

Presentation for Investors

Dalekovod Group



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Ivan Kurobasa, Management Board Member for operations and realization (COO)

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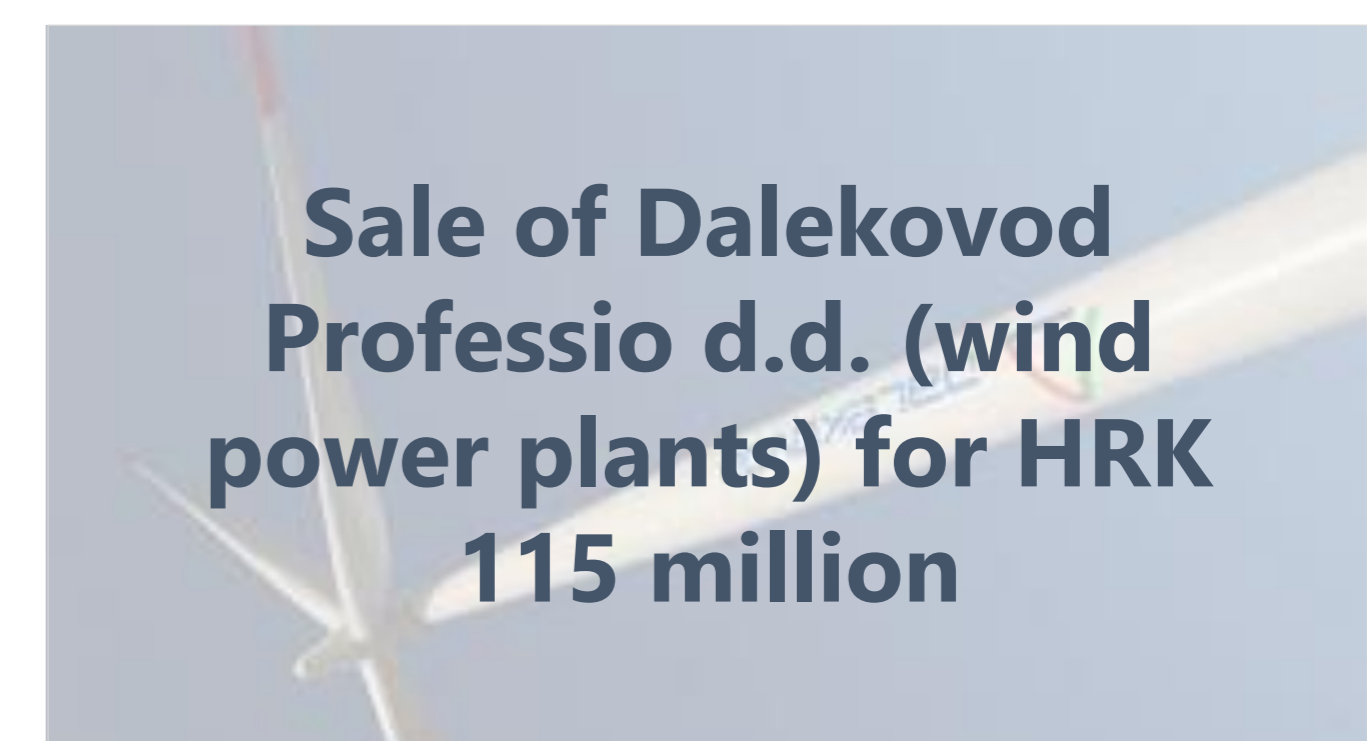
Đuro Tatalović, Management Board Member for financial and operational restructuring (CRO)

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Major Events Overview

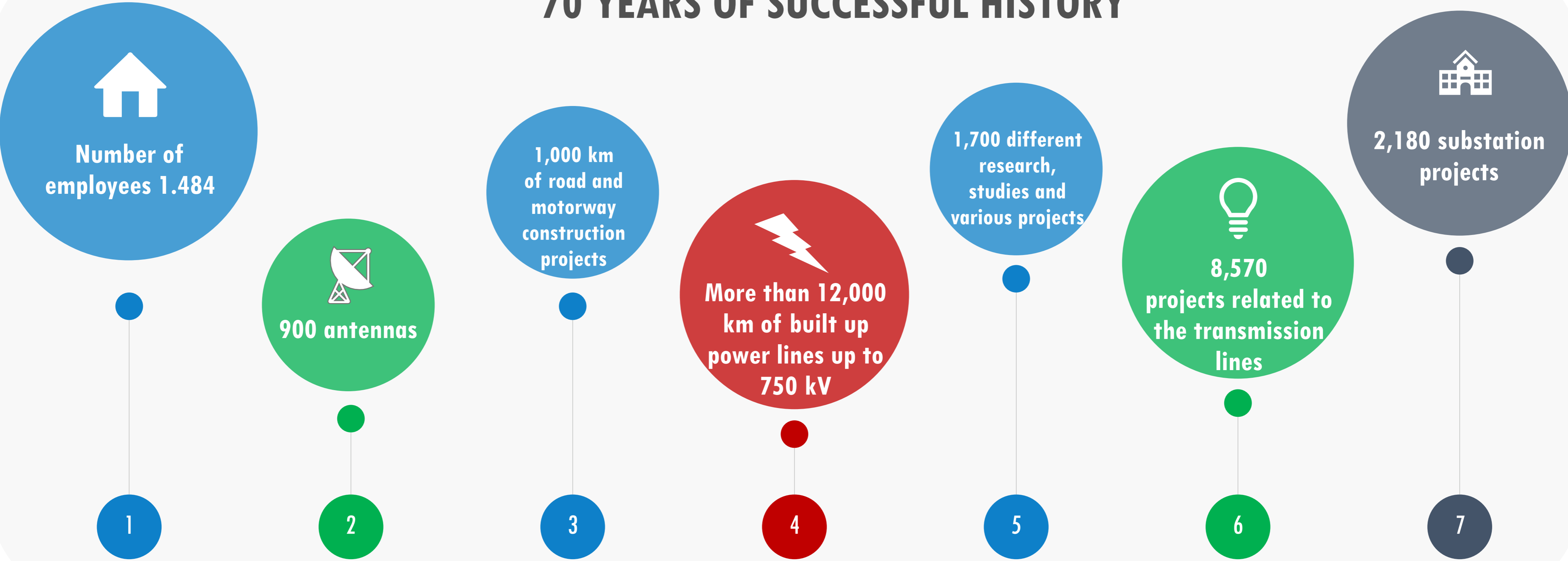
Main events during 2018 and 2019



Dalekovod Group Key Figures

Key Figure Overview

70 YEARS OF SUCCESSFUL HISTORY



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Financial Results in 2018

Dalekovod Group's Business Operations Review

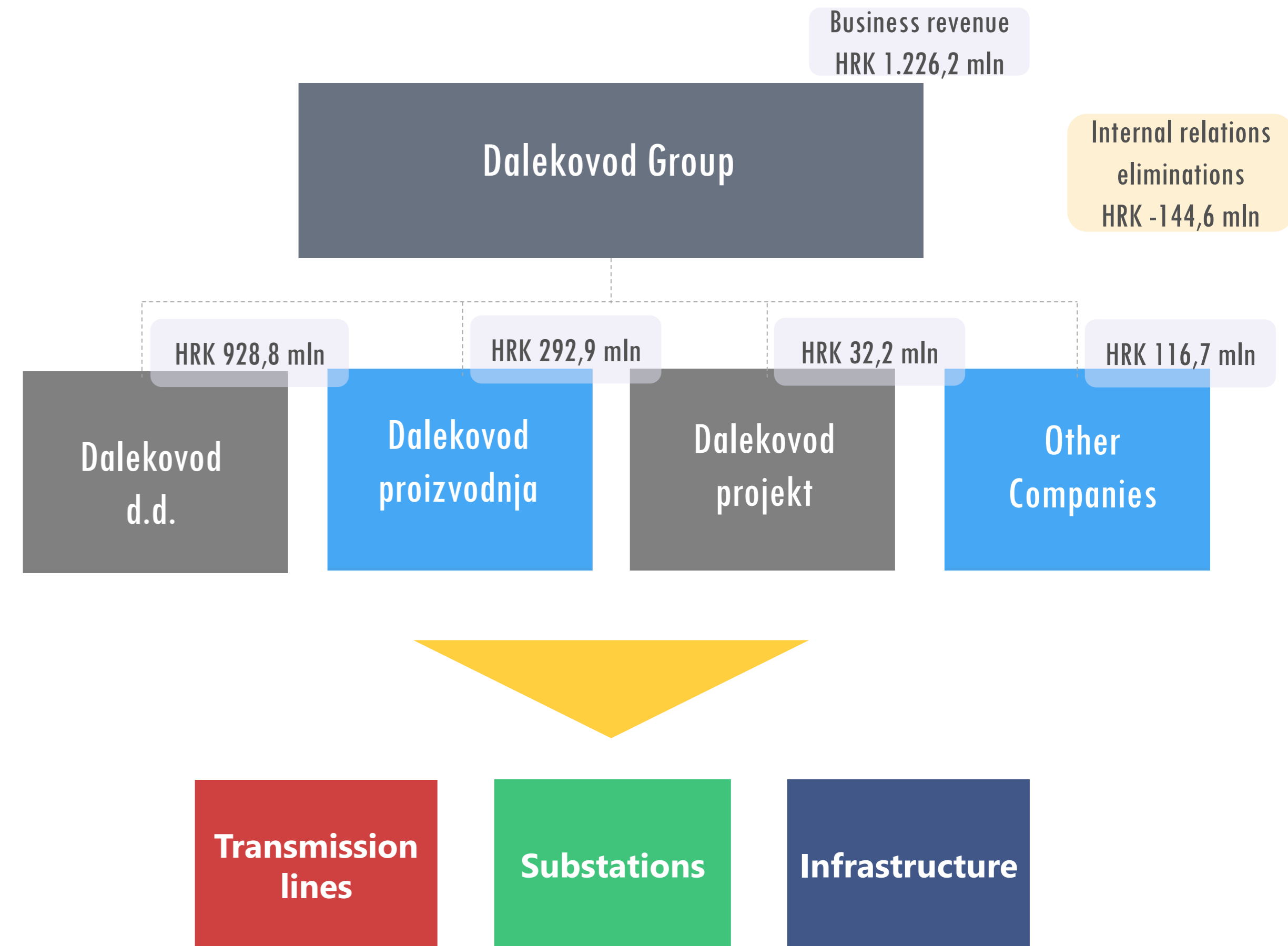
Dalekovod d.d. (separate): business revenues fell by 21% compared to the same period of the previous year. Along with the decline in revenues, there has been a decline in all profitability, and the main reasons are:

- Delay of tenders and reduced volume of realization
- Difficulties during the execution of individual projects (repairs, weather, operational problems of human resources ...)

