Prvo plinarsko društvo d.o.o.

Annual report of Group for 2021

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

CONSOLIDATED ANNUAL REPORT FOR 2021
INDEPENDENT AUDITOR'S REPORT

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Management Board presents its Management Board's Report together with audited consolidated financial statements for the year ended 31 December 2021.

Principal activity

Prvo plinarsko društvo d.o.o. ("Company" or "PPD") is a limited liability company founded in Republic of Croatia and registred at the Commercial court in Osijek under number 030070559, PIN 58292277611. The sole owner of the Company is Energia Naturalis d.o.o. The Company was registered at the Commercial Court in Osijek on 25 June 2001 and its activity is distribution and supply of natural gas. Headquaters of the Company is in Gospodarska zona 13, Vukovar, Croatia. Prvo plinarsko društvo d.o.o. Group ("the Group") comprise of subsidiaries over which the Company has direct control.

As at 31 December 2021, the Company had direct control in following subsidiaries:

- PPD d.o.o., Bosnia and Herzegovina (100%)
- PPD Hungaria Energiakereskedo Kft, Hungary (100%)
- PPD energija d.o.o., Slovenia (100%)
- PPD Global S.A., Switzerland (100%)
- PPD Italia Srl, Italy (100%) and
- PPD Bucharest SRL, Romania (100%)
- PPD Fueling LNG d.o.o., Croatia (100%).

As at 31 December 2021 the Company also had significant influence of 27.26% in Petrokemija d.d. through joint venture Terra mineralna gnojiva d.o.o.

Financial results

In 2021, the Group had total consolidated revenue of HRK 36.2 billion (2020: HRK 10.8 billion) and profit after tax of HRK 285 million (2020: HRK 321 million). Other financial results of Group are presented in consolidated income statement in accompanied financial statements.

Financial risk management

Group regularly reviews the currency, interest rate risk, credit risk and liquidity risks that arise from the ordinary course of business.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Trade receivables and loans given are presented net of allowance for doubtful receivables. At the reporting date, there were no significant concentrations of credit risk.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Certain assets and liabilities principally trade receivables and trade payables, and loans, are denominated in foreign currencies, which are retranslated at the prevailing exchange rate at each reporting date. The resulting differences are charged or credited to the income statement but do not affect cash flows significantly.

The Group is exposed to interest rate risk as certain loans are agreed at floating rates. The Group does not hedge this exposure to interest rate risk as the company operated with low credit indebtness. Management expects that the effect of interest risk can not significantly influence on its business operations.

Expected development of the Company

Prvo plinarsko društvo d.o.o. is a company owned by Energia naturalis d.o.o. which, as a holding company, in 2021 managed over 20 companies engaged in gas trade and wholesale, logistics, rail freight transport, distribution and processing of fruits and vegetables and other activities.

Energy sector adjusted to global challenges during 2021. In 2020 were prices of natural gas on the spot market during the summer experienced their historic lows, while 2021 ended with historically maximum prices on spot market. These circumstances affected the operations of Croatian companies in the domestic and European energy market. The quick reaction to changes in the market and the ability to adapt have become the most important factor of business success.

In addition to the dynamic situation on the European gas market due to events in Ukraine, the Republic of Croatia also faces some new regional and national challenges. The start of operation of the LNG terminal on the Krk island opened a new sources of gas supply as well as new sales direction for supply of gas to region.

For companies operating in the energy sector an unavoidable factor for 2022 but also for the next 10 years is certainly the European Green Deal, the new economic and political platform of the European Union. Europe has recognised climate change and environmental destruction as the greatest threat to its existence, and has adopted a strategy that aims to turn the Union into a modern, resource-efficient and competitive economy that will achieve climate neutrality by 2050. The implementation of this strategy, along with significant financial investments, implies radical changes in business These changes will significantly affect all economic entities, but also the way of life of all individuals in society.

Prvo plinarsko društvo d.o.o. aims to assure continuous supply of natural gas and maintain the position of the leading gas importer on the Croatian market.

Management Board

Members of the Management Board until signing of finanacial statements were as follows:

Pavao Vujnovac	President of the Management Board
Antonija Glavaš	Member of the Management Board
Ivana Ivančić	Member of the Management Board

Events after the reporting date

Market price of natural gas significantly increased compared to historical average during the end of 2021 and in the beginning of 2022. Significant increase of market prices increases price and credit risk because principal activity of the Company is trading of natural gas. The Company undertakes all measures to decrease price risk by using available financial instruments and contracting long term contracts. The Company also ensures to minimise credit risk with customers to a minimal level by contracting appropriate enforsed collection instruments.

The Company has signed long term contract with Gazprom for purchase of natural gas. This purchase represents minor amount of purchase quantity for 2021, while remaining amount was purchased on European market. In February 2022, numeruos countries introduced sanctions to Russia due to events in Ukraine. At the reporting date, these sanctions did not include natural gas. If the supply of natural gas to the European Union's market stops, the Company will be able to fullfill customer demand and, in the long term, the Company would need to additionally diversify supply markets.

Other

The Company did not purchase it's own issued capital during 2021. Operations of the Group does not include research and development. The Company does not have established representative offices.

Management Board's report is authorised by Management Board and is signed below to signify this.

Pavao Vujnovac
President of the Management Board

Ivana Ivančić
Member of the Management Board

Antonija Glavaš
Member of the Management Board

21 June 2022

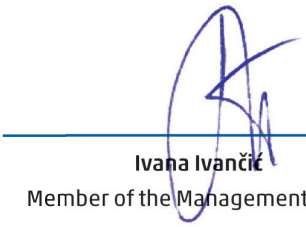
Management is required to prepare consolidated financial statements for each financial year which give a true and fair view of the consolidated financial position of the Group on reporting date and of the results of its consolidated operations and consolidated cash flows, in accordance with International standards of financial reporting as adopted by European Union, and is responsible for maintaining proper accounting records to enable the preparation of such consolidated financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Management is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Management is responsible for the preparation and content of the consolidated annual report in accordance with Article 21 of the Accounting Act of the Republic of Croatia.

The consolidated annual report is authorised by Management and is signed below to signify this.

Pavao Vujnovac
President of the Management Board



Ivana Ivančić
Member of the Management Board

Antonija Glavaš
Member of the Management Board

Prvo plinarsko društvo d.o.o.
Gospodarska zona 13
32000, Vukovar
Croatia

21 June 2022

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

Independent Auditors' Report

to the owner of Prvo plinarsko društvo d.o.o.

Opinion

We have audited the consolidated financial statements of Prvo plinarsko društvo d.o.o. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position of the Group as at 31 December 2021, and the consolidated statements of comprehensive income, cash flows and changes in equity of the Group for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 2 June 2021.

Other Information

Management is responsible for the other information. The other information comprises the Management Report included in the Annual Report of the Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21and 24 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.

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

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

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 controls.
- 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

21 June 2022

Igor Gošek
Member of the Management Board, Croatian Certified Auditors

	Note	2021	2020
		HRK'000	HRK'000
Revenue from sale	6	**36,115,872**	10,780,712
Other operating income	7	**71,556**	63,715
Total operating revenue		**36,187,428**	**10,844,427**
Cost of goods sold and services rendered	8	**(35,754,904)**	(10,455,760)
Employee costs	9	**(17,384)**	(14,374)
Depreciation and amortization		**(11,499)**	(12,771)
Other operating expense	10	**(72,747)**	(65,702)
Total operating expense		**(35,856,534)**	(10,548,607)
Operating profit		**330,894**	295,820
Finance income	11	**154,086**	84,307
Finance costs	11	**(136,695)**	(80,352)
Net finance costs		**17,391**	3,955
Share of profit in equity accounted investees, net of tax	15	**(1,538)**	72,239
Profit before tax		**346,747**	372,014
Income tax expense	12	**(61,609)**	(50,814)
Profit after tax		**285,138**	321,200
Other comprehensive income/(loss)		**1,761**	(215)
Total comprehensive income		**286,899**	320,985

The accompanying notes form an integral part of these consolidated financial statements.

