Zagreb Holding Group

ZAGREBAČKI
HOLDING

2020 Annual Statement

Our vision:

To be a reliable member of Zagreb's families and a positive energy in urban life.

ZAGREBAČKI HOLDING

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BASIC INFORMATION ABOUT
ZAGREB HOLDING GROUP

Zagreb Holding Ltd. (hereinafter: the Company) is a company wholly owned by the City of Zagreb. Its core business operations are carried out through 14 subsidiaries and it also owns eight companies and an institution. Together, the subsidiaries, related companies and the institution form the Zagreb Holding Group (hereinafter: the Group), with Zagreb Holding Ltd. as its leading company in the creation of business policies.

The business group consists of the company Zagreb Holding Ltd., related companies AGM Ltd., Centre Ltd., Zagreb City Gasworks Ltd., Zagreb City Gasworks – Supply Ltd., City Housing and Municipal Services Company Ltd., Water Supply and Drainage Ltd., Zagreb Plakat Ltd. and Zagreb Housing Construction Ltd., the institution City Pharmacies Zagreb and the company Bjelovar City Gasworks Ltd., a subsidiary of the related company Zagreb City Gasworks Ltd.

The Group provides a wide range of services grouped into business areas of municipal, energy-related and commercial activities. It also provides public water supply and drainage services and pharmaceutical services.

Main activities of Group companies

- gas distribution and supply
- waste disposal and management
- water collection, treatment and distribution
- cleaning and waste disposal services
- landscaping and green space maintenance services
- public and unclassified state roads: construction, management, maintenance and protection, including traffic lights and signs, machinery and asphalt production
- real estate management and maintenance
- parking services in public areas and in public garages
- storage and renting services
- construction and management of electronic communication infrastructure and electronic communication networks
- supply and preparation of medications, supply of medical products and other healthcare products

Group companies primarily operate in the Croatian market.

Registered office: Ulica grada Vukovara 41, Zagreb

Court Reg. No.: 080042653

PIN: 85584865987

Share capital: HRK 3,177,043,600

Number of employees
as at 31 December 2020: 7,809

Number of bonds quoted on the Official Market of the Zagreb Stock Exchange: 2,300,000,000

Date of issue: 15 July 2016

Maturity date: 15 July 2023

Interest rate: 3.8750

COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD

Comment of Ana Stojić Deban, President of the Management Board of Zagreb Holding, on performance in 2020:

Business operations of the Zagreb Holding Group in 2020 were characterised by the crisis caused by the novel coronavirus and the devastating earthquake that hit Zagreb in March. The declaration of the epidemic, along with the imposition of social distancing measures, was also followed by measures limiting or fully suspending business activities in certain fields, which has slowed down the entire economy to a significant degree. Such circumstances have had a great impact on Zagreb Holding as well.

Considering the wide range of services provided by the Group, the negative impact on business operations has been felt in nearly all business areas. Among others, the catering and hospitality industry, tourism, wholesale and retail markets and bus terminal services have been directly affected by the measures introduced in order to prevent the spread of the epidemic, since their primary business activities were suspended. The majority of our commercial activities have been affected indirectly due to the overall market situation and reduced volume of business, while the third category, our municipal companies, have seemingly been least affected by the crisis. However, they were operating in a reduced capacity since they were unable to carry out their regular activities, which has had an impact on the income generated from services provided to the City of Zagreb, small-scale municipal activities and similar operations.

On the other hand, the income generated from pharmaceutical services increased, primarily due to an increase in the number of prescription medications issued and cash sales, as did the income generated from funerary services.

The strong earthquake that hit Zagreb on 22 March has affected the operating income and total operating costs even further. Translated into figures, the income from business activities generated in 2020 amounted to HRK 3.8 billion, representing a year-on-year decrease by 7.9% (HRK 321.1 million). At the same time, the costs of business activities increased and amounted to HRK 4 billion, representing a year-on-year increase by HRK 1.7 million.

Of that, the cost of material and services amounted to HRK 2.1 billion, representing a decrease by HRK 74.7 million (3.5%), primarily due to a reduced volume of works in the public road management and maintenance and water distribution segments compared to 2019. At the same time, costs of municipal fees increased significantly (+61%), primarily due to an increase in the costs of disposal of bulky waste, biowaste, waste plastic packaging, waste wood and other waste fractions, which increased alongside the increased volume of separately collected waste. At the end of 2019, a new collective bargaining agreement was signed, increasing the employees' base salary and employee benefits, which led to related costs increasing by 6.8% in 2020.

Additionally, in early 2020, the Constitutional Court temporarily suspended the implementation of the amended 2019 Regulation on Municipal Waste Management, which caused the price of waste management to remain unchanged, while the costs are still present and growing. For that reason, the effects of waste management regulations from previous years extended to 2020 as well and they had a negative impact on the financial performance of subsidiary City Waste Disposal as a provider of public services of collecting mixed and biodegradable municipal waste and activities related to public services in the City of Zagreb. Consequently, the subsidiary ended he financial year 2020 operating at a loss of HRK 245 million.

The Group's performance is ultimately a reflection of all these events and activities. After a number of years in which we made a profit, at the end of 2020, the Group operated at a loss of HRK 291.5 million.

It must be pointed out that all costs caused by the lockdown were borne by Zagreb Holding due to the fact that, as a company owned by a local self-government unit, it was not an eligible beneficiary of economic aid measures provided by the Government of the Republic of Croatia.

On the other hand, as a group that primarily operates in the public interest, we provided a series of aid measures to citizens and entrepreneurs for the purpose of mitigating the impact of the epidemic and helping repair the damage caused by the earthquake. By doing so, we partly assumed the role of the state. The significance of these measures may be best evidenced by over 220,000 citizens and business users who exercised the right to such measures, while the financial effects of the measures resulted in a decrease in income of approximately HRK 21.7 million.

However, despite these difficulties, business stability has been preserved. The Group has managed to fulfil its obligations toward suppliers and investors, including the payment of salaries to all employees, and to preserve jobs, which were never at risk, despite a full lockdown in certain activities.

Significant investments in water supply and drainage system

Investments suffered because the investment cycle involving large-scale procurement was suspended, with the exception of investments in expanding the capacities and improving the quality of services, which amounted to HRK 484.9 million in total. The most significant investments pertained to the construction and reconstruction of the water supply and drainage network, which amounted to HRK 298.3 million, representing a year-on-year increase by HRK 74.6 million (33.4%).

Additional investments of HRK 171.7 million were made by procuring assets under the real estate exchange agreement concluded with the City of Zagreb (land and building of the wholesale market and cold storage facilities), HRK 72.6 million was also invested in the construction of public facilities and of the city area Podbrežje. In 2020, we also completed one of the capital projects for the City of Zagreb and its citizens – reconstruction of the Sveti Duh Clinical Hospital and construction of the day-care hospital and underground garage.

Focus on growth and development

The previous year, in addition to affecting the fulfilment of our business objectives, has also demonstrated the high level of stability and resilience of the entire system to the crisis caused by unpredictable business events. In that period, we aimed to be a factor of stability in the community in which we operate, primarily through the activities of our departments in repairing the damage caused to the city by the earthquake and through aid measures for our citizens and business entities with which we do business.

Considering the negative effects of regulatory legislation on our operations and the impact of the epidemic on the economy, we have adjusted our future mid-term plans. We once again face a process of restructuring and changes, which is necessary to ensure that the requirements for continuation of the investment cycle and refinancing of bonds have been met. Our focus is also on the use of EU funds. Back in 2019, we started creating an investment catalogue in order to prepare the projects for the new Financial Framework 2021-2027 to the best of our abilities and to be able to use EU funds. Some of the projects from that catalogue are already being carried out.

In 2020, the European Commission approved the co-funding of two projects valued at HRK 27.2 million in total, of which HRK 22.8 million is covered by grants. Related company Zagreb City Gasworks was approved a grant of HRK 2.4 million in May for the project "Strengthening Cybersecurity for Secure and Reliable Gas Distribution". A few months later, subsidiary Zagreb Freight Station received the approval for the project "Zagreb Žitnjak Safe and Secure Parking". Total project value is HRK 24 million and eligible costs amount to 85% of the project value (HRK 20.4 million). After the reporting period, in March 2021, the Grant Agreement was signed for the project "Intervention measure to decrease landfilling municipal waste created in the City of Zagreb", which has been in preparation since 2018. A grant of HRK 75.7 million in total was approved for the project (80% of the project value).

In 2020, we also fulfilled some of the objectives related to the expansion into new gas supply areas. In the public tender procedure of the Croatian Energy Regulatory Agency, announced in Q4 2020, Zagreb City Gasworks – Supply Ltd. was selected as the supplier obligated to provide public services in 11 new distribution areas for a period of three years, from 1 April 2021 until 30 September 2024, while remaining the supplier for the existing distribution areas in Zagreb and Bjelovar.

The past year has also shown that the complexity of a system such as Zagreb Holding Group also allows for quick adaptation to extraordinary situations. We face numerous business challenges in our day-to-day operations at nearly all levels. However, thanks to the synergy within the Group, we are able to almost instantaneously respond and react to crises, which ultimately ensures business stability and the continuity and stability of services provided to the citizens of Zagreb.

SIGNIFICANT BUSINESS EVENTS
IN 2020

IMPACT OF EPIDEMIC AND NATURAL DISASTERS ON COMPANY'S OPERATIONS

Following the declaration of a pandemic caused by the coronavirus, the Croatian Government declared the SARS-CoV-2 outbreak an epidemic in the entire territory of the Republic of Croatia on 11 March 2020. With the aim of protecting the health of the Croatian population, a series of measures were introduced in order to prevent a further spread of the novel coronavirus, which also affected the economy.

Considering the wide range of services that the Group provides to the citizens of Zagreb, the measures had a negative effect on the operations of nearly all of the Group's components, which is reflected in:

- activities directly affected by the measures introduced in order to prevent the spread of the pandemic due to the suspension of primary business activities;
- activities indirectly affected due to the overall market situation and decline in economic activities.

Compared to 2019, the complete suspension or restriction of certain activities in 2020 had a direct impact on the decrease in operating income from bus terminal services (by HRK 20.2 million or 49.3%), catering and hospitality industry and tourist (travel agency) services (by HRK 15.2 million or 40.2%) and wholesale and retail markets (by HRK 7.9 million or 11.1%).

Due to the decline in nearly all economic activities in the country, the greatest decrease in operating income was recorded in construction and project management (by HRK 115.1 million or 57%), in public road management and maintenance (by HRK 26.4 million or 8.5%) and in landscaping and maintenance of green spaces (by HRK 23.4 million or 10.5%).

The Government of the Republic of Croatia introduced a series of economic aid measures as a result of the coronavirus pandemic. However, Zagreb Holding, as a company fully owned by a local self-government unit, was not an eligible beneficiary of the measures, thus bearing all the costs caused by the lockdown.

In order to protect the employees' health and ensure the smooth functioning of services that have to be available 24/7, a high level of protection and social distancing measures were implemented in all business segments. Furthermore, the employees who belong to high-risk groups (persons with disabilities, persons with chronic illnesses, persons over the age of 60), who have children under 10 years of age and/or who care for their elderly (at-risk) parents were allowed to work from home or to use extra 10 days of paid leave. Wherever possible, employees were divided into teams that took turns in working from home. In cases where remote work could not be arranged due to the nature of services, adjustments to the work schedule were made, i.e. shift work was introduced.

In such conditions, Zagreb was hit by a strong earthquake on 22 March 2020, which affected the operating income and total operating costs even further. All available resources of the Group were utilised and soon after the earthquake, workers and machinery of several subsidiaries and of related company Water Supply and Drainage Ltd. were engaged in public area maintenance activities. They were at the disposal of citizens and incident response teams of the City of Zagreb 24/7 for as long as necessary. Only a few hours after the earthquake, the Call Centre of Zagreb Holding also opened toll-free helplines for the purpose of providing additional support.

Aid measures for citizens and business entities

Zagreb Holding is a public company founded by the City of Zagreb. Accordingly, the Group's main task is to achieve financial and non-financial objectives and interests of the broader social community in relation to the defined objectives and needs of the City of Zagreb as its full owner.

In times of crisis, which defined 2020, the Group aimed to be a factor of stability in the local community in which it operates. In that context, a number of aid measures for our citizens and business entities were introduced with a view to mitigate the impacts of the epidemic and help repair the damage caused by the earthquake. The measures were symbolically named "COVID Measures" and "Earthquake Measures".

In order to mitigate the impact of the COVID-19 epidemic on all citizens/users of the Group's services, filing applications for enforcement and sending dunning letters was suspended, except in cases of debts where the limitation period was soon to expire pursuant to the laws of the Republic of Croatia. Moreover, due dates for bills were extended by 90 days for service users aged 65 and above,

Business entities which are the Company's tenants and which could not carry out their activities based on the decision of the Civil Protection Headquarters of the Republic of Croatia were either fully exempt from the obligation of paying rent or their rent was reduced by 50%. Also, the tenants indirectly affected by the COVID-19 crisis in such a way that their income dropped were granted a reduction in rent up to 50% of the amount due and a 90-day deferment period, with an option of payment in 12 monthly instalments.

Earthquake Measures applied to the owners of real property labelled as unusable following a structural soundness report. In such cases, the payment of fees for waste removal, gas consumption and water supply services was automatically suspended. The measures were also applied appropriately to the owners of real estate labelled as temporarily unusable.

In addition, free removal of damaged vehicles, bulky waste and debris was provided to citizens affected by the earthquake, as was free parking in public garages. For citizens whose real estate was damaged in the earthquake, the validity of privileged and commercial parking permits purchased in the previous period was suspended (at the users' request).

By 31 December 2020, more than 220,000 citizens and business users exercised the right to one of the aforementioned benefits, while the financial effects of the measures resulted in a decrease in income of approximately HRK 21.7 million. Aid and support to citizens and the local community were also provided by donations in cash and material goods in the amount of HRK 5.8 million.

A set of measures concerning the payment of parking fees was also adopted, which affected the income generated in this business segment. These were measures by means of which our own assets were put into use as public goods. In the hardest-hit city areas, payment of parking fees at public parking lots was suspended. This applied to 11,074 parking spaces in total and the measure was in force until 18 May. Due to a poor epidemiological situation and healthcare system overload, free parking around all healthcare institutions founded by the City of Zagreb and the Republic of Croatia was introduced on 28 October. This measure is still in effect. Measures related to parking services, coupled with the impact of movement restrictions, resulted in a decrease in income generated from these activities by HRK 26 million (17%).

Financial aid was also provided to the employees whose homes were damaged in the earthquake. In accordance with the collective bargaining agreements, solidarity support in the total amount of HRK 1.2 million was paid out for repairing the damage caused by the earthquake. Also, at the request of the employees, 781 days of paid leave were approved for these purposes.

Performance at the end of 2020 is a reflection of all the aforementioned impacts and the Group ended the year operating at a loss of HRK 291.5 million. However, despite the negative and unforeseeable impacts on business operations discussed above, the Company managed to maintain the financial stability of operations, duly fulfil its obligations toward employees and preserve jobs, which were never at risk, despite the full lockdown in certain activities. The Company has also fulfilled its obligations to financial institutions, settled overhead costs and paid suppliers.

Providing assistance with reporting damage in response to public call of Ministry of Physical Planning, Construction and State Assets

City Housing and Municipal Services Company Ltd., a related company of Zagreb Holding, provided, free of charge, the service of preparing the application and submitting and obtaining documentation required for applying to the Public Call announced by the Ministry of Physical Planning, Construction and State Assets for a subsidy for works undertaken as part of temporary measures for repair of the buildings damaged by the earthquake which are managed by City Housing and Municipal Services Company. A total of 1,434 buildings were applied, with the total value of works amounting to HRK 99.3 million. By 31 December 2020, 735 decisions of the Ministry were received, by virtue of which funds in the amount of HRK 25.2 million were approved for building repairs. For the purpose of submitting the applications, providing consulting services and preparing the necessary technical documentation, City Housing and Municipal Services Company Ltd. also hired additional qualified staff.

New funding models were also offered in order to provide assistance to the buildings with insufficient resources and repair the damage caused by the earthquake as quickly as possible.

Damage to public facilities caused by the earthquake

The earthquake that hit Zagreb in March and consequently the earthquake that struck Banovina in December has not caused any significant damage to the municipal infrastructure managed by the Group, nor to the majority of facilities used by the Group in the ordinary course of business. An exception are the public facilities at city cemeteries, which are managed by subsidiary City Cemeteries. The largest damage was to Mirogoj's arcades and the Church of Christ the King, both category-zero historical monuments. For the purpose of protecting people's lives and preventing greater damage, following a preliminary structural soundness report, emergency repair measures were implemented at all facilities, which cost HRK 3.1 million.

Extensive damage was also suffered by housing units belonging to subsidiary Vladimir Nazor at Grad Mladih hostel complex. Damage was notified to the insurance company, but the majority of the housing units are not suitable for use until they are repaired.

Accommodating citizens whose homes were damaged by the earthquake

Based on the Mobilisation Order issued by the Ministry of the Interior of the Republic of Croatia, Civil Protection Headquarters, Zagreb Holding was engaged to secure accommodation (food and shelter) to the citizens of the City of Zagreb whose homes were damaged by the earthquake on 22 March 2020. Accommodation was secured in the Arena Hostel, managed by subsidiary Vladimir Nazor, starting from 11 September 2020. After the earthquake that hit Sisak, Petrinja, Glina and Zagreb on 29 December, another four families from Zagreb were accommodated in the Arena Hostel. Total number of persons accommodated in the hostel at the end of the year was 199.

To make their stay as comfortable as possible, the subsidiary furnished one additional hostel floor and common rooms. Internet connection was also provided in the entire hostel. The value of the investment amounted to HRK 990 thousand.

IMPACT OF REGULATORY CHANGES ON BUSINESS OPERATIONS

As a provider of services of general economic interest, the Group is exposed to dynamic changes in regulatory legislation, particularly with respect to waste management services and regulated energy-related activities of gas supply.

Business operations of subsidiary City Waste Disposal, as a provider of public services of collecting mixed and biodegradable municipal waste and activities related to public services in the City of Zagreb, are largely managed by the Regulation on Municipal Waste Management (Official Gazette 50/2017, 89/2019) and the Decision on the Manner of Providing the Public Service of Collecting Mixed Municipal Waste and Biodegradable Municipal Waste and Activities Related to Public Services in the City of

Zagreb (Official Gazette of the City of Zagreb 2/2018 and 24/2019).

To fulfil the obligations arising from said legal regulations, in the past few years, major infrastructure investments have been made and the number of employees has increased due to the expansion of the physical volume of business processes. An additional burden is imposed on the subsidiary's operations by the price of handling individual fractions of separately collected waste, which rises alongside the increase in the amount of separately collected recyclable waste. In 2020, the cost of disposal of bulky waste, biowaste, waste plastic packaging, waste wood and other waste fractions amounted to HRK 111 million in total, representing a year-on-year increase by HRK 68 million. The volume of waste disposed of increased from 39.4 thousand tonnes in 2019 to 79.1 thousand tonnes in 2020. At the same time, income from sales of secondary raw materials is not high enough to cover the new costs. Compared to the previous year, income from sales of separately collected waste amounted to HRK 7.4 million, representing an increase by HRK 1.8 million (31.7%).

The subsidiary's business operations have been affected even further by the Decision of the Constitutional Court of the Republic of Croatia adopted in January 2020, which temporarily suspended the enforcement of all general and individual regulations and acts taken pursuant to the Regulation, consequently rendering the implementation of a new public service fee collection system impossible. Since the planned increase in the price of public services did not occur by the end of 2020, this was the third year in a row in which subsidiary City Waste Disposal operated at a loss (HRK 245 million in 2020).

In November 2020, the Ministry of Economy and Sustainable Development submitted the Draft Proposal of the Waste Management Act for public debate. This Act will redefine the legal framework of City Waste Disposal's operations and allow for the preparation, adoption and implementation of a new public service fee collection system, which would result in increased income and stabilise the subsidiary's financial position.

New legal obligations for energy suppliers

Changes in the legal regulations applicable to related company Zagreb City Gasworks – Supply Ltd. as an energy supplier, which changes were adopted in 2019, impose an obligation of saving energy through an energy efficiency obligation scheme. In accordance with the Energy Efficiency Act (Official Gazette 127/14, 116/18), said scheme ensures that the cumulative target of achieving energy savings in end-use consumption of 1.5% of average annual energy sales to final consumers in previous three years is met by energy distributors and/or energy suppliers by 31 December 2020. Pursuant to the Decision of the Ministry of Environmental Protection and Energy, Zagreb City Gasworks – Supply Ltd. was obligated to achieve energy savings of 47,587,689 kWh in 2019 and 2020. Considering that Zagreb City Gasworks – Supply Ltd. did not achieve savings in a sufficient amount, said obligation was fulfilled by achieving energy savings in the projects completed by Zagreb Holding Group from 2014 to 2019, which were transferred to Zagreb City Gasworks – Supply Ltd. by virtue of relevant Declarations.

The related company did not manage to avoid paying penalties to gas suppliers in 2020 due to taking more or less gas than initially contracted. As a direct consequence of declaring the COVID-19 outbreak an epidemic in the Republic of Croatia and the decisions and measures adopted by the Civil Protection Headquarters of the Republic of Croatia in terms of suspending and restricting economic activities, this related company recorded a lower volume of gas supplied to a particular number of customers subject to such measures. This related primarily to corporate customers and as a consequence, gas suppliers, in accordance with contract provisions, charged a fee (penalties) for taking less gas than initially contracted. Ultimately, the costs of goods sold increased by HRK 7 million.

Considering the Decision of the Croatian Energy Regulatory Agency adopted in February 2020, pursuant to which the supply margin increased by 34% and the reference gas supply price decreased by 3%, as well as due to increased gas consumption, the aforementioned factors have not had a negative impact on the business operations of this related company.

ZAGREB CITY GASWORKS – SUPPLY LTD. SELECTED AS SUPPLIER FOR 11 NEW DISTRIBUTION AREAS IN 9 COUNTIES

After conducting a tender process for the selection of suppliers obligated to provide public services for the period from 1 April 2021 to 30 September 2024, the Croatian Energy Regulatory Agency (HERA) adopted a decision designating Zagreb City Gasworks – Supply Ltd. as a supplier for 11 new gas distribution areas. In addition to remaining a supplier for the current distribution areas in Zagreb and Bjelovar, Zagreb City Gasworks – Supply Ltd. has been designated as a supplier obligated to provide public services to Rijeka, Samobor, Ivanec, Koprivnica, Sveta Nedjelja, Kutina, Garešnica, Vrbovec, Pitomača, Nova Gradiška and Križevci, covering as many as nine different counties.

A growing number of customers and volume of gas supplied to the new distribution areas represent a good starting point for Zagreb City Gasworks – Supply Ltd. to increase its gas supply market share from the current 45% to over 60% of total household gas consumption in the distribution areas. Moreover, with approximately 350,000 customers, the company has an opportunity to position itself as a leader in the natural gas retail market as well as to increase the quantity of gas supplied by approximately 850 million kWh annually.

CREDIT RATING OF ZAGREB HOLDING

The international rating agency Moody's published the long-term credit rating of the City of Zagreb and Zagreb Holding on two occasions in 2020. In the report published on 30 September 2020, Moody's affirmed Zagreb Holding's Ba2 long-term rating with a positive outlook, only to upgrade its rating to Ba1 with a stable outlook on 17 November 2020.

The agency stated in the report, among other things, that the upgraded City of Zagreb's rating reflects the country's upgraded rating, the continuation of good budget management practices and a stable financial basis, which has been estimated to withstand the impact of the coronavirus pandemic.

The upgrade of Zagreb Holding's rating is based on a very strong connection with its owner, the City of Zagreb, its clear public policies and its key role in the utility sector in Zagreb.

Standard & Poor's also published its credit rating on 1 October. Referring to the City of Zagreb's rating, Standard & Poor's downgraded Zagreb Holding's rating from B+ to B- with a stable outlook.

The opinions of both agencies take into account the impact of the coronavirus pandemic and the very strong financial and institutional connection between Zagreb Holding and its owner – the City of Zagreb.

NEW COLLECTIVE BARGAINING AGREEMENT APPLICABLE AS OF 1 JANUARY 2020

A new Collective Bargaining Agreement for Employees of Zagreb Holding Ltd. and collective bargaining agreements of its related companies were concluded in late 2019. They have been in effect as of 1 January 2020 and, among other things, redefined salaries and other cash and non-cash employee benefits arising from their employment.

Following the entry of the new collective bargaining agreements into effect, staff costs increased by HRK 78.3 million (6.8%) year-over-year, amounting to a total of HRK 1.2 billion.

INVESTMENTS REALISED

In 2020, Zagreb Holding Group realised HRK 656.6 million worth of investments and invested HRK 72.6 million in the construction of public facilities for the City of Zagreb. Of the total amount of investments, HRK 171.7 million pertained to procuring assets under the real estate exchange agreement concluded with the City of Zagreb (land and building of the wholesale market and cold storage facilities), while the remaining HRK 484.9 million pertained to investments in new machinery, equipment, expansion of capacities and improvement of services.

Related company Water Supply and Drainage Ltd. was the only Group company that had significantly higher investments compared to 2019. This resulted from investing HRK 298.3 million in the construction and reconstruction of the water supply and drainage network in 2020, representing a year-on-year increase by HRK 74.6 million (33.4%). Among other things, 18.1 kilometres of new pipelines (2019: 17 kilometres) and 27.6 kilometres of canals (2019: 14 kilometres) was constructed. Moreover, with the aim of reducing water losses and protecting the environment, 13.8 kilometres of pipelines and 5.1 kilometres of canals and canal facilities were repaired. Besides improving the quality of the water supply and drainage system, the extension of fundamental water supply and drainage capacities resulted in 1,480 new water supply connections and 791 new canal connections.

Zagreb City Gasworks Ltd. realised HRK 69.9 million worth of investments (HRK 74 million at the Zagreb City Gasworks Group level) in the reconstruction of the existing and the construction of 25 kilometres of a new gas distribution network for the purpose of increasing safety and reducing losses.

Investments in waste management system improvements were also continued and amounted to HRK 24.1 million in total, which is relatively low compared to the previous years (2017: HRK 42.6 million; 2018: HRK 63.5 million; 2019: HRK 85.4 million).

Following the investments in the expansion of the municipal infrastructure for separate waste collection, new vehicles, machinery, information system and training, the trend towards increased separate waste collection continued in 2020 as well, with the volume increasing by 76.2% year-over-year. Total volume of waste collected in 2020 amounted to 306,441 tonnes, 172,225 tonnes (56.2%) of which was mixed municipal waste, while 134,216 tonnes (43.8%) separately collected waste.

Besides the infrastructure expansion, one of the main causes of this increase was the waste collected during post-earthquake debris removal in Zagreb, when 6,930 tonnes of construction waste, 4,281 tonnes of bulky waste and 73 tonnes of waste wood was collected in public areas and disposed of. The volume of mixed municipal waste that the subsidiary disposed of at landfills also decreased by 18.7% in 2020.

Investments in new capacities and business modernisation

Regarding the investments in public service quality improvements, HRK 19 million was invested in the maintenance of unclassified roads and maintenance and construction of regional and local roads. Of that, HRK 18 million was invested in new vehicles, machinery and equipment for performing primary business activities. HRK 13.2 million in total was invested in the maintenance of public green spaces, HRK 10.9 million of which was invested in the procurement of transport vehicles, tractors, general purpose machinery and equipment.

Total investments in funerary services and other activities amounted to HRK 7.5 million. Among other things, a new cremation furnace was procured, which was put into service immediately before a significant increase in the number of cremations due to the coronavirus pandemic. Works on the expansion of the Crematorium, which started in late 2019, were also resumed in 2020. After the completion of works, which is planned for 2021, the number of columbarium niches and urn burial plots will be increased significantly.

Further investments were also made to expand the capacities of various commercial activities. Investments in tourism amounted to HRK 11.4 million in total, HRK 9.5 million of which was invested in modernising and expanding accommodation facilities. HRK 2.8 million was invested in storage activities, mostly in the reconstruction of Hall 7 at the Business Unit Žitnjak for the purpose of storing records of the Company and of other interested entities in the market.

Over the last few years, we have also initiated several projects aimed at revitalising and reconstructing city markets. In 2020, floor covering and roofing works at the Špansko Market were completed, air curtains were procured and installed at the Dolac Market and the investment in the preparation of a conservation study for the reconstruction of the Branimir Market was partially realised.

Further investments in the modernisation of the plant for generating electricity and heat from landfill gas were also made. From January to December 2020, 16,142,267 m^3 of landfill gas was extracted and

28,230,694 kWh of electricity was generated in total, which is sufficient for covering the average annual electricity consumption of about 9,410 households.

Construction of public facilities for the City of Zagreb

Zagreb Holding also constructs public facilities for the City of Zagreb, such as kindergartens, schools, health institutions, sports facilities and other facilities of public interest.

The construction of an extension to the Jelkovec Primary School, which began in 2019, was completed in 2020. Reconstruction works on the Sveti Duh Clinical Hospital and construction of the day-care hospital and underground garage, which started in 2017, were also completed. The underground garage was opened in early January 2021 as the tenth public garage managed by Zagreb Holding – subsidiary Zagrebparking. It has four underground levels with 477 parking spaces, covering an area of 14,445 m^2. The garage is also equipped with 10 electric vehicle charging stations, family parking spaces, parking spaces for hybrid vehicles and free bicycle parking spaces.

This garage solves the major, long-standing problem of parking requirements of the entire hospital and the neighbouring area (as there are two schools, two kindergartens, a church, etc. located in its immediate vicinity). The new garage also has all the characteristics of a "green" garage and it will undoubtedly increase the quality of parking services provided in the City of Zagreb.

The construction of the Markuševec Nursing Home started in 2020 and public procurement procedures were initiated for the construction of the 12th Grammar School, for which the Agreement on Construction Right and the Preliminary Lease Agreement have been concluded.

Co-funded projects

In 2020, the European Commission approved the co-funding of two projects valued at HRK 27.2 million (EUR 3.6 million) in total, of which HRK 22.8 million (EUR 3 million) is covered by grants.

"Strengthening Cybersecurity for Secure and Reliable Gas Distribution" project

In early May 2020, related company Zagreb City Gasworks Ltd. was granted HRK 2.4 million (EUR 316 thousand) by the European Commission (75% of total eligible project costs) to carry out the project "Strengthening Cybersecurity for Secure and Reliable Gas Distribution" as part of the CEF Telecom Call for Proposals 2018 CEF TC-2019-2. The project is valued at HRK 3.2 million (EUR 422 thousand) in total and the remaining costs are covered by the related company's own funds. The purpose of the project is to strengthen the capacities of Zagreb City Gasworks as an operator of essential services in the area of gas distribution with the aim of fulfilling the security and reporting requirements in accordance with the NIS Directive and the Act on Cybersecurity of Operators of Essential Services and Digital Services Providers (Official Gazette 64/18).

"Zagreb Žitnjak Safe and Secure Parking" project

In early October 2020, the Grant Agreement for the project "Zagreb Žitnjak Safe and Secure Parking" (INEA/CEF/TRAN/M2019/2097832) was concluded between the Innovation and Networks Executive Agency (INEA) and Zagreb Holding, subsidiary Zagreb Freight Station. Total project value is HRK 24 million (EUR 3.2 million) and eligible costs amount to 85% of the project value (HRK 20.4 million, i.e. EUR 2.7 million). The aim of the project is to reconstruct the existing public parking lot and transform it into a safe and secure parking area at the premises of the subsidiary Zagreb Freight Station in Žitnjak, Slavonska Avenija 52, in accordance with all EU security standards and Directive 2010/40, which defines safe and secure parking areas as the main priority. By completing this project, Zagreb and the Republic of Croatia will become an important element of the European network of safe and secure parking areas.

Procurement of energy-efficient vehicles

With the aim of increasing the energy efficiency in transport, subsidiary Zagrebparking applied to a public call announced by the Environmental Protection and Energy Efficiency Fund for co-funding the procurement of energy-efficient vehicles by legal entities. The project and co-funding of the procurement of 15 electric bicycles have been approved. The value of the investment amounts to HRK 150 thousand and the grant of the Environmental Protection and Energy Efficiency Fund for the procurement amounts to HRK 60 thousand.