Dalekovod Proizvodnja: operating income recorded a slight increase compared to the same period last year. Regardless of the similar level of income, there was a significant drop in profitability primarily due to the suboptimal utilization of capacity caused by staff strike

Dalekovod Projekt: realized operating income of HRK 32.2 million was almost at the level of the previous year. Company achieved a positive result at EBITDA level of over 1.4 million kuna

Other Companies: most of the revenue in this segment comes from Dalekovod Ljubljana (HRK 19.8 million), Dalekovod Mostar (HRK 78.4 million) and Dalekovod Poland (HRK 20.6 million)



Financial Results in 2018

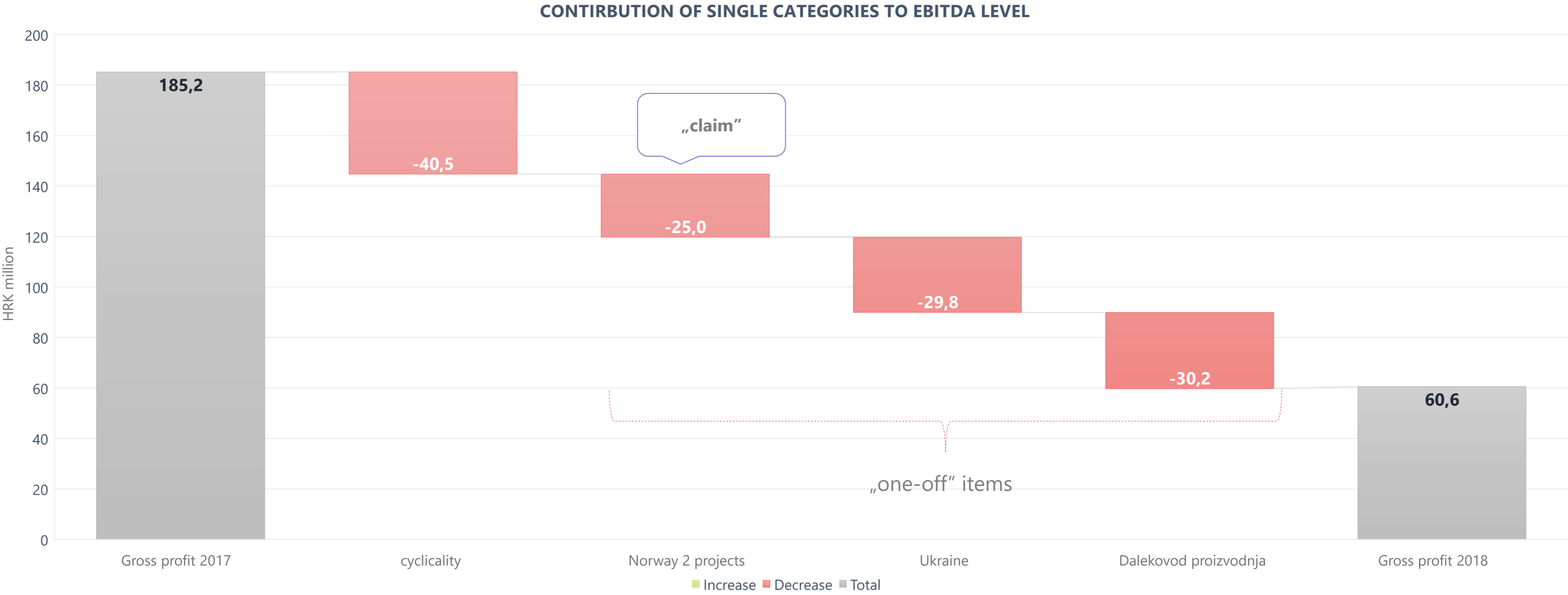
Consolidated Unaudited Income Statement (Management report)

Dalekovod Group	FY 2018	FY 2017
Sales revenue	1.173.526	1.475.262
Changes in inventories	(2.657)	(3.202)
Direct costs	(1.110.253)	(1.286.838)
Gross profits	60.617	185.222
% Gross margin	5,17%	12,56%
Other operating income	24.005	28.232
Overhead costs	(135.981)	(128.372)
Other gains / (losses) net	408	665
Amortization adjustment	10.189	8.733
EBITDA	(40.761)	94.480
% EBITDA margin	(3,47%)	6,40%
Amortization	(42.472)	(43.649)
EBIT	(83.233)	50.831
FX, foreign exchange differences, other (net)	(20.311)	(6.757)
Extraordinary items	32.742	(16.009)
EBT	(70.801)	28.064
Tax	(5.642)	(15.701)
Net profit	(76.444)	12.362

- 1 **Gross margin:** the decline mostly due to one-off events::
 - 400 kV Namsos-Afjord i 400 kV Modalen-Mongstad cost increase (additional works and defective supplied equipment) - "claim" 25 million kuna
 - reduced income in Ukraine, and recognition of costs of the previous period, about 30 million kuna
 - inefficiency and the consequence of the strike in Dalekovod proizvodnja, about 30 million kuna
- 2 **Staff costs:** the cost of wages, severance payments and reservations for jubilee awards of 9 million kuna
- 3 **FX, foreign exchange differences and other :** the difference compared to previous period mainly due to the negative impact of currency exchange rates.
- 4 **Extraordinary items:**
 - Revenues from revaluation of investment in Dalekovod Professio (wind power plants) of HRK 42 million
 - Impairment of investments, loans and interest, Officium d.o.o., HRK 16 million
 - Impairment of intangible assets, Liburana d.o.o. HRK 4 million
 - Net positive effect of adjusting the value of assets and liabilities related to Žitnjak real estate in the amount of HRK 12 million

Financial Results in 2018

Consolidated Income Statement (Management report)