	Note	31 December 2021	31 December 2020
ASSETS		**HRK'000**	HRK'000
Non-current assets			
Property, plant and equipment	13	**16,623**	19,176
Intangible assets and goodwill	14	**96,450**	104,886
Investments	15	**261,262**	262,800
Trade and other receivables	17	**1,298**	**3,894**
Derivative financial assets	19 (a)	**344,156**	47
Total non-current assets		**719,789**	390,803
Current assets			
Loans given	16	**5,649**	13,060
Trade and other receivables	17	**5,428,737**	1,942,525
Inventories	18	**408,699**	128,268
Derivative financial assets	19 (a)	**8,943,448**	754,811
Deposits	20	**294,189**	123,577
Cash and cash equivalents	21	**495,220**	490,531
Total current assets		**15,575,942**	3,452,772
Total assets		**16,295,731**	3,843,575
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	22(a)	**15,475**	15,475
Foreign exchange reserves	22(d)	**1,260**	(501)
Capital reserves	22(b)	**419**	419
Retained earnings		**653,725**	567,323
Total equity and reserves		**670,879**	582,716
LIABILITIES			
Non-current liabilities			
Borrowings	23	**49,221**	118,629
Derivative financial liabilities	19 (b)	**303,218**	76
Total non-current liabilities		**352,439**	118,705
Current liabilities			
Borrowings	23	**836,019**	433,386
Trade and other payables	24	**5,451,812**	1,954,048
Derivative financial liabilities	19 (b)	**8,962,677**	737,707
Income tax payable		**21,905**	17,013
Total current liabilities		**15,272,413**	3,142,154
Total equity and liabilities		**16,295,731**	3,843,575

The accompanying notes form an integral part of these consolidated financial statements.

	Issued capital	Foreign exchange reserves	Capital reserves	Retained earnings	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
As at 1 January 2020	**15,475**	**(286)**	**419**	**357,030**	**372,638**
Total comprehensive income					
Profit for the year	-	-	-	321,200	**321,200**
Other comprehensive income	-	(215)	-	-	**(215)**
Total comprehensive income	-	(215)	-	321,200	**320,985**
Transactions with owners					
Dividends	-	-	-	(110,907)	**(110,907)**
As at 31 December 2020	**15,475**	**(501)**	**419**	**567,323**	**582,716**
As at 1 January 2021	**15,475**	**(501)**	**419**	**567,323**	**582,716**
Total comprehensive income					
Profit for the year	-	-	-	285,138	**285,138**
Other comprehensive income	-	1,761	-	-	**1,761**
Total comprehensive income	-	1,761	-	285,138	**286,899**
Transactions with owners					
Dividends	-	-	-	(198,736)	**(198,736)**
As at 31 December 2021	**15,475**	**1,260**	**419**	**653,725**	**670,879**

The accompanying notes form an integral part of these consolidated financial statements

	Note	2021	2020
		HRK'000	HRK'000
Cash flows from operating activities	25	**(129,017)**	367,467
Interest paid		**(9,920)**	(6,987)
Income tax paid		**(56,717)**	(55,583)
Net cash from operating activities		**(195,654)**	304,897
Cash flows from investing activities			
Acquisition of property, plant, equipment and intangible assets		**(1,727)**	(411)
Proceeds from sale of property, plant, equipment and intangible assets		**1,367**	8,632
Loans given		**(1,372,546)**	(548,681)
Repayment of loans given		**1,179,219**	536,941
Proceeds from sales of other investments		**306,267**	331,305
Proceeds for other investments		**(435,512)**	(320,610)
Investment in associates and joint venture		**-**	(100)
Net increase in deposits		**(170,612)**	(97,161)
Interest received		**9,563**	14,060
Net cash used in investing activities		**(483,981)**	(76,025)
Cash flows from financing activities			
Proceeds from borrowings		**3,829,899**	892,392
Repayment of borrowings		**(2,946,507)**	(591,917)
Repayment of lease liabilites		**(332)**	(318)
Dividends paid		**(198,736)**	(110,907)
Net cash used in financing activities		**684,324**	189,250
Net increase in cash and cash equivalents		**4,689**	418,122
Cash and cash equivalents at 1 January		**490,531**	72,409
Cash and cash equivalents at 31 December	21	**495,220**	490,531

The accompanying notes form an integral part of these consolidated financial statements

1. GENERAL

Prvo plinarsko društvo d.o.o. ("Company") is a limited liability company founded in Republic of Croatia and registred at the Commercial court in Osijek under number 030070559, PIN 58292277611. The sole owner of the Company is Energia Naturalis d.o.o. The ultimate owner of the Company on reporting date is Pavao Vujnovac (100%). The headquarters of the Company is located at Gospodarska zona 13, Vukovar, Croatia.

The Group comprise of Prvo plinarsko društvo d.o.o. and its subsidiaries presented in note 5 ("Group").

The principal activity of the Group is trade and supply of natural gas in the Republic of Croatia, Hungary, Switzerland, Slovenia, Italy, Romania and Bosnia and Herzegovina. Additionally, Group has activities as supply of electrical energy, sale of goods and transport via railways.

At 31 December 2021 there were 59 individuals employed by the Group (31 December 2020: 54 employees).

2. BASIS OF PREPARATION

Statement of compliance

Consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU"). These consolidated financial statements have been presented for the Group. Financial statements of the Group comprise of consolidated financial statements of the Company and its subsidiaries. The unconsolidated statements of the Company are prepared separately and were approved and issued on 13 May 2022.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except where otherwise stated. Methods used in determining fair value are set out in note 4.

Functional and presentation currency

These financial statements are prepared in the Croatian kuna („HRK"), which is also the functional currency, rounded to the nearest thousand.

Going concern

The financial statements have been prepared under the assumption that the Group will continue to operate as a going concern. Management believes that the use of the going concern assumption in preparation of financial statements with respect to the abovementioned facts is appropriate.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs EU that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in separate note.

Presentation of the financial statements

These financial statements are prepared on the consistent presentation and classification basis. When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified unless the reclassification is impracticable.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

A. Basis of consolidation

Consolidated financial statements include the financial statements of Prvo plinarsko društvo d.o.o. ("the Company") and the companies over which Prvo plinarsko društvo d.o.o. has control (subsidiaries) as at and for the year ended 31 December 2021. The Company and its subsidiaries together are referred as a Group. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Group controls an entity when it is exposed to, or has rights to, vairable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Company's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

B. Investments in associates

Associates are all entities over which the Group or the Company have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group accounts for investments in associates using the equity method and the Company accounts for them at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Impairment testing for investments in associates is conducted on an annual basis.

C. Investments in joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its joint venture's post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. Movements in net assets of the joint venture are adjusted against the carrying amount of the investment.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Impairment testing for investments in joint ventures is conducted on an annual basis.

D. Non-controlling interest

Non-controlling interest is initially measured as a proportionate share of net asset that can be identified at an acquisition date.

E. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment loss, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

F. Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation and impairment losses. The cost comprises the purchase price of an asset, including import duties and non-refundable sales taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Maintenance and repairs are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of property, plant and equipment beyond the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of fixed assets are recognised in profit or loss for the period in which they arise.

Depreciation commences on putting an asset into use. Depreciation is provided so as to write down the cost or revalued amount of an asset, other than land and assets under development, over the estimated useful life of the asset using the straight-line method as follows:

Buildings	20 years
Tools and office equipment	2-10 years
Vehicles	4-5 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its useful life. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

G. Intangible assets

Intangible assets which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, as follows:

Other intangible assets	14 years
Software	2 years

H. Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment property comprise land and buildings.

Investment property are initially recognised at cost, including directly attributable costs. After initial recognitions, the Company uses cost model for measurement.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

Amortization is recognised in profit or loss on a straight-line basis over the estimated useful life, as follows:

Buildings	20 years

Land and assets under contruction are not depreciated.

