



# Hrvatska elektroprivreda

More than electricity

Consolidated Financial Statements  
YE 2021



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# Safe Harbor Statement

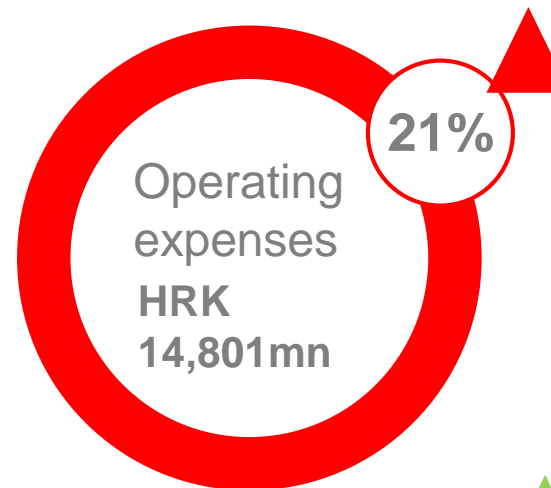
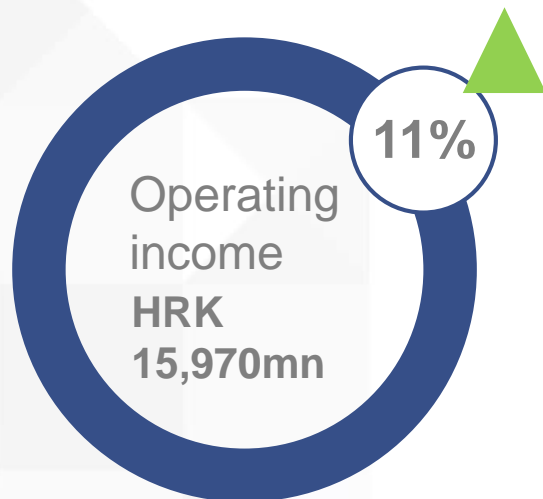


This Presentation contains certain forward-looking statements that reflect HEP's current views with respect to future events and financial and operational performance, including but not limited to risks specific to HEP's business and the implementation of strategic initiatives, as well as other statements relating to HEP's future business development and economic performance. Forward-looking statements are statements in this Presentation that do not relate to historical facts and events. The words "will", "believes", "assumes", "intends", "estimates", "expects", "may", "plans", "seeks", "approximately", "aims", "projects", "anticipates" or similar expressions regarding indications or prognoses of future developments or trends, which are not statements based on historical facts, constitute forward-looking information. While these forward-looking statements represent HEP's judgments and future expectations concerning the development of its business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from HEP's expectations. In light of these risks, uncertainties and assumptions, it is possible that the future events referred to in this Presentation may not occur. Because these forward-looking statements involve known and unknown risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements as a result of:

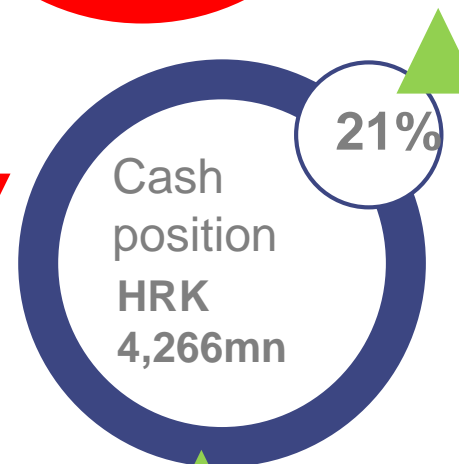
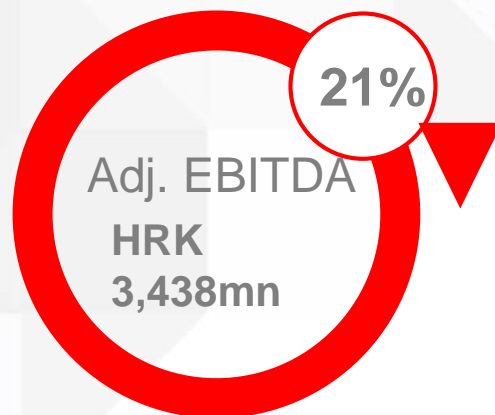
- absence of the ownership title with respect to certain properties, including real estate connected to 17 out of 26 of the hydro power plants which the Group currently operates in the Republic of Croatia;
- HEP's ability to maintain and increase market share for its products and services and control expenses;
- changes in the competitive environment and competitive pressures;
- any declines in property values and asset quality;
- any decline in the availability of financing at acceptable prices;
- changes in general economic and business conditions;
- changes and fluctuations in interest rates, share prices and exchange rates;
- political, governmental, legislative and regulatory changes or changes in political or social conditions;
- changes in HEP's credit ratings;
- changes in economic conditions in the countries in which the Group operates;
- the extent and nature of future developments in the lending market and in other market segments that have been affected by the global financial crisis and the European sovereign debt crisis;
- other market and macro-economic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates, whether or not arising directly or indirectly from the global financial crisis or the European sovereign debt crisis;
- changes in internal risk control;
- limitations in the effectiveness of HEP's internal risk management processes, of its risk measurement, control and modelling systems, and of financial models generally;
- developments relating to HEP's access to capital and funding;
- changes in the financial position or creditworthiness of HEP's customers, obligors and counterparties, and developments in the markets in which they operate;
- management changes and changes to the structure of HEP's business group;
- the occurrence of operational failures, such as fraud, unauthorized trading and systems failures;
- technological developments; and
- the impact of all such future developments on positions held by HEP.

Additional factors that could cause HEP's actual business, results of operations or financial condition to differ from the forward-looking statements include, but are not limited to, the other factors that HEP has indicated in other parts of this Presentation which could materially adversely affect its business and financial performance. The forward-looking statements included in this Presentation speak only as of the date of this Presentation. HEP undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise

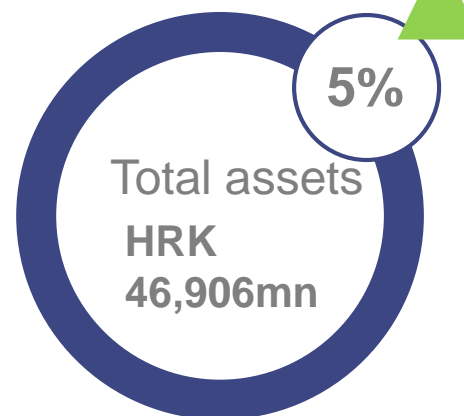
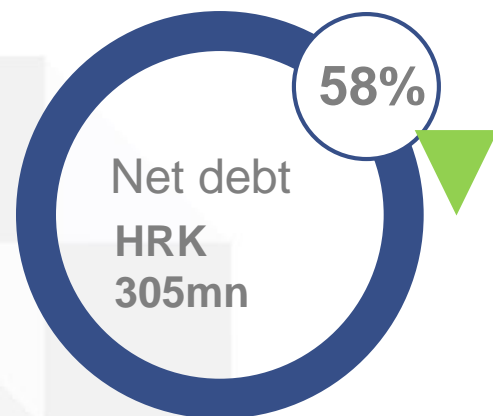
# Key Facts



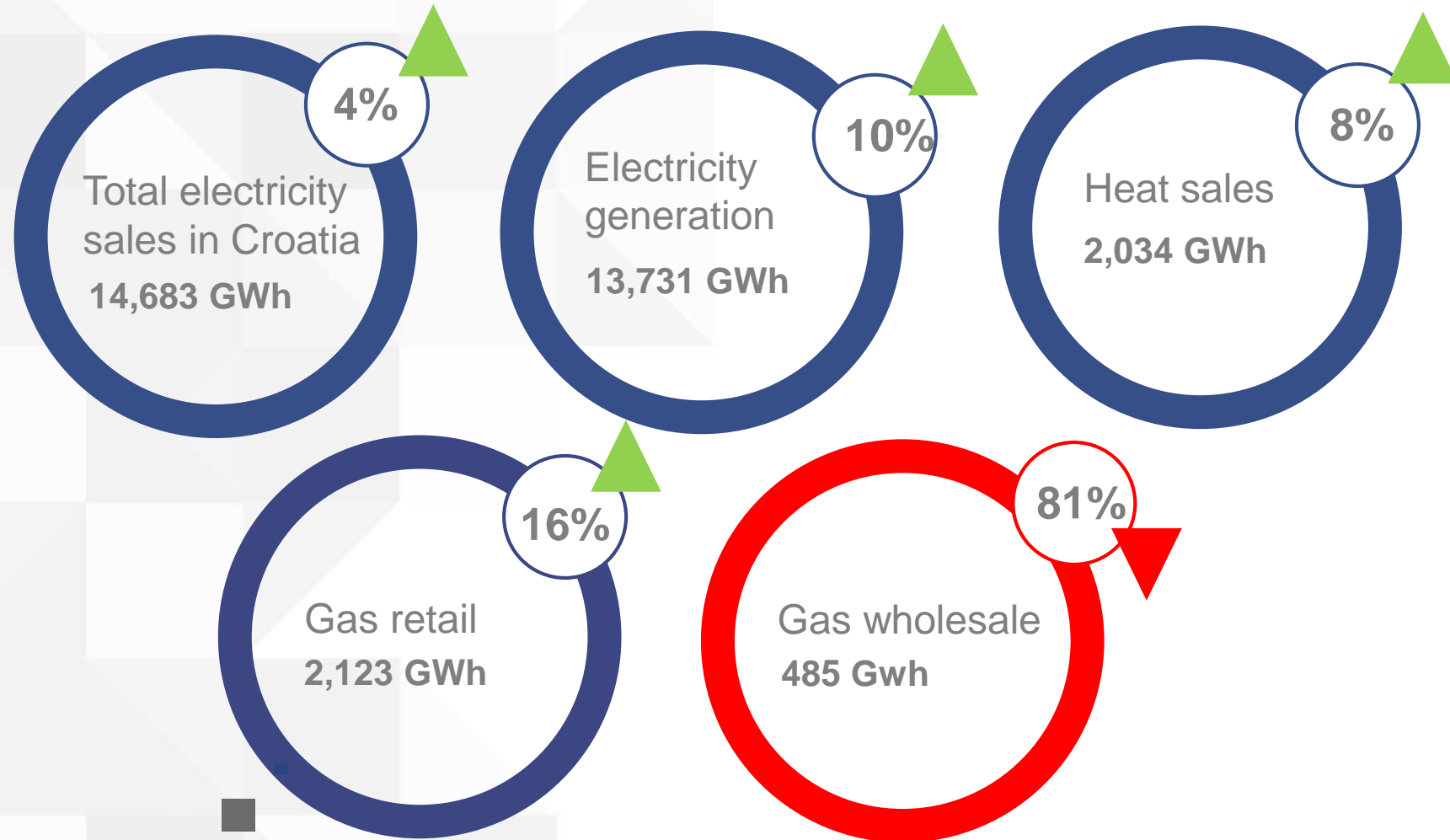
Number of employees  
2021: 11,778  
2020: 11,668