Projects for improving the waste management system

The "Procurement of Bins for Separate Waste Collection" project, for which the City of Zagreb and Zagreb Holding – subsidiary City Waste Disposal submitted an application to the public call of the Environmental Protection and Energy Efficiency Fund announced in 2018, was launched in 2020. Total project value is HRK 77 million, 85% of which is co-funded by the EU, while the remaining 15% is funded by the City of Zagreb. Procurement of 66,400 containers of various volumes for various types of useful waste was approved and their distribution started in February 2020.

After the reporting period, in March 2021, the Grant Agreement for the project "Intervention measure to decrease landfilling municipal waste created in the City of Zagreb" was concluded between the Ministry of Economy and Sustainable Development, Environmental Protection and Energy Efficiency Fund and City of Zagreb as grant beneficiaries. Total eligible costs for the project amount to HRK 93.6 million, of which HRK 75.7 million (80%) represents grants. This project has been implemented with a view of contributing to improvement of the waste management system through reducing the quantities of mixed municipal waste and increased rate of separate collection in the area of the city of Zagreb, and to sustainable development and sustainability of resources.

Back in 2018, subsidiary City Waste Disposal drafted the Programme for Reducing Disposal of Municipal Waste Generated in the City of Zagreb as the basis for project application to the restricted call of the Ministry of Economy and Sustainable Development, measure M1.4.3. – Intervention measure to decrease landfilling municipal waste created in the City of Zagreb, as defined in the Waste Management Plan of the Republic of Croatia for the Period 2017-2022. The project covers the investments made by subsidiary City Waste Disposal in vehicles and equipment for separate waste collection and the investments made by subsidiary Zrinjevac in biowaste equipment in the period from 2015 to 2022.

Projects applied for co-funding

In November 2020, Zagreb City Gasworks applied two projects to the 2020-2 CEF Telecom Call – Cybersecurity in relation to support for operators of essential services (OES), national competent authorities and information sharing and analysis centres (ISACs).

- The project "Enhancing Cybersecurity of Network Systems", CEF 2020-HR-IA-0145, has a total value of HRK 3.3 million (EUR 432 thousand) and a grant in the amount of HRK 2.4 million (EUR 324 thousand) was requested. The main objective of the project is to enhance cybersecurity of Zagreb City Gasworks by upgrading the information security management system, upgrading the ICT system and increasing the in-house capabilities of Zagreb City Gasworks employees in the area of cybersecurity. The project is integrated into, complements and follows the results of the previously approved project "Strengthening Cybersecurity for Secure and Reliable Gas Distribution", which is currently being carried out.
- The project "Establishment of a Security Operations Centre (SOC)", CEF 2020-HR-IA-0143, has a total value of HRK 2.8 million (EUR 371 thousand), for which a grant in the amount of HRK 2.1 million (EUR 278 thousand) was requested. The main objective of the project is to enhance cybersecurity of Zagreb City Gasworks even further by establishing a centre for managing security events and incidents as well as to provide Zagreb City Gasworks employees with training in cybersecurity. The project is integrated into, complements and follows the results of the previously approved project "Strengthening Cybersecurity for Secure and Reliable Gas Distribution", which is currently being carried out.

RESEARCH AND DEVELOPMENT ACTIVITIES

In line with the recent technological trends, the Group's efforts are primarily focused on the digitalisation of its business operations and the establishment of a service that on the one hand will allow users to manage all services from a single platform and on the other hand, will ensure the improvement of operational efficiency and business safety.

PROJECT OF UPGRADING MANAGEMENT OF THE GROUP'S SERVICES PORTFOLIO / E-PLATFORM

Encouraged by numerous opportunities for the development and improvement of digital services, the Group launched a project aimed at upgrading the management of the Group's services portfolio and master data, modernising the existing IT systems and setting-up the so-called e-Platform. The single platform represents a new centralised IT system that will enable management of services and service users, development of new digital communication channels, as well as improved data presentation and interactive communication with all users of municipal, energy-related and other services provided by the Group, at the same time taking into account the existing e-systems and portals that have been developed by some Group members or the City of Zagreb.

At the moment, the data on service users/customers/buyers and their outstanding liabilities is stored and updated in several different IT systems that are active within the Group. With the aim of improving the quality of their services and adapting to the needs of their users/customers, some of the Group's components have already invested efforts into the development of individual e-services. Besides that, the single utility bill service has been implemented in the e-Citizen system.

The development and introduction of the single IT system platform will bring the following results:

- increased efficiency of the Group's operations by reducing the need for a lengthy execution of operational tasks and focusing on the development and achievement of strategic objectives
- the Group's focus on the development of the City of Zagreb by making decisions based on timely and high-quality information.

The benefits that the e-Platform will bring to the users of the Group's services are the following: a single access and management portal for all digital services of the Group, single access point for all necessary information on services provided by Zagreb Holding, its subsidiaries and related companies, activation and deactivation of certain services (if applicable) and insight into the status of all services as well as into the payment balance of due liabilities, all of which will be achieved by using modern digital technologies and channels. Besides that, the introduction of the registers (MDM) and e-Platform will make it easier for the Group to keep its operations compliant with the regulations governing personal data protection, while the e-Platform will offer the possibility of payment by credit/debit cards.

The project is planned to be carried out in the following phases:

A. Data cleansing

This phase was started in 2019 and among other things, involves the analysis of business processes and system design. Considering the system's complexity, this phase of the project is estimated to take between 12 and 16 months.

B. MDM system and register development and implementation

This is the critical phase of the overall platform implementation as the establishment of the MDM and single registers represents the foundation of all future systems. This phase has been estimated to take 12 months.

C. Moj ZGH ("My Zagreb Holding") portal development and implementation

This phase comprises the development of a public portal containing information about all services provided by the Group, as well as a user portal that service users may access by logging in via the NIAS system, allowing them to review all the services they have subscribed to.

D. Online payment system development and implementation

This is the final phase of the first platform development cycle, during which the platform needs to be integrated with the IPG system, allow the user to generate a HUB 3 payment form with a 2D barcode by selecting the items to be paid and enable online card payment.

The analysis and system design were completed in mid-2020, after which the development phase involving the key points of master data cleansing and integration with the existing systems began. Both phases are estimated to be completed by mid-2021, after which (user) testing and training will take place, followed by a transition into the production phase.

E-BUSINESS SYSTEM DEVELOPMENT AT ZAGREB CITY GASWORKS

For the purpose of digitalisation and digital business transformation, Zagreb City Gasworks started integrating a digital management subsystem (a DMS component) – e-GPZ and implementing the Central MIS Oracle system. These systems allow for all documents generated either on the portal or in the existing MIS system to be filed automatically and for digital content to be stored in the so-called DMS (Document Management System). The ultimate goal is to manage digital content in a uniform and reliable manner.

In 2020, the company increased its activities as part of the project "Establishing an E-Business System at Zagreb City Gasworks". The project covers the integration of the business and information system of Zagreb City Gasworks (primarily the frontend of e-GPZ) with the NIAS system and the e-Citizens/e-Business systems. This integration will ensure a quick and accurate exchange of information with service users. Moreover, the use of paper documents will be reduced to a minimum, with the intention of eliminating the need for paper documents completely.

Constant efforts are also put in achieving integration with the Register of Territorial Units (kept by the State Geodetic Administration) and with the PIN system, as well as in the integration of the existing MIS business software with the GIS (geographic information system), which ensures full integration of data entries in one place and automatic download using the integrated systems.

ESTABLISHING INFORMATION SECURITY IN THE CORPORATE SECURITY SYSTEM / CYBER

Along with the development of the single e-Platform, the project "Establishment of Information Security System in the Corporate Security System / Cyber" was also started in 2019. Based on a current state analysis, the Information Security Policy has been drawn up and adopted and operational measures have been prescribed, which among other things also include employee training. The Rules on Information Security have been defined and the project "Information System for Monitoring, Coordination and Management – Security Operation Centre" has been launched.

The Rules on Information Security and addendums thereto set a framework for information security management and serve as a basis for successful management and monitoring of risks related to data and information security. The objective is to protect employees and all information assets in terms of confidentiality, completeness and availability of information and legal and business interests of the Group. The Rules define the roles and responsibilities with regard to information security management, basic information security measures and management of undesirable situations. They represent the basis for conducting further activities in the area of information security.

The aim of the project is to establish a standardised, more secure and more reliable network and information system in accordance with ISO 27001 (Information Security Management) for the purpose of smooth functioning of the Group's business operations, which will eventually lead to the provision of secure and reliable services to the citizens of the City of Zagreb.

Information System for Monitoring, Coordination and Management – SOC, as a centralised system for monitoring, detecting and managing security incidents, through an externalised service of setup and continuous proactive monitoring of security events in the information system, is aimed at developing the ability of timely detection and resolution of security events/incidents in the information system, thus decreasing a potentially negative impact on business operations. SOC ensures data confidentiality, completeness and availability, which is achieved by applying prescribed information security measures and standards. Information security management enables the Company to significantly reduce the damage caused by potential security incidents, allows for further digitalisation and the Group's openness to the internet, ensures further implementation of smart devices and achieves compliance with regulations such as GDPR. SOC services will cover all information systems within the domain of the Company's computer network.

In November 2020, the project was applied for co-funding to the 2020 CEF Telecom Call – Cybersecurity (CEF-TC-2020-2), announced as part of the Connecting Europe Facility 2014-2021 programme.

Total project value is HRK 3.3 million (EUR 432 thousand). The expected amount of grants is HRK 2.4 million (EUR 324 thousand), i.e. 75% of the project value.

INTRODUCTION OF SMART GAS METERS AND REMOTE WATER METER READING

The application of modern solutions also allows us to control energy consumption, savings and losses. In 2020, Zagreb City Gasworks Ltd. continued the project of installing smart ultrasonic gas meters. This project was started in late 2018 with the aim of managing gas consumption, which would lead to an increase in the accuracy of gas meters and to significant distribution-related savings, which would also affect end customers and consequently reduce the negative impact on the environment.

In 2019, Water Supply and Drainage Ltd. started the modernisation of the meter reading system by introducing a remote (radio) water meter reading system, which replaced the former "physical" meter reading. The main difference between these two systems lies in the radio module, which replaces the person performing water meter reading.

The water supply system of the City of Zagreb and its wider region, which is managed by Water Supply and Drainage Ltd., has approximately 180,000 water meters distributed over the water supply area of approximately 800 km^2, where readings of wholesome water are obtained. Instead of opening each water meter shaft, climbing down the shaft and physically reading a water meter, individuals performing meter reading equipped with a handheld radio device connected by Bluetooth with a remote meter reading mobile app installed on a smartphone can drive around the metering points and read water meters remotely. Considering that each water meter has a five-year certification period, Water Supply and Drainage Ltd. replaces over 30,000 water meters every year as part of the so-called regular water meter replacement programme, which is used to install water meters connected via the radio module. It has been estimated that in the areas covered mostly by water meters with a radio module, the number of meter readings will exceed 5,000/day, meaning that about ten persons might read all water meters in three to four days every month.

The ultimate objective is to establish a fixed radio meter reading network that will, without the need for on-site reading, deliver the information about water consumption recorded by each water meter to the Water Supply and Drainage Ltd.'s IT system in real time, together with any warnings about potential irregularities and increased consumption due to potential leaks. At the moment, about 30% of water meters have been replaced by water meters with a radio module.

PREPARATION OF THE CONCEPTUAL DESIGN OF THE WATER SUPPLY SYSTEM IN THE CITY OF ZAGREB WITH A DETAILED MATHEMATICAL MODEL OF THE PRESENT AND FUTURE STATE OF DEVELOPMENT AND A PRE-FEASIBILITY STUDY

One of the primary reasons behind the preparation of the conceptual design of the water supply system in the service area managed by Water Supply and Drainage Ltd. with a detailed hydraulic mathematical model of the state of development and a pre-feasibility study is the implementation of measures for reducing losses in the water supply system in the service area.

Upon realisation of this conceptual design (hydraulic model), the current system condition should be determined by analysing the existing readings and conducting additional measuring (of flow and pressure), followed by the calibration and preparation of the future hydraulic model (including the DMA planning).

In brief, this project would determine the following guidelines on reducing losses in the water supply system:

- short-term: rehabilitation of water supply pipelines and chambers and replacement of equipment at water pumping stations
- mid-term: rehabilitation of main pipelines, construction of a new water reservoir area (system stability) and rehabilitation of water pumping stations
- long-term: redefinition of the water supply system ("Zero Zone" and DMA zones) with the aim of reducing high pressure levels in the system.

Water losses in the public water supply system pose a serious issue resulting from poor legal regulations, obsolescence of the system and unrecorded water consumption.

Due to negative trends in the last 30 years or so, it is hard to expect positive results in the short term, which is why the main priority is to stop the increase in water losses, i.e. stagnation. This is also achieved by rehabilitating facilities and valve chambers and by reconstructing water supply pipelines, which is highlighted as a necessary investment in the Investment Plan.

Based on the Study for Analysing the System and Preparing the Programme for Detecting and Reducing Losses at Valve Chambers Managed by Water Supply and Drainage Ltd., the framework agreement for rehabilitation of valve chambers has been concluded (agreement value of HRK 35 million). Rehabilitation of 10 valve chambers is currently being prepared. The Agreement has been concluded for a two-year term.

SATELLITE LEAK DETECTION IN THE WATER SUPPLY AND DRAINAGE SYSTEM OF THE CITY OF ZAGREB FOR THE PURPOSE OF REDUCING LOSSES

The project involves the implementation of the state-of-the-art technology for satellite and radar-based monitoring of leaks in the entire water supply network managed by Water Supply and Drainage Ltd. This technology would provide an image of the entire system, the so-called "map of critical system points" with marked locations where leaks are probable. This is the foundation for planning any future high-priority activities, rehabilitations and investments in the infrastructure. Experience has shown that satellite and radar-based monitoring is the most efficient, fastest and the most cost-effective leak detection method as it does not require any investments in the water supply infrastructure, new remote-controlled measuring equipment or new facilities (flow, pressure, noise and other metering points), which has until now been a standard (conventional) method of monitoring the water supply system and determining the approximate water leak area.

Implementation of the project is of extreme importance for the City of Zagreb as it is necessary to combat the issue of water losses, which also result in excessive consumption of water resources. For the reasons stated above, the existing water facilities and methods of ensuring adequate water supply services are not sustainable in the long term.

The implementation of the water leak detection solution using satellite technology, which is based on other similar projects carried out throughout the world, will lead to fast, reliable and cost-efficient results in only a few months, namely:

- preparation of further high-priority activities, investments and subsequent steps for achieving gradual and sustainable improvements in the stability of the water supply network;
- faster leak detection and fixing due to the ability to determine the approximate water leak area more precisely – this method will therefore encourage the client to ensure that any probable leak spots detected are fixed as soon as possible as part of the regular water supply network maintenance programme, which would lead to significant savings in potable water and related costs;
- reducing water losses – due to the ability to eliminate invisible leaks, water losses would be reduced, which would represent an "additional source" of potable water resulting from savings in water that is now lost and cannot be charged. This would significantly improve the efficiency of the water supply system using the existing water facilities;
- environmental protection and natural resources protection – improved approach to water as a natural resource and increased efficiency of its consumption..

All four satellite imaging surveys that have been contracted have been obtained. Based on the third image captured by the Utilis satellite in August last year, all 633 suspect locations were examined (100%) and 651 malfunctions were reported. Of 633 potential locations of water leaks detected by the satellite, at 377 of them at least one leak spot was found. No malfunctions were found at 223 locations, while the remaining 33 locations have been marked as suspect or inaccessible and thus require further examination. Based on the third satellite image, on average, 2.4 malfunctions are detected per one kilometre of the water pipeline and one leak spot is reported per one potential water leak location detected.

At the moment, we are carrying out works based on the fourth satellite image. So far, of 618 suspect locations, 180 (29%) have been examined and 240 malfunctions have been reported.

PREPARATION FOR ENERGY TRANSITION AND TRANSITION TO A LOW-CARBON ECONOMY

The EU Strategy on Energy System Integration represents a framework for a transition to green energy technologies. European energy transition and transition to a low-carbon economy are essential for meeting the requirements stipulated by the Paris Agreement on reducing greenhouse gas emissions. Since the Strategy includes the measures for the revision of existing energy legislation, financial support for research and deployment of new technologies and digital tools, guidance to Member States on phasing out of fossil fuel subsidies, infrastructure planning and improved information to consumers, Zagreb City Gasworks considers introducing new technologies. For that purpose, last year, in cooperation with the Faculty of Mechanical Engineering and Naval Architecture of the University of Zagreb, the company started studying the feasibility of blending hydrogen into certain parts of the gas distribution system.

EXPECTED FUTURE DEVELOPMENT OF THE GROUP

Development strategy of Zagreb Holding, which defines the development framework and mid-term implementing action plan, has been defined in the 2015-2020 Development Strategy of Zagreb Holding. In the previous period, in accordance with the strategic and development objectives falling within the scope of the Strategy, the Group intensified the process of transforming from a classic to a modern company as a true service for the citizens. This has been achieved by encouraging technological advancements and increasing the overall level of the quality of our services.

DEVELOPMENT AREAS IN THE GROUP'S FOCUS

The Group's vision is fulfilled by conducting activities and projects contributing to the realisation of the three key strategic objectives:

Strategic objective 1 – High-quality reliable public service

Strategic objective 2 – Growth and development

Strategic objective 3 – Corporate sustainability (corporate social responsibility, social, economic and environmental aspect)

The Group's development objective is to increase the quality and the scope of its public services to the benefit of the citizens, businesses and the local government and self-government of the City of Zagreb, thus improving the standard of living for the citizens, the competitiveness of the City's economy and the reputation of the City of Zagreb in comparison with other cities. In the fulfilment of said objective, the Group is also guided by the need to meet public interests and to achieve sustainable profitability, the key elements being efficient cost management, improvement of business processes and the development of an integrated information system on the reporting, management and operational levels, along with carefully considered investments in the development of new services and improvement in the quality of existing services.

In 2020, the Group continued drawing up the 2021-2027 Development Strategy. The following areas serve as the basis for designing the strategy:

- Customer relations management
- Development of strategic investments / projects
- Energy efficiency
- Digital business transformation
- Human resources development and management
- New products and services development
- Liabilities, receivables, operating assets and capital management
- Non-operating assets management
- Overall safety management
- Sustainable growth and corporate social responsibility.

The Group has also defined development projects which serve as the basis for the long-term development strategy and allow us to prepare for the new EU Financial Framework 2021-2027. The projects have been categorised based on the areas of funding and stage of preparedness. This concerns projects aligned with the objectives of the new EU perspective and related to digitalisation, which would allow for increasing the accessibility of services to service users even further, improving and reconstructing city markets and transforming them into public areas integrated into the daily life of city districts, and projects focused on sustainable development and environmental protection, which in part relate to waste management and the water supply system. The Group also plans to construct new public facilities.

The projects were registered in the Central Electronic Registry of Development Projects of the Republic of Croatia in 2020 and some of them were also launched by the end of the reporting year.

MANAGEMENT REPORT AND
BUSINESS ANALYSIS FOR 2020

PERFORMANCE

In 2020, Zagreb Holding Group generated a loss of HRK 291 million. With decrease in operating income and increase in operating expenses, in 2020 the Group generated operating loss (EBIT) of HRK 255 million, whereas EBITDA amounted to HRK 148 million. Financial activities generated loss in the amount of HRK 73 million.

Description	1-12/2020 In HRK 000	1-12/2019 (restated) In HRK 000	Change in %
1	2	3	4=3/6
Operating income	3,766,411	4,087,552	(8%)
Operating expenses	(4,021,914)	(4,020,195)	0%
Financial income	139,391	146,000	(5%)
Financial expenses	(212,405)	(197,744)	7%
Total income	**3,905,802**	**4,233,552**	**(8%)**
Total expenses	**(4,234,319)**	**(4,217,939)**	**0%**
(Loss)/profit before tax	**(328,517)**	**15,613**	
Tax income/(expenses)	*36,979*	*(8,413)*	
(Loss)/profit for year	**(291,538)**	**7,200**	
(Loss)/profit from revaluation of real estate property (net)	(15,416)	91,254	
Profit from valuation of financial assets (net)	1,596	420	
Total comprehensive (loss)/profit for year	**(305,358)**	**98,874**	
EBIT	*(255,503)*	*67,357*	
EBITDA	*147,732*	*457,055*	
Loss from financial activities	*(73,014)*	*(51,744)*	

REVENUES

In 2020, under the negative impact of COVID-19 pandemic and the natural disaster (earthquake) that struck the city of Zagreb, operating income was generated in the amount of HRK 3,766 million, which represents a year-on-year decrease of HRK 321 million (8%).

Sales income at Group level amounted to HRK 3,296 million (2019: HRK 3,507 million). Total decrease in sales income amounted to HRK 211 million (6%) compared to the previous year. The most significant reduction in sales income was registered in the segment of sales income generated through selling and building public facilities for the City of Zagreb under IFRIC 12 *Service Concession Arrangements* (HRK 115 million drop), public road management and maintenance (HRK 27 million drop), parking (HRK 26 million drop), landscaping and maintenance of green spaces (HRK 23 million drop), and facility management (HRK 7 million drop). At the same time, sales income increased in the segment pertaining to medication sales (by HRK 19 million) and the segment of sale and distribution of gas (by HRK 11 million),

EXPENSES

In 2020, operating expenses amounted to HRK 4,022 million, which was a slight increase (by approximately HRK 2 million) compared to the previous year.

In the structure of operating expenses, the most significant increase pertained to staff costs (which increased by HRK 78 million), whereas costs of material and services dropped compared to 2019 (by HRK 75 million).

The Group's staff costs in 2020 amounted to HRK 1,226 million, having increased by HRK 78 million compared to 2019, as a result of higher costs of gross salaries and higher non-taxable employee benefits under the new Collective Bargaining Agreement, applicable for Group companies as of 1 January 2020 and also owing to a larger average number of employees compared to the previous year.

Reduction of costs of material and services over the two comparative periods was mostly influenced by the reduction in the costs pertaining to construction and sales of apartments, most of which were sold in 2019 (HRK 107 million drop) and by the reduction in the costs of raw materials and supplies and in energy costs (HRK 38 million drop). At the same time, there was an increase in the costs of municipal services pertaining to collection of waste plastic and metal packaging and biodegradable waste as well as maintenance costs.

Costs of value adjustment in 2020 amounted to HRK 172 million, representing a year-on-year increase by HRK 9 million, due to greater losses resulting from change of fair value of investment property and value impairment of current assets.

The Company's losses from financial activities in 2020 increased by HRK 21 million. Increased losses from financial activities were impacted by decreased income from interest.

INVESTMENTS

In 2020, the Group realised HRK 657 million worth of investments and invested HRK 73 million in the construction of public facilities for the City of Zagreb.

BALANCE SHEET

Balance Sheet (Statement of Financial Position) as of 31 December 2020, compared to the balance as at 31 December 2019:

	31/12/2020		31/12/2019 (restated)		% change
Description	In HRK 000	% share	In HRK 000	% share	
Non-current assets	14,044,657	85%	13,929,104	85%	1%
Current assets	2,383,131	15%	2,388,695	15%	0%
Total assets	16,427,788	100%	16,317,799	100%	1%
Equity	5,770,577	35%	6,064,413	37%	(5%)
Non-current liabilities	7,684,327	47%	7,780,142	48%	(1%)
Current liabilities	2,972,884	18%	2,473,244	15%	20%
Total equity and liabilities	16,427,788	100%	16,317,799	100%	1%

As at 31 December 2020, the Group's total assets amounted to HRK 16,427 million, representing an increase by HRK 110 million compared to the balance as at 31 December 2019. The Group realised a total of HRK 657 million worth of investments in 2020, representing a 43% year-on-year increase. Of that, HRK 172 million pertained to procuring assets under the real estate exchange agreement concluded with the City of Zagreb (land and building of the wholesale market and cold storage facilities), Current assets remained at the same level as in the previous year, with their structure exhibiting lower balance of inventories, financial assets and cash, whereas at the same time exhibiting increase in trade receivables and receivables from related companies based on supplied goods, services and works.

Total equity and liabilities as at 31 December 2020 were HRK 110 million greater than as at 31 December 2019. In the structure of equity and liabilities, equity was reduced by the current year's loss, non-current liabilities were reduced by liabilities arising from provisioning, deferred income and repayment of long-term loans, whereas current liabilities increased by the liabilities arising from short-term loans and trade payables.

OTHER STATEMENTS

Pursuant to Article 21a, paragraph 8, item (b) of the Accounting Act, the standalone non-financial report will be published no later than six months after the balance sheet date.

MOST SIGNIFICANT RISKS AND UNCERTAINTIES THAT THE GROUP IS EXPOSED TO

The most significant financial risks with respect to which Zagreb Holding Group implements a system of risk identification, monitoring and management, are currency risk, interest risk and liquidity risk.

Zagreb Holding Group is mainly exposed to the currency risk of fluctuation of the HRK to EUR exchange rate arising from liabilities under long-term loans, 21% of which are linked to EUR. Compared to previous years, when Zagreb Holding Group was exposed to currency risk of fluctuation of the HRK to EUR exchange rate, the issuing of HRK bonds of Zagreb Holding LTD. and closing of Eurobonds significantly reduced the exposure of Zagreb Holding Group to currency risk.

The Group is not significantly exposed to the risk of interest rate fluctuations due to the fact that 12% of its total loans payable are tied to variable interest rates, whereas 88% of the total amount of the Group's loans payable were contracted at a fixed interest rate. Issued HRK bonds with a fixed annual coupon of 3.875% account for the majority of the Group's loans payable with a fixed interest rate.

The Group uses the following instruments to monitor and mitigate the liquidity risk: cash flow analysis and management, asset analysis and analysis of sources of asset funding, buyer creditworthiness analysis, guarantees, contracts for open credit lines based on the revolving principle and other similar instruments.

As a provider of services of general economic interest and an entity established by a unit of local self-government, the Group is exposed to corporate environmental risk and to the influence of the regulator and the City of Zagreb when it comes to determining the prices of individual services. Some of the activities of the Group, including the pricing of services based on such activities, are managed by regulatory bodies of the Republic of Croatia, whereas others are under the influence of the City of Zagreb. On the other hand, the costs of providing these services are under the influence of the market, where prices can vary on weekly or monthly basis. The impact of regulatory legislation has negative implications on the activity of waste management and increased operating costs, and consequently has a significant impact on regulated energy-related activities of gas distribution and supply.

The Group has no way of influencing legislative or regulatory changes, but finds the potential for annulling the negative consequences of regulatory changes in responsible corporate governance and relying on Group synergy to minimise potentially negative financial implications in individual business segments.

CORPORATE GOVERNANCE STATEMENT

Pursuant to Article 22 of the Accounting Act (Official Gazette 78/15, 120/16, 116/18, 42/20, 47/20), the Management Board of the company Zagreb Holding Ltd., Zagreb, Ulica Grada Vukovara 41 (hereinafter: the Company), hereby issues the following:

STATEMENT

of Compliance with the Code of Corporate Governance in 2020

1. The Company voluntarily applies the Code of Corporate Governance of the Company Zagreb Holding Ltd., enacted by the following Company bodies: the Management Board, on 23 December 2015; the Supervisory Board, on 11 May 2016; and the Company Assembly, on 12 May 2016. The Code is publicly available on the Company's website.

2. In the financial year 2020, the Company complied with and implemented in all material respects the recommendations set forth by the Code, publishing all information the publication of which is required under the applicable regulations, and the publication of which is in the best interest of the investors and all stakeholders.

   Certain minor deviations from the recommendations prescribed by the Code involve the following: the meetings of the Supervisory Board are called as needed in accordance with everyday information about the Company's activities, operations and problems received from the Management Board, the Company Assembly and the public, including information that has been brought to the attention of the Supervisory Board and that affects the activities of the Company directly or indirectly, due to which Supervisory Board meetings are convened to discuss different topics and are not limited to the topics set forth by the Articles of Association and the legislation. For this reason, the framework plan of the activities of the Supervisory Board was not adopted. Members of the Audit Committee are not members of the Supervisory Board. Supervisory Board has the discretion to decide about the composition of the Audit Committee. The Audit Committee has not prepared the rules prescribing the services that an external audit company and its affiliates are not allowed to provide to the Company, services that they are allowed to provide only with previous approval of the Committee, and services that they are allowed to provide without the approval of the Committee, considering that the Audit Committee supervises the activities of the external audit company and any extra services that the external auditor may provide to the Company, as regulated by the Audit Act and the EU Regulation on specific requirements regarding the statutory audit of public interest entities.

   The subsidiaries and related companies of Zagreb Holding Group have also complied with and implemented in all material respects the recommendations set forth by the Code. Minimal deviations from the implementation of the Code are related to the obligation to quarterly submit written reports to the Management Board and to the Assembly of the related companies. Instead of a quarterly-based approach, this obligation was fulfilled by submitting monthly consolidation packages comprising the basic financial statements (profit and loss statement, balance sheet, cash flow etc.).

   Heads of the Company's subsidiaries and members of the management boards of the related companies largely kept their operations within the confines of the approved annual plans, whereas deviations from the plans mostly pertained to those operational items that were impossible to foresee, such as provisioning costs and value adjustment costs.

3. The Company ensures the efficiency of the internal control system in financial reporting, consisting of different records and methods implemented to initiate, identify, analyse, classify and record business events, including all measures and procedures to be implemented in connection with the accounting statement of business events and compilation of reliable financial statements.

   The Internal Audit Department is in charge of reviewing the efficiency of the internal control system which organises and supervises the flow of accurate, concrete and integral information about the

Company.

The Company is under the obligation to engage independent external auditors as an important corporate governance instrument, in order to ensure that the financial reports adequately reflect the actual state of the Company as a whole.

4. In 2020, the Management Board of the Company had the following structure: Ana Stojić Deban – President of the Management Board, Daniela Franić, Marica Dusper and Bernard Mršo – Members of the Management Board. Members of the Management Board are appointed for a four-year term.

The Management Board manages the Company's operations in line with the Articles of Association and legal regulations. Members of the Management Board represent the Company individually and independently, unless a special decision by a member of the Company requires a member of the Management Board to represent the Company jointly with other members of the Management Board or jointly with one other member who is authorised to represent the Company independently and individually. If more than one member of the Management Board is appointed, one of them shall be appointed president of the Management Board. The scopes of authority of the members of the Management Board are defined by a special decision of the Company Assembly.

The Management Board is under the obligation to make sure that the Company keeps business and other records and business-related documentation, prepares bookkeeping documents, makes realistic evaluations of its assets and liabilities and compiles financial and other reports in line with accounting regulations and standards and with applicable laws and regulations. In the course of the financial year, the Management Board submitted reports on the Company's operations to the Supervisory Board in accordance with the Companies Act.

The Supervisory Board supervises the management of the Company's operations in accordance with the Companies Act, the Company's Articles of Association, Rules of Procedure of the Supervisory Board and other applicable regulations. The Company Assembly elects and dismisses members of the Supervisory Board, who are appointed for a four-year term. One member of the Supervisory Board serves as a representative of the workers and is elected and dismissed in line with the provisions of the Labour Act. Members of the Supervisory Board regularly receive detailed information and reports about the Company's state, management and activities in order to be able to efficiently fulfil their obligation of supervising the management of the Company's operations. In addition, the Supervisory Board exercises internal control and supervision through the Audit Committee, which provides expert support to the Supervisory and Management Board required for them to efficiently fulfil the obligations of corporate governance, risk management, financial reporting and control of the Company. The Supervisory Board's report on performed supervision of the Company management is a constituent part of the Company's annual statements that are submitted to the Company Assembly.

Members of the Supervisory Board are as follows:

- Ljubo Jurčić
- Nikola Mijatović
- Gojko Bežovan
- Ivan Šikić (until 23 November 2020)
- Josip Budimir
- Mihaela Grubišić Šeba
- Andrea Šulentić
- Mario Župan
- Dražen Hrkač

The Company Assembly is composed of the City of Zagreb as the sole member of the Company represented by representatives appointed pursuant to the Conclusion on the Representatives of the City of Zagreb in the Assemblies of the Companies Zagreb Holding Ltd., Development Agency Zagreb-Technological Park Zagreb Ltd. and Zagreb Centre for Waste Management Ltd. These representatives are as follows:

- Milan Bandić, Mayor of the City of Zagreb
- Olivera Majić, Deputy Mayor of the City of Zagreb
- Slavko Kojić, special senior advisor to the Mayor for investments and foreign financing expert.

