

ENERGANA ŽUPANJA d.o.o.
Industrijska 7,
Županja

**Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2021**

ENERGANA ŽUPANJA d.o.o.
Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2021

C O N T E N T S

	<u>Page</u>
RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS	1
INDEPENDENT AUDITOR'S REPORT	2 - 4
Profit and Loss Statement	5
Statement of financial position	6 - 7
NOTES TO THE FINANCIAL STATEMENTS	8 - 34

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Management Board of **ENERGANA ŽUPANJA d.o.o., Županja, Industrijska 7** ("the Company") is responsible for ensuring that the annual financial statements for the year 2021 are prepared in accordance with the Accounting Act and the Croatian Financial Reporting Standards (Official Gazette No 86/15,105/20) issued by the Committee for Financial Reporting Standards, nominated by the Government of the Republic of Croatia to give a true and fair view of the financial position and the financial performance of the Company for that period.

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

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

- selection and consistent application of suitable accounting policies in accordance with the applicable financial reporting standards;
- giving reasonable and prudent judgments and estimates;
- using the going concern basis of accounting, unless it is inappropriate to presume so.

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

Signed on behalf of the Management Board:


Aleš Mokry, President of the
Management Board


Božo Špatečić, member of the Board


Željko Kuprešak, member of the
Board

ENERGANA ŽUPANJA d.o.o.
Industrijska 7, 32270 ŽUPANJA
OIB: 85159321317

ENERGANA ŽUPANJA d.o.o.
Industrijska 7
32 270 Županja
The Republic of Croatia

Zagreb, May 12th 2022

INDEPENDENT AUDITOR'S REPORT

To the Owners of the company ENERGANJA ŽUPANJA d.o.o., Županja

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the enclosed annual financial statements of ENERGANJA ŽUPANJA d.o.o., Županja, Industrijska 7 ("the Company") for the year ended 31 December 2021, which comprise of the Balance Sheet as at 31 December 2021 and the Profit and Loss Statement for the year then ended associated Notes to the financial statements, including a summary of significant accounting policies and other explanations

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance for the year then ended in accordance with the Accounting Act and the Croatian Financial Reporting Standards (the "CFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual financial statements section of our Independent Auditor's report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Pursuant to the Accounting Act (OG 47/20), the Company is classified as a small entity and, in accordance with Article 19, paragraph 3, is not obligatory to prepare a Statement of changes in equity and a Statement of cash flows.

Responsibilities of the Management Board and those charged with governance for the annual financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Annual Financial Statements (continued)

Responsibilities of the Auditor for the Audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Independent Auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the group, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management's Board use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may determine significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Independent Auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the Audit of the Annual Financial Statements (continued)****Responsibilities of the Auditor for the Audit of the annual financial statements (continued)**

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

In Zagreb, May 12th 2022

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb



Vedrana Stipić, Member of the
Management Board



Vlatka Rukavina, Certified Auditor



BDO Croatia d.o.o.
Zagreb, Radnička cesta 180
OIB: 76394522236

6

ENERGANA ŽUPANJA d.o.o., Županja
Income Statement
for the year ended 31 December 2021

	<i>Note</i>	2021 (HRK)	2020 (HRK)
OPERATING INCOME			
Sales income	4	60,762,965	40,038,167
Other income	4	3,972,169	19,338
Total operating income		64,735,134	40,057,505
OPERATING EXPENSES			
Material and service cost	6	(26,682,647)	(24,483,389)
Employees costs	8	(2,417,066)	(2,178,673)
Depreciation	8	(11,837,674)	(11,629,079)
Other expenses	9	(1,052,680)	(987,953)
Total operating expenses		(41,990,067)	(39,279,094)
NET OPERATING RESULT		22,745,067	778,411
FINANCIAL INCOME	5	689,896	66,251
FINANCIAL EXPENSES	10	(7,660,244)	(7,385,508)
NET FINANCIAL RESULT		(6,970,348)	(7,319,257)
TOTAL INCOME		65,425,030	40,123,756
TOTAL EXPENSES		(49,650,311)	(46,664,602)
Profit/(Loss) before taxes		15,774,719	(6,540,846)
Corporate Income tax	11	(3,346,060)	674,882
PROFIT/(LOSS) FOR THE YEAR	12	12,428,659	(5,865,964)

The accompanying notes are integral part of these financial statements.

ENERGANA ŽUPANJA d.o.o., Županja
Statement of Financial position
for the year ended 31 December 2021

	<i>Note</i>	Dec 31st 2021 (HRK)	Dec 31st 2020 (HRK)
ASSETS			
Non-current assets			
Intangible assets	13	362,852	488,747
Tangible assets	14	147,633,639	154,526,770
Financial assets		179,100	139,100
Deffered tax assets		-	1,931,927
Total non-current assets		148,175,591	157,086,544
Current assets			
Inventories	15	261,910	752,109
Trade receivables	16	6,727,461	5,373,997
Receivables from the State and other institutions	17	7,396	7,396
Other receivables	18	3,649,828	799,341
Current financial assets	19	10,507,661	7,507,660
Cash	20	7,315,725	2,093,203
Total current assets		28,469,981	16,533,706
Accrued income and deferred charges	21	1,719,724	1,912,432
TOTAL ASSETS		178,365,296	175,532,682

The accompanying notes are integral part of these financial statements.