%  
Compared to FY 2020



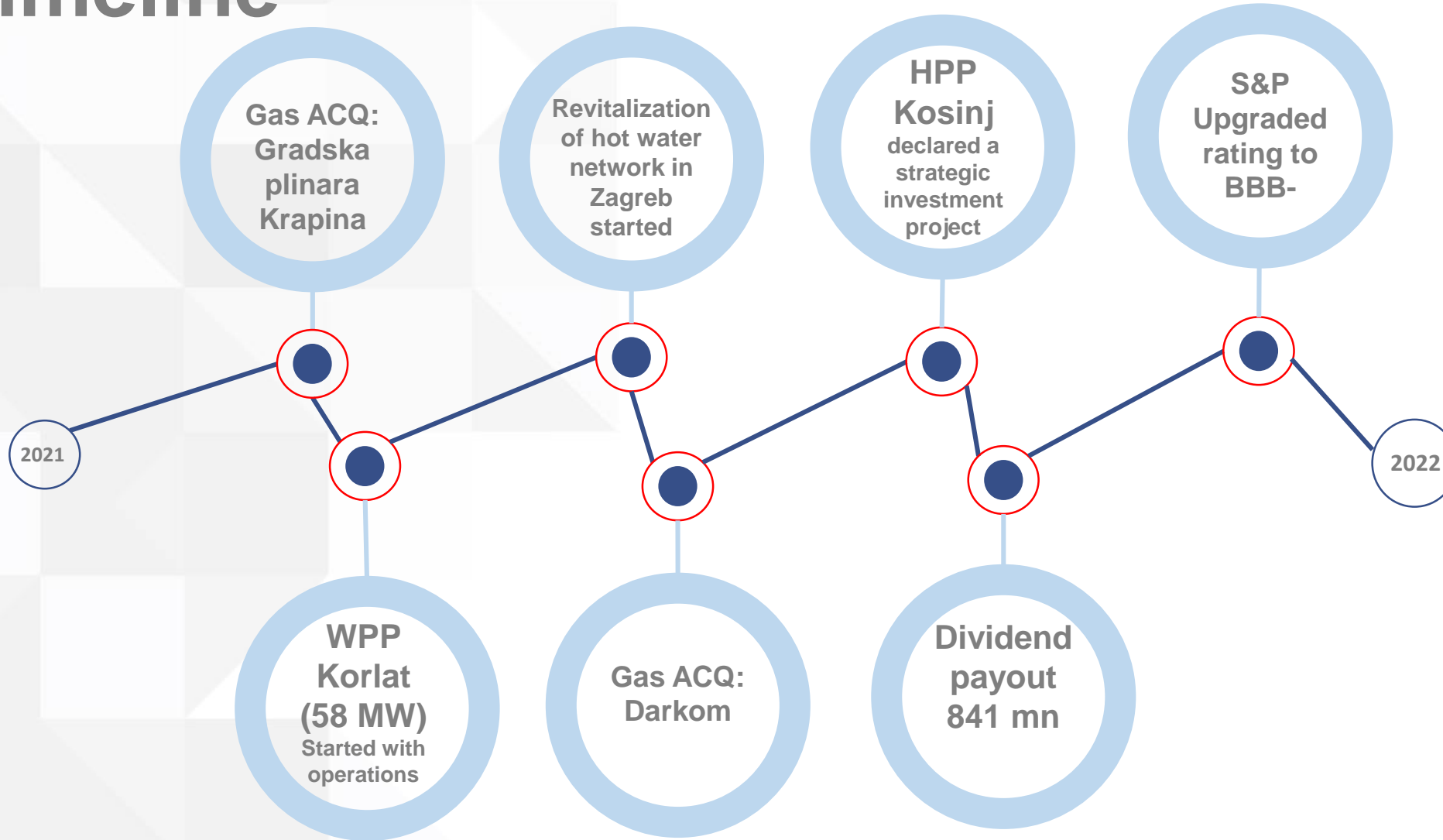
# Key Facts



HEP Group 89 %  
electricity market  
share in Croatia

%  
Compared to FY 2020

# Timeline



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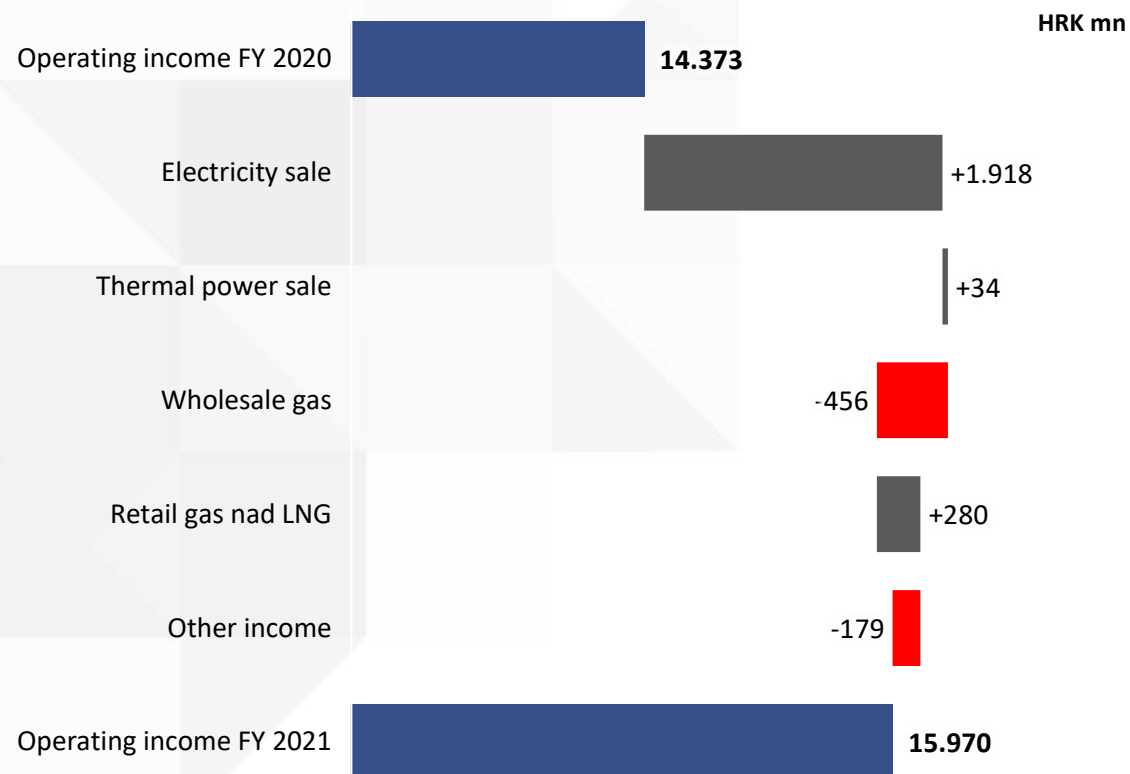
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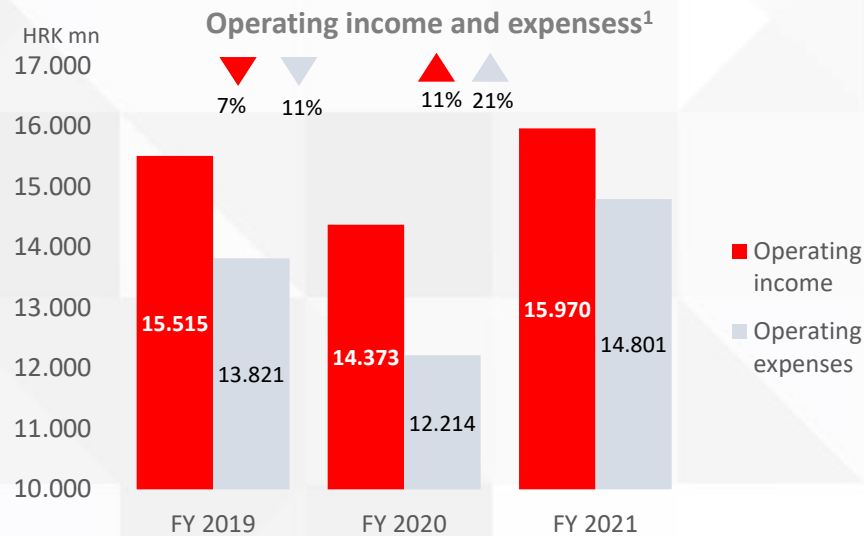
# Development of Operating Income<sup>1</sup>