I. Impairment of assets

The carrying amounts of the property, plant and equipment, intangible assets and investment property are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash flows that largely are independent from other assets and groups of assets.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

J. Assets held for sale

Assets are classified in the statement of the financial position as 'held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting date rather than through continuing use. Non-current assets classified as held for sale in the current period's statement of the financial position are not reclassified in the comparative statement of the financial position. Held-for-sale property, plant and equipment are measured at the lower of their carrying amounts and fair values less costs to sell. Held-for-sale property, plant and equipment are not depreciated.

K. Inventories

Inventories of gas, merchandise and raw materials are valued at the lower of cost, using the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location decreased by any discounts received. The value of slow moving and obsolete stock is reduced and charged to the current year profit or loss.

L. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

M. Financial instruments

a) Recognition

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Groupd becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

b) Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). The Group classifies its financial assets into following categories: at amortised cost (trade and other receivables, loans given) and at fair value through profit or loss (derivative financial assets).

Debt instruments that meet the following conditions are measured subsequently at amortised cost and if are not measured at fair value through profit or loss (FVTPL):

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI) and if are not measured at fair value through profit or loss (FVTPL):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of equity investment not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is performed on an investment basis.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Further, at initial recognition the Group may make the following irrevocable election/designation at initial recognition of a financial asset that meets other criteria for measurement at an amortised cost or FVOCI criteria, as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio levela because this best reflects the way the business is managed and information is provided to management.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL, because are not held for collection of contractual cash flows or for sales of financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

c) Subsequent measurement of financial assets

Financial assets at fair value through profit or loss (FVTPL)

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method.

d) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss, except for equity instruments measured at FVOCI.

e) Reclassification

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

f) Financial liabilities and equity instruments

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The Group measures financial liabilities at amortised cost or at fair value through profit or loss (derivative financial liabilities).

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities

Other financial liabilities, included liabilities for loans and borrowings are initially measured at fair value less transaction costs. Other financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liablities

The Group derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

g) Derivative instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. All derivative instruments are carried as assets when their fair value is positive, and as liabilities when their fair value is negative. Changes in the fair value of derivatives are reported in profit or loss for the period in which they arise.

The Group uses derivative financial instruments in order to optimally hedge exposure to foreign exchange risk and market risk arising from operating, financing and investing activities. The Group does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments include forward contracts in foreign currency and future contracts.

Spot transactions related to buying and selling of foreign currencies and futures are recognised on trade date basis. A positive or a negative fair value of spot transactions from the trade date till the settlement date is reported in the statement of financial position under receivables and liabilities, respectively, and is included in profit or loss.

N. Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost (loans given) and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables based on simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors. The Group currently do not adjust ECL for general economic conditions, as the Group did not analyse influence of macroeconomic factors on historical loss rates, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Basically, the Group uses due dates in estimating an increase of credit risk. The Group estimates that an increase in credit risk occurs if a debtor is more than 90 days due.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the short term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used (trade receivables).

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

O. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. When discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

P. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at fair value, are translated into functional currency at foreign exchange rates ruling at the dates at which the values were determined.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Items included in the financial statements of each of the Group's entities are measured using the currency of the economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Croatian kuna ("HRK"), which is also the Company's functional currency.

Income and expense items and cash flows of foreign operations are translated into the Company's and Group's presentation currency at rates approximating the foreign exchange rates ruling at the dates of transactions (average exchange rates for the year) and their assets and liabilities are translated at the exchange rates ruling at the year end. All resulting exchange differences are recognised in a separate component of equity. The applicable foreign exchange rates for relevant currencies are included within currency risk disclosures.

Exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operating unit is sold, arising exchange differences are released in profit or loss as part of the gain or loss on sale.

Q. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised on the basis of taxable temporary differences on investments in subsidiaries and associates and joint ventures.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax laws that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Company intend to settle its current tax assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the accounting for a business acquisition, the tax effect is included in the calculation of a for the business acquisition.

R. Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

S. Net finance income/(costs)

Finance income and costs comprises interest income and penalty interest, and foreign currency gains and losses. Foreign currency gains and losses include gains decreased by losses from dealing in foreign currencies, calculated as the difference between the contractual and official foreign exchange rates.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, penalty interest expense and foreign currency losses. Borrowing costs are recognised in profit or loss using the effective interest rate method.

Realised gains and losses from derivative instruments include gains deducted by losses from forward trading of foreign currencies, calculated as a difference between forward FX rate and a spot currency rate.

T. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

i) The Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Borrowings' in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (under USD 5,000) and short-term leases (up to one year). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) The Group as a lessor

A Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term.

U. Dividend payment

Share in profit is recognised in the statement of changes in equity and as a liability in the period in which dividend is declared.

V. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for customer returns, rebates and other similar allowances.

Sale of natural gas, electrical energy and goods

Basic principle of IFRS 15 is that Group recognizes sales revenue for delivery of natural gas, electrical energy or goods to customer for a transaction price expected in exchange for contracted good or natural gas. Basic principle of revenue recognition is described in a five-step model.

The Group estimates if contracts include other liabilities that should be allocated over a transaction price. In determining a transaction price, the Group considers effects of variable fees, significant financing components and other fees payable to customers.

Revenue from services

Basic principle of IFRS 15 is that Group recognizes sales revenue for services rendered for a transaction price expected in exchange for contracted service. Basic principle of revenue recognition is described in a five-step model.

The Group estimates if contracts include other liabilities that should be allocated over a transaction price. In determining a transaction price, the Group considers effects of variable fees, significant financing components and other fees payable to customers.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rent revenue

Rent revenue is allocated over a lease period using a straight-line basis.

Revenue from construction contracts

Revenue from construction contracts is recognised based on input method (incurred expenses until defined date) by measuring progress in fulfillment of a contract.

Y. New standards and interpretations not yet adopted

Certain standards, amendments and interpretations of existing standards have been published that may or may not be binding for the period ending 31 December 2021 and / or have not been adopted by the European Union and as such have not been applied in the preparation of these financial statements.

4. DETERMINANTION OF FAIR VALUE

The fair value is established at a price that can be realized by selling the assets or sold for the transfer of obligations in an orderly transaction between market participants at the measurement date or, in case of their absence, at a price that can be realized on the most favourable market where the Group has access at the measurement date. Usually the fair value of the financial instruments measured at fair value at reporting date can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including cash and cash equivalents, deposits, loans given, trade receivables, borrowings, trade and other payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Determination of fair value hierarchy

IFRS 7 *Financial Instruments: Disclosures* requires the determination of fair value hierarchy of financial instruments on three levels and disclosure of financial instruments which are measured in financial statements at fair value:

- Level 1: The fair value of financial instruments is based on their quoted market price available in an active market.
- Level 2: The fair value of financial instruments is estimated using valuation techniques based on observable inputs, reference to the fair value of another instrument that is substantially the same, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.
- Level 3: The fair value of financial instruments is estimated using valuation techniques based on unobservable inputs.

Financial instruments measured at fair value are as follows:

31 December 2021	Level 1	Level 2	Level 3	Total
	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets measured at fair value				
Other investments	-	-	15,074	**15,074**
Future contracts	9,287,604	-	-	**9,287,604**
	9,287,604	-	15,074	**9,302,678**
Financial liabilities measured at fair value				
Future contracts	(9,265,895)	-	-	**(9,265,895)**

31 December 2020	Level 1	Level 2	Level 3	Total
	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets measured at fair value				
Other investments	-	-	15,074	**15,074**
Future contracts	754,858	-	-	**754,858**
	754,858	-	15,074	**769,932**
Financial liabilities measured at fair value				
Future contracts	(737,783)	-	-	**(737,783)**

As at 31 December 2021, the Group had investments in future and forward contracts of HRK 9,287,604 thousand of financial assets (31 December 2020: HRK 754,858 thousand) and HRK 9,265,895 thousand of financial liabilities (31 December 2020: HRK 737,783) that are measured at quoted price at an active market and are classified in Level 1.