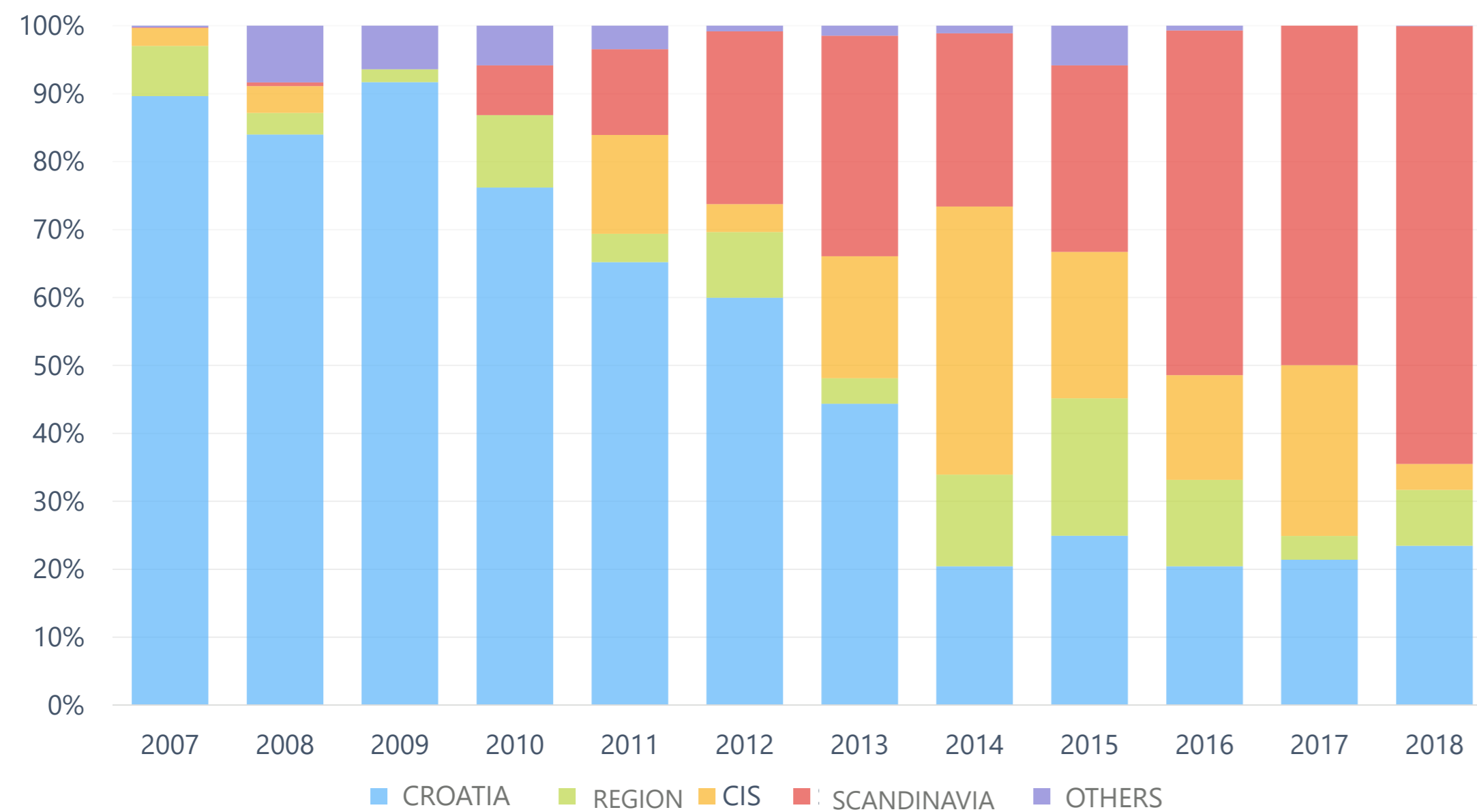


Financial Results in 2018

Financial Results

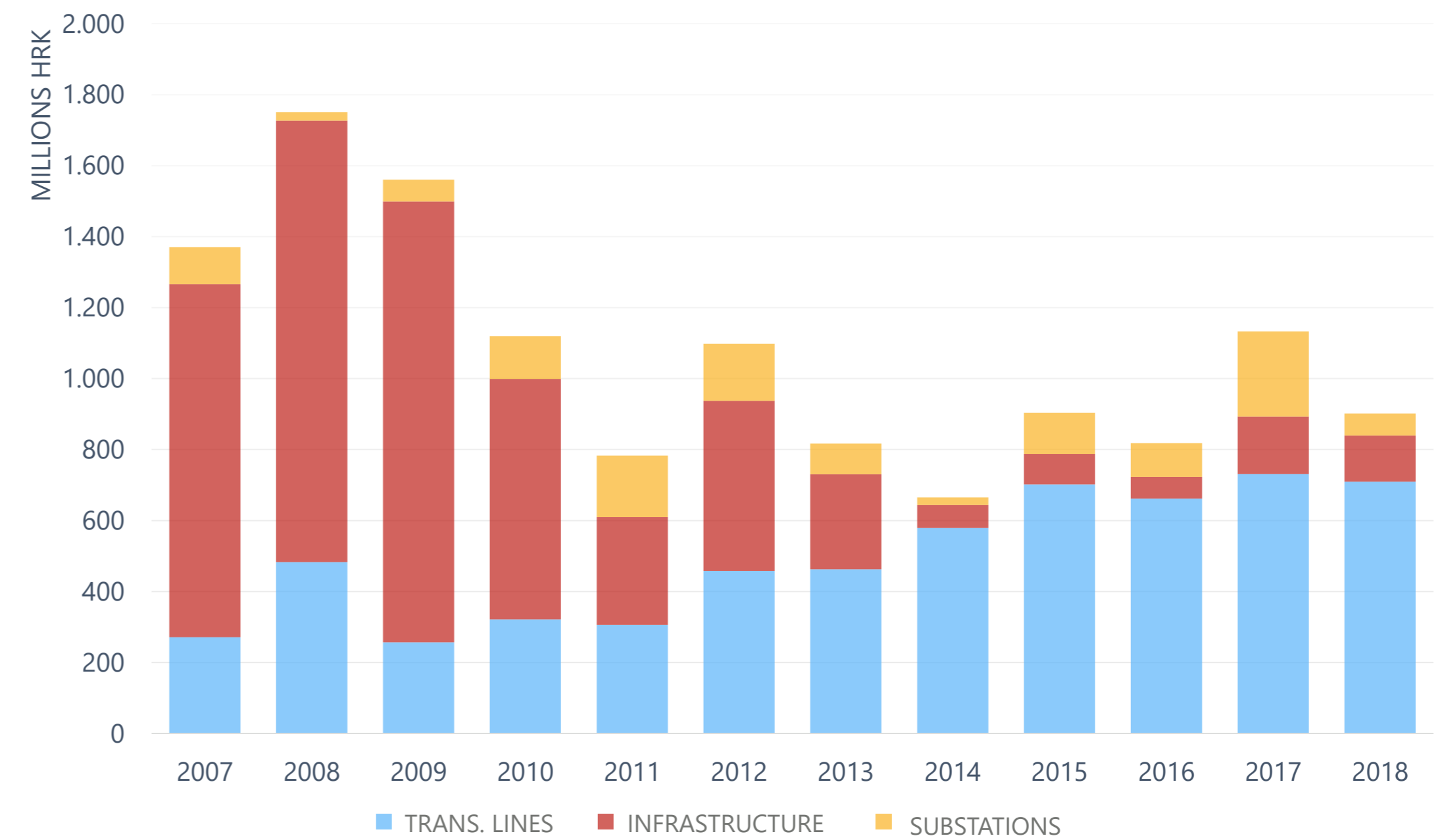
- An overview of market revenues shows change of Dalekovod Group's business model. Domestic market, dominant about 10 years ago, today makes about 23% of revenue. The aim is to have a balanced income from individual markets in context of diversification of risks and to increase share of the domestic market

REVIEW OF MARKET REVENUES (NON-CONSOLIDATED DATA)



- Changing revenue sources with respect to market was also reflected to revenues of a particular sector. Today, the largest share of revenues comes from transmission line department, and smaller part from infrastructure and substation department.

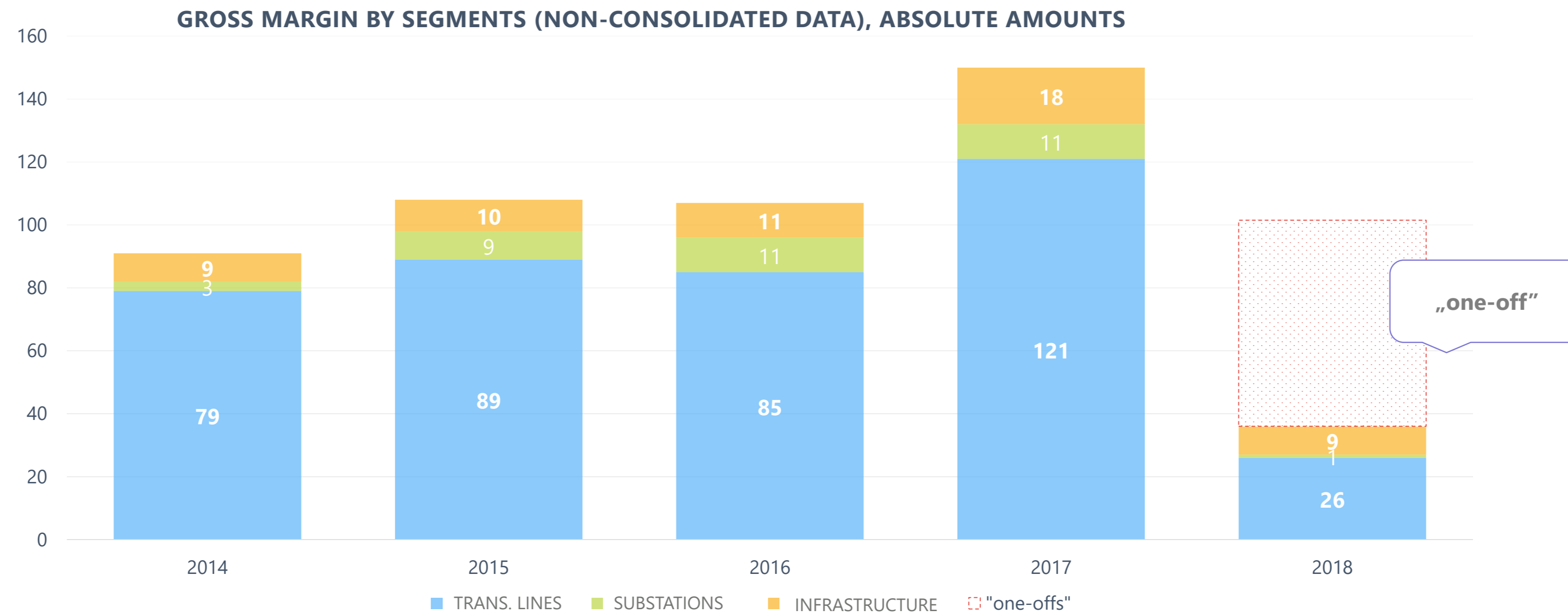
REVIEW OF SECTOR REVENUES (NON-CONSOLIDATED DATA)



Financial Results in 2018

Financijski rezultat

- Regarding the revenue structure, where transmission line segment has the largest share, as expected the biggest part of gross margin comes from transmission line sector.
- The graph below shows that 2017 was very good from the aspect of the realized margin. The previous year, 2018 would be at average level from the period 2014-2016, if there was no impact of aforementioned "one-off" items.



Financial Results in 2018

Consolidated Unaudited Balance Sheet (Management report)

	Dalekovod Group	FY 2018	FY 2017
1	Tangible assets	363.748	416.536
	Intangible assets	12.002	11.003
	Non current financial assets	25.060	26.165
	Trade receivables	28.209	48.094
	Non current assets	429.019	501.798
2	Inventories and available for sale assets	97.176	160.596
2	Trade receivables	388.929	516.521
	Current financial assets	140.386	27.576
	Cash on hand and in the bank	60.181	107.378
	Prepayments and accrued income	3.256	3.105
	Current assets	689.928	815.176
	Total assets	1.118.947	1.316.974
	Non current financial liabilities	400.995	440.676
	Other non current liabilities	9.875	16.671
	Non current liabilities	410.870	457.347
	Current financial liabilities	117.359	124.888
	Other current liabilities	420.448	473.303
	Current liabilities	537.807	598.191
	Reservations	29.012	25.135
	Share capital	141.258	236.301
	Total liabilities and capital	1.118.947	1.316.974

- 1 The decrease in tangible assets was caused by a fair valuation of land and construction facilities at Žitnjak in the amount of HRK 42.8 million
- 2 Dalekovod Professio – reclassification of investments and increase in value due to sale.
- 3 Reduction of financial liabilities refers to debt repayments by PBS. Also, position of long-term financial debt is affected by the decrease of obligations towards creditors due to fair valuation of assets and liabilities related to the Žitnjak location, HRK 19 million

Reference:

Adjustments to the consolidated balance sheet Dalekovod d.d.:

- The value of write-down of value of the investment in company Dalekovod proizvodnja d.o.o. and other subsidiaries, HRK 154 million
- Share capital decreased by HRK 222 million through negative result of the period and decrease of revaluation reserves for the Žitnjak location

Sale of Wind Power Plants

Dalekovod Professio – wind power plants

- **Intro:** in accordance with the concluded pre-bankruptcy settlement of 2014 Dalekovod d.d. had the obligation to sell Dalekovod Professio d.o.o. (d.d.)
- **Steps before transaction:**
 - For the purpose of assessing the value of a company, Dalekovod d.d. hired an external consultant
 - Dalekovod d.d. has transformed company Dalekovod Professio d.o.o. into a joint stock company for the purpose of listing stocks on the regulated market of Zagreb Stock Exchange
 - The listing of shares on a regulated market is expected in March 2019
- **Allocation of funds:** in accordance with the pre-bankruptcy settlement, 55% of transaction amount and a maximum of HRK 62 million will be used for the repayment of liabilities based on Mezzanine and 45% of the amount will be transferred to Dalekovod d.d.
- **From the total transaction value (HRK 115 million), Dalekovod d.d. received HRK 58 million (due to related companies) which will be used for financial and operational restructuring project**

Transaction value is HRK
115 million

Decrease of financial
liabilities in the amount
of HRK 60.3 million

Remaining amount will
be used for financial and
operational restructuring
project

Successful transaction
avoided a fine of HRK 3.6
million






Negative impact of wind
power plant sale on P&L
in 2019 is about HRK 6
million

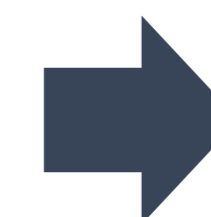
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Financial Restructuring

Pre-bankruptcy Settlement Financial Liabilities Overview

Total debt of the Group according to pre-bankruptcy settlement as at 31 December amounts to HRK 477 million	 Senior debt	 Mezzanine	 Creditors	 Leasing	 Securities
Amount of principal	HRK 222 mln	HRK 83,8 mln	HRK 66 mln	HRK 87 mln	HRK 18 mln
Interest	4%	3%	0%	0,5%-4%	4%
Principal and interest payment	Quarterly	-	-	Monthly	Yearly
Description		Call option in 2021.g / transfer to Senior / transfer to capital	Payed only from funds of Žitnjak location sale	Out of the total amount of approximately HRK 55 million, is bullet payment in 2022 with interest rate of 0.5%	
Maturity	FY 2030	FY 2021	Prodaja nekretnine Žitnjak	FY 2022	FY 2030
Creditors	PBZ, HBOR, ZABA, HPB, ERSTE, SOCGEN, RBA, CROATIA BANK, VENETO, BKS	PBZ, HBOR, ZABA, HPB, ERSTE, SOCGEN, RBA, CROATIA BANK, VENETO, BKS	ERSTE, RBA (DDM group)	HETA AR	About 24% of issuance is owned by Dalekovod Group



Between January and December 2018, the financial debt was reduced by HRK 50.8 million on the basis of payments to Senior Debt, Leasing, Securities and Suppliers.