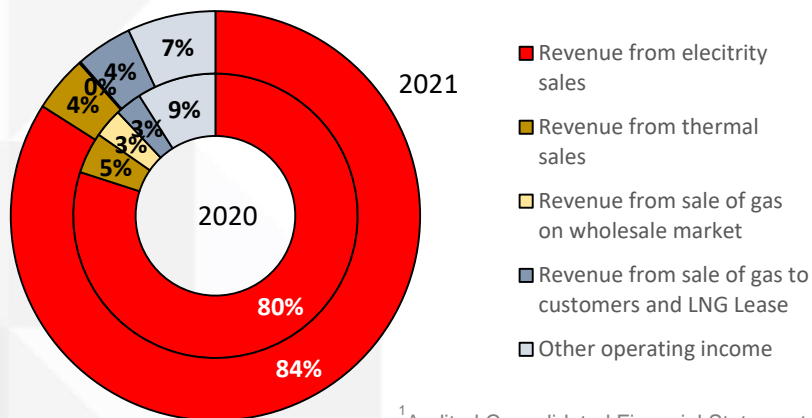
- Revenue from electricity sales increased by HRK **1,918 mn (17%)**, which is a result of an increase in sale by 6%, higher prices and higher export
- 5%** thermal power sales revenue increase due to **8%** consumption increase
- HEP** was sole wholesale gas supplier under regulated terms to public service suppliers for household customers until April 1, 2021, so revenue from wholesale gas dropped significantly
- Sale of gas to customers includes retail gas sale and lease from LNG terminal. Sale of retail gas rose by 17.4% compared to year before due to acquisitions of other gas suppliers in Croatia
- Other operating income decreased **14%**



# Financial Performance FY 2021



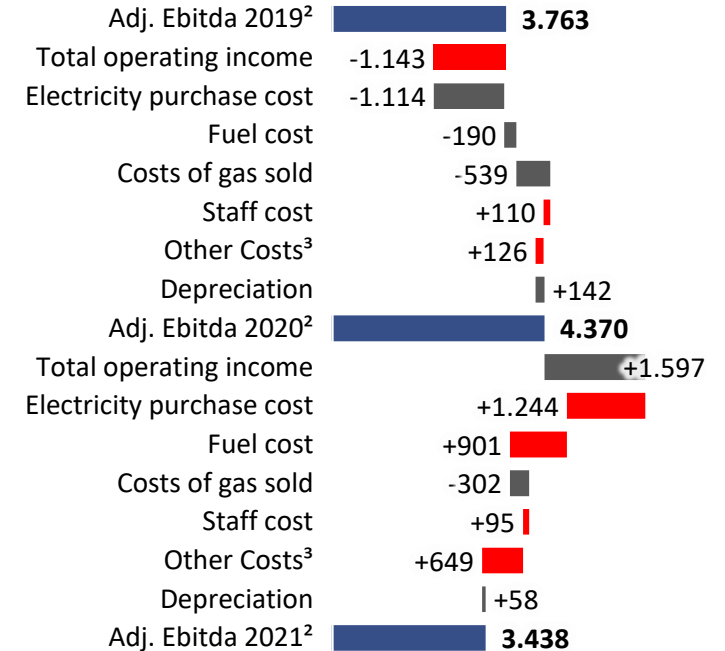
**Total operating income split FY 2021 vs 2020<sup>1</sup>**



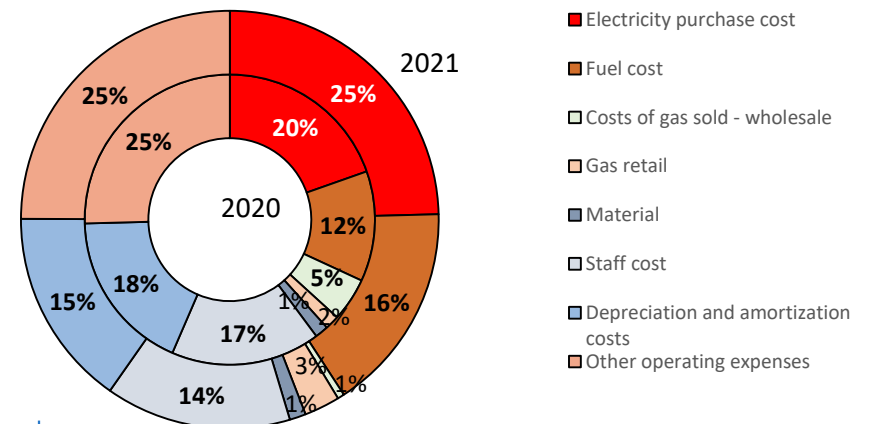
<sup>1</sup> Audited Consolidated Financial Statements for 2021, available at [www.hep.hr](http://www.hep.hr)

<sup>2</sup> Adjusted EBITDA consists of operating profit/(loss) and depreciation and amortization for the period excluding financial expense, financial income, corporate income tax expense

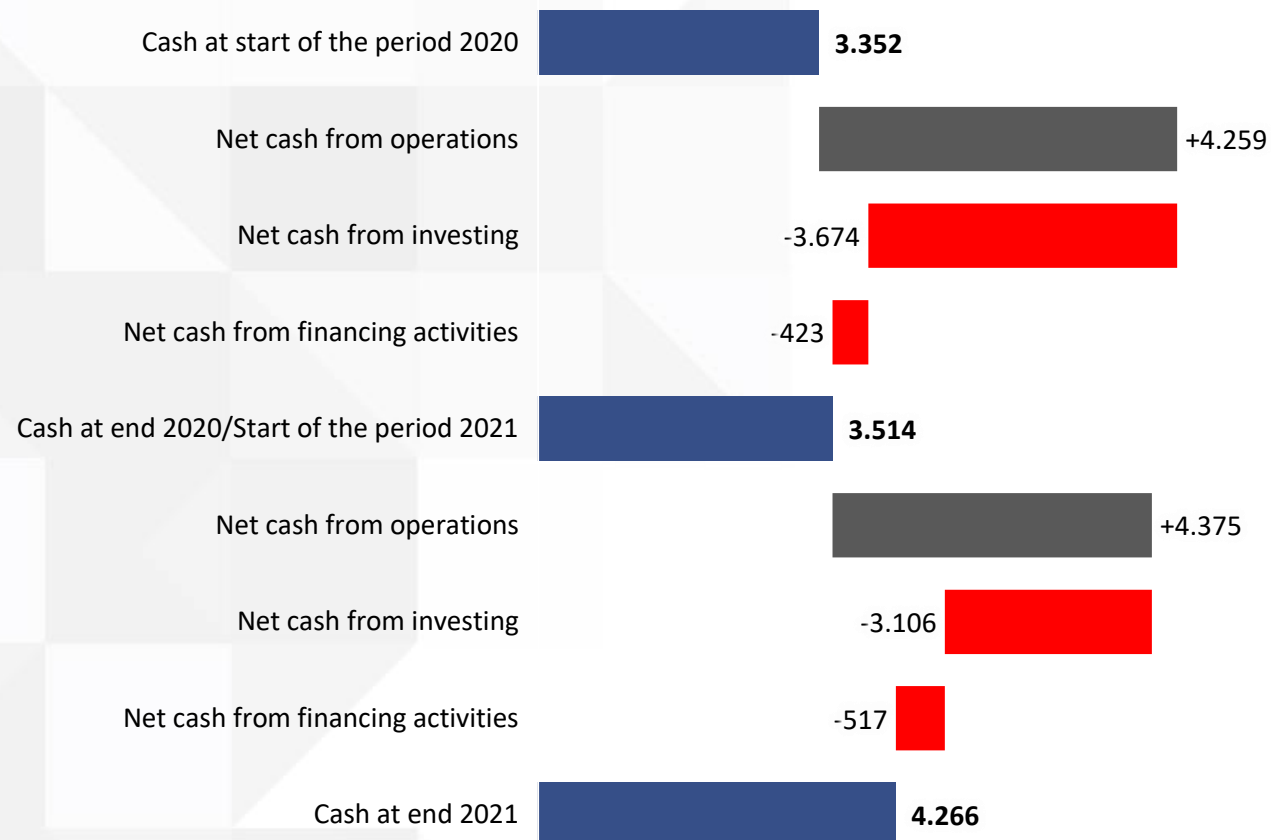
<sup>3</sup> Includes depreciation and amortization



