



Hrvatska elektroprivreda

More than electricity

Consolidated Financial Statements
YE 2020



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Safe Harbor Statement

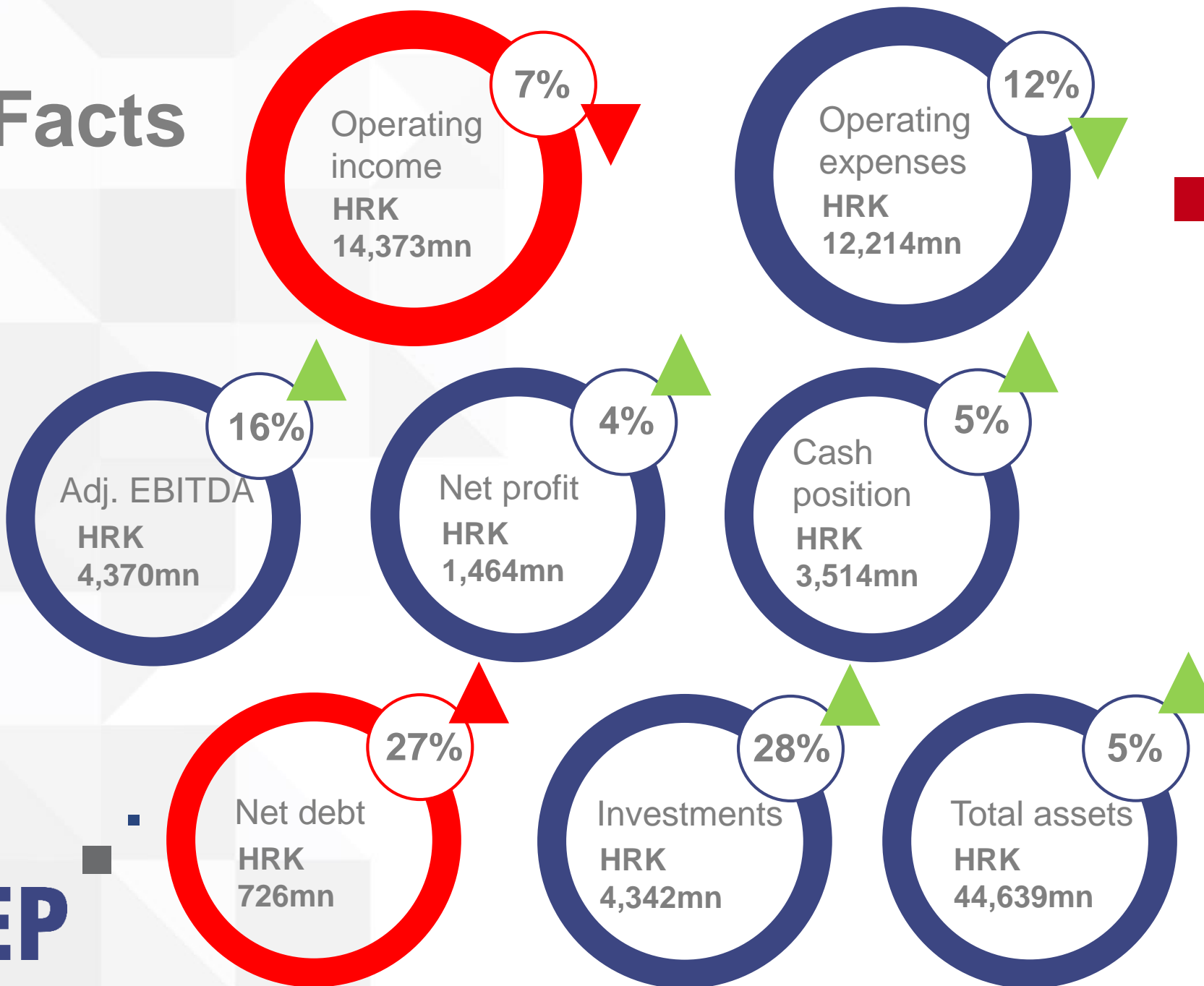


This Presentation contains certain forward-looking statements that reflect HEP's current views with respect to future events and financial and operational performance, including but not limited to risks specific to HEP's business and the implementation of strategic initiatives, as well as other statements 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