ENERGANA ŽUPANJA d.o.o., Županja
Statement of Financial position
for the year ended 31 December 2021

	<i>Note</i>	Dec 31st 2021 (HRK)	Dec 31st 2020 (HRK)
CAPITAL AND LIABILITIES			
Capital			
Share capital	22	20,000	20,000
Capital reserves	22	1,962,644	1,962,644
Accumulated loss	22	(13,374,111)	(7,508,146)
Profit/(Loss) for the year	12	12,428,659	(5,865,965)
Total capital		1,037,192	(11,391,467)
Long term liabilities		157,906,423	165,411,191
Short-term liabilities			
Liabilities to affiliated companies	24	413,956	-
Loan liabilities	25	2,452,688	-
Liabilities to banks and another financial institutions	26	11,034,077	10,643,269
Accounts payables	27	3,374,670	5,928,607
Liabilities to employees	28	190,104	113,731
Taxes and contributions	29	1,652,653	97,878
Other payables	30	-	4,729,473
Total short-term liabilities		19,118,148	21,512,958
Deferred expenses payment and deferred revenue	31	303,533	-
TOTAL CAPITAL AND LIABILITIES		178,365,296	175,532,682

The accompanying notes are integral part of these financial statements.

1. GENERAL

1.1. Legal framework, activities and employees

The Company ENERGANA ŽUPANJA limited liability company for energy production ("the Company") based in Županja, Industrijska 7, was established on December 4th 2015 by the Statements of Establishment. The company is registered in the Commercial Court in Osijek under the registration number of the subject MBS 081004500, PIN 85159321317.

The Company's subscribed capital is stated in amount of HRK 20.000, and represents stake of the founder and owner of the Company.

The principal activities of the Company refer to the following:

- design and construction of buildings and professional supervision of construction
- professional spatial planning activities
- purchase and sale of goods
- performing trade mediation on the domestic and foreign markets
- representation of foreign companies
- business and management consulting
- production of electricity
- electricity transmission
- electricity distribution
- electricity supply
- organization of the electricity market
- electricity trade
- heat production
- distribution of thermal energy
- heat supply
- activity of the buyer of thermal energy
- biofuel production
- forest management
- production, placing on the market or import of forest reproductive material
- activity of public road transport of passengers or cargo in internal road traffic
- freight transport in domestic and international road transport
- transport for own needs
- manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
- biomass production
- energy production
- energy transfer
- energy storage
- energy distribution
- management of energy facilities
- energy supply
- energy trade and
- organizing the energy market

1. GENERAL (CONTINUED)

1.1. Legal framework, activities and employees (continued)

As at December 31st 2021 the Company had 18 employees (as at December 31st 2020 there was 18 employees).

1.2. Company Profile

General Assembly

General Assembly is the highest body of the Company and consists of one member:

GEEN CJ a.s., Czech Republic, member of the Company

Management Board

The Management Board of the Company during 2021 consists of:

Aleš Mokrý - Member of the Management Board, represents the Company individually and independently (from 15 May 2020)

Aleš Mokrý, OIB: 98757310027- President of the Management Board, represents the Company individually and independently (as of 25 November 2020 to May 13th 2021)

Željko Kuprešak - Member of the Management Board, represents the Company together with another member of the Management Board (as of 25th November 2020)

Božo Šparelić - Member of the Management Board, represents the Company together with another member of the Management Board (as of 25th November 2020)

Filip Varhol - President of the Management Board, represents the Company individually and independently (as of 13 May 2021)

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Compatibility statements and basis for presentation

Financial statement of the Company that ended December 31st 2021 are prepared in accordance with the Accounting Law (OG 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 09/21) and the Croatian Financial Reporting Standards ("CFRS") (OG 86/15,105/20), and in accordance with the Regulations on the structure and content of the annual financial statements (OG 95/16,144/20).

2.2. Basis for preparation

The financial statements are compiled by applying basic accounting assumptions of occurrence of an event by which the effects of transactions are noted when they happened and are shown in the financial statements in the correct period also by applying the basic accounting assumptions of unlimited conducting of business.

2.3. Key estimates and uncertainty of estimates

Certain estimates are used during preparation of the financial statements which have inflow to the statement of property and liabilities, income and expenses of the Company and the disclosure of potential liabilities of the Company.

Future events and their inflows could not be predicted with certainty and, following to this, the real results may differ from the estimated. Estimates utilized during preparation of the financial statements are subject to changes by the occurrence of new events, by gathering of additional experience, obtaining of additional information and comprehensions and by a change of environment in which the company operates.

Preparation of the financial statements in accordance with the CFRS requires from management to make judgments, estimates and assumptions that affect the application of policies and the amounts of disclosed assets and liabilities, income and expenses. Key estimates used by the application of accounting policies during preparation of the financial statements relate to depreciation count of long-term tangible and intangible property, value decrease of property, value provision of inventories, value provision of receivables and provisions and the disclosure of potential liabilities.

