
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflows from receivables	443,960,730	559,658,707
Cash inflows from insurance for damages	1,208,291	1,619,767
<b>Total cash inflows from operating activities</b>	<b>445,169,021</b>	<b>561,278,474</b>
Cash outflows from payables	(127,687,426)	(123,019,251)
Cash outflows for employees	(65,844,609)	(64,251,684)
Cash outflows for insurance compensations	(1,997,458)	(1,988,494)
Cash outflows for interest	(48,816,616)	(53,685,994)
Cash outflows for income tax	(12,441,613)	(44,476,841)
Other cash outflows	(35,391,203)	(73,758,270)
<b>Total cash outflows from operating activities</b>	<b>(292,178,925)</b>	<b>(361,180,534)</b>
<b>NET INCREASE OF CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>152,990,096</b>	<b>200,097,940</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Cash inflows from sale of long-term tangibles and intangibles assets	34,904,000	1,490
Cash inflows from dividends	4,710,406	-
Received non-refundable funds from CEF Grant received from the CEF fund	2,368,359	48,587,424
<b>Total cash inflows from investment activities</b>	<b>41,982,765</b>	<b>48,588,914</b>
Cash outflows for the purchase of long-term tangibles and intangibles assets	(347,841,974)	(173,259,201)
Cash outflows for securities	(22,270,000)	(30,000,000)
Cash outflows for given loans and saving deposits	-	(9,122,000)
<b>Total cash outflows from investment activities</b>	<b>(370,111,974)</b>	<b>(212,381,201)</b>
<b>NET DECREASE OF CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>(328,129,209)</b>	<b>(163,792,287)</b>
<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>		
Other cash inflows from financial activities	669,204	3,217,644
<b>Total cash inflows from financial activities</b>	<b>669,204</b>	<b>3,217,644</b>
Cash outflows for repayments of loan principals and bonds	(135,896,891)	(135,173,913)
Other cash outflows from financial activities	(11,673,885)	(5,090,854)
<b>Total cash outflows from financial activities</b>	<b>(147,570,776)</b>	<b>(140,264,767)</b>
<b>NET DECREASE OF CASH FLOWS FROM FINANCIAL ACTIVITIES</b>	<b>(146,901,572)</b>	<b>(137,047,123)</b>
Unrealized exchange differences related to cash and cash equivalents	916,328	(82,031)
<b>Total decrease of cash flows</b>	<b>(321,124,357)</b>	<b>(100,823,501)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>718,684,703</b>	<b>819,508,204</b>
Decrease in cash and cash equivalents	(321,124,357)	(100,823,501)
<b>Cash and cash equivalents at the end of the period</b>	<b>397,560,346</b>	<b>718,684,703</b>

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

## 1. GENERAL INFORMATION ABOUT THE COMPANY

### 1.1. Legal framework, activities and employees

The PLINACRO Limited Liability Company (hereinafter: the "Company") is registered in the Commercial Court in Zagreb under Register Number: 080304171, OIB: 69401829750. The Company is headquartered in Zagreb, Savska cesta 88/a, Zagreb.

The Company's subscribed capital amounts to HRK 912,022,000 and is founded by the Republic of Croatia.

The Company performs energy activity of gas transmission as its main activity. It is the Republic of Croatia national operator of the gas transmission system and it manage development, construction, maintenance and supervision of the gas transmission system.

As at December 31, 2019 the Company employed **279 employees** (December 31, 2018: **278 employees**).

The structure of the employees is presented as follows:

Structure of qualifications	Number of employees Dec 31, 2019	Portion (%)	Number of employees Dec 31, 2018	Portion (%)
Ph.D.	1	0.36%	1	0.36%
M.Sc.	5	1.79%	4	1.44%
UNIV.SPEC.	-	0.00%	1	0.36%
Masters	17	6.09%	15	5.40%
Professional expert	11	3.94%	11	3.96%
University degree	81	29.03%	83	29.86%
BACC	18	6.45%	17	6.12%
Higher education	17	6.09%	18	6.47%
Highly qualified worker	8	2.87%	11	3.96%
Secondary education	105	37.63%	99	35.61%
Qualified worker	15	5.38%	17	6.12%
Lower qualification	1	0.36%	1	0.36%
<b>Total</b>	<b>279</b>	<b>100.00%</b>	<b>278</b>	<b>100.00%</b>

### 1.2. Company profile

The Company comprises the Assembly, Supervisory Board and Management Board.

The Republic of Croatia as the founder generates its rights in the Assembly through the Croatian Government. The Supervisory Board consists of five members and the Management Board consists of three members.



## 1.2. Company profile -continued

### *Supervisory Board*

Igor Vuković	President of the Supervisory Board from December 3, 2019
Ilijana Krešić Rajič	Member of the Supervisory Board from January 30, 2017
Dražen Arnold	Member of the Supervisory Board from May 30, 2018
Tomislav Barada	Member of the Supervisory Board from May 30, 2018
Antonio Sesvečan	Member of the Supervisory Board from March 18, 2019
Krešimir Gomboc	Member of the Supervisory Board from March 14, 2018, until March 18, 2019
Dean Sinković	Vice President of the Supervisory Board from January 30, 2017, until May 30, 2018
Antonio Sesvečan	Member of the Supervisory Board from April 26, 2017, until March 14, 2018
Drago Jakovčević	President of the Supervisory Board from January 30, 2017, until December 3, 2019

### *Management Board*

Ivica Arar	President of the Management Board from January 30, 2017
Marin Zovko	Member of the Management Board from May 30, 2018
Daria Krstičević	Member of the Management Board from October 1, 2017
Marin Zovko	President of the Management Board until January 30, 2017
Ratimir Orešković	Member of the Management Board until January 30, 2017
Radovan Cvek	Member of the Management Board until January 30, 2017
Vedran Špehar	Member of the Management Board from January 30, 2017, until May 30, 2018

### *Audit Committee*

Audit Committee performs activities under the jurisdiction of Article 28 of the Audit Act. Appointed members of the Company's Audit Committee are:

Ivica Smiljan	President of the Audit Committee
Lajoš Žager	Member of the Audit Committee
Mihovil Anđelinović	Member of the Audit Committee
Ilijana Krešić Rajič	Member of the Audit Committee
Srećko Prusina	Member of the Audit Committee
Drago Jakovčević	Member of the Audit Committee until December 3, 2019

## **II. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS**

### **2.1. Statement on Compliance and the Basis of Presentation**

The Company's Annual Financial Statements for 2019 have been prepared in accordance with the Accounting Act (Official Gazette No. 78/15, 134/15, 120/16, 116/18) and International Financial Reporting Standards ("IFRS") and in accordance with the Rulebook on the structure and content of the annual financial statements (Official Gazette No. 95/16).

Annual financial statements are prepared by applying the basic accounting assumption of the occurrence of a business event upon which the effects of operations are recognized when occurred and are presented in the financial statements for the period that they relate to, and also by applying of the basic accounting assumption of the going concern.

The Company's annual financial statements are prepared in Croatian Kuna (HRK) as a functional, that is, reporting currency of the Company.

### **2.2. Adoption of New and Revised International Financial Reporting Standards**

#### **Standards and Interpretations effective for the current period**

- The following standards, amendments to existing standards and interpretations, which are issued by the International Accounting Standards Board and adopted for implementation in the EU and are in effect for the current period, are the following:

- **IFRS 16 Leases**

The standard is in effect for the annual periods beginning on or after January 1, 2019. IFRS 16 defines the rules for recognition, measurement, presentation and disclosure for the leases from the aspects of both parties, i.e. the buyer (the "lessee") and the supplier (the "lessor"). In accordance with the new standard, the lessees need to recognize most of the leases in their financial statements. A single accounting model will be applied to all leases, with certain exceptions. Accounting treatment of leases by the lessor will not be significantly altered. The effects of this IFRS on financial statements the Company has stated in a Note 19.

## **2.2. Adoption of New and Revised International Financial Reporting Standards (continued)**

- **IFRS 9: Features of Advances with Negative Fee (Amendments)**

Amendments allow measurement of financial assets with features of advances that allow the parties to or prohibit the payment or receipt of a fee for early termination of the contract (from the perspective of the financial asset owner this may be a negative fee) at amortized cost or at fair value through other comprehensive income. The Management Board has assessed that the said change has no impact on the Company's financial statements.

- **IAS 28: Long-term interests in associates and joint ventures (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2019 and clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of a net investment in an associate or joint venture but to which the equity method applies. The Management Board has assessed that these changes do not have an impact on the Company's financial statements.

- **IAS 19: Amendments to the plan, limitation or settlement (amendments to IAS 19)**

The amendments are effective for annual periods beginning on or after January 1, 2019. The amendments require an update of the actuarial assumptions to determine the mandatory cost of current labour and net interest in cases where there is a change in the plan, restrictions or in the event of a settlement. In addition, amendments are included to clarify the effect of a plan change, restriction, or settlement on claims related to the asset ceiling. The Management Board has assessed that these changes do not have an impact on the Company's financial statements.

## **2.2. Adoption of New and Revised International Financial Reporting Standards**

### **Standards and Interpretations effective for the current period**

- **IFRIC 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after January 1, 2019. The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

## **2.2. Adoption of New and Revised International Financial Reporting Standards (continued)**

### **Standards and Interpretations effective for the current period (continued)**

It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The Management Board has assessed that these changes do not have an impact on the Company's financial statements.

- **IASB has issued the Annual Improvements to IFRS Standards 2015–2017 Cycle.**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2019. The Management Board has assessed that these changes do not have significant impact on the Company's financial statements.

