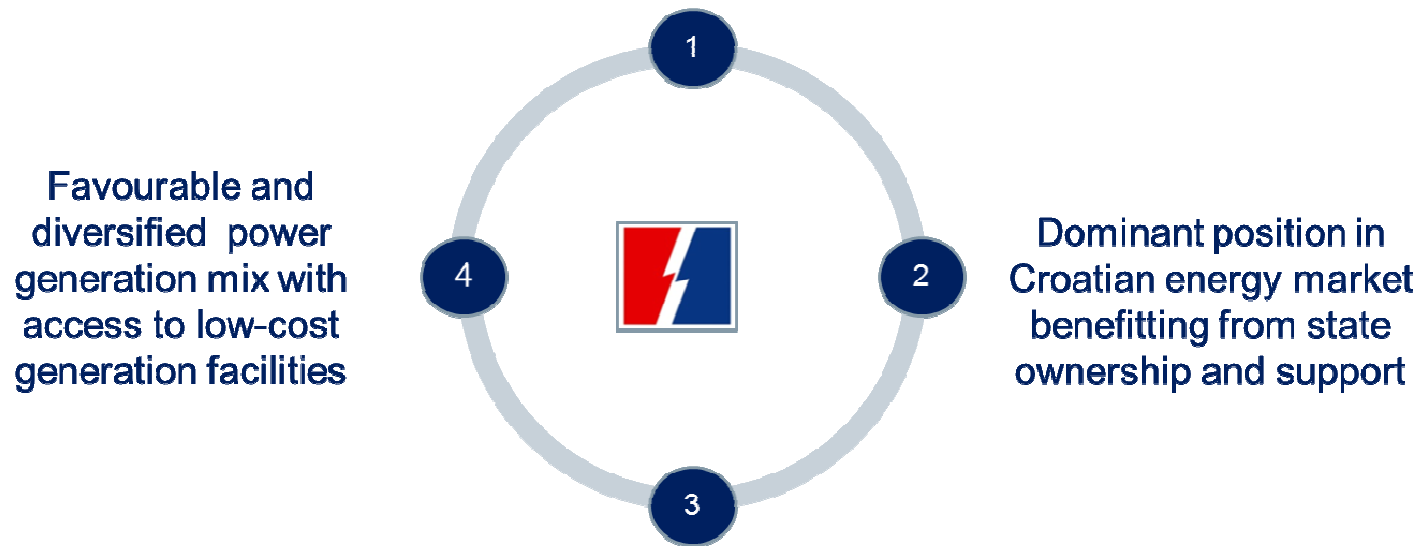


HEP – STRONG PRESENCE IN ALL PARTS OF THE ENERGY VALUE CHAIN



Electricity utility with economies of scale



Stable and predictable revenue stream



HEP GROUP

parent company



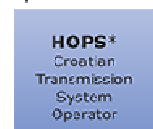
subsidiaries companies owned wholly by HEP d.d.



companies in mixed ownership



independent transmission operator



* unbundled according to the EEU model

company outside HEP Group



Mission

To provide secure and quality energy supply to customers, with a high degree of social responsibility.

Vision

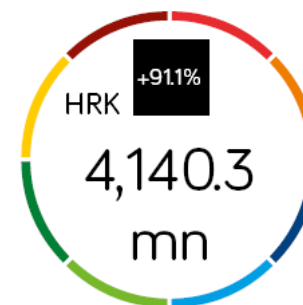
HEP Group as a strong regional, modern and socially responsible company, recognized as an example of efficient energy generation and supply to customers.