2.4. Reporting currency

The financial statements of the Company are prepared in HRK as measuring and reporting currency of the Company. As at 31 December 2021, the official exchange rate of the Croatian kuna was HRK 7.517174 for EUR 1 (31 December 2020 HRK 7.536898)

3. SUMMARY OF ACCOUNTING POLICIES

Summary of accounting policies applied for preparation of the financial statements is set below. Policies are consistently applied to all the years presented, unless otherwise indicated.

a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables for sold products or services during Company's regular activities. Revenue is reduced for value added tax, estimated customer returns, rebates and discounts. The Company recognizes revenue when it can be reliably measured, when the Company will have the economic benefits and when criteria for all Company's activities are met.

Revenue from sale of electricity

Revenue from the sale of electricity is recognized if all major risks and rewards of ownership have been transferred to the buyer, when it is possible to determine reliably the amount of revenue and if it is probable that the electricity will be collected. Revenue is recognized if it is possible to reliably determine the costs incurred or to be incurred in connection with the sale.

Service revenue

Service revenue is recognized in the period in which the services are carried out, under condition that the amount of revenue can be measured reliably and it is probable that the Company will receive reimbursement for the share of services actually carried out in relation to the total services to be performed.

Interest income

Interest income is recognized on a time proportional basis using the effective interest rate, so that the actual return on the asset is taken into account. Interest generated by holding assets with commercial banks (demand assets and time deposits) is recognized as income in the current period after they have been accrued. Interest arising from trade receivables is recognized in income on calculation. Interest income is included in finance income in the income statement.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

b) Operating expenses

Operating expenses represent decrease of economic gains in the given time frame in the form of assets outflow or liabilities creation which in turn decreases capital, except for the one which is used for dividends.

The recognition of operating expenses is necessary to comply with the following criteria:

- expenses result in decrease of funds or increase of liabilities that can be reliably measured,
- expenses have direct relation between incurred costs and revenues,
- when it is expected to achieve revenues in more of the following reporting periods, recognition of expenses is performed by allocation on reporting periods,
- expense is immediately recognized in the reporting period when outflow does not achieve future economic benefit, but there are no conditions to be recognized as an asset in balance sheet,
- expense is immediately recognized in the reporting period and when the obligation arose, and no conditions to be recognized as an asset.

Operating expenses consist of material costs, service costs, staff costs, depreciation and value adjustments of fixed and current assets, and other operating expenses covered directly by operating income.

Expenses on the basis of business rent are charged in the income statement for the duration of the rent.

c) Intangible assets

Intangible assets are initially stated at acquisition cost. The cost of acquisition of intangible fixed assets at the time of purchase includes acquisition after deduction of trade discounts and rebates, import duties, non-refundable acquisition taxes, and costs that can be directly attributed to the preparation of these assets for their intended use.

Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization on newly acquired intangible assets is calculated from the first day of the month following the commissioning. The principles on amortization of intangible assets are contained in CFRS 5 - Non-current intangible assets.

Intangible assets in use consist of a license to use the software and an investment in another's assets.

	2021.		2020.
		%	
Investment in others assets	20		20
Software	50		50

3. SUMMARY OF ACCOUNTING POLICIES (continued)

d) Tangible assets

Tangible assets are initially stated at acquisition cost, which includes the purchase price, including import duties and non-refundable taxes, net of trade discounts and rebates, and any costs directly attributable to bringing the asset to its working condition for its intended use.

Tangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company if the cost of the asset can be measured reliably.

Subsequent to initial recognition, an asset is carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, an asset whose fair value can be measured reliably is stated at revalued amount, which is its fair value at the date of revaluation less any subsequent impairment and any subsequent accumulated impairment losses. An increase in the value of an asset due to revaluation is granted directly to equity as a revaluation reserve. Revaluation is performed on a regular basis so that the carrying amount does not differ materially from that which would be determined by determining fair value at the balance sheet date.

Costs of current maintenance and repairs, replacements, and small-scale investment maintenance are recognized as an expense in the period in which they are incurred. In situations where it is clear that the costs have resulted in an increase in the future expected economic benefits to be obtained from the use of the asset beyond its originally estimated capacity, they are capitalized or included in the carrying amount of the asset. Gains and losses on disposals of assets are recognized in the income statement in the period in which they arise.

Depreciation of assets begins when the assets are ready for use, i.e. when they are located and, in the conditions, necessary for use. Depreciation of assets ceases when the assets are classified as held for sale. Depreciation is calculated by writing off the cost of each individual asset, except for land and long-term intangible and tangible assets in preparation, over the estimated useful life of the asset using the straight-line method, as follows:

	2021.	2020.
	(%)	
Buildings	5	5
Technical plants - power plants	7,14	7,14
Equipment	20	20
IT equipment	50	50
Furniture	10	10

