

## **Consolidated financial statements for the first half of the 2021**

### **MANAGEMENT BOARD'S REPORT ON FINANCIAL POSITION AND ANALYSIS OF BUSINESS RESULTS – REPORT OF THE MANAGEMENT**

According to unaudited financial reports HEP Group (Hrvatska elektroprivreda d.d. and its affiliated companies) recorded consolidated net profit of HRK 1,250.6 m in the first term 2021, which is an increase by HRK 291.0 m in comparison to the same period 2020.

Total electricity consumption of customers in Croatia amounted to 7.988 GWh, marking an increase of 562 GWh (7.6%) in comparison to the consumption in the same period last year. There was an increase in billed electricity to household category by 209 GWh and to commercial category by 351 GWh.

The total sale of HEP Group's suppliers rose by 329 GWh (4.9%) in comparison to the same period 2020, and in the first half of this year HEP Group's market share totalled at 88.8%, whereas it was 91.1% in the same period the year before. The sale of HEP Opskrba rose by 121 GWh (3.3%), 104 GWh of which marks an increase of sale to the commercial category, and 17 GWh to the household category. HEP Elektra, which has been supplying households within universal service and commercial category customers within guaranteed supply, recorded higher sale by the total of 207 GWh, whereby the sale to household category increased by 184 GWh and to commercial category by 23 GWh.

The first two months of 2021 were marked by extremely favourable hydrology with increased energy inflow value, so the share of hydro power plants in the structure of electricity sources totals at 42.3%. Hydro power plants generated 4,170 GWh, which is 1,709 GWh more in comparison to the first half 2020.

As a result of favourable hydrological conditions, electricity procurement at the market was reduced by 238 GWh (7.6%), which affected the reduction of operating expenses. The total of 2,903 GWh was procured, 615 GWh was electricity purchase from RES and cogenerations in the incentive system, and 2,288 GWh was import and procurement from traders and producers in Croatia and procurement for covering losses in the transmission network. Thermal power plants generated 1,658 GWh, which marked an increase of 6 GWh (0.3%). Nuclear power plant Krško delivered 1,204 GWh, which represents 12.1% of HEP Group's disposable electricity.

Operating income totals at HRK 7,508.5 m, marking an increase by HRK 368.8 m (5.2%) in comparison to the same period 2020. Income from electricity sale was HRK 6,140.2 m, and in comparison to the same period the year before it rose by HRK 650.7 m (11.9%) as a result of income from electricity sale at the international market and export of electricity surpluses, as well as increased sale of electricity to household customers in Croatia, as a result of higher billed consumption. The income from the sale of heat energy increased by HRK 22.0 m, whereby the income from gas sale decreased by HRK 254.6 m, due to the cessation of performing the activity of supplier at the wholesale gas market, which HEP d.d. performed by 31 March 2021.

All other operating income was reduced by HRK 49.3 m.

Operating expenses in the first term 2021 amounted to HRK 6,018.2 m, marking a decrease by HRK 68.1 (1.1%). The costs of electricity procurement total at HRK 1,262.6 m and are by HRK 98.1 m (8.4%) higher in comparison to the same period the year before. Cost increase is a result of a higher price of imported electricity, whereas imported volumes are lower. Energy fuel cost in the first half of the year totals at HRK 732.6 m, and it increased by HRK 3.0 m (0.4%), due to higher prices of natural gas and coal as well as a bigger amount of used coal. The cost of gas procurement for sale at the wholesale market was reduced by HRK 444.5 m, as a result of cessation of performing the activity of supplier at the wholesale market, whereas the cost of gas procurement at the market increased by HRK 46.9 m (44.8%).

All other operating expenses increased by HRK 364.6 m.

The investments were achieved in the amount of HRK 1.09 bn, which includes replacements, reconstructions, revitalization of existing energy facilities, the construction and preparation of construction of new energy facilities as well as connecting customers.

Trade receivables amount to HRK 2.0 bn, marking the total increase of HRK 38.9 m in comparison to the beginning of the year, primarily as a result of higher receivables from electricity customers.

HEP Group's liquidity was at a satisfactory level, so obligations towards suppliers were settled within due date exclusively from regular operating cash flow.

As at 1 September 2021 Hrvatska elektroprivreda d.d. paid HRK 840.6 m from its 2020 profit in favour of the State Budget in line with the Decision of the Croatian Government on the amount, method and rates of making the payment by companies of strategic and special interest for the Republic of Croatia.