These annual improvements have not yet been endorsed by the European Union. The overview of the Annual Improvements to IFRSs 2015 – 2017 Cycle issued by the IASB is presented below:

- **IFRS 3 and IFRS 11:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12:** The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- **IAS 23:** The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

## **2.2. Adoption of New and Revised International Financial Reporting Standards**

### **Standards and Interpretations issued by IASB which are not yet effective and not early adopted by the Company**

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective.

## **2.2. Adoption of New and Revised International Financial Reporting Standards (continued)**

*Standards and Interpretations issued by IASB which are not yet effective and not early adopted by the Company (continued)*

- **IFRS 3: business combinations (Amendments)**

The IFRS Board has issued amendments to the definition of operations (Amendments to IFRS 3) aimed at resolving difficulties that arise when a company determines whether it has taken over operations or has acquired assets. The amendments apply only to business combinations whose acquisition date is in the first annual reporting period beginning on or after January 1, 2020 and to acquisitions of assets that occur after the beginning of that period with earlier application permitted. The amendments have not yet been adopted at EU level. The Management Board has assessed that these changes will not have an impact on the Company's financial statements.

- **IAS 1 Presenting of financial reports and MRS 8 Accounting policies, changes in accounting estimates and errors: Definition of „materiality“ (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments clarifies the definition of 'materiality' and align the definition used in the Conceptual Framework and the standards.

- **Reform of interest rate equalization – IFRS 9, IAS 39 and IFRS 7 (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IFRS Board adopted amendments to IFRS 9, IAS 39 and IFRS 7, thus completing the first phase of its work on the project of defining the effects of the Interbank Offered Rate (IBOR) reform on the financial reporting. The second phase will focus on issues that could affect financial reporting when the existing reference interest rate is replaced by a risk-free interest rate (RFR). The published amendments address the issues of the impact on the periods before the replacement of rates, and the implications related to the specific requirements for hedge accounting. The Management Board has assessed that these changes will not have an impact on the Company's financial statements.

## **2.2. Adoption of New and Revised International Financial Reporting Standards (continued)**

*Standards and Interpretations issued by IASB which are not yet effective and not early adopted by the Company (continued)*

- **IAS 1 Presentation of financial statements: Classification of short-term and long-term liabilities (Amendments)**

The amendments are effective for periods beginning on or after January 1, 2022. Earlier application is permitted. The aim of the amendments is to encourage consistency in application by helping the Companies determine how to classify liabilities with an uncertain settlement date in the statement of financial position (as short-term or as long-term). Although the amendments change the presentation in the statement of financial position, they do not change the requirements for disclosures in the notes or the measurement and timing of recognition of assets, liabilities, income or expenses. The amendments have not yet been adopted at EU level. The Management Board estimates that these changes will not have a significant impact on the Company's financial statements.

## **2.3. Key estimates and the uncertainty of estimates**

During the preparation of the annual financial statements certain estimates are used that influence the Company's statement of assets and liabilities, income and expenses and the disclosure of the Company's potential liabilities. Future events and their impacts could not be predicted with certainty, consequently the real results may deviate from the estimated ones. Estimates used during the preparation of the financial statements are subject to changes by the occurrence of new events, by gathering additional experience, obtaining additional information and comprehensions and by a change of environment in which the Company operates.

Key estimates used in the application of accounting policies during the preparation of the annual financial statements relate to the depreciation count of long-term tangible and intangible assets, impairment of assets, value adjustments of inventories, value adjustment of receivables and provisions, estimates related to application of IFRS 16 (discount rate, estimates of lease elements, etc) and the disclosure of potential liabilities.

## **III. SUMMARY OF ACCOUNTING POLICIES**

A summary of significant accounting policies adopted for the preparation of annual financial statements and the effect of changes in accounting estimates is presented below. Policies have been consistently applied to all the periods presented, unless otherwise stated.

### **III. SUMMARY OF ACCOUNTING POLICIES (continued)**

#### **3.1. Recognition of income**

Revenue is recognized at the fair value of the received fees or receivables for executed services or sold products during the Company's regular activities. Revenue is expressed in the amounts reduced for value added tax, estimated customer returns, rebates and discounts. The Company recognizes income from sale of products and goods when all significant risks and rewards of ownership of the products or goods are transferred to a buyer, the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control sale of the goods, the amount of revenue can be measured reliably, it is probable that all sold products/goods will be charged and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### *a) Income from the sale of services*

The Company concludes contracts on natural gas transmission with buyers and based on the contracts generates income calculated pursuant to the level of completeness. Invoices are issued on a monthly basis and income is recognized at the moment the service has been performed. Income from contracts based on time and material spent is recognized according to contracted prices in the period the working hours were carried out and the direct costs were incurred, that is, upon the fulfilment of contract obligation and when the buyer acquires control over the assets.

##### *b) Interest income*

Interest income represents a reimbursement for the use of cash and/or cash equivalents. It is accrued on a time basis, using the applicable effective interest rate. Interest income is expressed as financial income in the Income statement.

##### *c) Dividend income*

Income from dividends and profit shares are recognized when the rights to receive dividends and profit shares are determined.

#### **3.2. Operating expenses**

Operating expenses represent all expenses in respect to invoiced revenue from sales of goods and services. Purchase value of sold goods are all dependant costs of purchase of sold goods.

#### **3.3. Maintenance costs**

Current and investment maintenance costs are recorded in the accounting period in which they are incurred.

### III. SUMMARY OF ACCOUNTING POLICIES (continued)

#### 3.4. Borrowing costs - interest costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of the purchase of these assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized as expense in the accounting period in which they are incurred.

Interest costs are recognized in the accounting period on which interest relate.

#### 3.5. Foreign currencies

Business transactions denominated in foreign currencies are converted in functional currency of the Company (HRK-Croatian Kuna) by applying the exchange rate valid at the date of the transaction. Financial assets and liabilities denominated in foreign currencies at the date of balance sheet are converted in HRK (Croatian kuna) by applying the middle foreign exchange rate of Croatian National Bank valid on that date. Profits or losses incurred due to the foreign exchange differences are recognized in net profit or loss of the period. At December 31, 2019 the middle foreign exchange rate of Croatian National Bank was 7.442580 HRK for 1 EUR (December 31, 2018: 7.417575 HRK for 1 EUR).

#### 3.6. Leases

##### 3.6.1. Leases until December 31, 2018

Leases are classified as finance leases whenever the major part of all risks and rewards related to the ownership of the asset are transferred to the lessee during the lease. All other leases are classified as operating leases.

##### *The Company as lessor*

Rental income from operating leases is calculated on a straight-line basis over the term of the relevant lease.

##### *The Company as lessee*

The amounts paid by the Company based on the operating lease are debited to the Income statement evenly during the lease term.



### **III. SUMMARY OF ACCOUNTING POLICIES (continued)**

#### **3.6. Leases (continued)**

##### **3.6.1. Leases on and after January 1, 2019**

As of January 1, 2019, the Company applies the new IFRS 16 Leases, and in accordance with the IFRS assesses whether the contract contains lease elements. When implementing IFRS 16 for the first time, the Company opted for a modified retroactive simplified approach and recognized the asset in the amount of the determined lease obligation, adjusted for the amount of all lease payments made or due related to that lease recognized in the Statement of financial position immediately before the first application.

On the first date of applying the IFRS 16 , the Company as a lessee recognizes an asset with the right of use, and a lease liability for all leases except for leases concluded for a period shorter than one year and leases of low value assets. Initially, assets are measured at cost, while lease liabilities are measured at the present value of all future lease payments. After initial recognition, the right to use is measured at cost less accumulated depreciation and impairment losses and is adjusted according to the adjustment and measurement of the value of the lease liability. The cost of assets includes the amount of lease liabilities (by increasing the book value for the amount of interest, or by reducing the book value for payments made under the lease obligation). If the interest rate on the lease cannot be easily determined when calculating the present value of the lease payment, the Company uses an incremental borrowing rate.

Detailed disclosure of the financial effects of the application of IFRS 16 the Company discloses in note 19.

#### **3.7. Taxation**

The income tax liabilities for the current year is determined based on the accounting profit, adjusted for the prescribed adjustments. Income tax is calculated by applying the tax rate valid at the Statement of financial position date.

Deferred income taxes arise from temporary differences between the accounting value of the assets and liabilities in financial statements and value stated for the purpose of profit tax calculation. Deferred taxes are calculated by applying the tax rate expected to be applied in the years in which temporary differences are expected to be offset or settled, all based on tax law valid or essentially valid at the Statement of financial position date.

### III. SUMMARY OF ACCOUNTING POLICIES (continued)

#### 3.7. Taxation (continued)

Deferred tax assets are recognized up to the amount for which it is probably that will sufficient taxable profit for which the deferred tax assets may be used. Accounting value of deferred tax assets is audit on each Statement of financial position date and it is reduced for the amount for which it is not probable that it will be used.

#### 3.8. Property, plant and equipment

Property, plant and equipment are initially recognized at cost principle and represent tangible assets whose useful life is longer than one year. The cost principle includes the purchase price after deductions of any discounts and rebates, customs and import charges, non-refundable taxes, the cost of spare parts of the plant and equipment, borrowing costs and other dependent costs that can be directly attributed to bringing the asset to the site and in working condition for intended use, and the estimated value of the future removal costs if recognition conditions for the same are met.

Subsequent measurement of the property, plant and equipment is expressed by cost principle reduced by accumulated depreciation and impairment loss.

Subsequent costs referring to the existing material asset increase the value of the asset if the estimated useful life is expanded, capacity increased and/or quality of service significantly improved, that is, cost of conducting business is significantly reduced. All other repair and maintenance costs are recognized in the Income statement as incurred.

If significant component parts of property, plant and equipment are replaced, the Company recognizes such parts as assets with specific useful life, if they satisfy the definition of an assets.

