



Hrvatska elektroprivreda

More than electricity

Consolidated Financial Statements
1H 2017



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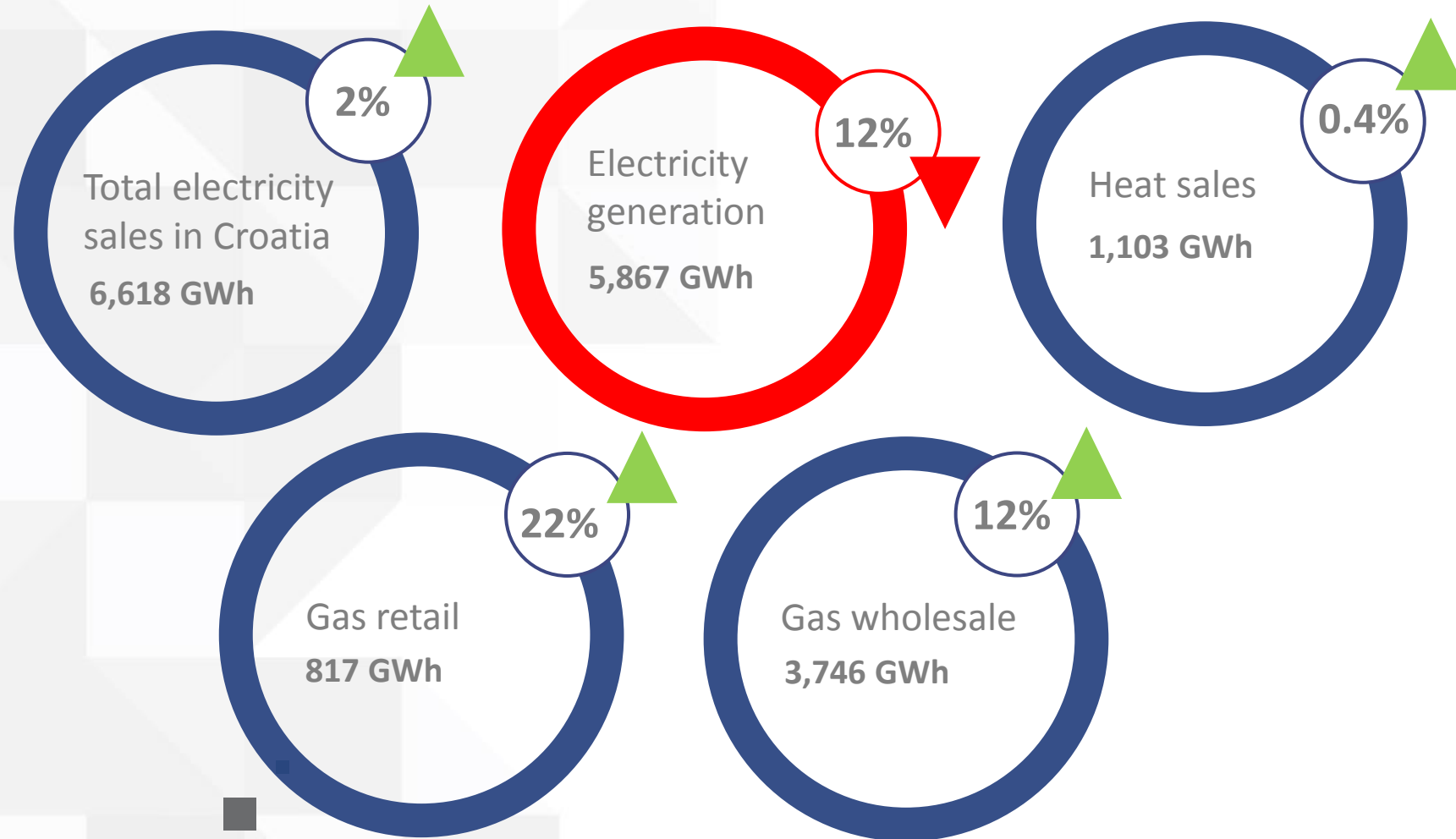
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This Presentation contains certain forward-looking statements that reflect HEP's current views with respect to future events and financial and operational performance, including but not limited to risks specific to HEP's business and the implementation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



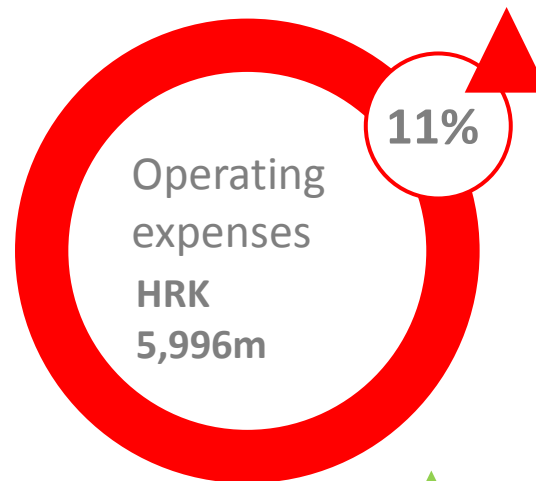
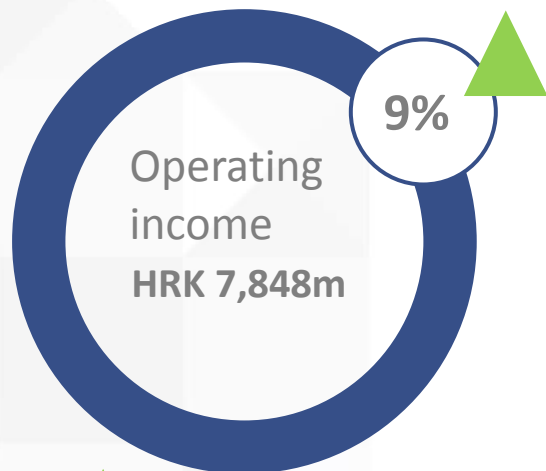
■ HEP Group c. 84 % electricity market share in Croatia

