CONSOLIDATED AND SEPARATE ANNUAL REPORT 2023

DALEKOVOD GROUP

Dalekovod d.d.

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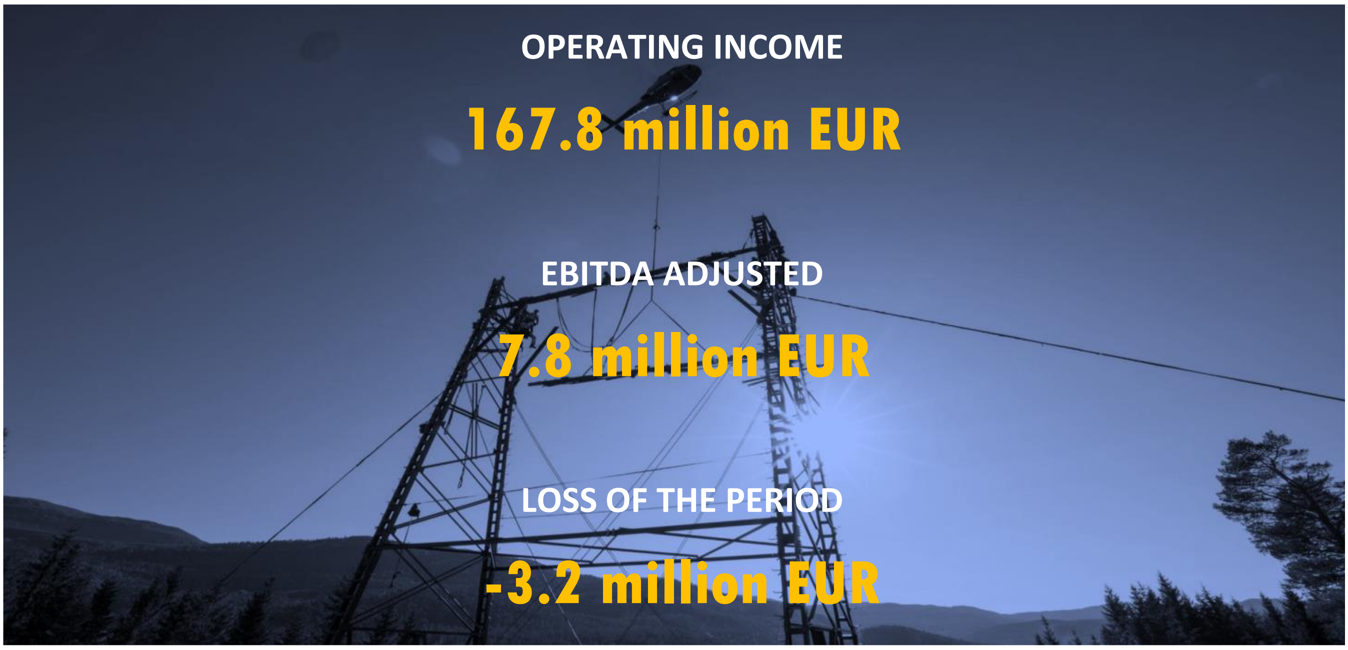
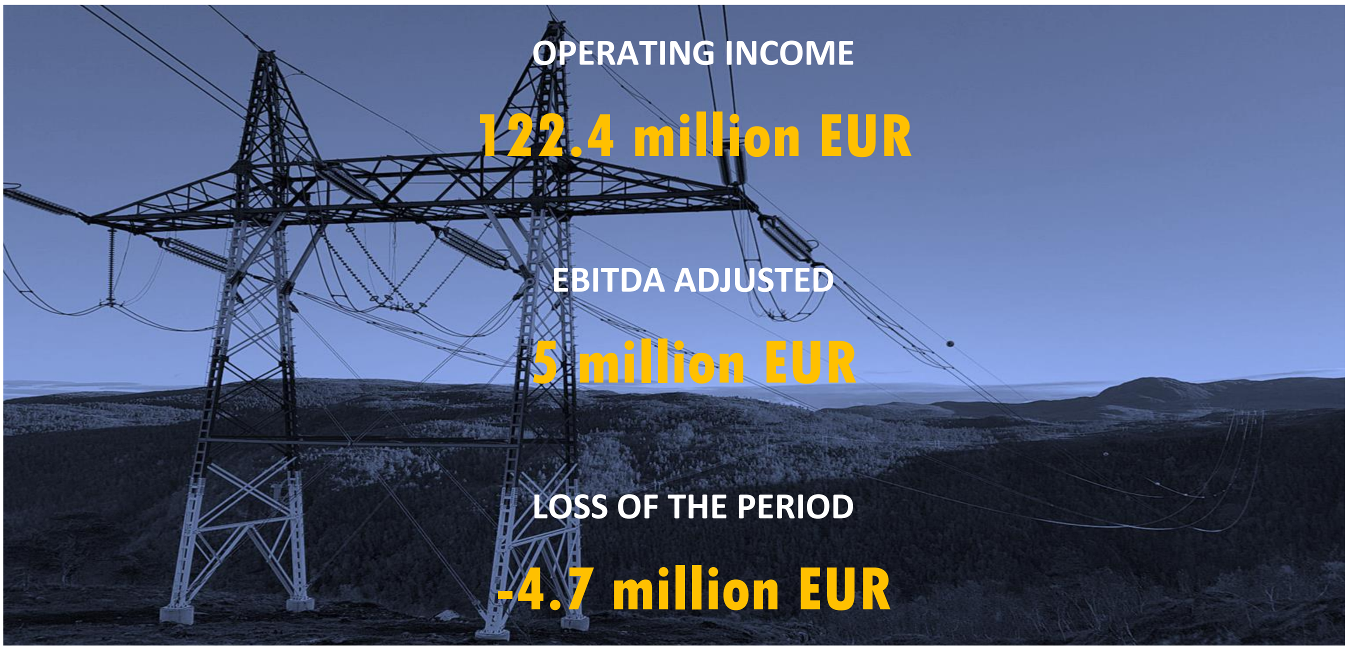
(I-XII 2023)



OPERATING INCOME, EBITDA AND NET PROFIT OF THE COMPANY

DALEKOVOD D.D.

(I-XII 2023)



MANAGEMENT BOARD REPORT

Key messages

Even though macroeconomic and political circumstances are still uncertain and they are especially underscored by the latest situation in Israel, the continuation of the Russian aggression on the Ukraine, as well as the slowing down of economic activities of the most significant economic partners of the Republic of Croatia in the EU, and including the announcement of the possible recession, all markets where Dalekovod Group is conducting business (Croatia, Sweden, Norway, Slovenia, Bosnia and Herzegovina, Macedonia, Germany and the Middle East) are experiencing growth of business activities in our business segment, accompanied by strong momentum in investments. Dalekovod Group has successfully positioned itself despite such circumstances and business progress is especially seen in tender activities and new contracting. Group's Book of contracts as of December 31, 2023 amounted more than EUR 281 million, thus positively influencing the expected growth and income predictability in the following period, as well as the expected growth of business profitability.

As the result of such improved business and market position, the Group recorded growth of operating income of 20-percent compared to the same period last year, amounting to EUR 168 million. This is the expected continuation of the trend that has been present from the second half of 2022 and throughout the first nine months of 2023, and the most significant influence on the growth of Group revenue came from parent company, Dalekovod d.d. (hereinafter: Company) and Dalekovod OSO d.o.o. Other companies that form the most significant part of Group revenue - Dalekovod Mostar d.o.o., Dalekovod Projekt d.o.o., Dalekovod MK d.o.o. and Dalekovod Ljubljana d.o.o. - achieved results in line with plans.

Normalized Group EBITDA in reporting period is **EUR 7.8 million** and is **EUR 1.7 million** higher compared to previous period.

Dynamics of implementation, high level of contacted business and increased project efficiency contribute the most to the positive results of Group business activities, even though the usual seasonal effect and slightly worse weather conditions than expected have caused postponement of works on certain projects. Continuation of such positive trends is expected also in the following period.

By the recapitalization and the successful closure of pre-bankruptcy settlement, Dalekovod Group can continue the new development phase in which all present experiences and acquired knowledge can be utilized and continue the successful implementation of complex projects in significantly difficult circumstances, in combination with implemented restructuring of business processes and synergic effects within Končar Group.

Industry in which Dalekovod Group competes shows the beginning of a significant conjuncture and exceptional dynamics in the future period due to several key reasons: (i) relatively old transmission network requiring reconstruction; (ii) green and digital transition activities - shift towards renewable energy sources and the general trend of switching from energy produced from traditional fossil fuels to electric energy from renewable sources; (iii) implementation of tenders postponed in previous periods due to COVID 19 pandemic; (iv) although resolution to the Ukrainian crisis is not likely soon, situation on the materials and raw materials market is stabilized; the latest events and the situation in the Middle East that exacerbate certain risks are monitored.

In the coming period we expect continuation of the strong tender activity in energy and transport infrastructure, with high level of predictability, through implementation of National recovery and resiliency projects in the Republic in Croatia and through strong investment activity as implementation of activities of green and digital transition on markets where Dalekovod Group traditionally conducts business and has strong presence.

Implemented financial and operative restructuring will enable Dalekovod Group to continue business activities on traditional markets of Scandinavia, region, Middle and Eastern Europe, Middle East and home markets with the possibility of increase of business profitability. Likewise, Dalekovod Group will support the continuation of stronger entrance onto new markets, such as Germany, where first projects were successfully completed.

Dalekovod Group will continue significant investments in health and safety of its employees and it will increase investments into sustainable development with the goal of achieving balance between the environment, community and our activities in order to fulfil requirements for development without endangering the prospects of future generations. Therefore, it is important to emphasise that the projects that Dalekovod Group executes within energetics and infrastructure domains directly contribute to the implementation of goals of green transition.

Financial results for 2023

Indicators (in EUR 000)	Dalekovod Group			Dalekovod d.d.		
	2023	2022	Index	2023	2022	Index
Total revenue	167,819	139,395	120	122,353	100,641	122
Sales revenue	165,790	136,645	121	119,637	94,298	127
Operating expenses	(170,100)	(137,272)	124	(127,044)	(99,834)	127
Amortization	(3,451)	(3,979)		(3,060)	(3,627)	
EBITDA ADJUSTED	7,806	6,102	+1,704 €	5,005	4,434	+571 €
EBIT Adjusted	4,355	2,123	+2,232 €	1,945	807	+1,138 €
Net profit	(3,198)	848	-4,046 €	(4,667)	316	-4,983 €
Discontinued operations*	(12)	(102)	+90 €	(80)	(54)	-26 €
Adjustment Item MMFIN**	(6,636)	-	-	(6,636)	-	-
Net profit after discontinued operations	(3,210)	746	-3,956€	(4,746)	262	-5,008 €
EBITDA margin Adjusted	4.7%	4.4%		4.1%	4.4%	

*In accordance with the international financial standards, the items in the profit and loss account and in the reports on the Group's and the Company's financial position in the previous period, i.e., in 2022 and in 2023, have been adjusted for the financial impact of the mentioned transaction, i.e. discontinued operation.

** The Company adjusted the value of the claim against the Ministry of Finance/RO from 2016 based on the non-final judgment received from November 2023 in court proceedings P-2053/2018, which rejected the Company's claim. Despite the above, the Company initiated an appeal against the aforementioned non-final judgment and on March 25, 2024, received a decision of the High Commercial Court of the Republic of Croatia by which it annulled the first-instance judgment and returned the case to the Commercial Court in Zagreb for a new decision.

The Group’s operating income amounted to EUR 168 million in 2023, which is a 20 % increase compared to the same period last year, while the Company’s operating income amounted to EUR 122 million, which is a 22 % increase compared to the same period last year. Normalized EBITDA (operating income - operating expenses + depreciation - normalization item) at the Group level amounts to EUR 7.8 million, which is a EUR 1.7 million increase compared to the same period last year mostly as a result of increased activity and improved operating efficiency in the Company and Dalekovod OSO d.o.o.

Normalized Group’s EBITDA margin increased by 4.4 percent in 2022 to 4.6 percent in 2023. Normalized EBITDA at the Company level amounts to EUR 5 million, which is a EUR 0.6 million increase compared to the same period last year.

The net profit after discontinued operations of the Group in 2023 amounts to EUR -3.2 million, while the net profit after discontinued operations of the Company amounts to EUR -4.7 million euro.

Positive indicators and operation recovery trends represent the basis for an optimistic look ahead.

Financial results of Group Companies

Dalekovod Group (in 000 EUR)	Dalekovod Group			Dalekovod d.d.		
	2023	2022	Index	2023	2022	Index
ASSETS	**137,929**	**129,642**	**106**	**121,716**	**120,446**	**101**
Non-current assets	**38,630**	**38,062**	**100**	**47,027**	**41,875**	**112**
Current assets	**99,299**	**91,580**	**108**	**74,689**	**78,571**	**95**
Inventories	*16,134*	*10,494*	154	*2,464*	*1,119*	220
Trade and other receivables	*70,571*	*76,997*	92	*61,759*	*74,411*	83
Income tax receivable	*243*	*289*	84	*204*	*204*	100
Cash and cash equivalents	*12,345*	*3,784*	326	*10,262*	*2,837*	362
Assets held for sale	*6*	*16*	38	-	-	-
LIABILITIES	**75,777**	**63,900**	**119**	**66,423**	**60,407**	**110**
Provisions	**3,875**	**3,400**	**114**	**3,480**	**3,157**	**110**
Non-current liabilities	**9,212**	**5,920**	**156**	**9,593**	**6,336**	**151**
Borrowings	*7,806*	*4,514*	173	*8,187*	*4,930*	166
Deferred tax liability	*1,406*	*1,406*	100	*1,406*	*1,406*	100
Current liabilities	**62,690**	**54,580**	**115**	**53,350**	**50,914**	**105**
Borrowings	*4,148*	*3,771*	110	*4,359*	*4,729*	92
Trade and other payables	*54,816*	*47,181*	116	*45,676*	*42,705*	107
Income tax payable	*3,685*	*3,509*	105	*3,315*	*3,480*	95
Liabilities held for sale	*41*	*119*	34	-	-	-
EQUITY	**62,152**	**65,742**	**94**	**55,293**	**60,039**	**92**
Share capital	*41,247*	*54,744*	75	*41,247*	*54,744*	75
Capital reserves	*12,387*	-	-	*12,387*	-	-
Legal reserves	*22*	*22*	100	-	-	-
Treasury shares	*(1,124)*	*(1,124)*	100	*(1,124)*	*(1,124)*	100
Statutory and other reserves	*5,453*	*5,759*	95	*1,124*	*1,124*	100
Revaluation reserves	*6,405*	*6,405*	100	*6,405*	*6,405*	100
Translation reserves	*(739)*	*(665)*	111	-	-	-
Accumulated loss	*(1,499)*	*601*	(249)	*(4,746)*	*(1,110)*	428

The implementation of the recapitalization process has influenced the significant improvement of the financial situation of the Group and Company. As already mentioned, based on the shareholders' Decision to increase the share capital of the Company by EUR 54 million, i.e. 41,000,000 new ordinary shares were subscribed, each in the nominal amount of 1.33 euro, increasing the Company share capital to EUR 54,744,432.94. On 11 February 2022, the Company used the funds collected by issuing new shares to settle its debt toward the creditors whose claims were established by a pre-bankruptcy settlement. The total amount of claims settled on account of the principal and interest at the Company level was EUR 47 million which significantly improved the debt indicators and the Company's and Group's overall financial position.