The Company Assembly normally convenes once a year. However, the Assembly must also convene whenever this is required by the Company's interests as well as in cases prescribed by the law or the Company's Articles of Association.

The Company Assembly adopts decisions on the Company's financial statements; utilisation of generated profit and loss coverage; alienation and encumbrance of the Company's real estate; investments in the development and construction of new facilities and investments in other companies; the Company's annual operational plan; increase or reduction in the Company's share capital; appointment and dismissal of Management Board members; appointment and dismissal of Supervisory Board members; status changes; amendments to the Articles of Association and winding up of the Company. In addition to these matters, the Assembly also decides upon any other issues falling under its scope of authority pursuant to the applicable laws, the Company's Articles of Association and other by-laws.

5. As regards the implementation of the diversity policy, the Company's primary objective is to ensure the application of the principle of equal opportunities and diversity in all processes and functions and to integrate it into the day-to-day decision-making process. In this context, special importance is attached to implementing anti-discrimination measures, ensuring equality among people irrespective of the age, gender, ethnic, national or any other group to which they belong and building an inclusive work environment. In order to ensure the implementation of the diversity policy as one of the elements of corporate social responsibility, the Company enacted the Code of Conduct as a legal framework and established the Ethics Committee and the Irregularities Committee, which committees within their respective scopes of authority have the task to identify actions that represent discrimination on any basis and to propose sanctions for such behaviour.

   Special attention is devoted to the protection and promotion of the rights of persons with disabilities. The Company is one of the entities responsible for the implementation of measures and activities as prescribed by the 2016-2020 Zagreb Strategy for Equalisation of Opportunities for Persons with Disabilities. The aim of these measures and activities is to ensure complete integration of persons with disabilities through their integration into important spheres of life by allowing them to participate on equal terms in the political, public and cultural life; through their integration into educational processes; into the labour market; health and rehabilitation system; social protection; legal protection and protection against violence; research, development, etc. One of the elements identified in the Strategy – vocational rehabilitation and employment – is a key factor for ensuring social inclusion and economic independence of persons with disabilities, considering that any form of work or employment is a precondition for their integration into an ordinary life routine. The result of the implementation of these measures is the fact that the Company employs 185 persons with disabilities, representing 3.49 % of the Company's total workforce. They successfully participate in the Company's day-to-day business operations.

Pursuant to Article 22 of the Accounting Act, this Statement constitutes a separate section and a constituent part of the 2020 Annual Statement of the Company.

In Zagreb, 27 April 2021

President of the Management Board

Ana Stojić Deban

STATEMENT OF PERSONS RESPONSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS OF ZAGREB HOLDING GROUP
UNDER ARTICLE 403 OF THE CAPITAL MARKET ACT

We hereby declare that the following is true, to our best knowledge:

- International Financial Reporting Standards were followed in the preparation of the audited financial statements of Zagreb Holding Group (consolidated) for the period from 1 January 2020 to 31 December 2020. The statements fully and truthfully represent assets and liabilities, profits and losses, financial position and operations of the issuer.
- Management Report of Zagreb Holding Group (consolidated) for the period from 1 January 2020 to 31 December 2020 truthfully represents the development, business results and the position of the issuer, along with a description of the major risks to which the issuer is exposed.

In Zagreb, 27 April 2021

Ana Stojić Deban
President of the Management Board
Zagreb Holding Ltd.

Bernard Mršo
Member of the Management Board
Zagreb Holding Ltd.

Daniela Franić
Member of the Management Board
Zagreb Holding Ltd.

Marica Dusper
Member of the Management Board
Zagreb Holding Ltd.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2020 AND INDEPENDENT AUDITOR'S REPORT

ZAGREBAČKI HOLDING

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RESPONSIBILITY FOR THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The Management Board is obliged to ensure that the annual consolidated financial statements of Zagrebački holding doo, Zagreb, Ulica grada Vukovara 41 (the "Company") and its subsidiaries (the "Group") for 2020 are prepared in accordance with International Financial Reporting Standards which have been established by the European Commission and published in the Official Journal of the European Union ("IFRS") so as to provide a true and fair view of the consolidated financial position, consolidated results of operations, consolidated cash flows and consolidated changes in equity of the Group for that period.

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

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

- selection and consistent application of suitable accounting policies in accordance with the applicable financial reporting framework;
- giving reasonable and prudent judgments and estimates; and
- 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 consolidated financial position and the consolidated financial performance of the Company, and their compliance with the Accounting Act and the International Financial Reporting Standards. The Management Board is also responsible for safe keeping the assets of the Company and therefore for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Management Board is also responsible for the preparation and content of the Annual report and the Statement on the implementation of corporate governance code in accordance with the Croatian Accounting Act. The Company's separate financial statements have been issued separately and simultaneously at the same time as the consolidated financial statements.

The Management Board approved the issuance of consolidated annual financial statements on 27 April 2021.

Ana Stojić Deban,

President of the Management Board

Daniela Franić,

Member of the Management Board

Bernard Mršo,

Member of the Management Board

Marica Dusper,

Member of the Management Board

Zagrebački holding d.o.o., Zagreb

Avenija grada Vukovara 41

10000 Zagreb

Republika Hrvatska

ZAGREBAČKI HOLDING
d.o.o.
ZAGREB, Ulica grada Vukovara 41

INDEPENDENT AUDITOR'S REPORT

To the owner of Zagrebački holding d.o.o., Zagreb

The report on the audit of consolidated annual financial statements

(Translation – the Croatian text is authoritative)

Qualified opinion
We have audited the consolidated annual financial statements of the company Zagrebački holding d.o.o., Avenija grada Vukovara 41, Zagreb (hereinafter "the Company") and its subsidiaries (hereinafter "the Group"), which comprise the consolidated Statement of financial position as at 31 December 2020, consolidated Statement of comprehensive income, consolidated Statement of changes in equity and consolidated Statement of cash flows for the year then ended, including accompanying notes, and summary of principal accounting policies.

In our opinion, except possible corrections that may arise from what is stated in the section *Basis for qualified opinion*, the accompanying consolidated annual financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards determined by the European Commission and published in the Official Journal of the EU ("IFRS").

Basis for qualified opinion
Impairment of Loans granted
As shown in Notes 23 and 38 to the consolidated financial statements, the Group has receivables from loans and interest from affiliated companies in the amount of HRK 396,049 thousand for which was determined an increase in credit risk. As at 31 December 2020, for the mentioned loans, principal and interest receivables overdue more than a year amounted to HRK 28,724 thousand. As at 31 December 2020, the Group did not prepare a calculation of expected credit losses for these receivables related to the application of International Financial Reporting Standard 9 Financial Instruments. During our audit, we were unable to obtain sufficient and appropriate audit evidence to ascertain the effects that would be required to reflect in the accompanying financial statements. Accordingly, we have not been able to determine whether, and to what extent, adjustments are required on this basis, as well as their impact on the Group's consolidated financial statements.

We conducted our audit in accordance with International Standards of Auditing (ISAs). Our responsibilities under those standards are further described in our Independent Auditor's report under section Auditor's responsibilities for the audit of the consolidated annual financial statements. 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 qualified opinion.

Emphasis of matter
We draw attention to Note 18 and 21 of the consolidated annual financial statements, in which it is stated that certain municipal land registers have not been entirely organized. The Group has been undergoing the process of entering the title over land and construction sites into appropriate land registries, which would confirm their ownership. Even though the Group is in possession of documents confirming its ownership, there is uncertainty regarding the resolving of the status of these properties. Our qualified opinion has not been modified in this respect.

Furthermore, we draw attention to Note 4 to the consolidated financial statements describing the uncertainty of the duration and outcome of the COVID 19 pandemic. The Group is still unable to quantify all the negative impacts of the COVID 19 pandemic on operations in all segments. The possible adverse effects on the Group's operations that may follow in subsequent periods depend on various external factors such as the length and scope of the emergency measures. Our qualified opinion has not been modified on this matter.

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

These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our Independent Auditor's report:

Key audit matter	How we addressed the key audit matter
Estimates of fair value of investment property (IAS 40) A description of the key valuations and judgments regarding the valuation of investment property is presented in Notes: 3 (d), 4, 8 and 21 to the consolidated financial statements. As at 31 December 2020, the Company disclosed in the consolidated Statement of financial position the amount of HRK 1,701,153 thousand of investment property, whereby due to the new valuation of investment property, an increase in fair value through profit or loss in the net amount of HRK 23,384 thousand was determined. (2019: gains of HRK 107,259 thousand). Fair valuation was performed based on the appraisal of a qualified assessor authorized to appraise the value of the property. The assessor performed assessment on the basis of the Real Estate Valuation Act (OG 78/2015) and the Ordinance on Real Estate Valuation Methods (OG 105/2015). This investment property mainly refers to business buildings and construction land in the area of the City of Zagreb. In accordance with the above, due to the importance and use of judgments in estimating fair value, we believe that the valuation of the Company's investment property is a key audit matter.	We estimated the competence and abilities of the Assessors and confirmed their qualifications. We also estimated their independence and the scope of their work and reviewed the contract for unusual conditions and / or agreed remuneration. We confirmed that the scope of their work was appropriately determined. We tested on the sample the correctness of the classification of investment property, including new investments, rental income and related expenses, confirming the same with the balances stated in the Group's books. We have reviewed the Assessor's reports and confirmed that they have been compiled in accordance with the prescribed methods. We analysed on a sample the appropriateness of the Assessor's choice of a particular assessment method and the related rationale. We have verified that the changes identified by the reassessment in the Group's financial statements have been recorded correctly. We also assessed the adequacy of disclosures in the financial statements.

Key audit matter (continued)

Key audit matter	How we addressed the key audit matter
Revenue recognition A description of key revenue recognition policies and information is provided in Notes: 3. n), q), 4, 6, 7, 8 and 15, together with the consolidated financial statements. In the Profit and Loss Account for 2020, the Group stated the amount of HRK 3,295,526 thousand of sales revenue. Sales revenue is largely made up of a high volume of individually low value transactions. We have identified the following types of revenue recognition claims that we consider to be a key audit issue due to the complexity of collecting and recording them: - completeness of revenues recorded on the basis of reliance on the collection system, - the accuracy and completeness of revenues recognized on the basis of transactions and the adequacy of the allocation of the total value of transactions between several elements in the transaction package.	We evaluated the design and implementation of key controls when monitoring the invoicing system. We analysed the adequacy and consistency of the Group's adopted revenue recognition policies. Our information systems auditors have performed additional procedures that include transaction integrity control and review of application controls. For subsidiaries and subsidiaries of the Company that have an externalized account preparation service, contracts have been reviewed and procedures for understanding the system of internal controls and information security and reviewing transactional data integrity controls have been performed. We performed an evidentiary test on a sample of non-systematic adjustments that are outside the normal billing process. We confirmed the calculated balances and transactions with independent customer confirmations on the reference sample. According to the sample, we checked the correctness of income statements for the respective periods. We also assessed the adequacy of the disclosures in the financial statements.

Other Information in the Annual Report

Management is responsible for other information. Other information includes information included in the Group's Annual Report, which contains the Management Report and the Statement on the Application of the Corporate Governance Code.

Our qualified opinion on the annual consolidated financial statements does not include other information, nor the management report and the Statement of Corporate Governance unless expressly stated in our report, and we do not express any form of conclusion expressing assurance about them.

In connection with our audit of the consolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this sense, we do not have anything to report.

The Management Board is responsible for the preparation of the Management Report of the Company as an integral part of the Annual Report of the Company. Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also checked the procedure required by the Croatian Accounting Act (the “Accounting Act”).

Other Information in the Annual Report (continued)
Based on the procedures required to be performed as part of our audit of the annual consolidated financial statements and the above procedures, in our opinion:

- In our opinion, based on the work performed during the audit, the information in the attached Management Report of the Group for 2020 is consistent with the attached annual financial statements of the Group for 2020;

- In our opinion, based on the work performed during the audit, the attached management report of the Group for 2020 has been prepared in accordance with Article 21 of the Accounting Act.

- Based on knowledge and understanding of the Group's operations and its environment acquired during the audit, we did not find any material misstatement in the accompanying report of the Group's management. In our opinion, based on the work performed during the audit, the statement on the application of the Corporate Governance Code, included in the Group's Annual Report for 2020, is in accordance with the requirements set out in Article 22, paragraph 1, items 3 and 4 of the Accounting Act;

- The statement on the application of the corporate governance code includes the information required by Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

Furthermore, taking into account the knowledge and understanding of the Group's operations and its environment, which we acquired during our audit, we are required to report whether we have identified material misstatements in the Management Report and Corporate Governance Statement. In that matter, we have nothing to report.

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

In preparing the consolidated annual financial statements, the 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 the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group financial reporting process.

Auditor's responsibilities for the audit of the consolidated annual financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements.

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

Auditor’s responsibilities for the audit of the consolidated annual financial statements (continued)

- Identify and assess the risks of material misstatement of the consolidated 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 controls 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 the Management.

- Conclude on the appropriateness of the Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated 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 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 consolidated annual financial statements, including disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain enough audit evidence related to financial information from individuals or business activities within the Group to express our opinion on the consolidated financial statements. We are responsible for routing, monitoring, and performing group auditing. We are solely responsible for expressing our 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with them all relationships and other matters that may reasonably be considered to influence our independence, and where applicable, related safeguards.

Among the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our Independent Auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our Independent Auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Croatia d.o.o., Crowe Horwath Revizija d.o.o. and Audit d.o.o. are jointly responsible for performing the audit and for the audit opinion according to the requirements of the Auditing Act, applicable in Croatia.

BDO Croatia d.o.o. | Crowe Horwath Revizija d.o.o. | Audit d.o.o.

Report on other legal requirements

Appointment of auditors

BDO Croatia d.o.o. was appointed auditor of the Group on 30 September 2020 by the General Assembly of the Company based on the proposal of the Supervisory Board of the Company, which represents a continuous engagement of six years.

Crowe Horwath Revizija d.o.o. was appointed auditor of the Group on 30 September 2020 by the General Assembly of the Company based on the proposal of the Supervisory Board of the Company, which represents the second year of engagement for this auditor.

Audit d.o.o. was appointed auditor of the Group on 30 September 2020 by the General Assembly of the Company based on the proposal of the Supervisory Board of the Company, which represents the second year of engagement for this auditor.

Consistency with the Supplementary Report to the Audit Committee

Our audit opinion is consistent with the additional report for the Company's auditing board, prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

Providing non-audit services

During the period between the initial date of the audited consolidated annual financial statements of the Company for the year 2020 and the date of this report, we did not provide the Company with prohibited non-scheduled services, and in the business year prior to the aforementioned period, did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company.

The partners engaged in the audit of the Group's annual consolidated financial statements for 2020, that resulted with this Independent Auditor's Report, are Ivan Štimac, certified auditor for BDO Croatia d.o.o., Sonja Hecker Tafra, certified auditor for Crowe Horwath Revizija d.o.o. and Darko Karić, certified auditor for Audit d.o.o.

In Zagreb, April 27th, 2021

Hrvoje Stipić president of the Management Board	Sonja Hecker Tafra Director	Darko Karić Director
Ivan Štimac Certified Auditor	Sonja Hecker Tafra Certified Auditor	Darko Karić Certified Auditor
BDO Croatia d.o.o. Trg J. F. Kennedy 6b 10000 Zagreb	Crowe Horwath Revizija d.o.o. Petra Hektorovića 2 Grand Center, VIII kat 10 000 Zagreb	Audit d.o.o. Silvija Strahimira Kranjčevića 41 10000 Zagreb
BDO CROATIA BDO Croatia d.o.o. za pružanje revizorskih, konzalting i računovodstvenih usluga Zagreb, J. F. Kennedy 6/b	Crowe Horwath Revizija d.o.o. Zagreb	za revizijske usluge AUDIT d.o.o. ZAGREB

ZAGREBAČKI HOLDING d.o.o. and its subsidieries
Consolidated Statement of comprehensive income
For the year ended 31 December 2020

	Notes	2020	2019 restated
		('000 HRK)	('000 HRK)
OPERATING REVENUE			
Sales revenue	7	3,295,526	3,506,889
Other operating revenue	8	470,885	580,663
Total		3,766,411	4,087,552
OPERATING EXPENSES			
Material expenses and services	9	(2,085,609)	(2,160,349)
Employee benefit expenses	10	(1,225,884)	(1,147,561)
Depreciation and amortization	11	(403,235)	(389,698)
Impairment of assets	12	(172,703)	(163,286)
Provisions	13	(53,498)	(58,111)
Other operating expenses	14	(80.985)	(101,190)
Total		(4,021,914)	(4,020,195)
NET OPERATING (LOSS) / PROFIT		(255,503)	67,357
Finance income	15	139,391	146,000
Finance expenses	16	(212,405)	(197,744)
NET FINANCIAL LOSS		(73,014)	(51.744)
TOTAL INCOME		3,905,802	4,233,552
TOTAL EXPENSES		(4,234,319)	(4,217,939)
PROFIT BEFORE TAX		(328,517)	15,613
Tax expense	17	36,979	(8,413)
(LOSS) / PROFIT FOR THE YEAR		(291,538)	7,200
Attributable to:		(291,538)	7,200
Owners of the Company		(291,917)	1,930
Owners of non-controlling interest		379	5,270
Other comprehensive income			
(Loss)/profit from property revaluation, net	17, 29	(15,416)	91,254
Profit from financial asset valuation, net	17, 29	1,596	420
Total other comprehensive (loss) / profit		(13,820)	91,674
Total comprehensive (loss) / profit for the year		(305,358)	98,874
Attributable to:		(305,358)	98,874
Owners of the Company		(305,737)	93,604
Owners of non-controlling interest		379	5,270

Ana Stojić Deban
President of the Management Board

Daniela Franić
Member of the Management Board

Bernard Mršo
Member of the Management Board

Marica Dusper
Member of the Management Board

The accounting policies and notes which follow form an integral part of these consolidated financial statements.

ZAGREBAČKI HOLDING d.o.o. and its subsidieries

Consolidated Statement of financial position / Balance sheet

At 31 December 2020

	Notes	31 Dec 2019	31 Dec 2018 restated	1 Jan 2018 restated
		('000 HRK)	('000 HRK)	('000 HRK)
NON-CURRENT ASSETS				
Property, plant and equipment	18	10,186,798	10,043,283	9,928,411
Investment property	21	1,701,153	1,688,614	1,752,655
Right - of - use assets	20	27,299	23,780	-
Intangible assets and goodwill	19	45,842	33,582	23,194
Financial assets	22	158,405	155,889	154,940
Non-current receivables	23	1,811,937	1,906,853	1,976,652
Deferred tax assets	17	113,223	77,103	63,240
Total non-current assets		**14,044,657**	**13,929,104**	**13,899,092**
CURRENT ASSETS				
Inventories	24	202,765	396,304	316,346
Receivables from a related party	25	865,448	652,608	564,470
Trade receivables and other receivables	26	1,142,185	1,106,751	1,113,558
Financial assets	27	4,366	30,853	26,453
Cash and cash equivalents	28	168,367	202,179	310,461
Total current assets		**2,383,131**	**2,388,695**	**2,331,288**
TOTAL ASSETS		**16,427,788**	**16,317,799**	**16,230,380**

Ana Stojić Deban
President of the Management Board

Daniela Franić
Member of the Management Board

Bernard Mršo
Member of the Management Board

Marica Dusper
Member of the Management Board

The accounting policies and notes which follow form an integral part of these consolidated financial statements.

	Notes	31 Dec 2019	31 Dec 2018 restated	1 Jan 2018 restated
		('000 HRK)	('000 HRK)	('000 HRK)
EQUITY				
Share capital		3,177,044	3,177,044	3,177,044
Revaluation reserves		1,839,140	1,852,960	1,761,706
Other reserves		322,618	322,618	322,618
Retained earnings		419,616	697,371	695,021
Non-controlling interest		12,159	14,420	11,484
Total capital and reserves	29	5,770,577	6,064,413	5,967,873
NON-CURRENT LIABILITIES				
Loans and borrowings	30	1,203,942	1,231,533	1,495,246
Bonds	31	2,271,278	2,261,551	2,251,357
Provisions	33	323,388	346,638	360,758
Deferred income	34	3,164,958	3,262,452	3,296,745
Deferred tax liability	17	421,198	430,970	418,432
Other long-term liabilities	32	299,563	246,998	227,775
Total non-current liabilities		7,684,327	7,780,142	8,050,313
CURRENT Liabilities				
Trade and other payables	36	1,167,388	1,138,456	1,096,893
Liabilities to related parties	35	23,760	19,411	35,273
Loans and borrowings	30	1,610,733	1,135,702	877,273
Current maturity of deferred revenue recognition	34	171,003	172,373	188,732
Current income tax liability		-	7,302	14,023
Total current liabilities		2,972,884	2,473,244	2,212,194
TOTAL EQUITY AND LIABILITIES		16,427,788	16,317,799	16,230,380

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President of the Management Board

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Member of the Management Board

The accounting policies and notes which follow form an integral part of these consolidated financial statements.

ZAGREBAČKI HOLDING d.o.o. and its subsidiaries

Consolidated Statement of changes in equity

For the year ended 31 December 2020

('000 HRK)	Share capital	Revaluation reserves	Capital reserves from profit	Retained earnings	Share of owner of the parent	Non-controlling i interest	Total
Balance at 31 December 2017	3,833,236	2,866,246	322,618	588,366	7,610,466	10,386	7,620,852
Impact of correction of errors	-	(77,821)	-	5,979	(71,842)	-	(71,842)
Balance at 01 January 2018 (restated)	3,833,236	2,788,425	322,618	594,345	7,538,624	10,386	7,549,010
Comprehensive income							
Profit for the period	-	-	-	68,804	68,804	3,600	72,404
Profit on valuation of financial assets (net)	-	4,,945	-	-	4,945	-	4,945
Profit from real estate revaluation (net)	-	1,008	-	-	1,008	-	1,008
Other comprehensive income for the period	-	5,953	-	-	5,953	-	5,953
Total comprehensive income for the period	-	5,953	-	68,804	74,757	3,600	78,357
Transactions with owners recognized directly in equity							
Profit payout to non-controlling interest	-	-	-	-	-	(2,502)	(2,502)
Company division	(656,192)	(1,032,672)	-	31,872	(1,656,992)	-	(1,656,992)
Total transactions with owners of the Company	(656,192)	(1,032,672)	-	31,872	(1,656,992)	(2,502)	(1,659,494)
Balance at 31 December 2018 (restated)	3,177,044	1,761,706	322,618	695,021	5,956,389	11,484	5,967,873
Comprehensive income							
Profit for the period	-	-	-	1,930	1,930	5,270	7,200
Profit on valuation of financial assets (net)	-	420	-	-	420	-	420
Profit from real estate revaluation (net)	-	90,834	-	420	91,254	-	91,254
Other comprehensive income		91,254	-	420	91,674	-	91,674
Total comprehensive income for the period	-	91,254	-	2,350	93,604	5,270	98,874
Transactions with owners recognized directly in equity							
Profit payout to non-controlling interest	-	-	-	-	-	(2,334)	(2,334)
Total transactions with owners of the Company	-	-	-	-	-	(2,334)	(2,334)
Balance at 31 December 2019 (restated)	3,177,044	1,852,960	322,618	697,371	6,049,993	14,420	6,064,413
Comprehensive income							
Profit for the period	-	-	-	(291,917)	(291,917)	379	(291,538)
Profit on valuation of financial assets (net)	-	1,596	-	-	1,596	-	1,596
Loss from real estate revaluation (net)	-	(15,416)	-	14,162	(1,254)	-	(1,254)
Other comprehensive (loss) / income	-	(13,820)	-	14,162	342	-	342
Total comprehensive loss for the period	-	(13,820)	-	(277,755)	(291,575)	379	(291,196)
Transactions with owners recognized directly in equity							
Profit payout to non-controlling interest	-	-	-	-	-	(2,640)	(2,640)
Total transactions with owners of the Company	-	-	-	-	-	(2,640)	(2,640)
Balance at 31 December 2020	3,177,044	1,839,140	322,618	419,616	5,758,418	12,159	5,770,577

The accounting policies and notes which follow form an integral part of these consolidated financial statements.

	2020	2019 restated
	('000 HRK)	('000 HRK)
Profit (loss) for the year	*(291,538)*	*7,200*
Tax expense recognised in profit or loss	(36,979)	8,413
Finance expenses recognised in profit or loss	185,759	174,199
Investment revenue recognised in profit or loss	(86,789)	(108,464)
Impairment of current assets	97,261	77,985
Impairment of non-current assets	18,399	42,341
Change in fair value if investment property	(23,384)	(107,259)
Impairment losses on goodwill	-	10,178
Depreciation and amortization of non-current tangible and intangible assets	403,235	389,698
Increase / (decrease) in non-current provisions	(23,250)	(14,120)
Decrease of deferred income for assets financed by others	(49,218)	(34,293)
Other non-monetary items	-	(25,471)
Losses from foreign exchange translations	14,128	1,697
Changes in working capital:		
(Increase)/decrease in inventories	15,320	98,070
Increase in trade receivables	(123,295)	20,186
(Increase)/decrease in receivables from related parties	(206,462)	(88,138)
Decrease in receivables from employees	(11)	(31)
(Increase)/decrease in receivables from the state	28,337	(7,472)
Decrease / (increase) of other receivables	(70,135)	(86,912)
Decrease in trade payables and liabilities to related parties	92,787	(41,629)
Decrease in liabilities for taxes and contributions	56,596	(5,452)
Decrease in employee benefits liabilities	8,082	5,904
(Decrease)/increase of other non-current liabilities	48,484	(11,551)
(Decrease)/increase of other current liabilities	(92,151)	74,916
Net cash flows from operating activities	*(34,824)*	*379,995*

The accounting policies and notes which follow form an integral part of these consolidated financial statements.

	2020	2019 restated
	('000 HRK)	('000 HRK)
Cash flows from operating activities		
Cash flows from operating activities	(34,824)	379,995
Income taxes paid	(24,743)	(27,918)
Interests paid	(174,701)	(165,149)
Net cash flows from operating activities	(234,268)	186,928
Cash flows from investing activities		
Expenses for procurement of tangible and intangible assets	(479,538)	(459,803)
Gains from sale of non-current tangible assets	21,180	-
Decrease (increase) of non-current assets	19,782	(1,803)
Decrease (increase) of non-current receivables	94,916	69,799
Gains from sale of current financial assets	26,487	(4,400)
Expenses for procurement of financial assets	(569)	(949)
Interests collected	87,524	111,515
Profit payout to non-controlling interest	(2,640)	(2,334)
Net cash flows from investing activities	(232,858)	(287,975)
Cash flows from financing activities		
Loans and borrowings received	1,354,134	850,308
Repayment of loans and borrowings	(920,820)	(857,543)
Net cash (used in)/from financing activities	433,314	(7,235)
Net decrease in cash and cash equivalents	(33,812)	(108,282)
Cash and cash equivalents at 1 January	202,179	310,461
Cash and cash equivalents at 31 December	168,367	202,179

The accounting policies and notes which follow form an integral part of these consolidated financial statements.

1 / GENERAL INFORMATION

History, incorporation and statutory changes

On 27 December 2005, The City of Zagreb and Zagrebački holding d.o.o. ("the Company") had performed several share transfer agreements, based on which the ownership interests in 22 companies were transferred in full from the City of Zagreb to the Company. The transferred equity interests in the nominal amount of HRK 4,036,590 thousand represent assets that are at the free disposal of the Company. Pursuant to these agreements, the City of Zagreb increased the subscribed capital of the Company, by converting the receivables under the Share Transfer Agreement by a total of HRK 4,036,590 thousand in equity of the Company.

In 2006 and 2007, several companies were merged into the Company, and the Company underwent several statutory changes, all of which were registered at the Commercial Court in Zagreb.

Upon the merger, the merged entities transferred all of their assets and liabilities to the Company as the acquirer. Pursuant to the underlying merger agreements and the applicable provisions of the Companies Act, the share capital of the Company was not increased by the share capital of each of the merged entities because it held the entire share capital in each of the entities.

In 2013, the Company defined a Demerger plan involving the establishment of new companies and transfer of a part of its assets and liabilities to the new companies. Until the end of 2013, the following operating units had been spun off: Water supply (as a result of the underlying changes of the Water Act, OG 153/09, 63/11, 130/11 and 56/13), Facility management, Construction and sale of flats, and Publishing (as a result of the strategic focus to separate commercial operations from the communal activities), resulting in the establishment of four new companies.

Pursuant to the Decision (No Tt-13/25472-2) of the Commercial Court in Zagreb, dated 8 November 2013, the demerger of the Company involving the establishment of the following new companies was entered into the Court registry: Gradsko stambeno komunalno gospodarstvo d.o.o., Vodoopskrba i odvodnja d.o.o., Zagrebačka stanogradnja d.o.o. and AGM d.o.o.

As part of the demerger involving the establishment of the above-mentioned companies, the share capital was distributed by reducing the share capital of the Company by HRK 2,069,128 thousand from HRK 4,208,629 thousand to HRK 2,139,501 thousand.

Following the Company's statutory changes and registration of new companies, the Company had entered into the Contract on transfer of business shares with City of Zagreb as transferor whereas the Company acquired the following companies: Gradsko stambeno komunalno društvo d.o.o., Vodoopskrba i odvodnja d.o.o., AGM d.o.o. and Zagrebačka stanogradnja d.o.o. Equity was transferred to the Company in the total amount of HRK 2,069,128 thousand which is the same as nominal value of share capital for each of above mentioned companies. This was based on transfer of equity receivables from City of Zagreb to additional share capital of the Company during the year 2013 as it is stated in Commercial Court in Zagreb.

1 / GENERAL INFORMATION / CONTINUED

Company activities

As at 31 December 2020, the Company comprised the following subsidiaries:

NAME OF THE COMPANY/SUBSIDIARY		ADDRESS	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST 2019	OWNERSHIP INTEREST 2018
Zagrebački holding		Avenija grada Vukovara 41	public transport; water supply; cleaning, waste management; travel agency; sports, facility and real estate management	100% the City of Zagreb	100% the City of Zagreb
1/	Gradska groblja	Aleja Hermanna Bollea 27	funeral and related services	100% Zagrebački holding	100% Zagrebački holding
2/	Čistoća	Radnička 82	waste collection, cleaning services	100% Zagrebački holding	100% Zagrebački holding
3/	Zrinjevac	Remetinečka 15	landscaping services	100% Zagrebački holding	100% Zagrebački holding
4/	Zagrebparking	Šubićeva 40/III	services of public parking and public garage management	100% Zagrebački holding	100% Zagrebački holding
5/	Zagrebačke ceste	Donje Svetice 48	regional and local road management, maintenance and construction	100% Zagrebački holding	100% Zagrebački holding
6/	Autobusni kolodvor Zagreb	Avenija Marina Držića 4	bus station sevices	100% Zagrebački holding	100% Zagrebački holding
7/	Tržnice Zagreb	Šubićeva 40/V	wholesale and retail markets, warehousing	100% Zagrebački holding	100% Zagrebački holding
8/	ZGOS	Zeleni trg 3	waste management	100% Zagrebački holding	100% Zagrebački holding
9/	Zagrebački digitalni grad	Av.Dubrovnik 15	lease of telecommunication cables and network	100% Zagrebački holding	100% Zagrebački holding
10/	Upravljanje projektima	Jankomir 25	construction and project management	100% Zagrebački holding	100% Zagrebački holding
11/	Arena Zagreb	Ul. V. Vukova 8	sports facility management	100% Zagrebački holding	100% Zagrebački holding
12/	Robni terminali Zagreb	Jankomir 25	warehousing	100% Zagrebački holding	100% Zagrebački holding
13/	Vladimir Nazor	Maksimir 52	travel agency and organised youth travel	100% Zagrebački holding	100% Zagrebački holding
14/	Upravljanje nekretninama	Jankomir 25	real-estate management	100% Zagrebački holding	100% Zagrebački holding

1 / GENERAL INFORMATION / CONTINUED

Companies and institutions owned by the Company, which comprise Zagrebački holding Group (hereinafter: the Group):

	NAME OF THE AFFILIATED COMPANY	ADDRESS	LEGAL FORM	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2019	OWNERSHIP INTEREST 2018
1/	Gradska plinara Zagreb d.o.o.	Radnička 1	limited liability company	gas distribution	100% Zagrebački holding	100% Zagrebački holding
2/	Gradska plinara Zagreb - Opskrba d.o.o.	Radnička 1	limited liability company	gas supply	100% Zagrebački holding	100% Zagrebački holding
3/	Zagreb plakat d.o.o.	Hebrangova 32	limited liability company	lease of advertising space	51% Zagrebački holding	51% Zagrebački holding
4/	Gradska ljekarna Zagreb	Kralja Držislava 6	institution	pharmacy services	100% Zagrebački holding	100% Zagrebački holding
5/	Gradsko stambeno komunalno gospodarstvo d.o.o.	Savska cesta 1	limited liability company	facility management	100% Zagrebački holding	100% Zagrebački holding
6/	Vodoopskrba i odvodnja d.o.o.	Folnegovićeva 1	limited liability company	collection, purification and distribution of water	100% Zagrebački holding	100% Zagrebački holding
7/	AGM d.o.o.	Mihanovićeva 28	limited liability company	publishing	100% Zagrebački holding	100% Zagrebački holding
8/	Zagrebačka stanogradnja d.o.o.	Jankomir 25	limited liability company	construction and sale of apartments	100% Zagrebački holding	100% Zagrebački holding
9/	Centar d.o.o.	Avenija grada Vukovara 41	limited liability company	organisation of youth sports events	100% Zagrebački holding	100% Zagrebački holding
10/	Gradska plinara Bjelovar d.o.o.*	F. Rusana 21, Bjelovar	limited liability company	gas distribution	100% Gradska plinara Zagreb d.o.o.	100% Gradska plinara Zagreb d.o.o.