Since the beginning of 2019 debt has been reduced. HRK 60.3 million to Mezzanine creditors and HRK 8 million to Senior debt, Securities leasing.



Total debt of the Group according to Pre-bankruptcy Settlement on 28 February amounts to approximately HRK 345 million (excluding the outstanding debt)

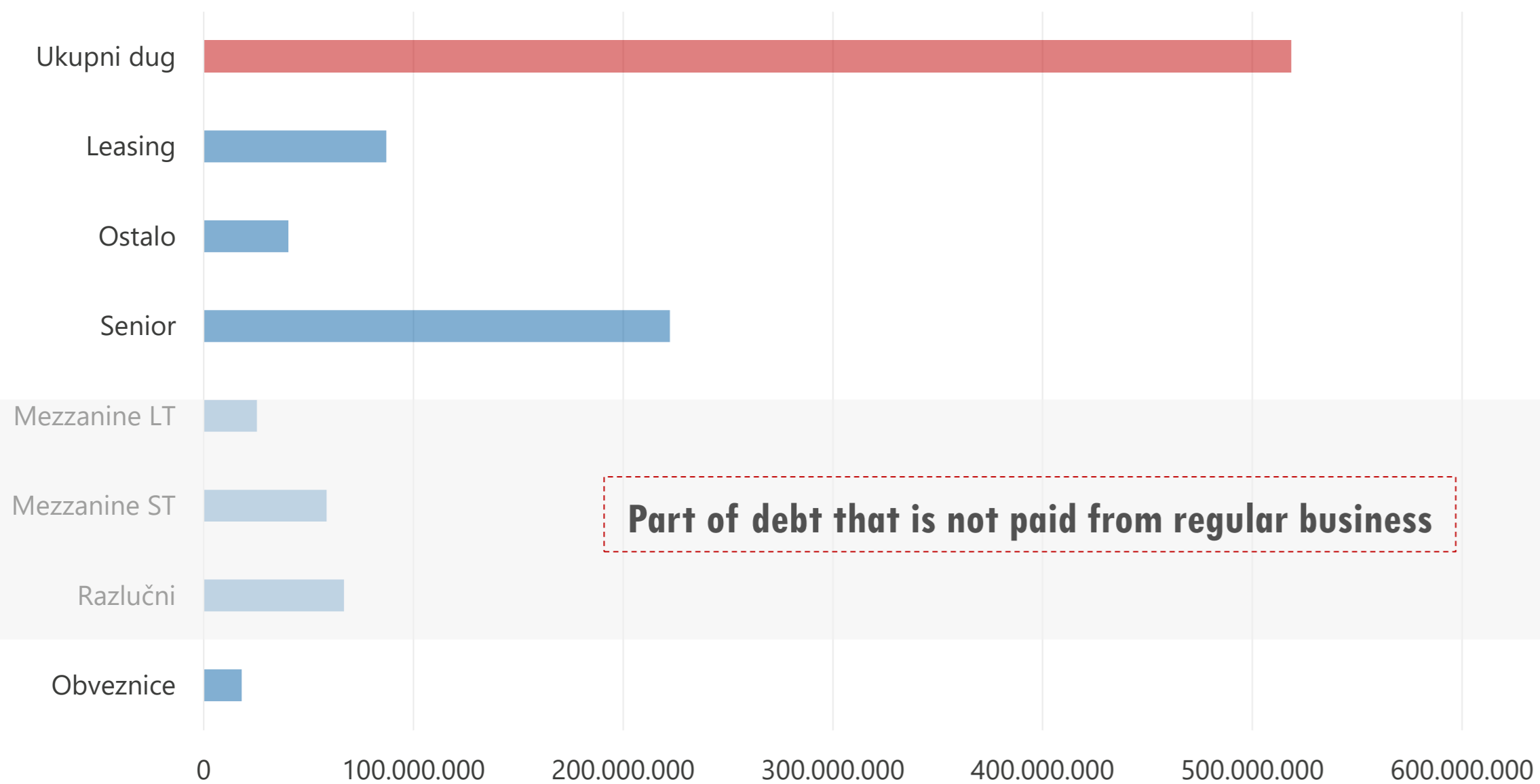
Financial Restructuring

Dalekovod Group Financial Liabilities Overview

- **Mezzanine:** in accordance with the pre-bankruptcy settlement, part of mezzanine debt is returned exclusively by the sale of Dalekovod Professio. Mezzanine ST was returned after payment of funds from sale of company Dalekovod Professio during the first two months of 2019. Company has the right to redeem LT mezzanine at a price of HRK 35 million in 2021 or to convert the portion of debt to equity at the final maturity of the mezzanine.

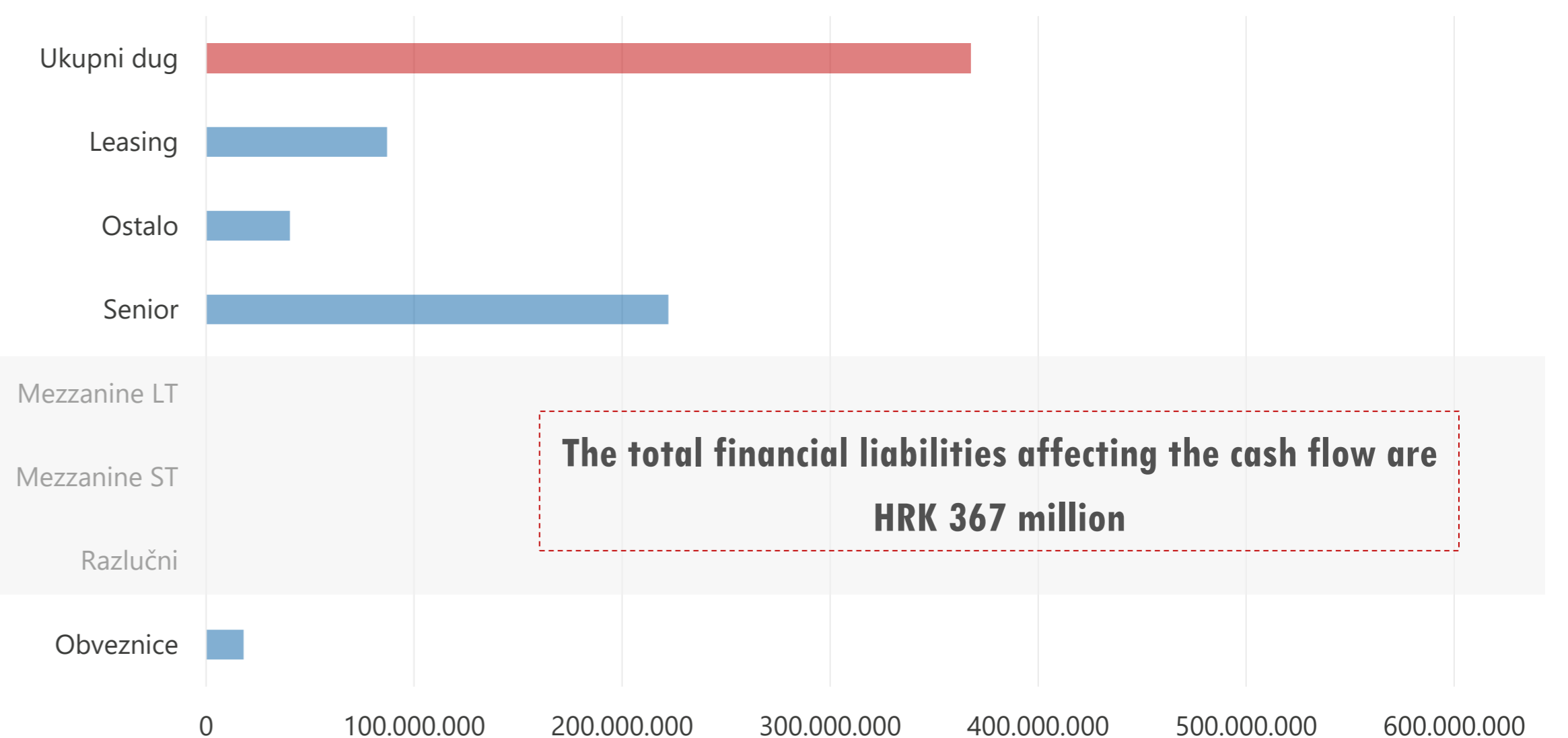
- **Distinct debt:** part of the debt that is solely paid from potential sale of real estate at Žitnjak location and is not paid from regular business assets
- **Leasing debt:** HRK 55 million is due once in 2022. The interest is calculated at 0.5% per annum but is due only in 2022

REVIEW OF FINANCIAL LIABILITIES (12/2018)



Part of debt that is not paid from regular business

REVIEW OF FINANCIAL OBLIGATIONS IMPLICABLE TO OPERATIONAL PART OF BUSINESS (12/2018)