Gas reserves that are required for initial filling of transmission system and operational reserves are expressed within the property, plant and equipment. This amount is not depreciated but is tested for reduction. However, in cases of overhauls and other events which result in the consumption of a portion of reserves, the consumed portion is recognized as an expense which is measured by average weighted value.

The supplemented quantity is recognized at the purchase prices, valid at the moment when a part of the reserve is consumed and when it requires supplementing.

**III. SUMMARY OF ACCOUNTING POLICIES (continued)**

**3.8. Property, plant and equipment (continued)**

Depreciation is calculated by deducting the purchase value of the assets, except land, initial filling of gas pipelines with gas, operational reserves, art works and investments in progress, on a straight line basis over the estimated useful life of the assets:

Description	2019	2018
	Useful lifetime	Useful lifetime
Facilities – pipelines	35	35
Facilities – buildings	35	35
Other facilities	10	10
Plants and equipment	4 - 10	4 - 10
Tools, inventory and transport vehicles	4 - 10	4 - 10

Property, plant and equipment and all their significant parts cease to be recognized at the moment they are disposed of, or when it is not expected any future economic benefit from usage of it.

Any gains or losses arising from writing off or disposal of certain asset are determined as difference between sale revenue and carrying amount of that asset and are recognized in the Income statement pursuant to net principle.

Residual (current) value, useful lifetime and methods of depreciation are reviewed at the end of each financial year and adjusted respectively, or if there is a need for review.

**3.9. Intangible assets**

Intangible assets are rights, software investments and licenses.

Intangible assets are initially recognized at cost principle which includes invoiced value and all costs which can be directly attributed to bringing the assets in working condition for its intended use, and which occurred until it is activated.

Intangible assets with finite lifetimes are depreciated over the estimated useful economic lifetime and assessed whenever there is indication that it may be impaired. Changes in the expected useful lifetime are treated as changes in accounting estimates.

The estimated useful lifetime is reviewed annually.

The cost of depreciation of intangible assets with a finite useful lifetime is recognized in the Income statement as an expense consistent over their useful lifetime.

### III. SUMMARY OF ACCOUNTING POLICIES (continued)

#### 3.10. Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument and it is classified according to the characteristics of contracted cash flows and business models as follows:

- financial assets-fair value through Income statement;
- financial assets-fair value through Statement of other comprehensive income;
- given loans – is held to hold in order to collect contractual cash flows / amortized cost.

Shares in subsidiary companies represent long-term financial investments with voting shares over 50% in which the Company has a control over adopting and implementing financial policies, and they are consolidated on the level of the Group. Participating interest, that is, investments in associated companies represent long-term financial investments with a significant influence, but without of control over adopting and implementing financial and business policies. Investments into subsidiaries and associated companies in financial statements are stated at cost method.

Short-term financial assets include investments aimed at gaining income expected to be cashed within 12 months from the Statement of financial position date (loans, deposits and similar, investments in securities). Short-term financial assets are stated by the cost method reduced for value adjustments.

#### 3.11. Inventories

Inventories are stated at the cost principle or net realizable value, depending on which is lower. The cost principle of inventories comprise the purchase price and associated costs that can be directly attributed to the acquisition of the inventory. Inventories present raw materials and materials, spare parts, small inventory, packaging and tires and similarly assets that is expected to be used within one year. Consumption of inventories of raw materials and materials is calculated using the weighted average cost method, and it is recognized as the expense of the period in which it is used. Trade discounts and similar items are deducted in determining the acquisition cost.

### **III. SUMMARY OF ACCOUNTING POLICIES (continued)**

#### **3.11. Inventories (continued)**

Impairment of the inventories is recognized as expense of the period, based on the estimate of deterioration, overage and similarly, when the realizable value (a value that can be realized by sale or use of these inventories) is smaller than the acquisition value.

Estimate of the usage and the recoverability of inventories value is performed annually by individual analyse of the usability for each inventory, or group of inventories which did not have a turnover for at least two years.

#### **3.12. Short-term receivables**

Short-term receivables represent receivables up to one year and include trade receivables, receivables from employees, state and other receivables. Mentioned assets are stated at their nominal value. Value adjustment of receivables is recognized as loss in income statement on the basis of the best estimate of the impossibility of charging.

#### **3.13. Impairments**

Net carrying value of the Company is reviewed at each Statement of financial position date to determine whether there is any indication of assets impairment. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized in the Income statement in all cases when the net carrying value is greater than their recoverable amount.

The recoverable amount of receivables is calculated as the present value of expected future cash flows, discounted at the effective interest rate.

#### **3.14. Cash and cash equivalents**

Cash and cash equivalents comprise cash on bank accounts and in treasury, short-term deposits with a contracted maturity of up to three months and other short-term investments of high liquidity that can be converted quickly into cash and are not under a significant impact of value change risk.

#### **3.15. Contingent liabilities/Contingent assets**

Contingent liabilities are not recognized in the financial statements. They are disclosed, unless there is a small probability for outflow of accompanying economic benefits from the Company. Contingent assets are not recognized in the financial statements but are disclosed when inflow of economic benefits is probable.

### III. SUMMARY OF ACCOUNTING POLICIES (continued)

#### 3.16. Long-term provisions

Provisions are recognized when the Company has a present liability (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the liability and a reliable estimate can be made of the amount of the liability.

Provisions are reviewed at each balance sheet date and adjusted according to the latest estimates. In case that the Company expects compensation for the reserved amount, such compensation is recognized as a separate assets item, but only when such compensation becomes certain.

Provisions are established for the costs of legal proceedings and the cost of employees benefit for long term employment and retirement (regular jubilee awards and severance payments).

Provisions for employees benefits for long term employment and retirement (regular jubilee awards and severance payments) are determined as the present value of future cash flows using a discount rate equal to the interest rate on government bonds.

#### 3.17. Government grants

The Company recognized monetary and non-monetary assets received without or with partial compensation of the state, state bodies (either on a local or international level) in compliance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

Government monetary and non-monetary grants are shown in nominal value together with all expenditures directly attributable to them.

From an accounting approach government grants are shown as deferred income recognized in profit on a systematic basis over the periods in which the company recognises expenses or the costs for which the grants are intended to compensate (income approach).

The grants referring to long-term assets are recognized as an income during their useful lifetime over the periods and in the proportions in which depreciation expense on those assets is recognized.

#### 3.18. Employee benefits

The expected cost of other employee benefits after termination of employment and jubilee awards are calculated during employment, estimating the amount of future benefits that employees earned as a refund for services rendered in the current and previous periods. Benefits are discounted to determine their present value. Discount rates are based on interest rates on government bonds.

### **III. SUMMARY OF ACCOUNTING POLICIES (continued)**

#### **3.18. Employee benefits (continued)**

Labour costs are allocated through the average period until they expire. Costs related to jubilee awards and severance payments are debited to the costs of employees. Valuation of these liabilities is carried out annually.

##### **Severance payments**

Severance payment liability arises when employment is terminated before the normal retirement date or when an employee accepts voluntary retirement in lieu of severance payment.

##### **Short-term employee benefits**

The Company recognizes accruals for unused annual leave when the employees render services that increase their entitlement for future compensated absences, and for severance payment when retiring according to the plan for the next tax period.

The Company has no specific retirement plans for employees. All employees are included in pension plans at the state level. The liability of the Company is reduced to the payment of statutory contributions on employee benefits.

#### **3.19. Environmental protection policy**

The Company's environmental protection policy is such that its employees are constantly aware of environment protection and that they ensure a constant contribution to its protection and improvement as well as to their working environment.

#### **3.20. Financial instruments**

Financial instruments are classified as assets, liabilities or equity instruments in accordance with applicable contracts. Interest, gains and losses on financial instruments classified as assets or liabilities are recognized as income or expense when they arise.

Financial assets and financial liabilities are recognized in the balance sheet of the Company once the Company becomes the part of contractual provisions of the financial instrument.

Receivables are stated at their nominal value decreased by the appropriate allowances for estimated irrecoverable amounts.

Liabilities are stated at their nominal amounts.

Investments are recognized on a trade-date basis of accounting and initially are measured at cost, which includes transaction costs. Investments are classified as investments held for trading for which

### III. SUMMARY OF ACCOUNTING POLICIES (continued)

#### 3.20. Financial instruments (continued)

changes in fair value are recognized in the Income statement or as investments available for sale for which changes in fair value are recognized in capital as revaluation reserve.

Interest-bearing bank loans are recorded in the amount of the proceeds received.

The Management Board believes that the fair value of all assets and liabilities stated in the balance sheet do not materially differ from their carrying amounts.

#### 3.21. Events after the Statement of financial position date

Subsequent events which provide additional information on the position of the Company on a Statement of financial position date (events which result in adjustments) are stated in the financial statements. Events which do not result in adjustments are stated in the Notes to the financial statements if they are of any material significance.

#### 3.22. Financial instruments and risk management

##### *Fair value of the financial instruments*

Fair value is determined as the amount by which the informed and willing parties can exchange means in the conditioned transaction, except in the event of forced sale or liquidation. Fair value of the financial instrument is the one quoted on the market or calculated using the discounted cash flow method.

At December 31, 2019 the carrying amounts of cash, short-term deposits, receivables, short-term liabilities and accrued expenses and short-term received loans approximate their fair values due to the short-term maturity of these financial instruments.

The Company is exposed to the following financial risks derived from its activities:

- Market risk
- Fair cash flow value and interest risk
- Credit risk
- Foreign currency risk
- Liquidity risk



**III. SUMMARY OF ACCOUNTING POLICIES (continued)**

**3.22. Financial instruments and risk management (continued)**

*a) Market risk*

The Company operates in the Croatian market as a subject for natural gas transmission and is the gas transmission system operator in the Republic of Croatia. There were no significant changes to the possible impact of market risk to the Company's operations.