■ Regional presence- 12.5% commercial customers in the Slovenian market

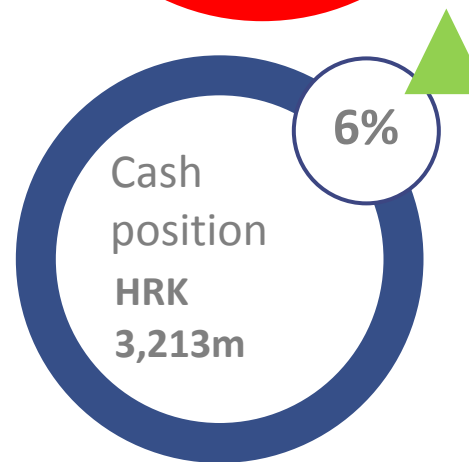
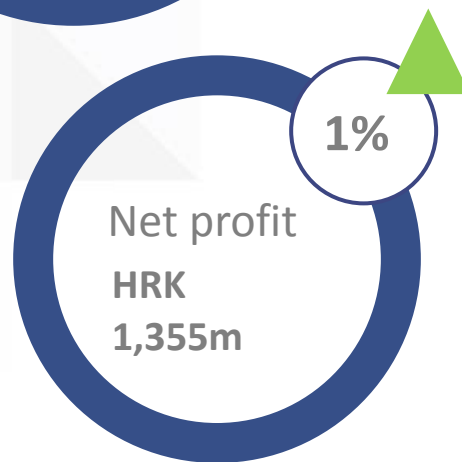
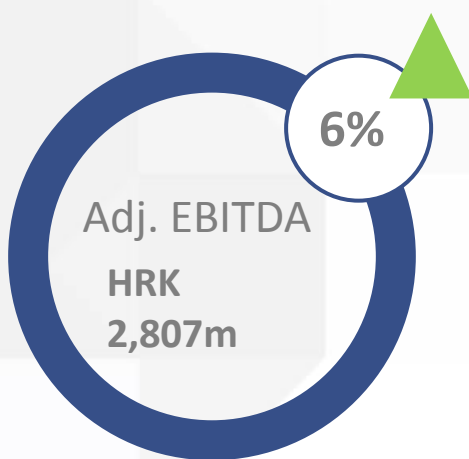
⊙ % Compared to 1H 2016



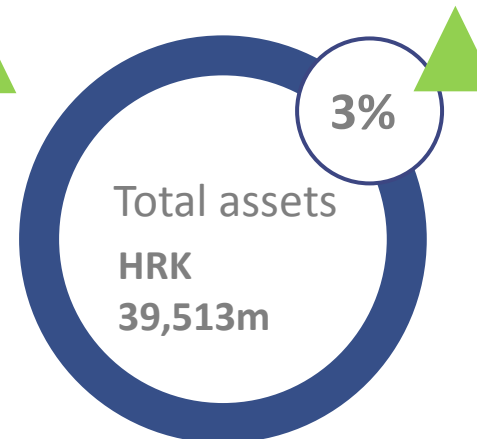
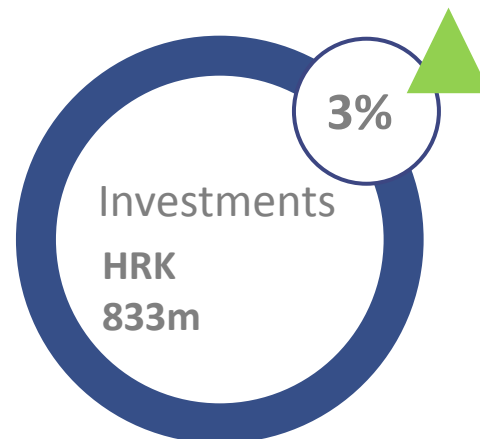
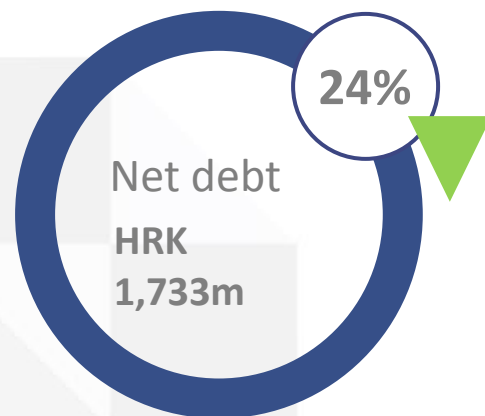
Key Facts



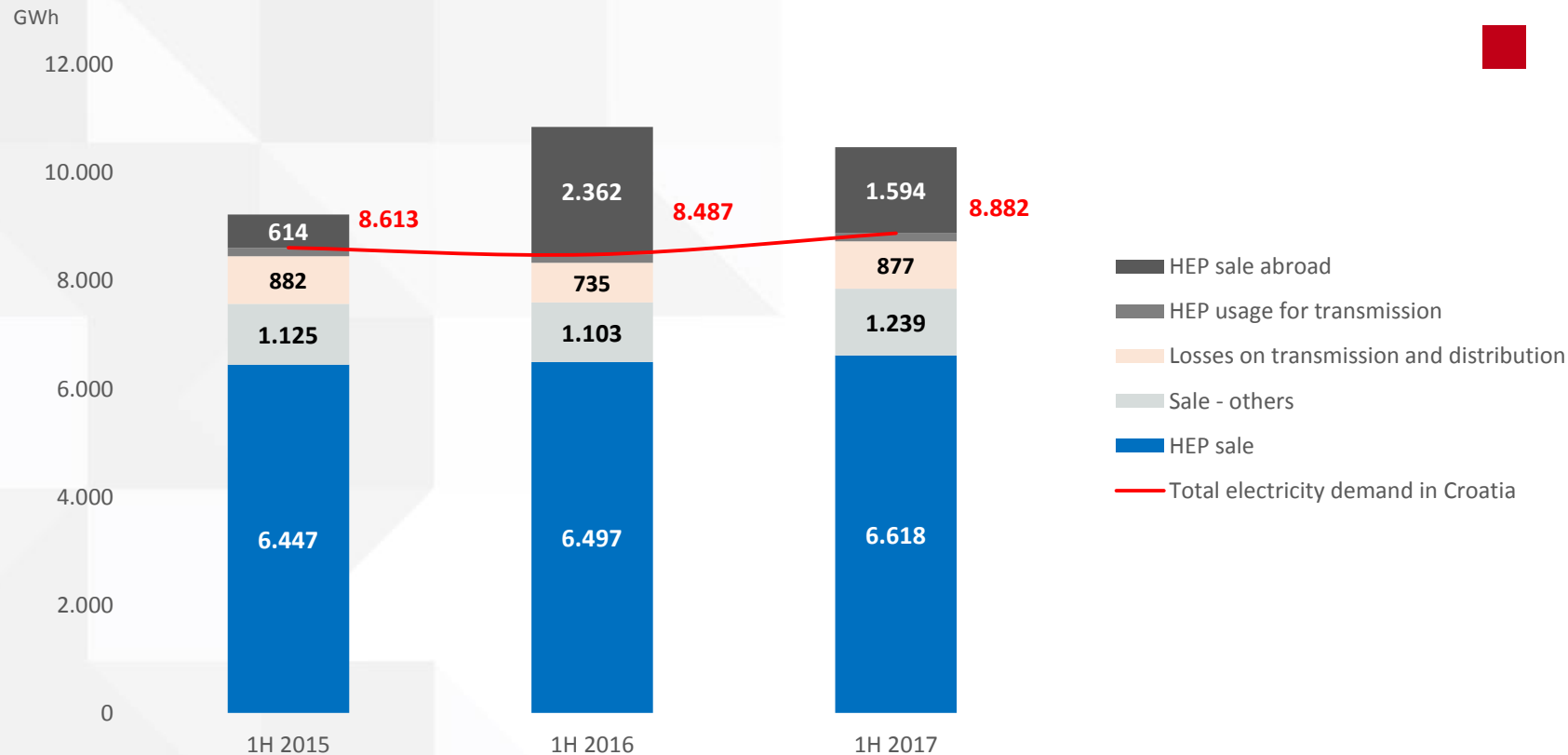
Number of employees
1H 2017: 11,915



Compared to 1H 2016



Electricity Market in Croatia¹



- Total electricity demand in Croatia was 5% higher compared to the period the year before