Assets under construction include costs directly related to the acquisition or construction of fixed assets, increased by the appropriate amount of the variable and fixed part of the general costs incurred during the acquisition or construction. Depreciation of assets under construction begins when they are ready for use. Costs incurred in replacing the main parts of the Company's equipment, which significantly extend their useful life, are capitalized. Maintenance, replacement or partial replacement costs are recognized as an expense in the period in which they are incurred.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

e) Impairment of tangible and intangible assets

At each reporting date, the Company checks the carrying amounts of its tangible and intangible assets to determine whether there are any indications that impairment losses have incurred. If there are such indications, the recoverable amount of the asset is estimated to determine any loss incurred by impairment. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price or the value of the asset in use. For the purposes of estimating the value in use, the estimated future cash flows are discounted to present value using a discount rate before tax that reflects the current market valuation of the time value of the cash and the risks specific to that asset, for which estimates of future cash flows were not aligned.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of that asset (the cash-generating unit) is reduced to the recoverable amount. Impairment losses are recognized as an expense immediately unless the asset is land or buildings that are not used as investment property, i.e. investment in real estate in a revalued amount, in which case the impairment loss is recognized as a decrease in the value through revaluation of the asset

In the subsequent reversal of the impairment loss, the carrying amount of the asset (the cash generating unit) increases to the revised estimated recoverable amount of the asset, whereby the higher carrying value does not exceed the carrying amount that would have been determined if there was no recognized loss in previous years. Impairment reversal is immediately recognized as income unless the asset concerned is stated at estimated value, in which case the reversal of the impairment loss is recognized as an increase due to revaluation.

f) Financial assets

Financial assets are cash and invested resources, items and the waiver of rights aimed at gaining income and on the date of the Balance Sheet are classified as follows:

- financial assets intended for trading for which its fair value is recognised in the Profit and loss statement;
- investment retained until maturity;
- loans and receivables;
- financial assets prepared for sale for which its fair value is recognised in the principal as a revaluated provision.

g) Cash

Cash includes cash at the bank on the foreign currency and HRK giro accounts. Cash equivalents include demand deposits and deposits with a maturity of up to three months.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

h) Receivables

Receivables are initially measured at their fair value. At each balance sheet date, receivables that are expected to be collected for a period that is longer than one year are expressed at the depreciated cost with the application of the effective interest rate method reduced by losses for impairment costs. Short-term receivables are expressed at the initially recognised nominal value reduced by the relevant amount of value provision for estimated uncollectible amounts and the value decreases.

The value of receivables is decreased, and impairment losses arise only and exclusively if objective evidence exists that the reduced value resulted from certain or more events that arose after the initial recognition of assets, when such an event impacts the estimated future cash flows from receivables which can be reliably determined. At each date of a Balance Sheet /Statement of Financial Position, it is estimated whether objective evidence in respect of a value decrease of a single receivable exists. If objective evidence exists in respect of a value decrease of receivables, the amount of loss is measured as the difference between the net book value and estimated future cash flows. The netbook value of receivables will be decreased directly or by using a separate account of value provision. The amount of a loss is recognised by debiting the Statement of Comprehensive Income for the current year.

i) Foreign currencies

The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates or in its functional currency. Non-monetary items denominated in foreign currency are translated using the exchange rates prevailing at the fair value measurement date. Non-monetary items denominated in foreign currencies at the historical the cost is not converted.

Foreign exchange differences arising from the calculation of non-monetary assets at fair value through profit or loss are recognized in the statement of comprehensive income. Exchange differences arising from the recalculation of non-monetary assets at fair value are recognised in the statement of comprehensive income, except exchange differences arising from recalculation of non-monetary assets available for sale, where profit or loss are recognized directly in equity. In this category of non-cash items, each gain is recognized, that is, any loss incurred by recalculation is also recognized directly in equity.

j) Corporate income tax

Tax expense represents the aggregate amount of current tax liabilities and deferred taxes.

Current tax liability

Current tax liability is based on taxable profit for the year. Taxable profit differs from net profit for the period reported in the Statement of comprehensive income because it excludes items of income and expense that are taxable or non-taxable in other years, as well as items that are never taxable or deductible. The Company's current tax liability is calculated by applying the tax rates that are in effect, i.e. in the process of adopting the reporting date.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

j) Corporate income tax (continued)

Deferred taxes

Deferred tax is the amount expected to be due as a liability or become recoverable on the basis of the difference between the carrying amount of assets and liabilities in the financial statements and the related tax base used to calculate the taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available on which temporary differences can be utilized. Deferred tax liabilities and tax assets are not recognized on temporary differences arising out of goodwill or initial recognition of other assets and liabilities, except for business mergers, in transactions that do not affect either the tax or accounting profit.

Value Added Tax

Tax Administration requires VAT settlement on a net basis. VAT resulting from sales and purchase transactions is recognized and reported in the balance sheet / statement of financial position on a net basis. In the case of impairment of receivables for impairment, the impairment loss is expressed in gross amount receivables, including VAT.

k) Provisions

A provision is recognized when the Company has a current obligation (legal or constructive) that arose as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. Provisions are reviewed at each reporting date and adjusted for an estimate based on current knowledge. When the amount of the impairment loss is significant, the amount of the provision is the present value of the costs that are expected to be incurred to settle the liability, determined using the estimated risk-free interest rate as a discount rate. When discounting is used, the impact of discounting is recorded as a financial expense each year, and the carrying amount of the provision is increased each year for the elapsed time.

Provisions for restructuring costs are recognized when the Company has developed a formal restructuring plan of which the parties to which the plan relates have been notified.