By the Decision of the Commercial Court in Zagreb (Tt-17 / 49954-2) of 29 December 2017, the division of the Company was carried out by separation with the establishment of new limited liability companies - Zagrebački električni tramvaj d.o.o., and Zagrebački velesajam d.o.o. With the division of economic units into newly formed companies, the Company's share capital was reduced by HRK 656,193 thousand to the amount of HRK 3,177,044 thousand while the business effects of the Plan entered into force on 1 January 2018. The shares were acquired by the City of Zagreb, which, after the implementation of the Plan, was the only member, i.e. the only holder of business shares in the new companies Zagrebački električni tramvaj d.o.o., and Zagrebački velesajam d.o.o.

In 2018, Gradska plinara Zagreb acquired 100% share of Elektrometal distribucija plina d.o.o. Bjelovar, and recorded goodwill in the amount of HRK 11,811 thousand, stated in the intangible asset position (Note 5).

* In 2019 Elektrometal distribucija plina d.o.o. changed the name in Gradska plinara Bjelovar d.o.o

1 / GENERAL INFORMATION / CONTINUED

Principal activities

During the year, the principal activities of the Group comprised the provision of the following services:

a/ Cleaning and waste removal services
b/ Water collection, treatment and supply
c/ Landscaping services
d/ Management, maintenance, construction and protection of regional and local roads
e/ Parking services
f/ Gas supply and distribution
g/ Pharmacy services
h/ Warehousing and rental services
i/ Waste disposal and management
j/ Project management and construction
k/ Other services

Employees

The Group, as at 31 December 2020 employed 7,809 employees (31 December 2019: 7,794 employees), as hereinafter indicated

Group	Number of employees 31 Dec 2020	Number of employees 31 Dec 2019
Company	5,304	5,291
Subsidiaries	2,505	2,503
	7,809	7,794

1 / GENERAL INFORMATION / CONTINUED

During 2020 the members of the Management Board of the Company were as follows:

1. Ana Stojić Deban, President of the Management Board since 16 June 2015
2. Daniela Franić, Member of the Management Board since 6 March 2015
3. Bernard Mršo, Member of the Management Board since 8 August 2016
4. Marica Dusper, Member of the Management Board since 2 January 2019

Subsidaries	Director of the Subsidiary
1. Gradska plinara Zagreb d.o.o.	Tomislav Mazal from 11 March 2019
2. Gradska plinara Zagreb Opskrba d.o.o.	Igor Pirija from 21 March 2016, Igor Šadura from 11 March 2019 until 23 December 2019, Ivona Ilijaš from 11 May 2020
3. Zagreb plakat d.o.o.	Bosiljka Grbašić from 15 November 2013, Kruno Ian Bodegray from 01 April 2019, Fabris Peruško from 28 February 2018
4. Gradska ljekarna Zagreb	Nadica Jambrek, principal from 02 July 2014
5. Gradsko stambeno komunalno gospodarstvo d.o.o.	Joško Jakelić from 07 November 2013
6. Vodoopskrba i odvodnja d.o.o.	Marin Galijot since 1 October 2018
7. AGM d.o.o.	Stjepan Bekavac since 11 September 2017
8. Zagrebačka Stanogradnja d.o.o.	Željko Horvat since 28 June 2016
9. Centar d.o.o.	Tomislav Bilić since 08 June 2016
10. Gradska plinara Bjelovar d.o.o.*	Srećko Ezgeta since 23 April 2008

** Gradska plinara Bjelovar d.o.o. Bjelovar is a 100% owned subsidiary of Gradska plinara Zagreb d.o.o.*

Supervisory Bord

The members of **the Supervisory Board** of the Company during 2019 were as follows:

1. Ivan Šikić member (since 21 Semptember 2017 till 23 November 2020)
2. Gojko Bežovan, member (since 21 Semptember 2017)
3. Andrea Šulentić member (since 28 May 2015 until 27 May 2019), member (since 05 June 2019)
4. Nikola Mijatović, member (deputy president since 27. September 2017 to 7 August 2020) since 29 September 2020
5. Mario Župan, member (since 8 August 2016)
6. Ljubo Jurčić, member (since 21 September 2017), president (since 27 September 2017)
7. Josip Budimir, member (since 21 September 2017)
8. Mihaela Grubišić Šeba, member (since 21 September 2017)
9. Dražen Hrkač, member (since 2 May 2018)
10. Ilija Ćorić member (since 11 February 2021)

1 / GENERAL INFORMATION / CONTINUED

Skupština

The only member of **the Assembly** is City of Zagreb, and its representatives during 2019 were as follows:

1. Milan Bandić (since 22 April 2015 to 28. February 2021) Jelena Pavičić Vukičević (since 2 March 2021)
2. Slavko Kojić (since 28 June 2013)
3. Olivera Majić (since 14 June 2017)

2 / BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

a/ Statement of compliance with IFRS

Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which have been adopted by the European Commission and published in the Official Gazette of the European Union. The financial statements are presented for the Group and contain the consolidated financial statements of the Company and its subsidiaries. On 27 April 2021, the Management Board approved the issuance of these consolidated financial statements for submission to the General Assembly for adoption.

The Group has reconciled the amounts previously disclosed in the consolidated financial statements, where it was necessary, as it is presented in Note 4.

b/ Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements comprise the financial statements of the Company and the entities controlled by it, i.e. its subsidiaries.

Standalone financial statements that the Company is required to prepare in accordance with EU IFRS are published separately and issued on the same date as these consolidated statements.

The consolidated financial statements of the Group have been prepared under the historical cost basis, with the exceptions of revaluation of land, investment property and part of financial assets carried at fair value, as disclosed in Notes 18, 21 and 22 to the consolidated financial statements, and using the basing principle of going concern.

The preparation of the consolidated financial statements in accordance with IFRS requires from Management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, and revenues and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes.

c/ Adoption of new and amended International Financial Reporting Standards (IFRS)

c/1 Standards and interpretations effective in the current period

The following new standards and amended existing standards and interpretations published by the International Accounting Standards Board and adopted in the EU were effective in the current period:

- Amendments to IFRS 16 Leases - Covid-19-Related Rent Concessions, published on 28 May 2020 (effective for annual reporting periods beginning on or after 1 June 2020).
- Amendments to IFRS 3 Business Combinations, published on 22 October 2018 (effective for annual reporting periods beginning on or after 1 January 2020).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), published on 26 September 2019 and effective for annual reporting periods beginning on or after 1 January 2020.
- Amendments to IAS 1 and IAS 8 Definition of Material, published on 31 October 2018 and effective for annual reporting periods beginning on or after 1 January 2020.
- Amendments to Reference to the Conceptual Framework published on 29 March 2018 and effective for annual reporting periods beginning on or after 1 January 2020.

Adoption of the mentioned standards and interpretations has not had a significant impact on the Group's consolidated annual financial statements.

2 / BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

c/ Adoption of new and amended International Financial Reporting Standards (IFRS)/ continued

c/2 Standards and interpretations issued by the International Accounting Standards Board that have been adopted in the EU but are not yet effective

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2, published on 27 August 2020 and effective for annual reporting periods beginning on or after 1 January 2021.
- Amendments to IFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying IFRS 9, published on 25 June 2020 (effective for annual reporting periods beginning on or after 1 January 2021).

c/3 Standards and interpretations issued by the International Accounting Standards Board that have not yet been adopted in the EU

As at the date of issuing these financial statements, the following standards, revisions and interpretations issued by the IASB have not yet been adopted, but are expected to be in 2021:

- IFRS 17 Insurance Contracts (published on 18 May 2017, involving amendments to IFRS 17 published on 25 June 2020 (effective for annual reporting periods beginning on or after 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements, Classification of Liabilities as Current or Non-current (published on 23 January 2020 and amended on 15 July 2020, effective for annual reporting periods beginning on or after 1 January 2023).
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, plant and equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets 2018-2020, all published on 14 May 2020 and effective for annual reporting periods beginning on or after 1 January 2022).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies, published on 12 February 2021 (effective for annual reporting periods beginning on or after 1 January 2023).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, published on 12 February 2021 (effective for annual reporting periods beginning on or after 1 January 2023).

Unless otherwise indicated above, the new standards and interpretations are not expected to have a significant impact on the Group's consolidated annual statements

d/ Basics of consolidation

Consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they were one entity.
The Company owns other entities - subsidiaries, which are entities controlled. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to these activities achieve benefits. Subsidiaries are fully consolidated from the from the date on which control commences until the date on which control ceases. Non-controlling interests are initially measured at their proportionate share of the recognized net assets of the acquired company at the date of acquisition. Changes in the Group's shares in a subsidiary that do not result in a loss of control are recognized as transactions with owners. Balances and transactions between the Group members and all unrealized gains from the transactions between the Group members are eliminated in the consolidated financial statements..

2/ BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

e/ Reporting currency

The consolidated financial statements of the Group are prepared in Croatian Kuna (HRK), which is the Groups functional currency. All amounts disclosed in these consolidated financial statements are presented in thousands of HRK unless otherwise stated. As at 31 December 2020, the official exchange rate of the Croatian HRK against 1 euro was HRK 7536898 (31 December 2019: HRK 7.442580)

3/ PRINCIPAL ACCOUNTING POLICIES

a/ Intangible assets and goodwill

Computer software

Software licences are capitalised based on the cost of purchase and bringing software into a working condition for its intended use. The cost is amortised over the useful life of an asset, which is 5 years.

Goodwill

Goodwill is measured at cost determined on the acquisition date, i.e. the acquisition of the entity, less accumulated impairment losses. For the purpose of impairment test, goodwill is allocated to each cash-generating unit (or group of this units) that is expected to benefit from the synergies arising from the merger. The cash-generating unit to which the goodwill is allocated is subject to an impairment test once a year or more frequently if there are indications of a possible impairment. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is allocated first by reducing the carrying amount of goodwill allocated to the unit and then in proportion to the other assets of the cash-generating unit based on the carrying amount of each asset in the generating unit. money.Goodwill

b/ Right-of-use assets

All leases are recognized by recognizing the right-of-assets and the lease obligations, except for:

- leases of low value assets and

- leases whose lease term ends within a period of 12 months from the date of first application or less.

Right-of-use assets are shown separately in the Statement of Financial Position.

Right-of-use assets are initially measured at the amount of the lease obligation, less any lease incentives received and increased by:

- all lease payments made on or before the lease start date

- all initial direct costs and

- the amount of the provision recognized when the Group contractually bears the costs of deconstruction, removing or renovating the places where the asset is located.

Right-of-use assets are adjusted for the accumulated depreciation calculated on a straight-line basis over the term of the lease, or the remaining economic life of the asset, if it is considered to be less than the lease term.

The useful life of an asset with the right of use is shown as follows:

	2020	2019
Building	3-10 years	3-10 years
Plant and equipment	4-5 years	4-5 years
Vehicles	2-5 years	2-5 years

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

b/ Right-of-use assets / continued

Liabilities for the lease of an right-of-use assets

The lease liability is measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The Group's incremental borrowing rate is the rate at which, within a similar period and under a similar guarantee, the Group would pay for the borrowing of the assets necessary to acquire assets whose value is similar to the value of the right to use in a similar economic environment, under comparable terms and conditions

At the date of initial recognition, the carrying amount of the lease obligation includes:

- amounts expected to be paid by the lessee on the basis of residual value guarantees
- the cost of executing the purchase option if it is certain that the lessee will use that option and
- payment of penalties for termination of the lease if the lease period reflects that the lessee will use the possibility of termination of the lease.

After the initial measurement, the lease liability increases to reflect interest on lease obligations and decreases to reflect lease payments made. The lease liability is subsequently measured when there is a change in future lease payments resulting from a change in the index or rate, or when there is a change in the estimate of the term of any lease.

c/ Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet / consolidated statement of financial position at cost, and land is carried at revalued amount representing their fair value at the date of revaluation, less any accumulated impairment losses. Revaluations are performed with sufficient regularity (every 3-5 years) so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The last revaluation was conducted in 2019 based on an assessment of the fair value of the land by an independent certified appraiser (Note 18).

Any increase arising on the revaluation of such land is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously recognised. A decrease in the carrying amount arising on the revaluation of such land is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Assets under construction intended for production, supply or administrative purposes or purposes not yet defined are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, which is provided on the same basis as for other properties, commences when the assets are ready for their intended use.

Freehold land is not depreciated. Installations and equipment are recognised initially at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated so as to write off the cost or revalued amount of an asset over the estimated useful life of the asset using the straight-line method, with the exception of land and assets under construction. The estimated useful life, residual value and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if shorter, the term of the relevant lease.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and recognised in profit or loss.

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

c/ Property, plant and equipment / continued

Property, plant and equipment are depreciated using the straight-line method at the rates ranging from 1.25% to 25% annually, over the following useful lives, as follows:

	2020.	2019.
Buildings	20-80 years	20-80 years
Commercial buildings made of concrete, stone	*60-80 years*	*60-80 years*
Commercial buildings made of wood and other	*40-60 years*	*40-60 years*
Other commercial buildings	*20-40 years*	*20-40 years*
Trucks and other construction machinery	*10-20 years*	*10-20 years*
Vehicles	4-20 years	4-20 years
Plant and equipment	4-10 years	4-10 years
Office equipment	5 years	4-5 years

Residual value is calculated based on prices prevailing at the date of acquisition or revaluation.

Assets under construction comprise costs directly related to construction of tangible fixed assets plus an appropriate allocation of variable and fixed overheads that are incurred during construction. Assets under construction are depreciated once they are ready for use. Costs incurred in replacing major portions of the Group's facilities, which increase their productive capacity or substantially extend their useful life, are capitalised. Maintenance, replacement or partial replacement costs are recognised as expenses in the period in which they are incurred.

Impairment of tangible and intangible assets

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the potential impairment loss.

The recoverable amount is the higher of net sales price and value of asset in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less that its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense, unless the relevant asset is land or a building not used as an investment property, i.e. other than an investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is credited immediately to income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Non-current assets held for sale

Non-current assets or disposal group assets are classified in the statement of financial position as 'held for sale' if it is highly probable that their carrying amount will be recovered through the sale within 12 months after the reporting date, rather than through continuing use. Non-current assets that are presented in the consolidated statement of financial position for the current period are not held for sale are not reclassified in the consolidated statement of financial position in the comparable period. Property, plant and equipment held for sale or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or dispose of. Property, plant and equipment held for sale are not depreciated.

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

d/ Investment property

Investment property represents property held by the Group for increasing its market value or for lease. Investment property is measured initially at cost, except in case of transfer from property used by the Group. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

When transferring from investment property to property used by the Group, the fair value at the date of transfer will be the cost for the purposes of IAS 16. For transfer of the property used by the Group to the investment property, IAS 16 will apply to the date of the change of its purpose when the difference between the carrying value determined in accordance with IAS 16 and its fair value, will be recognized as a revaluation reserve in accordance with IAS 16.

Investment properties are derecognised on sale or permanent withdrawal from use, as well as when no future economic benefits from their disposal are expected. Any gain or loss arising from derecognition of an item of investment property, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the item is derecognised.

During 2020 investment properties were re-measured at fair value on the basis of appraisals by a certified property appraisal expert, upon which the gains resulting from the change in the fair values were determined in the amount of HRK 23,384 thousand (2019: HRK 107,259) and were included in the statement of comprehensive income for the year 2020 (Note 21).

e/ Financial assets

The Group adopted IFRS 9 - Financial Instruments as at 1 January 2018 and its application did not have a significant impact on the Group's financial statements. The Group recognizes financial assets in its financial statements when it becomes party to the contractual provisions of the instrument. Depending on the business model for asset management and contractual cash flow characteristics, the Group measures financial assets at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The Group classifies assets as shown below:

DESCRIPTION	Classification / measurement
Non-current assets	
Financial assets through other comprehensive income	Equity instruments / fair value through other comprehensive income
Financial assets through statement of profit or loss	Financial assets through statement of profit or loss
Loans and deposits	Held for collection /amortised cost
Non-current receivables	Held for collection /amortised cost
Current assets	
Cash and cash equivalents	Held for collection /amortised cost
Trade and other receivables	Held for collection /amortised cost
Loans, deposits and other financial assets	Held for collection /amortised cost

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

e/ Financial assets / continued

Financial assets at fair value through profit or loss

This category includes financial assets held for trading. The Group's business models reflect the way the Group manages assets in order to achieve cash flows.

Financial assets through other comprehensive income

Initial Recognition

The Group recognizes a financial asset or liability when and only when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes financial assets at fair value plus transaction costs that can be attributed directly to the acquisition or issue of a financial asset.

Subsequent measurement

After initial recognition, the Group measures financial assets at fair value through other comprehensive income.

Loans and deposits

Loans granted by Group are held within a business model whose purpose is to hold a financial asset in order to charge contractual cash flows. Contractual terms on a specific date generated cash flows represented only payments of principal and interest. At that, the principal is the fair value of the asset at initial recognition.

Based on the above, the given loans were measured at amortized cost.

Measurement at amortized cost implies the following:

Interest income is calculated using the effective interest rate and applied to the gross book value of the asset at the calculation.

Trade receivables

Trade receivables that do not have a significant financial component at initial recognition have been measured in accordance with IFRS 15 at their transaction price.

Impairment

The Group, on the basis of expected credit losses, recognizes impairment of financial assets. At each reporting date, the Group measures expected credit losses and recognizes the same in the financial statements. Expected credit losses from financial instruments are measured in a manner that reflects:

- *Impartial and weighted sum of probability, which is determined by assessing the range of possible outcomes,*
- *The time value of money,*
- *Reasonable and acceptable data on past events, current conditions and predictions of future economic conditions.*

With regard to trade receivables The Group applies a simplified approach of IFRS 9 measurement of expected credit losses using the expected provision for credit losses of trade receivables. For the measurement of expected credit losses of trade receivables, the Group is grouped customers and analysed the age structure and historical data identifying potential future losses. By analysing the age structure, it has been established that the Group has no significant due receivables, the most significant part of the receivables is not yet due and the Group estimates they will be fully collected. No significant credit losses were identified.

Derecognition of financial assets

The Group ceases to recognize financial assets when; Contractual rights to cash flows from financial assets expire, It transfers financial assets and the transfer is subject to conditions for derecognition.

The Group transfers financial assets only if, either:

- (a) transfers the contractual rights to receive cash flows from the asset, or
- (b) retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in the arrangement.

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

e/ Financial assets / continued

When the Group transfers financial assets it is required to estimate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case, when all risks and rewards of ownership are transferred, the Group ceases to recognize financial assets and recognizes separately as assets or liabilities all rights and obligations that have arisen or are retained in the transfer.

If almost all the risks and rewards of ownership of financial assets are retained, the Group continues to recognize financial assets.

If the Group neither transfers nor retains virtually all of the risks and rewards of ownership of the financial asset, the Group determines whether or not it has control over the financial assets. If no control over financial assets is retained, the Group ceases to recognize financial assets and recognizes separately as assets or liabilities all rights and obligations that have arisen or are retained in the transfer.

If control is retained, the Group continues to recognize financial assets to the extent that it continues to participate in that financial asset.

f/ Cash and cash equivalents

Cash comprises cash on hand and with banks. Cash equivalents comprise demand deposits and term deposits with maturities of up to three months.

g/ Inventories

Inventories comprise mainly of spare parts, materials, work in progress and finished products and are carried at the lower of weighted average price, net of allowance for obsolete and excessive inventories, and net realisable value. Management provides for inventory impairment based on a review of the overall ageing of all inventories and a specific review of significant individual items included in inventories. Inventories of work in progress and finished products are carried at the lower of production cost and the net selling price.

h/ Foreign currencies

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and their retranslation, are included in the consolidated statement of profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss, except for differences arising on the retranslation of non-monetary items available for sale in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

i/ Severance payments, jubilee awards and solidarity support

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in the period in which they arise.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, it is amortized on a straight-line basis over certain period until the benefits become vested..

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

i/ Severance payments, jubilee awards and solidarity support / continued

The Group provides one-off long-service benefits (jubilee awards), solidarity support (in case of death of the employee, the death of a close family of workers, disability, purchasing medical supplies, for the birth of the child, sick leave longer than 90 days, etc.), and retirement benefits to its employees. The obligation and the cost of these benefits are determined using the Projected Unit Credit Method. The Projected Unit Credit Method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The retirement benefit obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation.

j/ Tax expense

Tax expense represents the sum of the current tax liability and deferred tax.

Current tax

The current tax liability is based on taxable profit for the year. Taxable profit differs from the net profit reported in the consolidated statement of profit or loss because it excludes 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 current tax liability is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the amount expected to arise under a liability or return on the basis of the difference between the carrying amount of assets and liabilities in the consolidated 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 the basis of which temporary discontinued differences can be utilized.

Deferred tax liabilities and tax assets are not recognized under temporary differences arising from goodwill or initial recognition of other assets and liabilities, except for business combinations, in transactions that do not affect either tax or accounting profit. Deferred tax liabilities are recognized on the basis of taxable temporary differences arising on investments in subsidiaries and associates, i.e. shares in joint ventures, unless the Group is unable to control the cancellation of temporary differences and if the temporary difference is unlikely to be cancelled in the foreseeable future . The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the full or part of the tax asset. Deferred tax is calculated at the tax rates that are expected to be applied in the period in which settlement of a liability or asset realization will arise, based on tax laws that are in effect or in the process of adoption to the reporting date. The measurement of deferred tax liabilities and assets reflects the amount for which is expected to be payable or recoverable, on the reporting date. 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 as determined by the same tax authority and the Group intends to settle its current tax assets with tax obligations.

Current and deferred tax for the period

Deferred tax is charged or credited in the consolidated statement of profit or loss, except when it relates to items credited directly to or in equity, in which case the deferred tax is also recorded within equity; or when the tax arises from the initial accounting of a business combination.

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

k/ Provisions

Provisions are recognized when the Group has a present legal or constructive liability as a result of a past event and it is probable that an outflow of resources will be required to settle the liability, and a reliable estimate can be made of the amount of the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

When there are a number of similar liabilities, the likelihood that resource outflow will need to be settled is determined by their consideration as a whole. Provisions are measured at the present value of expenditures expected to be required to settle the liability by using a discount pre-tax rate that reflects current market valuations of the time value of money as well as risks that are specific to the liability. The effect of an increase in provisions, as a reflection of the lapse of time, is reflected in interest expense.

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 capitalization.

All other borrowing costs are recognised in net profit or loss for the period in which they are incurred. Short-term borrowings and supplier credits are recognised at the original amount less balances repaid. Interest expense is charged to the consolidated statement of profit or loss for the period to which the interest relates.

m/ Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that proves a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Obligations under financial guarantee contracts

Financial guarantee contract obligations are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the contract liability, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less cumulative amortisation recognised in accordance with the revenue recognition policies where, appropriate.

Financial liabilities

Financial liabilities are classified either as financial liabilities at fair value through profit or loss or as other financial liabilities.

Financial liabilities at fair value through recognition of fair value changes through profit or loss. Financial liabilities are classified as liabilities at fair value through profit or loss if they are held for trading or are designated for such disclosure.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchase in the near future or
- it is a part of an identified portfolio of financial instruments that the Group manages jointly and has a recent actual pattern of short-term profit-making or
- it is a derivative that is neither designated nor effective as a hedging instrument.

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

m/ Financial liabilities and equity instruments issued by the Group / continued

A financial liabilities not held for trading may be stated as at fair value with disclosing changes in value through other comprehensive income, upon their initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or
- if it is an integral part of a contract containing one or more embedded derivatives Financial liabilities at fair value where fair value changes are recognized through profit or loss, and any gain or loss is recognized in the statement of profit or loss

The net gain or loss recognized in the statement of profit or loss includes interest paid on a financial liability. Fair value is determined in the manner described in Note 35 to the Financial Statements - Financial Instruments.

Other financial liabilities

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognizes financial liabilities only when, the Group's liabilities are settled cancelled or expired.

n/ Operating segment reporting

In accordance with IFRS 8, the Group has identified its operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Details of individual operating segments are disclosed in Note 7 of the consolidated financial statements.

The Group specifically monitors and presents the results of its major business segments. The business segments are the basis upon which the Group reports its primary segment information. Certain financial information, analyzed by business and geographical segments, are presented in Note 7 of the consolidated financial statements.

o/ Contingent assets and liabilities

Contingent liabilities are not recognized in the consolidated financial statements. They are published unless the likelihood of the outflow of economic benefits is small. Contingent assets are not recognized in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

p/ Events after the reporting date

Events after the reporting date that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

q/ Revenue recognition

In accordance with the new IFRS 15, the Company applies a five-step model for recognizing a contract with customer:

1) Identification of the contract with the customer(s)
2) Identification of the separate performance obligations in the contract
3) Determination of the transaction price
4) Allocation of the transaction price to the separate performance obligations
5) Recognition of revenue as each performance obligation is satisfied

Revenue is recognized for each separate contractual obligation in the transaction price amount. The transaction price is the amount of contractual remuneration that the Group expects to be entitled to in return for the delivery of the promised goods or services.

Revenues are stated in amounts that are net of refunds, discounts, bonuses and premiums, and taxes directly related to the sale of products and services rendered.

The Group's operations, as well as revenue generation, are subject to several laws, the most important are:

- Utility Services Act
- Local Self-Government Act
- Waste act
- Institutions Act
- Water Act
- Cemeteries Act
- Building Maintenance Act
- Free Zones Act

Based on the stated above, revenue is recognized as follows:

- Water supply service income comprises income from, water meter installation, as well as from permanent monthly fees, increased by actual consumption based on the assessed consumption level, as adjusted at the end of the reporting period to reflect the actual consumption based on the readings;
- Revenue from waste removal and cleaning contain income from the provided waste removal and cleaning services at rates determined in the applicable price list of the City of Zagreb;
- Public road management and maintenance revenue is recognised to the extent of the services and works delivered, in accordance with the underlying contracts with customers;
- Income from the sale of flats is recognised when the significant risks and rewards of the ownership are passed onto the buyer, together with the related costs of selling (constructing) the flats;
- Warehousing and operating lease income is recognised in accordance with IAS 17 on a straight-line basis over the relevant lease term.
- Revenues from contracted time and material are recognized at agreed unit prices for hours used or direct costs incurred.
- income from cemetery fees is recognized according to the calculation to service users according to the valid price list
- revenues from the travel agency are seasonal and recognized upon performance of the service
- revenue from gas distribution recognizes revenue when the customer acquires control of the product, ie when the gas is delivered to the customer
- revenues from the water supply service include revenues from connection, installation of water meters and permanent monthly fees increased by actual consumption based on consumption estimates and adjustment at the end of the reporting period for actual consumption based on readings
- the revenue arising from the payment of the network connection fee is linked to the future network use contract and the water supply contract and is systematically allocated over the useful life of the constructed asset or transferred asset used to provide the permanent service. The fee received from customers for connection is recorded as deferred income and recognized as income for the period at the same time as the depreciation of the asset (connection) to which it relates

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

q/ Revenue recognition / continued

Construction contract

Contract revenue consists of the initially contracted amount plus deviations from contracted works, lawsuits, and additional incentives to the extent that it is likely to result in revenue and can be measured with certainty. At the time when the outcome of a construction contract can be estimated with certainty, revenue is recognized within profit or loss based on the performance of a liability over time. Expenses are recognized within profit or loss also based on the performance of the liability to perform over time. Performance is assessed on the basis of a survey of the completion of works. When the performance of the liability to act cannot be determined with certainty, contract revenue is recognized only if it is probable that the contract costs will be covered. The expected loss from the contract is immediately recognized within profit or loss.

Concession agreement

Revenue relating to the construction or upgrading of a service under a concession agreement is recognized in accordance with the performance of the liability over time, in accordance with the Group's accounting policy for construction contracts. Management income is recognized in the period in which the services are provided by the Group.

Income from government grants comprises the following:

- grants related to assets, including non-monetary grants at fair value, which are presented in the consolidated balance sheet / consolidated statement of financial position as deferred income, and in the statement of profit or loss as revenue over the period necessary to match them with the related costs (depreciation);

- grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, which are recognised as income of the period in which it becomes receivable.

A government grant is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to it, and that the grant will be received.

The benefit of a government grant approved at an interest rate below the market rate is accounted for as a state support and disclosed as the difference between the funds received and the fair value of the loan on the basis of the prevailing market interest rates.

Grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are recognised in the consolidated balance sheet / consolidated statement of financial position as deferred income and transferred to profit or loss on a systematic and rational basis over the useful life of the asset.

Other government grants are recognised systematically as revenue through the number of periods necessary to match them with the related costs. Receivables based on government grants for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Financial revenue

Interest income is recognised on a time basis so as to capture the actual yield on an asset.

Dividend income is recognised when the right to receive payment has been established.

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

r/ Leases

The Group as lessor

Receivables under finance leases are recognised as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's outstanding net investment in respect of the leases.
Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as tenant
As stated in Note 2(b), the Group has changed its accounting policy for operating leases in which the Group is the lessee. The new policy is described below.
When concluding a contract, the Group assesses whether it is a lease or whether a contract contains a lease. It is a lease or a contract that contains a lease if it transfers the right to supervise the use of the identified property for a certain period of time in exchange for compensation.
The Group recognizes an right-of-use assets and a corresponding lease obligation in respect of all arrangements in which it is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes leases as an operating expense on a straight-line basis over the term of the lease, unless the other basis is more accurate, when the Group obtains economic benefits from the leased asset.

Lease agreements are usually concluded for a fixed period of 3 to 5 years but may also have the possibility of extension as described below. Leases may contain both lease and non-lease components. For a contract that is a lease or that contract contains a lease, the Group calculates each lease-related component of the lease as a lease separately from the non-lease-related components of the contract. Leases do not impose any contractual terms other than security interests in the leased property. Leased property cannot be used as collateral for loans.

Assets and liabilities arising from leases are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including substantially fixed payments), less receivables for lease incentives
- variable lease payments based on an index or rate, initially measured at the index or rate applicable on the lease date
- the amounts expected to be paid by the Group under the residual value guarantees
- the exercise price of the call option if it is reasonably certain that the Group will exercise the option
- payment of penalties for termination of the lease, if the terms of the lease are reflected in the use of the termination option.

The lease liability is stated in a separate item in the statement of financial position. Lease liabilities are subsequently measured by increasing the carrying amount that reflects interest on the lease liability (using the effective interest method) and reducing the carrying amount that reflects the lease payments made.