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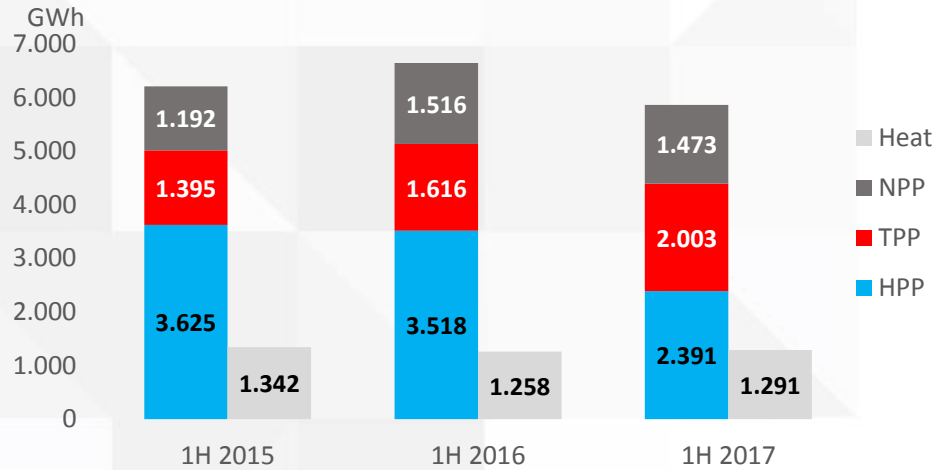
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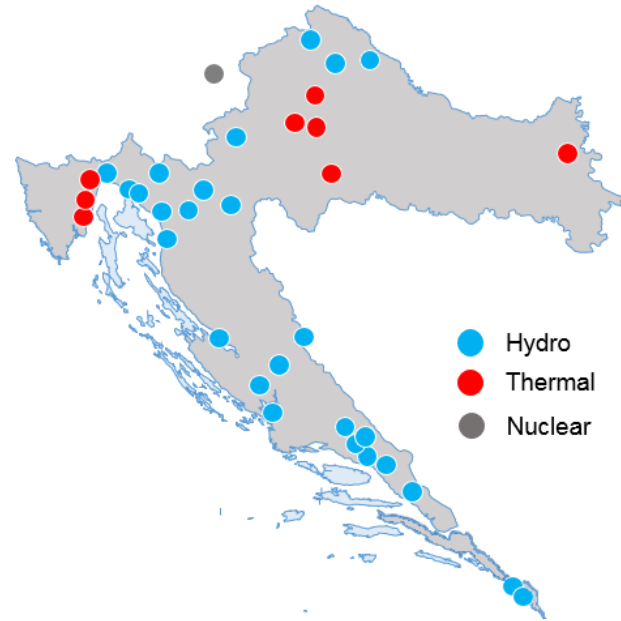
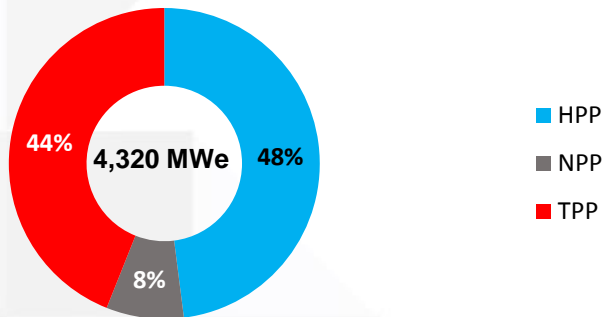
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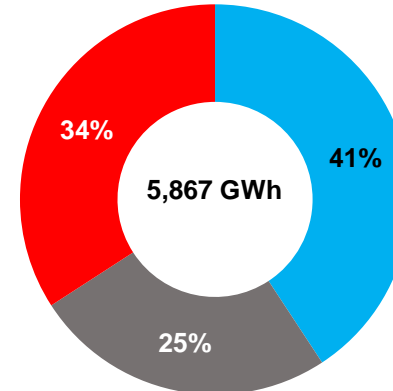
Power Generation in 1H 2017