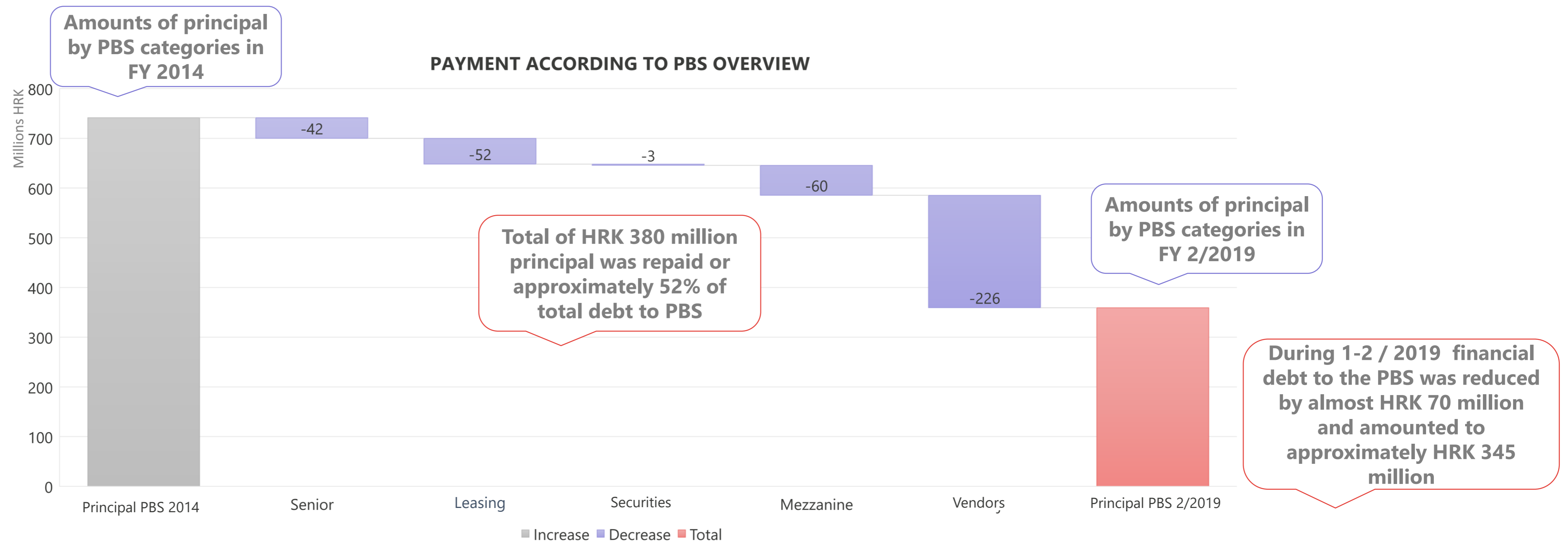
The total financial liabilities affecting the cash flow are HRK 367 million

"Financial Debt Payable from Regular Business" vs. Debt in Balance Sheet is lower by HRK 150 million

Financial Restructuring

Overview of payment obligations from a pre-bankruptcy settlement

- Payment of PBS debt:** In the period from 2014 to 2/2019, Dalekovod Group repaid approximately HRK 380 million in principal, ie 52% of the total debt determined in accordance with the pre-bankruptcy settlement.
- Most of repayments relate to suppliers that, as part of the PBS, were defacto financial debt. Additionally, as much as HRK 60 million has been repaid to mezzanine creditors and more than HRK 50 million to Leasing



* remark; certain categories of debt are "fair" valued; for example a call option on Mezzanine debt repayment

Financial Restructuring

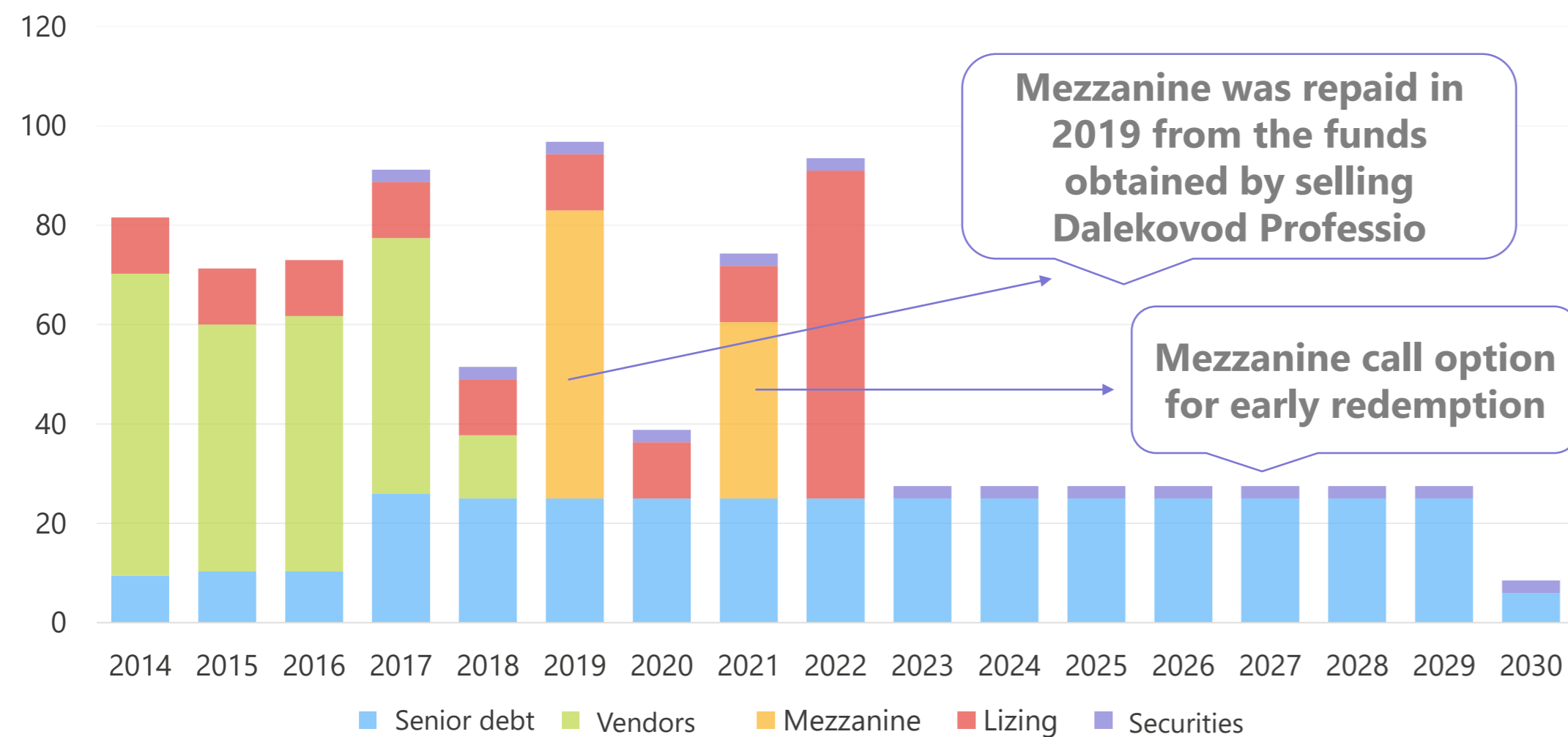
Financial Restructuring

Dalekovod Group: In period from conclusion of pre-bankruptcy settlement (2014) to 28 February 2019, Company paid HRK 463.8 million of principal and interest, representing 52% of total debt as defined by pre-bankruptcy settlement.

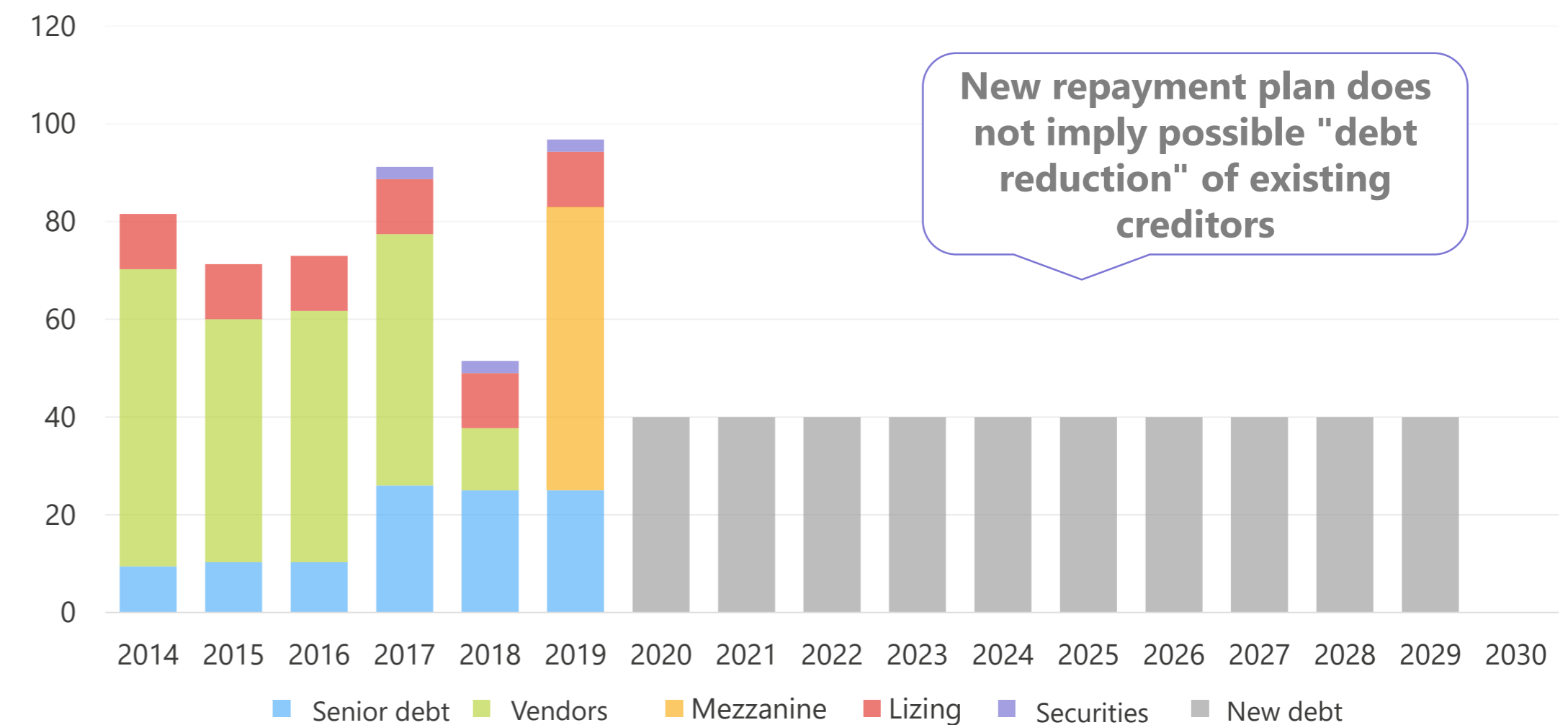
In the coming years, repayment plan based on the pre-bankruptcy settlement is considerably favorable than in previous years, which will enable future development and investment of free resources to reduce risk and improve business model.