Type of financial debt	Dalekovod Group			Dalekovod d.d.		
	2023	2022	Index	2023	2022	Index
Lease liabilities	4,699	4,180	112	4,604	4,051	114
Bonds	1,540	1,728	89	2,033	2,281	89
Bank loans	5,717	2,378	240	5,909	3,327	178
Total financial debt	11,956	8,285	144	12,546	9,659	130
Cash	12,345	3,784	326	10,262	2,837	362
NET financial debt	(389)	4,501	(9)	2,284	6,822	33

The increase of long-term liabilities compared to 31 December 2022 was most significantly affected by the newly approved loan for fixed working capital in the amount of EUR 3.7 million; however, Group's and Company's net financial debt decreased in relation to the beginning of 2023 due to the increase in operating profitability and the cash position in the balance sheet. In February 2023, the regular instalment for bonds issued was due, which decreased the bond liability compared to 31 December 2022.

An overview of the business activities of the Group’s key segments

The segment of Energy projects implementation - construction of transmission lines and substations recorded an increase in income of 19% in 2023 compared to the same period last year and total income amounted to EUR 101 million. The profitability of the transmission line segment, although under the influence of the value adjustment due to the dispute in Norway in the amount of EUR 1.1 million increased significantly as a consequence of intense activity on current projects (especially in Sweden and Croatia). Transmission lines are being constructed as part of 25 large projects (2 in Norway, 6 in Sweden, 3 in the region, 1 in Germany and 13 in Croatia) as well as 16 smaller projects, and substations as part of 9 projects (1 in Croatia, 2 in Norway, 5 in Macedonia and 1 in Ukraine).

The segment of infrastructural projects implementation recorded a 50% increase in income compared to the same period last year, and total income in 2023 amounted to EUR 19 million. The sector profitability is at the planned level. The most significant investors in this sector are HŽ Infrastruktura and Hrvatske ceste. There are 18 ongoing projects, and works are taking place on 8 sites.

Two companies are undertaking projects in the **Production segment -** Dalekovod MK d.o.o. and Dalekovod OSO d.o.o. In 2023, income generated by **Dalekovod MK d.o.o.** decreased by 4 percent compared to the same period last year and amount to EUR 13,100 thousand. The reason for the decrease is the impact of deferred activities on the projects in Croatia and Slovenia. On the other hand, the additionally contracted works on the domestic and foreign market generated a positive effect and a margin significantly better than planned, resulting in a significantly better EBITDA compared to the same period last year.

In 2023, the company **Dalekovod OSO d.o.o.** produced/processed 1987 tons of equipment, which is a 40% increase compared to the same period last year. The increase in quantitative indicators is a result of a very large number of entries in the book of contracted works which had a favourable effect on income stability in the next period. The operating income of the company Dalekovod OSO d.o.o. in 2023 is consistent with the growth of production volumes: it increased by 37% compared to the same period last year, accompanied with a significantly better EBITDA.

The achieved EBITDA of the production segment, that is, of both companies, is EUR 2.7 million, i.e. EUR 1.5 million more than in the same period of the previous year.

In 2023, the **Engineering segment**, which is related to the activities of the Dalekovod Projekt d.o.o. company, generated income in the amount of EUR 5.7 million. A significant part of this income is a result of activities on the foreign market, especially the Swedish one. Considering the cyclic nature of engineering activities, the satisfactory level of profitability was preserved. The steady level of contracted works ensures their execution in the upcoming period.

In 2023, **Dalekovod Ljubljana d.o.o.** generated an income of EUR 14.5 million, where the most significant share of EUR 12.1 million pertains to income generated by the 110 Kv Divača-Pivka-Ilirska Bistrica project. The continuation of the 110 Kv Divača-Pivka-Ilirska Bistrica project (Pivka-Ilirska Bistrica section) ensured the realization in the next period when income is expected to increase. The company's EBITDA achieved in 2023 was HRK 338 thousand.

In 2023, **Dalekovod Emu d.o.o**, which operates on locations in Zagreb and Vela Luka, generated an income of EUR 0.4 million. In its business operations, the Company performs works from the segment of measuring and testing electromagnetic fields of high and low frequencies and the works of electricity meter calibration. EMF measurements, obligatory for companies with HF and LF radiation sources, are performed on the entire territory of Croatia. The other business segment, the calibration of meters at the Company's own calibration station in Vela Luka is still at the level of HEP's annual needs for installing meters into new buildings, whereas an overall replacement of the old meters with new smart meters is expected in the upcoming period.

In 2023, **Dalekovod Mostar d.o.o**. generated an income of EUR 11.4 million, which is an increase of 23 % compared to the same period last year. The company's EBITDA amounts to EUR 492 thousand and, according to the increase in income and relevant costs control, it is somewhat higher than in the same period last year. The achieved income is a result of a high level of contracted works during 2022 and 2023 as well as accelerated realization of the projects contracted during 2022 and 2023, which is, among other, a consequence of investments by both existing and new investors into RES.

Company name (in 000 HRK)	Business revenue			Adjusted EBITDA		
	2023	2022	Index	2023	2022	Index
Dalekovod d.d.	122,353	100,641	122	(1,631)	4,434	-6,065 €
Dalekovod MK d.o.o.	13,100	13,694	96	798	598	+200 €
Dalekovod OSO d.o.o.	15,946	11,631	137	1,885	620	+1,265 €
Dalekovod Ljubljana d.o.o.	14,451	15,307	94	338	334	+4 €
Dalekovod Projekt d.o.o.	5,712	5,386	106	466	361	+105 €
Dalekovod Mostar d.o.o.	11,385	9,283	123	492	481	+11 €
Cinčaonica Usluge d.o.o.*	23	25	92	(12)	(102)	+90 €
Dalekovod EMU d.o.o.	430	487	88	14	60	-46 €
Other affiliates	20	52	38	(10)	22	-32 €
Elimination	(15,601)	(17,111)	91	(1,170)	(706)	-463 €
Total Group	**167,819**	**139,395**	**120**	**1,170**	**6,102**	**-4,932 €**

*company subject to liquidation

Strategy - business guidelines for future periods

Industry in which Dalekovod Group competes expects significant conjuncture in the future period due to several key reasons: (i) relatively old transmission network requiring reconstruction; (ii) shift towards renewable energy sources and the general trend of switching from energy produced from traditional fossil fuels to electric energy from renewable sources; (iii) implementation of tenders postponed in previous periods due to COVID 19 pandemic; (iv) although resolution to the Ukrainian crisis is not likely soon, markets have adjusted and the situation does not negatively influence business results.

Moreover, all markets where Dalekovod Group is conducting business (Croatia, Bosnia and Herzegovina, Macedonia, Germany, Norway, Slovenia, Sweden and the Middle East) are experiencing growth of business activities with expected continuation of strong investment momentum.

Therefore, Dalekovod Group‘ strategy of focusing on energetics, railway infrastructure and equipping of tunnels on roads and motorways, but not neglecting other opportunities, is excellently positioned in connection to relevant market circumstances.

High level of capitalization and working capital, organization of Group that achieves control of all processes, from design, to purchasing and production of key components, to the construction itself and the synergy that is achieved within Končar Group enable implementation of this strategy in an efficient and sustainable way.

Dalekovod Group will continue significant investments in health and safety of its employees, as well as material conditions and it will increase investments into sustainable development with the goal of achieving balance between the environment, community and our activities in order to fulfil requirements for development without endangering the prospects of future generations. Therefore, it is important to emphasise that the projects that Dalekovod Group executes within energetics and infrastructure domains directly contribute to the implementation of goals of green transition.

Dalekovod Group

Dalekovod Group (Group) on December 31 includes parent company Dalekovod d.d., Zagreb, and thirteen daughter companies owned by the parent company and one company listed as joint venture (2022: fourteen daughter companies owned by parent company and one company listed as joint venture) - notes 20 and 21.

Dalekovod d.d., Zagreb (hereinafter Company) is established according to the laws and regulations of the Republic of Croatia. Company seat is in Zagreb at address Marijana Čavića 4. Company shares are listed at Zagreb Stock Exchange.

Primary Company activity is design, production, construction and installation of electric power facilities, road, railway and city transportation facilities and telecommunication infrastructure.

Application of Corporate governance code

Given the fact that Company shares are listed on the official market of the Zagreb Stock Exchange, Company applies the Corporate Governance Code of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA). Code is available on Zagreb Stock Exchange (www.zse.hr) and HANFA (www.hanfa.hr) websites.

Pursuant to positive legal regulations, in 2023 Company has prepared the Statement on the application of mentioned Corporate Governance Code that attests actions and development in line with good corporate governance code in all business segments. Statement on the application of Corporate Governance Code is published at Company website (www.dalekovod.hr), Zagreb Stock Exchange (www.zse.hr) and HANFA (www.hanfa.hr) websites, where some issues of corporate governance are differently defined than in Corporate Governance Code of Zagreb Stock Exchange d.d. and HANFA. Exceptions and deviations from the Code are listed below.

Besides the Corporate Governance Code of Zagreb Stock Exchange and HANFA that is in force, Company applies their own Code of Corporate Governance, advancing the standards for business transparency that are in line with directives of the European Union. Codes of Corporate Governance define the procedures for operation of surveillance boards, management and other bodies and structures in charge for making decisions and ensuring avoidance of conflict of interest, efficient internal control and effective accountability system.

Company has established Code of Conduct as the fundamental document establishing and promoting organization values of Dalekovod Company and Group in whole, and promote socially responsible business activities. Company has endorsed the Ethics code in business, initiated by the Croatian Chamber of Commerce. By accepting the Ethics Code Company has accepted the obligation of acting according to the principles of responsibility, truthfulness, efficiency, transparency, quality, acting in good faith, respecting good business customs with business partners, business and social environment and our own employees. Description of the fundamental elements of internal control and risk management systems is important part of conducting business and their elements are listed below. Structure and the work of the Management and Supervisory Boards, the method of operation of the General Assembly and information on the holders of Company shares are part of the Statement on corporate governance and are listed below. All listed documents are available at Company website (www.dalekovod.hr).

Company follows recommendations of the Code, with the exception of those provisions whose implementation at specific moment is not practical or foreseen given the applicable legal framework. Such exceptions are:

- Supervisory Board has not given previous approval for conflict of interest policy that is not available for free at company website (Article 7 of Code), given the fact that this is regulated by the Code of Ethics, available at Company website. Adoption of Code of Conduct that shall define the policies for management of conflict of interest is scheduled for 2024.
- Management and Supervisory Board members have no shares in competitor companies (Article 10 of Code).
- Supervisory Board did not formally designate goal percentage of female members of Supervisory and Management Boards (Article 14 of Code), but all international and national standards for gender representation and equality are directly implemented, and setting of a formal goal is scheduled for 2024.
- When nominating candidates for Supervisory Board to the General Assembly, materials for the General Assembly include candidates' resumes and they are available at website (Article 16 of Code).
- Most members of every committee of Supervisory Board are not independent (in line with definition from Appendix A of the Code) given the fact that part of Supervisory Board members represent significant shareholders (Article 27 of Code).
- Internal Company acts provide the obligation of delivery of all materials necessary for Supervisory Board meetings and committees within Supervisory Board to its members at least five (5) days before such meeting (Article 34 of Code).
- Internal Company acts include rules that regulate responsibilities and reporting procedures at the level of a parent company, but not daughter company, but internal acts of daughter company regulate responsibilities and reporting to members (Article 44 of Code).
- Obligations of members of Management Board described in Article 47 of Code are regulated by individual agreements with each Board member.
- Compensation policy does not include circumstances described in Article 53 of Code.

- Compensation policy or company internal acts do not need to ban inclusion of variable elements or other elements connected with the success of business activities into compensation of the Supervisory Board, given the fact that Supervisory Board does not receive any compensation, except worker representative, whose compensation is fixed.
- Provision of non-audit services by an auditor are addressed individually and are listed in the opinion by the external auditor (Article 64 of Code).
- Company does not implement means of modern communication technology for participation and voting at General Assembly (Article 79 of Code) because current voting method has proven in practise as the optimal solution, mostly due to large number of shareholders with smaller number of shares.

Anti-corruption and anti-bribery actions

Members of managing bodies, employees and business partners are familiar with anti-corruption policies and procedures and they respect principles of Code of Ethics in their business and everyday activities. Company has the reputation of a loyal and fair business partner on the international market and there are no noted cases of corruption on the level of Dalekovod Group.

Company did not provide any financial or non-financial contribution to political causes, directly or indirectly, to a government or user. Company promotes and implements fair and transparent relations of market competition in all business aspects, with all subjects and at all places. Dalekovod Group did not note any behavior contrary to the principle of freedom of market competition and anti-trust and anti-monopoly practices.