The amount recognized as a provision reflects the best possible estimate of the consideration that will be required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. If a provision is measured using an estimate of the cash flows required to settle the present obligation, the carrying amount of the obligation is the present value of those cash flows.

When a third party is expected to recover some or all of the economic benefits necessary to settle a provision, a related receivable is recognized as an asset if it is almost certain that the consideration will be received and if the amount of the receivable can be determined reliably.

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in net profit or loss in the period in which they are incurred. Short-term borrowings and loans from suppliers are stated at the originally borrowed amount less repayments. Interest expense is charged to the income statement in the period to which the interest relates.

m) Potential assets and contingent liabilities

Contingent liabilities are not recognized in the financial statements. They are disclosed, unless the likelihood of the outflow of the accompanying economic benefits is not material. Potential assets are not recognized in the financial statements but are disclosed when the inflow of economic benefits is probable.

n) Subsequent events

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

o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Company as a lessee

Fees payable under operating leases are recognized as an expense on a straight-line basis over the term of the lease, unless some other systematic basis reflects better the timing of the expenditure of economic benefits than the leased asset. Contingent leases based on operating leases are recognized as an expense in the period in which they are incurred. Incentives received for the conclusion of an operating lease are recognized as a liability. The total benefit of the incentive is recognized on a straight-line basis as a reduction in the cost of the lease, unless some other systematic basis better reflects the time dynamics of spending the economic benefits than the leased assets.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

p) Comparative information

Comparative information has been reclassified as necessary to conform to the current year's presentation.

r) Accrued income

Revenues calculated on the basis of contractual terms, which are not invoiced in the current period, are stated within active accruals.

s) Deferred expenses payment

Deferred cost allocation is made on the basis of the distribution of costs according to the time periods to which they relate. The part of costs that will be recognized in the following accounting periods is stated within the accrued accruals.

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

4. SALES INCOME

	2021 (HRK)	2020 (HRK)
Sale of electricity	60,762,965	40,038,167
Other operating revenues	3,972,169	19,338
	64,735,134	40,057,505

The company generates sales revenue exclusively on the domestic market.

Revenues from the sale of electricity represent the basic income of the Company. In the total revenue structure of the Company, revenues from electricity sales represent 93% of total revenues. Revenues from the sale of electricity are generated on the basis of monthly invoices for electricity produced in the Županja cogeneration plant on the basis of the valid Electricity Purchase Agreement and the acquired status of a privileged producer.

Other operating income relate to compensation for damage in amount of 3.600.000 HRK (in 2020 relate to service drying of wood chips and other services in amount of HRK 19,338).

5. FINANCIAL INCOME

	2021 (HRK)	2020 (HRK)
Interest income from affiliated companies	4,242	1,737
Foreign exchange differences	685,654	64,514
	689,896	66,251

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

6. MATERIAL COSTS AND SERVICES

	2021 (HRK)	2020 (HRK)
Material costs		
Costs of raw materials and materials	17,681,458	17,832,878
Energy costs	1,503,265	1,689,786
Other material costs	397,911	360,347
a) Total material costs	19,582,634	19,883,011
Management costs	1,478,146	1,609,786
Rent services	70,362	500,532
Intellectual services	116,291	182,086
Water supply costs	337,928	408,662
Costs of spreading and removal of ashes	403,091	291,555
Chemical treatment of water	357,870	196,222
Maintenance costs	3,877,945	926,304
Special education services	458,380	485,231
Other external services	7,100,013	4,600,378
b) Total external services		
Total	26,682,647	24,483,389

7. EMPLOYEES COSTS

	2021 (HRK)	2020 (HRK)
Net salaries	1.539.190	1.372.929
Taxes and contributions from salaries	562.561	513.271
Contributions on gross salaries	315.315	292.473
	2.417.066	2.178.673
Number of employees as at December 31st	18	18

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

8. DEPRECIATION

	2021 (HRK)	2020 (HRK)
Depreciation of intangible assets	125,895	140,728
Depreciation of tangible assets	11,711,779	11,488,350
	<u>11,837,674</u>	<u>11,629,078</u>

9. OTHER EXPENSES

	2021 (HRK)	2020 (HRK)
Insurance premiums	325,786	303,627
Tuition costs	242,887	273,131
Employee expenses	329,685	212,832
Other expenses	154,322	198,363
	<u>1,052,680</u>	<u>987,953</u>

10. FINANCIAL EXPENSES

	2021 (HRK)	2020 (HRK)
Interest expenses - affiliated companies	2,681,121	2,716,218
Foreign exchange differences - affiliated companies	956,503	376,770
Interest expenses	4,014,397	4,256,938
Foreign exchange differences	8,223	35,582
	<u>7,660,244</u>	<u>7,385,508</u>

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

11. CORPORATE INCOME TAX

Difference between accounting profit and tax expense for the current year:

	2021 (in HRK)	2020 (in HRK)
Income	65,425,030	40,123,756
Expenses	(49,650,311)	(46,664,602)
Profit (loss) for the year	15,774,719	(6,540,846)
<i>Increase of tax base</i>		
Representation costs	42,347	26,896
Personal transport costs	88,675	58,210
Interest on the loans - owners of the company	2,345,392	2,337,109
Interest between related parties	335,728	378,433
Increase for other expenses	-	358
Total tax increase of tax base	2,812,142	2,801,006
<i>Decrease of tax base</i>		
State aid for education and training	-	(9,498)
Total tax decrease of tax base	-	(9,498)
Tax base	18,586,861	(3,749,338)
Loss carried forward	10,730,566	6,983,590
Tax base after tax loss	7,856,295	(10,732,928)
Tax rate	18%	18%
Income tax liability	1,414,133	-

The company had taxable profit in 2021, and used deferred tax assets in the amount of HRK 1,931,927, which was calculated in 2020.

