PRESENTATION TO INVESTORS WITH AUDITED FINANCIAL RESULTS FOR 2012

June 2013
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1. Company overview
2. 2012 Financial performance
3. Recent developments
4. Appendices
# Management Board

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tomislav Šerić</td>
<td>President of Management Board</td>
</tr>
<tr>
<td>Ivan Matasić</td>
<td>Member of Management Board in charge of finance</td>
</tr>
<tr>
<td>Perica Jukić</td>
<td>Member of Management Board in charge of development and investment</td>
</tr>
<tr>
<td>Krunoslava Grgić Bolješić</td>
<td>Member of Management Board in charge of business development</td>
</tr>
<tr>
<td>Zvonko Ercegovac</td>
<td>Member of Management Board in charge of production</td>
</tr>
</tbody>
</table>
HEP Group at a glance
Operating across the entire market spectrum

Integrated business model - strong presence in all parts of the energy value chain
Dominant position in Croatia with a natural advantage of enhanced creditworthiness (100% state-owned)

Installed capacity, MW (Dec 31, 2012)

- **Electricity**
  - 4,153 MW of installed capacity
  - 26 hydro PP (2,133 MW)
  - 8 thermal PP (1,672 MW)
  - 1 nuclear PP (348 MW)

- **Thermal energy**
  - 1,569 MW of installed capacity in 4 TPPs and 382 MW in district boiler rooms
  - Partially regulated

Transmission
- Croatian electricity transmission network owner and operator
- Fully regulated, with transmission tariffs approved by the HERA
- 7.6 TWh cross-border exchange in 2012 (balance)
- ITO expected to be in full implementation by July 1st 2013

Distribution
- Distribution of electricity to > 2.3 mn customers
- 100% of electricity distribution in Croatia
- Regulated activity
- Distribution of thermal energy in Zagreb, Osijek, Sisak, Zaprešić, Velika Gorica and Samobor
- Distribution of gas in Osijek, Požega, Virovitica

Supply
- Sale of electricity, gas and thermal energy in Croatia
- 98.6% of electricity sold in Croatia in 2012
- In 2008, power market liberalisation reforms were adopted
- Non-tariff Commercial customers

Trading & Other
- Trading platform responsible for optimisation of power plant operation
- Other businesses specialise in renewable energy sources, energy efficiency, environmental protection and other

Power generation, GWh (Dec 31, 2012)

- Hydro PPs
- Nuclear PPs
- Thermal PPs
- Thermal energy

6,104 MW

- 32% Hydro PPs
- 35% Nuclear PPs
- 27% Thermal PPs
- 6% Thermal energy

14,651 GWh

- 33% Hydro PPs
- 18% Nuclear PPs
- 32% Thermal PPs
- 17% Thermal energy

Source: HEP, as of 31 December 2012 (if not otherwise stated)

1 Plomin II co-owned with RWE
2 Co-owned with GenE (total NPP installed capacity 696MW)
3 Independent transmission operator
4 In terms of the number of metering points
Dominant position in Croatian energy market benefitting from state ownership and support

- Vertical integration enables HEP to control the supply value chain and provide competitive prices to end-users
- Regulatory framework/tariff system
- Operates all hydro and thermal plants in Croatia
- Significant ongoing investments in infrastructure

- Competitiveness key for long term value creation
- Strong and long established relationships with clients
- Strong loyalty from its customer base

- Access to state guarantees
- Cheaper and more available credit
- Energy sector considered one of Croatian Government’s strategic priorities
- Enables HEP to grow and further develop its business

- High barriers to entry
- Competitiveness
- Enhanced creditworthiness
Generation
Favourable and diversified generation mix

**Electricity**
- Large and diversified portfolio of assets with installed capacity of 4,153 MW
- 26 hydropower plants with total installed capacity of 2,133 MW
- 8 thermal power plants with total installed capacity of 1,672 MW (including Plomin II)
- 50% ownership in Krsko nuclear power plant (696 MW of installed capacity\(^1\)), together with GenE
- 50% ownership in Plomin II thermal power plant (192 MW of installed capacity), together with RWE
- Limited CO\(_2\) footprint and reduced exposure to commodity prices, with generation largely based on hydro and nuclear power
- Latest tariff increase in May 2012