**Total operating expenses split FY 2021 vs 2020<sup>1</sup>**

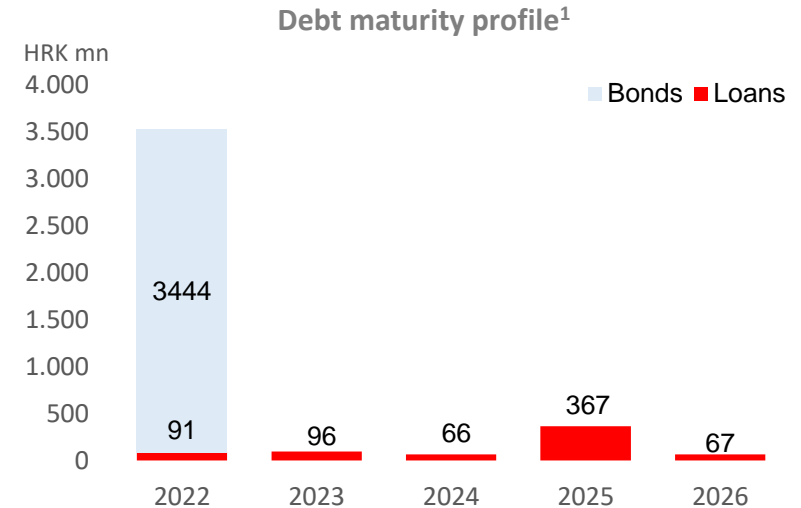
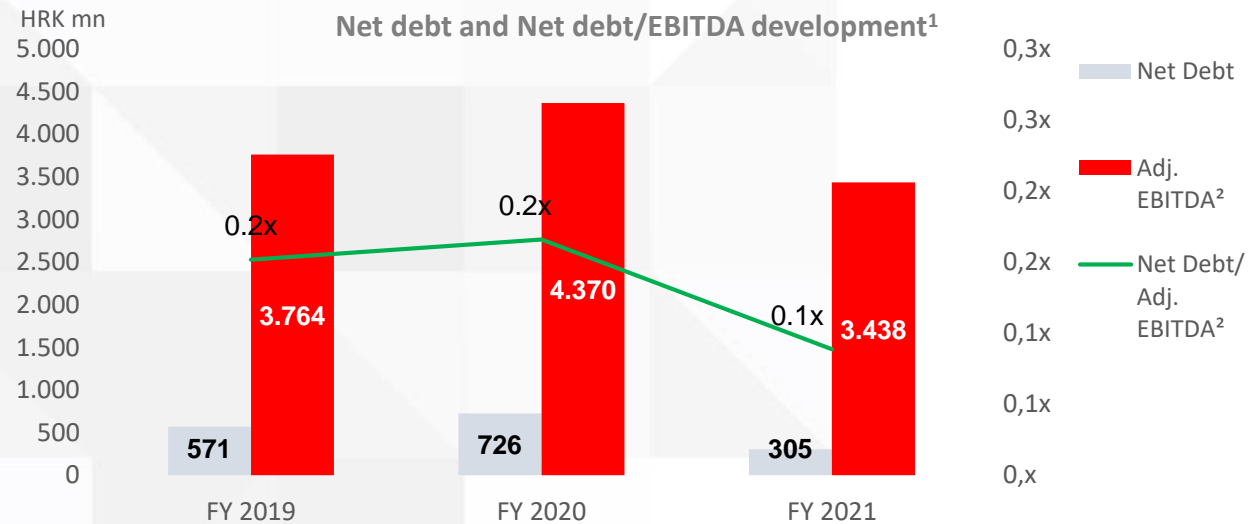


# Cash flow<sup>1</sup>



- Strong liquidity position
- Additional liquidity HRK 1 bn under short term financing sources with local banks
- Dividend payout – HRK 841mn

# HEP Group Debt



**Debt structure as of YE 2021<sup>1</sup>**



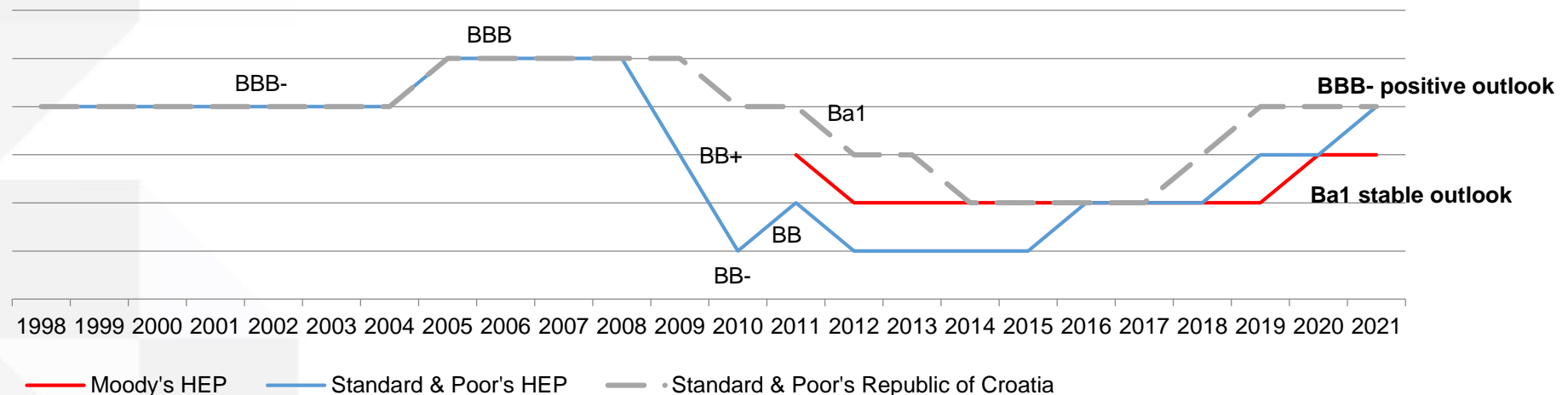
- Experienced issuer on domestic and international capital market (first Croatian Tender Offer and Liability Management Transaction in 2015)

# Credit Rating Evolution

Credit Rating Agency	Issue date	Rating
Standard & Poor's	5 October 2021	BBB-/Stable outlook – SACP BBB-
Moody's	17 November 2020	Ba1/Stable outlook

- Corporate credit rating capped with sovereign rating level
- During October 2021 S&P upgraded credit rating grade of Hrvatska elektroprivreda from BB+ to BBB-. HEP's credit rating grade is now equivalent to the sovereign credit rating and for the first time since 2009 it has returned to the investment grade credit rating.
- During November 2020, Moody's has upgraded long-term corporate rating to Ba1 from Ba2 with stable outlook as well as the standalone credit quality to ba1.

## HEP Credit Profile





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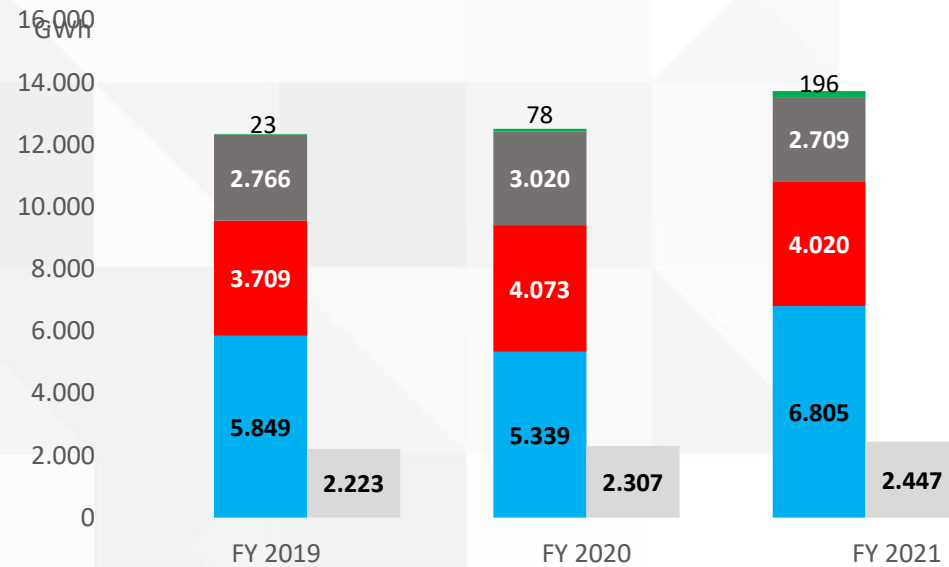
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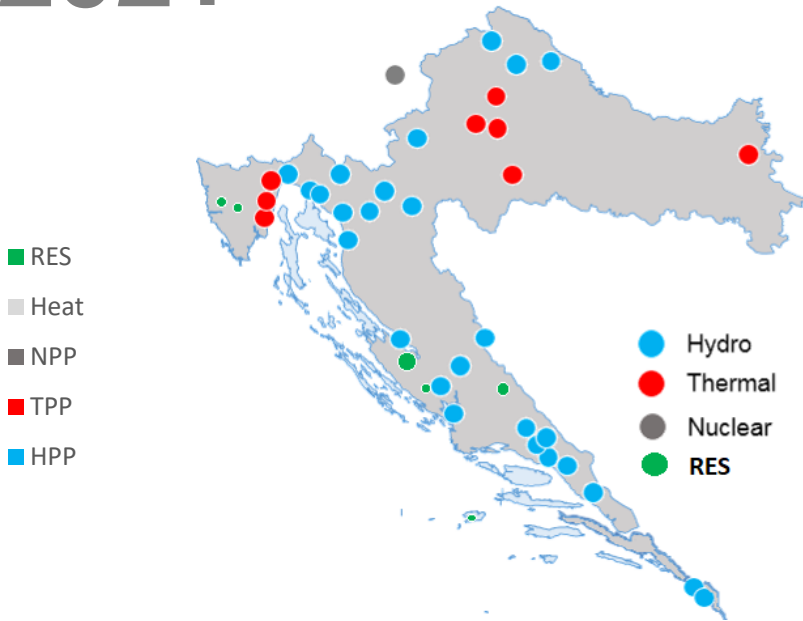
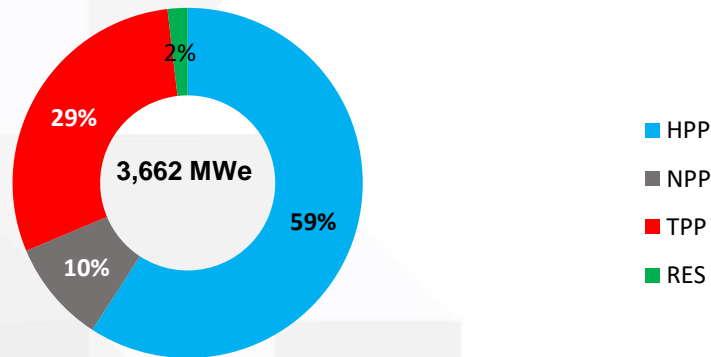
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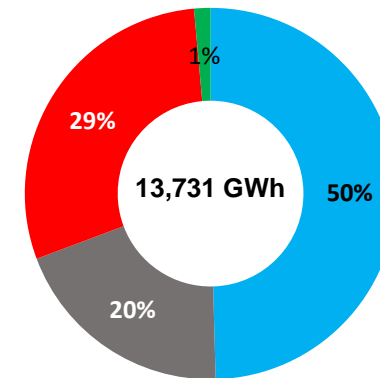
# Power Generation in 2021