12. PROFIT FOR THE CURRENT YEAR

For 2021, the company reported a profit before tax in the amount of HRK 15,774,719. According to the income tax return, the income tax liability was determined in the amount of HRK 1,414,133.

Profit before tax is reduced by the liability for income tax, and for deferred tax assets in the amount of HRK 1,931,927 (calculated in previous accounting periods), and net profit in the amount of HRK 12,428,659 is reported.

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

13. INTANGIBLE ASSETS

<i>(HRK)</i>	Investing in computer software	Investments in other property	Total
PURCHASE VALUE			
Balance as at 31 December 2021	40.000	604.475	644.475
New purchase 2021	-	-	-
Balance as at 31 December 2020	40.000	604.475	644.475
New purchase 2020	-	5.000	5.000
Balance as at 01 January 2020	40.000	599.475	639.475
VALUE ADJUSTMENT			
Balance as at 31 December 2021	40.000	241.623	281.623
Amortization 2021	4.167	121.728	125.895
Balance as at 31 December 2020	35.833	119.895	155.728
Amortization 2020	20.833	119.895	140.728
Balance as at 01 January 2020	15.000	-	15.000
PRESENT VALUE			
Balance on 31 December 2021	-	362.852	362.852
Balance on 31 December 2020	4.167	484.580	488.747

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

14. TANGIBLE ASSETS

	Land	Buildings	Equipment	Furniture, tools, vehicles	Assets in preparation	HRK TOTAL
PURCHASE VALUE						
Balance as at 31 December 2021	1,544,449	29,300,050	143,605,045	976,559	183,638	175,609,741
Increase	-	-	3,769,395	865,614	183,638	4,818,647
Balance as at 31 December 2020	1,544,449	29,300,050	139,835,650	110,945	-	170,791,094
Increase	-	397,331	284,959	-	-	682,290
Expenses, disposal and sales	-	-	-	-	-	-
Balance as at 01 January 2020	1,544,449	28,902,719	139,550,691	110,945	-	170,108,804
VALUE ADJUSTMENT						
Balance as at 31 December 2021	-	3,517,010	24,258,559	200,535	-	27,976,104
Depreciation 2021	-	1,465,003	10,065,404	181,373	-	11,711,779
Expenses, disposal and sales	-	-	-	-	-	-
Balance as at 31 December 2020	-	2,052,007	14,193,155	19,162	-	16,264,324
Depreciation 2020	-	1,449,867	10,027,389	11,094	-	11,488,350
Expenses, disposal and sales	-	-	832	-	-	832
Balance as at 01 January 2020	-	602,140	4,166,598	8,068	-	4,776,806
PRESENT VALUES						
Balance as at 31 December 2020	1,544,449	27,248,043	125,642,495	91,783	-	154,526,770
Balance as at 31 December 2021	1,544,449	25,783,040	119,346,486	776,024	183,638	147,633,637

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

14. TANGIBLE ASSETS (continued)

Management believes that the carrying amounts of plant and equipment shown at amortized cost in the financial statements approximate their fair values.

The inventory of tangible assets was conducted as part of the annual inventory as of December 31, 2021. Depreciation was calculated using the linear method using the tax permitted rates referred to in Article 12 of the Income Tax Act.

15. INVENTORIES

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Raw materials	261,910	409,350
Trade goods	-	342,759
Inventory in use	176,986	177,324
Value adjustment of inventory in use	(176,986)	(177,324)
	<u>261,910</u>	<u>752,109</u>

Stock of raw materials refers to materials for power plant: wood chips, chumps and pellets.

16. TRADE RECEIVABLES

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Trade receivables	6,727,461	5,373,997
	<u>6,727,461</u>	<u>5,373,997</u>

In the structure of trade receivables on 31.12.2021. 93% of receivables relate to the Croatian energy market operator d.o.o. (HROTE), which was charged in January 2022.

17. RECEIVABLES FROM STATE AND OTHER INSTITUTIONS

Receivables from the state and other institutions shown in the Balance Sheet as at 31 December 2021 in the amount of HRK 7,396 relate to special taxes.

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

18. OTHER RECEIVABLES

Other receivables as at 31 December 2021 in the amount of HRK 3,649,828, and relate to receivables for advances (HRK 1,416,007, 39%), receivables for funds collected by enforcement (HRK 2,171,442, 59%) and other receivables (HRK 62,379, 2%).