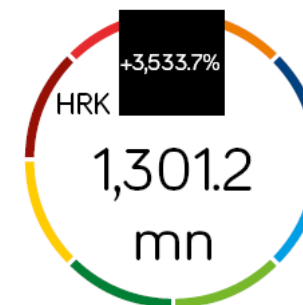
Electricity sales



EBITDA



Group net profit (loss)



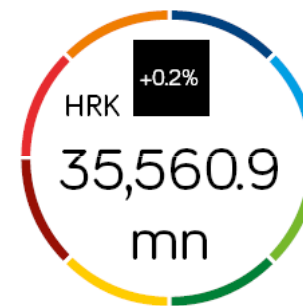
Electricity production



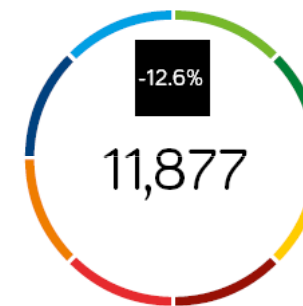
Heat sales



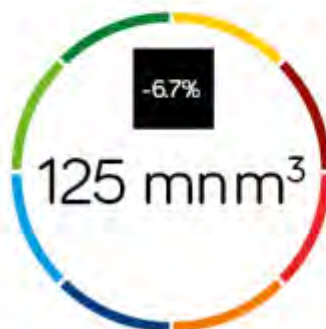
Total assets



Number of employees



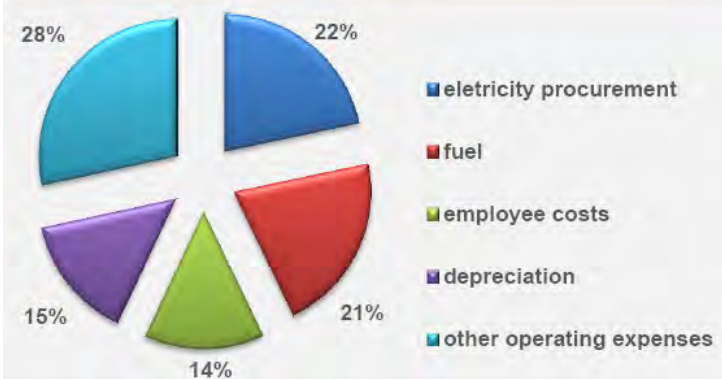
Gas sales



Operating income



2013 total expenses breakdown

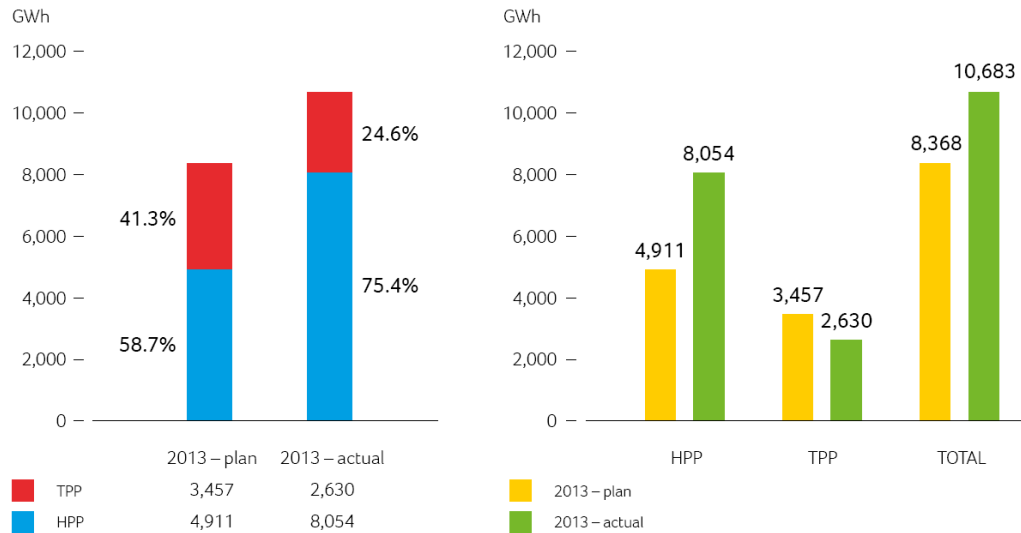




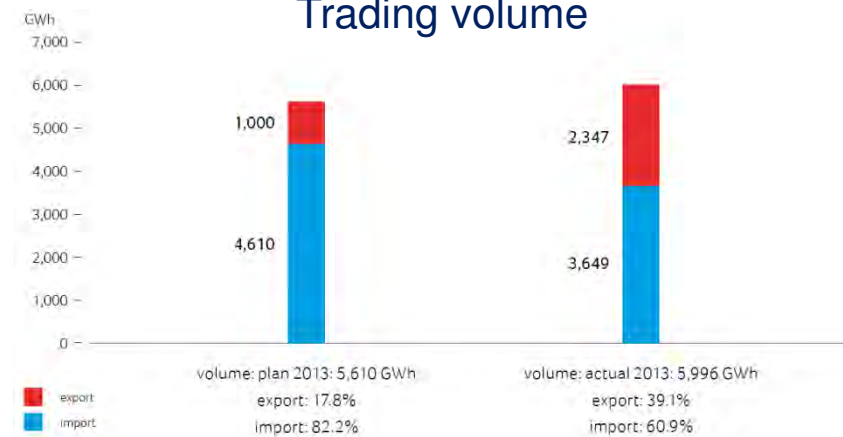
ELECTRICITY PRODUCTION AND PROCUREMENT (GWh)

	2010	2011	2012	2013
Hydro Power Plants	8,309	4,577	4,773	8,054
Thermal Power Plants	4,787	5,147	4,699	4,078
Krsko Nuclear Power Plant	2,690	2,951	2,622	2,518
Electricity Procurement	4,046	5,863	6,794	4,304

Planned and actual production in 2013 (HEP Generation Ltd)