Electricity - installed capacity 1H 2017¹

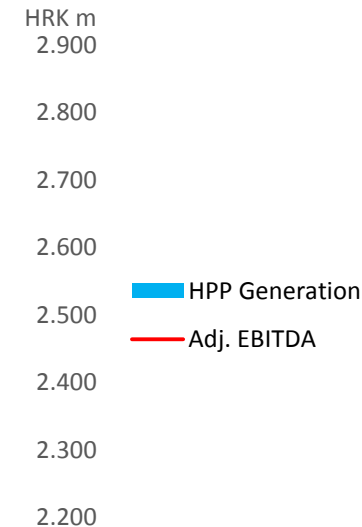
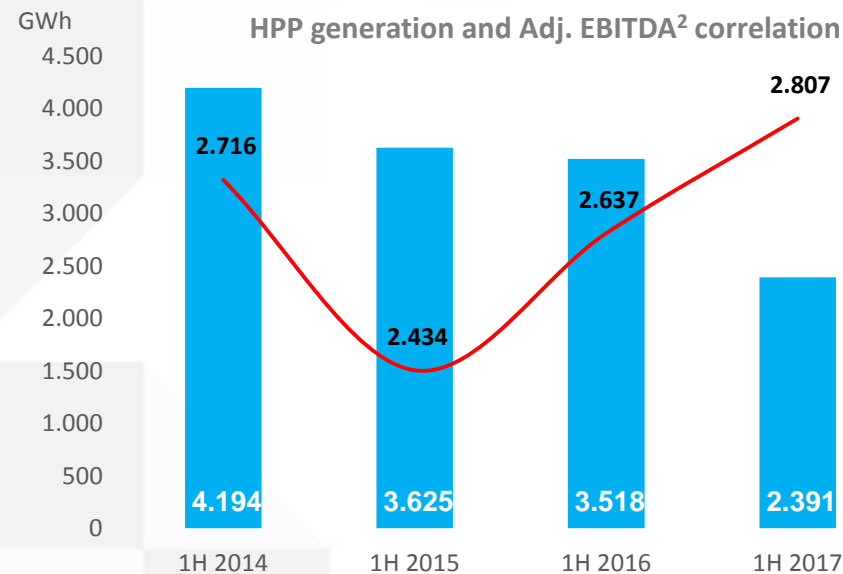
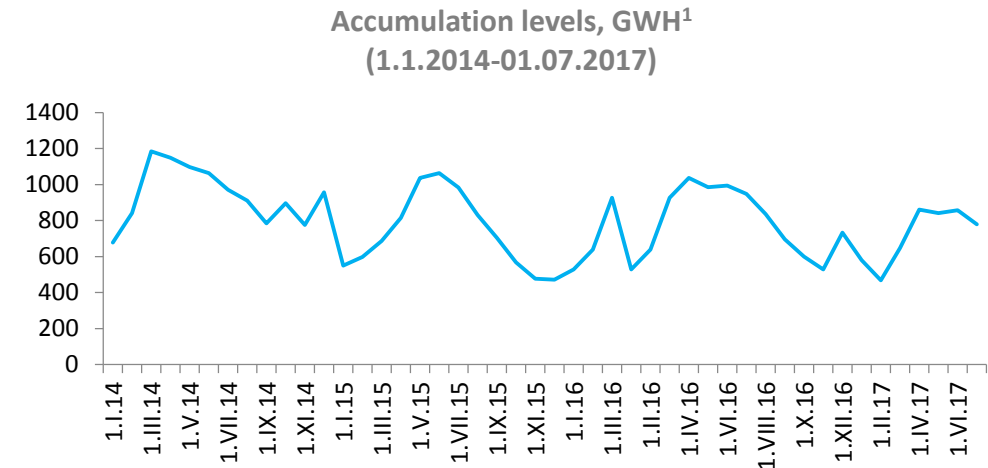
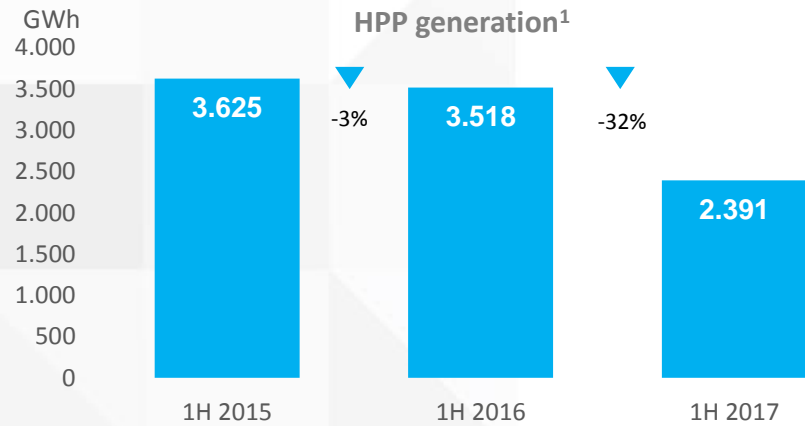


Electricity generation 1H 2017¹



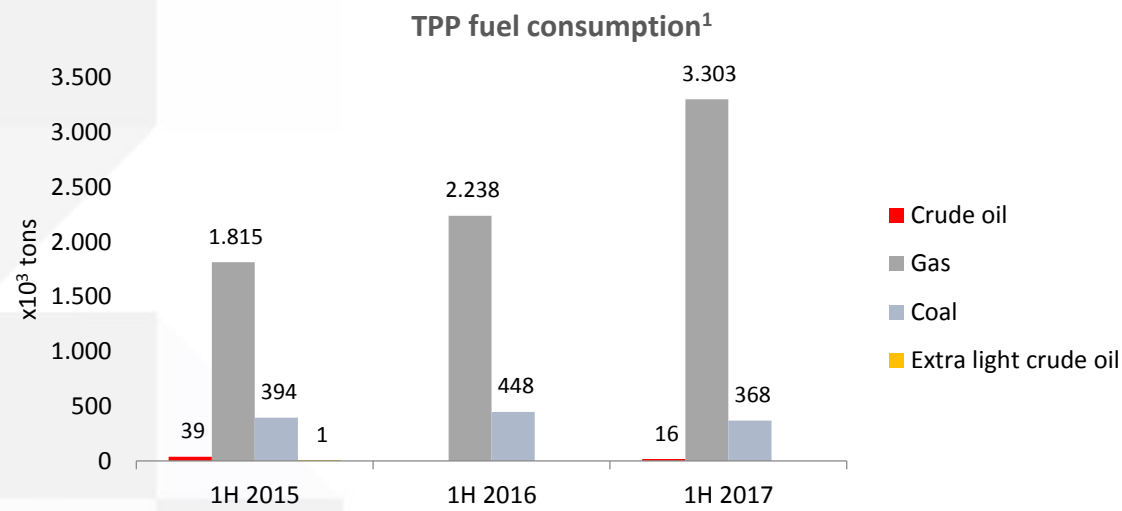
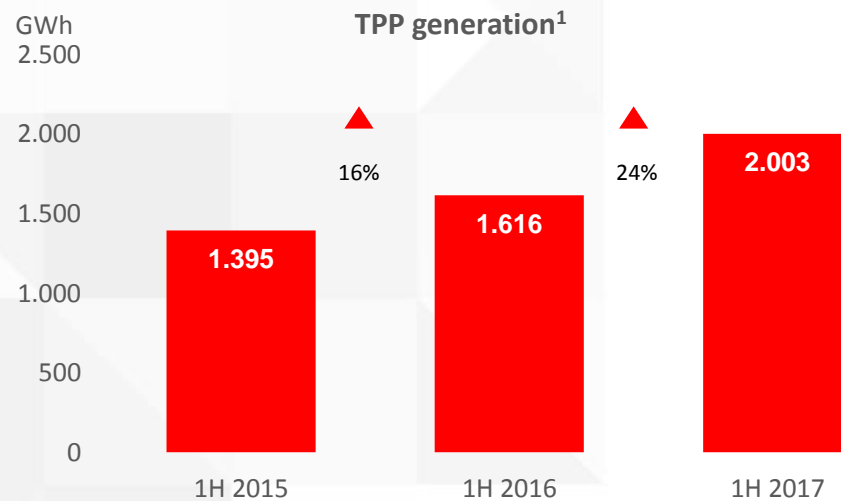
- Compared to the year before HPP generation was 32% lower
- TPP generated 24% more electricity while NPP generation was 3 % lower compared to the same period last year
- Generation of heat energy was 3% higher

Electricity Generation from HPP

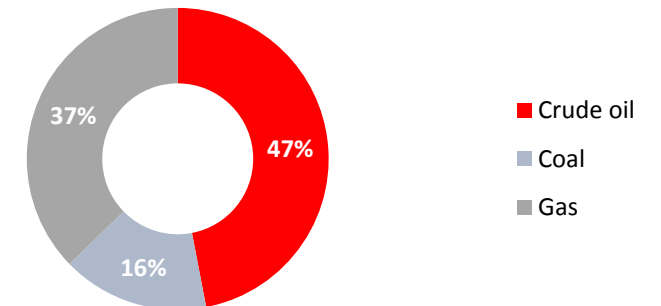


- 26 HPP operated 2,073 MWe total installed capacity
- Poor hydrological conditions- 32% lower hydro power generation
- No influence on EBITDA