Electricity - installed capacity 2021<sup>1</sup>

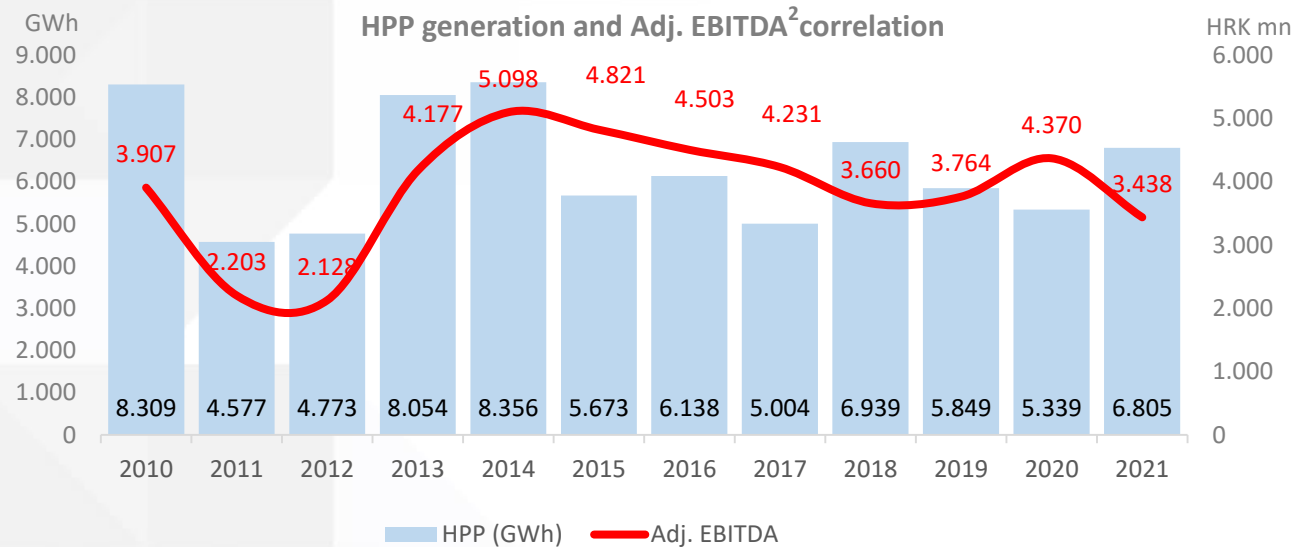
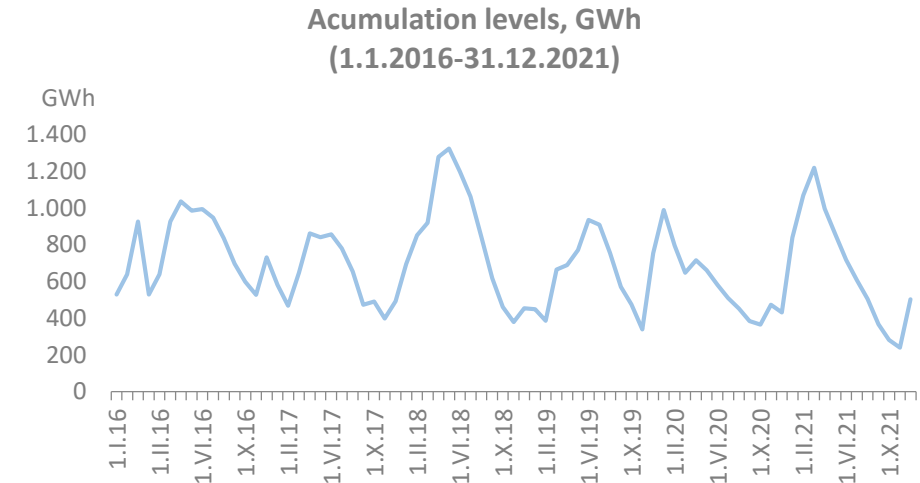
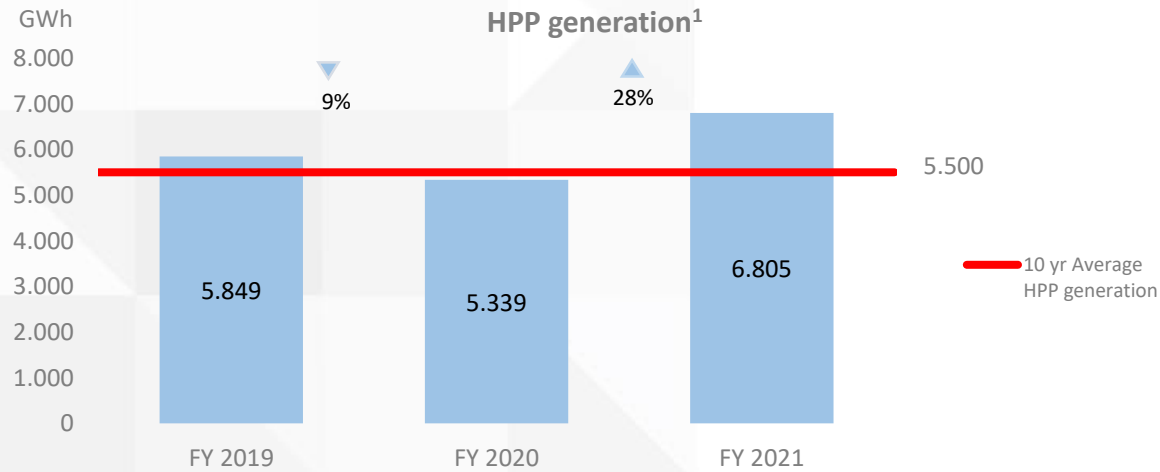


Electricity generation in 2021



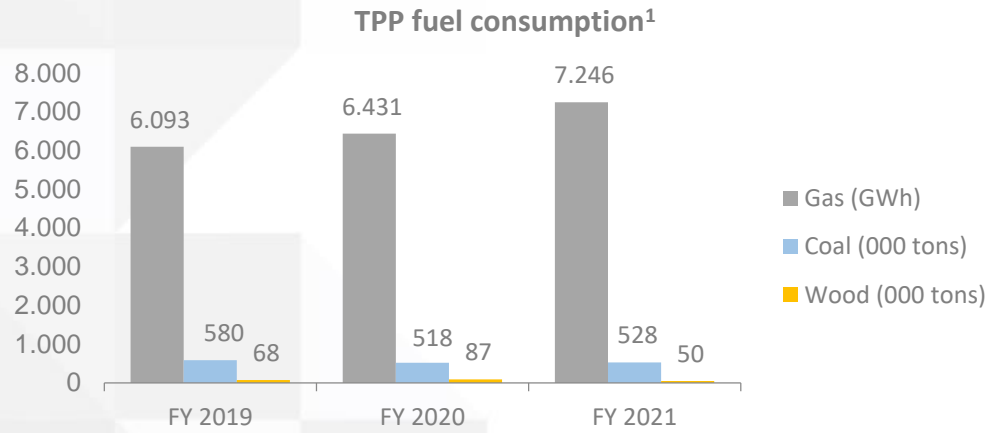
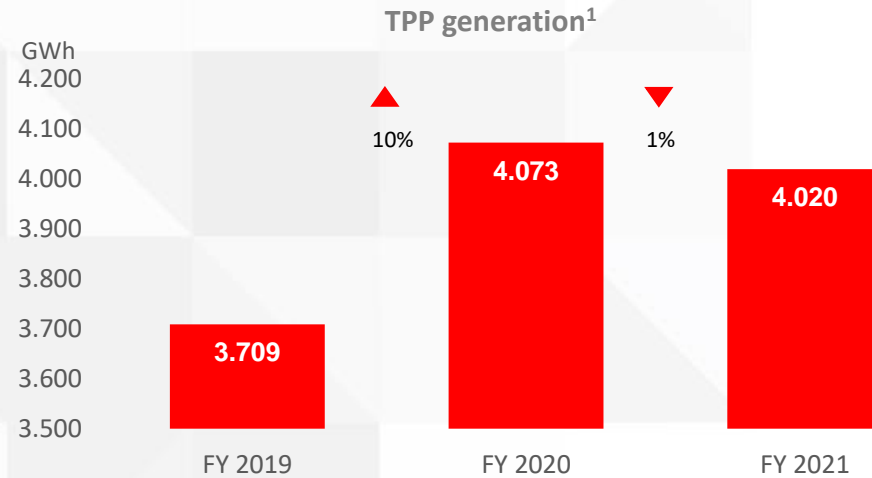
- Compared to year before HPP generation was 28% higher
- TPP generated 1% less while NPP generation was 10% lower compared to year before
- Generation of heat energy was 6% higher compared to the last year