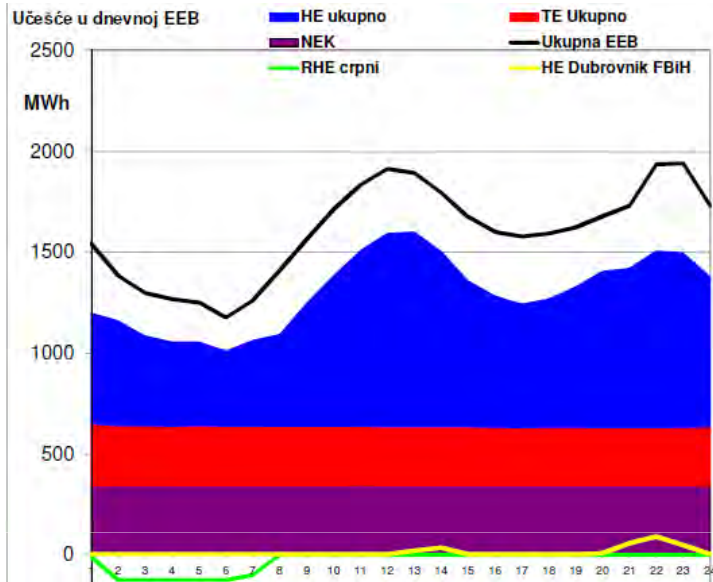


Trading volume

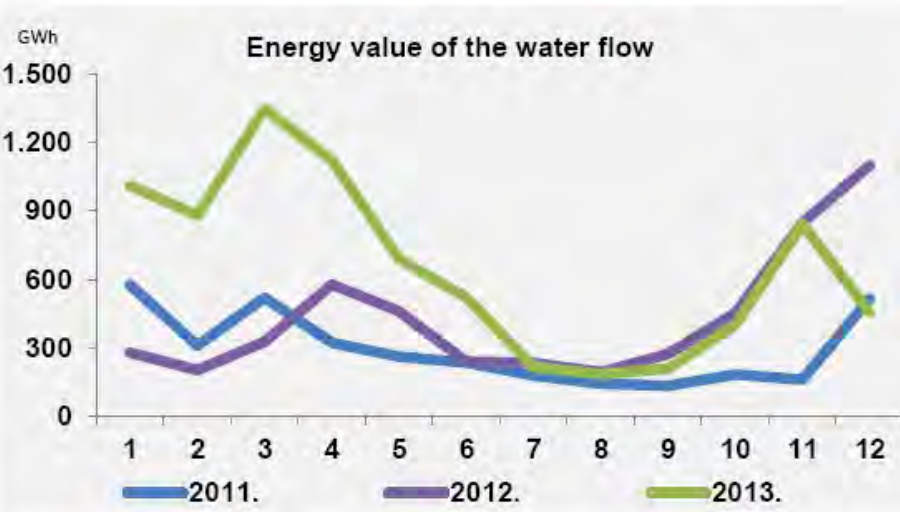
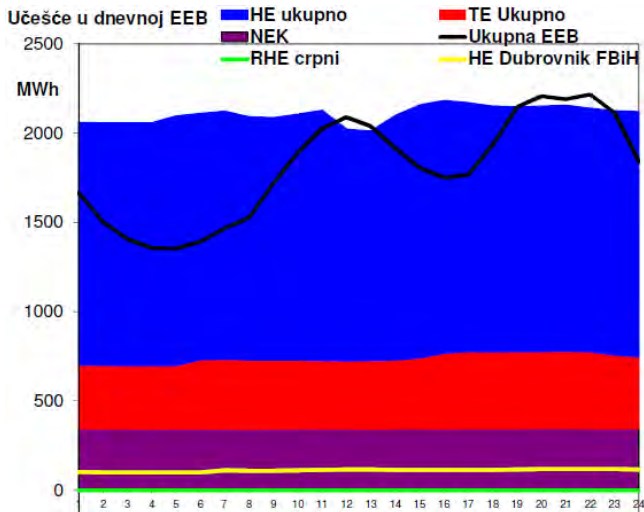
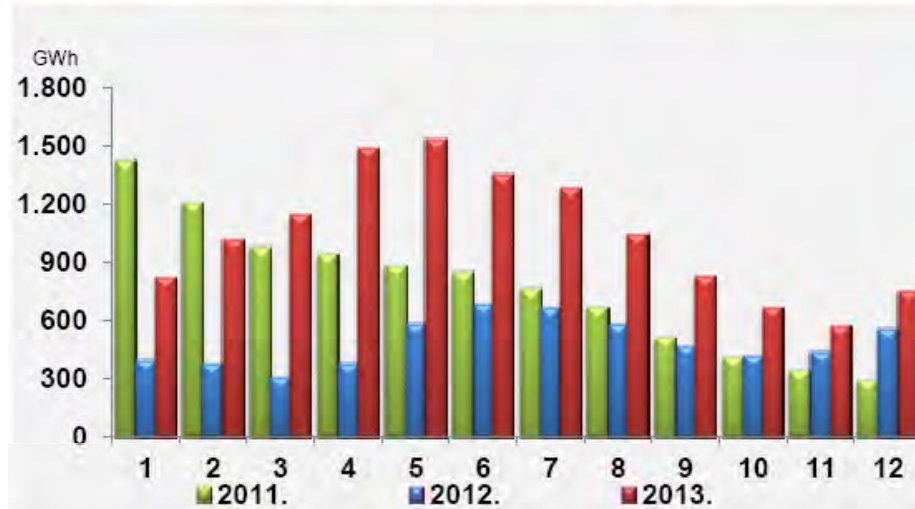




DAILY CURVES AND HIDROLOGY



