

According to the audited financial reports, Power utility HEP Group achieved a consolidated net profit of 326MEUR in 2014, which is almost double compared to the previous year. As energy consumption depends on economic developments and weather conditions, perennial crisis, continued stagnation of economic activity and above-average temperatures in winter and lower summer temperatures, resulted in a reduction of electricity, heat and gas.

Extremely favorable hydrological conditions with high water inflows have resulted in record production in hydro power plants of 8.4 TWh, which is 0.3 TWh more than in the previous year. The production in thermal power plants was reduced by 1.2 TWh or 29.1%, and the electricity purchase outside HEP Group for 1.5 TWh or 35.7% compared to 2013th.

Operating income amount to 13,599.2 million HRK and decreased by 1,095.7 million HRK (7.5%) compared to the previous year. Revenue from electricity sale decreased by 1,372,7 million HRK(11.5%) as a result of the fall in consumption, the loss of part of the market in Croatia and a decrease in selling prices. Revenues from heat sales decreased by 91.5 million HRK (12.0%) due to lower consumption by 15.8%, while revenues from gas sales to end customers, and also were lower by 8.1% lower or for 34, 7 million HRK due to consumption. According to the decision of the RH Government, Electric Power Industry of Croatia was determined as a supplier in the wholesale gas market for the period from April 1st, 2014th to March 31st, 2017th, during which will be sold gas under the regulated conditions in the public service obligation of gas supply for the needs of household customers. From this business, HEP Group achieved revenues of 689.6 million during the period April - December 2014th.

All other operating income decreased due to lower income from the reversal of provisions and income from default interest to the buyers of electricity, heat and gas.

In the period January - December 2014th were realized operating expenses in the amount of 10,398.7 million HRK and they were lower by 1922.6 million HRK (15.6%). Due to the extremely favorable hydrological conditions, the fall in consumption, the loss of the part of the market, the reduction in fuel prices and electricity, procurement costs of electricity and fuels for electricity and heat production decreased by 40.7% compared to 2013th. Among other costs it should be allocated significant reduction in restructuring costs relating to severance payments and provisions for litigation and purchase cost of gas for supply to final customers were reduced due to the drop in gas consumption.

The Group's liquidity was satisfactory so during the whole 2014th, all arrears were covered in the currency falls, and realized investments were financed by its own funds without the need of long-term debt.

Total debt amounted to 4,975.7 million HRK and decreased by 17.0% compared to the beginning of the year. The share of long-term debt was 89.6% and short-term 10.4%. Liabilities to suppliers amounted to 1590.7 million HRK, slightly less than in 2013th, by

0.7%.

The investments were achieved in the amount of 2042.5 million HRK, mostly invested in replacement, reconstruction, rehabilitation and reconstruction of existing energy facilities - 933.5 million HRK, construction and preparation for construction of new energy facilities - 410.2 million HRK and for the connection of consumers - 262.4 million HRK.

Improving financial performance and proactive liquidity management has been recognized by the credit rating agencies that have improved the chances of HEP awarded in late 2013th (Standard & Poor's 'BB-stable' and Moody's Ba2 stable "), confirming several times during the 2014th despite the decline forecast to move customer's sovereign credit rating.