Corporate governance organization

In line with best practices Company strives to high standards of corporate governance and business transparency as the only true way of conducting business and provides the basis for all business activities of Dalekovod Group. The structure of corporative governance is based on a dualistic system consisting of Supervisory Board and Management Board. Together with General Assembly, and in line with the Statute and the Companys' Act, Supervisory Board and Management Board present the three fundamental bodies of the Company.

General Assembly

General Assembly is the body through which shareholders fulfil their rights within Company and which represents the will of the shareholders, which represents the will of Company. General Assembly is made out of Company shareholders. Method of work of General Assembly, its authorities, rights of shareholders and the manner of their fulfilment are proscribed by Company Statute that is publicly available at website (www.dalekovod.hr).

General Assembly is in charge of election and dismissal of members of Supervisory Board, passing decisions on the use of profit, issuing release notes to members of Management Board and Supervisory Board, appointing auditor, deciding on amendments to the Statute, increasing and decreasing share capital and other issues that are part of its competence as per provisions of legislation.

One General Assembly meeting has been held in 2023. All decisions provided for in the agenda were accepted on the meeting held June 12, 2023. General Assembly passed the decision on the granting of release notes to members of the Management and Supervisory Boards of Company, decision on the use of profit from 2022, decision on the appointment of auditor for 2023, decision on the harmonization of share capital and nominal share value of Company due to switch to euro as the official currency in the Republic of Croatia, decision on the amendment of the Statute and it approved the Report on compensation for members of Management and Supervisory Boards for 2022. All decision from the General Assembly session were published in line with legislation at Company (www.dalekovod.hr), Zagreb Stock Exchange and HANFA websites, including the results of voting.

Supervisory Board

In line with the current Corporate Governance Code of the Zagreb Stock Exchange and HANFA, Supervisory Board is mostly constituted by members who are not independent, i.e. they represent majority Company shareholders.

Supervisory Board has seven members, five of which General Assembly elects and dismisses, one representative is elected by the employees in line with provisions of the Labour Act and one representative is appointed by shareholder NAPREDNA ENERGETSKA RJEŠENJA d.o.o. in line with the Companies' Act (Article 256).

Supervisory Board is responsible for surveillance of Company business management, the representation of Company towards Management and the decision making on issues that do not fall into the domain of General Assembly. The immediate company management is not performed by Supervisory Board, but it instructs Management Board in making strategic decision and setting up management framework. Company Statute provides additional authorizations to Supervisory Board and it also defines how certain types of work can be done only with prior consent from the Supervisory Board. At least four times a year (more frequent, if necessary), members of Supervisory board at sessions discuss company strategy and business plan. Supervisory Board acts exclusively jointly as managing and supervisory body, and subcommittees with special duties are appointed.

Members elected by the General Assembly elect among themselves the chairman of the Supervisory Board. Members elected by the General Assembly elect among themselves deputy chairman. Mandate of members of the Supervisory Board is four years and the same persons can be re-elected.

According to the decision of the Company's General Assembly from June 30, 2022, the members of the Supervisory Board (including the chairman and deputy chairman) are not entitled to compensation for their work, except for the member of the Supervisory Board who is the representative of the workers and who is entitled to compensation in the monthly gross amount of 530.89 euro. Report on the compensation of the Management and Supervisory Boards has been composed in line with Article 272 of the Companies Act and adopted Compensation Policy and it will be forwarded to General Assembly for adoption.

Members of the Supervisory Board during 2023:
Gordan Kolak – Chairman of Supervisory Board
Josip Jurčević - Deputy Chairman of Supervisory Board
Dražen Buljić - Member
Josip Lasić - Member
Božidar Poldrugač - Member
Damir Spudić - Member
Pavao Vujnovac – Member

General Assembly has held 57 meetings of Supervisory Board in 2023. Quorum for Supervisory Board meetings is at least half of elected members of Supervisory Board and a member of the Supervisory Board appointed by the company NAPREDNA ENERGETSKA RJEŠENJA d.o.o.

All members have participated in decision making at all meetings in 2023. In case of not being able to attend meetings, absent members participated in the work of Supervisory Board via video-conference platform or in writing in line with the Rules of procedure of the Supervisory Board.

Management and Supervisory Boards work closely for the benefit of the Company and Dalekovod Group, via meetings but also through other communication channels when need for them exist. Management Board has regularly notified Supervisory Board on all important business events, course of business, income and expenses and general state of the Company and Dalekovod Group.

Management Board has submitted to the Supervisory Board quarterly, semi-annual and annual written reports on business activities in line with statutory deadlines, and Supervisory Board had no comments to such reports that were unanimously adopted. Moreover, Management Board has informed Supervisory Board on corporative strategy, planning, business events, risk management, compliance, all deviations of business events from original plans and assessments, as well as important business transactions that include Company and Dalekovod Group.

Supervisory Board has conducted self-assessment of profiles and competences of Supervisory Board members and members of its committees. Self-assessment was conducted by the chairman of the Supervisory Board with the help of suitable committees, without hiring an external auditor.

Supervisory Board operates at optimal number of seven members so its members, in total, possess the knowledge, competences and professional experience necessary for correct performance of its tasks, taking into consideration the aspect of diversity. Assessment of Supervisory Board members and its committees has confirmed that each individual makes an effective contribution, showing his/her dedication to the role and dedicates time to performing that duty.

Administrative support for preparing meetings of Supervisory board is provided by the Company secretary in an efficient and in due time manner. Supervisory Board supports the aspect of diversity together with, above all, the necessary expertise of candidates when proposed for appointment to Company Supervisory Board.

Report on the performed supervision in business year 2023 prepared for voting at General Assembly includes the following:

- method how and to what extent Supervisory Board has performed supervision of Company management in business year 2023
- results of inspection of annual financial reports on December 31, 2023
- auditor report
- results of inspection of Management Board report on the state of business in business year 2023
- results of inspection of report on relationships with the one in control and related companies.

Committees of Supervisory Board

Three committees operate within Supervisory Board that support the activities and operation of Supervisory Board with their work. Auditing Committee, Appointment and Remuneration Committee and Corporate Management Committee. All committee members are appointed among members of the Supervisory Board.

Auditing Committee

Analyses financial statements in detail, provides support to the Company's accounting and establishes good and high-quality internal controls in the Company. Monitors the integrity of financial information, especially the accuracy and consistency of the accounting methods used by the Company and the Dalekovod Group, including the criteria for consolidation of financial reports of companies belonging to Dalekovod Group. Moreover, the task of the Committee is to monitor the quality of the internal control and risk management system, with the aim of adequately identifying and publicly announcing the main risks to which the Company is exposed and managing them appropriately.

Chairman of the Auditing Committee is Josip Lasić and members are Josip Jurčević and Damir Spudić. Auditing Committee has held 4 meetings in 2023. All members of Auditing Committee have participated in the decision making at all meetings. Discussions and decisions were made at meetings, and pursuant to them, recommendations to the Supervisory Board were provided, on the reports on the implementation of the annual internal audit plan, the implementation of the policy on the provision of non-audit services for 2023, the supervision of the implementation of the statutory audit and the consolidated and non-consolidated annual financial statements for 2023, making recommendations for the adoption of those reports and appointing auditors for the year 2023. Auditing Committee is independent in its work and most members of Auditing Committee are experts in accounting and auditing.

Committee for appointment and remuneration

Committee is in charge for the discussion and recommendations to the Supervisory Board on the appointment and election of Management Board members, as well as the structure of their remuneration. Chairman of the Committee is Gordan Kolak and members are Josip Jurčević and Pavao Vujnovac. All members of the Committee are members of the Supervisory Board. Committee has held 1 meeting in 2023 and all members have attended.

Committee for corporate governance

Mission of the committee is providing support to Supervisory Board for the implementation and upgrade of strategy of corporate governance in the Company and the Dalekovod Group. Chairman of the committee is Josip Jurčević and members are Božidar Poldrugač i Josip Lasić. All members of the Committee are members of the Supervisory Board. No meetings of the committee were held in 2023.

Management Board

The role of the Management is running the business of the Company in line with the Companies' Act, Company Statute and internal regulations of the Company. The Management Board is obliged to perform its function with the attention of an orderly and conscientious businessman, taking into account the interests of the Company and its shareholders.

Management Board is the main body that runs the overall business at its own responsibility and it appoints and recalls the Supervisory Board. The scope of activities of Management Board members is set according to business areas, i.e. activities and processes. Management Board is responsible for quality management of business risks and during regular meetings check economic, environment and social influences of the Company and the Dalekovod Group.

At regular meetings Supervisory Board assesses and evaluates the performance of the Company Management Board based on indicators of business performance and maintenance and establishment of the Company's positive reputation.

By way of committees and other set regulations Management Board members coordinate, direct, supervise and keep track of work within dependent companies of Dalekovod Group. Members of Management Board do not receive any compensation for their work within company bodies of the Dalekovod Group.

Supervisory Board has assessed that the Management Board and Supervisory Board have sucessfuly cooperated in 2023 in the interest of the Company via regular contacts. Management Board has regularly notified Supervisory Board on all more important business events, course of business, income and expenses and general state of the Company. Management Board has submitted to the Supervisory Board quarterly, semi-annual and annual written reports on business activities and Supervisory Board had no comments to such reports that were unanimously adopted. Management Board regularly informs Supervisory Board on corporative strategy, planning, business events, risk management, compliance, all deviations of business events from original plans, as well as important business transactions that include the Company and Dalekovod Group. Management regularly submits to Supervisory Board reports prescribed by legislative and Management informs Supervisory Board between meetings on important events pertaining to the business of the Company.

Individual self-assessment of the Management Board work is an integral part of the annual process of effect management and assessment management of Board members. Additionally, in line with

Companies’ Act, General Assembly approves the method how Management Board runs Company business, by giving release notes for previous business year.

According to Statute, Management Board can consist of four members. Meeting held 31.12.2023 has three members. Mandate of Management Board members lasts for five years with the possibility of re-appointment, without limitation to the number of mandates. Each Board member conducts business affairs within his/hers scope independently and on his/hers own responsibility with the attention of an orderly and conscientious businessman and makes decisions exclusivelly in the interest of the Company. When the decisions are made on key issues of business policy or issues that intrude into the fields of other Board members, Board member is obliged to submit such issues for decision to the entire Management Board.

Agreement on the performing duties as member of the Managing Board also defines the rights and obligations of Board members according to the performance of the duties of Board members. Report on remuneration of the Management and Supervisory Boards includes data on the amount of compensation of Management Board members and it is composed in line with Article 272 of the Companies ' Act and adopted Compensation Policy and it will be forwarded to General Assembly for adoption.

Members of the Management Board who have performed this duty during 2023:

- Tomislav Rosandić, Chairman of Management Board from 1.1.2023 to 31.12.2023,
- Eugen Paić-Karega, member of Management Board from 1.1.2023 to 31.12.2023,
- Tvrtko Zlopaša, member of Management Board from 1.1.2023 to 31.12.2023,
- Ivan Kurobasa, member of Management Board from 1.1.2023 to 31.03.2023.

Company Management Board has held 109 meetings in 2023. All members of Management Board were present at all meetings. In case of not being able to attend meetings, absent Board members participated in meetings via video-conference platform and they have actively participated in Management Board work and making decisions.

Internal audit

The Company has commissioned Internal audit department of company Končar - Elektroindustrija d.d. for conducting an independent audit and control within the Company. Internal audit informs the Management, Supervisory Board and Auditing Committee through comprehensive reports on the performed audit (findings and suggestions for improvement). Internal audit charter defines the framework and main principles applied for internal auditing of the Company and Dalekovod Group.

Internal audit is responsible for the assessment of the level of risk management in business processes, the revision of efficiency of the internal control system with the aim of the advancement of risk management and compliance with procedures, testing and analysing compatibility of existing business systems with adopted policies, plans, procedures, laws and rules that might have significant influence on business reports.

Internal audit is in charge of giving recommendations for preventive measures in the field of financial reporting, compliance of business and control with the aim of eliminating the risk and possible shortcomings that may lead to process ineffectiveness or fraudulent procedure. Internal audit informs Management Board, Auditing Committee and Supervisory Board of its work and audit plan. Findings and recommendations help management to improve processes, preventively eliminating potential risk or reducing risk to an acceptable level.

Several audits have been conducted in 2023 within the areas of reporting, purchasing and fulfilment of projects.

Overview of the findings and recommendations presents in more detail all findings and recommendations for all conducted audits with deadlines and status. Report on conducted audits has been adopted by the Auditing Committee.

Employees

An important determining characteristic of the Company is the creation of a knowledge-based company built on the overall intellectual capital. Due to increased demands for competitiveness, professional development of employees and efficient management of human resources is among the priorities of the organization. By managing labour relationships and internal organization, the Company and companies within Dalekovod Group respect regulations in force, collective and individual agreements and protect human and civil rights, dignity and reputation of every employee.

The Company organized business in such a way that it respects and applies in its work provisions of the Constitution, legislation and other regulations, bylaws and internal acts of the Company. It continuously familiarizes workers with all relevant provisions and regulations pertaining to their rights and obligations at work, fights against all forms of irregularities and tries to prevent all forms of irregularities.

The Company promotes equality of all workers, regardless of gender, age, nationality, ethnic background, rase, religion, language, social and economic status, sexual orientation, affiliation with political and other organizations.

No case of discrimination based on rase, skin colour, gender, religion, political beliefs, national or social background have been noted. As per Collective agreement, employer is responsible for the protection of dignity of workers during work activities and to ensure work conditions in which he/she shall not be exposed to harassment or sexual harassment by the employer, manager, co-workers or other persons with which they regularly come into contact during work activities.

Description of products and services

Dalekovod d.d. has specialized itself for the implementation of contracts per „turnkey"system within the following fields:

• electric power facilities, especially transmission lines from 0.4 to 750 kV

• substations of all levels and voltage levels up to 500 kV

• air, underground and underwater cables up to 110 kV

• telecommunication facilities, all network and antenna types

• production of suspension and jointing equipment for all types of transmission lines and substations from 0.4 to 750 kV

• production and installation of all metal parts for roads, especially road lighting, protective fencing and traffic signalization, tunnel lighting and traffic management

• electrification of train and tram tracks

Own shares

Company has not acquired its own shares in 2023.