*b) Interest rate risk*

Interest rate risk is a risk that the value of financial instruments will change due to change of market interest rates in relation to interest rates applied to the financial instruments. Cash flow interest rate risk is a risk that interest expenses on financial instruments are variable during the period. The Company has significant amounts of long-term loans which exposes it to the cash flow risk.

*c) Credit risk*

Assets that can potentially lead the Company in credit risk consist mainly from cash, cash equivalents and trade receivables. The Company has no other significant concentrations of credit risk.

*d) Foreign currency risk*

*Management of foreign currency risk*

Official and functional currency of the Company is Croatian Kuna(HRK) and transactions determined in foreign currency are converted in HRK by applying exchange rate valid on the Statement of financial position date, and therefore the Company is potentially exposed to the risk of changes in foreign exchange rates.

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange. Most of the transactions are denominated euros.

The carrying amounts of monetary assets and liabilities of the Company denominated in Euros as at the reporting date are as follows:

	Monetary assets		Monetary liabilities	
	2019	2018	2019	2018
EUR	12,356,575	11,456,745	173,273,084	171,774,194
HRK	91,964,797	84,981,265	1,289,598,788	1,274,147,964

**III. SUMMARY OF ACCOUNTING POLICIES (continued)**

**3.22. Financial instruments and risk management (continued)**

*Foreign currency sensitivity analysis*

The Company is primarily exposed to the foreign exchange rate risk in case of change of the exchange rate of euro (EUR). The following table details the Company's sensitivity to a 1% increase and decrease in the HRK against foreign currency. 1% is the sensitivity rate used when reporting foreign currency risk internally to the Board and represents Board's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated receivables and liabilities and represents adjustments of their values at the period end for a 1% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

A (negative) / positive amount below indicates a net (decrease) / increase in profit before tax in HRK where HRK weakens / strengthens 1% in regard to the EUR:

	Effects of the changes in the EUR exchange rate	
	2019	2018
Profit / (Loss)	+/-11,976,340	+/- 11,891,667

*e) Liquidity risk*

*Management of the liquidity risk*

Liquidity risk is a risk that the Company will not be able to meet its financial liabilities to another contracting party. The Company manages solvency risk in the way that it continuously observes, and analyses expected and actual cash flow on the basis of maturity of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to make payment.

**III. SUMMARY OF ACCOUNTING POLICIES (continued)**

**3.22. Financial instruments and risk management (continued)**

*Maturity of non-derivative financial liabilities*

LIABILITIES	Up to 1 month	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>December 31, 2019</b>						
European Investment Bank, Luxemburg (interest 3.161% - 5.054%)	-	-	136,287	675,234	330,635	<b>1,142,156</b>
Other liabilities	155,827	299	60,053	939	4,738	<b>221,856</b>
<b>Total</b>	<b>155,827</b>	<b>299</b>	<b>196,340</b>	<b>676,173</b>	<b>335,373</b>	<b>1,364,012</b>
<b>December 31, 2018</b>						
European Investment Bank, Luxemburg (interest 3.161% - 5.054%)	-	-	135,829	679,147	459,172	<b>1,274,148</b>
Other liabilities	74,506	-	59,748	-	48	<b>134,302</b>
<b>Total</b>	<b>74,506</b>	<b>-</b>	<b>195,577</b>	<b>679,147</b>	<b>459,220</b>	<b>1,408,450</b>

The Company expects to meet its obligations out of operating cash flows and proceeds from maturing financial assets.

**3.23. Comparative information**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

**IV NOTES TO THE INCOME STATEMENT**

**4. Sales income**

DESCRIPTION	2019	2018
	HRK	HRK
Interconnection entry fee	139,557,674	163,426,210
Fee for exit in Croatia	92,710,664	139,056,591
Production entry fee	43,180,437	67,728,552
Gas volume fee	39,607,484	45,916,027
Connection fee	15,352,961	-
Gas warehousing entry fee	11,011,297	14,726,427
Excess fees	4,965,392	10,643,356
Non-standard services	124,713	67,560
Deviations from nominations / correction	2,402,021	1,917,265
<b>UKUPNO</b>	<b>348,912,643</b>	<b>443,481,988</b>

Sales income is realized from energy activity of gas transmission based on a tariff system for gas transmission and is prescribed by valid regulations and supervised by the state regulator – Croatian Energy Regulatory Agency. The reason of decrease in sales revenue in 2019 are new amounts of tariff items that was on force from January 1, 2019 in accordance with the decision of the Croatian Energy Regulatory Agency from December 7, 2018 (OG 111/18 ).

**5. Other operating income**

DESCRIPTION	2019	2018
	HRK	HRK
Income from sale of fixed assets /i/	30,037,920	4,070
Income from the statute of limitations (ii)	3,006,886	43,985
Income from fees for issued guarantees /iii/	2,480,118	-
Income from release of provision for legal disputes /connection Note 31/	2,404,678	-
Compensation for damages and other compensations	1,464,264	1,865,125
Lease income	1,677,516	1,792,339
Other operating income – related company Underground gas station Ltd.	505,916	380,823
Income from received grants – IAS 20 –/connection Note 38/	459,276	11,268
Income from release of provisions for severance payments /connection Note 38/	279,577	39,748
Income from property free of charge	183,212	-
Income from release of other provisions	68,458	139,576
Income from penalties, fines, payments in kind, waste materials	40,471	1,560,392
Income from reduced impairment of collected financial assets	36,641	-
Subsequently collected impaired receivables	7,522	5,641,644
Income from reduced impairment of inventories	6,473	-
Income from release of provisions for unused vacations	-	184,890
Income from sold materials	-	141,796
Other operating income – company with participating interest - LNG Hrvatska Ltd.	-	39,873
Other operating income	-	16,033
<b>TOTAL</b>	<b>42,658,928</b>	<b>11,861,562</b>

**IV NOTES TO THE INCOME STATEMENT (continued)**

**5. Other operating income (continued)**

/i/ The Company in 2019 stated income from sale of fixed assets that is from sale of pipeline from PČ Slobodnica – Sava DN 400/50 and office building with land in Zagreb.

/ii/ Income from the statute of limitations refers to the statute of limitations of obligations to natural persons based on the acquisition of easement rights in expropriation proceedings.

/iii/ Income from fees for issued guarantees stated in amount of HRK 2,480,118 is related to issued guarantees in 2019 for company LNG Hrvatska Ltd. in favour of INEA and Ministries of the Sea, Transport and Communications (connection Note 39).

Income from transactions with company LNG Hrvatska Ltd., as at December 31, 2018 were stated on position of participating interests, and as at December 31, 2019 LNG Hrvatska Ltd. is no more company related with participating interests (connection Note 20).

**6. Cost of raw materials and materials**

DECSRIPTION	2019	2018
	HRK	HRK
Cost of energy	11,039,525	9,264,861
Cost of raw material and materials	3,456,186	3,231,957
Costs of spare parts	1,122,465	1,785,791
Costs of small inventory	650,411	638,193
<b>TOTAL</b>	<b>16,268,587</b>	<b>14,920,802</b>

**IV NOTES TO THE INCOME STATEMENT (continued)**

**7. Other external costs**

DECSRIPTION	2019	2018
	HRK	HRK
Maintenance services /i/	50,207,938	55,183,705
Rental costs and lease /ii/	3,663,345	5,178,865
IT services	5,718,818	4,656,657
Legal services /iii/	3,033,727	3,603,887
Safe-keeping and fire protection services	2,768,209	2,733,915
Utilities	2,046,460	2,077,074
Maintenance of business information system	2,744,917	1,058,136
Transport and telecommunication services	780,917	711,661
Promotion and sponsorship	673,274	676,872
Services of designing and consulting	591,055	623,570
Compensations	477,487	324,511
Advisory and consulting services	439,500	264,100
Geodetic services	558,370	228,720
Costs of administrative ads	240,271	217,078
Vehicle registration costs	108,699	108,086
Costs of safety at work	194,537	93,326
Tax consulting services	68,400	51,300
Audit services cost	213,875	184,300
Other external services (intellectual, graphic, etc.) /iv/	1,870,014	1,858,357
<b>TOTAL</b>	<b>76,399,813</b>	<b>79,834,120</b>

/i/ Maintenance services stated in the Income statement for 2019 in amount of HRK 50,207,938 (2018: HRK 55,183,705) relate mainly to the current maintenance of transmission system in amount of HRK 44,975,716 which include maintaining and recovery of pipelines - regular servicing of gas pipelines and accompanying equipment, intervention repairs and an annual inspection of gas pipelines and accompanying systems, maintenance of remote reading system, setting parameters and monitoring custody meters and data processing, detailed inspection of cathode protection of gas pipeline and corrective maintenance of cathode protection. Clearing shrubs and mowing grass on gas pipeline routes in gas transmission regions, periodical inspection and maintenance of equipment, installations and objects of electricity plants, mechanical maintenance of pipelines, inspection of gas pipeline wall thickness, annual service checks and maintenance of processing computers and accompanying uninterruptible power supply systems, maintenance of SUKAP system, maintenance of hardware and software of the SCADA system and etc.

**IV NOTES TO THE INCOME STATEMENT (continued)**

**7. Other external costs (continued)**

/ii/ In 2019, the Company applied the regulations of IFRS 16 Leases. Pursuant to the same, the costs of rental and rental services shown in the income statement for 2019 in the amount of HRK 3,663,345 (2018: HRK 5,178,865) include short-term leases and leases of assets that are not separable or implicitly determinable and does not meets the lease recognition elements in accordance with IFRS 16.

It is mainly amount for leases of capacity in the underground storage for operational gas supplies in the amount of HRK 1,317,064 and short-term leases related to the system transport function in the amount of HRK 472,331, lease of web booking platforms in the amount of HRK 1,773,206. The decrease in reported lease costs compared to 2018 relates to the appliance of IFRS 16.