Electricity Generation from TPP

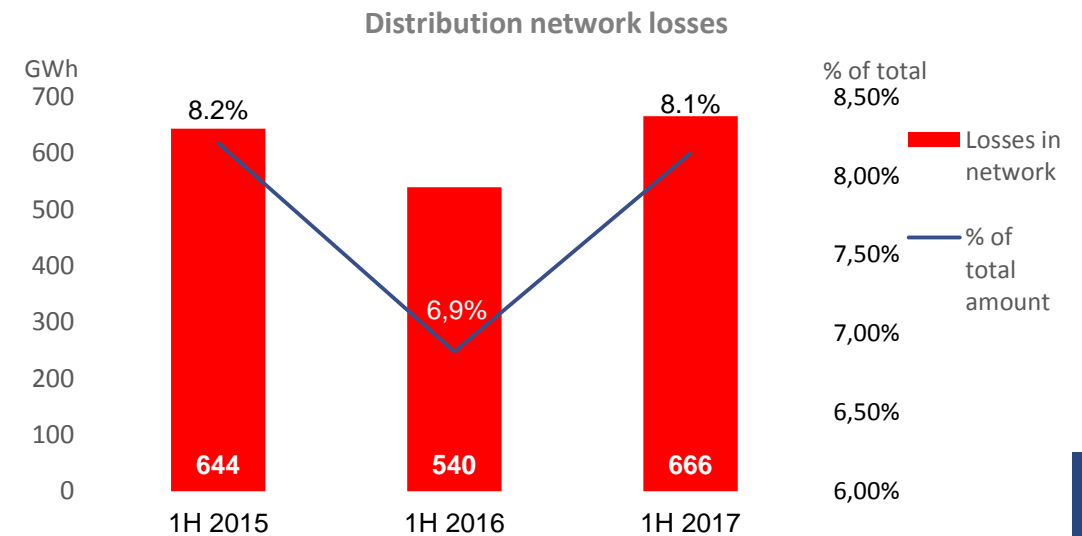
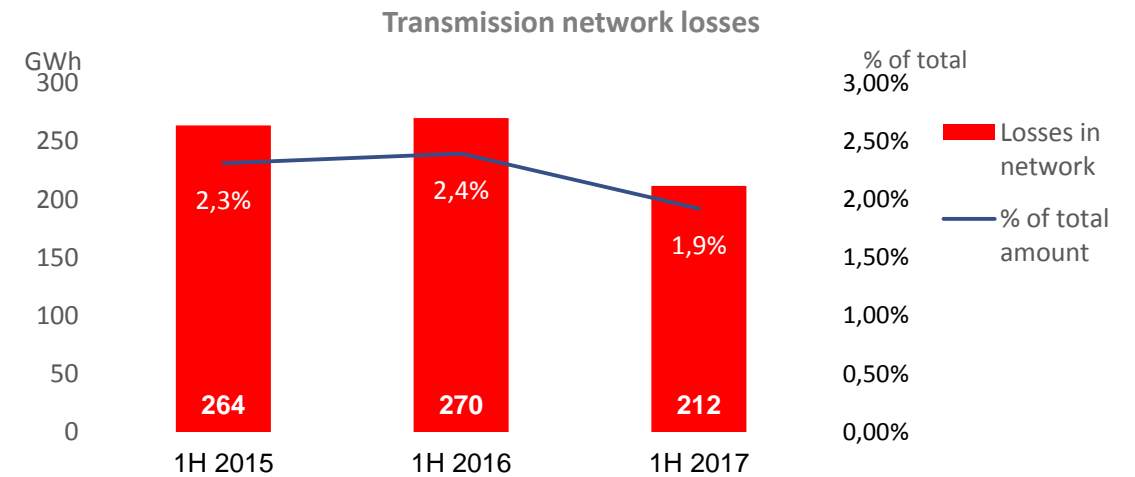
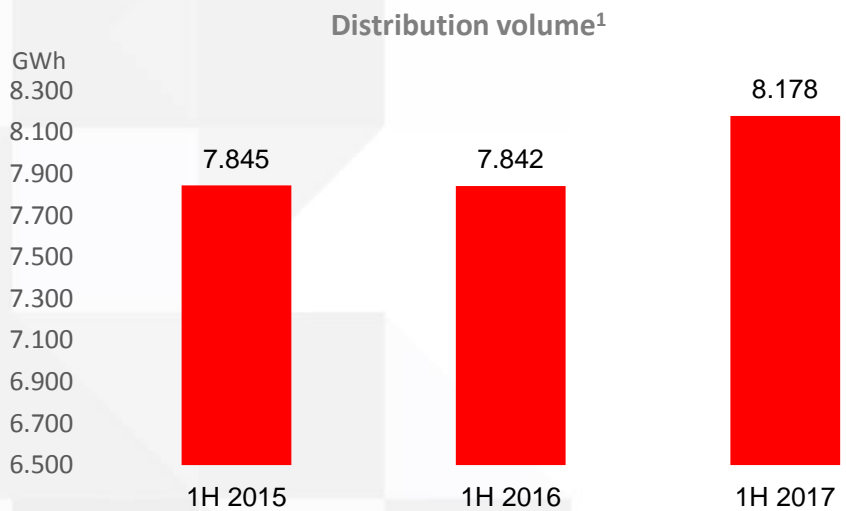
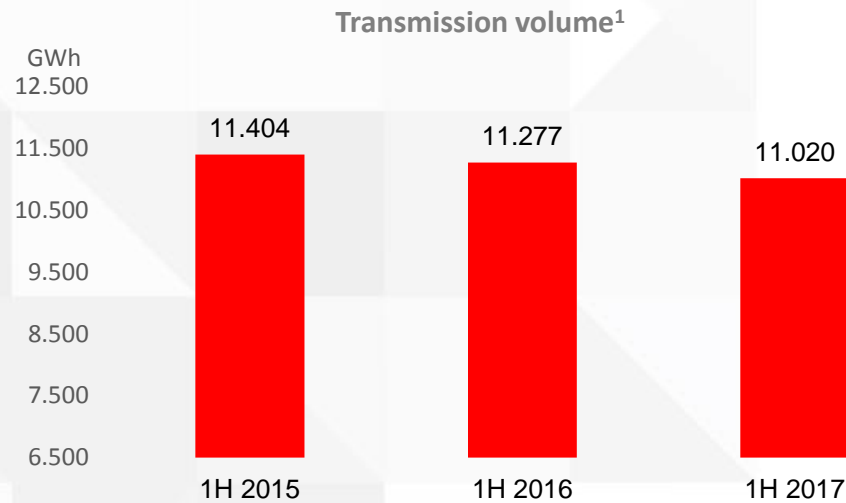