Investment into dependent and associated companies and joint ventures

Investments into dependent companies are shown in more detail as part of note 20 of financial reports.

Investments into associated companies are shown in more detail as part of note 21 of financial reports.

Events after balance sheet date

Mr. Tomislav Rosandić is no longer chairman of Management Board from March 31, 2024 and Mr. Eugen Pajić-Karega steps into this position, forming a two-party Company Management with Mr. Tvrtko Zlopaša.

Company Proizvodnja MK d.o.o. has changed the name to Dalekovod MK d.o.o. On January 18, 2024.
On January 18, 2024, the share capital of Dalekovod MK d.o.o. of EUR 26,109,151.24 (HRK 196,719,400 at the fixed conversion rate of 7.5345) was adjusted to EUR 26,109,150.00.

Follow-up to the first-instance verdict in favor of the Ministry of Finance/Republic of Croatia in the court case that the Company is conducting before the Commercial Court in Zagreb under business number P-2053/2018 against the Ministry of Finance/Republic of Croatia for the payment of the Company's claim in the amount of EUR 6,636,140.42 (50,000,000.00 HRK) and the filing of a legal remedy against the said verdict, on March 25, 2024, the Company received a decision of the High Commercial Court of the Republic of Croatia, which annulled the first-instance verdict and returned the case to the Commercial Court in Zagreb for a new decision.

There are no major changes in comparison to 31 December 2023 and the reporting date.

Goals and policies connected to management of financial risks and capital risk

Company and Group are exposed to market, price, credit and solvency risks that are described in detail together with management of capital risk in note 3 of financial reports.

Shareholders structure (on 31 December 2023)

In line with Company Statute, the shareholders right to vote is not limited to a certain percentage of number of votes, nor are there time limitations for exercising the right to vote. Every regular share gives the right to one vote at General Assembly.

Rights and obligations of the Company arising from the acquisition of own shares are implemented in line with provisions of the Companies' Act and the Company Statute.

SUBJECT	NUMBER OF SHARES
Napredna energetska rješenja d.o.o.	31,000,000
Financial Institutions	9,144,753
Foreigns	3,928
Individuals	463,956
Own shares	988
Others	633,568
TOTAL	**41,247,193**

Affiliated companies and subsidiaries

THE REPUBLIC OF CROATIA

1. DALEKOVOD MK d.o.o., Vukomerička 9, 10410 Velika Gorica 79970472123/ 080437239
2. DALEKOVOD OSO d.o.o., Vukomerička 9, 10410 Velika Gorica 55411035652/ 081296773
3. DALEKOVOD EMU d.o.o., 43.ulica br. 36., Vela Luka 52516402606/ 090027780
4. DALEKOVOD-PROJEKT d.o.o., Marijana Čavića 4, Zagreb 30467839701/ 080445749
5. EL-RA d.o.o., Vela Luka (Municipality Vela Luka) 30113948970/ 060033055
6. CINČAONICA USLUGE in liquidation d.o.o. 90304389514/ 081231295

Company Proizvodnja OSO d.o.o. has changed the name to Dalekovod OSO d.o.o. on December 22, 2023.

Company Dalekovod OSO d.o.o. has been sold by company Dalekovod MK d.o.o. to company Dalekovod d.d. on 27 December 2023.

On December 22, 2023, the share capital of Dalekovod OSO d.o.o. of EUR 2,982,852.21 (HRK 22,474,300.00 at the fixed conversion rate of 7.5345) was adjusted to EUR 2,982,840.00.

Company Proizvodnja MK d.o.o. has changed the name to Dalekovod MK d.o.o. on January 18, 2024.

On January 18, 2024, the share capital of Dalekovod MK d.o.o. of EUR 26,109,151.24 (HRK 196,719,400 at the fixed conversion rate of 7.5345) was adjusted to EUR 26,109,150.00.

COMPANIES OUTSIDE THE REPUBLIC OF CROATIA

7. DALEKOVOD Plt, Namibia
8. DALEKOVOD TKS a.d., Doboj, BiH (in bankruptcy proceedings, wrote off in 2019)
9. DALEKOVOD MOSTAR d.o.o., BiH, Ante Starčevića bb, Mostar, BIH Uniqe no: 4227105910001
10. DALEKOVOD LJUBLJANA d.o.o., Zavetiška ul. 1, 10000 Ljubljana, SLO, SI 28940024
11. DALEKOVOD UKRAJINA d.o.o., Ukrajina, 4 Lunacharskogo str. 02002 Kiev, The Ukraine, ID no.: 36683014
12. DALEKOVOD LIBYA za inženjering, joint company, Libia
13. DALEKOVOD NORGE AS, Norway, Sandviksveien 26, 1363 Høvik, Norway, ID no.: 998628253

AFFILIATES AND REPRESENTATIVE OFFICES

14. DALEKOVOD NUF, Norway, Sandviksveien 26, 1363 Høvik, Norway
15. DALEKOVOD Skopje, 50te Divizije br. 36, Skopje-Centar, Skopje, Macedonia
16. DALEKOVOD NJEMAČKA, Germany, Steistr. 28, 40210 Dusseldorf
17. DALEKOVOD UKRAJINA - representative office in the Ukraine, 4 Lunacharskogo 02002 Kiev, the Ukraine
18. DALEKOVOD - Branch Of Kosova, Kosovo, St. Garibaldi 3/7, 10000 Prishtine, Kosovo
19. DALEKOVOD D.D. - representative office in Sweden, c/o Amesto Accounthouse AB, Roselundsgatan 54, 118 63 Stockholm, Sweden
20. DALEKOVOD D.D. Zagreb – affiliate Mostar, Ante Starčevića bb, 88000 Mostar
21. DALEKOVOD, d.d., affiliate Ljubljana, Zavetiška ulica 1 , 1000 Ljubljana

SOCIAL RESPONSIBILITY

One of the main focuses of the Dalekovod company is socially responsible business, which includes taking care of employees, the environment, respecting human rights and fighting corruption.
The Report on socially responsible business activities (DOP Report) that Dalekovod compiles every year, refers to the period from January 1 to December 31, 2023, and it includes detailed information on that business segment.
Report on socially responsible business activities will be available in June 2024. The integral part of the Report will be the Company obligation pursuant to delegated acts of the European Union, Article 11, paragraph 3 (EU Taxonomy).
Report is compiled by Dalekovod Group and includes four companies that form a group for which parent company has the dominant influence. Previous report was published in 2023 (for calendar year 2022) and it is available at website https://www.dalekovod.hr/drustvena-odgovornost.aspx. Responsible person for issues regarding the report and its contents is the head of Office for corporate communications. Dalekovod Group has chosen the option of fundamental compliance with GRI standards of the Global reporting initiative. Report has not been subject to external evaluation. Dalekovod Group shall, until the next report, continuously improve existing practices and monitor the progress of all companies that make up the group, as well as relations with shareholders, and that they will report to the public about this in the next report and consider the option of external evaluation.

Organizational profile

Report on social responsibility was prepared by Dalekovod Group, even though the group in such form is not registered as a legal entity. However, since the company Dalekovod d.d. is the signatory of the UN Global Compact agreement, we believe that the company Proizvodnja MK d.o.o. should also be taken into account. (from January 2024 Dalekovod MK d.o.o.), Proizvodnja OSO d.o.o. (from January 2023 Dalekovod OSO d.o.o.) and Dalekovod Projekt d.o.o. when it comes to the processed indicators, because together they form a whole in the design, production and construction of transmission lines, and with their reports and environmental indicators, they have a significant impact on the Group's sustainable operations.
Dalekovod Group constantly works on improving its business practices and oversees work of companies forming the group.

Supply chain

Almost all of our suppliers from the previous year are from the territory of Europe, which is understandable given the fact that all our projects last year were in Europe. In cooperation with suppliers, we pay special attention to the following standards:

• ISO 9001 – constant product quality improvement and process management

• ISO 14001 – environment management

• ISO 45001 – health and safety management system

• ISO 50001 – energy management system

All procedures for all business processes, as well as for purchasing process of Dalekovod Group, are defined pursuant to those standards. Part of implementation of these business procedures includes the compilation of the list of suppliers. The method for compilation of the list of suppliers is determined by internal procedures, but its key part is the screening of new suppliers via a questionnaire and visiting larger new suppliers by employees of our quality control department.

Long-standing suppliers on supplier list are assessed at the end of every year by assessing the quality and compliance with delivery deadlines.

Given the fact that Dalekovod Group's primary activity is design, manufacture and engineering, supplier profession can significantly change from year to year, depending on the projects planned for a specific year and purchasing process starts in the phase of compiling offers for projects when potential suppliers and conditions for the offer are defined, and at that moment investors often determine several suppliers in tender documentation whose equipment must be used when executing the project. In case of projects won through tenders, agreement is signed with the best equipment suppliers for each individual project.

Annual agreements with suppliers are signed in many areas for advance purchases that will be repeated regardless of the projects themselves. Other annual agreements are connected with services and specific materials that are purchases regardless of the projects themselves.

Memberships in associations

Dalekovod is a member of the following associations for the purpose od fulfilling more encompasing goals:

• Global Compact

• Committee for socialy responsible business at the Croatian Chamber of Commerce

• American Chamber of Commerce in Croatia - AmCham Croatia

• Nordic Chamber of Commerce in Croatia

Dalekovod, as a group, as individual company or its employees are members of the following organizations in Croatia and abroad:

• Croatian exporters

• Croatian Chamber of Commerce

• CIGRE (International council for large energy systems) Conseil International des Grands Réseaux Électriques)

• HO CIRED (Croatian branch of the International conference on electricity distribution)

• MIPRO (Croatian Society for Information, Communication and Electronic Technology)

• IEEE (Institute of Electrical and Electronics Engineers)

• PMI (Project Management Institute)

• Croatian Standards Institute

• Croatian society for the technique of welding

• Croatian society for quality

• Croatian employers' association

• Croatian chamber of architects and civil engineers

• Association of metal production and metal products

• Association of production of electric and optical equipment

• Energetics association - Society of renewable energy sources

• HED (Croatian energy society – Member of World Energy Council)

Thanks to memberships in the aforementioned associations, experts who work for Dalekovod d.d. participate in professional meetings in Croatia and abroad and every year contribute their own papers describing the methods, solutions and products of Dalekovod d.d. By providing sponsorships and through active participation in the preparation and organization of meetings held in Croatia, Dalekovod d.d. directly supports the work of professional organizations and considers them an important place for promotion one's own knowledge and exchange of experiences with other experts.

Research and development activities

Focus on investors and partners and the continuous innovations are the values of the Group that form the foundation for activities of market research and development of new products. We regularly conduct market research activities with the aim of better understanding the needs of the market and creating services and products that will meet all challenges. Simultaneously, we monitor trends and activities on highly developed markets with focus on Scandinavia and with the potential of expanding outside of Europe.

Involvement of stakeholders

Internal stakeholders are employees, other workers hired on projects including the process of production through agencies and subcontractors and their associations. External stakeholders are customers, local communities, shareholders, investors and suppliers.

Group members often act within a consortium that are organized for specific projects and as a consequence this can lead to reduction in direct company contact with customers and/or community. Therefore, key stakeholders, in addition to customers, can be considered employees (including employee associations), suppliers and the public sector (who acts two-fold as contractor and regulator to conditions of business dealings). Key stakeholders were determined by analysing business processes and the circumstances and risks brought about by relations with individual stakeholders. Communication with key stakeholders is maintained continuously at meetings and during the process of business implementation and their legitimate interests are always taken into consideration.

Dalekovod key stakeholders are customers, suppliers, employees and shareholders. Communication with all of them depends on key issues and interests. Besides the usual reporting system, communication for all relevant business activities (e-mail newsletters, website, stock exchange reports and media reports) takes place through other methods, depending on the need. Main topics in the previous period were connected with the process of company restructuring, key investment projects and business results with shareholders and important contracts in Croatia and abroad.

Communication with employees is done through e-mail: svi@dalekovod.hr ; svi_projekt@dalekovod.hr ; svi_mk@dalekovod.hr i svi_oso@dalekovod.hr, and mobile application for internal communication „Jenz“ through which all relevant information in connection with the business of the company are available to employees. Websites are important means of communication with partners in the country and abroad, but also with the public in general. We utilize the following websites:

www.dalekovod.com, www.dalekovod-proizvodnja.com, www.dalekovod-projekt.com.

That is the reason why great care should be given to that form of communication whose goal is to publish timely and accurate information suitable for specific type of media. In line with marketing requirements and needs, websites of Dalekovod d.d. and all listed companies making out the Dalekovod Group are translated into English. Content of our main website www.dalekovod.com is partially available in Norwegian and Swedish.

Key topics arising from the communication with stakeholders include future company development and safety of work positions, professional development of employees, fulfilment of growing market, environment and regulatory standards that are valid on various (especially international) markets.

Environmental management

Dalekovod Group has decided on sustainable development by achieving balance between the environment, society and our activities in order to fulfil requirements for development, without endangering chances of future generations. Sustainable development, transparency and conformity are components of economic growth of Dalekovod.

Promoting environmental management

• Dalekovod Group believes that environmental management is one of the main responsibilities of the highest management and it promotes environment protection activities in line with economic activities.

• Dalekovod Group keeps track, measures and analyses achieved results in order to determine the goals in relation to reduction of influence on the environment and prevention of pollution.

• Dalekovod Group tries to continuously improve environmental management by conducting internal audits.

• Dalekovod Group fulfils all legislative provisions, investor requirements and its own instructions pertaining to the environment.

• Dalekovod Group tries to stay open in communication with the local community and interested parties and to transparently report on its influences on the environment.

• Dalekovod Group strives to raise awareness for environmental protection through continuous employee education.

• Dalekovod Group acts on the global level and accordingly promotes activities of environmental protection in all activities of Dalekovod Group.

Employment relations, decent work and human rights

The dimension of social sustainability concerns the impact of organizations on the social systems in which they operate. In this report, that impact is listed by segments of employment relations, decent work and human rights, society and product responsibility. Important strategic guidelines of the company Dalekovod d. d. direct the development of the Dalekovod Group towards the creation of a company of knowledge based on the quality of human resources and total intellectual capital.