Lease payments made under reasonably specified extension options are also included in the measurement of the liability. Lease payments are discounted using the interest rate implied in the lease. If this rate cannot be determined, which is generally the case for Group leases, the incremental borrowing rate of the lessee is used, which is the rate that the lessee would pay to borrow funds required to purchase assets of similar value in relation to the right to use in a similar economic environment. with similar condition, insurances and conditions. The weighted average marginal borrowing rate applied by the Group to lease liabilities was 3.53%..

3/ PRINCIPAL ACCOUNTING POLICIES / CONTINUED

r/ Leases / continued

Right-of-use assets are initially recognized in an amount equal to the amount of the initial measurement of the lease liability plus any lease payments made before or at the inception of the lease and less any lease incentives and initial direct costs received.

Right-of-use assets are usually depreciated on a straight-line basis over the useful life of the asset or over the lease term, whichever is shorter. If it is reasonably certain that the Group will exercise the option to purchase the asset, depreciation is calculated over the useful life of the asset.

Until 31 December 2018, leases of property, plant and equipment in which the Group, as the lessee, bears all risks and rewards of ownership was classified as finance leases.

Leases in which the Group, as the lessee, does not bear a significant share of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (less any incentives received from the lessor) were recognized in the income statement on a straight-line basis over the term of the lease. Operating lease income in which the Group is the lessor is recognized in the income statement on a straight-line basis over the term of the lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the asset in question and recognized as an expense over the term of the lease on the same basis as the lease income. The leased assets in question are included in the Group's balance sheet based on their nature.

s/ Comparative information

Where necessary, comparative information has been reclassified to conform to the current year's presentation (Note 5).

4/ USING ESTIMATES AND JUDGEMENTS IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUES

3.1 Critical judgements in applying accounting policies

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. 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.

For the purpose of financial reporting, the Group measures part of its assets and liabilities at fair value.

In estimating the fair value of assets and liabilities, the Group uses market data where available. Where Level 1 inputs are not available, the Group engages third party qualified appraiser to perform the valuation. The Group works closely with the qualified external appraisers to establish the appropriate valuation techniques and inputs to the model.

Useful life of property, plant and equipment and intangible assets

The determination of the useful life of the assets is based on past experience involving similar assets, as well as on forecast changes in the economic environment and industry-specific factors. The useful life is reviewed annually or whenever there are indications of significant changes in the underlying assumptions. We believe this accounting estimate is significant considering the share of depreciable assets in the total assets. Therefore, any change in the underlying assumptions could be material for the Group's financial position and the results of its operations.

Impairment of non-current assets

Impairment is recognised in the consolidated financial statements of the Group whenever the net carrying amount of an asset or a cash-generating unit exceeds the higher of the assets (cash-generating unit's) recoverable amount or fair value less cost of sales. Fair value less costs of sales is determined on the basis of observable inputs from identical sales transactions under normal market conditions involving similar assets or observable market prices less additional costs of disposal.

Value in use is measured using the discounted cash flow projections. The most significant variables in determining cash flows are discount rates, time values, the period of cash flow projections, as well as assumptions and judgements used in determining cash receipts and payments.

Availability of taxable profits against which the deferred tax assets could be recognised

A deferred tax asset is recognised for all unused tax losses only to the extent that it is probable that the related tax benefit will be realised. Significant judgements are required in determining the amount of deferred taxes that can be recognised. They are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. During 2020 and 2019, deferred tax assets on available tax differences were recognised. The carrying amount of deferred tax assets is disclosed in Note 17 of the consolidated financial statements. The amount of recoverable deferred tax assets is based on a probable calculation of the time and amount of future taxable profit, altogether with the future planned tax strategy.

Actuarial estimates used in determining employee benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates. As at 31 December 2020, provisions for employee benefits amounted to HRK 139.509 thousand (as at 31 December 2019, the total provisions amounted to HRK 136.597 thousand) (Note 39).

4/ USING ESTIMATES AND JUDGEMENTS IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUES / CONTINUED

Impairment of Goodwill

The Company performs annual impairment test of goodwill in accordance with accounting policy 2(f). For impairment testing, the Goodwill is allocated to Gradska plinara Bjelovar d.o.o. and their net book value at the reporting date is as follows:

	2020	2019
	(in'000 HRK)	(in'000 HRK)
Gradska plinara Bjelovar d.o.o.	1,631	1,631
Total	1,631	1,631

The recoverable amount of the cash-generating unit is determined by the value in use or fair value that are based on cash flow projections based on the financial plans approved by the Board for next five-year period. The valuation was performed by an independent appraiser.

The recoverable amount calculation also implies the terminal growth rate of cash flows after the five years period in the amount of 29,210 thousand HRK. Cash flows generated from such plans are discounted using a discounted tax rate reflecting the risk of the asset, which for Goodwill impairment test is equal to the weighted average cost of capital and is 7%.

As a result of the Goodwill impairment test, the Group recognise impairment losses on Goodwill in 2019 in the amount of 10,180 thousand HRK as shown in Notes 12 an 19.

Testing in year 2020. showed no change in the fair value of goodwill.

Consequences of certain litigation

The Company and its subsidiaries are parties to numerous lawsuits and proceedings arising in the ordinary course of business. Management uses estimation when the most probable consequences of these activities have been assessed and provisions have been recognized on a consistent basis (Note 33).

Impact of the COVID-19 pandemic and natural disaster (earthquake) on the going concern assumption

The COVID-19 pandemic has had a significant negative impact on global economy and consequently on the Group's operations, through reduction in planned operating income and increase in costs resulting from protection of employee's health and implementation of measures aimed at stopping the epidemic from spreading. Operations in 2020 were characterised by implementation of necessary measures of social distancing and lockdown introduced with the intention to curb the pandemic. COVID-19 pandemic has caused unpredictable social, security and health-related risks for the employees and users of the Group's services.

Negative COVID-19 pandemic impacts on the economy which also impacted Group operations in 2020 were the following:

- Part of sales activities halted as a direct consequence of COVID-19 pandemic (core business activities of subsidiary Zagreb Markets, Bus Terminal, Vladimir Nazor and Arena Zagreb)
- Sales activities decreased in other business segments as a result of all other market activities being diminished.
- Cost of material and staff costs increased as a result of implementation of recommended occupational health and safety measures aimed at preventing the spreading of epidemic and providing additional protection for employees who belong in high-risk groups.

Considering that the Company is 100%-owned by a local self-government unit, it was not an eligible employer to apply for the most significant government grants for job retention, which meant that all lockdown-related costs had to be borne by the Company itself.

The Group implemented the necessary protection measures and adapted to operating in a crisis situation. Operating expenses were reduced to the necessary minimum in the light of the current circumstances, with a view of managing business continuity.

4/ USING ESTIMATES AND JUDGEMENTS IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUES / CONTINUED

Impact of the COVID-19 pandemic and natural disaster (earthquake) on the going concern assumption / continued

Despite the described impacts on the Group's operations in 2020 and inability to benefit from government grants for job retention, the Group managed to maintain financial stability of operations with only minimal support in the form of quarterly moratorium on a portion of its tax liabilities and loan payables. Apart from the mentioned impacts, considering the uncertainty in terms of duration and outcome of the pandemic, it is still very hard to quantify all the negative impacts on the Group's operations in all segments. Possible negative impacts on the Group's operations that could occur in the upcoming periods depend on various external factors, such as duration and scope of the extraordinary measures.

Due to the unpredictability of the COVID-19 pandemic on the economy and on the living standard of users of the Group's services in the upcoming financial year, it is currently impossible to estimate the effects in terms of potential future decrease in sales revenue and estimated operating expenses pertaining to:

- Cost of material and staff costs as a result of employee protection measures
- Costs of expected credit losses in trade receivables as a result of service users' decreased purchase power

The natural disaster (earthquakes) that struck Zagreb in March 2020 and Petrinja and the surrounding area in December 2020 represented an additional negative impact on the Group's operations by requiring additional efforts to be invested in order to maintain the financial stability of operations. The earthquake did not cause any significant damage to the municipal infrastructure managed by the Group, or on the majority of the facilities used for day-to-day operations. An exception were public facilities at the Mirogoj City Cemetery, which is managed by the subsidiary City Cemeteries. The largest damage was to Mirogoj's arcades and the Church of Christ the King, both category-zero historical monuments. After a preliminary structural soundness report, emergency repair measures were implemented with a view of protecting human lives and preventing the occurrence of even greater damage. These measures are still in effect. The most extensive damage was suffered by housing units belonging to subsidiary Vladimir Nazor at Grad Mladih hostel complex. Damage has been notified to the insurance company; however, the majority of the housing units at that site remain unsuitable for use until repaired. Damage caused by the earthquake on other Group facilities has not had a significant impact on the performance of core business activities. Impact of the COVID-19 pandemic and the aftermath of the earthquake were taken into consideration when deciding whether the going concern assumption was appropriate.

The Management Board found that there was no material uncertainty when it comes to the going concern assumption and it believes that the going concern assumption is appropriate for the purposes of preparation of annual financial statements.

3.2 Fair value measurement

The Company has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance. Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.
All significant issues related to fair value estimates are reported to the Supervisory Board. Fair values are categorised into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 - input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

4/ USING ESTIMATES AND JUDGEMENTS IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUES / CONTINUED

3.2 Fair value measurement / continued

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant input variables required for fair valuation are visible, the estimate of fair value is categorized as level 2.
If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

For financial reporting purposes, the Group measures some of its assets at fair value. The Group uses market data, if available, in estimating the fair value of assets or liabilities. If Level 1 inputs are not available, the Group engages independent certified assessors. The Group coordinates the valuation process and works closely with independent certified appraisers to determine valuation methods and variables that enter the fair value model.
The Group has made the following significant estimates of fair value in the preparation of its financial statements, which are explained in more detail in the following notes:

- *Property* (Note 18)

The assessment of fair value for land was subsequently measured using the revaluation method in accordance with IAS 16 by an independent certified appraiser, using the comparative method. The comparative method is suitable for determining the market value of undeveloped and built-up land, and is also used to estimate the value of detached, semi-built and built-in family houses, terraced houses, apartments, garages as ancillary buildings, garage parking spaces, parking spaces and business premises. The comparative method determines the market value from at least three purchase prices (transactions) of comparative real estate.

- *Investment property* (Note 21)

The assessment of the fair value of investment property that is subsequently measured at fair value in accordance with IAS 40 was performed by an independent certified appraiser, using the comparative method for business premises and land and the income method for the leased part of buildings. The revenue method was applied in calculating the fair value of the construction part (leased property). In the revenue method, the revenue value is determined on the basis of revenues generated in the market (sustainable revenues). If the revenue ratios are subject to significant deviations in the foreseeable future or significantly deviate from the revenues generated on the market, the revenue value can also be determined on the basis of periodically different revenues. The revenue value of constructed land includes the value of the land, the value of the building and the value of the device. According to the fair value hierarchy, estimates by the comparative method are classified in level 2 and by the income method in level 3 of fair value.

4/ USING ESTIMATES AND JUDGEMENTS IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUES / CONTINUED

3.2 Fair value measurement / continued

- *Long term assets available for sale (Note 24)*

Fair value measurement is categorized, according to the input variables used in the valuation, as level 3. The following table summarizes the fair value valuation methods and techniques and significant input variables used in the fair value measurement at the classification date:

Assessment methods and techniques	Significant input variables that are not visible
Property The cost and comparison method was used for buildings and land?	Among other factors, the estimated discount rate considers the quality of the property and its location in a similar geographical location for a comparable type of property.

- *Financial instruments (Note 22 and 27)*

The Group applies IFRS 13, which is a single source of guidance for measuring fair value and disclosing information about fair value measures. IFRS 13 has a wide scope. The requirements relating to the measurement of fair value apply to both financial instruments and non-financial instruments for which other IFRSs prescribe or permit the measurement and disclosure of fair value, except for share-based payment transactions that are under the scope of IFRS 2 “Share-based payments”, lease transactions that are under the scope of IFRS 16 “Leases” and measures that are somewhat similar to fair value but not fair value (e.g. net realizable value when measuring inventories or value in use when assessing impairment) .

IFRS 13 defines fair value as the price that, under existing market conditions, would be obtained by selling an asset or paying for the transfer of a liability in an orderly transaction in the main (or most favourable) market at the measurement date. According to IFRS 13, fair value is the output price, regardless of whether the price is directly visible or is estimated by another valuation method.

4/ CORRECTIONS PERTAINING TO PREVIOUS YEARS - 2018 AND 2019 FINANCIAL STATEMENTS RESTATEMENT AND RECLASSIFICATION OF PREVIOUS COMPARATIVE AMOUNTS

In 2020, the Group made the following corrections pertaining to previous periods, and the Management Board is of the opinion that such corrections contribute to a better accounting presentation of consolidated financial statements. Changes in accounting policies and restatements were performed retroactively for consolidated annual financial statements for the years 2018 and 2019, and their effects are presented in the tables below. Considering the restatements for previous periods, as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Group presented the balances for the latest presented period, i.e. as at 1 January 2019.

Property, plant and equipment - IAS 16

In 2020, an accounting error was corrected pertaining to revaluation of land under real estate pertaining to wholesale market and cold storage facilities and the Green Market, which revaluation was recorded in previous years. The financial statements present the derecognition of the effects of revaluation for the mentioned land. As required under IAS 8, it was necessary to adjust the items pertaining to land, revaluation reserves and deferred tax liability for each presented period, as if no revaluation was performed, as evident in the statements of financial position / balance sheet and comprehensive income statement for 2018 and 2019.

IAS 40 consolidation

A previous-period error in the consolidated annual financial statements has been corrected, specifically an error pertaining to value of land leased to a subsidiary, which is recognised in the nonconsolidated financial statements as investment property under IAS 40, whereas for the requirements of consolidation, this land has to be reclassified as Property, plant and equipment under IAS 16. Under liabilities in the consolidated statement of financial position, this correction has been performed through retained earnings, revaluation reserves and deferred tax liability. The Group stated balances for the latest period presented, i.e. as at 1 January 2019.

Other

Other corrections pertained to recognition of costs of joint reserves and cost of material from previous years in the period in which they were incurred (costs arising from the contractual liability pertaining to apartments leased to the City of Zagreb in the period in which they were incurred and deferred costs of material). As required under IAS 8, it was also necessary to adjust items pertaining to costs of municipal services and liabilities owing to the City of Zagreb as well as costs of material and other current liabilities for each presented period, as visible in the statements of financial position and comprehensive income statement for 2018 and 2019.

Reclassification of previous comparative amounts

In 2019, the Group's presented consolidated statement of financial position involved reclassification of current maturity of non-current receivables and other non-current liabilities pertaining to loans granted to apartment buildings and the current portion of non-current receivables from related parties. Comparative amounts for previous years were reclassified the same way.

The effect of the above-described corrections on the presented operating results for 2018 and 2019 was as follows:

	Originally presented result	Result after restatement	Effects of restatement
	(In HRK 000)	(In HRK 000)	(In HRK 000)
Profit for 2018	**72.404**	**71.056**	**(1.348)**
Total comprehensive income for 2018	78.357	77.009	(1.348)
Retained earnings	**689.042**	**695.021**	**5.979**
Profit for 2019	**14.311**	**7.200**	**(7.111)**
Total comprehensive income for 2019	174.606	98.874	(75.732)
Retained earnings	**698.503**	**697.371**	**(1.132)**

5/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS FOR 2018 AND 2019 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

a) Restatement of previously disclosed amounts - profit and loss account and report on other comprehensive income for 2018

	2018 according to a previous report	Other	2018. after Restatement
	('000 HRK)	('000 HRK)	('000 HRK)
OPERATING REVENUES			
Revenue from sales	3,263,744	-	3,263,744
Other operating revenue	583,433	-	583,433
Total	3,847,177	-	3,847,177
OPERATING EXPENSES			
Cost of goods sold, material and energy	(1,931,273)	(1,348)	(1,932,621)
Personnel expenses	(1,057,120)	-	(1,057,120)
Depreciation	(373,176)	-	(373,176)
Value adjustment of assets	(152,475)	-	(152,475)
Provision	(67,037)	-	(67,037)
Other operating expenses	(105,332)	-	(105,332)
Total	(3,686,413)	(1,348)	(3,687,761)
Finance income	170,433	-	170,433
Finance costs	(237,381)	-	(237,381)
TOTAL REVENUES	4,017,610	-	4,017,610
TOTAL EXPENSES	(3,923,794)	(1,348)	(3,925,142)
PROFIT/(LOSS) BEFORE TAX	93,816	(1,348)	92,468
INCOME TAX EXPENSE	(21,412)	-	(21,412)
PROFIT FOR THE PERIOD	72,404	(1,348)	71,056
Profit attributable to:	*72,404*	*(1,348)*	*71,056*
Owners of the Company	*68,804*	*(1,348)*	*67,456*
Non-controlling interests	*3,600*	-	*3,600*
Other comprehensive net profit			
Profit from property revaluation net	1,008	-	1,008
Profit from valuation of lands net	4,945	-	4,945
Total comprehensive income for the period	78,357	(1,348)	77,009

5/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS FOR 2018 AND 2019 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

b) Restatement of previously disclosed amounts - profit and loss account and report on other comprehensive income for 2019

	2019 according to a previous report ('000 HRK)	Property, plant and equipment ('000 HRK)	Other ('000 HRK)	2019 after restatement ('000 HRK)
OPERATING REVENUES				
Revenue from sales	3,506,889	-	-	3,506,889
Other operating revenue	580,663	-	-	580,663
Total	4,087,552	-	-	4,087,552
OPERATING EXPENSES				
Cost of goods sold, material and energy	(2,153,870)	-	(6,479)	(2,160,349)
Personnel expenses	(1,147,561)	-	-	(1,147,561)
Depreciation	(389,698)	-	-	(389,698)
Value adjustment of assets	(163,286)	-	-	(163,286)
Provision	(58,111)	-	-	(58,111)
Other operating expenses	(100,558)	-	(632)	(101,190)
Total	(4,013,084)	-	(7,111)	(4,020,195)
Finance income	146,000	-	-	146,000
Finance costs	(197,744)	-	-	(197,744)
TOTAL REVENUES	4,233,552	-	-	4,233,552
TOTAL EXPENSES	(4,210,828)	-	(7,111)	(4,217,939)
PROFIT/(LOSS) BEFORE TAX	22,724	-	(7,111)	15,613
INCOME TAX EXPENSE	(8,413)	-	-	(8,413)
PROFIT FOR THE PERIOD	14,311	-	(7,111)	7,200
Profit attributable to:	*14,311*	-	*(7,111)*	*7,200*
Owners of the Company	*9,041*	-	*(7,111)*	*1,930*
Non-controlling interests	*5,270*	-	-	*5,270*
Other comprehensive net profit				
Profit (loss) from valuation of financial assets	420	-	-	420
Profit from real estate revaluation	159,875	(68,621)	-	91,254
Total comprehensive income for the period	174,606	(68,621)	(7,111)	98,874
Profit attributable to:				
Owners of the Company	*169,336*	*(68,621)*	*(7,111)*	*93,604*
Non-controlling interests	*5,270*	-		*5,270*

5/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS FOR 2018 AND 2019 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

c) Restatement of previously disclosed amounts - report on financial position / balance sheet as of 31 December 2018

('000 HRK)	31 Dec 2018 acc,to a prev, report	Property, plant and equipment	IAS 40 consolidation	Other	Reclassifications	31 Dec 2018 after restatement
NON-CURRENT ASSETS						
Property, plant, equipment and advances	10,003,320	(90,592)	15,683	-	-	9,928,411
Investment property	1,752,655	-	-	-	-	1,752,655
Intangible assets	23,194	-	-	-	-	23,194
Financial assets	154,940	-	-	-	-	154,940
Trade and other receivables	2,004,817	-	-	-	(28,165)	1,976,652
Deferred tax assets	71,760	-	(8,520)	-	-	63,240
Total non-current assets	14,010,686	(90,592)	7,163	-	(28,165)	13,899,092
CURRENT ASSETS						
Inventory	316,346	-	-	-	-	316,346
Trade and other receivables	1,649,863	-	-	-	28,165	1,678,028
Financial assets	26,453	-	-	-	-	26,453
Cash and cash equivalents	310,461	-	-	-	-	310,461
Total current assets	2,303,123	- -	-	-	28,165	2,331,288
TOTAL ASSETS	16,313,809	(90,592)	7,163	-	-	16,230,380
EQUITY						
Share capital	3,177,044	-	-	-	-	3,177,044
Legal reserves	1,839,527	(74,285)	(3,536)	-	-	1,761,706
Other reserves	322,618	-	-	-	-	322,618
Retained earnings	616,638	-	11,475	(4,148)	-	623,965
Profit for the period	72,404	-	-	(1,348)	-	71,056
Non-controlling interests	11,484	-	-	-	-	11,484
Total equity	6,039,715	(74,285)	7,939	(5,496)	-	5,967,873
NON-CURRENT LIABILITIES	4,360,796	-	-	-	(25,660)	4,335,136
Deferred tax liability	435,515	(16,307)	(776)	-	-	418,432
DEFERRED INCOME	3,296,745	-	-	-	-	3,296,745
CURRENT LIABILITIES	2,181,038	-	-	5,496	25,660	2,212,194
TOTAL EQUITY AND LIABILITIES	16,313,809	(90,592)	7,163	-	-	16,230,380

5/ RESTATEMENT RELATING TO PREVIOUS YEARS - AMENDMENTS TO THE FINANCIAL STATEMENTS FOR 2018 AND 2019 AND RECLASSIFICATIONS OF PREVIOUS COMPARATIVE AMOUNTS / CONTINUED

d) Restatement of previously disclosed amounts - report on financial position / balance sheet as of 31 December 2019

('000 HRK)	31 Dec 2019 acc,to a prev, report	Restatement in 2018	Property, plant and equipment	Other	Reclassifications	31 Dec 2019 after restatement
NON-CURRENT ASSETS						
Property, plant, equipment and advances	10,201,876	(74,909)	(83,684)	-	-	10,043,283
Investment property	1,688,614	-	-	-	-	1,688,614
Intangible assets	23,780	-	-	-	-	23,780
Financial assets	33,582	-	-	-	-	33,582
Trade and other receivables	155,889	-	-	-	-	155,889
Deferred tax assets	1,938,527	-	-	-	(31,674)	1,906,853
Total non-current assets	85,623	(8,520)	-	-	-	77,103
CURRENT ASSETS	14,127,891	(83,429)	(83,684)	-	(31,674)	13,929,104
Inventory						
Trade and other receivables	396,304	-	-	-	-	396,304
Financial assets	1,727,685	-	-	-	31,674	1,759,359
Cash and cash equivalents	30,853	-	-	-	-	30,853
Total current assets	202,179	-	-	-	-	202,179
TOTAL ASSETS	2,357,021	-	-	-	31,674	2,388,695
	16,484,912	(83,429)	(83,684)	-	-	16,317,799
EQUITY						
Share capital						
Legal reserves	3,177,044	-	-	-	-	3,177,044
Other reserves	1,999,402	(77,821)	(68,621)	-	-	1,852,960
Retained earnings	322,618	-	-	-	-	322,618
Profit for the period	684,192	5,979	-	-	-	690,171
Non-controlling interests	14,311	-	-	(7,111)	-	7,200
Total equity	14,420	-	-	-	-	14,420
NON-CURRENT LIABILITIES	6,211,987	(71,842)	(68,621)	(7,111)	-	6,064,413
Deferred tax liability	4,118,394	-	-	-	(31,674)	4,086,720
DEFERRED INCOME	463,116	(17,083)	(15,063)	-	-	430,970
CURRENT LIABILITIES	3,262,452	-	-	-	-	3,262,452
TOTAL EQUITY AND LIABILITIES	2,428,963	5,496	-	7,111	31,674	2,473,244
('000 HRK)	16,484,912	(83,429)	(83,684)	-	-	16,317,799

6/ SALES REVENUE

Division by markets

	2020	2019
	('000 HRK)	('000 HRK)
Croatia	3,295,325	3,506,826
European union	201	63
	3,295,526	3,506,889

7/ SEGMENT INFORMATIONS

In accordance with IFRS 8, the Group identified its operating segments on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Group identified its operating segments on the basis of reports regularly reviewed by the Management and used by it in making strategic decisions. Operating segments have been formed by the nature of the business of the Group's subsidiaries (Note 1), identifying ten activities as operating segments, whereas the eleventh segment includes all other activities of the Group.

Operating segments are as follows:

1/ Water collection, treatment and supply
2/ Cleaning and waste removal services
3/ Management, maintenance, construction and protection of regional and local roads
4/ Parking services
5/ Warehousing and rental services
6/ Landscaping services
7/ Facility management
8/ Project management and construction
9/ Gas supply and distribution
10/ Pharmacy services
11/ Other services

7/ SEGMENT INFORMATIONS / CONTINUED

Set out below is a breakdown of revenue and results of the Group by its reporting segments presented in accordance with IFRS 8. The presented sales comprise sales to third parties.

	2020	2019
	('000 HRK)	('000 HRK)
Gas sales and distribution	973,753	962,714
Water distribution	439,113	448,565
Cleaning and waste removal	364,205	359,566
Management and maintenance of public roads	352,787	334,086
Pharmacy	285,691	312,136
Landscaping	199,312	222,712
Construction and project management	87,032	202,166
Parking	126,484	152,202
Facility management	110,467	117,547
Lease and warehousing	80,703	84,842
Other revenues	275,979	310,354
	3,295,526	3,506,889

Other revenues comprise the following:

	2020	2019
	('000 HRK)	('000 HRK)
Funeral services	103,990	80,134
Market revenues	63,301	71,237
Bus station services	20,824	41,059
Maintenance and facility management	23,052	38,556
Travel agency	22,519	37,688
Telecommunication lines and network lease	20,416	19,813
Waste disposal	17,966	16,544
Publishing	3,911	5,323
	275,979	310,354

7/ SEGMENT INFORMATIONS / CONTINUED

Segment revenues and results 2020

('000 HRK)	Facility management	Water distribution	Cleaning and waste collection	Public roads management and maintenance	Construction and project management	Parking	Lease and warehousing	Landscaping	Gas sales and distribution	Pharmacy	Other	Elimination	Total
Sales revenue - external customers	110,467	439,113	364,205	285,691	87,032	126,484	80,703	199,312	973,753	352,787	275,979	-	3,295,526
Intersegmental sales	112,083	2,821	9,788	37,546	906	1,685	2,654	14,272	204,774	410	58,839	(445,778)	-
Total sales revenue	222,550	441,934	373,993	323,237	87,938	128,169	83,357	213,584	1,178,527	353,197	334,818	(445,778)	3,295,526
Expenses of other operations, net other revenue from primary operations	(231,124)	(479,384)	(619,256)	(308,994)	(107,715)	(104,810)	(54,520)	(211,926)	(1,162,121)	(341,926)	(381,789)	452,536	(3,551,029)
Profit /(loss) from operating activities	(8,574)	(37,450)	(245,263)	14,243	(19,777)	23,359	28,837	1,658	16,406	11,271	(46,971)	6,758	(255,503)
Finance income	44,525	5,513	2,335	1,512	83,764	579	404	33	7,698	4,037	16,114	(27,123)	139,391
Finance expense	(141,065)	(9,538)	(1,790)	(323)	(13,688)	(659)	(266)	(28)	(1,723)	(308)	(53,018)	10,001	(212,405)
Net finance result	(96,540)	(4,025)	545	1,189	70,076	(80)	138	5	5,975	3,729	(36,904)	(17,122)	(73,014)
Profit / (loss) before tax	(105,114)	(41,475)	(244,718)	15,432	50,299	23,279	28,975	1,663	22,381	15,000	(83,875)	(10,364)	(328,517)
Tax revenue/(expense)	-	-	-	-	-	-	-	-	-	-	-	-	36,979
Net profit (loss)	-	-	-	-	-	-	-	-	-	-	-	-	(291,538)

7/ SEGMENT INFORMATIONS / CONTINUED

Segment revenues and results 2019 (restated)

('000 HRK)	Facility management	Water distribution	Cleaning and waste collection	Public roads management and maintenance	Construction and project management	Parking	Lease and warehousing	Landscaping	Gas sales and distribution	Pharmacy	Other	Elimination	Total
Sales revenue - external customers	117,547	448,565	359,566	312,136	202,166	152,201	84,842	222,712	962,714	334,086	310,354	-	3,506,889
Intersegmental sales	97,698	4,940	11,676	36,559	2,096	1,455	2,594	5,064	199,182	91	74,442	(435,797)	-
Total sales revenue	215,245	453,505	371,242	348,695	204,262	153,656	87,436	227,776	1,161,896	334,177	384,796	(435,797)	3,506,889
Expenses of other operations, net other revenue from primary operations	(140,928)	(474,811)	(508,812)	(328,643)	(224,063)	(101,913)	(23,826)	(225,870)	(1,143,390)	(324,970)	(338,842)	396,536	(3,439,532)
Profit /(loss) from operating activities	74,317	(21,306)	(137,570)	20,052	(19,801)	51,743	63,610	1,906	18,506	9,207	45,954	(39,261)	67,357
Finance income	67,083	6,599	4,461	428	82,280	878	459	67	8,554	6,393	7,711	(38,913)	146,000
Finance expense	(137,108)	(8,966)	(2,423)	(650)	(20,428)	(544)	(223)	(34)	(1,613)	(249)	(42,024)	16,518	(197,744)
Net finance result	(70,025)	(2,367)	2,038	(222)	61,852	334	236	33	6,941	6,144	(34,313)	(22,395)	(51,744)
Profit / (loss) before tax	4,292	(23,673)	(135,532)	19,830	42,051	52,077	63,846	1,939	25,447	15,351	11,641	(61,656)	15,613
Tax revenue/(expense)	-	-	-	-	-	-	-	-	-	-	-	-	(8,413)
Net profit (loss)	-	-	-	-	-	-	-	-	-	-	-	-	7,200

7/ SEGMENT INFORMATIONS / CONTINUED

Segment assets and liabilities as at 31 December 2020

('000 HRK)	Facility management	Water distribution	Cleaning and waste collection	Public roads management and maintenance	Construction and project management	Parking	Lease and warehousing	Landscaping	Gas sales and distribution	Pharmacy	Other	Elimination	Total
Property, plant and equipment	765,068	4,350,310	455,247	285,345	235	103,413	312,545	366,375	941,735	40,491	2,297,361	268,673	10,186,798
Right-of-use asset	803	17,005	115	239		1,195	3,686	346	5,906	5,811	4,110	(11,917)	27,299
Intangible assets	4,833	19,302	11,779	169	-	106	307	615	4,609	814	1,677	1,631	45,842
Investment property	806,112	-	-	-	-	-	1,308,921	-	3,379	-	-	(417,259)	1,701,153
Inventories	37	17,901	12,879	44,825	40,704	981	798	23,600	8,995	38,641	13,404	-	202,765
Trade receivables, net	14,638	435,447	47,512	6,377	1,222	7,639	7,979	3,004	193,162	51,932	26,474	-	795,386
Unallocated assets	5,271,253	85,176	79,312	235,468	973,639	98,477	36,947	135,881	344,675	177,848	1,293,390	(5,263,521)	3,468,545
Total assets	6,862,744	4,925,141	606,844	572,423	1,015,800	211,811	1,671,183	529,821	1,502,461	315,537	3,636,416	(5,422,393)	16,427,788
Bonds issued	2,271,278	-	-	-	-	-	-	-	-	-	-	-	2,271,278
Trade payables	13,255	234,995	78,882	68,810	13,716	10,789	5,682	31,378	46,733	28,670	42,254	-	575,164
Employee benefits liabilities	5,277	8,958	14,860	5,825	370	3,454	2,038	5,904	5,882	4,781	7,876	-	65,225
Capital and unallocated liabilities	4,572,934	4,681,188	513,102	497,788	1,001,714	197,568	1,663,463	492,539	1,449,846	282,086	3,586,286	(5,422,393)	13,516,121
Total equity	6,862,744	4,925,141	606,844	572,423	1,015,800	211,811	1,671,183	529,821	1,502,461	315,537	3,636,416	(5,422,393)	16,427,788
31 Dec 2019 Other segmental information													
Capital expenditure:	5,673	284,718	24,115	18,810	4	5,518	1,778	12,849	74,486	1,079	202,642	4,073	635,745
Property, plant and equipment	1,959	274,139	22,674	18,791	4	5,518	1,778	12,849	73,154	1,052	202,170	4,073	618,161
Intangible assets	3,714	10,579	1,441	19	-	-	-	-	1,332	27	472	-	17,584
Depreciation and impairment	5,497	178,729	38,691	11,061	56	10,963	4,142	7,764	111,553	5,154	29,625	-	403,235

7/ SEGMENT INFORMATIONS / CONTINUED

Segment assets and liabilities as at 31 December 2020 (restated)

('000 HRK)	Facility management	Water distribution	Cleaning and waste collection	Public roads management and maintenance	Construction and project management	Parking	Lease and warehousing	Landscaping	Gas sales and distribution	Pharmacy	Other	Elimination	Total
Property, plant and equipment	832,178	4,248,196	468,687	214,585	97	108,327	314,696	373,649	977,623	41,896	2,198,027	265,322	10,043,283
Right-of-use asset	866	12,864	392	601	-	1,730	4,820	373	1,061	5,849	4,483	(9,259)	23,780
Intangible assets	1,584	9,669	12,817	150	-	141	381	692	4,562	1,164	791	1,631	33,582
Investment property	839,111	-	-	-	-	-	1,286,585	-	3,389	-	-	(440,471)	1,688,614
Inventories	178,050	27,652	9,339	44,853	53,733	1,016	960	21,202	9,596	38,927	10,976	-	396,304
Trade receivables, net	17,044	441,241	48,621	11,647	1,133	11,903	9,555	5,870	157,451	40,832	24,055	-	769,352
Unallocated assets	4,764,982	57,153	82,605	183,929	1,049,063	68,665	17,433	66,027	347,205	174,210	1,392,484	(4,840,872)	3,362,884
Total assets	6,633,815	4,796,775	622,461	455,765	1,104,026	191,782	1,634,430	467,813	1,500,887	302,878	3,630,816	(5,023,649)	16,317,799
Bonds issued	2,261,551	-	-	-	-	-	-	-	-	-	-	-	2,261,551
Trade payables	9,340	111,287	47,558	40,330	27,727	5,539	4,371	21,390	151,920	27,765	44,292	-	491,519
Employee benefits liabilities	4,457	8,007	12,441	4,846	312	2,972	1,728	5,069	5,900	4,680	6,731	-	57,143
Capital and unallocated liabilities	4,358,467	4,677,481	562,462	410,589	1,075,987	183,271	1,628,331	441,354	1,343,067	270,433	3,579,793	(5,023,649)	13,507,586
Total equity	6,633,815	4,796,775	622,461	455,765	1,104,026	191,782	1,634,430	467,813	1,500,887	302,878	3,630,816	(5,023,649)	16,317,799
31 Dec 2019 Other segmental information													
Capital expenditure:	2,010	223,676	85,357	2,130	42	3,155	6,075	6,108	90,277	4,206	29,996	-	453,032
Property, plant and equipment	1,174	214,529	73,254	2,129	42	3,155	6,075	5,417	88,811	3,827	29,674	-	428,087
Intangible assets	836	9,147	12,103	1	-	-	-	691	1,466	379	322	-	24,945
Depreciation and impairment	55,522	9,147	31,050	10,883	42,187	10,395	3,950	8,692	111,710	4,502	101,660	-	389,698

8/ OTHER REVENUE

	2020	2019
	('000 HRK)	('000 HRK)
Revenue from reversal of deferred revenue recognition	163,894	160,900
Unrealized gains from changes in fair value of investment property /i/	78,033	143,043
Revenue from reversal of other provisions	38,047	70,748
Revenue from reversal of provisions for unused vacations (Note 10)	29,808	20,944
Amounts recovered (note 26)	45,224	64,371
Revenue from subsidies and grants	43,040	42,309
Other (total items not materially significant)	72,839	78,348
	470,885	580,663

Income from grants and subsidies was largely provided by the City of Zagreb and includes:

- grants from the city budget for the purposes approved by the City Assembly,
- financial support for repayment of outstanding loans (principal, interest, fees).