TPP by fuel type, installed capacity²



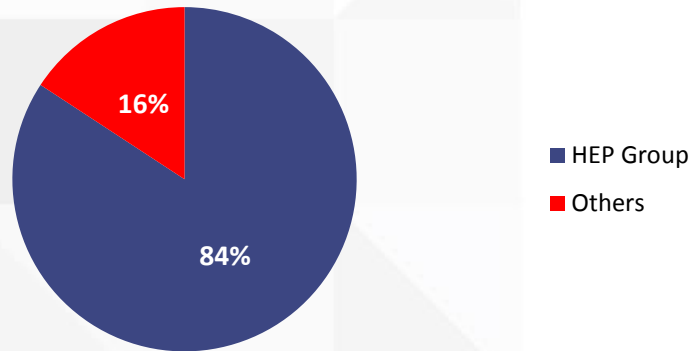
- 8 TPP with total installed capacity of 1,899 MWe²
- 24% higher generation
- All cogeneration plants have obtained environmental permits

Transmission & Distribution



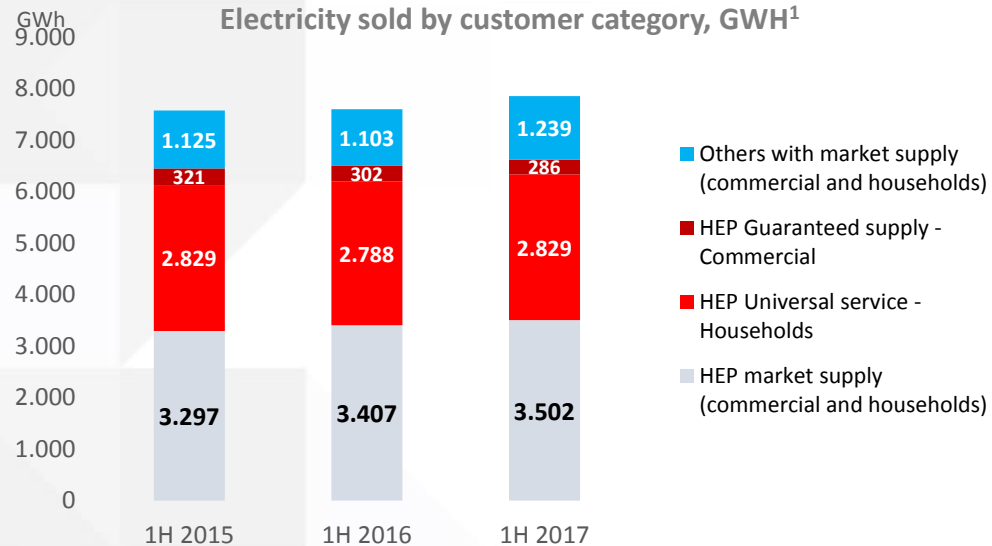
Power Supply

Electricity consumption 1H 2017 per supplier¹

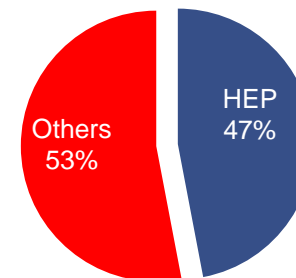


- HEP Group supplies **84 %** of all electricity sold in Croatia
- HEP Elektra supplies customers under public service obligation (universal service and guaranteed supply) while HEP-Supply supplies all other customers that have opted for a market supplier
- HEP Supply is the largest non-tariff supplier among 16 others² in Croatia
- HEP Supply supplies c. 74% of commercial customers in the Croatian market²
- In 2016, HEP Supply expanded its presence in the region- holds 12.5% of commercial customers in the Slovenian market

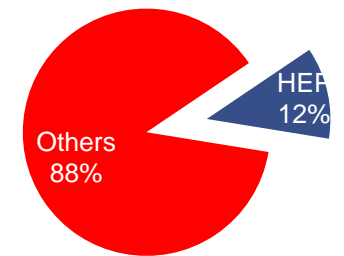
Electricity sold by customer category, GWh¹



Gas Wholesale in Croatia³



Gas Retail in Croatia³



¹HEP Group internal data

²electricity sold, as of 1H 2017, www.hera.hr

³Data on YE2016



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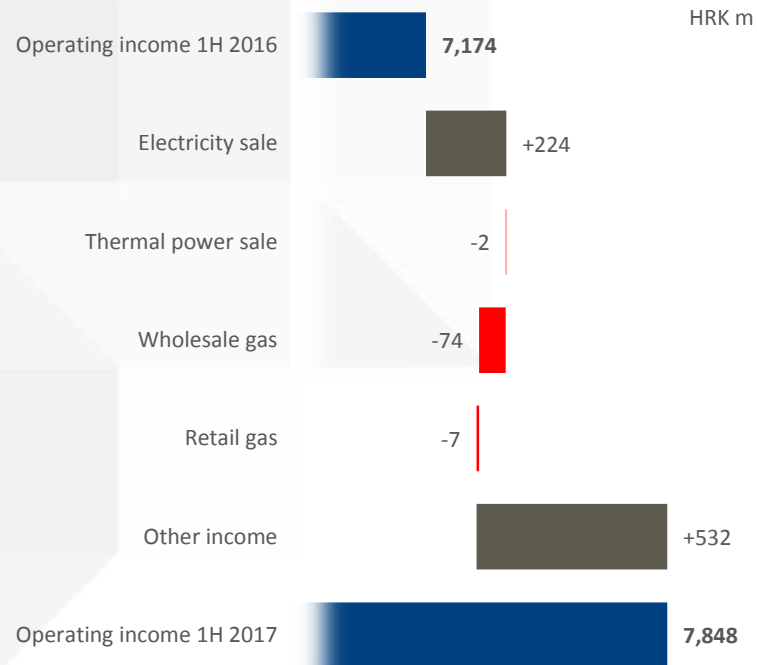
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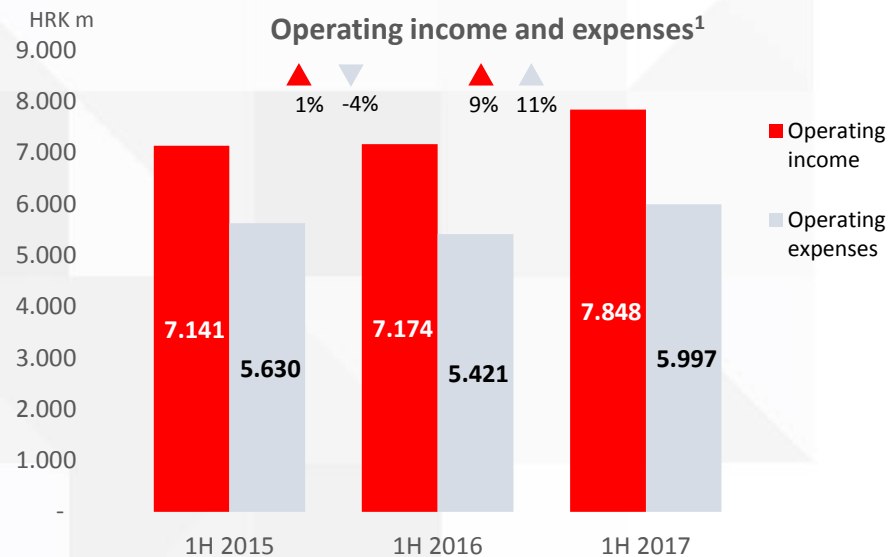