As the result of increased demand for competitiveness, employee professional development and efficient management of human resources is considered as the greatest priorities of the organization. When determining working relations and internal organization members of Dalekovod Group act in line with applicable legislation, collective and individual agreements and protect human and citizen rights, dignity and reputation of every employee. Discrimination or harassment of employees based on their gender, rase, religious, national or political orientation, physical deficiencies, age, family status, personal characteristics or beliefs are not permitted. The principle of equal compensation for equal work is applied throughout the entire organization. Dalekovod d.d. ensures safe working conditions, which imply minimal differences in the field of health and safety, appropriate training and, if necessary, insurance against the consequences of such risks.

The freedom of association and collective negotiations are not restricted, and the rights guaranteed by the collective agreement are broader than legal rights and above average in the industrial sector. In case of violation of legal or contractual rights, employee or associate can request solution to the problem and protection of his/hers rights. A person with permanent or temporary special requirements for the duration of the employment status or during performance of work obligations has to right to equal treatment, but his/hers special requirements must be taken into consideration. Office for legal and personnel affairs is responsible for hiring. Joint policy that is in line with Dalekovod d.d. (parent company) policy is applied.

Hiring and structure of employees

People employed for an indefinite time work in representative offices and affiliates abroad, depending on the needs. Local work force when construction sites are in question depend on the requirements for construction of larger project in more distant areas and employment is temporary. In Scandinavian countries, where Dalekovod has the largest presence, local management with the knowledge of local language is employed and the aim is on the further development of such market.

The trends present in the workforce segment indicate that the inflow is mainly related to the recent employment of younger, highly educated staff, but also employees with specialist knowledge (electrical fitters, locksmiths, carpenters) as the result of the needs in construction site areas, while the outflow of the workforce is mainly related to the retirement of employees.

Employees of company Dalekovod d.d. are employed for indefinite time for full-time working hours. Workers employed for definite time for the duration of the agreement exercise the same rights as people employed for indefinite time in line with applicable legislation.

Collective agreements and employee rights

First collective agreement was made on 14 June 1996 with the Union of metal workers of Croatia - Affiliate Velika Gorica, the Union of construction of Croatia - Union affiliate Dalekovod, Croatian association of unions and the Union affiliate Dalekovod, and it applies to all employees. Collective agreement has been revised several times. Last amendments were made in September 2023. Notices concerning significant changes in business activity are issued in line with the Labour Act, and are not specifically stated in the collective agreement. Notices concerning significant changes in business activity are given to the workers' council or, if council is not established in a specific company, to the main union representative.

Health and safety at work

Aware of the dynamics of a construction site and the wide range of risks, Dalekovod has defined the policy of the health and safety at work management system, which applies to employees, subcontractors, visitors, associates, citizens and other stakeholders of work processes, and which is based on the principle of proactive and preventive action with the aim of eliminating and replacing a way of work that carries too much residual risk.

Higher standards for health protection and safety of workers has been set by implementing management system ISO 45001 In accordance with the system management policy, the highest priority is given to the principles of preventive action, first of all through the development of a culture of safety at all levels, with the aim that all employees actively participate in ensuring a healthy and safe working environment.

The health and safety management system is managed by occupational safety experts who, in addition to higher professional education, also have significant experience on domestic and foreign projects. This availability of staff enables better and more efficient supervision, which is an important factor, considering the distribution of both projects and construction sites within them.

Practice has shown that the experience gained on transmission line construction projects qualifies our construction projects as extremely successful in terms of safety and occupational health, as evidenced by acknowledgements and awards from investors.

Training and education

Members of the Dalekovod Group continuously work on professional and personal development of employees from the moment of their employment. Interns who start work after training are introduced to jobs and work tasks within the company that employs them.

In addition to basic familiarization with the organization, the entire production program, references, market activities and promotion, social responsibility and other activities at Dalekovod d.d., interns also visit other locations of the group and learn about their production processes. Employee training and their development are important tasks of the Human resources department. Quality, frequency and selection of a suitable time for training and development of employees have important effect on the sustainability and competitiveness of company.

Training programs are aimed at adapting to the company's requirements and are becoming increasingly complex and include the necessary qualifications for current jobs (for example, training for an overhead crane operator, operating a chainsaw or rotary tools), the possibility of expanding knowledge regarding the tasks that the employee performs - additional training and the possibility of advancement of motivated and capable individuals.

The education program adapted to the needs of employees is divided into several forms of training: acquisition of computer skills, acquisition of knowledge of foreign languages, professional exams, various trainings (various professional seminars, manager education programs, undergraduate studies, graduate studies and doctoral studies).

In addition, the Human resources department encourages the learning and improvement of knowledge of foreign languages, which is organized in accordance with the requirements of work positions, therefore languages are also learned depending on the needs of certain markets, such as the Norwegian market, and depending on the need to learn other Scandinavian languages.

According to the Occupational Safety and Health Act, a certain number of employees must be trained to provide first aid. For every 50 workers one worker is trained to provide first aid. Therefore, it should be noted that due to the well-organized system of safety and protection at work, as evidenced by the small number of injuries at work and cases of professional incapacity, there is no need for additional counselling on risks, prevention and control.

Communication with employees is two-way, team, department and supervisor meetings are regularly held, but it is also conducted via e-mail svi.dd@dalekovod.hr, through a spokesperson, Jenz app, mail newsletter and by publishing various decisions and notices.

Diversity and equal possibilities

The ratio of the basic salary of men and women according to the category of employees: The basic salaries of men and women are identical in all categories of employees.

Company has actively implemented measures for promotion of gender equality on the level of the Company during 2023. The emphasis was on equal conditions with regard to gender and age when carrying out new employment, as well as redistributing worker internally.

The same criteria were applied when hiring workers for management positions in the Company, for which continuous progress is achieved. Moreover, no recorded differences in wages for the same work or work of equal value.

At all levels, an equal representation of experts was recorded, regardless of gender and age. Regarding the professional criteria, the Company applies the strategy of employment and development of management functions of the appropriate profession and level of education, considering the nature of the function and its requirements. The company also continuously conducts employee educations and trainings for the purpose of further improvement and development of competencies.

Human rights

No cases of discrimination on the basis of gender, rase, age, nationality, political or religious beliefs or other applicable criteria have been recorded. Principles of equality and uniform criteria are respected when managing human potential and making other relevant business decisions.

Freedom of association and collective negotiation

Within all companies of the Dalekovod Group and in all business activities, there is freedom of association and collective negotiation. No cases of its limitations have been recorded. The same applies to business activities outside Croatia.

Child labour, compulsory and forced labour

Dalekovod d.d. operates in compliance with positive legal regulations prohibiting child labour. Dalekovod d.d. operates in compliance with the Constitution and positive legal regulations prohibiting forced or compulsory labour.

Donations and sponsorships

In accordance with its development strategy as a socially responsible company, Dalekovod d.d. Zagreb has been active for years in the field of sponsoring science and education, culture and art, sports, sustainable development and health. Also, the company has an influence on humanitarian activities. Our goal is to create a knowledge society and create prospects for young people.

Dalekovod Dioničko društvo za inženjering, proizvodnju i izgradnju

(Dalekovod Joint stock company for engineering, production and construction)

Marijana Čavića 4, 10 000 Zagreb, Croatia,

10001 Zagreb, PO Box: 128

URL: www.dalekovod.hr, www.dalekovod.com

E-mail: dalekovod@dalekovod.hr

Share capital: 41,247,193.00 EUR Number of shares: 41,247,193

IBAN: HR8323600001101226102 ZABA Zagreb

Company registration no.: 080010093, Commercial Court in Zagreb

Registration no: 3275531

Company ID no. (OIB): 47911242222

Activity code: 4222 (Construction of electricity and telecommunications lines)

Signed by Management Board on 12 April 2024.

Eugen Paić-Karega

Chairman of the Management

Tvrtko Zlopaša

Member the Management Board

RESPONSIBILITY FOR CONSOLIDATED AND NON-CONSOLIDATED ANNUAL REPORT

The management of the company Dalekovod d.d., Zagreb, Marijana Čavića 4 (the "Company") and its subsidiaries (together "Group") is obliged to ensure that the annual non-consolidated financial statements of the Company and the consolidated financial statements of the Group for each year are prepared in accordance with the Accounting Act (Official Gazette 78/15, 120/16) and International Financial Reporting Standards ("IFRS") adopted by the European Union, in such a way that they provide a true and fair presentation of the financial position, business results, cash flows and capital changes for that period.

Based on the research conducted, the Management justifiably expects that the Company and the Group have adequate funds for continuation of operations in the foreseeable future. Accordingly, the Management Board prepared annual non-consolidated and consolidated financial statements under the assumption that the Company's and the Group's operations will continue indefinitely.

When preparing the annual non-consolidated and consolidated financial statements, the Management Board is responsible for:

- selection and then consistent application of appropriate accounting policies in accordance with applicable financial reporting standards;
- granting reasonable and rational judgements and assessments;
- preparation of annual non-consolidated financial statements with the assumption of unlimited business time, unless the assumption is inappropriate.

The Management is responsible for keeping correct accounting records, which will at any time reflect with acceptable accuracy of the financial position, business results, cash flows and capital changes of the Company and the Group, as well as their compliance with the Accounting Act and the International Financial Reporting Standards. The Management Board is also responsible for safeguarding the assets of the Company and the Group, and therefore for taking reasonable measures to prevent and detect fraud and other illegalities.

The Management Board is also responsible for the preparation and the content of the Management Report and the statement on the application of the corporate governance code, in accordance with the Croatian Accounting Act. The management report and statement on the application of the corporate governance code were approved for issuance by the Management Board and signed accordingly. The Management Board is responsible for submitting its Management Report together with consolidated and non-consolidated financial statements to the Supervisory Board.

After that, the Supervisory Board must approve the annual financial statements for their submission to the General Assembly of shareholders for approval.

The consolidated and non-consolidated financial statements and the Management Report were approved by the Management Board on April 12, 2024 for submission to the Supervisory Board and were signed below by:

Eugen Paić-Karega

Chairman of the Management Board

Tvrtko Zlopaša

Member of the Management Board

Independent Auditors’ Report to the shareholders of Dalekovod d.d.

Opinion

We have audited the separate financial statements of Dalekovod d.d. (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the separate and consolidated statements of financial position of the Company and the Group, respectively, as at 31 December 2023, and their respective separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information (hereinafter “the financial statements”).

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2023, and of their respective unconsolidated and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This version of the auditor’s report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor’s report takes precedence over this translation.

Independent Auditors' Report to the shareholders of Dalekovod d.d. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION UNDER LONG-TERM (CONSTRUCTION) CONTRACTS

Revenue recognized from construction contracts recognized in profit or loss in 2023: the Group EUR 146,409 thousand; the Company: EUR 118,633 thousand (88 and 99 per cent, respectively, of the total revenue for 2023). Please refer to the Notes 2.20 of *Material accounting policy information*, Note 4 (a) of *Key accounting estimates and judgements* and Note 6 *Business segment information* in the financial statements.

Key audit matter	How our audit addressed the matter

The Group's and the Company's principal activities include manufacturing of complex power-generating equipment, its installation and related construction services.
 	
Consequently, contracts with customers typically include one performance obligation which is satisfied over time.
 	
Under the applicable financial reporting standard governing the accounting for revenues, IFRS 15 *Revenue from Contracts with Customers,* if the requirements for recognition of revenue over time are met, entities measure 'progress to complete satisfaction' of the performance obligation using a method that best depicts the performance.
 	
Given the nature of contracts with customers, revenue from contracts with customers is recognised by reference to the 'progress to complete satisfaction' of the performance obligation which is typically calculated using the 'cost-to-cost' input method which measures the proportion of contract costs incurred for work performed up to the reporting date compared to the estimated total contract costs required to satisfy the performance obligation.
 	
The accounting for long-term construction contracts requires management to make reliable estimates with respect to future costs to completion of a contract and fulfilment of contractual obligations.
 	
This estimate directly impacts the amounts and timing of revenue recognition since it determines the stage of completion achieved under the contract. As a result, we considered this area to be a key audit matter.
	Our audit procedures in this area included, among others:
	
	• assessing the Group's and the Company's policy for recognizing revenue, including whether the policy is in accordance with the relevant accounting standards;
	• testing the design, implementation and operating effectiveness of controls related to accuracy of budgeting process including effectiveness of management review;
	• assessing the accuracy of contract budgets by analysing historical accuracy of prior year budgets for selected completed and open contracts;
	• for a sample of contracts with key customers:
	    o challenging management's identification of performance obligations, particularly with respect to the evaluation of whether the contract relates to a single performance obligation;
	    o challenging management's assessment of whether the identified performance obligation meets the criteria for recognising revenue over time vs. at a point-in-time, by reference to the provisions of the contract and our understanding of the resulting pattern of satisfying the performance obligation;
	    o challenging the appropriateness of the method used to measure 'progress to complete satisfaction' (cost-to-cost vs. output based on surveys of work performed) by considering contractual terms and the nature of goods or services promised to customers;
	• for a sample of contracts, evaluating the appropriateness of the estimated 'progress to complete satisfaction' as at year-end by reference to the provisions of the contract and other supporting documents, such as budgets, progress reports and/or surveys of work performed;
	• for significant subsequent changes in contracts, inspecting their formal approvals by customers;
	• assessing the adequacy of disclosures regarding estimation uncertainty involved in the accounting for construction contracts.

Independent Auditors' Report to the shareholders of Dalekovod d.d. *(continued)*

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the Management Report and Statement of Compliance with the Code of Corporate Governance included in the Annual Report of the Company and the Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and Statement of Compliance with the Code of Corporate Governance, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act;
- the Statement of Compliance with the Code of Corporate Governance includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report and Statement of Compliance with the Code of Corporate Governance for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act, respectively;
- the Statement of Compliance with the Code of Corporate Governance includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Statement of Compliance with the Code of Corporate Governance. We have nothing to report in this respect.