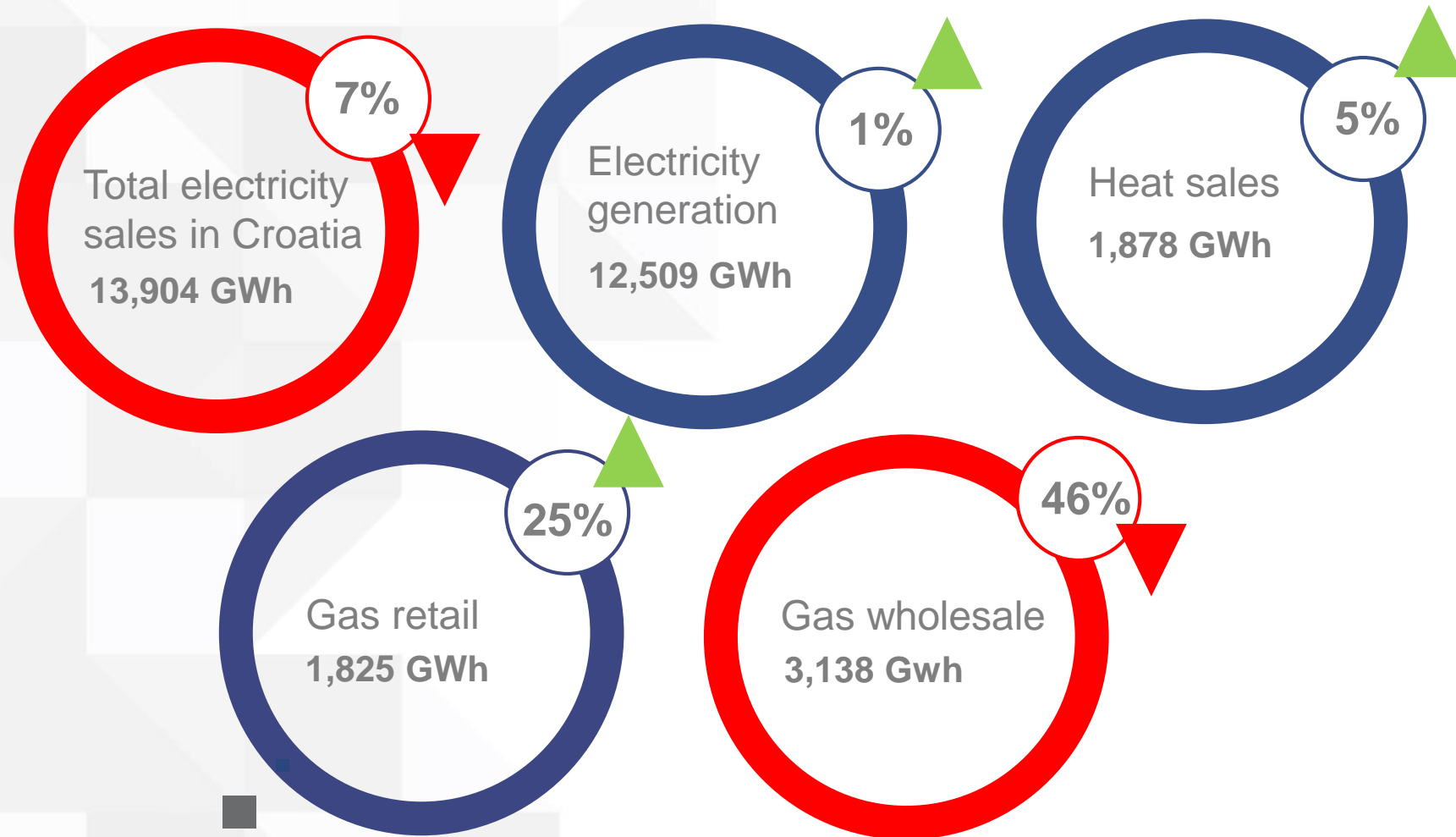
Key Facts



Number of employees
2020: 11,668
2019: 11,520

%
Compared to FY 2019

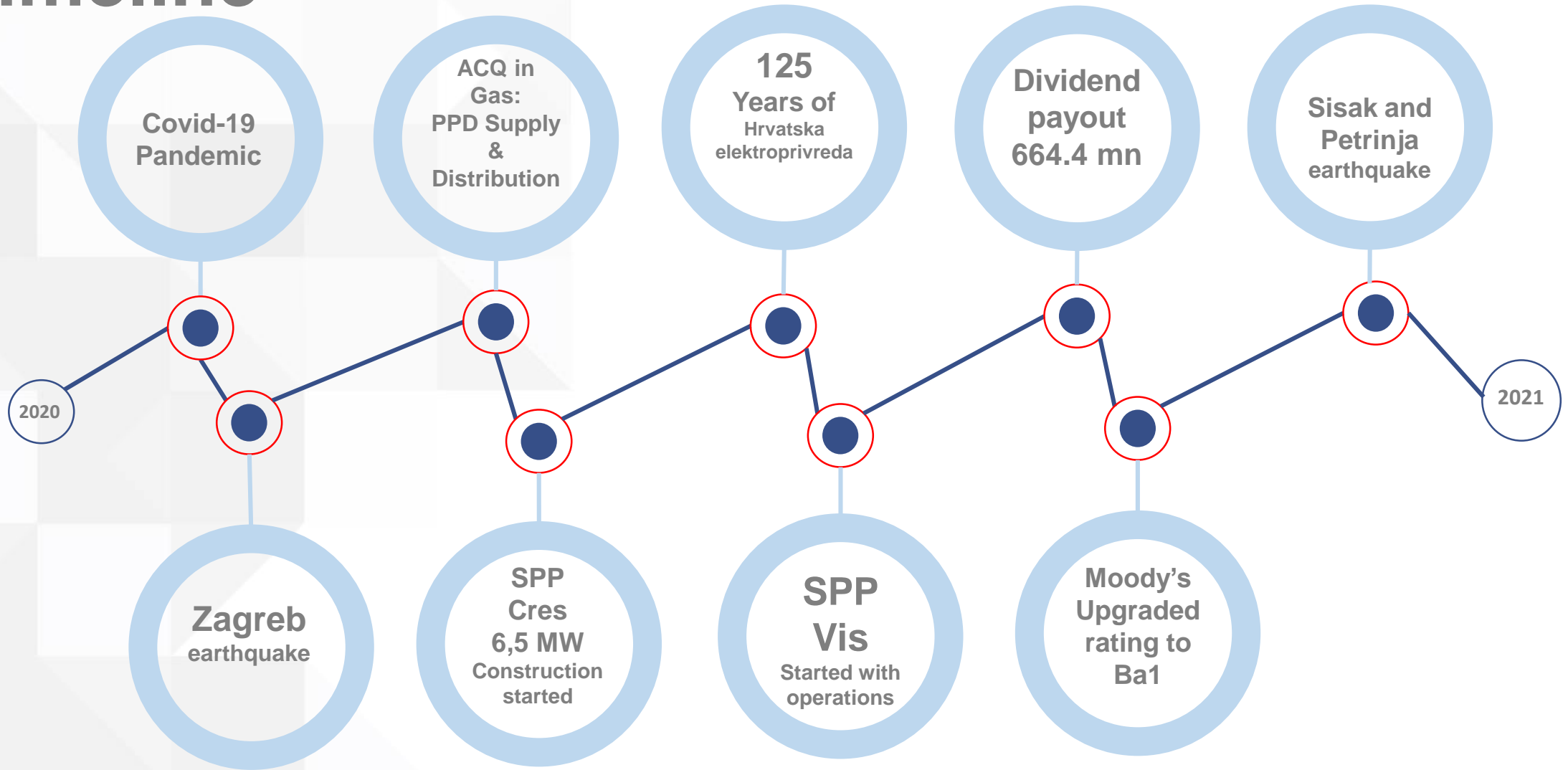
Key Facts



HEP Group 90 %
electricity market
share in Croatia

%
Compared to FY 2019

Timeline



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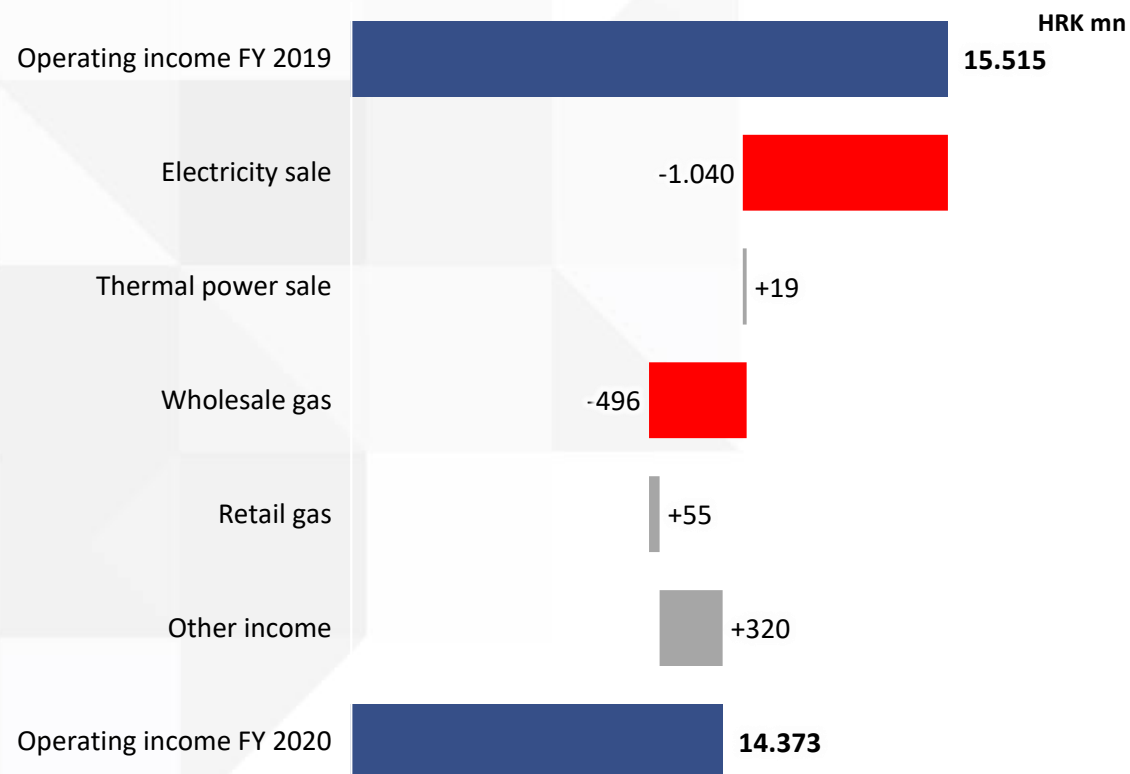
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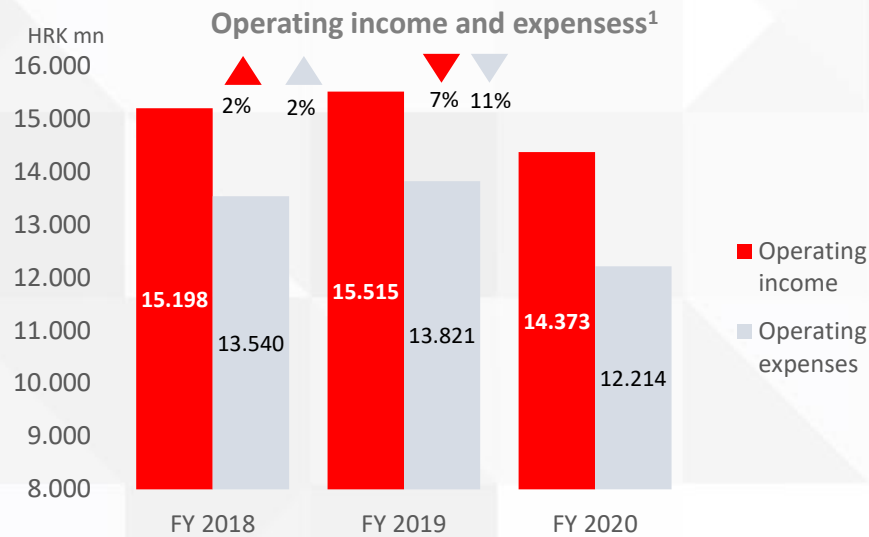
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Development of Operating Income¹

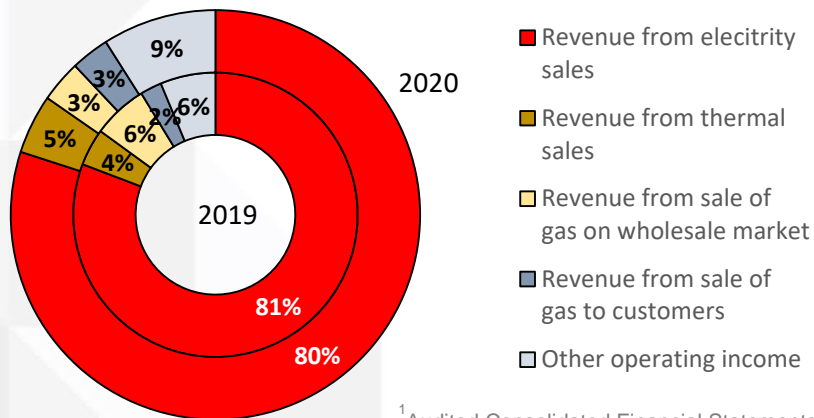


- Revenue from electricity sales decreased by HRK **1,040.1mn (8%)**, which is a result of an decrease in consumption by 5% and decrease in export
- **2.9%** thermal power sales revenue increase due to **5.3%** consumption increase
- Sale of gas on wholesale market revenue drop by **51%** due to decrease in sale by **46%**
- Sale of gas to customers rose by **14%** due to collection of receivables from 2018
- Other operating income increased **33%**