**Thermal energy**
- Actively engaged in thermal energy generation via 4 TPPs in Croatia with 1,569 MW of installed capacity and 382 MW of installed capacity in district boiler rooms
- Generated as a by-product of electricity generation at Group’s thermal power plants and district boiler rooms
- Distributed to cities of Zagreb, Osijek, Sisak, Zaprešić, Velika Gorica and Samobor

\(^1\) Of which 50% is allocated to HEP

*Source: HEP*
Transmission & Distribution
Sole owner and operator of electricity T&D networks in Croatia

Transmission of electricity
- Fully regulated activity with transmission tariffs approved by HERA\(^1\); last tariff increase in May 2012
- All suppliers must use Group's transmission network
- Group provides high quality service, minimising transmission costs and guaranteeing reliability and security
- Stable and predictable revenue stream
- Connected to the neighbouring systems of Serbia, Bosnia and Herzegovina, Slovenia and Hungary

Distribution and Sale

**Electricity**
- More than 2.3 million customers in Croatia as of 31 Dec. 2012, covering approx. 57,000 km\(^2\) area
- The largest\(^3\) out of 13 registered suppliers of electricity in Croatia in terms of volume of electricity sold (98.6% market share in 2012)
- Commercial customers – choose a market supplier and pay lower rates than the tariff rates
- Households – virtually all supplied through the public supply system at fixed tariff rates
- Latest tariff increase as of May 2012 (by 18.9%)

**Thermal energy**
- The largest of 17 distributors of heat with more than 123,000 customers covering approx. 84% of the district heating market in Croatia (2011 HERA report)
- Latest tariff increase as of Dec. 2012 (by 36.8%)

**Gas**
- 73,206 customers as of 31 December 2012
- Second largest\(^3\) of more than 40 suppliers of gas in Croatia in terms of volume sold to end-consumers
- Regulated activity
- Latest tariff increase as of May 2012 (by 20%)

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\(^1\) Croatian Regulatory Agency for Energy - Article 11, paragraph 1, item 10 of the Act on the Regulation of Energy Activities (Official gazette NN 120/2012) and Article 29 of The Energy Act (Official gazette NN 120/2012).
\(^2\) Source: Eurostat, as of April 2013
\(^3\) Source: HEP, as of 31 Dec 2012
HEP Group today
Low cost based portfolio

Installed capacity, MW

<table>
<thead>
<tr>
<th>Year</th>
<th>Hydro PPs</th>
<th>Nuclear PPs</th>
<th>Thermal PPs</th>
<th>Thermal energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5,623</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>6,021</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>6,104</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Generation mix, GWh

<table>
<thead>
<tr>
<th>Year</th>
<th>Hydro PPs</th>
<th>Nuclear PPs</th>
<th>Thermal PPs</th>
<th>Thermal energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>18,528</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>15,357</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>14,651</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Energy value of water inflows 2009-2012, GWh

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>6,456</td>
</tr>
<tr>
<td>2010</td>
<td>8,947</td>
</tr>
<tr>
<td>2011</td>
<td>3,548</td>
</tr>
<tr>
<td>2012</td>
<td>5,197</td>
</tr>
</tbody>
</table>

Energy value of water inflows 2012 Q1–2013 Q1, GWh

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Q1</td>
<td>811</td>
</tr>
<tr>
<td>2013 Q1</td>
<td>3,243</td>
</tr>
</tbody>
</table>

Source: HEP

400% increase from 2012 Q1 to 2013 Q1.
# Strategy

Emphasis on improving profitability and increasing generation capacity to become self-sufficient in energy generation and maintain security of supply