Investments as at 31 December 2021 classified in Level 3 relate to investment in shares of a non-listed company of HRK 15,074 thousand (31 December 2020: HRK 15,074 thousand).

Trade and other receivables

The carrying value of trade and other receivables is estimated to be a reasonable estimation of their fair value.

Given loans and deposits

Carrying value of given loans and deposits is approximately equal to its fair value, based on current maturity.

Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date and is approximate to carrying value.

Derivative financial instruments

Fair value of derivative instruments traded on regulated market is determined based on publically available daily settlement price.

Other

The carrying amount of other financial assets and other financial liabilities on the reporting date approximate their fair values.

5. SUBSIDIARIES

Group consists of the Company and the following subsidiaries in which the Company has control:

Name of subsidiary	Country	Ownership (%)	Ownership (%)
		31 December 2021	31 December 2020
PPD Hungaria Energiakereskedo Kft	Hungary	**100%**	100%
PPD Global S.A.	Switzerland	**100%**	100%
PPD energija d.o.o.	Slovenia	**100%**	100%
PPD d.o.o.	Bosnia and Herzegovina	**100%**	100%
PPD Italia Srl	Italy	**100%**	100%
PPD Bucharest SRL (i)	Romania	**100%**	0%
PPD Fueling LNG d.o.o.	Croatia	**100%**	100%

i/ The Company incorporated PPD Bucharest Srl (Romania) during 2021.

6. REVENUE FROM SALES

	2021	2020
	HRK'000	HRK'000
Revenue per product type		
Sales of gas - companies	**35,717,032**	10,676,980
Sale of goods	**390,370**	95,294
Revenue from energy efficiency	**8,470**	8,438
	36,115,872	10,780,712
Revenue per geographical area		
European union (including Switzerland)	**33,875,332**	10,719,465
Other countries	**2,240,540**	61,247
	36,115,872	10,780,712

Sales revenue is recognised at a point in time.

7. OTHER OPERATING INCOME

	2021	2020
	HRK'000	HRK'000
Warehouse revenue	**51,777**	45,393
Rent income	**525**	1,067
Other income	**19,254**	17,255
	71,556	63,715

Other operating income includes profit from the sale of property, plant and equipment and other receivables.

8. COST OF GOODS SOLD AND SERVICES RENDERED

	2021	2020
	HRK'000	HRK'000
Cost of purchased gas	**35,345,221**	10,342,796
Cost of goods and services	**409,683**	112,964
	35,754,904	10,455,760

9. EMPLOYEE COSTS

	2021	2020
	HRK'000	HRK'000
Gross salaries	**16,227**	13,337
Contributions on salaries	**1,157**	1,037
	17,384	14,374

Employee expenses of the Group include HRK 1,445 thousand (2020: HRK 1,271 thousand) of defined pension contributions paid into obligatory state funds. Contributions are calculated as a percentage of employees' gross salaries.

10. OTHER OPERATING EXPENSE

	2021	2020
	HRK'000	HRK'000
Intellectual services	**12,436**	10,375
Contributions and fees	**10,811**	6,112
Sponsorships and donations	**7,937**	25,886
Bank charges	**7,784**	6,624
Rent	**3,962**	3,447
Other employees expenses	**5,134**	2,707
Impairment of trade and other receivables	**8,256**	1,722
Impairment of loans given	**-**	144
Representation	**1,128**	1,172
Maintenance	**2,551**	2,021
Telecommunication and post	**441**	309
Marketing	**3,595**	1,552
Energy expense	**468**	316
Other expenses	**8,244**	3,315
	72,747	65,702

Other expenses include insurance expense, postal costs, energy costs and other expenses.

11. NET FINANCE INCOME/(COSTS)

	2021	2020
	HRK'000	HRK'000
Interest income	**9,213**	9,058
Net gain on sale of investments	**19,257**	4,948
Realised gains on derivative instruments	**5,448**	813
Unrealised gains on derivative instruments	**-**	402
Foreign exchange gains	**120,168**	69,086
Total finance income	**154,086**	84,307
Interest expense	**(10,042)**	(7,109)
Net loss on sale of subsidiaries	**-**	-
Realised loss on derivative instruments	**(363)**	(1,219)
Foreign exchange losses	**(126,290)**	(72,024)
Total finance costs	**(136,695)**	(80,352)
Net finance profit	**17,391**	3,955

12. INCOME TAX

Recognised in profit or loss:

	2021	2020
	HRK'000	HRK'000
Income tax expense		
Current tax expense	**61,609**	50,814

Reconciliation of effective tax rate is as follows:

	2021	2020
	HRK'000	HRK'000
Profit before tax	**346,747**	**372,014**
Income tax using tax rate of 18% (2020: 18%)	**(62,414)**	(66,963)
Non-deductible expenses	**(203)**	(654)
Non taxable income and tax incentives	**15**	1,967
Effect of share of profit in equity accounted investees, net of tax	**(277)**	13,003
Utilised tax losses previously not recognised as deferred tax assets	**646**	114
Effect of different tax rates	**624**	1,719
Tax expense	**(61,609)**	(50,814)
Effective tax rate	**18%**	14%

The Group's income tax calculation is prepared in accordance with the Croatian tax laws and regulations.

In accordance with tax regulations, as at 31 December 2021, the Group has unused tax losses in the gross amount of HRK 1,166 thousand (2020: HRK 4,777 thousand) which consist of tax losses in Slovenia. These tax losses can be carried forward indefinitely in Slovenia.

As at 31 December 2021, the Group has HRK 250 thousand of temporary differences (gross) not recognised as deferred tax assets (31 December 2020: HRK 288 thousand).

The Group did not recognise unused tax losses as deferred tax assets in the statement of financial position because it is not likely that there will be sufficient taxable profits realized to use this deferred tax assets in the originated company. Unused tax losses (gross) at the reporting date are as follows:

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Tools and office equipment	Vehicles	Assets under construction	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Cost					
Balance at 1 January 2020	**13,555**	**17,357**	**3,242**	**3**	**34,157**
Additions	15	396	-	-	411
Disposals and write offs	-	(8,056)	(603)	-	(8,659)
Balance at 31 December 2020	**13,570**	**9,697**	**2,639**	**3**	**25,909**
Balance at 1 January 2021	**13,570**	**9,697**	**2,639**	**3**	**25,909**
Additions	-	893	1,412	-	2,305
Disposals and write offs	-	(4,928)	(1,845)	-	(6,773)
Transfer	-	3	-	(3)	-
Balance at 31 December 2021	**13,570**	**5,665**	**2,206**	**-**	**21,441**
Accumulated depreciation					
Balance at 1 January 2020	**-**	**5,942**	**501**	**-**	**6,443**
Depreciation for the year	652	2,732	877	-	4,261
Disposals and write offs	-	(3,816)	(155)	-	(3,971)
Balance at 31 December 2020	**652**	**4,858**	**1,223**	**-**	**6,733**
Balance at 1 January 2021	**652**	**4,858**	**1,223**	**-**	**6,733**
Depreciation for the year	652	1,886	439	-	2,977
Disposals and write offs	-	(3,957)	(935)	-	(4,892)
Balance at 31 December 2021	**1,304**	**2,787**	**727**	**-**	**4,818**
Carrying amounts					
Balance at 1 January 2020	13,555	11,415	2,741	3	27,714
Balance at 31 December 2020	**12,918**	**4,839**	**1,416**	**3**	**19,176**
Balance at 1 January 2021	12,918	4,839	1,416	3	19,176
Balance at 31 December 2021	**12,266**	**2,878**	**1,479**	**-**	**16,623**

Movement of assets with right-of-use is as follows:

	Vehicles
	HRK'000
Balance as at 1 January 2020	526
Depreciation expense	(306)
Balance as at 31 December 2020	**220**
Balance as at 1 January 2021	220
Depreciation expense	(301)
Increase of right-of-use assets	663
Balance as at 31 December 2021	**582**

Overview of expenses related to implementation of IFRS 16 is presented below:

	2021	2020
	HRK'000	HRK'000
Depreciation of right of use assets	**301**	306
Interest expense	**14**	14
Short term lease and small-value assets expense	**3,962**	3,447
	4,277	3,767

14. INTANGIBLE ASSETS AND GOODWILL

	Software and other rights	Other intangible assets	Goodwill	Total
	HRK'000	HRK'000	HRK'000	HRK'000
Cost				
Balance at 1 January 2020	**2,753**	**111,571**	**7,868**	**122,192**
Balance at 31 December 2020	**2,753**	**111,571**	**7,868**	**122,192**
Balance at 1 January 2021	**2,753**	**111,571**	**7,868**	**122,192**
Additions	85	-	-	85
Balance at 31 December 2021	**2,838**	**111,571**	**7,868**	**122,277**
Accumulated amortization				
Balance at 1 January 2020	**856**	**7,944**	**-**	**8,800**
Charge for the year	539	7,967	-	8,506
Balance at 31 December 2020	**1,395**	**15,911**	**-**	**17,306**
Balance at 1 January 2021	**1,395**	**15,911**	**-**	**17,306**
Charge for the year	554	7,967	-	8,521
Balance at 31 December 2021	**1,949**	**23,878**	**-**	**25,827**
Carrying amounts				
Balance at 1 January 2020	1,897	103,627	7,868	113,392
Balance at 31 December 2020	1,358	95,660	7,868	104,886
Balance at 1 January 2021	**1,358**	**95,660**	**7,868**	**104,886**
Balance at 31 December 2021	**889**	**87,693**	**7,868**	**96,450**

Values included in key assumptions represent management estimates of future business in cash generating units. For details regarding impairment of goodwill, please see note 30. Other intangible assets relate to investments in other assets under the Energy Efficiency Agreement concluded with the Varaždin General Hospital and the Zagreb Police Academy.

15. INVESTMENTS PROPERTY

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Non-current investments		
Investment in joint ventures (a)	**246,188**	247,726
Other investments (b)	**15,074**	15,074
	261,262	262,800

a) Investment in joint ventures

Investment in joint venture Terra mineralna gnojiva d.o.o. ("TMG") was incorporated on 2 July 2018 with INA d.d. Issued capital of TMG amount to HRK 500 thousand and the Company paid in HRK 250 thousand of this issued capital. The Company and INA d.d. signed a Contract on increase of share capital of Petrokemija d.d. on 31 October 2018 and paid in HRK 150 million each, for 30,000,000 of shares of Petrokemija d.d. With this transaction, a joint venture TMG acquired a 54.52% of shareholding and voting rights in Petrokemija.

Financial information of a joint venture, together with amount of an investment in joint venture is presented below.

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Share of ownership in Terra mineralna gnojiva d.o.o.	**50.00%**	50.00%
Non-current assets	**643,234**	603,160
Current assets	**952,598**	879,011
Non-current liabilities	**(100,351)**	(204,252)
Current liabilities	**(863,073)**	(590,062)
Net assets (100%)	**632,408**	687,857
Investment in joint venture	**246,188**	247,726

	2021	2020
	HRK'000	HRK'000
Operating revenue	**2,175,651**	1,799,340
Profit after tax (100%)	**(5,643)**	265,001
Other comprehensive income (100%)	**-**	-
Total comprehensive income (100%)	**(5,643)**	265,001
Share of the Group in total comprehensive income (i)	**(1,538)**	72,239

i) Share of profit is proportionate to the ownerhip % that the Company had during a year.

b) Other investments

Non-current other investments at 31 December 2021 of HRK 15,074 thousand (31 December 2020: 15,074 thousand) relate to investment in shares where a Company owns 9% of shareholding.

16. LOANS GIVEN

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Loans given - related parties	**5,649**	10,000
Loans given - other	**250**	3,492
Impairment of loans given	**(250)**	(432)
	5,649	13,060

Loans given were approved at an interest rate from 3%-6% (2020: 1.9%-8%) and mature within one year. Loans given to third parties are secured with debenture notes and/or mortgages.

17. TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Non-current receivables		
Trade receivables - gross	**1,298**	3,894
Current receivables		
Trade receivables - gross	**3,419,422**	1,370,328
Receivables from related parties	**956,300**	329,102
Receivables from companies of systematic importance	**-**	19,679
Interest receivables	**545**	895
Impairment of financial assets	**(11,879)**	(3,938)
Advances given	**1,015,664**	215,053
VAT receivables	**31,936**	4,300
Other receivables	**16,749**	7,106
	5,428,737	1,942,525

Trade receivables are secured with bank guarantees and debenture notes. Trade receivables in the amount of HRK 405,759 thousand have been pledged as a collateral for secured bank loans.

Receivables from companies of systematic importance on 31 December 2020 include net trade receivables for sold goods of HRK 19,679 thousand from customers under the regulation of *Law for the Extraordinary Administration for Companies with Systematic Importance for the Republic of Croatia*. The receivables were sold during 2021 to a related party.

Advances given as at 31 December 2021 in the amount of HRK 1,014,492 thousand (31 December 2020: HRK 214.497 thousand) relate to advances given for purchase of gas.

Other receivables relate to prepaid expenses and accrued revenue.

18. INVENTORIES

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Gas in warehouse	**408,699**	110,655
Merchandise	**-**	17,613
	408,699	128,268

Gas in warehouse in the amount of HRK 242,806 thousand were pledged as collateral for secured bank loans.

19. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

a) Derivative financial assets

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Non-current derivative financial assets		
Future contracts	**344,156**	47
Current derivative financial assets		
Future contracts	**8,937,788**	754,176
Forward contracts	**5,660**	635
	8,943,448	754,811

Derivative financial assets are classified as financial assets at fair value through profit or loss.

b) Derivative financial liabilities

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Non-current derivative financial liabilities		
Future contracts	**303,218**	76
Current derivative financial liabilities		
Future contracts	**8,962,665**	737,474
Forward contracts	**12**	233
	8,962,677	737,707

Derivative financial assets are classified as financial liabilities at fair value through profit or loss.

20. DEPOSITS

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Deposits in banks	**160,897**	43,798
Deposits in non-financial institutions	**133,292**	79,779
	294,189	123,577

Deposits in non-financial institutions and in banks include deposits given as a performance guarantee.

21. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Cash in banks	**495,212**	490,531
Cash on hand	**8**	-
	495,220	490,531

Average interest rate amounts to approximately 0.1% (2020: 0.1%).

22. CAPITAL AND RESERVES

a) Issued capital

The Company was founded in 2001. The sole owner of the Company is Energia Naturalis d.o.o. The ultimate owner of the Company is Mr Pavao Vujnovac (100%).

b) Capital reserves

Capital reserves in the amount of HRK 419 thousand on 31 December 2021 are distributable to shareholders (31 December 2020: HRK 419 thousand).

c) Payment of dividends and other reserves

During 2021, dividends in the amount of HRK 198,736 thousand were paid to the owner (2020: HRK 110,907 thousand).

d) Foreign exchange translation reserve

Foreign exchange translation reserve relate to foreign exchange differences on translation of share capital, reserves and retained earnings of subsidiaries.

23. BORROWINGS

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Non-current borrowings		
Secured bank loans	**48,921**	118,611
Lease liabilities	**300**	18
	49,221	118,629
Current borrowings		
Non-secured bank loans	**35,731**	35,174
Secured bank loans	**800,013**	398,000
Lease liabilities	**275**	212
	836,019	433,386
Total	**885,240**	552,015

Repayment terms of borrowings as at 31 December 2021 are as follows:

	Total	Until 1 year	1 to 5 years
	HRK'000	**HRK'000**	**HRK'000**
Non-secured bank loans	**35,731**	35,731	-
Secured bank loans	**848,934**	800,013	48,921
Lease liabilities	**575**	275	300
Total	**885,240**	836,019	49,221

Borrowings are secured by lien over some trade receivables (note 17), inventories (note 18), debenture notes and bills of exchange. Carrying value of borrowings are approximate to their fair value.