19. CURRENT FINANCIAL ASSETS

Current financial assets as at 31.12.2021. amounts to HRK 10,686,761, and refers to:

- Deposits for loan insurance 10,353,328 HRK
- given loans HRK 333,433

20. CASH

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Cash in HRK accounts	7,249,006	2,077,630
Cash in foreign currency account	66,719	15573
	<u>7,315,725</u>	<u>2,093,203</u>

The cash at the foreign currency account is stated in accordance with the applicable accounting regulations, and the balance as at 31 December 2021 is adjusted to the middle exchange rate of the Croatian National Bank (CNB).

21. PAID EXPENSES FOR THE FUTURE PERIOD AND ACCRUED INCOME

The costs of fees to the bank and intermediaries for obtaining a long-term loan are differentiated. The accrual period is adjusted to the loan period.

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Paid expenses of the future period	1,719,724	1,912,432
	<u>1,719,724</u>	<u>1,912,432</u>

22. CAPITAL

a) Share capital

On 31st December 2021, the share capital of the Company amounts to HRK 20,000 (as at 31 December 2020 in the same amount).

Company owners:

GEEN CJ a.s., Czech Republic, member of the Company (100%)

b) Capital reserves

On 31st December 2021, the Company's capital reserves amount to HRK 1,962,644 (revised on 31 December 2020 in the same amount).

Capital reserves were created in previous years, by the decision of a previous member of the Company.

c) Accumulated loss

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Balance on January 1 st	<u>(7,508,146)</u>	<u>(1,416,509)</u>
Loss of previous year	<u>(5,865,965)</u>	<u>(6,091,637)</u>
Balance on December 31 st	<u>(13,374,111)</u>	<u>(7,508,146)</u>

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

23. LONG-TERM LIABILITIES

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Loans from banks	99,451,555	110,464,186
Liabilities for loans to affiliated Companies	57,620,021	54,947,005
Other liabilities	834,847	-
	<u>157,906,423</u>	<u>165,411,191</u>

In 2019, the Company made agreement to receive long term, 10 years, credit with Privredna Banka Zagreb (PBZ). The amount of credit is HRK 123,690,000. The annuities are paid quarterly (40 annuities), and the last one is going to be paid on 30.09.2030. The interest is variable.

24. LIABILITIES TO AFFILIATED COMPANIES

As at 31 December 2021 liabilities in the amount of HRK 413,956 relate to the supplier Geen Holding a.s.

25. LIABILITIES FOR LOANS

As at 31 December 2021 liabilities in the amount of HRK 2,452,688 relate to the insurance company's deposits.

26. LIABILITIES TO BANKS

As at 31 December 2021 liabilities in the amount of HRK 11,034,077 relate to liabilities for principal and interest due within one year As at 31 December 2020 the balance was HRK 10,643,269.

27. LIABILITIES TO SUPPLIERS

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Domestic accounts payable	3,374,670	5,704,506
Foreign accounts payable	-	224.101
	<u>3,374,670</u>	<u>5,928,607</u>

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

28. LIABILITIES TO EMPLOYEES

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Liabilities for net wages	90,899	92,630
Liabilities based on business trips	87,263	14,863
Other liabilities to employees	11,942	6,238
	<u>190,104</u>	<u>113,731</u>

29. TAXES AND CONTRIBUTIONS

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Liabilities for income tax and surtax	13,101	7,742
Liabilities for VAT	166,112	32,763
Liabilities for contributions	58,228	57,331
Income tax	1,414,133	-
Other liabilities for taxes and contributions	1,079	42
	<u>1,652,653</u>	<u>97,878</u>

30. OTHER PAYABLES

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Liabilities for default interests	-	4,729,473
	<u>-</u>	<u>4,729,473</u>

31. DEFERRED PAYMENT OF EXPENSES AND FUTURE PERIODS REVENUES

Deferred payment of expenses and revenues for the future period is stated in the Statement of Financial Position as at 31 December 2021 in the amount of HRK 303,533 and refers to accrued expenses related to the current year for which no invoice was received.

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

32. RELATED PARTY TRANSACTIONS

A party is related to an entity when, directly or indirectly through one or more intermediaries, it controls, is controlled by the entity or is under the joint control of the entity (which includes the parent, subsidiaries and subsidiaries), has a stake in the entity that gives it significant influence over that entity or has joint control over the subject.

Purchase transactions

(HRK)	Sales revenue		Costs of purchased goods and services	
	2021.	2020.	2021.	2020.
Geen Development a.s.	-	-	598,127	23,729
Geen Holding a.s.	-	-	899,399	0
Total	-	-	1,497,526	23,729

Financial transactions

(HRK)	Financial revenue		Financial expenses	
	2021.	2020.	2021.	2020.
Maltežian a.s. Brno	-	-	335,728	1,753,030
Geen FI a.s.	-	-	2,670,222	418,572
ENERGANA Benkovac d.o.o.	-	-	629,711	-
Total	-	-	3,635,661	2,171,602

Open balances from financial transactions at the end of the reporting period:

(HRK)	Receivables for loans from affiliated parties		Liabilities for loans to affiliated companies	
	31.12.2021.	31.12.2020.	31.12.2021.	31.12.2020.
GEEN CJ a.s.	-	-	45,103,051	35,259,426
Geen FI a.s.	-	-	984,680	8,213,933
Energana Benkovac d.o.o.	-	-	11,532,290	11,473,646
Peleti B2E d.o.o.	179,100	139,100	-	-
Total	179,100	139,100	57,620,021	54,947,005

33. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the financial instruments. Trade receivables are stated at nominal amount less allowance for impairment based on estimated amounts that are not expected to be collected. Loans are stated at the amount received, ie approved, less costs directly attributable to the approval. Liabilities to suppliers are stated in nominal amount.