Independent Auditors’ Report to the shareholders of Dalekovod d.d. *(continued)*

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s and the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s and the Group’s internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s and the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

Independent Auditors' Report to the shareholders of Dalekovod d.d. *(continued)*

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 12 June 2023 to audit the financial statements of the Company and the Group for the year ended 31 December 2023. Our total uninterrupted period of engagement is seven years, covering the period from the year ended 31 December 2017 to the year ended 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 11 April 2024;
- for the period to which our statutory audit relates, we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Igor Gošek.

Independent Auditors' Report to the shareholders of Dalekovod d.d. *(continued)*

Report on Other Legal and Regulatory Requirements (continued)

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of the Capital Market Act, we are required to express an opinion on compliance of the separate and consolidated financial statements of the Company and the Group as at and for the year ended 31 December 2023, as included in the attached electronic file " *dalekovoddd-2023-12-31-en* ", with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the separate and consolidated financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the separate and consolidated financial statements in the applicable xHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the separate and consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the separate and consolidated financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the separate and consolidated financial statements of the Company and the Group presented in human-readable format;
- evaluating the completeness of the Company's and Group's tagging of the separate and consolidated financial statements;
- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the separate and consolidated financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements (continued)

Report on Compliance with the ESEF Regulation (continued)

Opinion

In our opinion, based on the procedures performed and evidence obtained, the separate and consolidated financial statements of the Company and the Group as at and for the year ended 31 December 2023, presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our opinion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any assurance with respect to other information included in documents in the ESEF format.

KPMG Croatia d.o.o. za reviziju **12 April 2024**
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Hrvatska

THIS AUDIT REPORT IS ELECTRONICALLY SIGNED BY THE AUDITORS AS AT THE ABOVE DATE

DALEKOVOD d.d.

CONSOLIDATED AND SEPARATE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

(all amounts are expressed in thousands of EUR)	Note	Dalekovod Group		Dalekovod d.d.	
		2023	**2022**	**2023**	**2022**
Sales revenue	6	165,790	136,645	119,637	94,298
Other income	7	2,029	2,750	2,716	6,343
Change in work in progress and finished goods		998	(25)	(2)	-
Cost of trade goods sold		(17,297)	(15,599)	(7,084)	(6,550)
Cost of materials and services	8	(95,520)	(66,875)	(73,906)	(53,290)
Staff costs	9	(37,669)	(37,918)	(27,603)	(27,405)
Depreciation and amortisation	16-18	(3,451)	(3,979)	(3,060)	(3,627)
Other operating expenses	10	(10,526)	(12,847)	(9,098)	(9,025)
Value adjustment of financial assets	11	(6,635)	(29)	(6,291)	63
Operating gain/(loss)		**(2,281)**	**2,123**	**(4,691)**	**807**
Finance income	12	1,780	996	2,206	1,540
Finance costs	12	(1,527)	(1,478)	(1,497)	(1,396)
		253	(482)	709	144
Profit / (loss) before tax		**(2,028)**	**1,641**	**(3,982)**	**951**
Income tax	13	(1,170)	(793)	(684)	(635)
Net profit / (loss) from continuing operations		**(3,198)**	**848**	**(4,666)**	**316**
Net profit / (loss) from discontinued operations		**(12)**	**(102)**	**(80)**	**(54)**
Net profit / (loss)		**(3,210)**	**746**	**(4,746)**	**262**
Net profit / (loss) attributable to:					
Equity holders of the Company		(3,210)	746	(4,746)	262
Net profit / (loss)		**(3,210)**	**746**	**(4,746)**	**262**
Basic profit / (loss) per share (in EUR)	14	**(0.08)**	**0.02**		
Diluted profit / (loss) per share (in EUR)	14	**(0.08)**	**0.02**		

The accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(all amounts are expressed in thousands of EUR)	**Note**	**Dalekovod Group**		**Dalekovod d.d.**	
		2023	**2022**	**2023**	**2022**
Net profit / (loss)		**(3,210)**	**746**	**(4,746)**	**262**
Other comprehensive income / (loss):					
Gain on revaluation of assets	16	-	670	-	670
Other		(74)	221	-	239
Total other comprehensive income / (loss)		**(74)**	**891**	**-**	**909**
Total comprehensive income / (loss)		**(3,284)**	**1,637**	**(4,746)**	**1,171**
Comprehensive income / (loss) attributable to:					
Equity holders of the Company		(3,284)	1,637	(4,746)	1,171
Total comprehensive income / (loss)		**(3,284)**	**1,637**	**(4,746)**	**1,171**

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

(all amounts are expressed in thousands of EUR)	Note	Dalekovod Group 2023	Dalekovod Group 2022	Dalekovod d.d. 2023	Dalekovod d.d. 2022
ASSETS					
Intangible assets	16	969	983	756	769
Property, plant and equipment	17	31,595	31,829	23,708	23,252
Investment property	18	-	-	5,279	5,981
Investments in subsidiaries	20	-	-	11,130	6,491
Investments in associates	21	1	1	1	1
Loans and receivables	23	6,065	5,249	6,153	5,381
Non-current assets		38,630	38,062	47,027	41,875
Inventories	24	16,134	10,494	2,464	1,119
Trade and other receivables	25	70,571	76,997	61,759	74,411
Income tax receivable		243	289	204	204
Cash and cash equivalents	26	12,345	3,784	10,262	2,837
Assets held for sale	33	6	16	-	-
Current assets		99,299	91,580	74,689	78,571
Total assets		**137,929**	**129,642**	**121,716**	**120,446**

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2023

(all amounts are expressed in thousands of EUR)	Note	Dalekovod Group 2023	Dalekovod Group 2022	Dalekovod d.d. 2023	Dalekovod d.d. 2022
EQUITY AND LIABILITIES					
Share capital	27	41,247	54,744	41,247	54,744
Capital reserves	27	12,387	-	12,387	-
Legal reserves	27	22	22	-	-
Treasury shares	27	(1,124)	(1,124)	(1,124)	(1,124)
Statutory and other reserves	27	5,453	5,759	1,124	1,124
Revaluation reserves	27	6,405	6,405	6,405	6,405
Translation reserves		(739)	(665)	-	-
Accumulated loss		(1,499)	601	(4,746)	(1,110)
Total equity		**62,152**	**65,742**	**55,293**	**60,039**
Borrowings	28	7,806	4,514	8,187	4,930
Provisions	30	3,286	3,275	3,077	3,062
Deferred tax liability	15	1,406	1,406	1,406	1,406
Non-current liabilities		**12,498**	**9,195**	**12,670**	**9,398**
Borrowings	28	4,148	3,771	4,359	4,729
Provisions	30	589	125	403	95
Trade and other payables	29	54,816	47,181	45,676	42,705
Income tax payable		3,685	3,509	3,315	3,480
Liabilities held for sale	33	41	119	-	-
Current liabilities		**63,279**	**54,705**	**53,753**	**51,009**
Total liabilities		**75,777**	**63,900**	**66,423**	**60,407**
Total equity and liabilities		**137,929**	**129,642**	**121,716**	**120,446**

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Group

(all amounts are expressed in thousands of EUR)	Note	Share capital	Capital reserves	Legal reserves	Treasury shares	Statutory and other reserves	Revaluation reserves	Translation reserve	Accumulated loss	Total
At 1 January 2022 (restated)		**54,744**	**-**	**22**	**(1,124)**	**5,720**	**5,735**	**(609)**	**(383)**	**64,105**
Net profit/(loss) (restated)		-	-	-	-	-	-	-	746	746
Other comprehensive income/(loss)		-	-	-	-	39	670	(56)	239	892
Total comprehensive income/(loss)		-	-	-	-	39	670	(56)	984	1,637
At 31 December 2022		**54,744**	**-**	**22**	**(1,124)**	**5,759**	**6,405**	**(665)**	**601**	**65,742**
Net profit/(loss)		-	-	-	-	-	-	-	(3,210)	(3,210)
Other comprehensive income/(loss)		-	-	-	-	-	-	(74)	-	(74)
Total comprehensive income/(loss)		-	-	-	-	-	-	(74)	(3,210)	(3,284)
Transactions with owners										
Other changes		-	-	-	-	(306)	-	-	-	(306)
Share capital decrease	27	(13,497)	12,387	-	-	-	-	-	1,110	-
At 31 December 2023		**41,247**	**12,387**	**22**	**(1,124)**	**5,453**	**6,405**	**(739)**	**(1,499)**	**62,152**

Company

(all amounts are expressed in thousands of EUR)	Note	Share capital	Capital reserves	Treasury shares	Statutory and other reserves	Revaluation reserves	Accumulated loss	Total
At 1 January 2022		**54,744**	**-**	**(1,124)**	**1,124**	**5,735**	**(1,611)**	**58,868**
Net profit/(loss) - restated		-	-	-	-	-	262	**262**
Other comprehensive income/(loss)		-	-	-	-	670	239	**909**
Total comprehensive income/(loss)		-	-	-	-	670	501	**1,171**
At 31 December 2022		**54,744**	**-**	**(1,124)**	**1,124**	**6,405**	**(1,110)**	**60,039**
Net profit/(loss)		-	-	-	-	-	(4,746)	(4,746)
Total comprehensive income/(loss)		-	-	-	-	-	(4,746)	(4,746)
Transactions with owners								
Share capital decrease	27	(13,497)	12,387	-	-	-	1,110	-
At 31 December 2023		**41,247**	**12,387**	**(1,124)**	**1,124**	**6,405**	**(4,746)**	**55,293**

FOR THE YEAR ENDED 31 DECEMBER 2023

(all amounts are expressed in thousands of EUR)	Note	Dalekovod Group 2023	Dalekovod Group 2022	Dalekovod d.d. 2023	Dalekovod d.d. 2022
Profit/(loss) before tax		**(2,040)**	**1,539**	**(4,062)**	**897**
Adjustments:					
Depreciation and amortisation	16-18	3,451	3,979	3,060	3,627
Property, plant and equipment write-off	10	473	-	493	-
Loss/(gain) on sale of property, plant and equipment	17	18	(6)	-	8
Impairment of trade receivables and loans receivable	11	(1)	29	(345)	(63)
Impairment of other financial assets	11	6,636	-	6,636	-
Capitalization of salary costs	16	(6)	(82)	(6)	(82)
Impairment of investments in subsidiaries	10	-	-	-	(265)
Impairment of inventories and inventory shortages	10	348	46	6	2
Net change in provisions	30	475	(533)	323	(305)
Dividend income	12	-	-	(978)	(280)
Unrealised foreign exchange differences		(701)	(82)	(709)	(86)
Interest income	12	-	(19)	(69)	(82)
Transfer to assets intended for sale		-	68	-	54
Income from unwinding of discount	12	211	(123)	211	(123)
Other finance income	12	(650)	(12)	(91)	(12)
Interest expenses	12	901	553	931	705
		9,115	5,357	5,400	3,995
Changes in working capital:					
Trade and other receivables		(1,487)	(15,883)	(2,858)	(18,229)
Inventories		(5,988)	(828)	(1,351)	(53)
Trade and other payables		7,117	790	5,282	4,197
Net cash generated from operating activities		**8,757**	**(10,564)**	**6,473**	**(10,090)**
Interest paid		(290)	(4,859)	(289)	(4,917)
Tax paid		(994)	(1,187)	(635)	(1,057)
Net cash flows from operating activities		**7,473**	**(16,610)**	**5,549**	**(16,064)**

FOR THE YEAR ENDED 31 DECEMBER 2023

(all amounts are expressed in thousands of EUR)	Note	Dalekovod Group 2023	Dalekovod Group 2022	Dalekovod d.d. 2023	Dalekovod d.d. 2022
Cash flows from investing activities					
Acquisition of intangible assets	16	(120)	(603)	(101)	(601)
Acquisition of property, plant and equipment	17	(1,939)	(666)	(1,538)	(377)
Proceeds from sale of property, plant and equipment		185	418	165	370
Net change in deposits		(13)	15	(35)	40
Loans given		(28)	(40)	(481)	(712)
Repayments of loans given		37	40	480	68
Proceeds from sale of subsidiary	20	-	-	356	-
Proceeds from sale of associated company	20	655	-	-	-
Proceeds from share in profits		-	-	745	454
Interest received		-	13	-	41
Net cash flows used in investing activities		**(1,223)**	**(823)**	**(409)**	**(717)**
Cash flows from financing activities					
Proceeds from borrowings		4,900	963	4,900	963
Repayment of borrowings		(1,332)	(33,955)	(1,332)	(33,984)
Repayment of mezzanine		-	(4,121)	-	(4,760)
Redemption of bonds		(188)	(180)	(248)	(238)
Cash receipts from the increase in the share capital		-	54,416	-	54,416
Repayment of lease liabilities		(1,069)	(3,583)	(1,035)	(3,511)
Net cash flows from / (used in) financing activities		**2,311**	**13,540**	**2,285**	**12,886**
Net increase / (decrease) in cash		**8,561**	**(3,893)**	**7,425**	**(3,895)**
Cash at beginning of year		3,784	7,677	2,837	6,732
Cash at end of year	26	12,345	3,784	10,262	2,837
Net increase / (decrease) in cash		**8,561**	**(3,893)**	**7,425**	**(3,895)**

NOTE 1 – GENERAL INFORMATION

At 31 December 2023 the Dalekovod Group (the Group) comprises of the parent company Dalekovod d.d., Zagreb and 13 subsidiaries owned by the parent company, one entity owned by the other subsidiary and one entity run as joint venture (2022: 14 subsidiaries owned by the parent company and one entity run as joint venture) – note 20 and 21.

Dalekovod d.d., Zagreb (the Company) was incorporated in compliance with the laws and regulations of the Republic of Croatia. The registered office of the Company is in Zagreb, Marijana Čavića 4 street. The Company's shares are listed on the public joint stock company listing on the Zagreb Stock Exchange.

The Company's principal activity is the engineering, production, construction and installation of electric power facilities, facilities for road, railroad and mass transit and telecommunication infrastructure.