Accumulation of water on the first day of the month



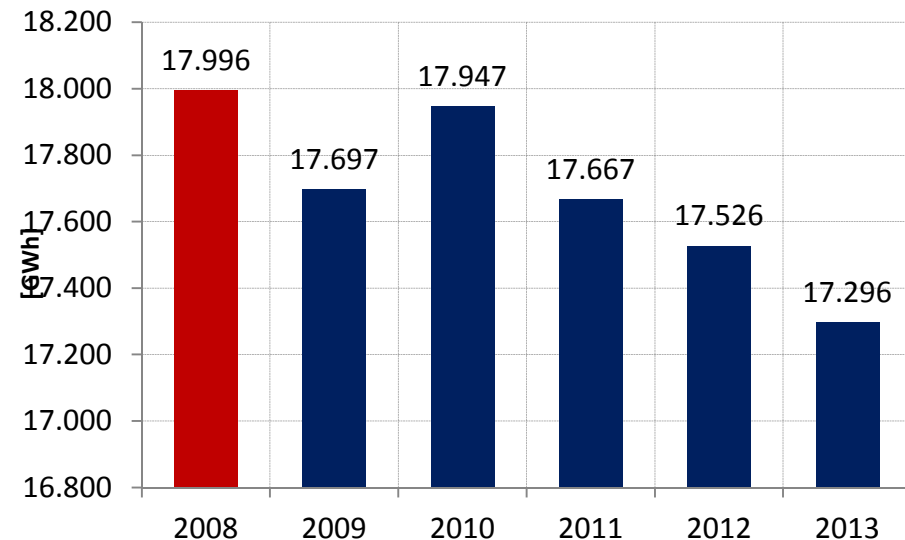


ENERGY EFFICIENCY & YEARLY ENERGY CONSUMPTION IN CROATIA

→ **HEP ESCO** - subsidiary that develops, implements and finances energy efficiency projects on commercial basis