Financial Performance FY 2020



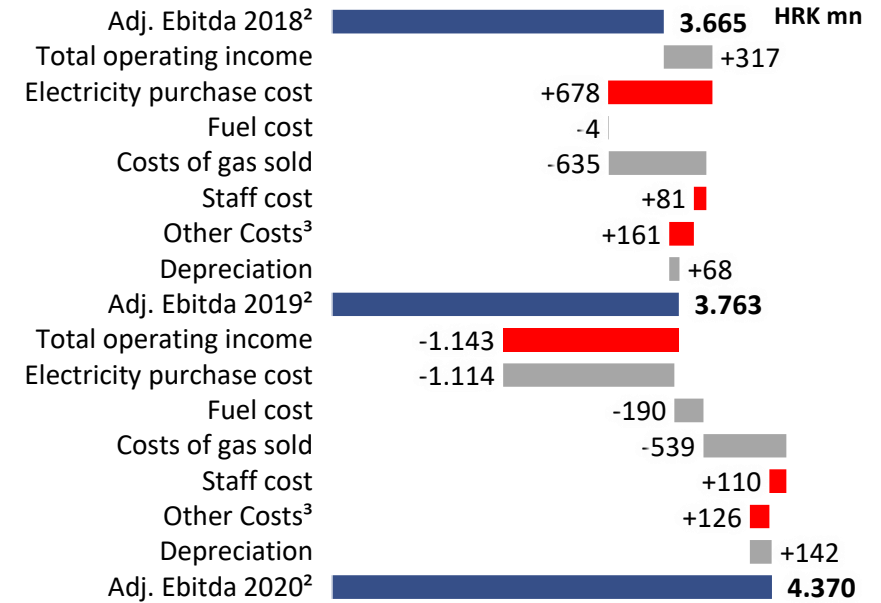
Total operating income split FY 2020 vs 2019¹



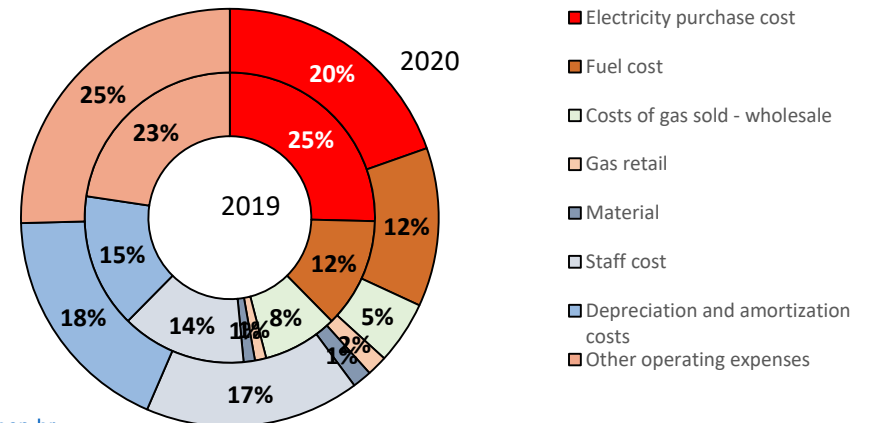
¹ Audited Consolidated Financial Statements for 2020, available at www.hep.hr

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

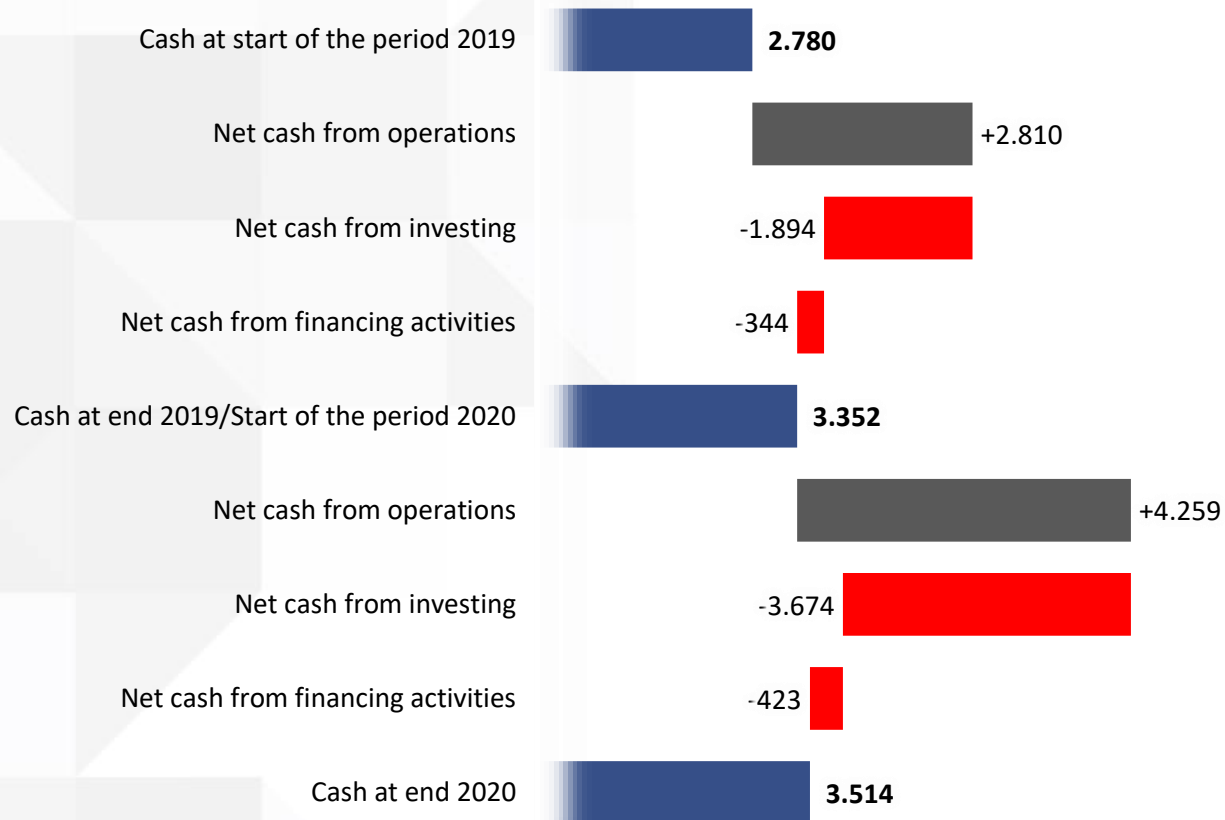
³ Includes depreciation and amortization