Members of the Supervisory Board:

Gordan Kolak	President of the Supervisory Board
Josip Jurčević	Vice president of the Supervisory Board
Josip Lasić	Member of the Supervisory Board
Dražen Buljić	Member of the Supervisory Board
Božidar Poldrugač	Member of the Supervisory Board
Damir Spudić	Member of the Supervisory Board
Pavao Vujnovac	Member of the Supervisory Board

Members of the Management Board:

Tomislav Rosandić	President of the Management Board (until 31 March 2024)
Eugen Paić-Karega	Member of the Management Board (until 31 March 2024)
	President of the Management Board (from 1 April 2024)
Tvrtko Zlopaša	Member of the Management Board
Ivan Kurobasa	Member of the Management Board (until 31 March 2023)

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies are applicable to both the Group and to the Company and they have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) under the historical cost convention, except with aspect to the revaluation of land, buildings, financial assets at fair value through profit or loss and investments in equity instruments through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s and the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The amounts in these financial statements are rounded to the nearest thousand, unless otherwise stated.

The financial statements have been prepared on a going concern basis.

Change in funactional and presentational currency

Financial statements are presented in euro ("EUR"), which is the Company's and Group’s functional currency and have been rounded to the nearest thousand.

Since the Republic of Croatia introduced the euro as the official currency on 1 January 2023, in accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the Company and the Group changed the presentation currency for the purposes of preparing financial statements for the year ended 31 December 2023 from kuna to euro, and the financial statements for the year ended 31 December 2023 were prepared for the first time in euro, rounded to the nearest thousand. From 1 January 2023, the euro is also the functional currency of the Company (until 1 January 2023, it was HRK). In this regard, the exchange rate of HRK 7.53450 to the euro was used for the conversion of comparative data.

Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Company and the Group did not present the third balance sheet in the financial statements for the year ended 31 December, 2023 in accordance with International Accounting Standard 8 (IAS) *Accounting Policies, Changes in Accounting Estimates and Errors*, given that it has determined that the change in the presentation currency has no significant impact on the Company's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Consolidation

(a) *Subsidiaries*

In the separate financial statements, the Company carries investments in subsidiaries at cost less impairment. Investments are tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in subsidiaries that suffered an impairment in previous periods are reviewed for possible reversal of the impairment at each reporting date.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date of sale or date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated, unless there is evidence of impairment of transferred assets. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership of subsidiaries without loss of control

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group loses control or significant influence, all retained interest in the entity are re-measured to their fair value, with a change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. Furthermore, all amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Consolidation (continued)

(d) Associates

Associates are all entities over which the Group or the Company have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group accounts for investments in associates using the equity method and the Company accounts for them at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses is equal to or exceeds its ownership interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are being changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Mergers

The predecessor method of accounting is used to account for the merger of entities under common control. The carrying value of assets and liabilities of the predecessor entity are transferred as balances in the merged entity. On the date of the merger, inter-company transactions, balances and unrealised gains and losses on transactions between the two entities merging are eliminated. Any difference between the carrying value of net assets merged and net assets given up is recorded as equity. Mergers within the Group have no effect on consolidated financial statements.

2.3 Foreign currencies

(a) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(b) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

At consolidated level, exchange differences arising from the translation of the net investment in foreign operations are taken to 'Cumulative foreign exchange differences' within shareholders' equity. When a foreign operation is partially disposed of or sold and control over the subsidiary is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the Company.

2.5 Property, plant and equipment

Land, buildings and other tangible assets, except assets under foreclosure, are carried in the balance sheet at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and assets under construction are not depreciated. Depreciation is calculated using linear method individually for each asset through estimated life expectancy of asset in use. Depreciation is calculated when asset is available and ready to use. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful live in years
Buildings	20 – 40
Equipment	5 – 10
Machinery	25

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Revaluation of land

Land is carried at fair value based on periodic, but at least triennial, valuations by external independent assessors. Increases in the carrying amount of assets arising on revaluation are credited to other comprehensive income and presented in equity under revaluation reserves. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity, all other decreases are charged to the income statement.

Land after initial recognition is stated at a revalued amount based on its fair value at the date of revaluation less any subsequently accumulated impairment losses. Independent estimates of land values are made when the carrying amount is significantly different from the fair value. Any increase in the value of the land is recorded within other comprehensive income on the revaluation reserve position, unless and only to the extent to which it reverses an impairment of the same asset that was previously recognized as an expense in which case is recognised as income. Any impairment is first offset by an increase that relates to an earlier valuation of the value of the same asset and is subsequently recognized as an expense. The relevant part of the revaluation reserves made during the previous valuation of the value is released from the revaluation reserves directly to retained earnings after the disposal of the asset.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.6 Investment property

Investment property, principally comprising office buildings and land, is held for long-term rental yields or appreciation. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified, in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment, where required. Depreciation for buildings is calculated using the straight-line method to allocate cost over estimated useful life (20 to 40 years).

Subsequent costs are capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.7 Intangible assets

Intangibles primarily relate to rights of use and computer software are capitalised on the basis of the costs incurred to bring to use the specific software. These costs are amortised over their estimated useful lives (5 years).

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life (such as land or goodwill) which are not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.9 Financial instruments

2.9.1 Financial assets

(a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- FVOCI (fair value through other comprehensive income) – debt investment;
- FVOCI – equity investment;
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

During initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. The Group and Company do not have recognized amounts of financial assets measured at FVTPL.

The main categories of financial assets recognized by the Group and Company relate to cash and cash equivalents, trade receivables and loans, all of which are measured at amortized cost, with trade receivables and loans held in a held-to-collect business model.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.1 Financial assets (continued)

(b) Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)

When assessing the baseline criteria of whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that the basic criterion would not be met. In making this assessment, the Group considers:

- contingent events that could change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the 'solely payments of principal and interest' criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Subsequent measurement and recognition of gains and losses

The table below provides an overview of key features of the accounting policy that the Group and Company apply with respect to subsequent measurement and recognition of gains and losses of the main financial asset category recognised in their financial statements:

Financial assets at amortised cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(c) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the Group enters into transactions whereby it transfers financial assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.2 Financial liabilities

(a) Recognition and initial measurement

Debt securities issued are initially recognised when they incurred. All other financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(b) Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as at FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss at derecognition is also recognised in profit or loss.

(c) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2.9.3 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.4 Impairment of non-derivative financial assets

Recognition of loss allowances

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without additional cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk of financial assets is significantly increased when early warning indicators are activated in accordance with the Group's policy or the contractual terms of the instruments.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.9 Financial instruments (continued)

2.9.4 Impairment of non-derivative financial assets (continued)

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as significant days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off of financial assets

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For smaller individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For larger corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group generally expects no significant recovery from the amount written off.

2.10 Leases

The Group and Company are Lessee

At inception of a contract, the Group and Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and Company use the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group and Company allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group and Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.10 Leases (continued)

The Group and Company are Lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group and Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's and Company's incremental borrowing rate. Generally, the Group and Company use its incremental borrowing rate as the discount rate.

The Group and Company determine its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group and Company are reasonably certain to exercise, lease payments in an optional renewal period if the Group and Company are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and Company are reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's and Company's estimate of the amount expected to be payable under a residual value guarantee, if the Group and Company change its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.10 Leases (continued)

The Group and Company are Lessee (continued)

Short-term leases and leases of low-value assets

The Group and Company have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group and Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In the comparative period leases of property and equipment, where the Group and Company had substantially all the risks and rewards of ownership, were classified as finance leases. Finance leases were capitalized at the inception of the lease at the lower of fair value of the leased property or the present value of minimum lease payments. Each lease payment was allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the finance costs was charged to the income statement over the lease period. The property and equipment acquired under finance leases were depreciated over the shorter of the useful life of the asset and the lease term.

Leases where the significant portion of risks and rewards of ownership were not retained by the Group and Company were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

The Group and Company are Lessor

The accounting policy applicable to the Group and Company as a lessor in comparative information is not different from the policy in accordance with the new standard. When concluding a contract, the Group and Company determine whether it is a financial or operating or operating lease, depending on whether the lease agreement transfers almost all risks and rewards associated with the ownership of the property.

All leases where the Group and Company are lessors are operating leases.

Assets under an operating lease where the Group and the Company are the lessor are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term, even if the proceeds are not balanced, unless there is an alternative basis representing the time frame in which the benefits of the lease and the depreciation of the leased property are matched.

2.11 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost, determined using the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of work-in-process and finished goods comprise raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Small inventory and tools are written off when put into use.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders until the shares are withdrawn or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense in the income statement. Loans that will be repaid solely by sale of assets under foreclosure are valued in accordance with the estimated value of assets under foreclosure. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan if it is probable that some or all of the facility will be drawn down.

Borrowings are classified as current liabilities unless the Group or the Company have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or partially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. The tax base represents the difference between income and expenses, as determined by the applicable law. Management of the Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or partially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.16 Deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes assets and liabilities relate to income taxes imposed by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group and the Company make payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred.

Furthermore, according to the Collective labour agreement, the Group and the Company have an obligation to make severance payments to employees at the time of the employees' retirement. The liability recognised in the balance sheet is the present value of defined benefit obligation at the balance sheet date less past service costs with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of governmental bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement severance payment.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Other long-term employee benefits

The Group recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined using assumptions regarding the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the future value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. The transfer of control of a good or service may take place continuously (revenue recognition on a progress towards completion basis) or on a specific date (recognition on completion). Before revenue is recognised, the Company identifies both the contract and the various performance obligations contained in the contract. The number of performance obligations depends on the type of contract and activities. Most of the Company's contracts involve only one performance obligation. Revenue recognition policies under IFRS 15 applicable to revenue streams are as follows:

(a) Revenue from construction contracts

Revenues from construction contract is determined on the basis of the last relevant estimate of the total selling price in the construction contract. The Group and the Company recognize revenue from the construction contract at the end of each period using the method of assessing the "degree of performance" of the performance obligation.

The Group and the Company estimate the 'progress to satisfaction' of the performance obligation to determine the appropriate amount of revenue and costs to recognize in each period. The 'progress to satisfaction' is calculated using the 'cost-to-cost' input method which measures the proportion of contracts costs incurred up to the reporting date compared to total estimated contract costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the 'progress to satisfaction' and are presented as inventories, prepayments or other assets, depending on their nature.

The Group and the Company present as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within 'trade and other receivables.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

As soon as the loss under the construction contract is determined and it can be reliably measured, the Company and the Group create a reservation for the expected losses until the end of the contract. The loss under the construction contract is reserved in full, regardless of the degree of completion.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.20 Revenue recognition (continued)

(b) Sales of goods

Revenues from sales of products are recognized when Group and Company delivers goods to the buyer, when buyer accept delivered services or goods and when payments of the receivables is fairly secure. Revenues are recognised at fair value of received funds or receivables, deducted from tax, refunds and approvals, trade discounts and rebates.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the General Assembly of the Company's shareholders.

2.22 Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

2.23 Value added tax

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.24 Assets held for sale

Non-current assets are classified as held for sale if their carrying value will be largely compensated through sale rather than through its continuing use; if these assets are available for immediate sale in their existing state under conditions which are frequent and common for sale of such assets, and if the sale is probable.

Assets held for sale are stated at the lower of net book value and fair value less cost to sell. Loss on impairment from reduction to fair value less cost to sell, is charged to profit or loss.

Investments in associates and joint ventures that meet the criteria for classification as assets held for sale at a certain time ceased to be measured using the equity method and are measured at lower of carrying value based on equity method and fair value less cost to sell.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's and the Group's activities expose them to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), price risk, credit risk and liquidity risk. The Group and the Company do not have a written risk management directions, but overall risk management in respect of these risks is carried out by the Company's finance department.

(a) Market risk

(i) Currency risk

Most of the foreign sales revenue is denominated in EUROs. Domestic sales revenue is denominated in EUR. The majority of long-term and short-term loans were agreed with a currency clause, i.e. they are linked to the EURO. Along EUR, the Company is exposed to the movement in exchange rates between NOK and UAH. The movement in the exchange rates between the EURO and other currencies does not have a significant impact on the Group's and the Company's operating results, and the Company does not use financial instruments to protect against currency risk.

At 31 December 2023, if the SEK had weakened/strengthened by 1.00% against the EUR (2022: 1.00%), with all other variables held constant, the net profit for the reporting period after tax would have been EUR 94 thousand for the Group and EUR 136 thousand for the Company (2022: EUR 120 thousand for the Group and EUR 63 thousand for the Company) lower/(higher), mainly as a result of foreign exchange gains/(losses) on translation of EURO-denominated trade receivables, trade payables, borrowings and foreign cash funds. According to the Management Board estimation, the impact of changes in other currencies does not have significant effect on the financial statements of the Group and the Company.

(ii) Price risk

The Group is exposed to equity securities fair value and price risk because of investments held by the Group classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. Equity investments classified as available for sale are not listed, while those classified as fair value through profit or loss are publicly traded but do not have a significant effect on the financial position. To manage its fair value and price risk arising from investments in equity securities, the Group monitors market transactions and performance of investment entities.

(iii) Cash flow interest rate risk

The Group has no significant interest-bearing assets, therefore the Group's income and operating cash flows are not substantially dependent of changes in market interest rates. The Group's and the Company's interest rate risk arises from long-term borrowings and commercial papers. Borrowings issued at variable rates expose the Group and the Company to cash flow interest rate risk.

The Group and the Company analyse their interest rate changes on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group and the Company calculate the impact on profit and loss of a defined interest rate shift. As at 31 December 2023, if the effective interest rate on borrowings with variable rates had increased/decreased by 0.82% on an annual level (2022: 0.82%), the loss after tax would have been higher/lower by EUR 19 thousand (2022: HRK 357 thousand) as a result of a higher/lower interest expense.

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The table below shows the maturities of contractual liabilities and receivables shown in the balance sheet at the end of the reporting period. The analysis was made on the basis of undiscounted cash outflows by financial liabilities and by financial assets on the maturity date. The tables show cash flows by principal and interest.