# Electricity Generation from HPP

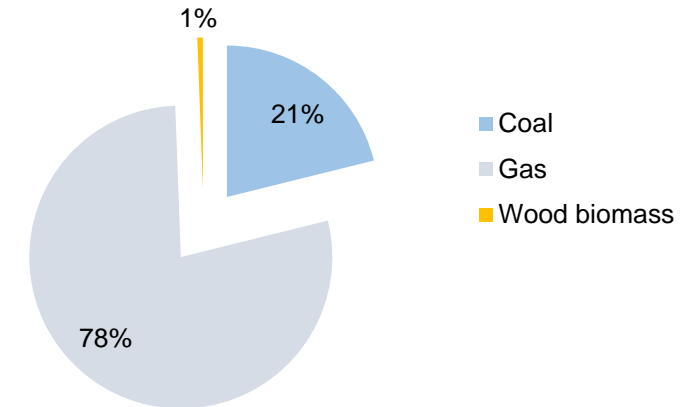


- 28 HPP operated, 2,167 MWe total installed capacity
- Great hydrological conditions - 28% higher hydro power generation: 50%-share in the structure of electricity sources

# Electricity Generation from TPP



**TPP by fuel type, installed capacity<sup>2</sup>**

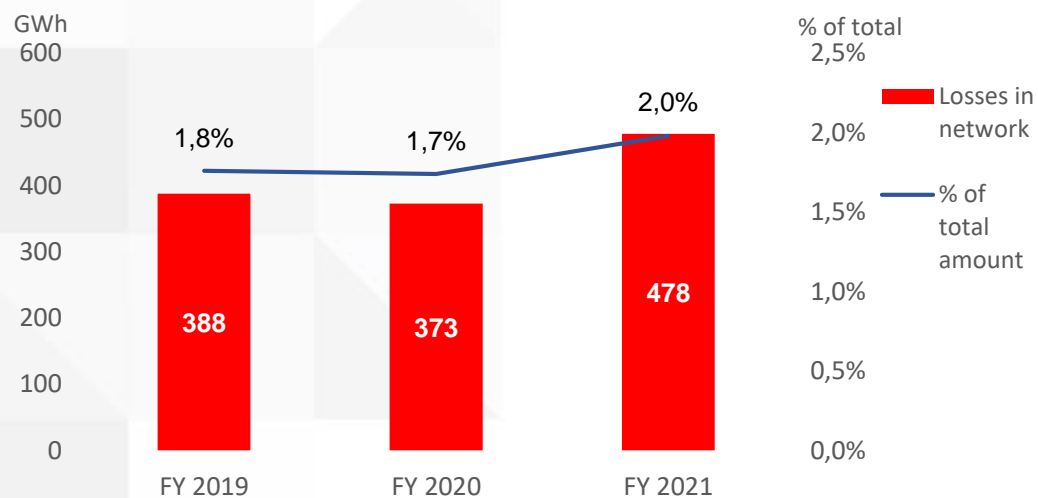


- 7 TPP with total installed capacity of 1,080 MWe<sup>2</sup>
- 2 Biomass thermal power plant with total installed capacity of 6 MWe<sup>2</sup>

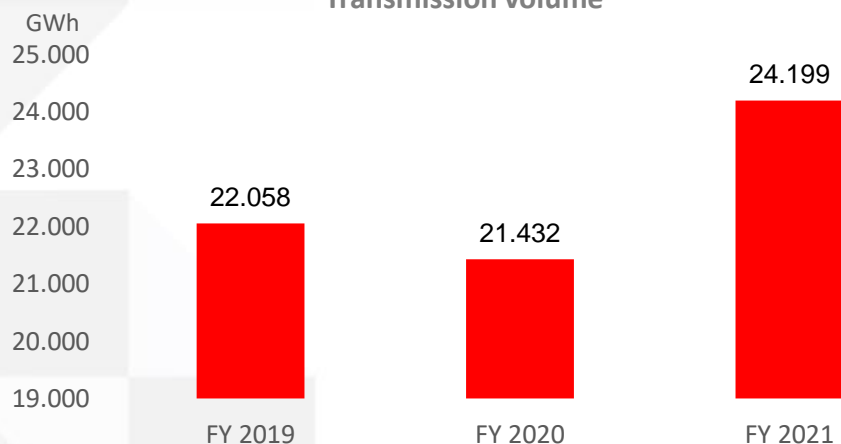


# Transmission

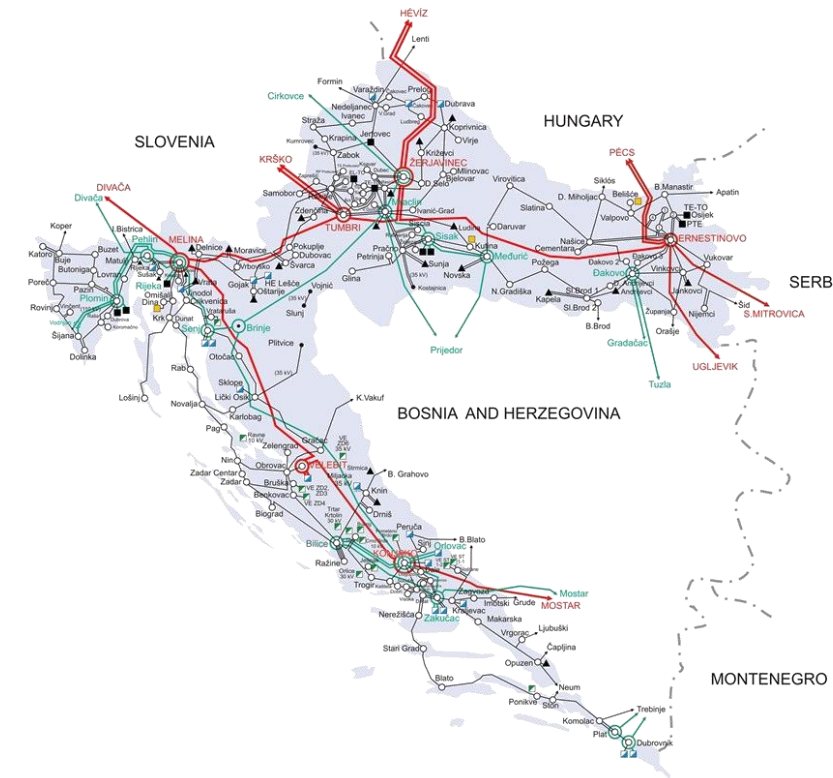
Transmission network losses<sup>1</sup>



Transmission volume<sup>1</sup>

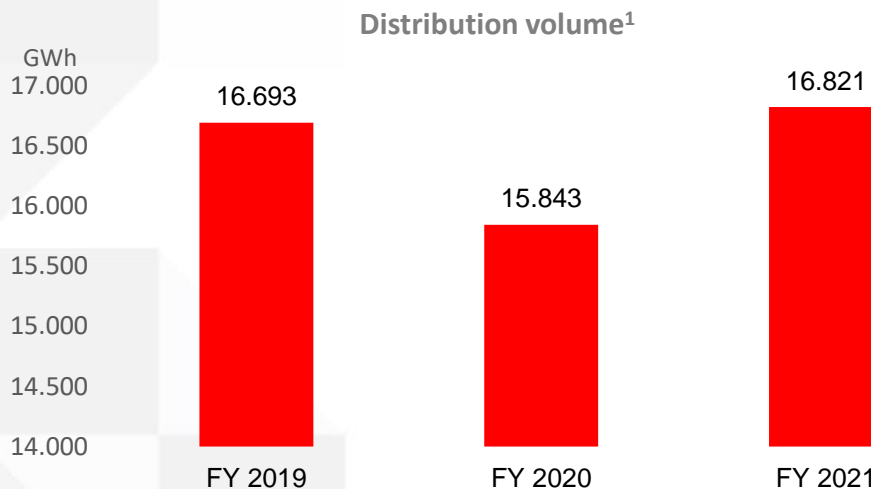
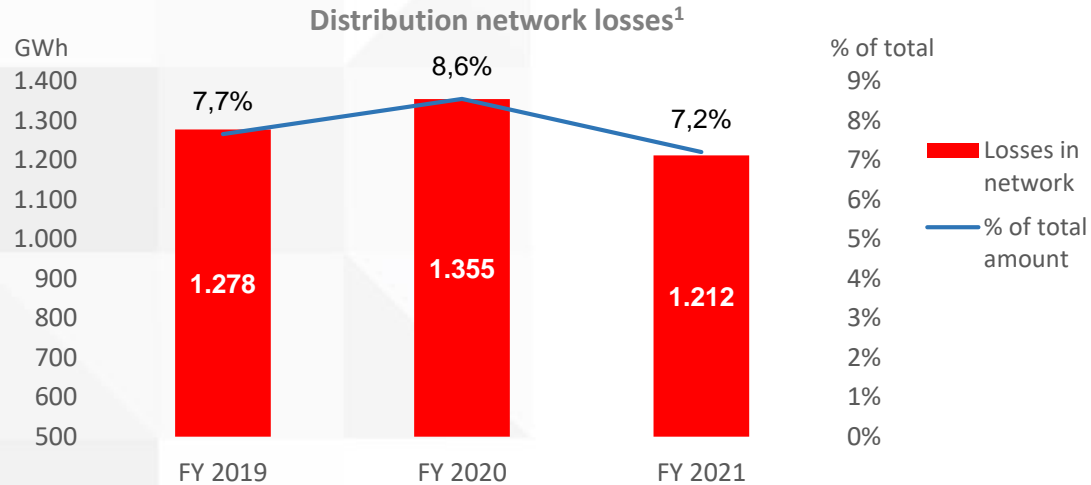