<table>
<thead>
<tr>
<th>Strategic initiatives</th>
<th>Action plan</th>
</tr>
</thead>
</table>
| Build new generation facilities and expand generation capacity of existing assets | • Invest in generation facilities to add approximately 1.7GW of capacity  
• Construction underway of a natural gas combined-cycle cogenerating unit at Sisak thermal PP (operational early 2014)  
• Preparations are currently underway for HPP Ombla and TPP Plomin III  
• Investments in refurbishment/revitalisation of existing assets to add approx. 155MW of capacity |
| Improve and expand distribution and transmission network | • Invest in transmission and distribution network to upgrade existing facilities and expand network to accommodate for consumption increase and market liberalisation  
• Reduce network losses, ensure reliable and safe operation and adequate levels of availability of interconnector capacity, connect new customers |
| Improve operating efficiencies and cost structure | • Centralise and standardise public procurement and purchasing  
• Reduce existing workforce and improve staff training and education  
• Outsource non-key operations and improve IT network  
• Renew hot water and steam networks and construct heating systems |
| Expand use of renewable energy sources | • Build small hydro PPs, wind farms, biomass fuelled PPs  
• Build photovoltaic and solar/thermal power collection systems on all existing facilities |
| Improve customer service experience and introduce new services | • Actively engage with customer base and focus on bringing new products to the market  
• E-billing/online payment  
• ESCM model |
Strong investment push
Government to reinvest all profits into the Group’s business

<table>
<thead>
<tr>
<th>Project</th>
<th>Type</th>
<th>Increase in capacity, MW</th>
<th>Capex (HRK mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ombla</td>
<td>New hydro PP</td>
<td>68</td>
<td>936</td>
</tr>
<tr>
<td>Dubrovnik II</td>
<td>New hydro PP</td>
<td>304</td>
<td>388</td>
</tr>
<tr>
<td>Lika and Gacka</td>
<td>Two new hydro PPs</td>
<td>380</td>
<td>1,254</td>
</tr>
<tr>
<td>River Sava</td>
<td>New multipurpose hydro generation system</td>
<td>120</td>
<td>709</td>
</tr>
<tr>
<td>Plomin III</td>
<td>New thermal PP</td>
<td>500</td>
<td>950</td>
</tr>
<tr>
<td>Sisak thermal PP</td>
<td>Natural gas combined-cycle cogenerating unit</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total new generation</strong></td>
<td></td>
<td></td>
<td><strong>4,237 (22%)</strong></td>
</tr>
<tr>
<td>Various hydro PPs</td>
<td>Modernisation of existing facilities</td>
<td>155</td>
<td>4,055 (21%)</td>
</tr>
<tr>
<td>Transmission network</td>
<td>Modernisation and expansion</td>
<td></td>
<td>2,576 (14%)</td>
</tr>
<tr>
<td>Distribution network</td>
<td>Modernisation and expansion</td>
<td></td>
<td>5,352 (28%)</td>
</tr>
<tr>
<td>Other companies</td>
<td>Modernisation and expansion</td>
<td></td>
<td>2,843 (15%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>1,777</strong></td>
</tr>
</tbody>
</table>

Add-on to installed generation capacity, MW

TPP Plomin III
- HEP is about to send an RfP to qualified bidders; Strategic partner will be selected based on the technical-economic criteria

HPP Ombla
- Completion and public presentation of the BMP\(^2\)
- Additional environment influence study to be prepared
- Organisation and preparation for the access roads construction works – preparatory works
- Preparation of tender documents for the HPP tendering procedure

Source: HEP

1 Funds have already been secured for this project
2 Bio diversity management plan
1. Company overview
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2012 Financial performance – summary

- 2012 was characterised by extremely unfavourable hydrological conditions with significantly reduced water inflows, started in 2011 and lasted until the last quarter of 2012.

- Total operating income amounted to HRK 14,019.6 million (increase of 931.6 million or 7.1% compared to 2011)

  Increase result of:
  - Revenues from electricity sales grew by HRK 860.4 million (8.0% YoY growth), due to:
    - Increase of prices of regulated activities as of 01 May 2012
    - Application of new methodology of calculation of price for eligible customers of HEP Opskrba d.o.o. as of 01 August 2012
    - Larger sales (electricity export) in the foreign market
  - Revenues from thermal power sales increased by 0.5% (by HRK 3.1 million) compared to 2011
    - Thermal energy price increase has been approved on 13 December 2012 with full impact to materialize in 2013
  - Revenues from gas sales increased by 3.9% (by HRK 14.8 million) compared to 2011, as a result of approved increase in selling price of gas and introduction of fixed monthly fee since 1 May 2012
  - Other operating income recorded increase of 3.9% YoY (HRK 53.3 million), primarily due to:
    - Increase in income from network connection services and
    - Income from the inter-compensation mechanism of OPS
2012 Financial performance – summary contd