/iii/ Legal services stated in the Income statement for 2019 in amount of HRK 3,033,727 (2018: HRK 3,603,887) is related to the legal services provided by three law firms that represent the Company in lawsuits and land registry procedures relating to resolving legal property issues.

/iv/ Other external services stated in the Income statement for 2019 in amount of HRK 1,870,014 (2018: 1,858,357) mainly relate to the services of expertise in amount of HRK 274,100, intellectual services in amount of HRK 279,559, collecting meteorological data in amount of HRK 366,370, analysis of gas samples in amount of HRK 331,300, services of external staff in amount of HRK 280,009, services in area of human resources in amount of HRK 115,150, and other external services.

**8. Cost of employees**

DECSRIPTION	2019	2018
	HRK	HRK
Net salaries	35,813,975	34,756,794
Taxes and contributions from salaries	17,695,271	16,875,779
Contribution on salaries	8,783,076	8,850,855
<b>TOTAL</b>	<b>62,292,322</b>	<b>60,483,428</b>

The total income of the Management Board for 2019 amounts to HRK 1,748,324 of which the salary amounts to HRK 1,626,461, benefit in kind amounts to HRK 100,863, deductible fees to HRK 21,000 (in 2018: total income HRK 1,749,372 of which the salary amounts to HRK 1,610,093, benefit in king to HRK 108,950, deductible fees to HRK 12,500, and other unreducible material benefits amounts to HRK 17,829).

**IV NOTES TO THE INCOME STATEMENT (continued)**

**9. Depreciation**

DECSRIPTION	2019	2018
	HRK	HRK
Depreciation of tangible assets	128,621,807	124,887,883
Depreciation of intangible assets	5,343,709	4,317,122
Depreciation of tangible assets with right of use - IFRS 16	1,532,861	-
<b>TOTAL</b>	<b>135,498,377</b>	<b>129,205,005</b>

**10. Other costs**

DECSRIPTION	2019	2018
	HRK	HRK
Various fees and contributions	4,373,630	4,340,803
Allowance to the employees /i/	4,087,067	3,821,554
Administrative and legal costs	1,792,604	2,275,820
Insurance premiums	2,106,684	1,933,995
Memberships in expert and other associations	1,783,317	1,835,460
Business travel costs	1,151,477	1,282,913
Cost of professional training	575,225	577,913
Representation	409,021	488,768
Remuneration to the members of Supervisory Board and Audit Committee	391,826	357,081
Donations	325,300	349,000
Taxes and contributions independent from business result	308,252	341,035
Services contract, royalties and other compensations	80,233	189,212
Bank services and fees	224,771	133,678
Other operating expenses	129,599	131,048
<b>TOTAL</b>	<b>17,739,007</b>	<b>18,058,280</b>

/i/Allowance to the employees are stated as follows:

DECSRIPTION	2019	2018
	HRK	HRK
Travel allowance	1,628,476	2,397,339
Travel expenses for field work	13,571	25,173
Jubilee awards	107,000	202,000
Severance payment	88,000	103,690
Deductible occasional prizes	2,089,230	958,200
Other allowances	160,790	135,152
<b>TOTAL</b>	<b>4,087,067</b>	<b>3,821,554</b>



**IV NOTES TO THE INCOME STATEMENT (continued)**

**11. Value adjustment of short-term assets**

DECSRIPTION	2019	2018
	HRK	HRK
Value adjustment of inventories of materials and spare parts	1,953,158	151,337
Value adjustment of receivables	-	131,063
<b>TOTAL</b>	<b>1,953,158</b>	<b>282,400</b>

**12. Provisions**

DECSRIPTION	2019	2018
	HRK	HRK
Provisions for severance payments and jubilee awards	2,081,235	-
Provisions for legal disputes	327,932	2,109,574
Provisions for unused vacations	60,081	-
<b>TOTAL</b>	<b>2,469,248</b>	<b>2,109,574</b>

According to the negative estimates for outcome of the legal disputes and IAS 37 the Company stated provisions for new legal processes in amount of HRK 327,932.

The Company recognise long-term provisions for severance payments for retirement and jubilee awards based on IAS 19 Employee benefits. Calculations are based on the terms of the valid Collective Agreement, and the total gross payments including the prescribed taxes and contributions. For the needs of calculation, the Company used government bond yield rate, and increase of provisions are related mostly to the change of used rate. As at December 31, 2019 the Company stated additional long-term provisions for severance payments for retirement and jubilee awards in amount of HRK 2,081,235.

The Company has stated short-term part of provisions according to the plan of retirement for next year in position of accruals (Note 38).

**13. Other operating expenses**

DECSRIPTION	2019	2018
	HRK	HRK
Operational losses of gas and differences in measurement (GRM) /i/	15,804,403	19,970,339
Net present value of sold and disposed assets	194,638	2,074,734
<b>TOTAL</b>	<b>15,999,041</b>	<b>22,045,073</b>

/i/ Operational losses of gas and differences in measurement is stated for 2019 in amount of HRK 15,804,403 (2018: 19,970,339). According to the Rules of organization of the gas market which are valid from January 1, 2015 and Network Code of the transmission system valid from January 1, 2015 and its amendments from October 1, 2015 responsibility for the losses and the differences in the measurement was transferred to the operator.

**IV NOTES TO THE INCOME STATEMENT (continued)**

**13. Other operating expenses (continued)**

Differences in measurement are determined as the difference between the entry and exit of gas to system users plus the difference between the operating balance accounts minus the difference between the total inventories of the Company at the end and at the beginning of the year plus the amount of gas purchased by the Company to compensate for losses of gas in 2019. The Company had differences in measurement 2019 in amount of kWh 73,086,537.

**14. Financial income**

DECSRIPTION	2019	2018
	HRK	HRK
Profit share income	4,710,406	-
Interest income	1,898,028	2,801,114
Positive exchange rate differences	1,091,426	19,263,284
None-realized gains from financial assets	104,467	88,793
<b>TOTAL</b>	<b>7,804,327</b>	<b>22,153,191</b>

**15. Financial expenses**

DECSRIPTION	2019	2018
	HRK	HRK
Interest expenses	48,521,633	53,420,230
Negative exchange rate differences	4,690,610	1,647,829
Interest based on use rights - IFRS 16	71,051	-
<b>TOTAL</b>	<b>53,283,294</b>	<b>55,068,059</b>

**16. Corporate income tax**

DECSRIPTION	2019	2018
	HRK	HRK
Profit of the current year before taxation	17,473,051	95,348,204
Increase of tax base	5,407,169	5,232,096
Decrease of tax base	(8,525,087)	(1,089,825)
Tax base	14,355,133	99,490,475
Corporate income tax rate	18%	18%
<b>Tax liability</b>	<b>2,583,924</b>	<b>17,908,285</b>
Deferred tax concerning the temporary differences	(200,326)	(406,934)
<b>Corporate income tax (effective rate 13.641 %)</b>	<b>2,383,598</b>	<b>17,501,351</b>

Deferred tax assets for the current and preceding year incurred due to tax non-deductible impairment of financial assets, provisions for liabilities based on previous labour and costs of long-term provisions and the cost of long-term provisions for severance pay and jubilee awards, and it is reduced for used temporary differences from previous periods.

**IV NOTES TO THE INCOME STATEMENT (continued)**

**16. Corporate income tax (continued)**

The effective income tax rate is 13.641% (in 2018 18.355%).

Value adjustment of deferred tax assets are stated as follows:

	<u>2019</u>	<u>2018</u>
<b>Balance at January 1</b>	<b>2,348,246</b>	<b>1,941,312</b>
Reversal of deferred tax assets	(555,598)	(230,655)
Forming of deferred tax assets	755,924	637,589
<b>Balance at December 31</b>	<b><u>2,548,572</u></b>	<b><u>2,348,246</u></b>

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET**

**17. Intangible assets**

DESCRIPTION	Concessions, patents, licenses, software and other rights	Intangible assets in preparation	Intangible assets
	HRK	HRK	HRK
<b>PURCHASE VALUE</b>			
<b>Balance at January 1, 2018</b>	<b>451,101,337</b>	-	<b>451,101,337</b>
Purchase during the year	7,770,145	7,770,145	15,540,290
Transfer – projects	-	(5,847,351)	(5,847,351)
Transfer – other	-	(1,922,794)	(1,922,794)
Disposal and write-off	(19,691,158)	-	(19,691,158)
<b>Balance at December 31, 2018</b>	<b>439,180,324</b>	-	<b>439,180,324</b>
Purchase during the year	11,692,024	11,692,024	23,384,048
Transfer – projects	-	(9,977,034)	(9,977,034)
Transfer – other	-	(1,714,990)	(1,714,990)
Disposal and write-off	(718,050)	-	(718,050)
<b>Balance at December 31, 2019</b>	<b>450,154,298</b>	-	<b>450,154,298</b>

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**17. Intangible assets (continued)**

DESCRIPTION	Concessions, patents, licenses, software and other rights	Intangible assets in preparation	Intangible assets
	HRK	HRK	HRK
<b>ACCUMULATED DEPRECIATION</b>			
<b>Balance at January 1, 2018</b>	<b>431,161,170</b>	-	<b>431,161,170</b>
Depreciation in 2018	4,317,122	-	4,317,122
Disposal and write-off	(19,691,158)	-	(19,691,158)
<b>Balance at December 31, 2018</b>	<b>415,787,134</b>	-	<b>415,787,134</b>
Depreciation in 2019	5,343,709	-	5,343,709
Disposal and write-off	(718,050)	-	(718,050)
<b>Balance at December 31, 2019</b>	<b>420,412,793</b>	-	<b>420,412,793</b>
<b>CURRENT VALUE</b>			
<b>BALANCE AT JANUARY 1, 2018</b>	<b>19,940,167</b>	-	<b>19,940,167</b>
<b>BALANCE AT DECEMBER 31, 2018</b>	<b>23,393,190</b>	-	<b>23,393,190</b>
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>29,741,505</b>	-	<b>29,741,505</b>