Total operating expenses split FY 2020 vs 2019¹

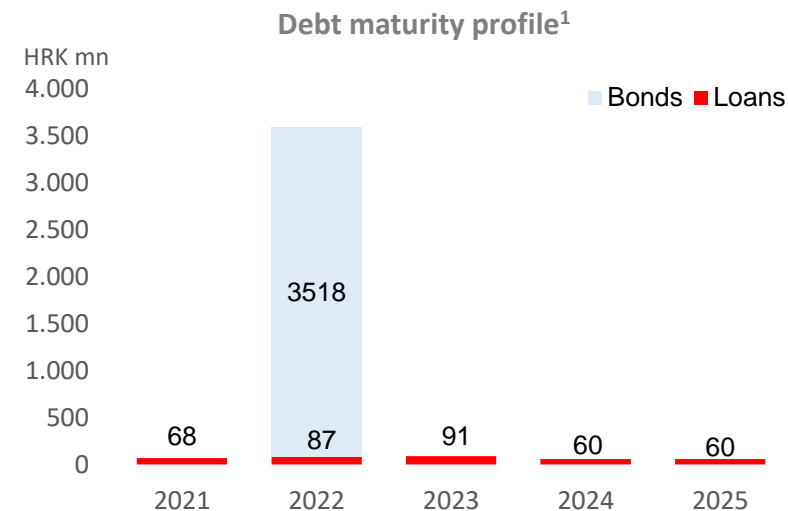
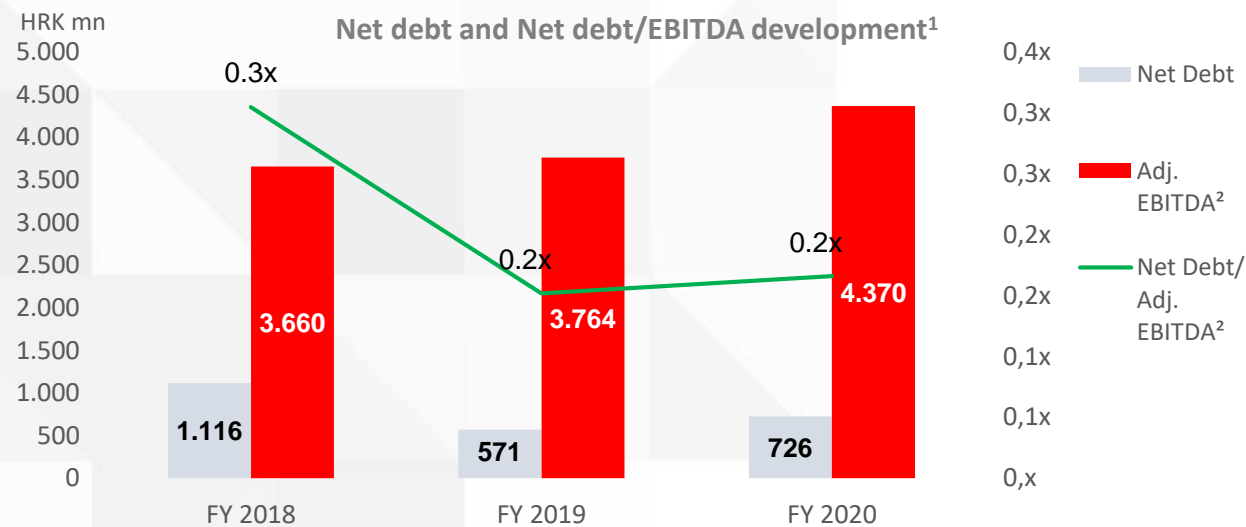


Cash flow¹

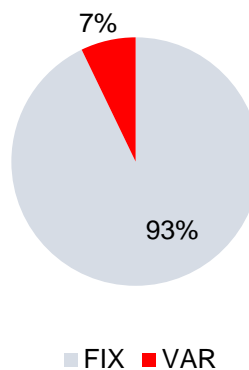
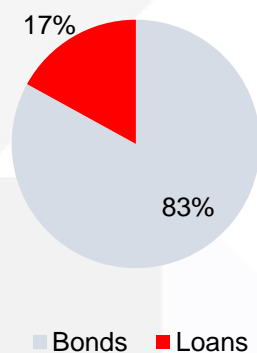


- Strong liquidity position
- Additional liquidity HRK 1 bn under short term financing sources with local banks
- Dividend payout – HRK 664,4mn

HEP Group Debt



Debt structure as of YE 2020¹



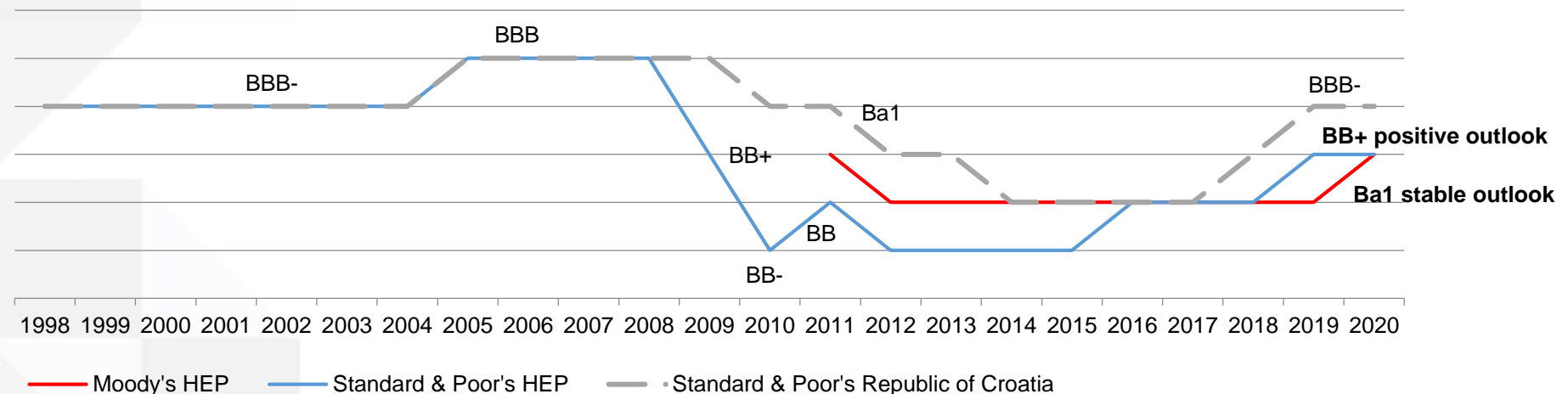
- Experienced issuer on domestic and international capital market (first Croatian Tender Offer and Liability Management Transaction in 2015)
- Whole debt in EUR

Credit Rating Evolution

Credit Rating Agency	Issue date	Rating
Standard & Poor's	29 October 2020	BB+/Positive outlook – SACP bb+
Moody's	17 November 2020	Ba1/Stable outlook

- Corporate credit rating capped with sovereign rating level
- 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.
- In October 2020, Standard & Poor's upgraded the rating outlook from stable to positive while affirming the standalone credit profile of bb+.

HEP Credit Profile



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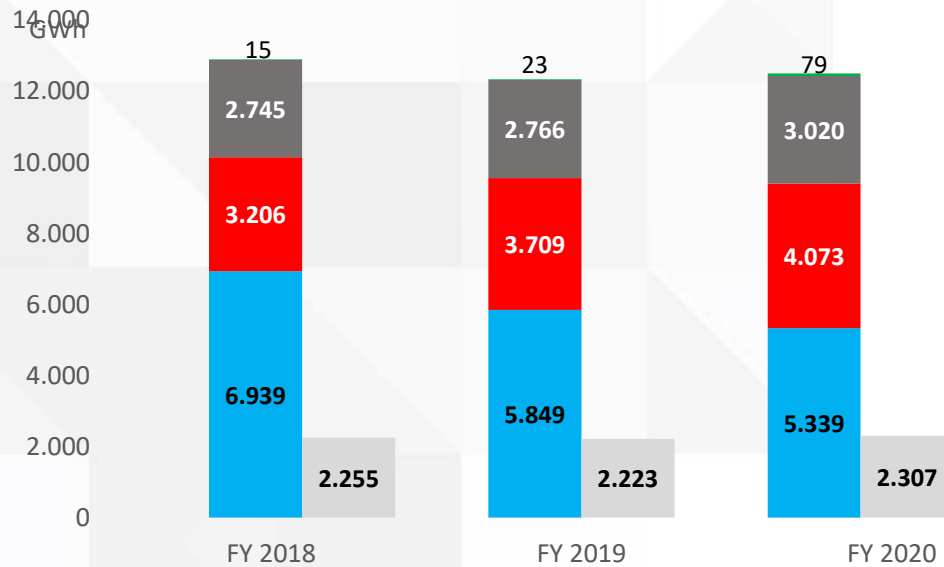
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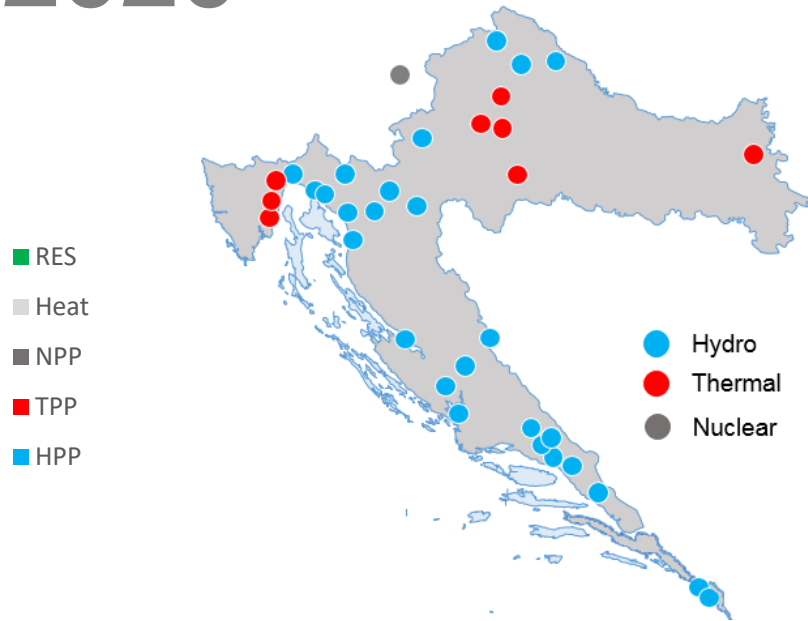
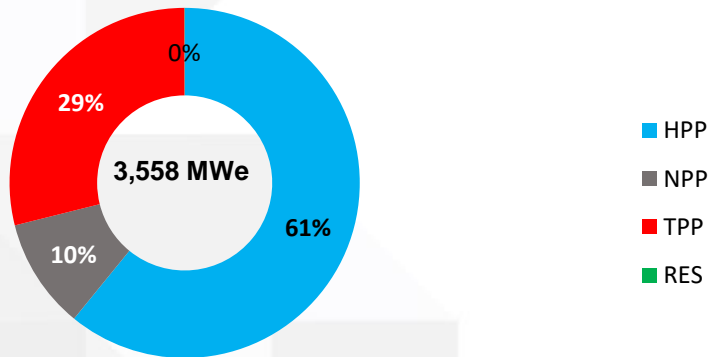
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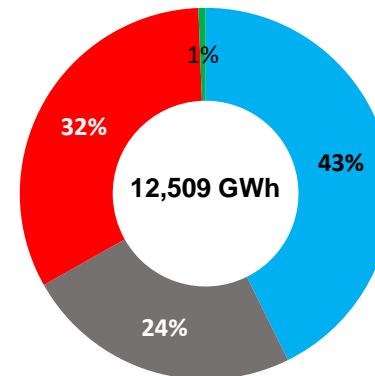
Power Generation in 2020