• Total operating expenses increased by over HRK 1,000 million (7.97% YoY growth) reaching HRK 13,626.1 million, primarily as a result of:
  - 930 GWh more electric energy was purchased compared to 2011
  - Increase in the average prices of natural gas (31%) and fuel oil (23%) compared to 2011
  - Variability of generation costs
  - Reservations for severance payouts in the amount of HRK 250 million

• HEP Group 2012 consolidated profit of HRK 71.2 million

• After successful issue of Eurobonds in November, 2012 HEP Group liquidity has been stabilized
  • Bond proceeds were used to finance capital expenditures in 2012, as well as for repayment and prepayment of long term loans with the goal of extending the debt maturity and repaying of loans with unfavourable financial covenants

• In 2012 a total of HRK 2.6 billion was invested in replacements, reconstruction, refurbishment and renewal of existing power facilities as well as in the construction and preparation for construction of new power facilities and expanding end users connections
Positive revenue momentum
Effects of 2012 price increases beginning to show results

Consolidated total operating income, HRK bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Income, HRK bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>12.6</td>
</tr>
<tr>
<td>2010</td>
<td>13.1</td>
</tr>
<tr>
<td>2011</td>
<td>13.1</td>
</tr>
<tr>
<td>2012</td>
<td>14.0</td>
</tr>
</tbody>
</table>

Total operating income split (December 31st 2012)

- **Electricity**: 83%
- **Thermal power**: 4%
- **Gas**: 3%
- **Other**: 10%

Cons. adj. EBITDA\(^1\) and adj. EBITDA margin\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA, HRK bn</th>
<th>EBITDA margin, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2.3</td>
<td>18%</td>
</tr>
<tr>
<td>2010</td>
<td>4.1</td>
<td>31%</td>
</tr>
<tr>
<td>2011</td>
<td>2.2</td>
<td>17%</td>
</tr>
<tr>
<td>2012</td>
<td>2.1</td>
<td>15%</td>
</tr>
</tbody>
</table>

Comments

- Increased revenues in 2012 resulted from rise in regulated prices in May and December 2012, although full effect will be seen in 2013
- Operating expenses increased primarily as a result of increased electricity imports and higher fuel costs, due to prolonged dry period since 2011 that has resulted in decreased electricity generation by hydro power plants
- 2012 EBITDA overall in line with 2011 level

Source: HEP

\(^1\) Adjusted EBITDA consists of profit/(loss) for the year excluding financial expense, financial income, income tax (expense)/income, depreciation and amortisation

\(^2\) Adjusted EBITDA margin consists of profit/(loss) for the year excluding financial expense, financial income, income tax (expense)/income, depreciation and amortisation, divided by total operating income, expressed as a percentage
Cash flow profile and liquidity position

### Comments

- Historically low hydrology in 2011 and 2012 led to increased purchase and import of electricity on the market at higher prices.

- Investments in 2012 grew by 22% YoY (in line with Government’s objective to initiate a new investment cycle in energy sector), but kept at revaluated and optimized level of HRK 2.6 billion.

- No dividend payout to owner as in 2011 - in line with usual no dividend policy, whereby all profits to be reinvested.

- Group to extend all existing short term credit lines and make them medium term.

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### Cash flow position, HRK mn

<table>
<thead>
<tr>
<th>HRK mn</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>12,629.8</td>
<td>13,056.9</td>
<td>13,087.0</td>
<td>14,019.6</td>
</tr>
<tr>
<td>% growth</td>
<td>3,4%</td>
<td>0,2%</td>
<td>7,1%</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>2,273.8</td>
<td>4,080.8</td>
<td>2,215.9</td>
<td>2,127.7</td>
</tr>
<tr>
<td>% margin</td>
<td>18,0%</td>
<td>31,3%</td>
<td>16,9%</td>
<td>15,2%</td>
</tr>
<tr>
<td>Net cash from operating activities before changes in working capital</td>
<td>2,994.8</td>
<td>4,635.5</td>
<td>2,564.8</td>
<td>2,261.8</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(321.1)</td>
<td>(304.5)</td>
<td>(236.9)</td>
<td>(306.5)</td>
</tr>
<tr>
<td>Income taxes refunded/(paid)</td>
<td>(126.5)</td>
<td>(161.1)</td>
<td>(600.9)</td>
<td>(34.0)</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>162.6</td>
<td>(1,281.9)</td>
<td>732.4</td>
<td>(200.1)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>2,709.8</td>
<td>2,887.9</td>
<td>2,465.5</td>
<td>1,789.1</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(2,396.1)</td>
<td>(1,658.6)</td>
<td>(2,151.5)</td>
<td>(2,524.5)</td>
</tr>
<tr>
<td>Dividend paid to the owner</td>
<td>0.0</td>
<td>0.0</td>
<td>(493.4)</td>
<td>0.0</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(364.1)</td>
<td>(611.0)</td>
<td>(669.0)</td>
<td>933.3</td>
</tr>
<tr>
<td>Net (decrease)/increase in cash and cash equivalents</td>
<td>(50.4)</td>
<td>618.3</td>
<td>(355.0)</td>
<td>197.9</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>194.2</td>
<td>143.8</td>
<td>762.2</td>
<td>407.1</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>143.8</td>
<td>762.2</td>
<td>407.2</td>
<td>605</td>
</tr>
</tbody>
</table>