Revenues from deferred revenue recognition are stated in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance during the period of use and are systematically linked to the related costs (depreciation) - see note 2 (v).

/i/ The net gain from the change in the fair value of the investment property is shown as follows:

	2020	2019
	('000 HRK)	('000 HRK)
Unrealized gains on changes in the fair value of real estate investments (note 21)	78,033	143,043
Unrealized losses from changes in the fair value of investment property (notes 12 and 21)	(54,649)	(35,784)
Net increase of fair value (Note 21)	23,384	107,259

9/ MATERIAL AND SERVICE EXPENSES

	2020	2019 restated
	('000 HRK)	('000 HRK)
Raw material and supplies	191,933	223,450
Energy	114,843	121,475
Write-off of small inventory	13,606	14,275
a) Total material expenses	320,382	359,200
b) Change in inventories of production and finished products	(2,860)	(618)
c) costs of goods sold	997,652	1,104,226
Subcontractors	174,795	184,720
Maintenance services	194,494	120,882
Utility services and fees	121,057	112,349
Transportation	69,505	67,486
Intellectual services	28,739	43,098
Lease and rentals	37,026	35,852
Data processing and software maintenance	30,066	30,183
Insurance premiums	11,585	13,872
Banking services and payment transaction costs	18,639	13,547
Advertising	2,173	3,460
Other external services	82,356	72,092
d) total external services	770,435	697,541
	2,085,609	2,160,349

Decreased costs of raw materials and supplies in 2020 compared to the previous year resulted from decreased volume of works in the segments of public road management and maintenance and water distribution. Costs of goods sold decreased compared to the comparative previous year period in the segment of construction and project management, owing to the fact that the majority of apartments in Podbrežje city area were sold in 2019. Increase in the costs of municipal services pertained to costs of disposal of separately collected waste in the cleaning and waste disposal segment. Decrease in the costs of intellectual services pertained to decreased costs of legal representation and other intellectual services.

Costs of auditing in 2020 amounted to HRK 966 thousand (2019: HRK 558 thousand) and they are presented in this Note under intellectual services.

10/ EMPLOYEE BENEFITS EXPENSES

	2020	2019
	('000 HRK)	('000 HRK)
Net salaries and fees	660,664	618,469
Taxes and contributions	401,638	377,513
Employee reimbursements and other material rights	163,582	151,579
	1,225,884	1,147,561
Number of employees at 31 December	7,809	7,794

The average number of employees on the basis of realized working hours paid by the Group in 2020 amounted to 7.553 (2019: 7,521 employees).

Employee compensation and other material rights include benefits that are governed by the Collective Agreement of the Company and by separate acts of subsidiaries such as reimbursement of costs of transport to and from work to the extent of public transport costs, commemorative prizes and gifts to employees (jubilee awards, Christmas Easter, vacation bonus, etc.), costs of education and professional training, and other.

The increase in employee costs in 2020 compared to the previous comparative period is a consequence of the implementation of the new Collective Agreements, which has been in force since 1.1.2020. years

	2020	2019
	('000 HRK)	('000 HRK)
Employee costs	1,225,884	1,147,561
Expenses for reservations for unused vacations	34,918	31,893
Revenues from cancellation of provisions for unused vacations (Note 8)	(29,808)	(20,944)
	1,230,993	1,158,509

11/ DEPRECIATION AND AMORTISATION

	2020	2019
	('000 HRK)	('000 HRK)
Amortization of property, plant and equipment (note 18)	386,120	377,995
Amortization of intangible assets (note 19)	5,963	4,154
Amortization of right-of-use asset (note 20)	11,152	7,549
	403,235	389,698

12/ IMPAIRMENT OF ASSETS

	2020	2019
	('000 HRK)	('000 HRK)
Losses from change in fair value of investment property (Note 8 /i/)	54,649	35,784
Value adjustment of trade receivables (Note 26)	81,402	71,537
Value adjustment of other current assets	8,220	1,031
Value adjustment of property, plant and equipment (Note 18)	18,399	42,341
Value adjustment of related parties receivables	9,971	-
Impairment of goodwill (Note 19)	-	10,180
Impairment of other fixed assets	62	2,413
	172,703	163,286

13/ REZERVIRANJA

	2020	2019
	('000 HRK)	('000 HRK)
Provisions for employee benefits under IAS 19	4,589	17,113
Provisions for initiated court disputes	11,035	7,906
Provisions for the repair of natural resources (Note 33)	956	1,199
Other provisions	2,000	-
Provisions for unused vacation days (Note 10)	34,918	31,893
	53,498	58,111

14/ OSTALI POSLOVNI RASHODI

	2020	2019 restated
	('000 HRK)	('000 HRK)
Fines, penalties and damage compensation	26,168	33,520
Administrative and court costs	9,654	11,479
Gifts, donations and sponsorships	12,443	6,953
Taxes and contributions independent of the result	7,444	11,021
Write-offs	15,869	6,448
Entertainment expenses	1,315	2,110
Other (deficits, net book value of disposed assets, technical literature and magazines, fees AB and SB, etc.)	8,092	29,659
	80,985	101,190

15/ FINANCE INCOME

	2020	2019
	('000 HRK)	('000 HRK)
Interest income on loans to related companies	74,324	91,915
Interest income on deposits and loans to non-affiliated entities	12,465	16,549
Other financial income	37,139	32,270
Foreign exchange gains	15,463	5,266
	139,391	**146,000**

16/ FINANCE EXPENSES

	2020	2019
	('000 HRK)	('000 HRK)
Interest expense	166,353	162,096
The cost of the bond discount and issue	19,304	21,133
Interest expense from related parties	740	1,631
Other interest expense	8,940	7,210
Foreign exchange losses	17,068	5,674
	212,405	**197,744**

Net effect of foreign exchange

	2020	2019
	('000 HRK)	('000 HRK)
Foreign exchange gains	15,463	5,266
Foreign exchange losses	(17,068)	(5,674)
	(1,605)	**(408)**
Foreign exchange losses	(5,674)	(18,840)
	(408)	**2,044**

In July 2016, the Company prematurely purchased 48.77% of Euro bonds by issuing new bonds with a nominal value of 1,800,000 thousand with a coupon of 3.875%. In July 2017, it repaid the remaining 51.23% of Euro bonds and issued another bond tranche of a nominal value of HRK 500,000,000 with a coupon of 3,875%.

Issued bonds mature on 15 July 2023 (Note 31).

17/ TAX EXPENSE

The group is not a taxpayer but its members are. Income tax expense for 2019 is calculated by applying an 18% tax rate to a pre-tax profit. Tax rate changed on 1 January 2017 by amendments to the Income Tax Act.

Income tax recognized in profit or loss

	2019	2018 restated
	('000 HRK)	('000 HRK)
Tax expense includes:		
Current tax for the year	5,880	29,990
Deferred tax expenses based on the origin AN reversals of temporary differences	(42,859)	(21,209)
Effect of tax losses not recognized as tax assets	-	(368)
Tax (income) / expense recognized in profit or loss	(36,979)	8,413

The relationship between the accounting profit and tax expense of the current year:

	2019	2018 restated
	('000 HRK)	('000 HRK)
Profit before tax	(328,517)	15,613
Income tax at a rate of 18%	(59,133)	2,810
Effect of permanent differences (net)	24,428	27,180
The effect of previously recognized and unused tax losses	(915)	(368)
The effect of temporary differences recognized as deferred tax assets	(1,359)	(21,209)
Tax revenue recognized in profit or loss	(36,979)	8,413
Effective tax rate	-	53%

17/ TAX EXPENSE / CONTINUED

Balance of deferred tax - deferred tax asset and deferred tax liability

2020	Opening balance (restated)	Profit tax recognised in profit or loss	Stated in other comprehensive income	Credited directly to equity	Closing balance
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	(('000 HRK))
Temporary differences					
Provisions IAS 19	24,440	285	-	-	24,725
Inventories	12	-	-	-	12
Application of IFRS 15	12,246	(1,617)	-	-	10,629
Value adjustment of land	6,985	-	-	-	6,985
Property, plant and equipment	882	-	-	-	882
IAS 40 Investment property	31,527	(4,048)	-	-	27,479
Land revaluation	394,325	-	(4,714)	-	389,611
Property, plant and equipment	9,333	-	1,376	(46)	10,663
Revaluation of financial assets	2,991	-	351	-	3,342
IFRS 16 leases	24,321	(6,739)	-	-	17,582
Unused tax losses					
Tax losses	1,011	41,500	-	-	42,511
Deferred tax assets	**77,103**	**36,120**	**-**	**-**	**113,223**
Deferred tax liabilities	**430,970**	**(6,739)**	**(2,987)**	**(46)**	**421,198**
Total		42,859	(2,987)	(46)	

In accordance with tax regulations, the Tax Administration may at any time review the books and records of companies for a period of three years after the end of the year in which the tax liability is stated and may impose additional tax liabilities and penalties. Management is not aware of any circumstances that could lead to potential significant liabilities in this regard.

17/ TAX EXPENSE / CONTINUED

Balance of deferred tax - deferred tax asset and deferred tax liability

2019	Opening balance (restated)	Profit tax recognised in profit or loss	Stated in other comprehensive income	Credited directly to equity	Closing balance
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	(('000 HRK))
Temporary differences					
Provisions IAS 19	25,117	(677)	-	-	24,440
Inventories	12	-	-	-	12
Application of IFRS 15	13,203	(957)	-	-	12,246
Value adjustment of land	-	6,985	-	-	6,985
Property, plant and equipment	-	882	-	-	882
IAS 40 Investment property	24,723	6,804	-	-	31,527
Land revaluation	374,772	-	19,553	-	394,325
Property, plant and equipment	9,095	-	386	(148)	9,333
Revaluation of financial assets	2,898	-	93	-	2,991
IFRS 16 leases	31,667	(7,346)	-	-	24,321
Unused tax losses					
Tax losses	185	826	-	-	1,011
Deferred tax assets	**63,240**	**13,863**	-	-	**77,103**
Deferred tax liabilities	**418,432**	**(7,346)**	**20,032**	**(148)**	**430,970**
Total		21,209	20,032	148	

Revaluation reserves for property, plant and equipment were formed in previous periods and included in the Group's reports by merging companies in 2007. As previously stated in the accounting policies, the Group applies the land revaluation model while property, plant and equipment are subsequently measured at amortized cost.

18/ PROPERTY, PLANT AND EQUIPMENT

('000 HRK) NABAVNA VRIJEDNOST	Land	Buildings	Plant and equipment	Tools and vehicles	Other tangible assets	Assets under construction	Total tangible assets
Balance at 31 December 2018	**3,233,169**	**11,727,911**	**1,263,512**	**689,189**	**46,482**	**579,640**	**17,539,903**
Effects of modifications (note 4)	(74,909)	-	-	-	-	-	**(74,909)**
Balance at 1 January 2019 restated	**3,158,260**	**11,727,911**	**1,263,512**	**689,189**	**46,482**	**579,640**	**17,464,994**
New purchases	9	63,035	34,108	3,354	17	327,564	**428,087**
Transfer from assets under construction	678	122,741	61,994	41,352	72	(226,837)	-
Reclassifications from intangible assets	-	40,978	(39,478)	(993)	-	(365)	**142**
Revaluation	113,291	2,144	-	-	-	-	**115,435**
Expenditure, alienation and sales	(4,185)	(5,472)	(39,072)	(18,359)	(16)	(332)	**(67,436)**
Transfer to real estate investment	(655)	(7,122)	-	-	-	-	**(7,777)**
Balance at 31 December 2019 (restated)	**3,267,398**	**11,944,215**	**1,281,064**	**714,543**	**46,555**	**679,670**	**17,933,445**
New purchases	-	46,555	37,373	4,571	-	529,662	**618,161**
Transfer from assets under construction	131,124	271,775	70,793	44,956	3	(519,347)	**(696)**
Reclassifications from intangible assets	-	83	486	(488)	-	8	**89**
Revaluation	-	7,644	-		-	-	**7,644**
Expenditure, alienation and sales	(49)	(11,313)	(40,249)	(19,537)	-	(20)	**(71,168)**
Value adjustment	-	(3,606)	-	-	-	-	**(3,606)**
Return to the City	(33,775)	(139,558)	-	-	-	-	**(173,333)**
Transfer from finished products	191	-	-	-	-	-	**191**
Transfer to real estate investment	-	(12,455)	-	-	-	-	**(12,455)**
Balance at 31 December 2020	**3,364,889**	**12,103,340**	**1,349,467**	**744,045**	**46,558**	**689,973**	**18,298,272**
IMPAIRMENT							
Balance at 31 December 2018	**18,239**	**5,955,149**	**1,008,440**	**533,431**	**128**	**25,160**	**7,540,547**
Depreciation	-	284,542	54,954	38,552	-	(53)	**377,995**
Value adjustment	35,841	-	89	1	-	6,410	**42,341**
Reclassifications (transfers from / to)	-	10,295	(9,298)	(997)	-	-	-
Expenditure, alienation and sales	(2,665)	(3,813)	(38,741)	(18,283)	-	(248)	**(63,750)**
Transfer to real estate investment	-	(1,205)	-	-	-	-	**(1,205)**
Balance at 31 December 2019 restated	**51,415**	**6,244,968**	**1,015,444**	**552,704**	**128**	**31,269**	**7,895,928**
Depreciation	-	285,996	58,025	42,126	-	(27)	**386,120**
Value adjustment	-	18,399	-	-	-	-	**18,399**
Reclassifications (transfers from / to)	-	35	479	(479)	-	-	**35**
Expenditure, alienation and sales	-	(10,775)	(39,546)	(19,420)	-	-	**(69,741)**
Return to the City		(112,775)	-	-	-	-	**(112,775)**
Transfer to real estate investment	-	(3,135)	-	-	-	-	**(3,135)**
Balance at 31 December 2020	**51,415**	**6,422,713**	**1,034,402**	**574,931**	**128**	**31,242**	**8,114,831**
NET BOOK VALUE							
Balance at 1 January 2019 restated	**3,140,021**	**5,772,762**	**255,072**	**155,758**	**46,354**	**554,480**	**9,924,447**
Balance at 31 December 2019 restated	**3,215,983**	**5,699,247**	**265,620**	**161,839**	**46,427**	**648,401**	**10,037,517**
Balance at 31 December 2020	**3,313,474**	**5,680,627**	**315,065**	**169,114**	**46,430**	**658,731**	**10,183,441**

Under new purchases in 2020 the Company presented the acquisition of real estate of wholesale market and cold storage facilities worth HRK 171,650 thousand, under the real estate exchange agreement signed with the City of Zagreb. Derecognition of the real estate item given in exchange has been described under Note 24.

18/ PROPERTY, PLANT AND EQUIPMENT / CONTINUED

	31 Dec 2020	31 Dec 2019 restated	1 Jan 2019 restated
	('000 HRK)	('000 HRK)	('000 HRK)
Net value without advances	10,183,441	10,037,517	9,924,447
Advances for tangible assets	3,357	5,766	3,964
Property, plant, equipment and advances	10,186,798	10,043,283	9,928,411

Ownership over land and buildings

The group is in the process of entering land and buildings into appropriate registers proving property ownership. As some municipal land registers are not fully arranged, the registration process lasts longer than for the newly constructed facilities. The owner of the Group, the City of Zagreb, provided a significant part of the assets to the Group for management. The property status has not yet been fully regulated. Part of the assets has been registered since the establishment of the Group and the process for solving the current status is ongoing for the remaining assets.

Ownership status of land (revalued value) is shown below:

	31 Dec 2020	31 Dec 2019 restated
	('000 HRK)	('000 HRK)
Registered ownership	2,189,625	2,322,346
Unregistered ownership	1,123,849	893,637
	3,313,474	3,215,983

Ownership status of buildings (purchase value)

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Registered ownership	1,653,117	1,658,336
Unregistered ownership	3,827,492	3,873,781
Utility infrastructure facilities	6,622,731	6,412,098
	12,103,340	11,944,215

Review of the residual value

In accordance with the requirements of IAS 16 (Property, plant and equipment), effective for the current accounting period, the Group has reviewed the residual value for depreciation. The review has not identified the need to align the residual value for the current and prior periods.

Impairment of assets

In accordance with IAS 36, when there are indications of impairment of an asset, the stated value should be compared with the recoverable amount and the recoverable amount should be written off. The recoverable amount is a higher amount by comparing the (i) net selling price if the asset can be sold and (ii) the "value in use of that asset", which represents the net present value of future cash flows based on reasonable and substantiated assumptions and best management knowledge of the future economic business conditions and plans. The Company's management believes that the stated amount of tangible assets in the previous table can be recovered over the future period.

18/ PROPERTY, PLANT AND EQUIPMENT / CONTINUED

/i/ Return to the City

During 2020, the land in Remetinec with a revalued value of HRK 12,720 thousand was derecognized for transfer to the City of Zagreb without compensation for the needs of the construction of communal infrastructure. Derecognition was carried out through a reduction in assets and revaluation reserves and deferred tax liabilities.

Book value of real estate pledged as collateral

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Real estate pledged as an insurance instrument	15,247	16,395

19/ INTANGIBLE ASSETS AND GOODWILL

('000 HRK) COST	Patent, licenses and other rights	Goodwill	Other intangible assets	Intangible assets under construction	Total intangible assets
Balance at 31 December 2018	62,403	11,811	106,815	1,150	182,179
New purchases	1,565	-	83	23,297	24,945
Transfer from assets under	9,530	-	691	(10,076)	145
Reclassifications (transfers from	-	-	-	(287)	(287)
Expenditure, alienation and sales	(3,595)	-	(296)	(44)	(3,935)
Balance at 31 December 2019	69,903	11,811	107,293	14,040	203,047
New purchases	955	-	165	16,462	17,582
Transfer from assets under	1,950	-	4,678	(5,932)	696
Reclassifications (transfers from	-	-	(35)	(54)	(89)
Expenditure, alienation and sales	(6,158)	-	(57)	-	(6,215)
Balance at 31 December 2020	66,650	11,811	112,044	24,516	215,021
IMPAIRMENT					
Balance at 31 December 2018	53,625	-	105,360	-	158,985
Amortization	3,748	-	406	-	4,154
Value adjustment	-	10,180	-	-	10,180
Expenditure, alienation and sales	(3,559)	-	(295)	-	(3,854)
Balance at 31 December 2019	53,814	10,180	105,471	-	169,465
Amortization	4,790	-	1,173	-	5,963
Reclassifications (transfers from	-	-	(35)	-	(35)
Expenditure, alienation and sales	(6,158)	-	(56)	-	(6,214)
Balance at 31 December 2020	52,446	10,180	106,553	-	169,179
NET BOOK VALUE					
Balance at 31 December 2018	8,778	11,811	1,455	1,150	23,194
Balance at 31 December 2019	16,089	1,631	1,822	14,040	33,582
Balance at 31 December 2020	14,204	1,631	5,491	24,516	45,842

Impairment of goodwill was calculated based on an estimate of the operating value of the subsidiary as at 30 September 2019 using the discounted cash flow method (DCF) and obtained a lower value of the subsidiary than its carrying amount value by the amount of HRK 10,180 thousand. In 2020, there was no need for further impairment of goodwill.

20/ RIGHT-OF-USE ASSET

The Group has recognized right-of-use asset and lease liabilities relating to the use of land, equipment and vehicles that were previously classified as operating leases.

Right-of-use asset

(in '000 HRK	Land	Buildings	Instruments and vehicles	Plant and equipment	Total
Effect of application of IFRS 16 1.1.2019. net book value	-	16,040	9,431	-	25,471
Increase	-	188	-	5,670	5,858
Depreciation charge	-	(3,505)	(3,193)	(851)	(7,549)
Net carrying amount at 31 December 2019	-	12,723	6,238	4,819	23,780
Increase	353	3,737	10,581	-	14,671
Depreciation charge	-	(4,158)	(5,860)	(1,134)	(11,152)
Net carrying amount at 31 December 2020	353	12,302	10,959	3,685	27,299

The Group has recognized lease liabilities as follows:

	31 Dec 2020 ('000 HRK)	31 Dec 2019 ('000 HRK)
Increase in long-term lease liability	18,025	23,284
Increase in short-term lease liability	9,884	9,376
	27,909	32,660

Short-term leases and low-value leases

	31 Dec 2020 ('000 HRK)	31 Dec 2019 ('000 HRK)
Short-term leases	17,702	17,028
Low value leases	12,625	14,889
	30,327	31,917

Expenses related to short-term leases that are not classified as leases under IFRS 16 amount to HRK 30,327 thousand and are included in lease costs.

21/ INVESTMENT PROPERTY

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Balance at 1 January	1,688,614	1,752,655
Increase in value for new investments	1,015	913
Increase in fair value through profit or loss (net) (note 8)	23,384	107,259
Transfer to / from property, plant and equipment (note 18)	9,320	6,572
Transfer to long-term assets for sale (note 24)	(21,180)	(178,028)
Write off	-	(16)
Derecognition of donated real estate to the City	-	(741)
Balance at 31 December	1,701,153	1,688,614

During 2020, a fair valuation of real estate investments was performed based on the assessment of a qualified appraiser authorized to assess the value of real estate, where gains were determined due to changes in fair value in the amount of HRK 23,384 thousand (2019: profit of HRK 107,259 thousand) to the consolidated income statement (Note 8).

The assessment of the fair value of real estate investments subsequently measured at fair value in accordance with IAS 40 was performed by an independent certified appraiser, using the comparative method for business premises and land and the income method for the leased part of buildings leased. . In the revenue method, the revenue value is determined on the basis of revenues generated in the market (sustainable revenues). The revenue value of constructed land includes the value of the land, the value of the building and the value of the device.

Fair value hierarchy	Level 2	Level 3	*Fair value as at* 31 December 2020
	('000 HRK)	('000 HRK)	('000 HRK)
Warehouses in operating leases	-	1,300,879	1,300,879
Other premises in operating leases	20,309	86,621	106,930
Other real estate held for capital appreciation or for use in an undetermined future	223,225	70,119	293,344
	243,534	1,457,619	1,701,153

According to the fair value hierarchy, assets for which the fair value is determined by the comparative method are classified at level 2 and assets for which the fair value is determined by a combination of the comparative and income methods are classified at level 3.

Investment property ownership status

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Registered ownership	839,696	811,329
Unregistered ownership	861,457	877,285
	1,701,153	1,688,614

22/ FINANCIAL ASSETS

Financial assets are stated as follows:

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Financial assets at fair value through profit or loss		
Investment in equity	1,130	1,338
Financial assets at amortized cost		
Deposits with over 1 year maturity	138,825	138,049
Deposits with under 1 year maturity	753	20,753
Other securities held until maturity	3,613	10,100
	143,191	168,902
Current portion (Note 27)	*(4,366)*	*(30,853)*
Non-current portion	*138,825*	*138,049*
Financial assets at fair value through other comprehensive income	18,450	16,502
Current portion	*18,450*	*16,502*
Non-current portion	4,366	30,853
Financial assets total – current portion	158,405	155,889

Within equity investments, financial assets (shares) are recorded at fair value with fair value changes recognized through profit or loss. Quoted shares refer to the minority interest owned by banks and other business entities to which the Group has no significant impact.

Deposits with maturities of more than one year are mostly related to the guarantee for repayment of loans and obligations from the lease agreement, due upon the final payment of the obligation.

23/ NON-CURRENT RECEIVABLES

	31 Dec 2020	31 Dec 2019 restated	1 Jan 2019 restated
	('000 HRK)	('000 HRK)	('000 HRK)
Non-current portion			
Receivables from related parties /i/	1,222,414	1,361,863	1,497,730
Receivables from loans /ii/	7,928	11,508	7,676
Receivables from sales on credit /iii/	1,659	2,446	3,173
Other receivables /iv/	579,936	531,036	468,073
	1,811,937	1,906,853	1,976,652

/i/ Receivables from related parties

	31 Dec 2020	31 Dec 2019 reclassified
	('000 HRK)	('000 HRK)
Receivables from a member of the company	1,313,613	1,461,984
Discontinued receivables from a member of the company	(169,834)	(198,895)
Value adjustment of receivables from a member of the company	(9,162)	(9,162)
1. Total receivables from a member of the company	1,134,617	1,253,927
Of which current portion (Note 25)	*187,641*	*206,849*
2. Loans granted to related parties outside the Group	375,000	375,172
Of which current portion (Note 25)	*99,562*	*60,387*
Total receivables from related parties (1+2)	1,509,617	1,629,099
Current portion	*(287,203)*	*(267,236)*
Non-current portion	*1,222,414*	*1,361,863*

Receivables from a member of the company relate to receivables from the City of Zagreb for financing 50% of the costs of renting the Arena Zagreb sports facility in the amount of HRK 305,173 thousand net (2019: 319,189 net) to receivables under multi-year lease agreements for public facilities (schools kindergartens pools) which the Group has disclosed as a long-term receivable from the City of Zagreb as a lessee in accordance with IFRIC 12 Service Concession Arrangements in the amount of HRK 532,379 thousand (2019: HRK 528,676 thousand). The lease term is contracted for a period of 7-13 years of which 4 contracts expire in 2023, 2 contracts in 2028 and 1 in 2032. The rent under the contracts is paid monthly and amounts to HRK 495 thousand and EUR 780 thousand. Pursuant to the agreement, the Group has the obligation of investment management and maintenance of facilities throughout the lease and which management and maintenance costs are included in the calculation of the monthly rent. Receivables from lease agreements amount to HRK 297,066 thousand (as at 31 December 2019: HRK 406,062 thousand)

Loans to affiliated companies outside the Group relate to loans granted to Zagreb Electric Tram d.o.o. and Zagreb Fair d.o.o. Interest equal to the market interest at the time of loan approval of 3,88% is charged on loans granted to affiliated companies. Loan agreements with affiliated companies outside the Group are concluded for a period of up to 10 years with payment security instruments.

23/ NON-CURRENT RECEIVABLES / CONTINUED

/ii/ Loan receivables

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Long-term loans to third parties	15,044	16,862
	15,044	16,862
Current portion (Note 26)	*(7,116)*	*(5,354)*
Non-current portion	*7,928*	*11,508*

/iii/ Receivables from sales on credit

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Receivables for apartments sold	2,232	3,054
Impairment after discount	23	(35)
Discount rate in%	*15%*	*15%*
	2,255	3,019
Current portion (Note 26)	*(596)*	*(573)*
Non-current portion	*1,659*	*2,446*

Receivables for sold apartments are discounted at a rate corresponding to market yields on government bonds, which in 2020 amounted 1,5% (u 2019 1,5%).

/iv/ Other non-current receivables

	31 Dec 2020	31 Dec 2019 reclassified
	('000 HRK)	('000 HRK)
Receivables from the state	305,173	312,491
Other receivables	328,653	263,215
	633,826	575,706
Current portion	*(53,890)*	*(44,670)*
Non-current portion	*579,936*	*531,036*

Receivables from the state in the amount of HRK 305,173 thousand net (31 December 2019: HRK 312,491 thousand) relate to a net receivable from the Republic of Croatia for financing the 50% lease of the Arena hall pursuant to the Agreement between the Republic of Croatia and the City of Zagreb on financing the Arena lease. The lease agreement for the Arena Zagreb facility was concluded in 2007 for a period of 28 years.

Other receivables mostly relate to receivables of a member of the Group for loans contracted with a commercial bank in the name and on behalf of residential buildings. Loans have a repayment period of 3 to 15 years. The total amount of receivables for loans for which the Group has a loan beneficiary and end users owning buildings managed by the Group amounts to HRK 327,894 thousand (as at 31 December 2019 HRK 262,036 thousand) see Note 32 in which long-term liabilities for these same receivables are stated. The net amount of receivables in 2020 amounts to HRK 325,479 thousand. In 2019, the value adjustment of receivables for credit risks was performed in the amount of HRK 2,414 thousand and the net amount of receivables amounts to HRK 259,622 thousand..

24/ INVENTORIES

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Raw material and supplies	103,250	105,394
Finished products	23,968	33,415
Work in progress	32,795	33,770
Merchandise (and property in circulation)	41,419	42,907
Prepayments for inventories	1,333	2,790
Long-term assets held for sale	-	178,028
	202,765	396,304

Non-current assets held for sale in the amount of HRK 178,028 thousand as at 31/12/2019 pertained to the real estate item located in Sesvete and a separate part of a real estate item located in Mandićeva street, which were handed over to the City of Zagreb in exchange for the wholesale market and cold storage facilities complex, under the real estate exchange agreement. In 2020, real estate items located in Novi Vinodolski and Veli Lošinj, worth HRK 21,180 thousand, were reclassified under held-for-sale non-current assets; these were sold by end of 2020.