Electricity - installed capacity 2020¹

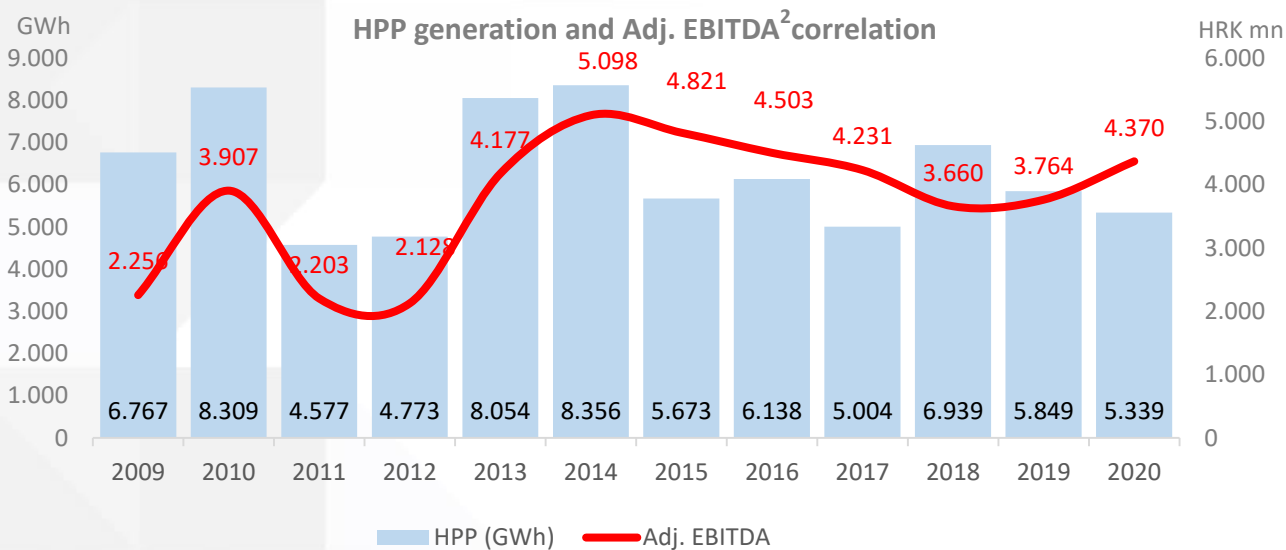
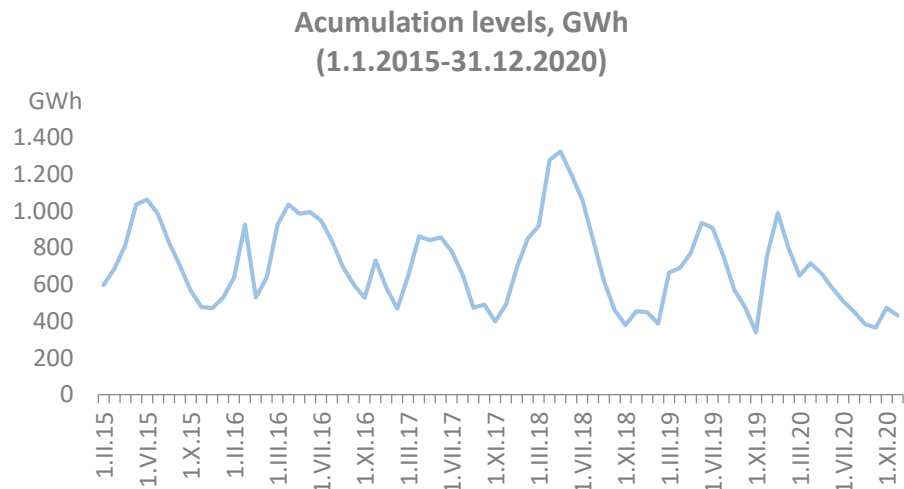
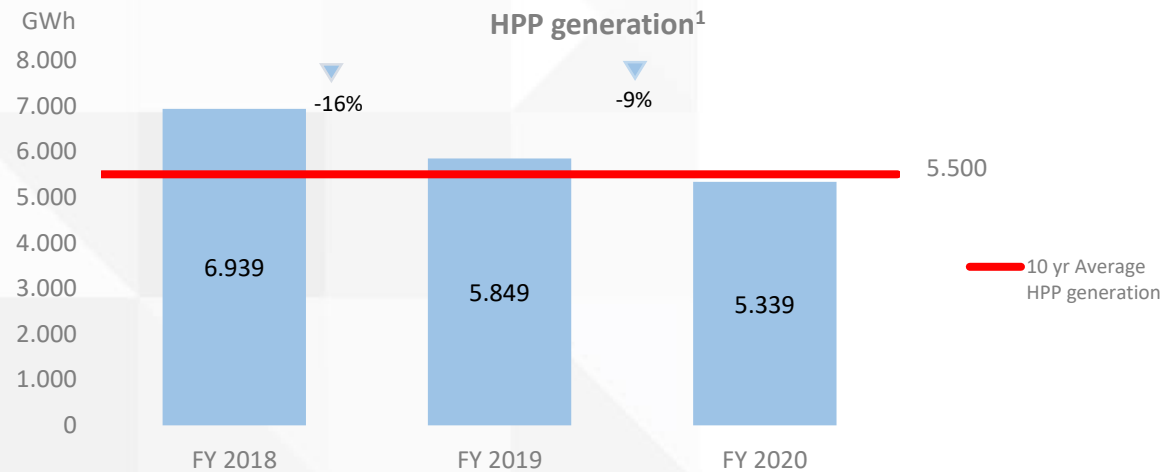


Electricity generation in 2020



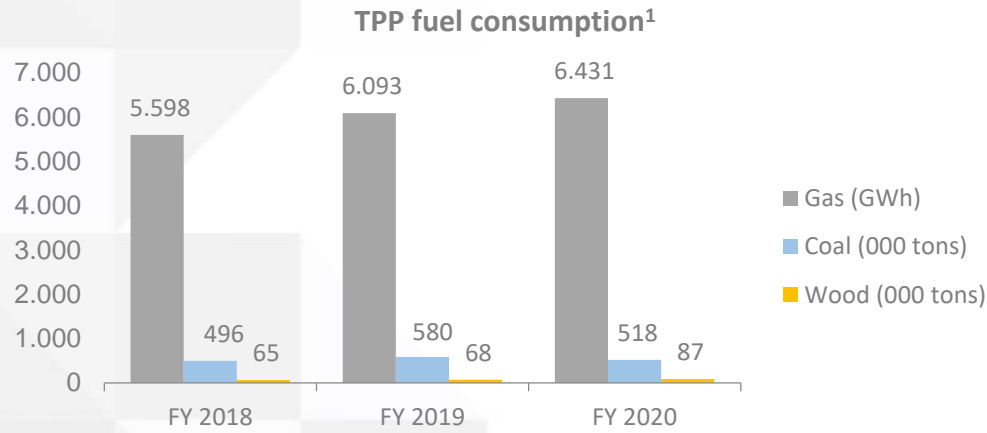
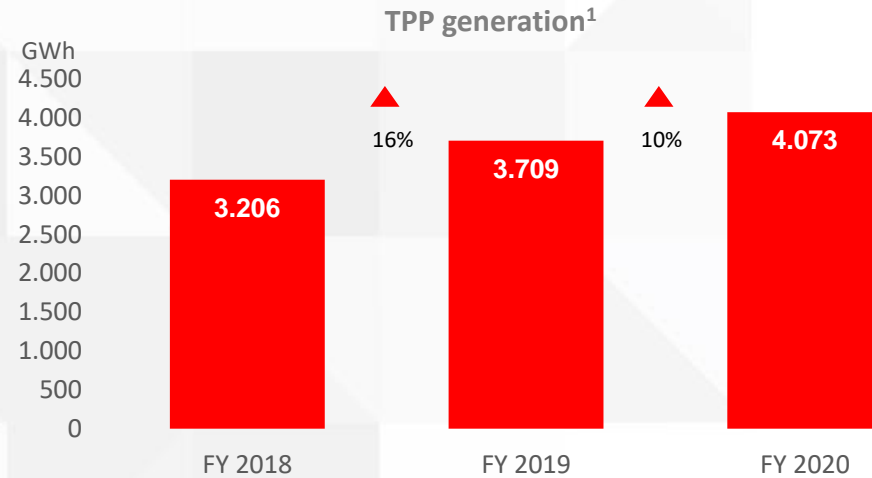
- Compared to year before HPP generation was 9% lower
- TPP generated 10% more while NPP generation was 9 % higher compared to year before
- Generation of heat energy was 4% higher compared to the last year