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**Source:** HEP

1. Adjusted EBITDA consists of profit/(loss) for the year excluding financial expense, financial income, income tax (expense)/income, depreciation and amortisation.

2. Adjusted EBITDA margin consists of profit/(loss) for the year excluding financial expense, financial income, income tax (expense)/income, depreciation and amortisation, divided by total operating income, expressed as a percentage.
A continued proactive management of debt position

Debt maturity profile, HRK mn (31 December 2012)

- Successful 2012 Eurobond issue resulted with:
  - Reduced reliance on short term borrowings and extension of debt maturity profile,
  - Stabilization of HEP’s financial risk profile
  - Additional stability to the capital structure
  - Diversification of funding sources
  - Improvement in HEP’s outlook from negative to stable by S&P
  - Compliance with agreed financial covenants under existing loans at year end

- Bond proceeds used as per terms and conditions of the Notes:
  - EUR 163 mn for repayment/prepayment of long term debt
  - EUR 230 mn for financing capital expenditures and other general corporate purposes (prepayment of short term debt)

- Bond matures in 2017
- An increase in net debt/EBITDA at the end of 2012 primarily due to lower profitability driven by increased operating costs (high electricity imports and increased generation by thermal power plants due to historically low water inflows during most of the 2012)

- Going forward, Company aims to maintain leverage at prudent, pre-2012 levels

Total debt and net debt/EBITDA development

- Comments
1. Company overview
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HEP Group restructuring

Recent developments

Corporate Optimization

- HEP Group corporate restructuring process in progress:
  - In line with Management Board Program for 2012-2016;
  - Expected benefits (lower operating costs, better efficiency, reduce work force);
  - Undergoing restructuring of HEP Transmission, in line with the 3rd Energy Package;
  - HEP intensified all activities for transmission separation under the ITO model to meet deadline (July 2013)

- Due to ongoing reorganization process, number of employees was reduced from 13,762 (as of 31 December 2011) to 12,882 (as of 31 March 2013)
  - HEP made reservations of 250 mn HRK for severance payouts in 2013

- Optimization process to continue during 2013

Transmission Unbundling according to the EU legislation

- On April 9th 2013 the Assembly of HEP d.d. reached the decision on unbundling of the Transmission System Operator according to the ITO model and EU energy regulations

- In coordination with the restructuring teams of HEP group, the activities required for the successful unbundling and certification of Transmission System Operator are being performed, as follows:
  a) Preparation of documentation that shall be an integral part of the Request for Certification, which should be prepared by the end of June 2013;
  b) Transfer of assets that form the transmission network in the ownership of HEP TSO and registration of modifications of the Statement on Establishment are underway and should be completed during June 2013

- The new Transmission System Operator shall be named – Croatian Transmission System Operator d.o.o. (HOPS d.o.o.)
## Recent developments

### Update on rating

- Despite **Standard&Poor's** downgrade of Croatia's Sovereign credit rating in December 2012, HEP's rating was not affected and remained **BB-/stable**. This was achieved by HEP Group's strengthened financial position and liquidity.
  - Annual review meeting with Standard&Poor’s expected to take place in coming months.
- On 15 May 2013 **Moody's** confirmed HEP’s **Ba2 rating** and concluded the review for downgrade initiated on 1 February 2013.