Financial Restructuring: In the last quarter of 2018, Dalekovod Group began negotiations with all stakeholders and international financial institutions with the aim of preparing a financial restructuring plan. The planned financial restructuring would include a reprogramming of the overall financial debt to improve repayment modality, simpler provision of guarantees and short-term loans for the financing of working capital.

CURRENT REPAYMENT PLAN (PBS), HRK MLN



NEW REPAYMENT PLAN (PBS), HRK MLN

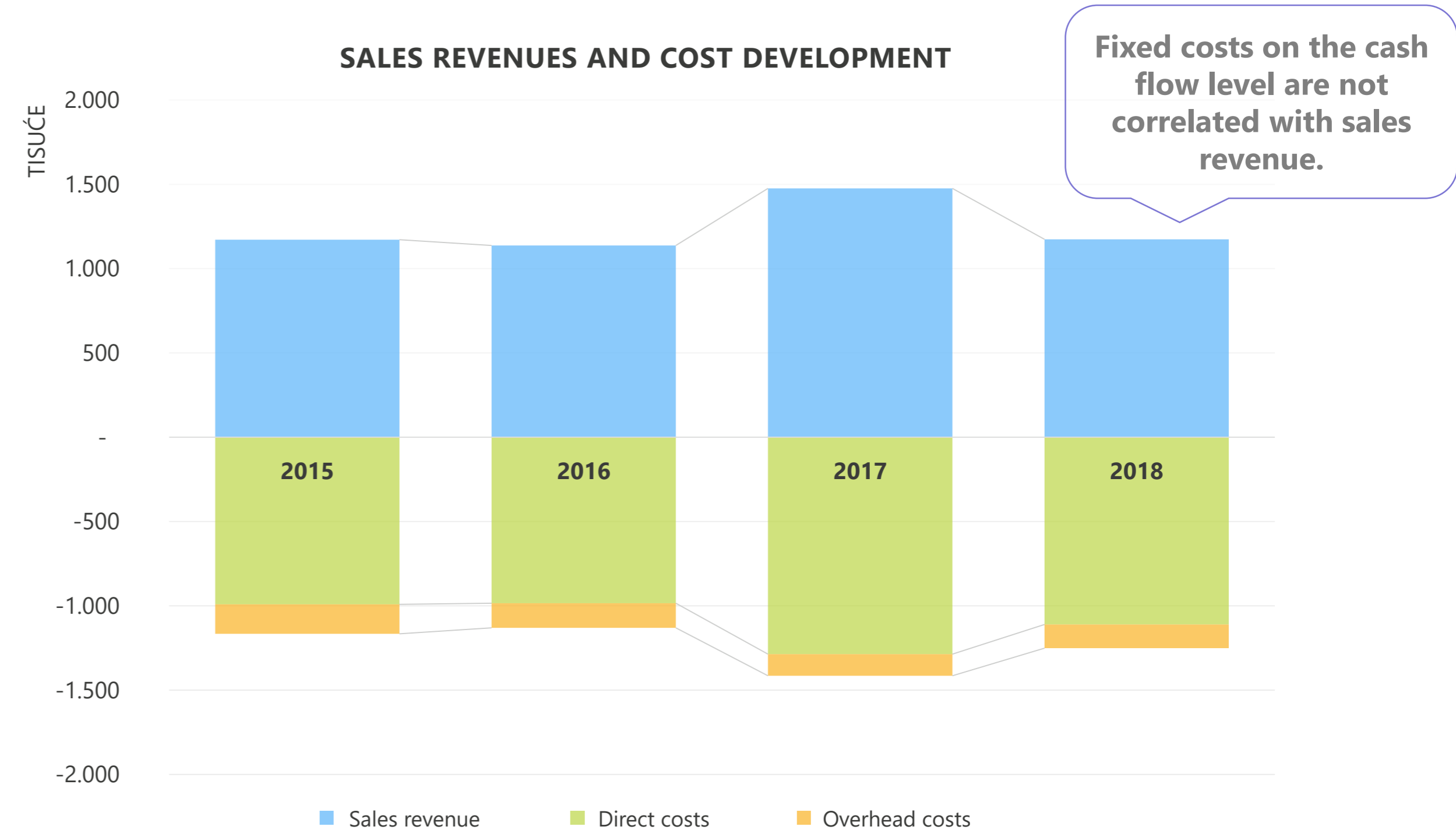
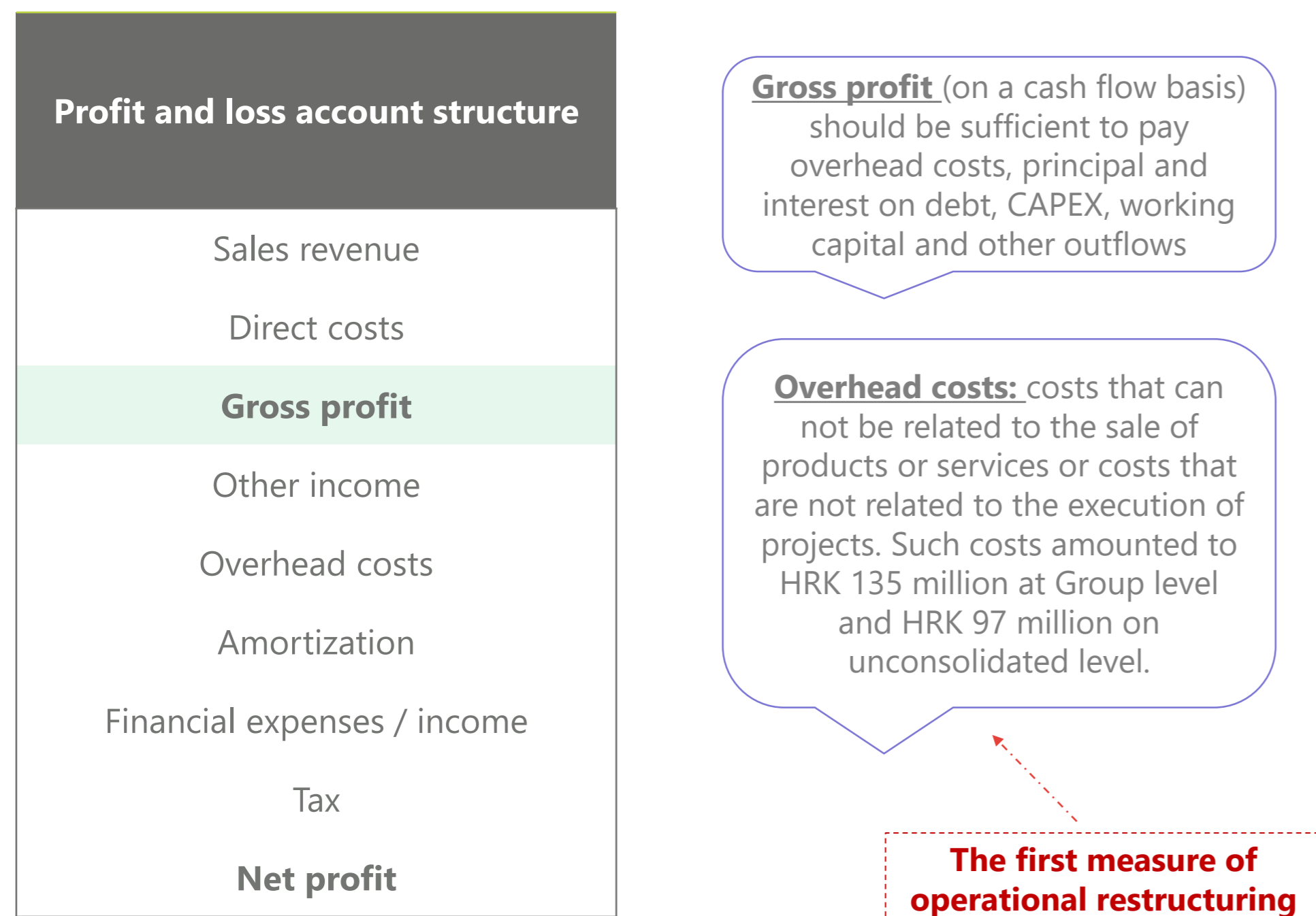


Operational restructuring

Operational restructuring

Dalekovod Group: during the first quarter of 2019, process of operational restructuring has begun. Focus will be on identifying segments / activities that have a negative impact on cash flows and value of company, and one of the first measures is strategy for Dalekovod proizvodnja d.o.o.

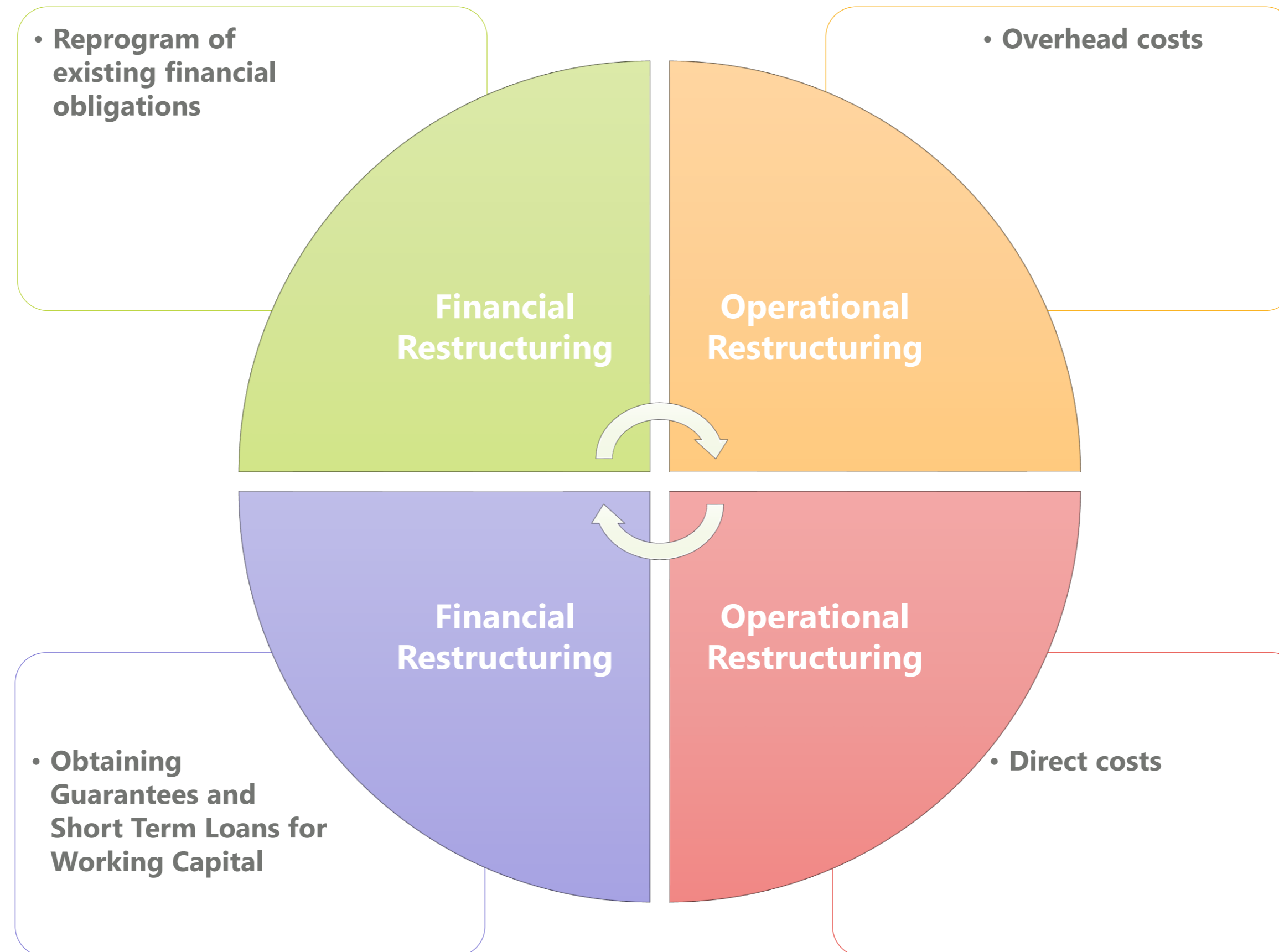
The first plans for cost savings have already been made and planned implementation will be in the first half of 2019. Full impact of operational restructuring on cash flows and profitability will be visible in 2020 due to one-off effects in 2019.