PLINACRO Ltd., Zagreb  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended December 31, 2019 - continued

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**18. Property, plant and equipment**

DESCRIPTION	Land		Buildings		Plant and equipment		Tools, plant, inventory, transport vehicles		Other tangible assets		Investments in progress		Advances for tangible assets		Total property, plant and equipment	
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
<b>PURCHASE VALUE</b>																
<b>Balance at January 1, 2018</b>	<b>77,948,084</b>	<b>4,615,579,552</b>	<b>350,960,529</b>	<b>15,623,717</b>	<b>1,014,000</b>	<b>119,261,201</b>	-	-	-	-	-	-	-	-	-	<b>5,180,387,083</b>
Purchase during the year-projects	-	-	-	-	-	116,566,728	-	-	-	-	-	-	-	-	-	116,566,728
Purchase during the year-other	-	-	-	-	-	37,024,697	-	-	-	-	-	-	-	-	-	37,024,697
Transfer from investments in progress-projects	6,330	1,345,295	15,588,587	-	-	(16,940,212)	-	-	-	-	-	-	-	-	-	-
Transfer from investments in progress-other	-	6,453,399	9,809,909	1,227,829	-	(17,491,137)	-	-	-	-	-	-	-	-	-	-
Natural gas for compensation of differences in measurement	-	-	19,645,877	-	-	(19,645,877)	-	-	-	-	-	-	-	-	-	-
Investment material inventories	-	-	-	-	-	9,178,990	-	-	-	-	-	-	-	-	-	9,178,990
Advances for tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	9,625,045	-	-	9,625,045
Operating losses in measurement	-	-	(19,970,339)	-	-	-	-	-	-	-	-	-	-	-	-	(19,970,339)
Disposal and write-off	-	(2,458,615)	(7,708,268)	(164,941)	-	(262,644)	-	-	-	-	-	-	-	-	-	(10,594,468)
<b>Balance at December 31, 2018</b>	<b>77,954,414</b>	<b>4,620,919,631</b>	<b>368,326,295</b>	<b>16,686,605</b>	<b>1,014,000</b>	<b>227,691,746</b>	<b>16,686,605</b>	<b>1,014,000</b>	<b>9,625,045</b>	<b>227,691,746</b>	<b>9,625,045</b>	<b>5,322,217,736</b>	<b>343,685,549</b>	<b>29,799,528</b>	<b>24,076,262</b>	<b>5,675,996,022</b>
Purchase during the year-projects	-	-	-	-	-	353,310,594	(9,625,045)	-	-	-	-	-	-	-	-	343,685,549
Purchase during the year-other	-	-	-	-	-	29,799,528	-	-	-	-	-	-	-	-	-	29,799,528
Purchase during the year - inventories on the way	-	-	-	-	-	24,076,262	-	-	-	-	-	-	-	-	-	24,076,262
Transfer from investments in progress-projects	163,426	146,534,981	95,839,348	-	-	(242,537,755)	-	-	-	-	-	-	-	-	-	-
Transfer from investments in progress-other	183,212	383,199	6,900,785	1,318,412	-	(8,785,608)	-	-	-	-	-	-	-	-	-	-
Transfer to property out of use	-	2,466,354	-	-	-	(2,466,354)	-	-	-	-	-	-	-	-	-	-
Natural gas for compensation of differences in measurement	-	-	18,352,179	-	-	(18,352,179)	-	-	-	-	-	-	-	-	-	-
Investment material inventories	-	-	-	-	-	(8,056,376)	-	-	-	-	-	-	-	-	-	(8,056,376)
Operating losses in measurement	-	-	(15,804,403)	-	-	-	-	-	-	-	-	-	-	-	-	(15,804,403)
Disposal and write-off	(4,865,280)	(11,450,714)	(3,206,473)	(399,807)	-	-	-	-	-	-	-	-	-	-	-	(19,922,274)
<b>Balance at December 31, 2019</b>	<b>73,435,772</b>	<b>4,758,853,451</b>	<b>470,407,731</b>	<b>17,605,210</b>	<b>1,014,000</b>	<b>354,679,858</b>	<b>17,605,210</b>	<b>1,014,000</b>	<b>9,625,045</b>	<b>354,679,858</b>	<b>9,625,045</b>	<b>5,675,996,022</b>	<b>343,685,549</b>	<b>29,799,528</b>	<b>24,076,262</b>	<b>5,675,996,022</b>

PLINACRO Ltd., Zagreb  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended December 31, 2019 - continued

V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)

18. Property, plant and equipment (continued)

DESCRIPTION	Land	Buildings	Plant and equipment	Tools, plant, inventory, transport vehicles	Other tangible assets	Investments in progress	Advances for tangible assets	Total property, plant and equipment
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
<b>ACCUMULATED DEPRECIATION</b>								
Balance at January 1, 2018	-	1,841,394,521	244,624,484	13,560,037	-	-	-	2,099,579,042
Depreciation in 2018	-	109,220,784	14,792,961	874,138	-	-	-	124,887,883
Disposal and write-off	-	(1,035,243)	(7,632,595)	(164,941)	-	-	-	(8,832,779)
Balance at December 31, 2018	-	1,949,580,062	251,784,850	14,269,234	-	-	-	2,215,634,146
Depreciation in 2018	-	109,581,114	18,004,853	1,035,840	-	-	-	128,621,807
Disposal and write-off	-	(11,378,632)	(3,119,044)	(399,807)	-	-	-	(14,897,483)
Balance at December 31, 2019	-	2,047,782,544	266,670,659	14,905,267	-	-	-	2,329,358,470
<b>CURRENT VALUE</b>								
BALANCE AT JANUARY 1, 2018	77,948,084	2,774,185,031	106,336,045	2,063,680	1,014,000	119,261,201	-	3,080,808,041
BALANCE AT DECEMBER 31, 2018	77,954,414	2,671,339,569	116,541,445	2,417,371	1,014,000	227,691,746	9,625,045	3,106,583,590
BALANCE AT DECEMBER 31, 2019	73,435,772	2,711,070,907	203,737,072	2,699,943	1,014,000	354,679,858	-	3,346,637,552

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**19. Assets and liabilities – right of use – IFRS 16**

In its first implementation of IFRS 16, the Company used a modified retroactive simplified method without restatement of comparative information, and applied as a practical aid the permitted exemption under which leases less than 12 months from the date of first implementation of the standard are stated as short-term leases.

As at January 1, adjustments of liabilities for operating leases are stated as follow:

Contracted future payments for operating leases at December 31, 2018	2,933,779
Incremental borrowing rate at January 1, 2019	5%
Discounted future payments for operating leases at January 1, 2019	2,895,491
Of which for future payments of short-term leases	<u>(1,705,984)</u>
<b>Liabilities for leases at January 1, 2019</b>	<b><u>1,189,507</u></b>

**Overview of assets and liabilities for leases and changes during 2019**

In applying IFRS 16, the Company uses the permitted exemptions for short-term leases and low-value leases. Short-term leases and leases that do not contain a lease component in accordance with the provisions of IFRS 16 are recognized in the Income statement within other external expenses (Note 7).

Leases reported under IFRS 16 relate to leases of land (maritime property), business premises, communication equipment and motor vehicles, and in the financial statements prescribed by the Ordinance on the structure and content of annual financial statements (OG 95/16) are disclosed within the position property, plant and equipment and according to the natural species, as follows:

DESCRIPTION	Land	Buildings	Plant and equipment	Tools, plant, inventory, transport vehicles	Total
	HRK	HRK	HRK	HRK	HRK
<b>Assets with the right of use</b>					
<b>Balance at January 1, 2019</b>	-	<b>242,690</b>	-	<b>946,817</b>	<b>1,189,507</b>
Increases	5,238,625	34,191	934,466	-	6,207,282
Depreciations	(116,996)	(180,776)	(428,297)	(806,792)	(1,532,861)
<b>Balance at December 31, 2019</b>	<b>5,121,629</b>	<b>96,105</b>	<b>506,169</b>	<b>140,025</b>	<b>5,863,928</b>

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**19. Assets and liabilities – right of use – IFRS 16 (continued)**

Overview of assets and liabilities for leases and changes during 2019 (continued)

Lease liability	2019
Balance January 1, 2019	1,189,507
Increases	6,207,282
Payments	(1,472,076)
Foreign exchange rate differences	2,052
<b>Balance at December 31, 2019</b>	<b>5,926,765</b>
Of which short-term (connection Notes 32 and 37)	299,494

Increase of assets and lease liabilities are mostly related to Concession agreement for the use of maritime property for the purpose of construction and use of the main gas pipeline Zlobin-Omišalj, the fixed part of which the contracted concession fee is classified and disclosed by the Company in accordance with the provisions of IFRS 16.

Overview of IFRS 16 in Income statement

DESCRIPTION	HRK
Depreciation	1,532,861
Interest expenses	71,051
Short-term lease expenses	1,935,712
<b>TOTAL</b>	<b>3,539,624</b>

Depreciation of the assets with right of use are stated in position of Depreciation (Note 9) of Income statement, and interest expenses within position of financial expenses from interests (Note 15).