Development of Operating Income¹

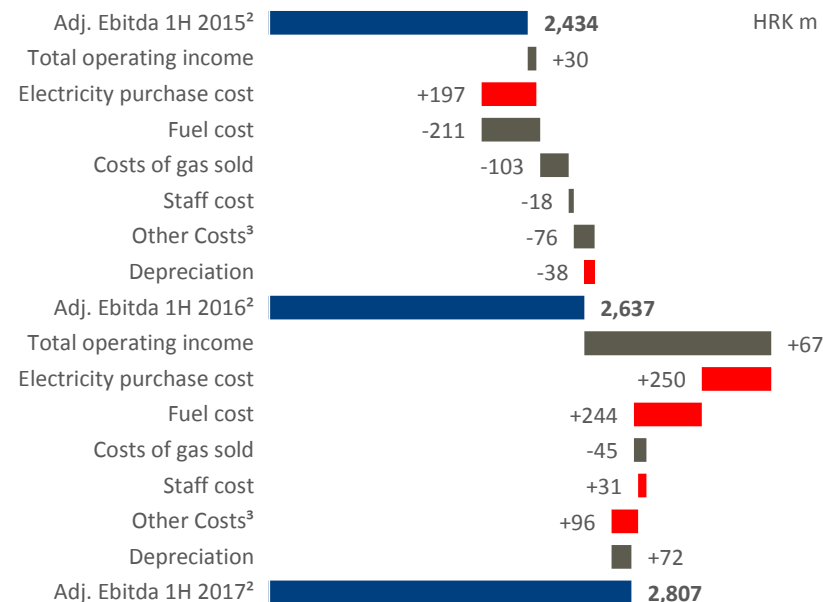
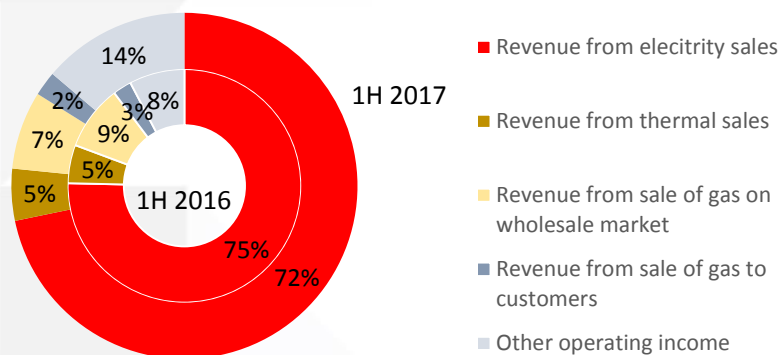


- Revenue from electricity sale increased by HRK **224m (4%)**, which is a result of an increase in:
 - Foreign market revenue by HRK **24m**
 - Revenue from HEP's producers in the incentive system of generation from renewable energy sources by HRK **160m**
 - Higher price on wholesale electricity market
- **0.4%** thermal power sales revenue decreased due to **1%** lower average price; **0.4%** consumption increase
- Sale of gas on wholesale market revenue decreased by **10%** due to lower sale price
- Sale of gas to customers revenue decreased by **11%** due to lower sale price - the sale increased by **9%**
- Other operating income increased by HRK 532 m