Electricity Generation from HPP

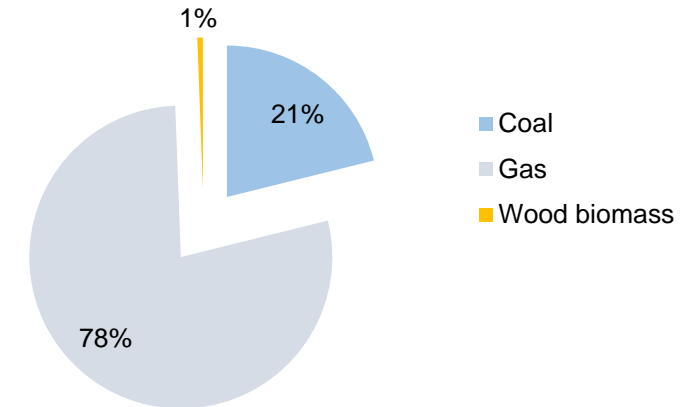


- 28 HPP operated, 2,166 MWe total installed capacity
- Poor hydrological conditions - 9% lower hydro power generation: 43%-share in the structure of electricity sources

Electricity Generation from TPP



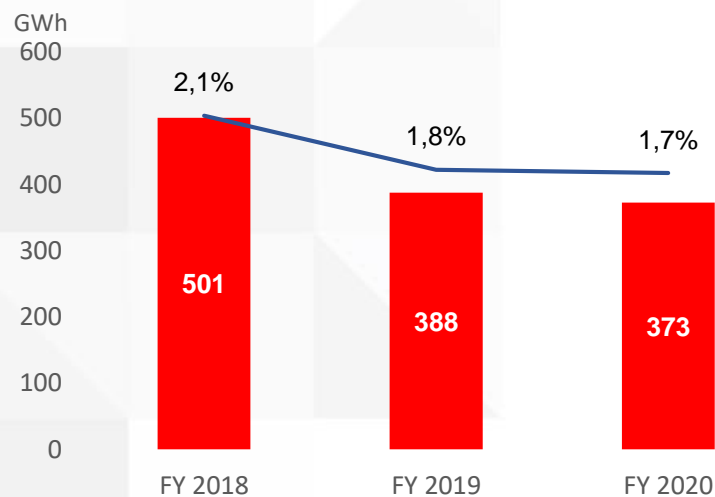
TPP by fuel type, installed capacity²



- 7 TPP with total installed capacity of 1,027 MWe²
- 2 Biomass thermal power plant with total installed capacity of 6 MWe²