<sup>1</sup>HEP Group internal data



- Certified TSO under ITO model
- HEP TSO – Co-owner of CROPEX with HROTE

# Distribution

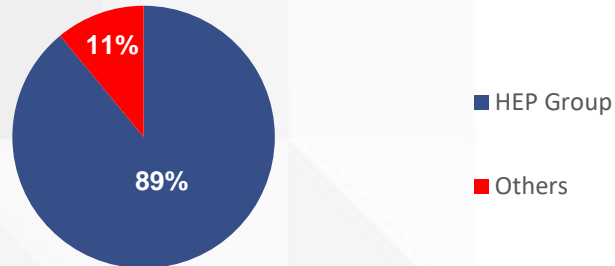


<sup>1</sup>HEP Group internal data

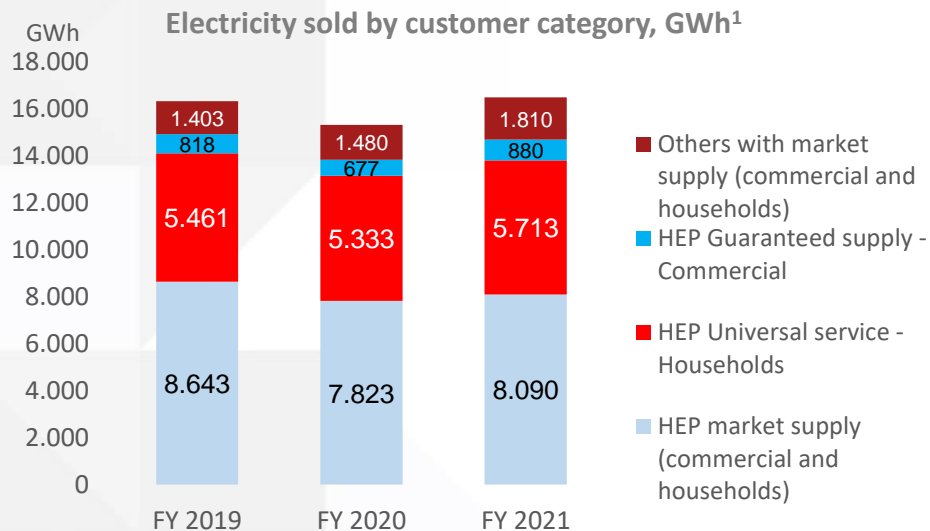
- Sole distributor of electricity – natural monopoly
- HEP DSO carry out meterings, consumption billing, metering point maintenance, and other field activities

# Electricity Supply

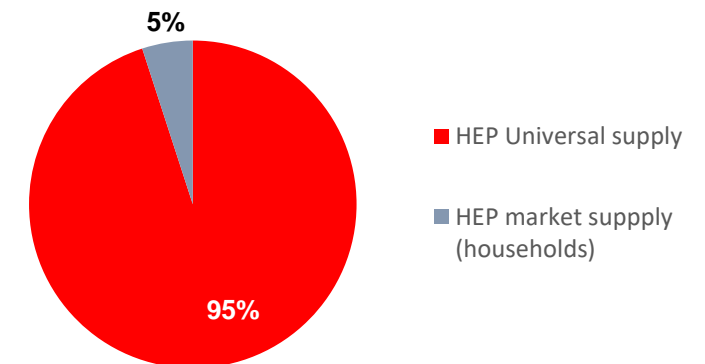
Electricity consumption in 2021  
per supplier<sup>1</sup>



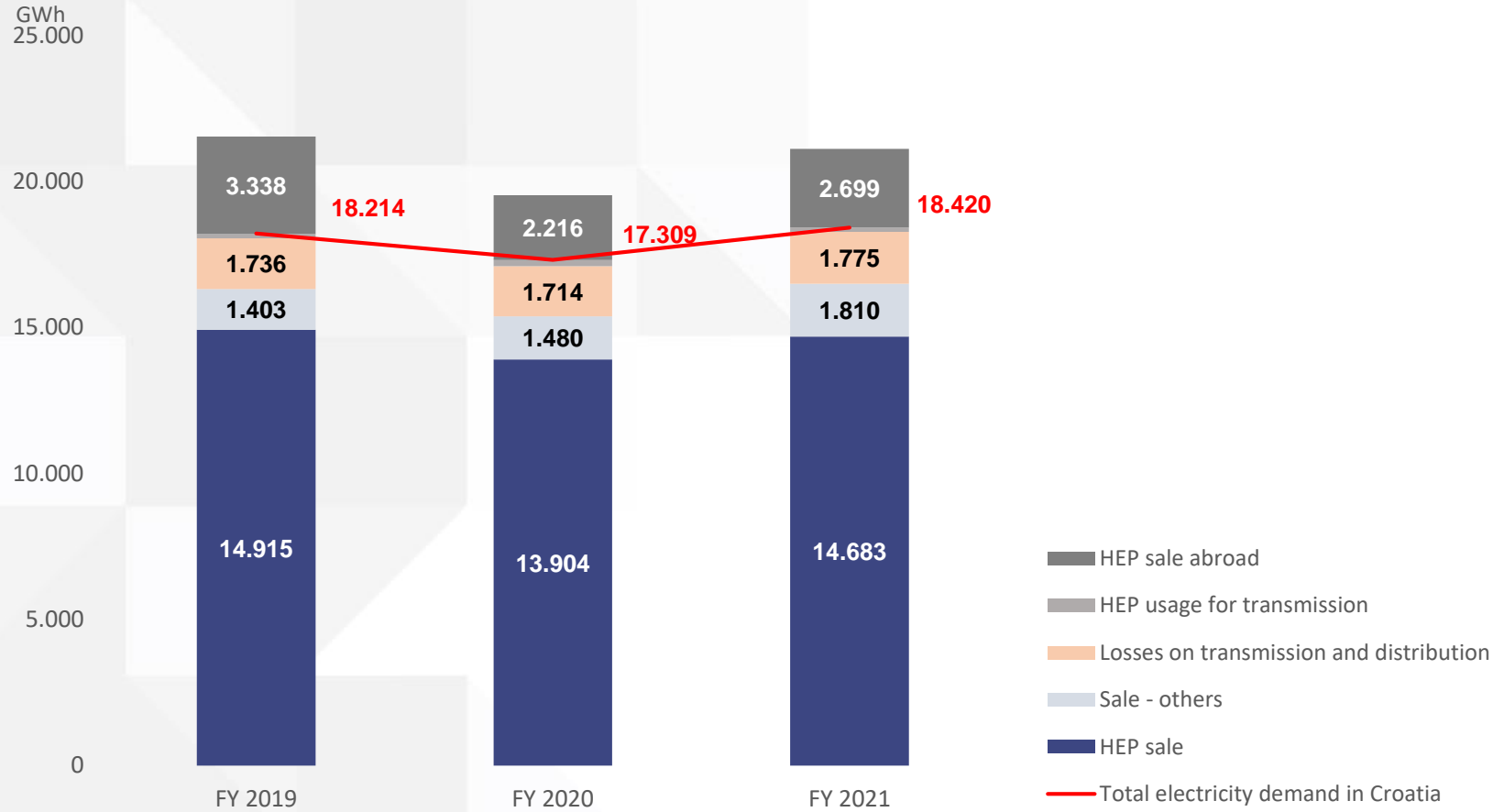
- HEP Group supplies **89 %** of all electricity sold in Croatia
- HEP Elektra supplies customers under public service obligation (universal service and guaranteed supply) while HEP-Supply supplies all other customers that have opted for a market supplier
- HEP- Supply is the largest non-tariff supplier in Croatia
- HEP- Supply supplies c. **84%** of commercial customers in Croatian market<sup>2</sup>



HEP's households consumers by category in 2021  
(Total GWh sale)<sup>1</sup>



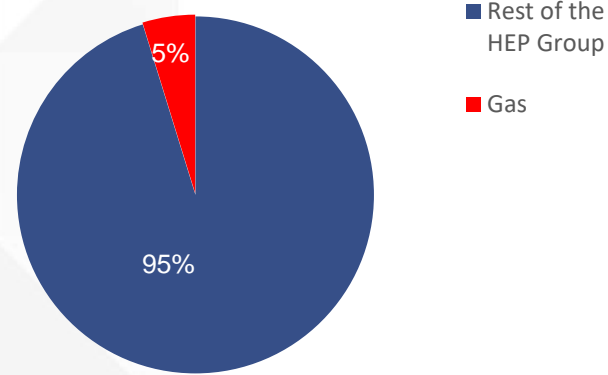
# Electricity Market in Croatia<sup>1</sup>