25/ RECEIVABLES FROM RELATED PARTIES

	31 Dec 2020	31 Dec 2019 reclassified
	('000 HRK)	('000 HRK)
Receivables from company members and other related companies outside of the Group	557,196	376,229
Current portion of non-current receivables from member companies (Note 23)	187,641	206,849
Loans to affiliated companies (maturity within 1 year)	21,049	9,143
Current portion of Loans to affiliated companies (Note 23)	99,562	60,387
	865,448	652,608

Receivables from a member of the company and other related companies outside the Group relate to receivables from regular deliveries of works and services to the member of the company and other related companies owned by the City of Zagreb.

Loans to affiliates relate to the short-term maturity of long-term loans (Note 23 /i/) and short-term loans. The interest rate on long-term loans is 3,88% on short-term loans ranging from 2,15% to 5,1%.

26/ TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Trade receivables	795,386	769,352
Receivables from the state and other institutions	24,617	52,954
Receivables from employees	472	461
Other receivables /i/	321,710	283,984
	1,142,185	1,106,751

26/ TRADE RECEIVABLES AND OTHER RECEIVABLES / CONTINUED

Trade receivables	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Trade receivables	1,541,045	1,500,725
Impairment of trade receivables	(745,659)	(731,373)
	795,386	769,352

Trade receivables are stated at amortized cost. Statutory default interest is charged on late payments. The Group records the value adjustment of trade receivables for all receivables older than 365 days and after the initiation of the forced collection procedure.

Trade receivables are reviewed at least twice annually, and reminders are sent for past due amounts, whereas forced collection proceedings are initiated for bad and doubtful accounts (distress and legal actions). Receivables for delivered municipal services to individuals and businesses are not covered by any financial instruments. Receivables for other services delivered to commercial businesses are secured with various financial instruments (bills of exchange, debentures, bank guarantees and similar). In determining the recoverability of a trade receivable, the Company considers the business segment (communal or market activities, because of different factors affecting the pricing and delivery of those services) and the type of customer (citizens or businesses because of different statutes of limitations).

Analysis of age structure of trade receivables by business segments and customer category (citizens and businesses) showed expected credit losses resulting from calculation of trade receivables in the cleaning and waste disposal segment, and water and gas supply segment (which account for a majority of the current trade receivables and are characterized by the largest number of individual customers each accounting for lower individual receivables that are not covered by payment security instruments).

Ageing of receivables past due but not impaired:

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Undue	387,195	354,471
0-60 days	112,803	113,150
60-180 days	38,959	51,126
180-365 days	41,989	18,984
over 365 days	214,440	231,621
	795,386	769,352

Movement in impairment allowance for doubtful receivables:	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Balance as at 1 January	731,373	821,304
Impairment losses recognised (note 12)	81,402	71,537
Amounts recovered during the year (note 8)	(45,224)	(64,371)
Written off receivables	(21,892)	(97,097)
Balance as at 31 December	745,659	731,373

26/ TRADE RECEIVABLES AND OTHER RECEIVABLES / CONTINUED

/i/ Other receivables

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Prepaid expenses and accrued income	35,564	38,188
Current maturity of non-current receivables - note 23	56,130	50,984
Advances	206,319	180,136
Receivables from insurance companies for damages	1,595	5,851
Impairment of advances	(394)	(295)
Other receivables	22,496	9,120
	321,710	283,984

27/ FINANCIAL ASSETS

Financial assets carried at amortized cost	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Other financial assets	3,613	30,100
Deposits	753	753
	4,366	30,853

Other financial assets mostly relate to short-term deposits with commercial banks with an agreed interest rate of 1.1 to 1.2%.

28/ CASH AND CASH EQUIVALENTS

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Giro account – HRK	129,719	139,957
Giro account – foreign currency	14,673	20,643
Cash in hand – HRK	1,628	1,786
Cash in hand – foreign currency	2	1
Other cash (court deposits and other cash)	22,345	39,792
	168,367	202,179

29/ CAPITAL AND RESERVES

Share capital

The sole owner is the City of Zagreb. The Company's share capital amounts to HRK 3,177,044 thousand (31 Dec 2019: HRK 3.177.044 thousand).

Revaluation reserves

a/ Reserves from revaluation of property and land:

	2020	2019	2018
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Opening balance	1,840,237	1,749,403	2,777,130
Increase (Decrease) from revaluation	6,268	91,254	4,945
Division of the Company	-	-	(1,032,672)
Transfer to the City	(10,109)	-	-
Transfer to retained earnings	(11,575)	(420)	-
Closing balance	1,824,821	1,840,237	1,749,403

b/ Reserves from changes in fair value of financial assets through other comprehensive income:

	2020	2019	2018
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Opening balance	12,723	12,303	11,295
Increase (Decrease) from revaluation	1,596	420	1,008
Closing balance	14,319	12,723	12,303
Total revaluation reserves (a+b)	1,839,140	1,852,960	1,761,706

Other reserves

Other reserves reported in the statement of financial position (balance sheet) as at 31 December 2020 in the amount of HRK 322,618 thousand (31 December 2019: HRK 322,618 thousand) refer to the share capital of the affiliated companies 2001 (Grad mladih Granešina d.o.o. and Omladinski turistički centar d.o.o.) in the amount of HRK 15,125 thousand and the assets entered in the 2011 by the Assembly Decision in the amount of HRK 304,852 thousand.

Retained earnings

	2020	2019	2018
		restated	restated
	('000 HRK)	('000 HRK)	('000 HRK)
Opening balance	697,371	695,021	679,919
Application of IFRS 15	-	-	(84,226)
Division of the company	-	-	31,872
Realization of revaluation reserve	14,162	420	-
(Loss) / profit for the current year	(291,917)	1,930	67,456
Closing balance	419,616	697,371	695,021

29/ CAPITAL AND RESERVES / CONTINUED

Uncontrollable share

The Group's non-controlling interests arose from a 49% ownership interest in the associated company Zagreb plakat d.o.o.

Condensed financial information of the company Zagreb plakat d.o.o. (not including consolidation outbreaks) as at 31 December 2020 are as follows:

	2020	2019
	('000 HRK)	('000 HRK)
Statement of financial position		
Long-term assets	7,777	4,174
Short-term assets	25,610	31,311
Short-term liabilities	5,676	5,677
Long term liabilities	2,898	360
Net assets	24,813	29,448
Statement of comprehensive income for the year		
Sales income	21,105	32,861
Profit for the year	774	10,776
Total comprehensive income for the current year	774	10,776

The changes in non-controlling interests was as follows:

	2020	2019
	('000 HRK)	('000 HRK)
Balance at January 1st	14,420	11,484
Share in profit of the current year	379	5,270
Payment of profit to minority interest	(2,640)	(2,334)
Balance at 31 December	12,159	14,420

30/ LOAN LIABILITIES AND LEASES

	2020	2019
	('000 HRK)	('000 HRK)
Long term loans		
Loans and borrowings	568,395	589,586
Financial lease	635,547	641,947
	1,203,942	1,231,533
Short term loans		
Loans and borrowings	1,501,148	1,027,057
Financial lease	62,057	62,447
Other	47,528	46,198
	1,610,733	1,135,702
Total loans	2,814,675	2,367,235

The average annual interest rate on bank loans received and financial lease on the balance sheet date is 3,25% (2019: 3,53%).

Short-term loans that are past due after the date of the statement of financial position and up to the date of issue of these statements have been refinanced for a new period of 6 or 12 months or have been repaid as described in Note 45.

	2020	2019
	('000 HRK)	('000 HRK)
Balance at 1 January	589,586	846,339
Increase for new loans	325,000	150,000
Decrease – loan repayment	232,898	254,867
Division of the company	(150,591)	(429,172)
Effect of foreign exchange differences	663	450
Balance at 31 December	997,556	822,484
Current maturity	*(429,161)*	*(232,898)*
Long-term portion of the loan	568,395	589,586

Repayment schedule of long-term loans and borrowings

	2020	2019
	('000 HRK)	('000 HRK)
Within one year	429,161	232,898
From the second to inclusive the fifth year	528,573	530,414
After five years	39,822	59,172
	997,556	822,484

30/ LOAN LIABILITIES AND LEASES / CONTINUED

Lease liabilities

	Minimal lease payments		Present value of minimal lease payments	
('000 HRK)	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Within one year	91,224	93,317	62,057	62,447
From the second to inclusive the fifth year	268,835	256,749	168,678	152,230
After five years	597,036	643,653	466,869	489,717
	957,095	993,719	697,604	704,394
Less: future finance expenses	*(259,491)*	*(289,325)*		
Present value of minimal payments	697,604	704,394		
In financial statements under:				
Current liabilities	*62,057*	*62,447*		
Non-current liabilities	*635,547*	*641,947*		

Lease liabilities relate to finance leases and leases of right-of-use-asset. Finance lease liabilities relate to the equipment (means of transport) and building (Arena) that were leased for a period of 5-28 years. Upon expiration of the lease agreement, the Group may redeem the asset at the agreed value. Group's liabilities under finance leases are secured by the property of the lessor over the subject of the lease.

In the same amount of total financial lease obligations for the sports hall the Group has recorded receivables from the owner and the state (notes 23 i 38).

Lease liabilities include liabilities for right-of-use asset under IFRS 16 in the following amounts:

	31 Dec 2020 ('000 HRK)	31 Dec 2019 ('000 HRK)
Long-term part of the lease liability IFRS 16	18,025	23,284
Short-term part of the lease liability IFRS 16	9,884	9,376
	27,909	32,660

30/ LOAN LIABILITIES AND LEASES / CONTINUED

The present value of assets under finance leases is as follows:

	Buildings	Vehicles	Plant and equipment	Total
	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)
Purchase value	-	-	-	-
Impairment	(112,596)	(61,291)	-	(173,887)
Net book value 31 December 2019	706,285	91,517	-	797,802
Purchase value	818,881	151,966	-	970,847
Impairment	(122,832)	(83,887)	-	(206,719)
Net book value 31 December 2020	696,049	68,079	-	764,128

Present value of the right-of-use asset

	Buildings	Vehicles	Plant and equipment	Total
	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)
Effect of application of IFRS at 16 1 January 2019	16,040	9,431	-	25,471
Purchase value	188	-	5,670	5,858
Value adjustment	(3,505)	(3,193)	(851)	(7,549)
Net carrying amount at 31 December 2019	12,723	6,238	4,819	23,780
Purchase value	20,077	20,012	5,670	45,759
Value adjustment	(7,422)	(9,053)	(1,985)	(18,460)
Net carrying amount at 31 December 2020	12,655	10,959	3,685	27,299

Total present value of leased property

	Lands and buildings	Vehicles	Plant and equipment	Total
	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)	(in 000 HRK)
Effect of application of IFRS at 16 1 January 2019	16,040	9,431	-	25,471
Purchase value	819,069	152,808	5,670	977,547
Value adjustment	(116,101)	(64,484)	(851)	(181,436)
Net carrying amount at 31 December 2019	719,008	97,755	4,819	821,582
Purchase value	838,958	171,978	5,670	1,016,606
Value adjustment	(130,254)	(92,940)	(1,985)	(225,179)
Net carrying amount at 31 December 2020	708,704	79,038	3,685	791,427

30/ LOAN LIABILITIES AND LEASES / CONTINUED

Short-term loans and borrowings

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Short term loans and borrowings	1,501,148	1,027,055
Short term loans and borrowings	*1,071,987*	*794,157*
Current maturity of long-term loans	*429,161*	*232,898*
Current maturity of financial lease	62,057	62,447
Other (interests on loans and bonds)	47,528	46,200
	1,610,733	**1,135,702**

Movement in short term loans and borrowings

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Balance at 1 January	**1,027,055**	**780,219**
Increase for new loans and borrowings	983,561	615,000
Decrease for repayment of current maturity of long-term loans	(232,898)	(254,867)
Current maturity of long-term loans	429,161	232,898
Decrease for repayment of loans and borrowings	(707,541)	(346,407)
The effect of exchange rate differences	1,810	212
Balance at 31 December	**1,501,148**	**1,027,055**

31/ BOND LIABILITIES

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Nominal value	2,300,000	2,300,000
Premium	4,487	6,129
Discount	(20,146)	(27,513)
Cost of issuance of bonds	(13,063)	(17,065)
Current value of bonds	**2,271,278**	**2,261,551**

In July 2016, the Company issued bonds in the nominal amount of HRK 1,800,000 thousand at a fixed interest rate of 3.875% and an issuing price of 97.19%.

In July 2017, the Company issued bonds in the nominal amount of HRK 500,000 thousand at a fixed interest rate of 3.875% and an issuing price of 102.00%. In July 2017, the rest of the liability for issued Euro bonds matured in July 2017 was repaid in full.

The average annual interest rate on bonds at the balance sheet date was 3,875% (2018.: 3,875%).

The bonds mature on July 15, 2023.

32/ OTHER NON-CURRENT LIABILITIES

	31 Dec 2020	31 Dec 2019 reclassified
	('000 HRK)	('000 HRK)
Liabilities to related parties	9,702	11,282
Trade payables	213	394
Other non-current liabilities	289,648	235,322
	299,563	246,998

Liabilities to related parties as of 31 Dec 2020 refer to the liability towards the owner of the land and the liability for municipal contribution.

Other long-term liabilities include liabilities for loans to residential buildings that the subsidiary Gradsko stambeno komunalno gospodarstvo d.o.o. in the name and on behalf of residential buildings contracts with a commercial bank. Loans have a repayment period of 3 to 15 years. The total amount of loans for which the subsidiary is the beneficiary of the loan and the final beneficiaries are the owners of the buildings managed by the company is HRK 327,894 thousand, of which HRK 42,855 thousand relates to the short-term part and HRK 285,039 thousand to the long-term part. note 23.iv). On 31.12.2019 the total amount of the liability amounts to HRK 262,036 thousand, of which HRK 31,674 thousand relates to the short-term part and HRK 230,362 to the long-term part. thousand. Other long-term liabilities stated in the statement of financial position relate to the liability to the State for apartments sold to employees in accordance with the state program. According to the then valid legal regulations, 65% of the income generated from the sale of apartments to employees was paid to the State upon receipt of funds. Under the Act, the Group has no obligation to remit funds prior to collection from employees.

33/ PROVISIONS

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Provisions for employee benefits under IAS 19	139,509	136,597
Provisions for legal disputes	162,081	187,434
Provisions for landfill reparation	48,270	51,163
Provisions for other liabilities	956	132
	350,816	375,326
Current liability (note 33)	*(27,428)*	*(28,688)*
Non-current liability	*323,388*	*346,638*

Changes in provisions during the year ('000 HRK)	Employee benefits	Legal disputes	Landfill reparation and other	Provisions total
Balance at 31 December 2018	126,885	236,741	50,096	413,722
New provisions	17,113	7,906	1,199	26,218
Reversal of provisions / payments	(7,401)	(57,213)	-	(64,614)
Balance at 31 December 2019	136,597	187,434	51,295	375,326
New provisions	4,589	11,035	956	16,580
Reversal of provisions / payments	(1,677)	(36,388)	(3,025)	(41,090)
Balance at 31 December 2020	139,509	162,081	49,226	350,816

33/ REZERVIRANJA / NASTAVAK

Provisions for employee benefits arise from the Collective Agreement, and the level of provisions was determined in accordance with IAS 19 "Employee Benefits". They consist of provisions for severance payments and retirement benefits, long-service benefits and solidarity support. They are measured at the present value of costs expected to be incurred to settle the obligation, using a discount rate of 1,5% (2019.: 1,5%).

The landfill restauration provision relates to the cost of maintenance and surveillance over the Jakuševac Landfill over the next 30 years from its closing for environmental protection purposes in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The provisions are discounted.

Provisions are measured at the present value of the costs that are expected to be required to settle the obligation, using a discount rate of 1.5% (2019: 1,5%).

Provisions for costs of litigation against the Group are made when it comes to initiating disputes and the assessment of the outcome of the litigation. Management believes that the cost provision is sufficient for the possible liabilities that may follow.

34/ DEFERRED INCOME

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Deferred income	3,335,961	3,434,825
Short-term part	(171,003)	(172,373)
Long-term part	3,164,958	3,262,452

Deferred income relates to assets received or financed by local self-government units and other legal entities, free of charge, which are reported in the balance sheet / statement of financial position under deferred income. The decrease in deferred income is recognised in the statement of profit or loss proportionally over the useful life of respective assets as revenue in the amount of calculated depreciation of assets in accordance with IAS 20.

35/ LIABILITES TO RELATED PARTIES

	31 Dec 2020	31 Dec 2019 restated	1 Jan 2019 restated
	('000 HRK)	('000 HRK)	('000 HRK)
Liabilities to related parties (note 38)	23,760	19,411	35,273

36/ TRADE AND OTHER PAYABLES

	31 Dec 2020	31 Dec 2019 restated	1 Jan 2019 restated
	('000 HRK)	('000 HRK)	('000 HRK)
Accounts payable	575,164	491,519	529,014
Liabilities for advances, deposits and guarantees	42,312	24,939	17,737
Liabilities to employees for net salaries and fees	65,225	57,143	51,239
Other liabilities /i/	484,687	564,855	498,903
	1,167,388	**1,138,456**	**1,096,893**

36/ TRADE AND OTHER PAYABLES / CONTINUED

/i/ Other liabilities are stated as follows:

	31 Dec 2020	31 Dec 2019 restated	1 Jan 2019 restated
	('000 HRK)	('000 HRK)	('000 HRK)
Liabilities under recharged services	149,515	249,336	214,341
Accrued costs for which the invoice has not received and are charged to the current period	124,316	147,445	115,970
Taxes and contributions on salaries and fees	60,976	31,769	29,784
VAT liability	49,527	31,769	26,096
Current maturity of long-term provisions (Note 33)	27,429	28,688	52,964
Current maturity of other long-term liabilities (Note 33)	42,856	31,674	25,660
Other liabilities for compensation under arrangements	12,429	21,358	10,018
Deferred recognition of sales revenue	15,157	18,267	18,588
Obligation for membership, fees and other	2,482	4,549	5,482
	484,687	564,855	498,903

37/ OFF-BALANCE SHEET ITEMS

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Off-balance sheet items	169,821	162,911

Off-balance sheet notes refer to given guarantees and debentures, received guarantees, debentures and the City guarantee for issued bonds.

38/ RELATED PARTY TRANSACIONS

Revenues and expenses between related parties during the year were as follows:

	Revenue		Expenses	
	2020.	2019.	2020.	2019.
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)
City of Zagreb	683,899	759,378	16,650	19,337
	683,899	759,378	16,650	19,337

Revenues from related-party transactions were made at standard market prices that are comparable with the prices charged to unrelated parties.

38/ RELATED PARTY TRANSACTIONS / CONTINUED

The founder of the Company and the only owner The City of Zagreb has certain business relations with the companies within the Group. The Group also presents significant transactions with companies and / or entities that are fully or partially owned by the City of Zagreb.

Outstanding balances from trading transactions at the end of the reporting period:

	Receivables from related parties		Liabilities to related parties		
	31 Dec 2020	31 Dec 2019.	31 Dec 2020	31 Dec 2019. restated	1 Jan 2019. restated
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)
City of Zagreb and other related parties outside of the Group	578,245	385,372	23,760	19,411	35,273
	578,245	385,372	23,760	19,411	35,273

The outstanding balances are not secured by any security instrument (debentures, bills of exchange, bank guarantees) and will be settled in cash.

Other non-current liabilities

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Loans to related parties outside of Group (Note 23)	375,000	375,172
City of Zagreb (Note 23)	1,134,617	1,253,927
Total	**1,509,617**	**1,629,099**

Other non-current liabilities

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
City of Zagreb (Note 32)	9,702	11,282

Loans to related parties outside the Group relate to long-term loans to newly established entities under the Plan after the statutory change with the maturity of 10 years. Contracted interest rates can be compared with market interest rates by which the Group can borrow money on the market. Loans are secured by means of debentures.

Apart from the City of Zagreb, the Group's related parties are the Management Board and the members of the Supervisory Board. The members of the Management Board (the Company's Management, Branch Managers and Directors of Affiliated Companies) and the Supervisory Board received the following remuneration

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
Salaries of Management Board and Branch Directors	11,632	10,797
Fees of Supervisory and Auditing Board	990	942
	12,622	11,739

39/ EMPLOYEE BENEFITS

As of 31 December 2019, provisions for employee benefits, which include jubilee awards, severance payments and solidarity support, amount to HRK 139.509 thousand (31 December 2019: 136.597 thousand).

Jubilee awards, severance payments and solidarity support

According to the Collective Agreement, the Group has the obligation to pay jubilee awards to its employees. These companies have a defined benefit plan for employees who meet certain criteria.

In most of the Group's subsidiaries, the rights to jubilee awards are defined in the following amounts in accordance with the non-fixed length of service in the Group:

- HRK 1,500 for 10 years of service
- HRK 2,000 for 15 years of service
- HRK 2,500 for 20 years of service
- HRK 3,000 for 25 years of service
- HRK 3,500 for 30 years of service
- HRK 4,000 for 35 years of service
- HRK 4,500 for 40 years of service

At the time of regular retirement, the employee under the Collective Agreement is entitled to compensation in the amount of 3 average monthly salaries paid out in the Zagreb in the previous three months.

Solidarity support is based on the average salary paid in the territory of Zagreb and is paid in the following cases:

- death of the employee or a member of his/her close family
- severe disability of the employee, his/her children or spouse
- sick leave of the employee beyond 90 days
- support to the children of employees - Homeland War veterans
- purchase of medical aids, coverage of the participation component in purchasing necessary pharmaceuticals required by the opinion of the competent doctor
- restoration of damage resulting from an Act of God
- birth of a child
- severe occupational injury

The present value of defined benefit obligations and the related current and past service costs have been determined using the Projected Credit Unit method and the discount rate of 1,5% (2019: 1,5%) which reflects the market yield on government bonds.

Actuarial estimates are made based on the following key assumptions:

	2020	2019
Discount rate	1,5%	1,5%
Fluctuation rate	Average 5,11%	Average 4%
Average expected remaining service period (in years)	18,9-19,2	19

The amount reported in the statement of financial position (balance sheet) in respect of defined retirement payments and jubilee awards.

	31 Dec 2020	31 Dec 2019
	('000 HRK)	('000 HRK)
The present value of the liability for employee benefits	139.509	136.597

40/ FINANCIAL INSTRUMENTS

Capital risk management

Net capital to debt ratio

The capital structure is analyzed by analysis of the capital cost and related risks.

The gearing ratio at the end of the reporting period amounted to:

	2020	2019 restated	2018 restated
	('000 HRK)	('000 HRK)	('000 HRK)
Debt	*4,475,607*	*4,003,805*	*3,977,548*
Borrowings, loans and finance leases (long-term and short-term portion)	2,814,675	2,367,235	2,372,519
Liabilities for long-term securities	2,271,278	2,261,551	2,251,357
-based on the financial lease of the Arena Hall (also shown as a receivable from the City of Zagreb and the Government of the Republic of Croatia)	(610,346)	(624,981)	(646,328)
Cash on hand and balances with banks	*(168,367)*	*(202,179)*	*(310,461)*
Net debt	*4,307,240*	*3,801,626*	*3,667,087*
Capital	*5,770,577*	*6,064,413*	*5,967,873*
Net debt and equity ratio	74,6%	62,7%	61,4%

40/ FINANCIAL INSTRUMENTS / CONTINUED

Categories of financial instruments

	2020	2019 restated	2018 restated
	('000 HRK)	('000 HRK)	('000 HRK)
Financial assets			
Cash on hand and balances with banks	168,367	202,179	310,461
Long-term deposits and other financial assets	143,191	168,902	164,071
Financial assets available for sale	18,450	16,502	15,990
Receivables from affiliated companies and trade receivables	2,387,637	2,339,121	2,530,663
Receivables from loans and sale on credit	512,910	464,583	417,443
Receivables from employees	472	461	430
Other receivables	899,406	808,706	660,662
Financial assets carried at fair value	1,130	1,338	1,332
	4,131,563	**4,001,792**	**4,101,052**
Financial liabilities			
Finance lease agreements	697,604	704,394	698,619
Received loans and borrowings (long-term and short-term maturity)	2,069,543	1,616,643	1,626,558
Liabilities for issued non-current securities	2,271,278	2,261,551	2,251,357
Liabilities to affiliated companies and trade payables	608,839	522,606	630,650
Liabilities for advances, deposits and guarantees	42,312	24,939	17,737
Liabilities for employee benefits	65,225	57,143	51,239
Other non-current liabilities	289,648	235,322	161,412
Other current liabilities	154,190	189,494	147,117
	6,198,639	**5,612,092**	**5,584,689**

40/ FINANCIAL INSTRUMENTS / CONTINUED

Objectives of management of financial risk

For the purpose of forecasting potential scenarios that may have a negative impact on the operations and achievement of the Group's objectives, the Group identifies financial risks, assesses their potential impact on the Group's future operations and manages those risks.

The various financial risks which the Group is exposed to in the course of its operations are sought to be minimised, avoided and overcome in order to safeguard its operations. If economically feasible, certain financial risks are accepted.

The key risks and methods of their management are described below. The Group did not use any derivative instruments to manage the risks. The Group does not use derivatives for speculative purposes.

Market risk

The communal service prices are proposed by the Management Board based on the market prices, and determined and approved by the City of Zagreb.

The activities of the Group expose it to the financial risks of foreign exchange and interest rates (see below). The market risk exposure is supplemented by sensitivity analyses. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

40/ FINANCIAL INSTRUMENTS / CONTINUED

Foreign currency risk management / continued

The carrying amounts of the Group's foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below.

	Liabilities			Assets		
	31 Dec 2020	31 Dec 2019	1 Jan 2019	31 Dec 2020	31 Dec 2019	1 Jan 2019
	('000 HRK)			('000 HRK)		
EUR	826,685	827,577	933,218	1,108,010	1,351,180	1,087,119

Foreign currency sensitivity analysis

The Group is predominantly exposed to foreign currency risk of exchange rate fluctuations in relation to EUR based on long-term loan liabilities, of which 21% are related to EUR, while the issue of the HRK bonds and repurchase of Eurobonds significantly reduced the Group's exposure to currency risk. The following table analyses the Group's sensitivity to an 1% increase in the HRK exchange rate relative to the relevant foreign currencies. The 1% sensitivity rate is the rate used in the internal currency risk reporting and represents the Group's estimate of the realistic possible exchange rate movements of the HRK against the EUR. Sensitivity analysis includes monetary assets and monetary liabilities in the currency. The negative figure shows a decrease in the profit if HRK to the relevant currency is changed for the above percentages. In the case of a reverse proportional change in the value of HRK relative to the relevant currency, there would be an equal and opposite impact on the profit.

	EUR effect		
	31 Dec 2020	31 Dec 2019 restated	1 Jan 2019 restated
	('000 HRK)		
(Profit / (loss)	2,813	5,236	3,552

Interest rate risk management

The Group is not significantly exposed to interest rate risk since 12% of total loan liabilities are related to floating interest rates. Of the total loan liabilities of the Group 88% were contracted with a fixed interest rate. The largest portion of fixed-interest credit liabilities refers to issued HRK bonds with a coupon rate of 3,875% per annum.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Customers are classified into risk groups based on the financial indicators and own trading records, and appropriate credit risk mitigation measures are taken for each risk class. Customers are classified mainly on the basis of their official financial statements and the Group's history of trading with each customer.

The Group transacts with a large number of customers from various industries and of various size, as well as with citizens (individuals). Trade receivables are presented net of allowance for bad and doubtful receivables.

Liquidity risk management

Instruments used to monitor and mitigate liquidity risk are as follows: analyzing and managing cash flows; analyzing assets and the sources of financing those assets; analyzing customer creditworthiness; collaterals; credit and revolving facilities, and similar.

40/ FINANCIAL INSTRUMENTS / CONTINUED

Foreign currency risk management / continued

Liquidity and interest rate risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both principal and interest cash outflows.

('000 HRK)	Average weighted interest rate	Up to 1 year	1-2-years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 December 2020	%							
Interest free								
Liabilities to associates and trade payables		599,137	3,080	3,080	3,080	462	-	608,839
Liabilities for advances, deposits and guarantees		42,312	-	-	-	-	-	42,312
Employee benefit liabilities		65,225	-	-	-	-	-	65,225
Other current liabilities		154,190	-	-	-	-	-	154,190
Other non-current liabilities		42,931	41,320	35,498	35,567	28,647	105,685	289,648
Instruments with floating interest rate								
Financial lease	4,32%	91,225	78,574	67,940	62,474	59,846	597,012	957,071
Loans and borrowings	2,19%	74,909	72,201	64,147	30,488	-	-	241,745
Instruments with fixed interest rate								
Bonds	3,88%	89,125	89,125	2,344,563	-	-	-	2,522,813
Loans and borrowings	2,19%	1,497,108	120,257	117,429	102,893	50,200	40,790	1,928,677
		2,656,162	404,557	2,632,657	234,502	139,155	743,487	6,810,520

40/ FINANCIAL INSTRUMENTS / CONTINUED

Foreign currency risk management / continued

Liquidity and interest rate risk tables / continued

('000 HRK)	Average weighted interest rate	Up to 1 year	1-2-years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 December 2019	%							
Interest free								
Liabilities to associates and trade payables		511,324	3,080	3,080	3,080	2,042	-	522,606
Liabilities for advances, deposits and guarantees		24,939	-	-	-	-	-	24,939
Employee benefit liabilities		57,143	-	-	-	-	-	57,143
Other current liabilities		189,494	-	-	-	-	-	189,494
Instruments with floating interest rate								
Financial lease	4,68%	96,095	80,035	67,429	58,982	55,622	643,648	1,001,811
Loans and borrowings	3,38%	114,514	74,920	72,188	62,475	30,495	-	354,592
Other non-current liabilities	2,20%	38,461	37,577	36,797	35,992	36,347	50,148	235,322
Instruments with fixed interest rate								
Bonds	3,88%	89,125	89,125	89,125	2,344,563	-	-	2,611,938
Loans and borrowings	2,66%	933,213	89,583	88,845	85,969	65,207	61,198	1,324,015
		2,054,308	374,320	357,464	2,591,061	189,713	754,994	6,321,860

40/ FINANCIAL INSTRUMENTS / CONTINUED

Foreign currency risk management / continued

Liquidity and interest rate risk tables / continued

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets until contractual maturities, including interest to be earned on those assets

('000 HRK)	Average weighted interest rate	Up to 1 year	1-2-years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 December 2020	%							
Interest free								
Cash and cash equivalents		168,367	-	-	-	-	-	168,367
Financial liabilities at fair value		1,130	-	-	-	-	-	1,130
Receivables from associates and trade receivables		1,670,023	128,625	126,583	122,558	62,070	449,845	2,559,704
Receivables from employees		472	-	-	-	-	-	472
Other receivables		319,095	53,254	47,513	50,522	44,355	384,667	899,406
Financial assets available for sale		-	-	-	-	-	18,450	18,450
Instruments with floating interest rate								
Deposits given and other securities held to maturity	1,56%	874	874	874	56,437	-	3,612	62,671
Instruments with fixed interest rate								
Deposits given and other securities held to maturity	2,33 %	3,223	2,470	5,303	2,384	2,384	82,344	98,108
Loans	5%	7,847	4,881	2,448	962	251	-	16,389
Instruments with fixed interest rate	4%	686	572	412	260	167	431	2,528
Deposits given and other securities held to maturity	3,88 %	231,987	49,637	48,112	46,589	45,063	126,041	547,429
		2,403,704	240,313	231,245	279,712	154,290	1,065,390	4,374,654

40/ FINANCIAL INSTRUMENTS / CONTINUED

Liquidity risk management (continued)

Liquidity and interest rate risk tables

('000 HRK)	Average weighted interest rate	Up to 1 year	1-2-years	2-3 years	3-4 years	4-5 years	After 5 years	Total
31 December 2019	%							
Interest free								
Cash and cash equivalents		202,179	-	-	-	-	-	202,179
Financial liabilities at fair value		1,338	-	-	-	-	-	1,338
Receivables from associates and trade receivables		1,262,649	-	-	-	-	-	1,262,649
Receivables from employees		461	-	-	-	-	-	461
Other receivables		259,793	26,703	26,703	26,703	26,793	198,890	565,585
Financial assets available for sale		-	-	-	-	-	16,502	16,502
Instruments with floating interest rate								
Deposits and other securities	1,56%	874	874	874	874	56,437	-	59,933
Other receivables	2,40%	35,484	37,199	36,439	35,680	34,920	111,826	291,548
Instruments with fixed interest rate								0
Deposits and other securities	2,33%	23,295	2,445	10,156	2,363	2,363	86,770	127,392
Loans	5%	5,976	3,731	1,513	3,703	4,098	-	19,021
Receivables from housing loans	4,00%	693	731	672	583	243	482	3,404
Receivables from associates		166,367	169,702	175,569	178,764	188,905	502,975	1,382,282
Loans to associates	3,88%	82.869	51,162	49,637	48,112	46,589	171,104	449,473
		2,041,978	292,547	301,563	296,782	360,348	1,088,549	4,381,767

40/ FINANCIAL INSTRUMENTS / CONTINUED

Fair value of financial instruments

Fair value measurements recognized in the statement of financial position / (balance sheet)

The table below analyses the financial instruments subsequently measured at fair value, classified within 3 groups according to availability of fair value indicators:

- Level 1 indicators – indicators are derived from quoted prices in active market for identical assets or liabilities
- Level 2 indicators – are indicators other than quoted market prices included within Level 1, that are observable directly (i.e. their prices) or indirectly (i.e. derived from prices), and
- Level 3 indicators – indicators derived using valuation methods in which asset data or liabilities that are not based on available market data (unavailable input data) are used as input data.