Transmission

Transmission network losses¹



% of total
2,5%

Losses in network

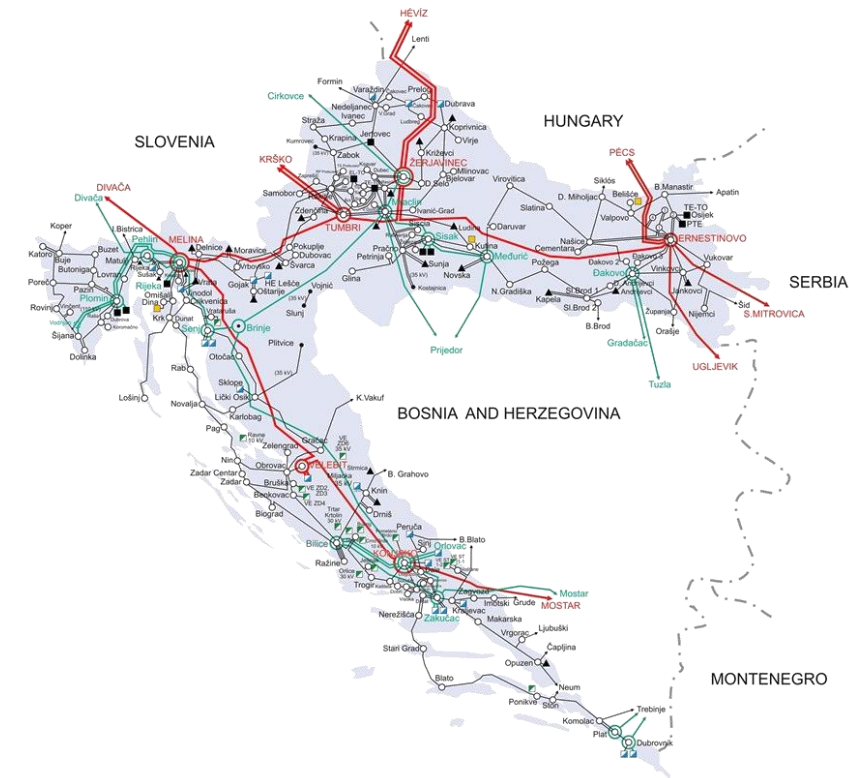
% of total amount

1,5%

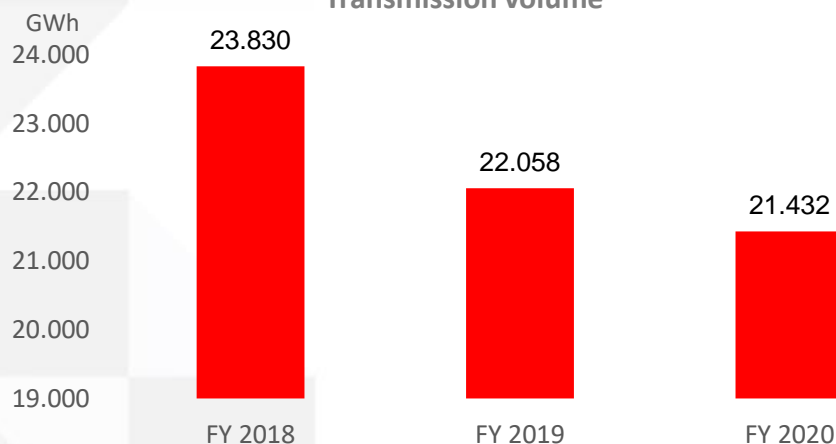
1,0%

0,5%

0,0%

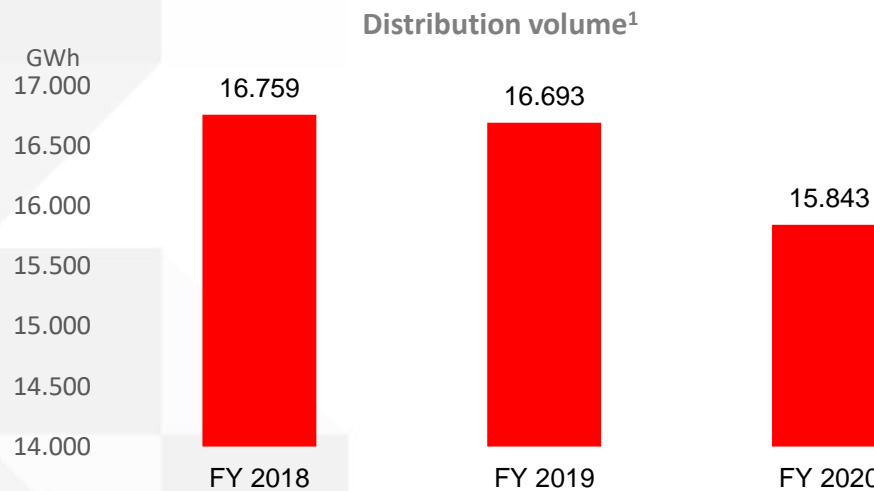
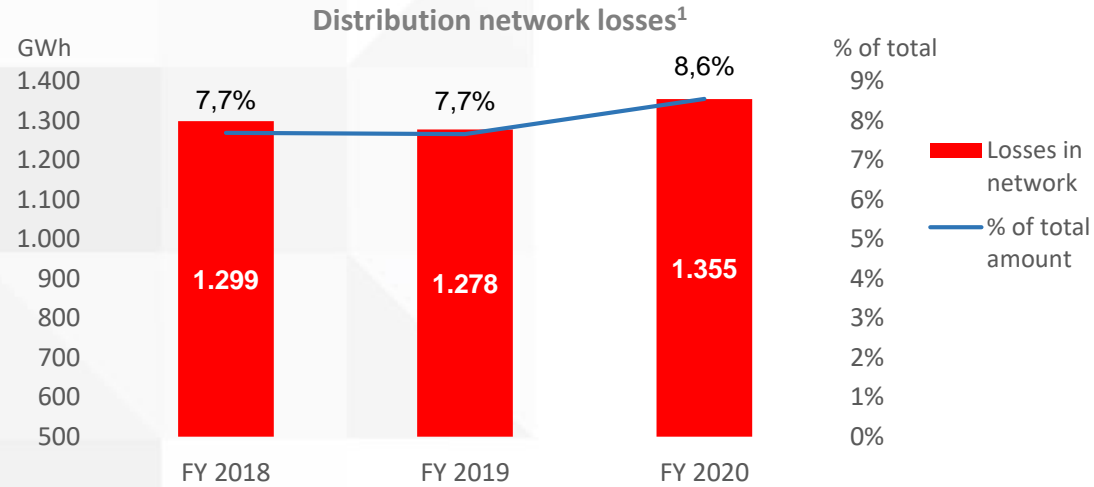


Transmission volume¹



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

Distribution



¹HEP Group internal data

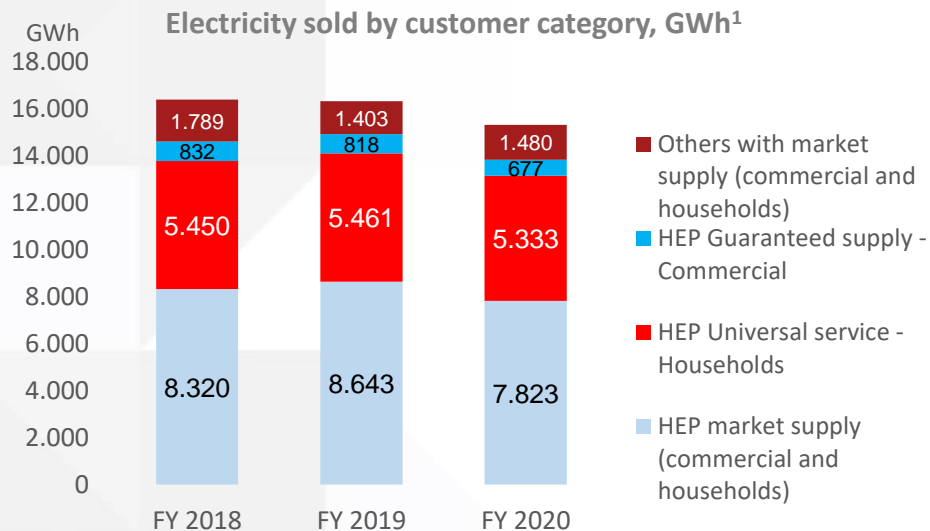
- Sole distributor of electricity – natural monopoly
- HEP DSO carry out meterings, consumption billing, metering point maintenance, and other field activities

Electricity Supply

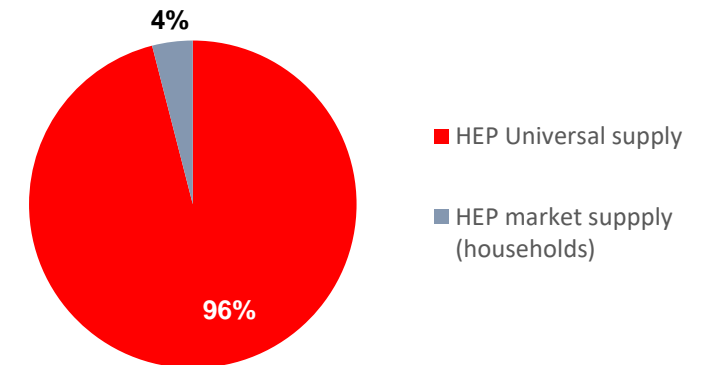
Electricity consumption in 2020 per supplier¹



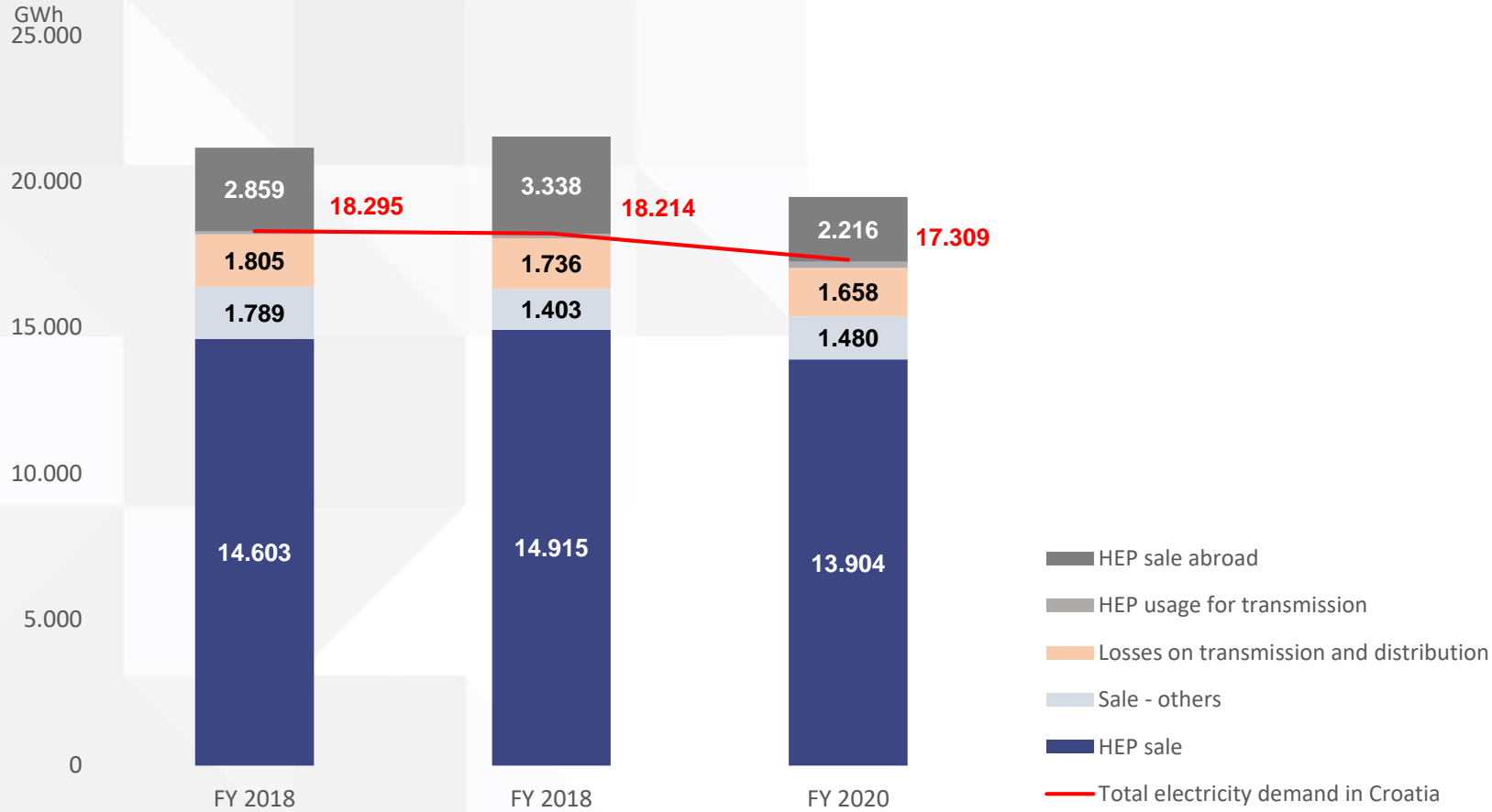
- HEP Group supplies **90 %** of all electricity sold in Croatia
- HEP Elektra supplies customers under public service obligation (universal service and guaranteed supply) while HEP-Supply supplies all other customers that have opted for a market supplier
- HEP- Supply is the largest non-tariff supplier among 16 others² in Croatia
- HEP- Supply supplies c. **87%** of commercial customers in Croatian market²