**20. Long-term financial assets**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Share in Underground gas station Ltd. (100% share)	518,385,666	518,385,666
Share in LNG Hrvatska Ltd. – share in voting rights and capital 15,82% (at Dec 31, 2018 voting rights 50%, share in capital 46.34%)	45,735,900	23,465,900
Value adjustment of share in LNG Hrvatska Ltd.	(5,057,804)	(5,057,804)
<b>TOTAL SHARES IN THE RELATED COMPANIES</b>	<b>559,063,762</b>	<b>536,793,762</b>
Investment in stocks of Petrokemija Plc., Fertilizer Company – share of 5.45% in capital and voting rights	30,000,000	30,000,000
<b>Total investment in stocks</b>	<b>30,000,000</b>	<b>30,000,000</b>
Given loans - LNG Hrvatska Ltd. (interest 4.97%; from July 1, 2019: 3.96%)	30,264,670	29,029,595
Current maturity of a long-term loan	(20,320,893)	-
<b>Total loans, deposits and similar</b>	<b>9,943,777</b>	<b>29,029,595</b>
<b>TOTAL</b>	<b>599,007,539</b>	<b>595,823,357</b>



**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**20. Long-term financial assets (continued)**

As at December 31, 2019 the Company stated value of share in company LNG Hrvatska Ltd. in amount of HRK 40,678,096 (December 31, 2018: HRK 18,408,096). During 2019 the subscribed capital of the company LNG Hrvatska Ltd. increased and the Company made payment in capital of LNG Hrvatske Ltd. in amount of HRK 22.270.000. Nominal share of Plinacro Ltd. in subscribed capital of LNG Hrvatska Ltd. decreased to the 15.82%. (December 31, 2018: 46.34%). The shares in the voting rights also changed, which now for Plinacro Ltd. amounts to 15.82% (as at December 31, 2018: 50%). The Company as at December 31, 2019 has no significant influence in the company LNG Hrvatska Ltd.

According to this business events the value of investment in shares of LNG Hrvatska Ltd. at December 31, 2019 is stated on position of long-term financial assets (at December 31, 2018 on position of investments in companies related by participation interests). Other receivables from company LNG Hrvatska Ltd. at December 31, 2019 is no longer stated as participating interest or associate. Part of loan which will be due in period of 1 year is stated at the position of short-term financial assets (Note 27).

**21. Deferred tax assets**

Deferred tax assets stated at December 31, 2019 in amount of HRK 2,548,572 (December 31, 2018: HRK 2,348,246) is formed from temporary differences from value adjustments of assets, provisions for liabilities based on previous labour and long-term provisions for severance payments and jubilee awards (connection Note 16).

**22. Inventories**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Raw materials and materials stocks	17,246,092	18,400,012
Spare parts in warehouses	8,544,908	7,116,960
Small inventory, packaging and car tires in warehouses	537,014	382,135
Small inventory, packaging and care tires in use	2,470,150	2,658,420
Value adjustment for raw materials and materials, spare parts and small inventories and packaging in use	(2,470,150)	(2,658,420)
Impairment of inventories of materials and spare parts	(2,203,967)	(257,282)
<b>TOTAL</b>	<b>24,124,047</b>	<b>25,641,825</b>

Overview of impairment of inventories of materials and spare parts:

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**22. Inventories (continued)**

	2019	2018
Balance at January 1	257,282	105,945
Value adjustment based on assessment for 2019 (connection Note 11)	1,953,158	151,337
Rescission value adjustment from previous years (connection Note 5)	(6,473)	-
<b>Balance at December 31</b>	<b>2,203,967</b>	<b>257,282</b>

**23. Trade receivables**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Trade receivables for services	56,497,749	67,636,603
Receivables from accrued interest	69,629	73,567
Value adjustment of receivables	(13,326,833)	(13,326,833)
<b>TOTAL</b>	<b>43,240,545</b>	<b>54,383,337</b>

**24. Receivables from the employees**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Receivables for advance payments for business travel	-	392
Other receivables from the employees	2,665	2,765
<b>TOTAL</b>	<b>2,665</b>	<b>3,157</b>

**25. Receivables from the State**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Receivables from prepaid corporate tax	24,500,940	17,753,654
Receivables from VAT	6,422,059	51,243
Other receivables from the State	47,925	50,956
<b>TOTAL</b>	<b>30,970,924</b>	<b>17,855,853</b>

**26. Other short-term receivables**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Receivables for advance payments	2,405,390	604,136
Other receivables	790,087	900,866
Value adjustment of other receivables	(155,977)	(294,562)
<b>TOTAL</b>	<b>3,039,500</b>	<b>1,210,440</b>

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**27. Financial assets**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Bank deposits /i/	16,024,654	5,839,709
Receivables from investment in bonds and shares	1,658,883	1,693,379
Value adjustment of securities	(1,335,294)	(1,474,257)
Given loans - LNG Hrvatska Ltd. (interest 4,97%; since July 1, 2019: 3,96%) /ii/	20,320,893	-
<b>TOTAL</b>	<b>36,669,136</b>	<b>6,058,831</b>

/i/ Bank deposits stated at December 31, 2019 in amount of HRK 16,024,654 (D December 31, 2018: HRK 5,839,709) relate in total to deposit at Hrvatska poštanska banka Plc.

/ii/ At December 31, 2019 the Company stated part od given loan to the company LNG Hrvatska Ltd., which has maturity within one year on position of short-term financial assets in amount of HRK 20,320,893.

**28. Cash at the bank and treasury**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Cash on accounts - HRK	126,091,570	173,154,244
Separate cash accounts and letters of credit /i/	59,495,472	59,537,141
Cash in foreign currency accounts	91,971,624	84,982,889
Cash on hand -HRK	28	2,908
Foreign currency on hand	1,652	7,521
Deposits (maturity within 3 months)	120,000,000	401,000,000
<b>TOTAL</b>	<b>397,560,346</b>	<b>718,684,703</b>

/i/ Separate cash accounts stated as at December 31, 2019 in amount of HRK 59,495,472 (December 31, 2018: HRK 59,537,141) are mostly related to guarantees in the form of cash deposits for providing collection of receivables based on commercial contracts.

**29. Prepaid expenses and accrued income**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Prepaid expenses for the next year	2,184,035	1,565,904
Accrued income	41,545	40,441
<b>UKUPNO</b>	<b>2,225,580</b>	<b>1,606,345</b>

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**30. Capital**

Subscribed capital of the Company is stated as at December 31, 2019 in amount of HRK 912,022,000 (December 31, 2018 in the same amount). The only owner of the Company is Republic of Croatia. Changes in equity are stated on page 12 in addition to the financial statements.

**31. Long-term provisions**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Provisions for severance payments	7,882,714	5,801,479
Provisions for costs of legal disputes	1,026,983	4,153,665
Provisions based on previous labour	-	68,458
<b>TOTAL</b>	<b>8,909,697</b>	<b>10,023,602</b>

Changes of provisions are stated as follows:

DESCRIPTION	Provisions for costs of legal disputes	Provisions for severance payments and jubilee awards	Provisions based on previous labour
	HRK	HRK	HRK
<b>January 1, 2019</b>	<b>4,153,665</b>	<b>5,801,479</b>	<b>68,458</b>
Additional provisions (connection Note 12)	327,932	2,081,235	-
Reversal of provisions according to the estimate (connection Note 5)	(2,404,678)	-	-
Reversal based on payment (connection Note 5)	(1,049,936)	-	(68,458)
<b>December 31, 2019</b>	<b>1,026,983</b>	<b>7,882,714</b>	<b>-</b>

**32. Long-term liabilities**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
European Investment Bank, Luxemburg (interest rate 3,161% - 5,054%)	1,142,155,933	1,274,147,964
Current maturity of long-term loans	(136,287,245)	(135,829,357)
<b>Total long-term financial liabilities</b>	<b>1,005,868,688</b>	<b>1,138,318,607</b>
Long-term lease liabilities - IFRS 16 (connection Note 19)	5,926,765	-
Current maturity of lease liabilities - IFRS 16 (connection Note 19 and 37)	(299,494)	-
Other long-term liabilities - Ina Plc.	48,546	48,546
<b>TOTAL</b>	<b>1,011,544,506</b>	<b>1,138,367,153</b>

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**32. Long-term liabilities (continued)**

Maturity of principal of long-term loans per year is stated as follows:

LOAN MATURITY PER YEAR	EUR		Total	Total
	EIB I	EIB II	EUR	HRK
year				
2020	6,000,000	12,311,828	18,311,828	136,287,245
2021	6,000,000	12,311,828	18,311,828	136,287,245
2022	6,000,000	12,311,828	18,311,828	136,287,245
2023	6,000,000	12,311,828	18,311,828	136,287,245
after 2023*	13,333,333	66,881,720	80,215,053	597,006,953
<b>TOTAL</b>	<b>37,333,333</b>	<b>116,129,032</b>	<b>153,462,365</b>	<b>1,142,155,933</b>

**33. Short-term loans**

Short-term liabilities to banks stated as at December 31, 2019 in amount of HRK 136,287,245 (December 31, 2018: HRK 135,829,357) relate to current portion of long-term loans in 2020 (connection Note 32).