- Total electricity demand in Croatia for 2021 was 6% higher than in 2020
- 6% higher electricity sale compared to 2020

# Gas

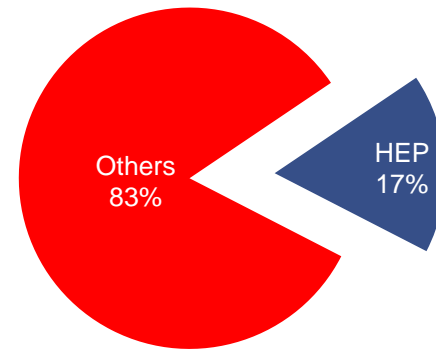
Segment revenue share



- HEP - was sole wholesale gas supplier under regulated terms to public service suppliers for household customers until April 1, 2021
- Ensures a reliable and safe gas supply in Croatia- market maker obligations on the balancing energy market
- 50% of total gas delivered in Croatia is from HEP Group
- 60% of SBU (Standard bundled unit) of Underground Gas Storage allocated to HEP Group until April 1, 2022

- Gas market liberalized in 2008 for all customers
- HEP Gas - second largest gas supplier<sup>2</sup> (out of 42 suppliers<sup>3</sup>) in Croatia by volume sold to end-consumers
- HEP Gas - second largest gas distributor<sup>2</sup> (out of 31 distributors<sup>3</sup>) in Croatia
- Gas sale prices to non-regulated customers are set by suppliers and prices to regulated customers are set by Government of Republic of Croatia

Gas Retail in Croatia<sup>4</sup>



<sup>1</sup>HEP Group internal data  
<sup>2</sup>Annual Energy Report, Ministry of Environment and Energy  
<sup>3</sup>[www.hera.hr](http://www.hera.hr)  
<sup>4</sup>as of YE 2021

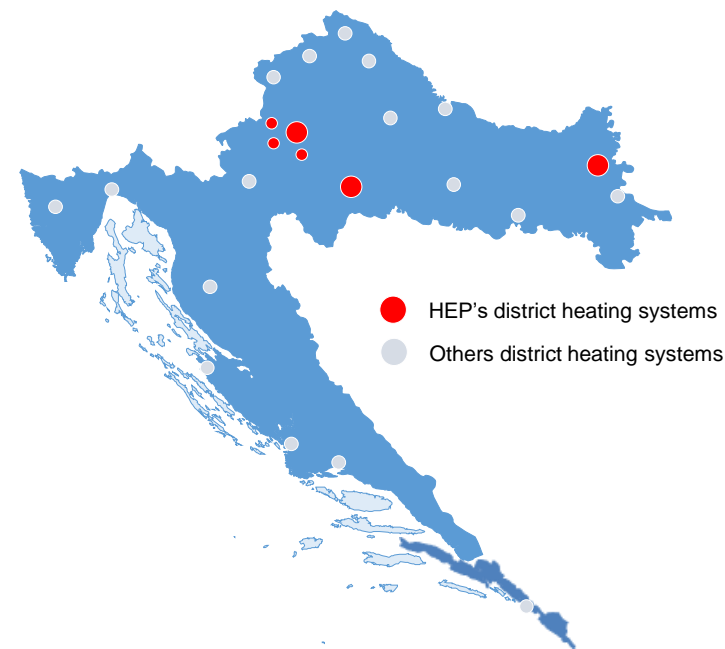
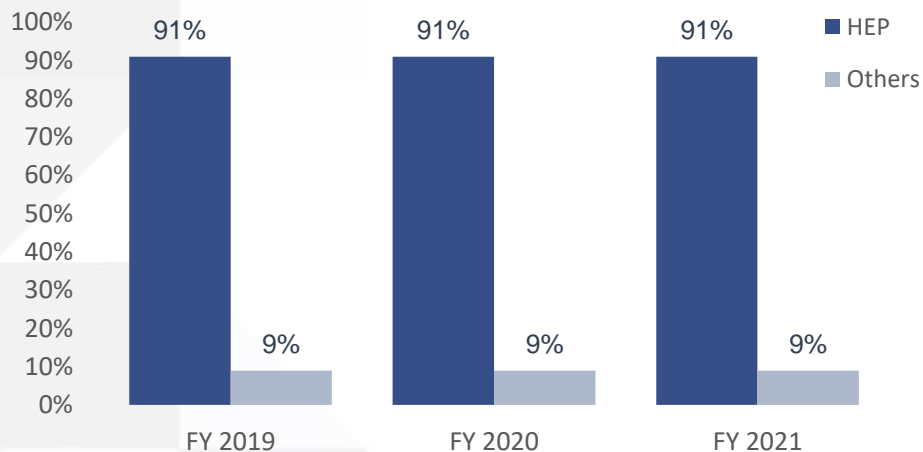
# Thermal and Heat Energy

Segment revenue share



- Largest out of 11<sup>2</sup> distributors of heat with c. 127,000 customers, covering c. 82% of the total market by the number of customers in Croatia
- Focus on making the district heating business economically viable

Sale of Thermal and Heat energy (MWh) in Croatia<sup>1</sup>



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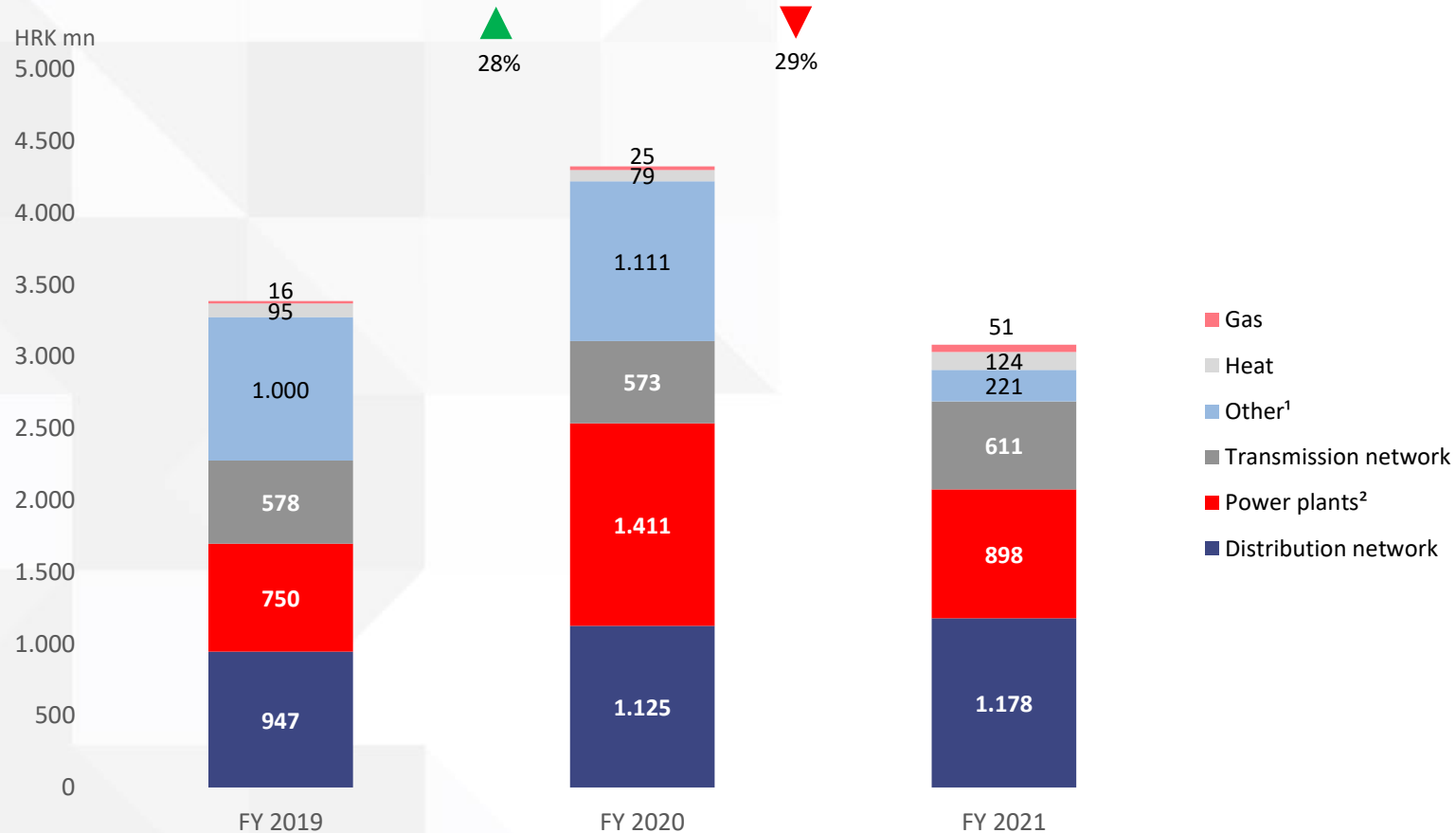
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# Capital expenditure 2021



- Total investments realized in 2021 HRK **3,083 mn** :
- Investments into modernization and revitalization of distribution network
- Investments into revitalization of district heating network
- Further investment in smart grid
- Further investment in renewables



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# Q&A



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