33.1. Capital risk management

Net debt to equity ratio

The capital structure is analysed at least twice a year through an analysis of capital costs and associated risks.

The funding ratio at the end of the reporting period was:

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
<i>Debt</i>		
Loans and borrowings (long-term and short-term maturity)	168.084.208	176.054.460
Cash on hand and bank account balances	7.315.725	2.093.203
<i>Net debt</i>	160.768.483	173.961.257
<i>Capital</i>	1.037.192	(11.391.467)
Net debt to equity ratio	155	-

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

33. FINANCIAL INSTRUMENTS (continued)

33.1. Capital risk management

	Dec 31 st 2021 (HRK)	Dec 31 st 2020 (HRK)
Financial assets		
Cash	7.315.725	2.093.203
Trade receivables	6.727.461	5.373.997
Receivables from state and state institutions	7.396	7.396
Other receivables	3.649.828	799.341
Current financial assets	10.686.761	7.646.760
	28.387.171	15.920.697
Financial obligations		
Liabilities for bank credits	99.451.555	110.464.186
Related party liabilities long-term	57.620.021	54.947.005
Accounts payables	3.374.670	5.928.607
Liabilities to employees	190.104	113.731
Tax and contributes liabilities	1.652.653	97.878
Other payables	-	4.729.473
	162.289.003	172.024.350

33.2. Currency risk management

The official currency of the Company is the Croatian kuna ("HRK"). However, certain transactions in foreign currencies are translated into Croatian kuna using the exchange rates prevailing at the balance sheet date and, as a result, the Company is potentially exposed to the risk of changes in foreign exchange rates.

33.3. Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rates applied to the financial instrument. Cash flow risk is the risk that the interest expense of a particular financial instrument will fluctuate over time.

There were no significant changes in the impact of interest rate risk on the Company's operations.

33. FINANCIAL INSTRUMENTS (continued)

33.3. Interest rate risk management

As a source of interest rate risk, the Company also recognizes the mismatch of active and passive interest-bearing transactions and strives to achieve a balance in relation to deposit interest rates when contracting lending interest rates.

33.4. Credit risk management

Credit risk is the risk that the counterparty will fail to meet its financial obligations and thereby cause financial losses to the Company.

Assets that could potentially expose the Company to credit risk consist mainly of available cash and cash equivalents, trade receivables and loans and deposits.

Customers are classified into risk groups according to the financial indicators of operations and previous operations with the Company, and appropriate credit risk protection measures are applied for each group. For the categorization of customers, data from the official financial statements of customers are mainly used, and the Company's data on previous operations with them are used.

There were no suspicious or disputed receivables from customers.

33.5. Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations to the counterparty. The Company manages liquidity risk by continuously monitoring and analysing projected and actual cash flows based on the maturity of financial assets and liabilities.

Liquidity risk has a very negative impact on the Company's operations due to the economic environment. The instruments used for monitoring and reducing liquidity risk are: analysis and management of cash flows, analysis of assets and sources of financing assets, analysis of creditworthiness of customers, payment security instruments, etc.

34. LITIGATION AND CONTINGENCIES

There are no legal disputes initiated against the Company, therefore the Company is not exposed to potential liabilities.

ENERGANA ŽUPANJA d.o.o., Županja
Notes to the Financial Statements
for the year ended 31 December 2021

35. SUBSEQUENTS EVENTS

Russia's aggression against Ukraine and the application of international sanctions against the Russian Federation had no direct consequences on the property or operations of ENERGANA ŽUPANJA d.o.o., ie there was no material damage or related uncertainties.

The company ENERGANA ŽUPANJA d.o.o. there are no claims against entities in the territory of Ukraine or the Russian Federation, nor are there any business activities in the territory of these states.

According to the Management Board, possible exchange rate changes caused by the war in Eastern Europe will not have a significant impact on the Company's operations.

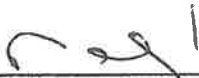
Filip Varhol, member of the Management Board represented Company from 13 May 2021 to 04 January 2022.

Aleš Mokry, OIB: 22845864579, President of the Management Board represents Company from 04 January 2022.

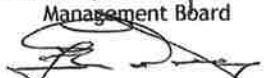
36. APPROVAL OF ANNUAL FINANCIAL STATEMENTS

These financial statements were adopted and approved by the Management Board on May 12th 2022.

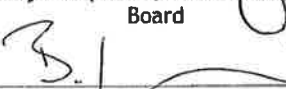
Signed on behalf of the Management Board:



Aleš Mokry, President of the
Management Board



Željko Kuprešak, member of the
Board



Božo Špatelec, member of the
Board

ENERGANA ŽUPANJA d.o.o.
Industrijska 7, 32270 ŽUPANJA
OIB: 85159321317