**34. Liabilities to suppliers**

DESCRIPTION	Dec 31 2019	Dec 31, 2018
	HRK	HRK
Liabilities to domestic suppliers	44,288,601	47,341,354
Liabilities for domestic suppliers' deposits	22,802,851	15,501,892
Liabilities to foreign suppliers	63,807,828	148,351
Liabilities for foreign suppliers' deposits	13,285,595	-
<b>TOTAL</b>	<b>144,184,875</b>	<b>62,991,597</b>

**35. Liabilities for taxes and contributions**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
VAT liabilities	-	4,695,638
Liabilities for contributions on salaries and other contributions	734,850	691,920
Taxes and surtaxes from salaries	571,989	496,066
Contributions from salaries	898,500	808,178
<b>TOTAL</b>	<b>2,205,339</b>	<b>6,691,802</b>

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**36. Liabilities to employees**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Liabilities for salaries and benefits	2,997,476	2,738,841
Other liabilities to employees	137,332	233,389
<b>TOTAL</b>	<b>3,134,808</b>	<b>2,972,230</b>

**37. Other short-term liabilities**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Cash deposits – payment insurance (connection Note 28)	58,819,937	59,295,847
Liabilities for cessions and assignations	6,139,996	1,662,538
Tender securities – received funds	683,284	451,897
Current maturity of lease liabilities - IFRS 16 (connection Note 19 and 32)	299,494	-
Other short-term liabilities	575,351	48,336
<b>TOTAL</b>	<b>66,518,062</b>	<b>61,458,618</b>

**38. Accrued expenses and deferred income**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Deferred income – State grant IAS 20 /i/	70,349,433	68,191,084
Accrued expenses /ii/	2,999,690	3,428,731
Other deferred income /iii/	2,837,974	3,099,571
Other accruals /iv/	1,939,829	4,994,470
<b>TOTAL</b>	<b>78,126,926</b>	<b>79,713,856</b>

/i/ In 2019 the Company received non-refundable funds from Innovation and Networks Executive Agency (INEA), CEF- (Connecting Europe Facility) for activity of increasing of cyber security in amount of HRK 2,368,359 (EUR 320,705).

Deferred income for non-refundable funds as at December 31, 2019 are stated in total amount of HRK 70,349,433 and are related to following activities:

- pre-investment phase of the project of the main transit gas pipeline Zlobin-Bosiljevo-Sisak-Slobodnica for the gas transmission from the LNG terminal in amount of HRK 5,139,164;
- activity on project "Interconnection Croatia – Slovenia (Bosiljevo – Karlovac – Lučko – Zabok – Rogatec (SI) – studies for phase I in amount of HRK 14,314,369;
- construction works for the LNG Evacuation Gas Pipeline section Omišalj-Zlobin in amount of HRK 48,854,805;

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**38. Accrued expenses and deferred income (continued)**

- increasing cyber security of SCADA system for capacity management in amount of HRK 433,739;
- consolidation/upgrade of process network infrastructure and implementation of SIEM system in amount of HRK 1,127,964;
- upgrade of corporate network in accordance with the NIS directive in the amount of HRK 479,392.

/ii/ Accrued expenses stated as at December 31, 2019 in amount of HRK 2,999,690 (December 31, 2018: HRK 3,428,731) relate to undue interests on long-term bank loans for period of 2019 in amount of HRK 1,899,592, short-term accruals for expenses of severance payments during the 2020 in amount of HRK 1,020,793 (connection Note 5), and calculated expenses of the period in amount of HRK 79,305.

/iii/ Other deferred income stated as at December 31, 2019 in amount of HRK 2,837,974 (December 31, 2018: HRK 3,099,571) relate to advance invoiced income for the service of the future period.

/iv/ Other accruals stated as at December 31, 2019 in amount of HRK 1,939,829 (December 31, 2018: HRK 4,994,470) relate mainly to provisions for unused vacations in amount of HRK 1,935,092.

**39. Off-balance sheet notes**

DESCRIPTION	Dec 31, 2019	Dec 31, 2018
	HRK	HRK
Issued collaterals	421,265,672	238,656,944
EIB long-term loan interests	203,199,061	251,069,606
Funds in circulation and gas not owned by Plinacro	4,381,576	5,448,924
Receivables from penalty interests reported in bankruptcy	1,123,497	1,123,497
<b>TOTAL</b>	<b>629,969,806</b>	<b>496,298,971</b>

Issued collateral carried in off-balance sheet in amount of HRK 421,265,672 as at December 31, 2019 mainly related to Guarantee agreement of a solidary guarantor payer for the fulfilment of entire financial liabilities of the borrower Underground gas station Ltd. in amount of HRK 223,421,206 and contract for corporative guarantee with LNG Hrvatska Ltd. in favour of INEA (Innovation and Networks Executive Agency) and Ministries of the Sea, Transport and Communications in amount of HRK 183,260,406.

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**40. Transaction with related parties**

DESCRIPTION	Dec 31, 2019	Dec 31, 2019	2019	2019
	Receivables	Liabilities	Income	Expenses
<b>RELATED COMPANIES</b>	HRK	HRK	HRK	HRK
PODZEMNO SKLADIŠTE PLINA Ltd.	102,169	137,194	5,216,322	1,317,064
<b>OTHER RELATED COMPANIES</b>				
LNG HRVATSKA Ltd.	30,608,130	-	3,715,193	-
HRVATSKA ELEKTROPRIVREDA Plc.	8,093,972	-	47,942,111	-
HRVATSKI OPERATOR TRŽIŠTA ENERGIJE Ltd.	329,736	-	2,402,021	-
ODAŠILJAČI I VEZE Ltd.	58,776	-	385,945	580,070
INA Plc.	7,246,366	158,737	74,550,433	1,790,823
CROATIA OSIGURANJE Plc.	-	83,078	-	1,204,429
FINANCIJSKA AGENCIJA	-	708	-	5,407
NARODNE NOVINE Plc.	-	1,875	-	210,950
HRVATSKA RADIOTELEVIZIJA	-	-	-	103,680
HRVATSKE AUTOCESTE Ltd.	-	-	-	156,278
HRVATSKE CESTE Ltd.	-	-	-	210
HP-HRVATSKA POŠTA Plc.	-	13,827	-	86,381
HRVATSKE VODE	-	9,530	-	1,551,486
Judicial institutions	-	43,653	-	1,563,718
Legislative and administrative bodies of the Republic of Croatia	-	196,035	-	7,127,627
Universities and polytechnics	-	12,500	-	144,950
Other users	-	354	-	26,225
<b>TOTAL</b>	<b>46,439,149</b>	<b>657,490</b>	<b>134,212,025</b>	<b>15,869,298</b>

DESCRIPTION	Dec 31, 2018	Dec 31, 2018	2018	2018
	Receivables	Liabilities	Income	Expenses
<b>RELATED COMPANIES</b>	HRK	HRK	HRK	HRK
PODZEMNO SKLADIŠTE PLINA Ltd.	185,777	138,687	380,823	1,331,771
<b>OTHER RELATED COMPANIES</b>				
LNG HRVATSKA Ltd.	29,033,749	-	1,377,412	-
HRVATSKA ELEKTROPRIVREDA Plc.	12,075,440	-	77,337,618	-
HRVATSKI OPERATOR TRŽIŠTA ENERGIJE Ltd.	660,609	-	1,917,265	-
ODAŠILJAČI I VEZE Ltd.	46,564	78,907	376,061	483,851
INA Plc.	12,039,728	188,219	97,549,434	1,748,141
CROATIA OSIGURANJE Plc.	-	106,353	-	1,444,036
FINANCIJSKA AGENCIJA	-	2,263	-	10,951
NARODNE NOVINE Plc.	-	-	-	254,341
HRVATSKA RADIOTELEVIZIJA	-	-	-	103,680
HRVATSKE AUTOCESTE Ltd.	-	-	-	162,241
HP-HRVATSKA POŠTA Plc.	-	14,854	-	72,184
HRVATSKE VODE	-	-	-	1,540,338
Judicial institutions	-	72,962	-	2,040,642
Legislative and administrative bodies of the Republic of Croatia	-	233,126	-	6,085,842
Universities and polytechnics	-	-	-	108,303
Other users	-	-	-	59,951
<b>TOTAL</b>	<b>54,041,867</b>	<b>835,371</b>	<b>178,938,613</b>	<b>15,446,272</b>



**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**41. Legal disputes and contingent liabilities**

In time of preparing these financial statements, there are several pending legal claims against the Company. In the opinion of the Management Board the resolution of these lawsuits will not have a significant negative effect on the financial position of the Company except for certain legal claims for which provisions have been made (connection Note 31).

**42. Events after the date of the Statement of financial position / Balance sheet**

Events after the balance sheet date are those events that have favourable or unfavourable consequences, which occurred between the balance sheet date and the date on which the issuance of financial statements is authorized.

- On January 28, 2020 the Management Board took a decision about conclusion of the contract for corporative guarantee with company LNG Hrvatska Ltd, for needs of approving non-refundable grants from Innovation and Networks Executive Agency in amount of EUR 17,936,764.
- After December 31, 2019 until the issuance of these financial statements, a significant event for the company's operations is COVID-19 pandemic, due to which the Government issued a number of measures to combat the spread of the virus, as well as a number of measures to help the economy activities caused by a virus. Due to the suppression of the spread of the virus, the Government of the Republic of Croatia adopted a decision on a complete or partial ban on work and a ban on movement outside the place of residence, which affected the reduction or complete cessation of business activities in the Republic of Croatia. Similar or the same measures have been adopted by other states. All these measures adopted in the Republic of Croatia and in other countries affected by the virus will have a negative impact on business in 2020. We expect to solve one part of overcoming the difficulties through incentive measures of the Government of the Republic of Croatia, and the other part through intensified activity after the cessation of the danger of spreading the COVID-19 infection, which would mean in the last quarter of 2020.
- This has no impact on the financial statements for 2019. We are not able to estimate what financial impact these events will have on the company's operations in 2020, but we expect that these events will not affect the company's ability to continue operations in the coming periods.


In addition, there were no other events after the date of the Statement of financial position / Balance sheet that would have a significant impact on annual financial statements of the Company for 2019 and which should consequently be disclosed or financial statements should be restated.

**V NOTES TO THE STATEMENT OF FINANCIAL POSITION / BALANCE SHEET (continued)**

**43. Approval of the annual financial statements**

The annual financial statements were adopted and authorised for issuing by the Management Board on April 22, 2020.

For the Management Board of PLINACRO Ltd., Zagreb



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Ivica Arar, President of the Management Board



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Daria Krstičević, Member of the Management Board



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Marin Zovko, Member of the Management Board - Zagreb