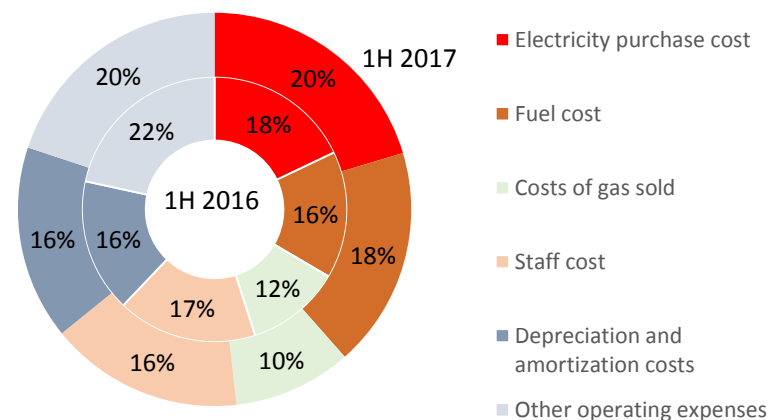
Financial Performance 1H 2017



Total operating income split 1H 2017 vs 1H 2016¹



Total operating expenses split 1H 2017 vs 1H 2016¹

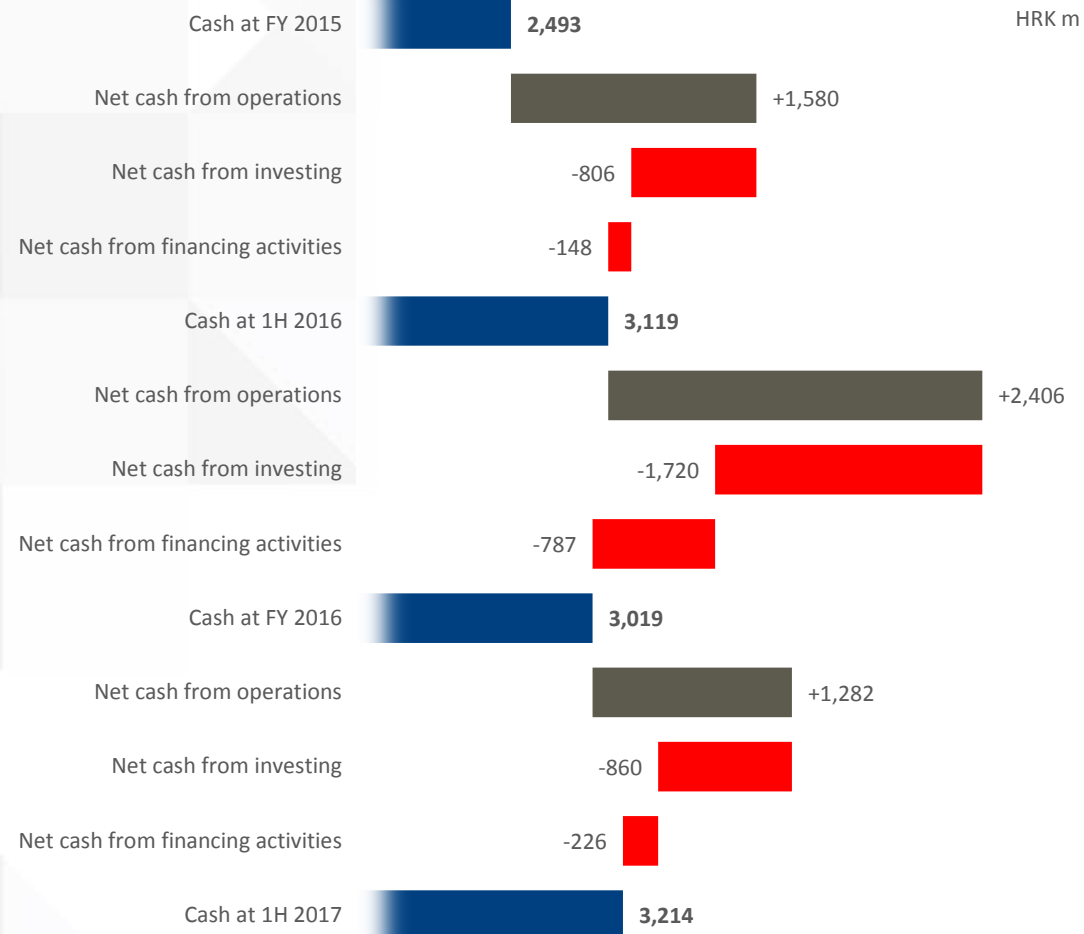


¹ Unaudited Financial Statements for 1H 2017, available at www.hep.hr

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

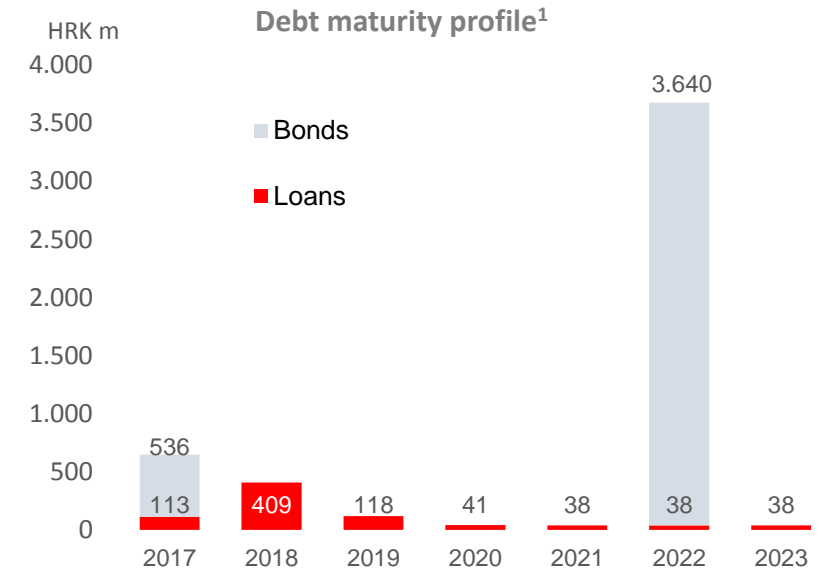
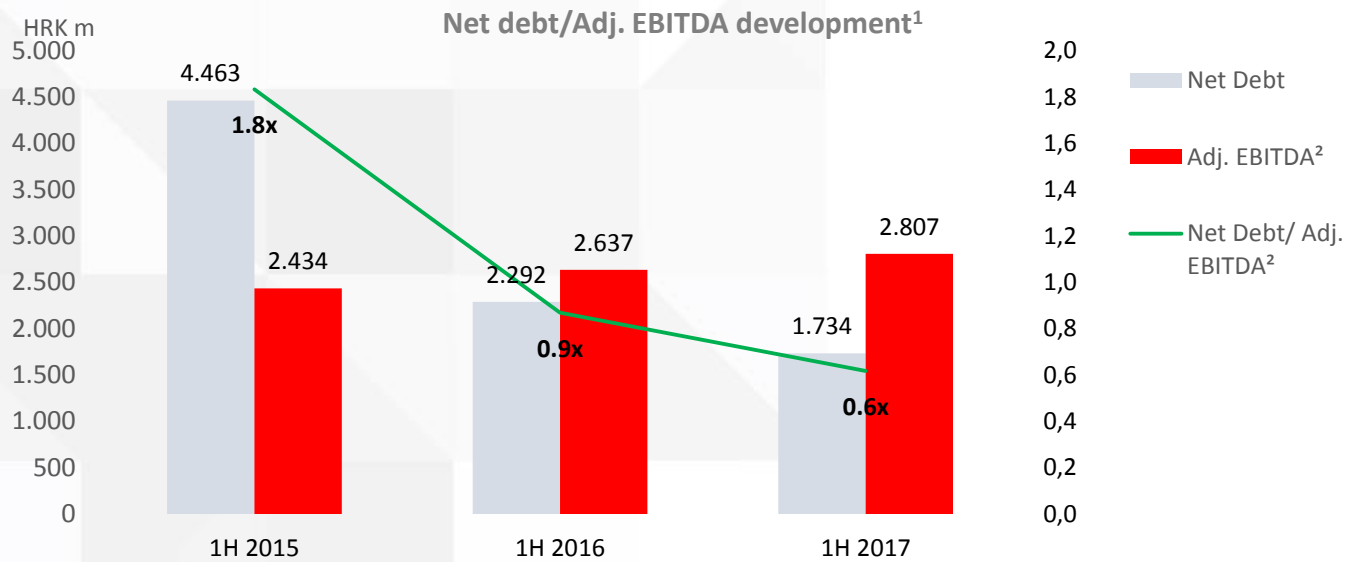
³ Includes depreciation and amortization

Cash flow¹



- Strong liquidity position
- Additional liquidity HRK 1,4 billion under short term financing sources with local banks
- Dividend payout – HRK 794.3m
- Continuous capital expenditures
 - BE-TO Osijek
 - BE-TO Sisak
 - KKE EL-TO Zagreb Unit A
 - modernization and revitalization of distribution and district heating network
 - smart meters

HEP Group Debt



Credit Rating Agency	Issue date	Rating
Standard & Poor's	21 December 2016	BB/Stable – SACP bb
Moody's	14 March 2017	Ba2/Stable outlook

- No short term debt since YE 2014
- Experienced issuer on domestic and international capital market (first Croatian Tender Offer and Liability Management Transaction in 2015)
- 2 out of 3 bonds maturing in 2017 (Outstanding amount: HRK 93.03m, EUR 65.3m)



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