Financial and operational restructuring

Conclusion

- Planned financial restructuring would include reprogramming of overall financial debt and completion of the pre-bankruptcy process
- Financial restructuring will provide financial institutions support in context of guarantees and short-term loans for working capital
- With such a model of financing and support of financial institutions Dalekovod Group can take full advantage of investment potential in energy / infrastructure sector on domestic and foreign markets



- During the first and second quarter, most of cost savings will be adopted, which will have a positive impact on EBITDA level in 2019. Full effect on EBITDA level will be visible in 2020 due to one-off costs.
- Operational restructuring of direct costs will be directed towards centralization of business processes, replacing OPEX with CAPEX, procurement efficiency and human resource management.
- In addition, additional project execution control will be introduced in order to minimize negative gross margin oscillations

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Expectations for 2019

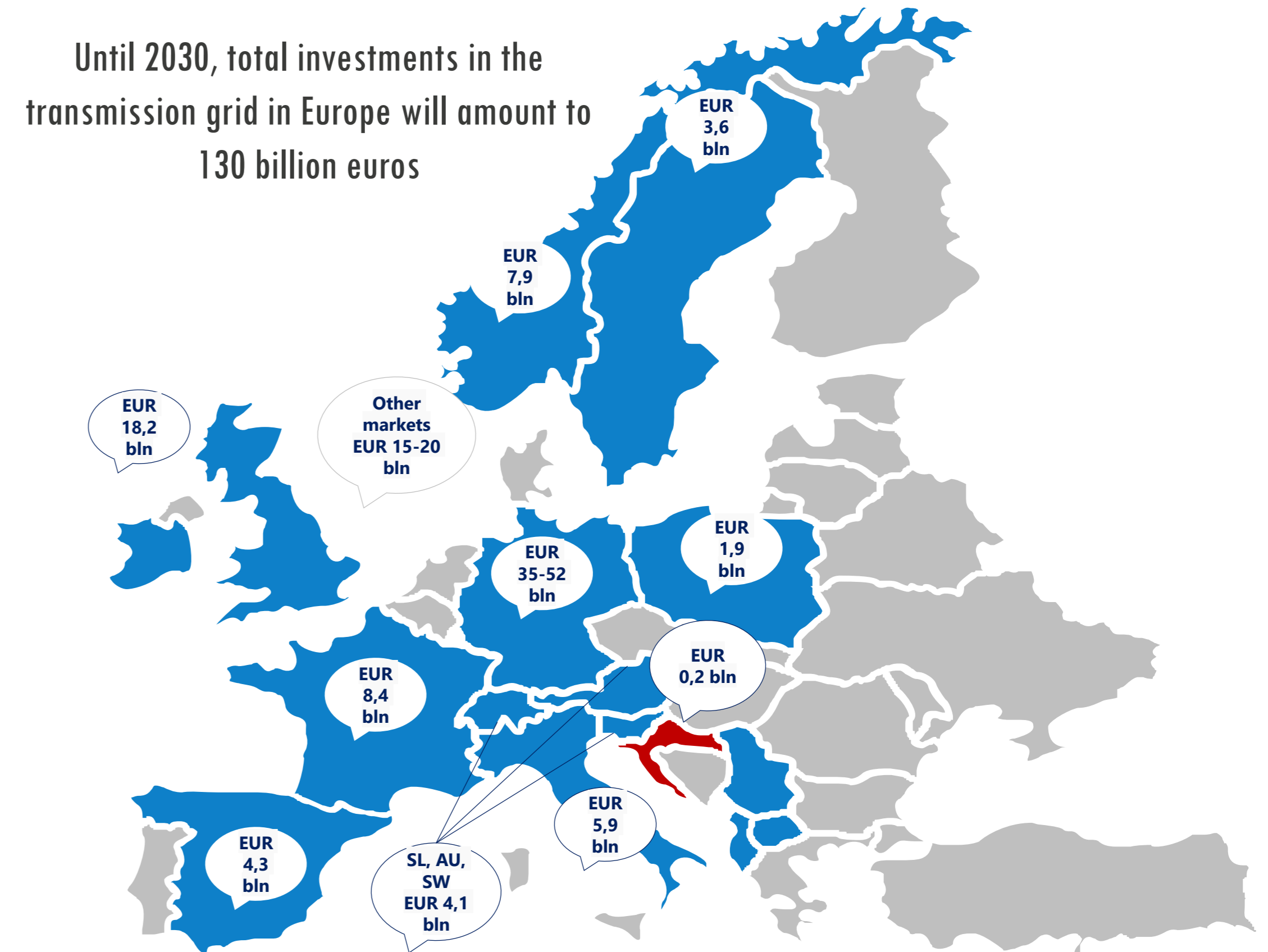
Markets and Investments Overview

Along with traditionally primary markets of Scandinavia, the region, central and eastern Europe and the domestic market, positioning on German market (where until now Dalekovod Group was not present) is planned. Pre-qualification with the largest German transmission system operator was successfully performed. Pre-qualification process for other transmission system operators in Germany is ongoing.

Such a breakthrough with regard to announced investments (30% of all investments in Europe by ENTSO) in renewal of transmission network, represents great potential for long-term presence in German market projects.

The strategic focus of Dalekovod Group, with the implementation of financial and operational restructuring, will be on development of operations in domestic market.

Dalekovod Group expects that domestic market activities will enable a significant increase in income and profitability in the next medium term.

