

Unconsolidated 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 semi-annual financial reports the net profit of Hrvatska elektroprivreda d.d. (HEP d.d.) in the first half of 2021 was HRK 1,279.3 m, whereby its net profit in the same period of 2020 totalled at HRK 1,213.3 m.

Operations in the first term were affected by the increase of electricity sale in Croatia and the region, the increase of electricity procurement within HEP Group, and the reduction of sale and procurement of gas for the wholesale market as a result of cessation of performing the activity after 1 April 2021.

Operating income in the first half of 2021 was HRK 4,434.2 m, and in the same period of 2020 it was HRK 4,395.2 m, marking an increase of HRK 39.1 m or 0.9%.

The income from the sale of electricity at the market and of affiliated companies amounted to HRK 3,719.9 m, amounting to 84% of operating income. When compared to the same period of the previous year, they are by HRK 544.8 m higher, as a result of higher income sale at the foreign market and higher surplus export (by HRK 392.2 m), due to bigger generation in hydro power plants and higher prices at the foreign market.

The income from gas sale amount to HRK 159.9 m, marking a decrease by HRK 374.6 m or 70.1%, as a result of 81.3% reduction of gas sale in Q1, which is a consequence of a smaller number of suppliers as of 1 April 2020 (from 32 to 8 suppliers), lower average gas sale price in Q1 by 8.0% and the cessation of performing the activity of gas sale to suppliers under the obligation of public gas supply to household customers after 1 April 2021.

All other operating income total at HRK 554.5 m, which is a decrease of HRK 131.2 m (19.1%), as a result of HRK 173.0 m income earned from collected written-off receivables for natural gas in 2020.

Operating expenses amount to HRK 4,008.2 m, which is an increase by HRK 73.4 m (1.9%), when compared to the same period the previous year, as a result of higher electricity procurement within HEP Group by 27.3% and at the market by 4.2%. A regular overhaul of NPP Krško was conducted in April 2021, and 309 GWh less was delivered, as a result of which procurement costs were reduced by HRK 45.4 m. Costs of procurement from sellers and producers in Croatia decreased by HRK 2.6 m, due to the lower procured volume of 32 GWh at a 6.6% higher price. Due to lower sales and lower average procurement price of sold gas, as well as the cessation of performing the activity of gas sale to suppliers under the obligation of public gas supply to household customers after 1 April 2021, the costs of procuring gas for the wholesale market also decreased.

All other operating expenses increased by HRK 53.7 m, mostly due to higher expenses of CO2 emission units sale, which rose as a result of a higher volumes and higher procurement price.

The net profit of HRK 949.7 m was achieved from financial activities. Financial income amounted to HRK 1,076.7 m and in comparison to the first half of 2020 it is by HRK 54.7 m higher. The biggest part of financial income (79%) refers to the income from the share in profit of affiliated companies. Financial expenses totalled at HRK 127.0 m, marking a decrease of 29%, when compared to the first half of 2020, as a result of higher exchange rate differences.

During the first half of 2021, due liabilities were settled in due time and own means were used to finance investments, EBRD and EIB loans as well as EU funds. HEP d.d. contracted several mid-term frameworks with banks, used to ensure mid-term financial reserve and good and stable sources of financing working capital.

Liabilities for issued bonds and long-term loans including current maturity, amount to HRK 4,038.8 m marking a slight increase of HRK 4.0 m in comparison to the beginning of the year.

The investment of HRK 134.2 m was achieved in the first half of 2021, through investment in construction and construction preparation of energy facilities, construction of computer and communication infrastructure as well as the realization of e-mobility project. Investing investment of HEP d.d. in comparison to the same period the previous year is significantly higher, due to the construction of new energy facilities, new alternative combined cogeneration unit in Elektrana toplana Zagreb (CHP plant) and several solar power plant projects.