### Selected recent achievements

- **March 2013** - hydro power plants generated electricity exceeding 1 TWh what is the highest ever recorded generation during month of March in the history of HEP.
  - In light of such circumstances, the record share of own generation in covering total electricity consumption in Croatia was recorded on 1st of April 2013.
- **April 2013** - HEP issued complete documentation for submitting binding offers to short listed qualified bidders in the process of selecting a strategic partner in the construction and operation of Plomin III Thermal Power Plant.
  - The procedure for selecting a strategic partner will be conducted by HEP according to the International Negotiating Process pursuant to the EU Procurement Directive. Offers will be evaluated based on defined technical and economic criteria.
- **May 2013** - HEP Supply received the Green Economy Award.
1. Company overview
2. 2012 Financial performance
3. Recent developments
4. Appendices
## Balance Sheet

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>31 December 2011</th>
<th>31 December 2012</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HRK'000</td>
<td>HRK'000</td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>24.390.612</td>
<td>24.409.429</td>
<td>18.817</td>
</tr>
<tr>
<td>Capital work in progress</td>
<td>3.092.220</td>
<td>3.915.002</td>
<td>822.782</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>57.647</td>
<td>73.968</td>
<td>16.321</td>
</tr>
<tr>
<td>Investment property</td>
<td>234.760</td>
<td>233.917</td>
<td>-843</td>
</tr>
<tr>
<td>Prepayments for property, plant and equipment</td>
<td>427.039</td>
<td>372.318</td>
<td>-54.721</td>
</tr>
<tr>
<td>Investment in NPP Krško</td>
<td>1.754.419</td>
<td>1.754.419</td>
<td>0.00</td>
</tr>
<tr>
<td>Long-term loan receivables and deposits</td>
<td>719</td>
<td>514</td>
<td>-205</td>
</tr>
<tr>
<td>Assets held for sale and other investments</td>
<td>120.915</td>
<td>129.452</td>
<td>8.537</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>107.152</td>
<td>67.219</td>
<td>-39.933</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>178.903</td>
<td>238.469</td>
<td>59.566</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>30.364.386</strong></td>
<td><strong>31.194.707</strong></td>
<td><strong>830.321</strong></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>1.063.520</td>
<td>981.641</td>
<td>-81.879</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>1.496.236</td>
<td>1.873.245</td>
<td>377.009</td>
</tr>
<tr>
<td>Other short-term receivables</td>
<td>415.105</td>
<td>243.614</td>
<td>-171.491</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>407.123</td>
<td>605.024</td>
<td>197.901</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>3.381.984</strong></td>
<td><strong>3.703.524</strong></td>
<td><strong>321.540</strong></td>
</tr>
<tr>
<td></td>
<td><strong>33.746.370</strong></td>
<td><strong>34.898.231</strong></td>
<td><strong>1.151.861</strong></td>
</tr>
</tbody>
</table>
## Appendices