				31 Dec 2020
('000 HRK)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– equity investment	-	-	1,130	1,130
	-	-	**1,130**	**1,130**

				31.12.2019.
('000 HRK)	1. red	2. red	3. red	Total
Financial assets at fair value through profit or loss				
– equity investment	-	-	1,338	1,338
	-	-	**1,338**	**1,338**

41/ COMMITMENTS

The Group has concluded contracts whose execution has begun but has not been completed. The value of the investment to be incurred under these contracts is estimated at HRK 390,018 thousand (31 December 2019: HRK 362,869 thousand).

42/ LEGAL DISPUTES

The group is exposed to various court disputes. The Management believes that provision for legal disputes that was made in the amount of HRK 162,081 thousand (31 December 2019: HRK 187,434 thousand) is sufficient for possible liabilities that could be incurred (Note 33).

43/ CONTINGENT LIABILITIES

Environmental Protection

Within the Group is the ZGOS subsidiary, whose main activity is the disposal of municipal and other waste, as well as the rehabilitation of the Jakuševac landfill and the assistance to the City of Zagreb in the establishment of a long-term strategy for the development of a municipal waste management system in the City of Zagreb. The impact of these activities on the environment is monitored by local authorities and state-level environmental protection bodies. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Group (ZGOS subsidiary) booked the amount of HRK 48.270 thousand (31 Dec 2019: HRK 51.163 thousand) (Note 33) in respect of future costs of maintenance and control over the landfill.

44/ CONTINGENT ASSETS

Receivables pertaining to incentives payable by the Environmental Protection & Energy Efficiency Fund

The Company provides public services of separate waste collection - services for which it is entitled to receive incentives from the Environmental Protection & Energy Efficiency Fund ("Fund"); however, the Fund has not been paying these incentives to the Company in line with applicable regulations. Negotiations are currently under way with the Fund about the payout of unpaid incentives in accordance with the Ordinance on Packaging and Packaging Waste and the Agreement concluded between the Fund and the Company regarding temporary collection of packaging waste. In the context of these negotiations, the Company has requested compensation of actual costs incurred in the provision of this public service.

In addition, the Company is also faced with the problem of handing over waste to certified waste recovery companies, because the recovery companies with which the Fund has concluded contracts refuse to accept waste from the Company, with the explanation that they are unable to receive that type of waste. Owing to that fact, the Company has been handing over the collected plastic packaging waste to be further processed by companies that have the appropriate permit for that activity, but this is done at a fee - consequently, the Company believes that because the Fund has failed to fulfil its legal obligations, the Company is entitled to also claim reimbursement from the Fund for the costs incurred in this respect.

45/ EVENTS AFTER THE DATE OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Borrowings

After the date of the consolidated statement of financial position, the Company refinanced the short-term loan with Zagrebačka banka d.d. in the amount of HRK 200 million, prolonged the maturity of the short-term loan with Erste&Steiermärkische Bank d.d. in the amount of HRK 70 million, and repaid the short-term loan with HPB d.d. in the amount of HRK 100 million. Subsidiary Water Supply and Drainage Ltd. has signed a contract for a long-term investment loan with a group of banks (HPB d.d., Croatian Bank for Reconstruction and Development (HBOR)) and Erste&Steiermärkische Bank d.d.), for an amount of HRK 400 million, with maturity in 2034 (including one-year grace period and one-year utilization period).

Intervention measure

The Grant Agreement for the project "Intervention measure to decrease landfilling municipal waste created in the City of Zagreb" ("Project"), which is worth HRK 93,973,317.60 and 80% of which is financed from EU funds, was concluded on 25 March 2021 between the Ministry of Economy and Sustainable Development (a level 1 Intermediate Body), Environmental Protection and Energy Efficiency Fund (a level 2 Intermediate Body) and City of Zagreb as grant beneficiaries. Total eligible costs for the Project amount to HRK 93,575,907.20, of which HRK 75,678,598.97 represents grants. Within the scope of this Project, City of Zagreb and its partner Zagreb Holding Ltd., subsidiaries City Waste Disposal and Zrinjevac, are implementing the following activities: procurement of bins for separate collection of biodegradable municipal waste and bins for separate collection of recyclable municipal waste, procurement of vehicles for separate collection and transport of biodegradable waste and municipal waste, procurement of equipment for treatment of separately collected biodegradable waste, procurement of mobile recycling centres, and procurement of IT system for better monitoring of quantities of waste. This project has been implemented with a view of contributing to improvement of the waste management system through reducing the quantities of mixed municipal waste and increased rate of separate collection in the area of the city of Zagreb, and to sustainable development and sustainability of resources. Project implementation period is from 2015 to 2022..

46/ PENSION INSURANCE

The Group does not have any special model of pension insurance for its employees or the Management Board. Consequently, no provision for these expenses has been entered.

For employees of the Group employed in the Republic of Croatia, statutory contributions to pension insurance are paid. These contributions form the basis for pensions paid by the Croatian Pension Fund to Croatian workers after their retirement. Currently the Group has no outstanding liabilities for unpaid pensions, either for current or former employees.

47/ LEGAL AND REGULATORY FRAMEWORK

The Group's operations, as well as revenue recovery, are the subject of several laws of which the most significant are:

- The Communal Management Act
- The Local Self-government Act
- The Waste Act
- The Institutions Act
- The Waters Act
- The Cemeteries Act
- The Building Maintenance Act
- The Act on Free Zones

48/ APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were adopted by the Management and authorized for issue on 27. April 2021.

Ana Stojić Deban,

President of the Management Board

Daniela Franić,

Member of the Management Board

Bernard Mršo,

Member of the Management Board

Marica Dusper,

Member of the Management Board

BALANCE SHEET
balance as at 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	13.929.103.932	14.044.656.740
I INTANGIBLE ASSETS (ADP 004 to 009)	003	33.581.186	45.842.327
1 Research and development	004	89.476	478.666
2 Concessions, patents, licences, trademarks, software and other rights	005	16.090.204	14.205.692
3 Goodwill	006	1.631.382	1.631.382
4 Advance payments for purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	14.039.522	24.515.481
6 Other intangible assets	009	1.730.602	5.011.106
II TANGIBLE ASSETS (ADP 011 to 019)	010	11.755.676.243	11.915.249.575
1 Land	011	3.215.982.008	3.313.472.649
2 Buildings	012	5.699.247.683	5.680.627.895
3 Plant and equipment	013	265.619.701	315.064.751
4 Tools, working inventory and transportation assets	014	161.837.093	169.113.930
5 Biological assets	015	0	0
6 Advance payments for purchase of tangible assets	016	5.766.665	3.357.292
7 Tangible assets in preparation	017	648.402.364	658.731.163
8 Other tangible assets	018	70.206.754	73.728.723
9 Investment property	019	1.688.613.975	1.701.153.172
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	482.182.993	441.770.531
1 Investments in holdings (shares) of undertakings within the group	021	0	0
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	314.785.576	275.437.379
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	17.412.230	19.142.032
5 Investment in other securities of companies linked by virtue of participating interest	025	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	0	0
7 Investments in securities	027	6.273	10.597
8 Loans, deposits, etc. given	028	11.507.984	7.928.240
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	138.470.930	139.252.283
IV RECEIVABLES (ADP 032 to 035)	031	1.580.559.574	1.528.570.981
1 Receivables from undertakings within the group	032	1.047.077.406	946.976.284
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	2.446.351	1.659.146
4 Other receivables	035	531.035.817	579.935.551
V. Deferred tax assets	036	77.103.936	113.223.326
C) CURRENT ASSETS (ADP 038+046+053+063)	037	2.350.506.890	2.347.566.540

BALANCE SHEET
balance as at 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	**ADP code**	**Last day of the preceding business year**	**At the reporting date of the current period**
1	**2**	**3**	**4**
I INVENTORIES (ADP 039 to 045)	**038**	396.303.410	202.765.476
1 Raw materials	**039**	105.394.139	103.249.695
2 Work in progress	**040**	33.769.914	32.794.591
3 Finished goods	**041**	33.444.076	24.513.833
4 Merchandise	**042**	42.877.151	40.873.493
5 Advance payments for inventories	**043**	2.789.930	1.333.864
6 Fixed assets held for sale	**044**	178.028.200	0
7 Biological assets	**045**	0	0
II RECEIVABLES (ADP 047 to 052)	**046**	1.646.287.145	1.844.340.685
1 Receivables from undertakings within the group	**047**	583.078.357	744.836.625
2 Receivables from companies linked by virtue of participating interest	**048**	0	0
3 Customer receivables	**049**	769.352.332	795.386.795
4 Receivables from employees and members of the undertaking	**050**	460.940	471.673
5 Receivables from government and other institutions	**051**	52.954.247	24.616.758
6 Other receivables	**052**	240.441.269	279.028.834
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	**053**	105.737.183	132.093.726
1 Investments in holdings (shares) of undertakings within the group	**054**	0	0
2 Investments in other securities of undertakings within the group	**055**	0	0
3 Loans, deposits, etc. to undertakings within the group	**056**	69.529.874	120.611.287
4 Investments in holdings (shares) of companies linked by virtue of participating interest	**057**	0	0
5 Investment in other securities of companies linked by virtue of participating interest	**058**	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	**059**	0	0
7 Investments in securities	**060**	0	0
8 Loans, deposits, etc. given	**061**	5.354.030	7.116.064
9 Other financial assets	**062**	30.853.279	4.366.375
IV CASH AT BANK AND IN HAND	**063**	202.179.152	168.366.653
D) PREPAID EXPENSES AND ACCRUED INCOME	**064**	38.188.453	35.564.427
E) TOTAL ASSETS (ADP 001+002+037+064)	**065**	16.317.799.275	16.427.787.707
OFF-BALANCE SHEET ITEMS	**066**	162.911.108	169.820.774

BALANCE SHEET
balance as at 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	**ADP code**	**Last day of the preceding business year**	**At the reporting date of the current period**
1	**2**	**3**	**4**
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	**067**	6.064.412.583	5.770.577.048
I. INITIAL (SUBSCRIBED) CAPITAL	**068**	3.177.043.600	3.177.043.600
II CAPITAL RESERVES	**069**	0	0
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	**070**	322.617.489	322.617.489
1 Legal reserves	**071**	0	0
2 Reserves for treasury shares	**072**	0	0
3 Treasury shares and holdings (deductible item)	**073**	0	0
4 Statutory reserves	**074**	0	0
5 Other reserves	**075**	322.617.489	322.617.489
IV REVALUATION RESERVES	**076**	1.840.235.500	1.824.820.279
V FAIR VALUE RESERVES (ADP 078 to 080)	**077**	12.724.323	14.320.745
1 Fair value of financial assets available for sale	**078**	12.724.323	14.320.745
2 Cash flow hedge - effective portion	**079**	0	0
3 Hedge of a net investment in a foreign operation - effective portion	**080**	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	**081**	695.442.668	711.533.004
1 Retained profit	**082**	695.442.668	711.533.004
2 Loss brought forward	**083**	0	0
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	**084**	1.929.338	-291.916.585
1 Profit for the business year	**085**	1.929.338	0
2 Loss for the business year	**086**	0	291.916.585
VIII MINORITY (NON-CONTROLLING) INTEREST	**087**	14.419.665	12.158.516
B) PROVISIONS (ADP 089 to 094)	**088**	346.638.466	323.388.038
1 Provisions for pensions, termination benefits and similar obligations	**089**	124.985.920	126.672.069
2 Provisions for tax liabilities	**090**	0	0
3 Provisions for ongoing legal cases	**091**	170.357.149	147.489.683
4 Provisions for renewal of natural resources	**092**	51.162.637	48.270.244
5 Provisions for warranty obligations	**093**	132.760	956.042
6 Other provisions	**094**	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	**095**	4.171.052.850	4.195.980.843
1 Liabilities towards undertakings within the group	**096**	11.281.736	9.702.011
2 Liabilities for loans, deposits, etc. to companies within the group	**097**	0	0
3 Liabilities towards companies linked by virtue of participating inter.	**098**	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	**099**	0	0
5 Liabilities for loans, deposits etc.	**100**	0	0
6 Liabilities towards banks and other financial institutions	**101**	631.200.699	619.750.835
7 Liabilities for advance payments	**102**	0	0
8 Liabilities towards suppliers	**103**	600.332.618	584.191.402
9 Liabilities for securities	**104**	2.261.551.232	2.271.278.123
10 Other long-term liabilities	**105**	235.716.130	289.860.346
11 Deferred tax liability	**106**	430.970.435	421.198.126

BALANCE SHEET
balance as at 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	**ADP code**	**Last day of the preceding business year**	**At the reporting date of the current period**
1	**2**	**3**	**4**
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	**107**	2.473.243.700	2.972.883.811
1 Liabilities towards undertakings within the group	**108**	19.411.151	23.760.181
2 Liabilities for loans, deposits, etc. to companies within the group	**109**	0	0
3 Liabilities towards companies linked by virtue of participating interest	**110**	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	**111**	0	0
5 Liabilities for loans, deposits etc.	**112**	0	0
6 Liabilities towards banks and other financial institutions	**113**	1.135.702.433	1.610.733.403
7 Liabilities for advance payments	**114**	24.938.962	42.311.731
8 Liabilities towards suppliers	**115**	491.518.815	575.164.180
9 Liabilities for securities	**116**	0	0
10 Liabilities towards employees	**117**	57.143.469	65.225.104
11 Taxes, contributions and similar liabilities	**118**	72.963.211	110.696.180
12 Liabilities arising from the share in the result	**119**	2.018.000	2.018.000
13 Liabilities arising from fixed assets held for sale	**120**	0	0
14 Other short-term liabilities	**121**	669.547.659	542.975.032
E) ACCRUALS AND DEFERRED INCOME	**122**	3.262.451.676	3.164.957.967
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	**123**	16.317.799.275	16.427.787.707
G) OFF-BALANCE SHEET ITEMS	**124**	162.911.108	169.820.774

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020 to 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	**ADP code**	**Same period of the previous year**	**Current period**
1	**2**	**3**	**4**
I OPERATING INCOME (ADP 126 to 130)	**125**	4.087.551.962	3.766.410.271
1 Income from sales with undertakings within the group	**126**	785.066.155	706.326.884
2 Income from sales (outside group)	**127**	2.721.823.176	2.589.198.886
3 Income from the use of own products, goods and services	**128**	39.626.669	35.033.674
4 Other operating income with undertakings within the group	**129**	21.686.025	20.054.620
5 Other operating income (outside the group)	**130**	519.349.937	415.796.207
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	**131**	4.020.195.690	4.021.913.824
1 Changes in inventories of work in progress and finished goods	**132**	-617.659	-2.859.675
2 Material costs (ADP 134 to 136)	**133**	2.160.966.638	2.088.468.485
a) Costs of raw material	**134**	359.200.386	320.381.883
b) Costs of goods sold	**135**	1.104.226.394	997.652.221
c) Other external costs	**136**	697.539.858	770.434.381
3 Staff costs (ADP 138 to 140)	**137**	1.147.561.141	1.225.884.077
a) Net salaries and wages	**138**	770.048.088	824.246.124
b) Tax and contributions from salaries expenses	**139**	241.834.097	257.688.865
c) Contributions on salaries	**140**	135.678.956	143.949.088
4 Depreciation	**141**	389.698.781	403.235.147
5 Other expenses	**142**	26.970.111	20.780.325
6 Value adjustments (ADP 144+145)	**143**	163.285.766	172.702.652
a) fixed assets other than financial assets	**144**	90.718.043	73.109.588
b) current assets other than financial assets	**145**	72.567.723	99.593.064
7 Provisions (ADP 147 to 152)	**146**	58.110.614	53.497.718
a) Provisions for pensions, termination benefits and similar obligations	**147**	17.113.339	4.589.384
b) Provisions for tax liabilities	**148**	0	0
c) Provisions for ongoing legal cases	**149**	7.906.001	11.034.903
d) Provisions for renewal of natural resources	**150**	1.199.125	0
e) Provisions for warranty obligations	**151**	0	956.043
f) Other provisions	**152**	31.892.149	36.917.388
8 Other operating expenses	**153**	74.220.298	60.205.095
III FINANCIAL INCOME (ADP 155 to 164)	**154**	145.999.648	139.391.791
1 Income from investments in holdings (shares) of undertakings within the group	**155**	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	**156**	800.014	1.353.036
3 Income from other long-term financial investment and loans granted to undertakings within the group	**157**	91.263.952	73.395.179
4 Other interest income from operations with undertakings within the group	**158**	22.850	58.692
5 Exchange rate differences and other financial income from operations with undertakings within the group	**159**	628.112	869.990
6 Income from other long-term financial investments and loans	**160**	9.267	0
7 Other interest income	**161**	16.548.884	12.465.369
8 Exchange rate differences and other financial income	**162**	12.253.308	21.563.927

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020 to 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	**ADP code**	**Same period of the previous year**	**Current period**
1	**2**	**3**	**4**
9 Unrealised gains (income) from financial assets	**163**	23.445.609	28.883.818
10 Other financial income	**164**	1.027.652	801.780
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	**165**	197.743.595	212.404.914
1 Interest expenses and similar expenses with undertakings within the group	**166**	128.957	1.325
2 Exchange rate differences and other expenses from operations with undertakings within the group	**167**	1.501.992	738.763
3 Interest expenses and similar expenses	**168**	162.334.473	166.621.003
4 Exchange rate differences and other expenses	**169**	5.674.152	17.068.187
5 Unrealised losses (expenses) from financial assets	**170**	4.970	0
6 Value adjustments of financial assets (net)	**171**	0	0
7 Other financial expenses	**172**	28.099.051	27.975.636
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**173**	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	**174**	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**175**	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	**176**	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	**177**	4.233.551.610	3.905.802.062
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	**178**	4.217.939.285	4.234.318.738
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	**179**	15.612.325	-328.516.676
1 Pre-tax profit (ADP 177-178)	**180**	15.612.325	0
2 Pre-tax loss (ADP 178-177)	**181**	0	-328.516.676
XII INCOME TAX	**182**	8.412.635	-36.979.265
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**183**	7.199.690	-291.537.411
1 Profit for the period (ADP 179-182)	**184**	7.199.690	0
2 Loss for the period (ADP 182-179)	**185**	0	-291.537.411
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with disconti. operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	**186**	0	0
1 Pre-tax profit from discontinued operations	**187**	0	0
2 Pre-tax loss on discontinued operations	**188**	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	**189**	0	0
1 Discontinued operations profit for the period (ADP 186-189)	**190**	0	0
2 Discontinued operations loss for the period (ADP 189-186)	**191**	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	**192**	0	0
1 Pre-tax profit (ADP 192)	**193**	0	0
2 Pre-tax loss (ADP 192)	**194**	0	0
XVII INCOME TAX (ADP 182+189)	**195**	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	**196**	0	0
1 Profit for the period (ADP 192-195)	**197**	0	0
2 Loss for the period (ADP 195-192)	**198**	0	0

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020 to 31.12.2020

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	**ADP code**	**Same period of the previous year**	**Current period**
1	**2**	**3**	**4**
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	**199**	7.199.690	-291.537.411
1 Attributable to owners of the parent	**200**	1.929.338	-291.916.585
2 Attributable to minority (non-controlling) interest	**201**	5.270.352	379.174
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	**202**	7.199.690	-291.537.411
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	**203**	111.798.117	-16.851.550
1 Exchange rate differences from translation of foreign operations	**204**	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	**205**	111.285.617	-18.799.050
3 Profit or loss arising from re-evaluation of financial assets available for sale	**206**	512.500	1.947.500
4 Profit or loss arising from effective cash flow hedging	**207**	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	**208**	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	**209**	0	0
7 Actuarial gains/losses on defined remuneration plans	**210**	0	0
8 Other changes in equity unrelated to owners	**211**	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**212**	20.123.661	-3.033.279
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	**213**	91.674.456	-13.818.271
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	**214**	98.874.146	-305.355.682
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	**215**	98.874.146	-305.355.682
1 Attributable to owners of the parent	**216**	93.603.794	-305.734.856
2 Attributable to minority (non-controlling) interest	**217**	5.270.352	379.174

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2020. to 31.12.2020.

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	**ADP code**	**Same period of the previous year**	**Current period**
1	**2**	**3**	**4**
Cash flow from operating activities			
1 Pre-tax profit	**001**	15.612.325	-328.516.676
2 Adjustments (ADP 003 to 010):	**002**	406.491.110	536.140.272
a) Depreciation	**003**	389.698.781	403.235.147
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	**004**	23.245.000	92.276.000
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	**005**	0	0
d) Interest and dividend income	**006**	-108.464.000	-86.789.000
e) Interest expenses	**007**	174.199.000	185.759.000
f) Provisions	**008**	-14.119.553	-23.250.428
g) Exchange rate differences (unrealised)	**009**	1.697.000	14.127.903
h) Other adjustments for non-cash transactions and unrealised gains and losses	**010**	-59.765.118	-49.218.350
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	**011**	422.103.435	207.623.596
3 Changes in the working capital (ADP 013 to 016)	**012**	-42.109.000	-242.448.000
a) Increase or decrease in short-term liabilities	**013**	22.188.000	113.798.000
b) Increase or decrease in short-term receivables	**014**	-162.367.000	-371.566.000
c) Increase or decrease in inventories	**015**	98.070.000	15.320.000
d) Other increase or decrease in the working capital	**016**	0	0
II Cash from operations (ADP 011+012)	**017**	379.994.435	-34.824.404
4 Interest paid	**018**	-165.149.000	-174.701.000
5 Income tax paid	**019**	-27.917.567	-24.743.000
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	186.927.868	-234.268.404
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	**021**	0	21.180.000
2 Cash receipts from sales of financial instruments	**022**	0	0
3 Interest received	**023**	111.515.000	87.524.000
4 Dividends received	**024**	45.104	0
5 Cash receipts from repayment of loans and deposits	**025**	0	0
6 Other cash receipts from investment activities	**026**	69.753.896	141.185.000
III Total cash receipts from investment activities (ADP 021 to 026)	**027**	181.314.000	249.889.000

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2020. to 31.12.2020.

in HRK

Submitter: ZAGREBAČKI HOLDING d.o.o.			
Item	**ADP code**	**Same period of the previous year**	**Current period**
1	**2**	**3**	**4**
III Total cash receipts from investment activities (ADP 021 to 026)	**027**	181.314.000	249.889.000
1 Cash payments for the purchase of fixed tangible and intangible assets	**028**	-459.803.000	-479.538.000
2 Cash payments for the acquisition of financial instruments	**029**	0	0
3 Cash payments for loans and deposits for the period	**030**	0	0
4 Acquisition of a subsidiary, net of cash acquired	**031**	0	0
5 Other cash payments from investment activities	**032**	-9.486.000	-3.209.000
IV Total cash payments from investment activities (ADP 028 to 032)	**033**	-469.289.000	-482.747.000
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	**034**	-287.975.000	-232.858.000
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	**035**	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	**036**	0	0
3 Cash receipts from credit principals, loans and other borrowings	**037**	850.308.000	1.354.134.496
4 Other cash receipts from financing activities	**038**	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	**039**	850.308.000	1.354.134.496
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	**040**	-775.579.000	-858.131.591
2 Dividends paid	**041**	0	0
3 Cash payments for finance lease	**042**	-81.964.000	-62.689.000
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	**043**	0	0
5 Other cash payments from financing activities	**044**	0	0
VI Total cash payments from financing activities (ADP 040 to 044)	**045**	-857.543.000	-920.820.591
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	**046**	-7.235.000	433.313.905
1 Unrealised exchange rate differences in cash and cash equivalents	**047**	0	0
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	**048**	-108.282.132	-33.812.499
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**	310.461.284	202.179.152
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	**050**	202.179.152	168.366.653

STATEMENT OF CHANGES IN EQUITY
for the period from 01.01.2020 to 31.12.2020

Item	ADP code	Attributable to owners of the parent								
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale
1	2	3	4	5	6	7	8	9	10	11
Previous period										
1 Balance on the first day of the previous business year	**01**	3.177.043.600	0	0	0	0	0	322.617.489	1.839.527.446	0
2 Changes in accounting policies	**02**	0	0	0	0	0	0	0	0	0
3 Correction of errors	**03**	0	0	0	0	0	0	0	-90.125.902	12.304.073
4 Balance on the first day of the previous business year (restated) (ADP	**04**	3.177.043.600	0	0	0	0	0	322.617.489	1.749.401.544	12.304.073
5 Profit/loss of the period	**05**	0	0	0	0	0	0	0	0	0
6 Exchange rate differences from translation of foreign operations	**06**	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	**07**	0	0	0	0	0	0	0	90.833.956	0
8 Profit or loss arising from re-evaluation of financial assets available for	**08**	0	0	0	0	0	0	0	0	420.250
9 Gains or losses on efficient cash flow hedging	**09**	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a	**10**	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue	**11**	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined benefit plans	**12**	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	**13**	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	**14**	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from	**15**	0	0	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	**16**	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy	**17**	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	**18**	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	**19**	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	**20**	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	**21**	0	0	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	**22**	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the previous business year reporting	**23**	3.177.043.600	0	0	0	0	0	322.617.489	1.840.235.500	12.724.323
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)										
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET	**24**	0	0	0	0	0	0	0	90.833.956	420.250
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD	**25**	0	0	0	0	0	0	0	90.833.956	420.250
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD	**26**	0	0	0	0	0	0	0	0	0

STATEMENT OF CHANGES IN EQUITY

for the period from 01.01.2020 to 31.12.2020

Item	ADP code	Attributable to owners of the parent								
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale
1	2	3	4	5	6	7	8	9	10	11
Current period										
1 Balance on the first day of the current business year	27	3.177.043.600	0	0	0	0	0	322.617.489	1.840.235.500	12.724.323
2 Changes in accounting policies	28	0	0	0	0	0	0	0	0	0
3 Correction of errors	29	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP	30	3.177.043.600	0	0	0	0	0	322.617.489	1.840.235.500	12.724.323
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33	0	0	0	0	0	0	0	-15.415.221	0
8 Profit or loss arising from re-evaluation of financial assets available for	34	0	0	0	0	0	0	0	0	1.596.422
9 Gains or losses on efficient cash flow hedging	35	0	0	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a	36	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue	37	0	0	0	0	0	0	0		0
12 Actuarial gains/losses on defined remuneration plans	38	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	39	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	40	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from	41	0	0	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	42	0	0	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy	43	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	44	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	46	0	0	0	0	0	0	0	0	0
21 Transfer to reserves by annual schedule	47	0	0	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting	49	3.177.043.600	0	0	0	0	0	322.617.489	1.824.820.279	14.320.745
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)										
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD,	50	0	0	0	0	0	0	0	-15.415.221	1.596.422
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD	51	0	0	0	0	0	0	0	-15.415.221	1.596.422
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD	52	0	0	0	0	0	0	0	0	0

STATEMENT OF CHANGES IN EQUITY
for the period from 01.01.2020 to 31.12.2020

in HRK

Item	ADP code	Attributable to owners of the parent: Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent	Minority (non-controlling) interest	Total capital and reserves
1	2	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period								
1 Balance on the first day of the previous business year	**01**	0	0	620.237.468	68.803.347	6.028.229.350	11.483.736	6.039.713.086
2 Changes in accounting policies	**02**	0	0	0	0	0	0	0
3 Correction of errors	**03**	0	0	7.749.901	-1.348.048	-71.419.976	0	-71.419.976
4 Balance on the first day of the previous business year (restated) (ADP	**04**	0	0	627.987.369	67.455.299	5.956.809.374	11.483.736	5.968.293.110
5 Profit/loss of the period	**05**	0	0	0	1.929.338	1.929.338	5.270.352	7.199.690
6 Exchange rate differences from translation of foreign operations	**06**	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	**07**	0	0	0	0	90.833.956	0	90.833.956
8 Profit or loss arising from re-evaluation of financial assets available for	**08**	0	0	0	0	420.250	0	420.250
9 Gains or losses on efficient cash flow hedging	**09**	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a	**10**	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue	**11**	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined benefit plans	**12**	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	**13**	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	**14**	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from	**15**	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	**16**	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy	**17**	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	**18**	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	**19**	0	0	0	0	0	-2.334.423	-2.334.423
20 Other distribution to owners	**20**	0	0	67.455.299	-67.455.299	0	0	0
21 Transfer to reserves by annual schedule	**21**	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	**22**	0	0	0	0	0	0	0
23 Balance on the last day of the previous business year reporting	**23**	0	0	695.442.668	1.929.338	6.049.992.918	14.419.665	6.064.412.583
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)								
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET	**24**	0	0	0	0	91.254.206	0	91.254.206
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD	**25**	0	0	0	1.929.338	93.183.544	5.270.352	98.453.896
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD	**26**	0	0	67.455.299	-67.455.299	0	-2.334.423	-2.334.423

STATEMENT OF CHANGES IN EQUITY

for the period from 01.01.2020 to 31.12.2020

in HRK

Item	ADP code	Attributable to owners of the parent					Minority (non-controlling) interest	Total capital and reserves
		Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period								
Current period								
1 Balance on the first day of the current business year	**27**	0	0	695.442.668	1.929.338	6.049.992.918	14.419.665	6.064.412.583
2 Changes in accounting policies	**28**	0	0	0	0	0	0	0
3 Correction of errors	**29**	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP	**30**	0	0	695.442.668	1.929.338	6.049.992.918	14.419.665	6.064.412.583
5 Profit/loss of the period	**31**	0	0	0	-291.916.585	-291.916.585	379.174	-291.537.411
6 Exchange rate differences from translation of foreign operations	**32**	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	**33**	0	0	14.160.998	0	-1.254.223	0	-1.254.223
8 Profit or loss arising from re-evaluation of financial assets available for	**34**	0	0	0	0	1.596.422	0	1.596.422
9 Gains or losses on efficient cash flow hedging	**35**	0	0	0	0	0	0	0
10 Gains or losses arising from effective hedge of a net investment in a	**36**	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue	**37**	0	0	0	0	0	0	0
12 Actuarial gains/losses on defined remuneration plans	**38**	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	**39**	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	**40**	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from	**41**	0	0	0	0	0	0	0
16 Increase of initial (subscribed) capital by reinvesting profit	**42**	0	0	0	0	0	0	0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy	**43**	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	**44**	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	**45**	0	0	0	0	0	-2.640.323	-2.640.323
20 Other distribution to owners	**46**	0	0	1.929.338	-1.929.338	0	0	0
21 Transfer to reserves by annual schedule	**47**	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	**48**	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting	**49**	0	0	711.533.004	-291.916.585	5.758.418.532	12.158.516	5.770.577.048
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)								
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD,	**50**	0	0	14.160.998	0	342.199	0	342.199
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD	**51**	0	0	14.160.998	-291.916.585	-291.574.386	379.174	-291.195.212
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD	**52**	0	0	1.929.338	-1.929.338	0	-2.640.323	-2.640.323