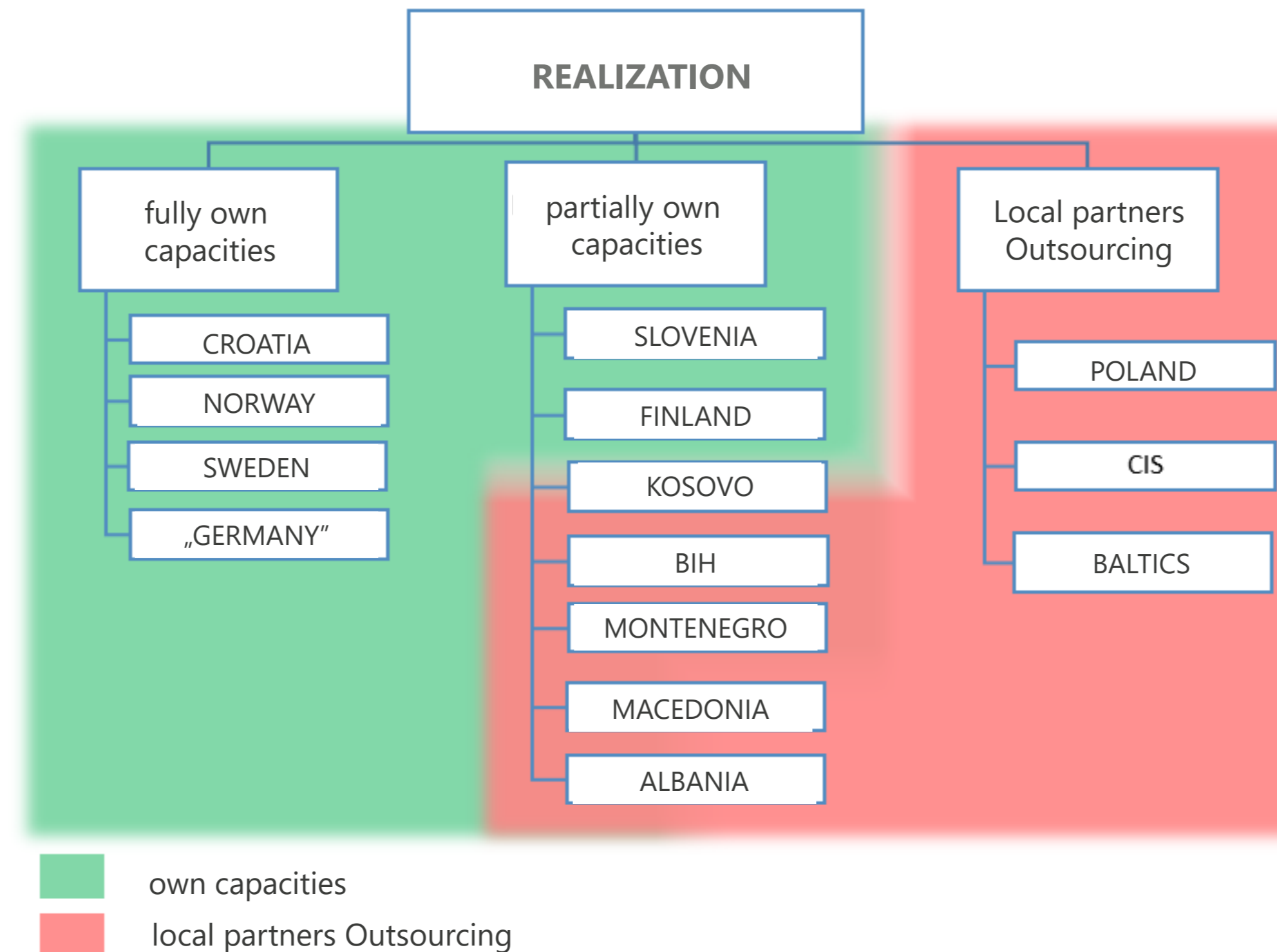


Source: ENTSOE's 10-year investment, 2014

Expectations for 2019

Execution models by individual markets and acquisition of new markets

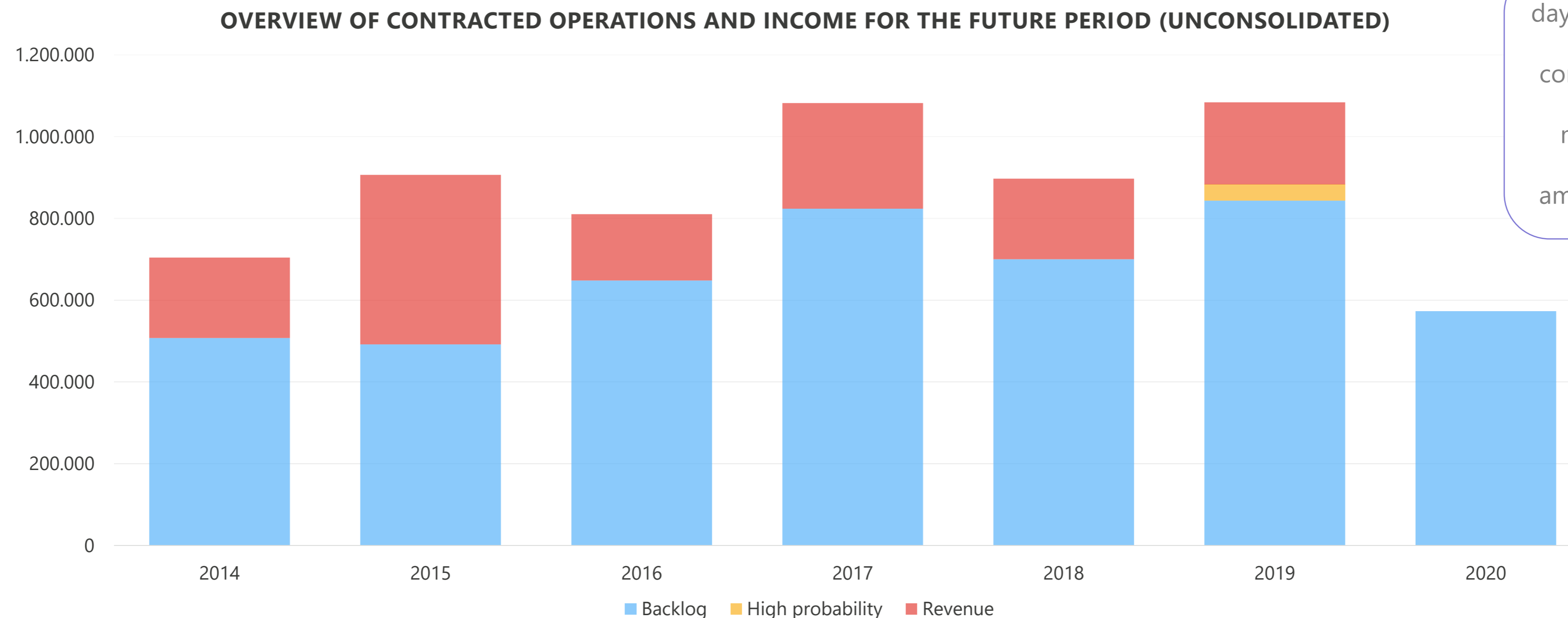
- With regard to currently-contracted operations, Dalekovod Group operates on highly labor-intensive markets (green-labeled markets) that require a high share of our own workforce.
- In red marked markets, Dalekovod Group operates with 5-10 own employees and outsources the rest. Such markets have extremely high gross earnings per employee, and there is no burden of inactive labor at the end of the project



Expectations for 2019

Overview of contracted work and expected revenue

- Connected with the postponement of a large number of bids in 2018, the beginning of 2019 marked a strong positive trend. In the first two months of 2019, Dalekovod, without other members of the Group, contracted / received a record number of new contracts in the total amount of over HRK 425 million. Continued positive trends are expected in the future.
- The current value of the contracted projects of Dalekovod, without Group members, on 28 February 2019, which will be executed during 2019, is HRK 955 million, which is an increase in comparison to 2018 by over 34%. This result significantly exceeded the realization throughout 2018, and it is expected to receive a larger number of bids in 2019, which will begin with realization in 2019.



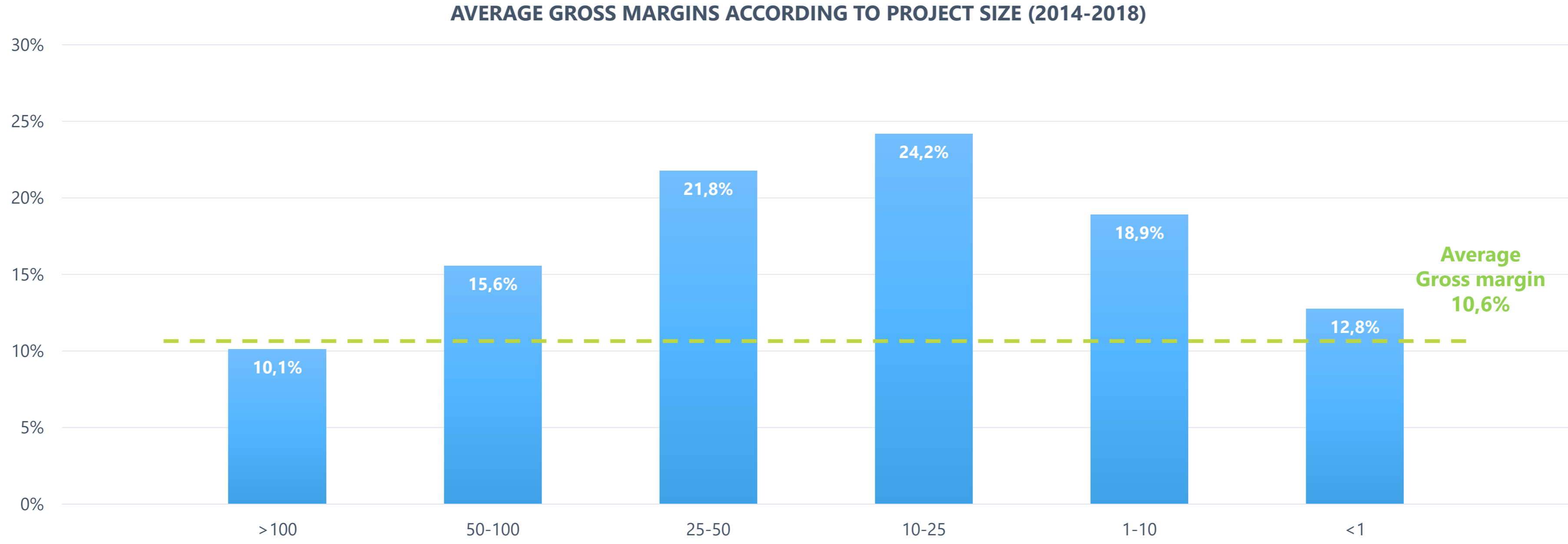
Backlog ("Order book" on the last day of the calendar year): Company on December 31 2018 had contracted jobs in amount of HRK 843 million for 2019. At this moment company has already contracted operations in the amount of HRK 573 million, which will be executed in 2020

Revenue: During the year, company always contracts a number of jobs, which are executed during the same year. Usually, revenue is about 20% higher than „backlog“

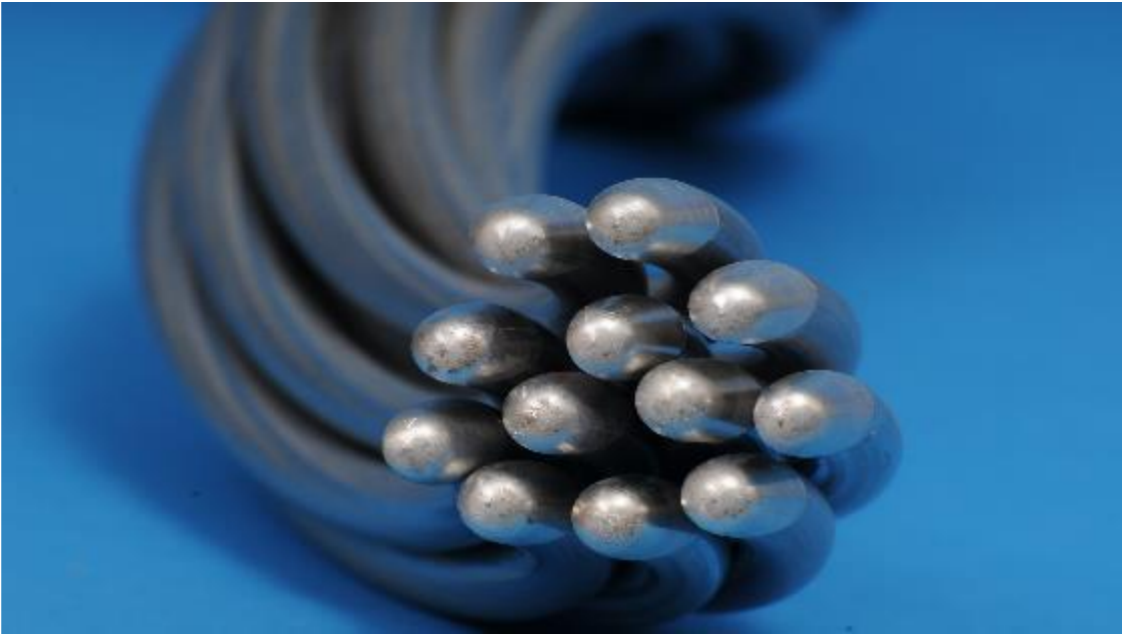
Expectations for 2019

Financial Results

- Big projects are the foundation of revenue, but smaller projects are important for overall business profitability.
- Small projects can be "hunted" on markets where Dalekovod is present with a large number of its own employees such as the Norwegian or domestic market



Q&A



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