### Balance Sheet

<table>
<thead>
<tr>
<th>Capital and Liabilities</th>
<th>31 December 2011 HRK’000</th>
<th>31 December 2012 HRK’000</th>
<th>YoY change HRK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital and Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>19,792,159</td>
<td>19,792,159</td>
<td>0.00</td>
</tr>
<tr>
<td>Capital reserves</td>
<td>(438,957)</td>
<td>6,046</td>
<td>445,003</td>
</tr>
<tr>
<td>(Accumulated loss)/ retained earnings</td>
<td>5,851</td>
<td>(356,648)</td>
<td>-362,499</td>
</tr>
<tr>
<td><strong>Equity attributable to equity holder</strong></td>
<td>19,359,053</td>
<td>19,441,557</td>
<td>82,504</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>62,847</td>
<td>47,283</td>
<td>-15,564</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>19,421,900</strong></td>
<td><strong>19,488,840</strong></td>
<td><strong>66,940</strong></td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>2,534,489</td>
<td>1,839,630</td>
<td>-694,859</td>
</tr>
<tr>
<td>Long-term liabilities to the state</td>
<td>30,466</td>
<td>27,544</td>
<td>-2,922</td>
</tr>
<tr>
<td>Long-term provisions</td>
<td>778,629</td>
<td>661,411</td>
<td>-117,218</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>965,202</td>
<td>3,335,608</td>
<td>2,370,406</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>5,143,989</td>
<td>4,911,633</td>
<td>-232,356</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>1,511</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>9,452,775</strong></td>
<td><strong>10,777,337</strong></td>
<td><strong>1,324,562</strong></td>
</tr>
<tr>
<td>Trade payables</td>
<td>2,427,184</td>
<td>2,492,498</td>
<td>65,314</td>
</tr>
<tr>
<td>Current portion of long-term bonds issued</td>
<td>93,380</td>
<td>593,380</td>
<td>500,000</td>
</tr>
<tr>
<td>Current portion of long-term borrowings</td>
<td>1,174,713</td>
<td>132,084</td>
<td>-1,042,629</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>603,163</td>
<td>410,843</td>
<td>-192,320</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>40,755</td>
<td>74,116</td>
<td>33,361</td>
</tr>
<tr>
<td>Interest payable</td>
<td>23,191</td>
<td>45,574</td>
<td>22,383</td>
</tr>
<tr>
<td>Liabilities to employees</td>
<td>127,934</td>
<td>140,568</td>
<td>12,634</td>
</tr>
<tr>
<td>Other short-term payables</td>
<td>381,375</td>
<td>742,991</td>
<td>361,616</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>4,871,695</strong></td>
<td><strong>4,632,054</strong></td>
<td><strong>-239,641</strong></td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL AND LIABILITIES</strong></td>
<td><strong>33,746,370</strong></td>
<td><strong>34,898,231</strong></td>
<td><strong>1,151,861</strong></td>
</tr>
</tbody>
</table>
## Profit & Loss Account

### 31 December 2011 | 31 December 2012 | Change in %
---|---|---
Revenue from electricity sales | 10,769,900 | 11,630,275 | 7.99%
Revenue from thermal power sales | 582,352 | 585,485 | 0.54%
Revenue from gas sales | 381,177 | 395,956 | 3.88%
Other operating income | 1,354,570 | 1,407,862 | 3.93%
**Total operating income** | **13,087,999** | **14,019,578** | **7.12%**

Electricity purchase cost | (3,259,984) | (3,793,038) | 16.35%
Fuel costs | (2,917,739) | (3,319,512) | 13.77%
Staff cost | (1,890,228) | (1,863,235) | -1.43%
Depreciation and amortization expense | (1,749,518) | (1,734,157) | -0.88%
Other operating expenses | (2,803,164) | (2,916,120) | 4.03%
**Total operating expenses** | **(12,620,633)** | **(13,626,062)** | **7.97%**

**Profit from operations** | **467,366** | **393,516** | **-15.80%**
Financial revenue | 57,718 | 67,929 | 17.69%
Financial costs | (428,989) | (352,908) | -17.73%
**Net financial expense** | **(371,271)** | **(284,979)** | **-23.24%**
Profit before tax | 96,095 | 108,537 | 12.95%
Income tax expense | (88,281) | (37,335) | -57.71%
**(Loss) / profit from operations** | **7,814** | **71,202** | **811.21%**
<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>31 December 2011 (HRK'000)</th>
<th>31 December 2012 (HRK'000)</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities</td>
<td>2,465,500</td>
<td>1,789,103</td>
<td>-27.43%</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(2,151,521)</td>
<td>(2,524,509)</td>
<td>17.34%</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(669,013)</td>
<td>933,307</td>
<td>239.50%</td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>(355,034)</td>
<td>197,901</td>
<td>155.74%</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>762,157</td>
<td>407,123</td>
<td>-46.58%</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>407,123</td>
<td>605,024</td>
<td>48.61%</td>
</tr>
</tbody>
</table>
Hrvatska Elektroprivreda is a holding company with a number of daughter companies.

HEP d.d. functions as HEP Group’s parent company corporate manager.

Within the HEP Group there is a clear division (managerial, accounting, legal) of companies which perform regulated activities (transmission and distribution) from non-regulated ones (generation and supply).

Unbundling of Transmission Subsidiary as per ITO (Independent Transmission Operator) model is currently underway.
For further information, please refer to:

www.hep.hr/hep/en/financial

ir@hep.hr

Or directly to:

Vlatka Kamenic Jagodic
Investor Relations Manager
Tel: +385 1 6322 571

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