Contractual terms of borrowings and maturity dates are as follows:

HRK'000	Currency	Maturity	Amount
Secured bank loans	HRK	2022	**67,000**
Secured bank loans	EUR	2022	**112,758**
Secured bank loans	HRK	2022	**25,000**
Secured bank loans	EUR	2022	**62,016**
Secured bank loans	EUR	2022	**451,030**
Secured bank loans	HRK	2023	**23,750**
Secured bank loans	HRK	2024	**13,769**
Secured bank loans	HRK	2023	**46,111**
Secured bank loans	HRK	2023	**35,000**
Secured bank loans	HRK	2023	**12,500**
Non-secured bank loans	EUR	2022	**8,737**
Non-secured bank loans	EUR	2022	**26,994**
Lease liabilities	EUR	2023-2024	**557**
Lease liabilities	HRK	2022	**18**
			885,240

Borrowings were approved with interest rate from 1%-2.85%.

24. TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Current liabilities		
Trade payables	**3,555,119**	1,267,801
Related party payables	**1,313,766**	17,265
Liabilities for VAT	**57,962**	113,579
Advances received	**365,505**	515,732
Liabilities to employees	**612**	515
Liabilities for taxes, contributions and levies	**9,816**	2,947
Deferred revenue	**31,881**	32,914
Liabilities for deposits and guarantees	**114,356**	-
Other liabilities	**2,795**	3,295
	5,451,812	1,954,048

Deferred revenues as at 31 December 2021 in the amount of HRK 30,171 thousand (31 December 2020: HRK 32,914 thousand) relate to received grants related to investments in energy efficiency.

25. CASH FLOWS FROM OPERATING ACTIVITIES

	2021	2020
	HRK'000	HRK'000
Cash flows from operating activities		
Profit after tax	**285,138**	321,200
Adjustments for:		
Income tax	**61,609**	50,814
Depreciation and amortisation	**11,498**	12,767
Interest expense	**10,042**	7,109
Interest income and exchange rate differences	**(7,452)**	(9,273)
Unrealised gain on financial instruments	**(4,634)**	8,613
Share of loss/(profit) in joint ventures	**1,538**	(72,239)
Gain from sale of plant and equipment	**515**	(8,102)
Gain from sale of investments	**(22,643)**	(9,031)
Impairment and write off of financial assets	**8,256**	1,866
Reversal of impairment of financial assets	**(468)**	-
Cash flows from operating activities before working capital changes	**343,399**	303,724
Increase in inventory	**(280,431)**	(5,552)
Increase in trade and other receivables	**(3,890,685)**	(710,564)
Increase in trade and other payables	**3,698,700**	779,859
Cash from operating activities	**(129,017)**	367,467

26. RELATED PARTY TRANSACTIONS

Related parties are those companies which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in making business or financial decisions. Transactions between the Company and its subsidiaries are eliminated through consolidation and are not presented in this note. Some specific transactions are described in separate notes.

Transactions with related parties were as follows:

2021	Sales revenue	Other operating income	Cost of sales	Other operating expenses	Interest income	Interest expense
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Parent company	-	395	-	(7,467)	7,499	-
Subsidiaries in parent company	35,176	214	(2)	(1,445)	266	-
Associates and joint ventures	683,252	-	-	-	-	-
Related companies of key management and ultimate owner	1,400,517	56	(1,896,198)	(31)	357	1,320
Total	**2,118,945**	**665**	**(1,896,200)**	**(8,943)**	**8,122**	**1,320**

2020	Sales revenue	Other operating income	Cost of sales	Other operating expenses	Interest income
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Parent company	-	-	-	(3,610)	1,641
Subsidiaries in parent company	406	831	(826)	(3,599)	159
Associates and joint ventures	296,057	-	(10,728)	-	1,092
Related companies of key management and ultimate owner	233,405	36	(1,556,989)	(95)	1,732
Total	**529,868**	**867**	**(1,568,543)**	**(7,304)**	**4,624**

31 December 2021	Trade receivables	Interest receivables	Loans given	Trade payables
	HRK'000	HRK'000	HRK'000	HRK'000
Parent company	47	-	-	(1,115)
Subsidiaries in parent company	24,098	24	-	(30)
Associates and joint ventures	34,667	-	-	-
Related companies of key management and ultimate owner	897,487	394	5,649	(1,312,620)
Total	**956,299**	**418**	**5,649**	**(1,313,765)**

31 December 2020	Trade receivables	Interest receivables	Loans given	Trade payables
	HRK'000	HRK'000	HRK'000	HRK'000
Parent company	34	1	10,000	(467)
Subsidiaries in parent company	338	426	-	(94)
Associates and joint ventures	41,477	-	-	(16,703)
Related companies of key management and ultimate owner	287,253	336	-	-
Total	**329,102**	**763**	**10,000**	**(17,264)**

Key management

During 2021, a remuneration in the amount of HRK 2,516 thousand (2020: HRK 2,516 thousand) was paid to the key management of the Company, which during 2020 and 2021 consisted of 3 persons.

27. CONTINGENCIES

Environmental matters

The Company performs on-going monitoring and analyses of the environmental impact of its business processes. Key indicators of such impact comprise emission of air pollutants and the quantity of waste from the manufacturing process, which the Company regularly reports to the competent institutions, local self-government units and stakeholders on a timely and true basis. Staff dealing with environmental and nature conservation are trained at seminars and workshops where they are informed about the obligations and activities arising from nature conservation and environmental legislation.

The Company develops analyses and is in the process of achieving compliance with the EU regulations imposing strict caps for pollutant emissions and reduced green-house gas (GHG) emissions, GHG emission trading scheme, environmental permits, ecologically significant areas and corridors (National ecological network).

28. CLASSIFICATION OF FINANCIAL INSTRUMENTS

31 December 2021	Financial assets at FVTPL	Financial assets at amortised cost	Financial liabilities at FVTPL	Other financial liabilities	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets measured at fair value					
Other investments	15,074	-	-	-	**15,074**
Future contracts	9,287,604	-	-	-	**9,287,604**
	9,302,678	**-**	**-**	**-**	**9,302,678**
Financial assets not measured at fair value					
Loans given	-	5,649	-	-	**5,649**
Trade and other receivables	-	4,382,435	-	-	**4,382,435**
Deposits	-	294,189	-	-	**294,189**
Cash and cash equivalents	-	495,220	-	-	**495,220**
	-	**5,177,493**	**-**	**-**	**5,177,493**
Financial liabilities measured at fair value					
Future contracts	-	-	(9,265,895)	-	**(9,265,895)**
Financial liabilities not measured at fair value					
Borrowings	-	-	-	(885,240)	**(885,240)**
Trade and other payables	-	-	-	(4,872,292)	**(4,872,292)**
	-	**-**	**-**	**(5,757,532)**	**(5,757,532)**

31 December 2020	Financial assets at FVTPL	Financial assets at amortised cost	Financial liabilities at FVTPL	Other financial liabilities	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets measured at fair value					
Other investments	15,074	-	-	-	**15,074**
Future contracts	754,858	-	-	-	**754,858**
	769,932	**-**	**-**	**-**	**769,932**
Financial assets not measured at fair value					
Loans given	-	13,060	-	-	**13,060**
Trade and other receivables	-	1,727,066	-	-	**1,727,066**
Deposits	-	123,577	-	-	**123,577**
Cash and cash equivalents	-	490,531	-	-	**490,531**
	-	**2,354,234**	**-**	**-**	**2,354,234**
Financial liabilities measured at fair value					
Future contracts	-	-	(737,783)	-	**(737,783)**
Financial liabilities not measured at fair value					
Borrowings	-	-	-	(552,015)	**(552,015)**
Trade and other payables	-	-	-	(1,288,876)	**(1,288,876)**
	-	**-**	**-**	**(1,840,891)**	**(1,840,891)**

Financial assets and financial liabilities do not include receivables from state and liabilities toward state.

29. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Detailed quantitative explanations are presented through these financial statements.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group 's receivables from customers and loans given. The credit policy of the Group includes analysis of the creditworthiness of each custromer before setting terms of payments and delivery through use of information prepared by companies specialised for creditworthiness in Croatia. Further, the Group diminished this risk with strict measures of collection of receivables and with received instruments for securing payments (bills of exchange and debenture notes).

Current receivables are continuously monitored and their collectivity is estimated. In case of uncertainties are recognised impairments of receivables.

The Group adopted simplified approach for measuring losses for lifetime ECL for trade receivables.

Trade and other receivables

Group's exposure to credit risk is influenced by individual characteristics of customers. The demographichs of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Receivables for loans given

At reporting date the Group had receivables for given loans to key management, related parties and third parties.

The Group recognises a lifetime ECL if a significant increase in credit risk occurs after initial recognition. However, if a credit risk of a financial instrument did not significantly increased since initial recognition, a Group measures a credit loss based on 12-month ECL.

(ii) Liquidity risk

Liquidity risk is managed by maintening cash necessary for payment of current liabilities, ensuring that credit lines and deposits held are adequate (by using flexible financing by agreeing terms to be available on demand) and that all liabilities can be paid. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group pays special attention to cash flows, by daily monitoring of changes and by continued planning and comparing of planned and actual cash flows on quarterly and weekly basis, and by monitoring maturity of receivables and liabilities. All liabilities are settled on time, especially liabilities for taxes and contributions (income tax, VAT, personal income tax, levies, contributions) and liabilities to employees for salaries. The current account was not blocked during 2021 or in previous years. As the Group has not used other instruments for maintaining liquidity (bank overdraft), the Group does not expect liquidity problems in the future, especially as the current liabilities are settled on time.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The Group is not significantly exposed to market risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is risk of changes in value of financial instruments from changes in currencies. The Company is exposed to currency risk on purchases, trade payables, loans given and borrowings that are denominated in a currency other than the respective functional currencies of the Company. The currencies in which these transactions primarily are denominated are Euro (EUR), Swiss Franc (CHF), Hungarian forint (HUF), United States dollar (USD), Romanian leu (RON) and convertible mark (BAM). During 2021 and 2020, the Group used derivative instruments for hedging an exposure to currency risk of changes in Euro. Management expects that the effect of currency risk can not significantly influence on its business operations.

Interest rate risk

The Group is exposed to interest rate risk as certain loans are agreed at floating rates. The Group does not hedge this exposure to interest rate risk as the company operated with low credit indebtness. Management expects that the effect of interest risk can not significantly influence on its business operations.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices. The Group invests in derivative financial instruments which price is linked to market index quoted on official platforms. The Group estimates and controls exposure to price risk by regular monitoring of investments, by establishing limits and approvals for investments and through various statistical methods of controlling risk. We consider that the price risk level can not significantly influence on business operations. The Group used derivative instruments (future contracts) during 2021 for hedging an exposure to changes in sales and purchase price of gas. Gain/loss on this derivative instruments is presented in Sales revenue (for hedging of sales price of gas) and Cost of sales (for hedging of purchase price of gas).

Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Loans given	**5,899**	13,492
Trade and other receivables	**4,382,435**	1,727,066
Deposits	**294,189**	123,577
Cash and cash equivalents	**495,220**	490,531
	5,177,743	2,354,666

The maximum exposure to credit risk for trade and related party receivables at the reporting date by category of the customers:

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Domestic	**486,527**	201,407
Foreign	**3,889,195**	1,498,023
	4,375,722	1,699,430

Impairment losses

The ageing of gross trade and related party receivables at the reporting date was:

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Not due	**3,943,794**	1,263,806
Due 0 to 60 days	**426,068**	434,004
Due 61 to 365 days	**684**	1,223
Due 180 to 365 days	**2,164**	1,615
Due more than 365 days	**4,310**	2,676
	4,377,020	1,703,324

Movement in expected credit losses of financial assets is as follows:

	31 December 2021	31 December 2020
	HRK'000	HRK'000
As at 1 January	**3,938**	15,453
Increase in impairment	**8,256**	1,722
Collection of receivables	**(315)**	(13,237)
As at 31 December	**11,879**	3,938

Liquidity risk

The following are contractual maturities of Group's financial assets:

31 December 2021	Carrying amount	Contractual cash flows	Until 1 year	1 to 5 years
	HRK'000	HRK'000	HRK'000	HRK'000
Non-derivative financial assets				
Loans given	5,649	**6,132**	6,132	-
Trade and other receivables	4,382,435	**4,382,435**	4,381,137	1,298
	4,388,084	**4,388,567**	**4,387,269**	**1,298**

31 December 2020	Carrying amount	Contractual cash flows	Until 1 year	1 to 5 years
	HRK'000	HRK'000	HRK'000	HRK'000
Non-derivative financial assets				
Loans given	13,060	**13,417**	13,417	-
Trade and other receivables	1,727,066	**1,727,066**	1,723,172	3,894
	1,740,126	**1,740,483**	**1,736,589**	**3,894**

The following are contractual maturities of Group's financial liabilities:

31 December 2021	Carrying amount	Contractual cash flows	Until 1 year	1 to 5 years
	HRK'000	HRK'000	HRK'000	HRK'000
Non-derivative financial liabilities				
Borrowings	884,665	**894,493**	845,234	49,259
Lease liabilities	575	**601**	293	308
Trade and other payables	4,872,292	**4,872,292**	4,872,292	-
	5,757,532	**5,767,386**	**5,717,819**	**49,567**

31 December 2020	Carrying amount	Contractual cash flows	Until 1 year	1 to 5 years
	HRK'000	HRK'000	HRK'000	HRK'000
Non-derivative financial liabilities				
Borrowings	551,785	**559,892**	439,605	120,287
Lease liabilities	230	**234**	216	18
Trade and other payables	1,288,876	**1,288,876**	1,288,876	-
	1,840,891	**1,849,002**	**1,728,697**	**120,305**

Currency risk

The Group is exposed to foreign currency risk on purchases and sales, deposits, loans given and borrowings that are denominated in a currency other than the Kuna. The currency giving rise to this risk are primarily EUR, USD and HUF. During 2021 and 2020, the Group used derivative instruments (forward contracts) for hedging an exposure to currency risk of changes in Euro and American dollar. Gain from derivative instruments is presented under finance income in note 11.