→ **Offering services:**

- energy audits & certification
- feasibility study
- energy efficiency programs
- measurement and verification of energy savings
- International cooperation, preparation and implementation of EU project



→ **potential for creating added value products to final customers**







→ 2013/2014 launching of the:

- first market household product – ‘Hepi’
- campaign ‘HEP - More than electricity’
- green energy product ‘Zelen’ for industry customers
- eMobility

→ Targets:

- new products and services (ie. services relating to the energy efficiency projects)
- new distribution channels
- new marketing approach





Regional trading and supply activities

- **HEP Trade** - subsidiary which trades with electricity, gas, emission allowances and green certificates
- established five daughter companies (Slovenia, Hungary, Serbia, Bosnia and Kosovo)
 - trading volume of daughter companies in 2013 2.4x higher compared to 2012
- direct access to most liquid European market of energy- EpeX Spot and EEX futures and forwards, emissions allowances as well as access to brokerage platforms
 - optimization of portfolio
- Slovenia: increasing market share and selling electricity to end customers (**HEP Supply**)
- **Supply on the wholesale gas market in Croatia**
 - the supplier on the wholesale gas market 2014-2017
 - selling gas to other market suppliers (within public service for residential customers) at regulated price
 - opportunity for growth in operating revenues





HEP INVESTMENTS 2013

- the value of the investments made by the Group was HRK 2,166.9mn
- focused on three segments of HEP Group's business system:
 - reconstruction and modernization of generation facilities (HPP Zakučac) and networks;
 - construction of new generation facilities;
 - reconstruction of the existing and the construction of new transmission and distribution infrastructure facilities (12 investments in TS 110/10(20) kV and TS 35/10(20) kV)

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT (HRK mn)

2010	2011	2012	2013
1,693.3	2,132.6	2,598.3	2,166.9

- investments made in district heating and gas distribution energy systems as well as in business system upgrades (revitalization of heating and steam pipelines in Zagreb and Osijek, construction of gas pipeline network in Baranja)





HEP POWER PLANT PROJECTS IN PROGRESS

→ **CCCGT Sisak (unit C)**

- construction in final stage, with planned start of operation in 2015 (250MWe/50MWt)

→ **TPP Plomin C**

- second phase completed in selecting the strategic partner - the preferred bidder is Marubeni (Japan) & Alstom
- the procedure is continued in a form of negotiations
- contractual closure expected in early 2015

→ **BE-TO projects (Osijek and Sisak)**

- contracts for long-term supply of timber, KfW financing, tenders for construction prepared

→ **HPP Kosinj/Senj II**

- notification of requests for expressions of interest for the participation of a strategic partner on a DBOT basis

→ **CCGT TE-TO Osijek**

→ **CCGT EL-TO Zagreb**

→ **HPP Dubrovnik II**

→ **HPP Osijek**

→ **HPP Ombla ...**



STRATEGIC BUSINESS GOALS FOR THE FOLLOWING MID TERM

I. Operational optimization

- Harmonization of business strategy, model, organization, processes, human resources, information technology, management methods resulting in increased efficiency.

II. Development investment cycle

- Focused on preserving the security of supply and encompasses all parts of the power system
- Includes making competitive investments into HEP generation capacities (existing and new)

III. Creating new market products and services

- Development of new products and services on the market, in all market segments as a response to intensified competition and decreasing of market share within Croatia.

IV. The regional step forward

- Compensation of income from regional markets, due to increased competition domestically.



Ivan Andročec, PhD

Advisor

HEP d.d.

Strategy and Corporate Development Department

ivan.androcec@hep.hr

www.hep.hr