HEP's households consumers by category in 2020 (Total GWh sale)¹



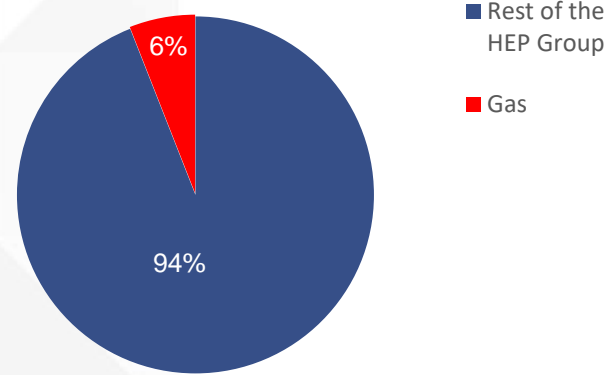
Electricity Market in Croatia¹



- Total electricity demand in Croatia for 2020 was 5% lower than in 2019
- 7% lower electricity sale compared to 2019

Gas

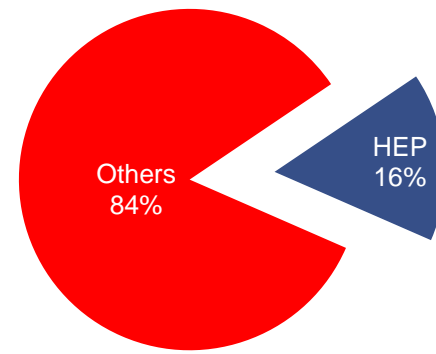
Segment revenue share



- 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 supplier² (out of 54 suppliers³) in Croatia by volume sold to end-consumers
- HEP Gas - second largest gas distributor² (out of 35 distributors³) 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 Croatia⁴



¹HEP Group internal data
²Annual Energy Report, Ministry of Environment and Energy
³www.hera.hr
⁴as of YE 2020

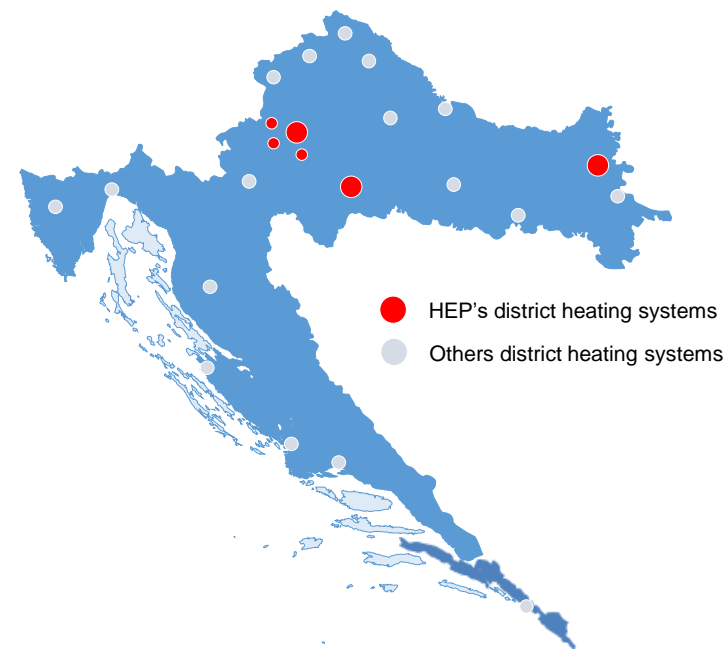
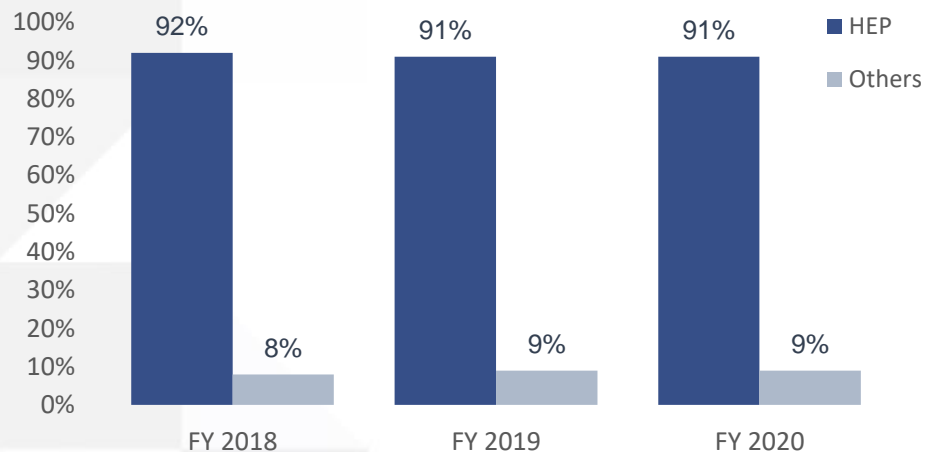
Thermal and Heat Energy

Segment revenue share



- Largest out of 21² 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 Croatia¹



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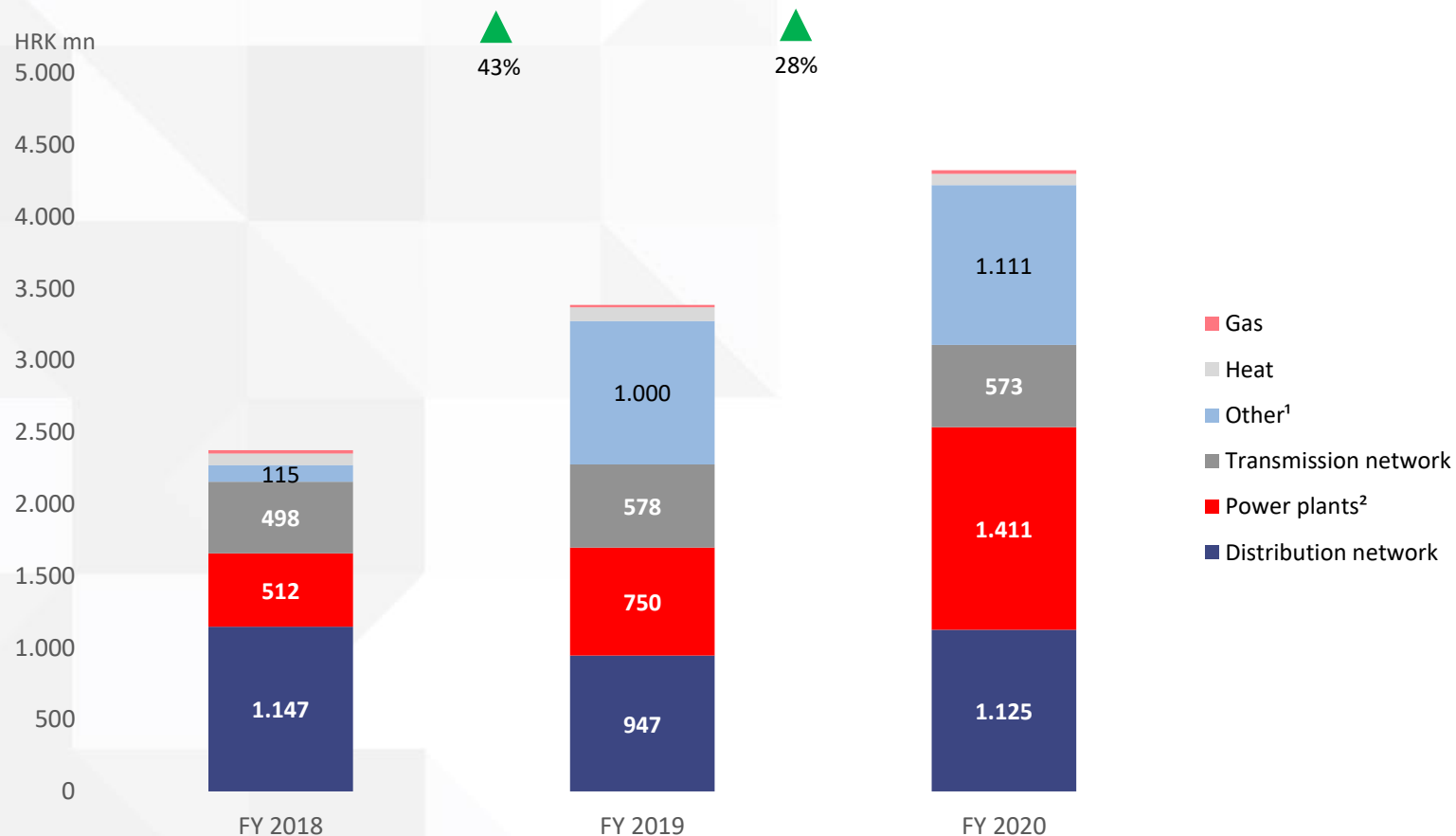
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Capital expenditure 2020



- Total investments realized in 2020 HRK **4,342 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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