The following significant exchange rates in comparison to the Croatian kuna applied during the year:

	Average rate		Reporting rate	
	2021	2020	**2021**	2020
1 EUR	**7.52**	7.53	**7.52**	7.54
100 HUF	**2.10**	2.15	**2.03**	2.07
1 RON	**1.51**	1.56	**1.51**	1.56
1 USD	**6.36**	6.61	**6.64**	6.14
1 BAM	**3.85**	3.85	**3.85**	3.85
1 CHF	**7.04**	6.96	**7.25**	6.95

The exposure to foreign currency risk is as follows:

31 December 2021	EUR	HUF	RON	USD	BAM	CHF
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Cash and cash equivalents	303,006	29,517	15,649	408	9,070	728
Derivative financial assets	9,287,604	-	-	-	-	-
Trade and other receivables	3,700,057	43,400	93,630	174,891	36,462	-
Deposits	137,154	2,656	40,715	71,135	13	41,693
Derivative financial liabilities	(9,265,895)	-	-	-	-	-
Trade and other payables	(4,309)	(3,064)	(93,938)	(325,387)	(29,372)	(109)
Borrowings	(662,092)	-	-	-	-	-
	3,495,525	**72,509**	**56,056**	**(78,953)**	**16,173**	**42,312**

31 December 2020	EUR	HUF	BAM
	HRK'000	HRK'000	HRK'000
Cash and cash equivalents	309,932	10,538	1,569
Derivative financial assets	754,858	-	-
Trade and other receivables	1,454,587	21,103	15,109
Deposits	111,157	8,272	13
Derivative financial liabilities	(737,783)	-	-
Trade and other payables	(879,993)	(5,170)	(9,185)
Borrowings	35,382	-	-
	1,048,140	**34,743**	**7,506**

The strengthening of EUR by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 34,955 thousand (2020: HRK 10,481 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of EUR against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

The strengthening of HUF by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 725 thousand (2020: HRK 347 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of HUF against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

The strengthening of BAM by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 161 thousand (2020: HRK 75 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of BAM against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

The strengthening of RON by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 561 thousand. This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of RON against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

The strengthening of USD by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 790 thousand. This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of USD against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

The strengthening of CHF by 1% in relation to kuna at the reporting date would have increased result of the Group before tax by HRK 423 thousand. This analysis assumes that all other variables, in particular interest rates, remain constant. A 1% percent weakening of CHF against the kuna at reporting date would have had the equal but opposite effect on equity and result, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk sensitivity analysis

The Group is exposed to interest rate risk as it borrows funds at variable and fixes interest rates. Secured bank loans that are agreed with variable interest rates and given loans with variable interest rate expose the Group to interest rate risk. As at reporting date, financial instruments were categorised based on interest rate risk as follows:

	31 December 2021	31 December 2020
	HRK'000	HRK'000
Instruments with fixed interest rate		
Secured bank loans	**(669,177)**	(246,361)
Instruments with variable interest rate		
Loans given	**5,899**	13,492
Non-secured bank loans	**(35,730)**	(35,174)
Secured bank loans	**(179,758)**	(270,250)
	(209,589)	(291,932)

At 31 December 2021, if variable interest rates on loans given had been higher by 1%, with all other variables held constant, the profit before tax would have been HRK 57 thousand higher (2020: HRK 108 thousand). At 31 December 2021, if interest rates on secured bank loans had been lower by 1%, with all other variables held constant, the profit before tax would have the equal but opposite effect on result before tax.

At 31 December 2021, if variable interest rates on bank loans had been higher by 1%, with all other variables held constant, the profit before tax would have been HRK 1,990 thousand lower (2020: HRK 2,106 thousand). At 31 December 2021, if interest rates on secured bank loans had been lower by 1%, with all other variables held constant, the profit before tax would have the equal but opposite effect on result before tax.

Capital risk management

Capital risk management is conducted in a way that ensures a going concern of the Group while maximising return to shareholders through optimization of debt to equity balance.

The equity structure of the Group consists of share capital, reserves and retained earnings.

The Company manages the capital and for the purpose of proper capital structure, in accordance with the economic conditions on the market, decides if the retained earnings should be distributed to shareholders, wheather to increase or decrease the capital, etc.

Risk of specific instruments

Forward currency contracts

The Group makes forward contracts in foreign currency to hedge against foreign currency risk and meet its foreign currency obligations. The forward contract in foreign currency is a contract between two parties that obligates them to exchange different currencies based on a predetermined exchange rate and on a predetermined future date.

Forward contracts in foreign currency result in exposure to market risk, due to the changes of foreign currency exchange rate, which is related to the contract amounts. The market risk appears because of the possibility of exchange rate changes. Forward contracts with a positive fair value result in credit exposure towards the contract's counterparty.

The nominal amounts represent corresponding reference amounts of foreign currency on which the fair values of forward contracts that the Group trades are based. While the nominal amounts of forward contracts do not represent the present fair value of the contracts and, therefore, they do not necessarily indicate the future cash flows of forward contracts that the Group owns, the corresponding price changes, resulting from variables specified by nominal amounts, influence the fair value of these financial instruments.

Future contracts

The Group uses future contract for long and short position exposure to base assets. Base asset of futures are market indexes of natural gas for purchase and sale of gas. Future contracts are settled in cash (cash delivery) that is exposed to changes of base assets on a specific future dates. Purchase of future contracts (long position) neutralises exposure to Group to both positive and negative changes of price of base assets. Sale of future assets (short position) neutralises both positive and negative changes of price of base assets.

Changes of market value of future contracts are recognised as a gain or loss from financial instruments.

30. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Management has made the following judgements, a part from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

Classification of financial assets and liabilities

The accounting policies represent a framework under which the Group's assets and liabilities are initially classified into different accounting categories. In classifying the financial assets and liabilities, the Group considers whether they meet the definition of assets and liabilities held for trading, as provided in Note 3: *Financial instruments.*

Fair value measurement

Some of the Group's financial instruments are measured at fair value and it is usually possible to determine their fair values within a reasonable range of estimates.

Determination of the fair value of financial assets and liabilities, for which market price is not available, requires the use of valuation models. For financial instruments that are rarely traded and have non transparent price, the fair value is less objective and requires a different degree of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the individual instrument.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective by nature and involve uncertainties and matters that significantly depend on judgments, such as interest rates, volatility, and estimated cash flows, and therefore cannot be determined with complete accuracy. The Company measures fair value based on the fair value hierarchy as explained in Note 4.

Trade and other receivables

The Management uses judgement in estimating impairment of trade and other receivables. The Group assesses changes in credit risk of trade receivables for initial recognition until a reporting date for estimation of collectability of trade receivables.

Loans given

The Management uses judgement in estimating impairment of loans given. The Group assesses changes in credit risk of loans given for initial recognition until a reporting date for estimation of collectability of loans given.

Income tax

Tax calculations are performed based on the Company's interpretation of current tax laws and regulations. These calculations which support the tax return may be subjected to review and approval by the local tax authorities.

Impairment of investments

The Company annually performs impairment tests for investments in associates and joint ventures where indications exist, based on the results of a static analysis of the Company's exposure compared to the net assets of associates and joint ventures. For investments identified as such, the Company estimates the recoverable amount and compares it with the carrying amount. As a result of the impairment tests performed, except from impairments disclosed in note 10 and note 16, the Company believes that no indications for impairment of inventments in associates and joint ventures exists.

Impairment of goodwill

The Company annually performs impairment tests for goodwill recognised on acquisition of subsidiaries. Recoverable cash generated unit is analysed based on calculation of value in use. As a result of the impairment tests performed, the Company believes that no indications for impairment of goodwill.

31. CONTINGENT LIABILITIES

Issued guarantees

As at 31 December 2021, the Group had issued bank guarantees as part of regular operations in following amounts: EUR 52,614 thousand, HUF 2,045,101 thousand and HRK 18,120 thousand (31 December 2020: EUR 42,906 thousand, HUF 850,000 thousand and HRK 37,617 thousand).

32. CAPITAL COMMITMENTS

As at 31 December 2021 and 31 December 2020, the Group had no contracted capital commitments.

33. EVENTS AFTER REPORTING DATE

Market price of natural gas significantly increased compared to historical average during the end of 2021 and in the beginning of 2022. Significant increase of market prices increases price and credit risk because principal activity of the Company is trading of natural gas. The Company undertakes all measures to decrease price risk by using available financial instruments and contracting long term contracts. The Company also ensures to minimise credit risk with customers to a minimal level by contracting appropriate enforsed collection instruments.

The Company has signed long term contract with Gazprom for purchase of natural gas. This purchase represents minor amount of purchase quantity for 2021, while remaining amount was purchased on European market. In February 2022, numeruos countries introduced sanctions to Russia due to events in Ukraine. At the reporting date, these sanctions did not include natural gas. If the supply of natural gas to the European Union's market stops, the Company will be able to fullfill customer demand and, in the long term, the Company would need to additionally diversify supply markets.