For the Group:

	Average weighted interest rate	Up to 1 year	1 – 5 years	Over 5 years	Total contracted cash flows	Net book value
31 December 2023						
Loans receivable and deposits	1%	2,128	6,126	-	8,254	8,193
Trade and other receivables		56,557	-	-	56,557	56,557
Cash and cash equivalent		12,345	-	-	12,345	12,345
Trade and other payables		(30,664)	-	-	(30,664)	(30,664)
Borrowings	4.90%	(4,293)	(7,778)	(853)	(12,924)	(11,954)
		36,073	**(1,652)**	**(853)**	**33,568**	**34,477**
31 December 2022						
Loans receivable and deposits		4,825	5,301	-	10,126	10,074
Trade and other receivables	1%	61,118	-	-	61,118	61,118
Cash and cash equivalent		3,784	-	-	3,784	3,784
Trade and other payables		(25,448)	-	-	(25,448)	(25,448)
Borrowings	5.10%	(4,116)	(4,053)	(770)	(8,939)	(8,285)
		40,163	**1,248**	**(770)**	**40,641**	**41,243**

For the Company:

	Average weighted interest rate	Up to 1 year	1 – 5 years	Over 5 years	Total contracted cash flows	Net book value
31 December 2023						
Loans receivable and deposits	1%	2,294	6,215		8,509	8,447
Trade and other receivables		49,185			49,185	49,185
Cash and cash equivalent		10,262			10,262	10,262
Trade and other payables		(25,477)			(25,477)	(25,477)
Borrowings	4.80%	(4,582)	(8,273)	(882)	(13,737)	(12,546)
		31,682	**(2,058)**	**(882)**	**28,742**	**29,871**
31 December 2022						
Loans receivable and deposits	1%	7,350	5,435		12,785	12,731
Trade and other receivables		57,104			57,104	57,104
Cash and cash equivalent		2,837			2,837	2,837
Trade and other payables		(23,410)			(23,410)	(23,410)
Borrowings	4.90%	(5,121)	(4,330)	(1,016)	(10,467)	(9,659)
		38,760	**1,105**	**(1,016)**	**38,849**	**39,603**

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Credit risk

The Group's and the Company's assets which potentially subject them to concentrations of credit risk primarily include cash, trade and other receivables. The Group and the Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history, within previously defined credit limits. A favourable structure of buyers (major buyers are mainly state-owned companies) and the fact that, if necessary, collection from buyers is regulated by bank payment guarantees, bills of exchange, letters of credit and other types of security, almost completely diminishes the risk arising from the collection of trade receivables. A detailed analysis and maximum exposure to credit risk are shown in notes 28. Further, judgements and estimates in respect of credit risk exposure and related impairment provisions are described in more detail in note 2.9.5.

3.2 Capital risk management

The Company's and Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company and the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company and the Group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long-term and short-term borrowings, as shown in the balance sheet) less cash and cash equivalents and short-term deposits given. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

The Company's gearing ratio was as follows:

(in thousands of EUR)	31 December 2023	31 December 2022
Borrowings (note 28)	12,546	9,659
Cash and cash equivalents (note 26)	(10,262)	(2,837)
Net debt	2,284	6,822
Equity	55,293	60,039
Total equity and net debt	**57,577**	**66,861**
Gearing ratio - Company	**4.0%**	**10.2%**

The Group's gearing ratio was as follows:

(in thousands of EUR)	31 December 2023	31 December 2022
Borrowings (note 28)	11,954	8,285
Cash and cash equivalents (note 26)	(12,345)	(3,784)
Net debt	(391)	4,501
Equity	62,152	65,742
Total equity and net debt	**61,761**	**70,243**
Gearing ratio - Group	**(0.6%)**	**6.4%**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The Group publishes fair value measurements by level in accordance with the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded on active markets is based on quoted market prices on the reporting day. The market is considered active if the quoted prices are known on the basis of the stock exchange, the activities of a broker, industry group or regulatory agency, and these prices represent actual and regular market transactions under normal trading conditions.

The fair value of financial instruments not traded on the active market (for example: OTC derivatives) is determined using valuation techniques. These assessment techniques require the maximum use of visible market data where possible and rely as little as possible on entity-specific estimates. If all significant inputs required for a fair valuation of the instrument are visible, the instrument shall be included in level 2. Where one or more significant inputs are not based on visible market data, the instrument shall be included in level 3.

The table below presents the Company's and Group's assets at fair value:

(in thousands of EUR)	Level 1	Level 2	Level 3	Total
Group				
31 December 2023				
Property, plant and equipment				
Land	-	-	8,815	8,815
Total	**-**	**-**	**8,815**	**8,815**
31 December 2022				
Property, plant and equipment				
Land	-	-	8,815	8,815
Total	**-**	**-**	**8,815**	**8,815**

There were no transfers between level 1 and level 2 during 2023 and 2022.

NOTE 4 – KEY ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Revenue recognition

The Group and Company recognise revenue primarily over time but also at a point in time, depending on the specifics of a customer arrangement as described in the relevant accounting policy. When recognising revenue over time which primarily related to the segment of construction, the method of measuring progress highlights the importance of accuracy in measuring progress towards the complete satisfaction of a performance obligation and may include estimates in the performance scope and services required to satisfy contractual obligations. These significant estimates include total estimated costs, total estimated revenues, contractual risks, including technical, political and regulatory risks and other judgments. The Company and the Group have determined the input method as the best method for measuring progress in providing services because there is a direct link between Company’s and Group's effort (total project costs incurred) and the transfer of services to the customer. If revenue is recognised over time, this is done by measuring costs incurred up to a certain date in relation to total expected costs required to satisfy contractual obligations.

The Group also recognises revenue at a point in time (primarily in the production segment) for the delivery of goods by recognising revenue when the customer obtains control of a particular item, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unsatisfied obligation that could affect the customer’s acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Recoverability of investment in subsidiaries

On an annual basis, the Company carries out the process of identifying indicators that would indicate that the value of investments in subsidiaries (shown in note 20) is potentially impaired and, if such indicators are identified, the Company conducts an assessment of the recoverable amount of the investment through impairment testing.

When implementing the process of identification of impairment indicators, the Company considers a number of factors. Depending on the circumstances, a single factor by itself or several of them in combination may result in an indication of impairment. Unfavorable developments in the industry, such as the recent COVID 19 pandemic or macroeconomic disturbances due to the war in Ukraine, which led to challenges in supply chains and the lack of necessary quantities of semiconductors, as a rule, result in the implementation of impairment tests if their significant impact on the operating results of dependent and affiliated companies. In addition to the above, the Company monitors the key performance indicators of subsidiaries, the most important of which are realized operating margins and net assets of subsidiaries.

When the Company concludes for a particular investment that one factor by itself or several of them in combination result in an indication of impairment, a detailed impairment test and assessment of the recoverable value of the investment is prepared. As a rule, the discounted cash flow method (DCF method) is used to make an investment assessment, which is based on the assumption that the value of the company represents the present value of future net cash flows.

NOTE 4 – KEY ACCOUNTING ESTIMATES AND JUDGMENTS

(b) Recoverability of investment in subsidiaries (continued)

When calculating the recoverable amount, the Company as a rule applies the terminal growth rate of cash flows after the estimated period until business stability and discounts such cash flows using a discount rate that reflects the risk of the asset in question and which, for the purposes of calculating the impairment test, is approximated by the weighted average cost of capital (WACC) related to the primary sales market of each subsidiary and industry. Impairment tests are also tested for sensitivity to changes in key variables such as the discount rate, growth rate, and the like. The company also takes into account impairments carried out in previous periods and considers potential cancellations of impairments carried out in previous periods, and to what extent, taking into account other circumstances in which subsidiaries operate (liquidity, stability of operations over a long period of years etc).

NOTE 5 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Except for the changes below, the Company and the Group have consistently applied the accounting policies as set out in the Notes below to all periods presented in these consolidated financial statements.

(a) Effective standards, amendments to standards and implementations – adopted in 2023

In 2023 the following standards, amendments or interpretations came into force:

- IFRS 17 *Insurance Contracts* (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020);
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (issued on 12 February 2021);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021);
- Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021);
- Amendments to IAS 12 *Income taxes: International Tax Reform – Pillar Two Model Rules* (issued on 23 May 2023);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

Adoption of these standards and amendments has not determined substantial effects on the amounts recognized in balance sheet or income statement or impact on disclosure of accounting policies.

NOTE 5 – APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Standards, amendments to standards and interpretations issued but not yet effective

The standards, amendments to standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Until 31 December 2023, the European Commission endorsed the following changes to the Accounting principles applicable to reporting, these were not effective for preparation of 2023 financial statements:

- Amendments to IAS 1: *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, Classification of Liabilities as Current or Non-current - Deferral of Effective Date and Non-current Liabilities with Covenants* (issued on 23 January 2020, 15 July 2020 and 31 October 2022 respectively),
- Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback* (issued on 22 September 2022).

As at 31 December 2023 the IASB issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability* (issued on 15 August 2023),
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 *Financial Instruments: Disclosures: Supplier Finance Arrangements* (issued on 25 May 2023).

NOTE 6 – BUSINESS SEGMENT INFORMATION

The Group separately monitors and presents business results of basic business segments, Production and Construction, whose operating activities are interrelated for the purpose of realising profit for the Group.

1. The Production segment includes forging works, the casting plant and the laboratory for quality control and the production and sales of metal frames/structures, as well as the manufacture and sales of suspension and jointing equipment.
2. The Construction segment includes the services of construction and project documentation preparation of power and distribution facilities, transformer stations, laying submarine and subterranean energy and telecommunication cables, posting public lighting, installing antenna, television and telecommunication posts as well as work relating to the construction of motorways.

Management monitors the operating results of the business segments to make decisions on the allocation of resources and performance assessment. Segment performance assessment is based on the gross segment revenue and realised profit from regular operations, as explained in the following table. The Group manages finance income and costs, share of profit of joint ventures and income tax and they are not allocated by operating segments.

NOTE 6 – BUSINESS SEGMENT INFORMATION (continued)

Operating results by business segments for the Group

(in thousands of EUR)	Construction	Production	Other	Total
Year ended 31 December 2023				
Gross revenues	151,534	28,663	1	180,198
Inter-segment revenues /i/	(5,125)	(9,283)	-	(14,408)
Total revenues	**146,409**	**19,380**	**1**	**165,790**
Operating profit/(loss) before depreciation and amortisation	(735)	1,918	(1)	1,170
Depreciation and amortisation	(3,283)	(168)	-	(3,451)
Operating profit/(loss)	**(4,018)**	**1,750**	**(1)**	**(2,281)**
Total assets	**116,854**	**20,421**	**59**	**137,340**
Total liabilities	**63,915**	**11,806**	**15**	**75,777**
Year ended 31 December 2022				
Gross revenues	124,715	24,719	1	149,435
Inter-segment revenues /i/	(1,244)	(11,546)	-	(12,790)
Total revenues	**123,471**	**13,173**	**1**	**136,645**
Operating profit/(loss) before depreciation and amortisation	5,689	514	1	6,102
Depreciation and amortisation	(3,825)	(154)	-	(3,979)
Operating loss	**1,864**	**360**	**1**	**2,123**
Total assets	**109,277**	**20,303**	**46**	**129,642**
Total liabilities	**46,320**	**17,165**	**296**	**63,900**

NOTE 6 – BUSINESS SEGMENT INFORMATION (continued)

/i/ Sales are allocated based on the country in which the customer is located.

	2023		2022	
	(in thousands of EUR)	%	*(in thousands of EUR)*	%
Croatia	53,757	32.42	38,433	28.13
Sweeden	38,272	23.08	35,769	26.18
Norway	23,397	14.11	20,129	14.73
Slovenia	14,387	8.68	15,645	11.45
Bosnia and Herzegovina	11,587	6.99	9,285	6.79
Macedonia	6,020	3.63	1,785	1.30
Ukraine	4,254	2.57	6,596	4.83
Germany	2,387	1.44	1,363	1.00
United Kingdom	425	0.26	513	0.38
France	-	-	7	0.01
Other abroad	11,304	6.82	7,120	5.20
Total	**165,790**	**100.00**	**136,645**	**100.00**

In 2023, the Group generated 14% of total revenues with its largest customer (Company: 19%). With the next largest customer, the Group generated 13% of its total revenues in 2023 (Company: 18%).

In 2022, the Group achieved 14% with the largest customer (Company: 20%). With the next largest customer, the Group generated 13% of its total revenues in 2022 (Company: 19%).

/ii/ Sales revenues by sectors are as follows:

	Group	
	2023	2022
	(in thousands of EUR)	
Energetics	124,414	106,349
Railroads	7,308	5,589
Sale of metal constructions	6,973	4,606
Sale of suspension and jointing equipment	12,407	8,566
Roads	9,349	5,482
Projects	4,870	4,857
Properties	23	485
Other	446	711
Total	**165,790**	**136,645**

Revenue from construction contracts amounts to EUR 146,409 thousand for the Group (2022: EUR 123,471 thousand) and 118,633 thousand for the Company (2022.: EUR 94,298 thousand). Revenues from construction contracts are recognized over time while revenues from production are recognized at a specific point in time.

NOTE 6 – BUSINESS SEGMENT INFORMATION (continued)

In the following table, information on receivables and liabilities towards customers based on the construction contract was disclosed, for which, at the reporting date, the Company and the Group reported customer receivables by contractual obligation or liability to customers by contractual obligation:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Trade receivables	35,483	36,960	30,617	35,408
Guarantee deposits - retention	7,411	9,098	7,410	9,096
Contract assets	20,830	17,362	17,988	14,754
Contract liabilities	(18,530)	(14,930)	(15,864)	(13,990)
	45,194	**48,490**	**40,151**	**45,268**

Contract assets primarily relate to the Company's and Group’s right to compensation for the works executed but not charged on the reporting date. Contract assets are transferred to receivables when they become unconditional. That usually happens when the Company and Group issues an invoice to the customer.

Contract liabilities relate to deferred income for construction works, for which revenues are recognized over time and to customer advances received.

Advances received for projects under construction for the Company, which are active on the reporting date, are shown within advances in note 29 and amount to EUR 9,601 thousand (2022: EUR 8,477 thousand) and for the Group EUR 11,168 thousand (2022: EUR 9,417 thousand).

NOTE 7 – OTHER INCOME

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Income from reversal of provisions	697	804	678	505
Insurance claims proceeds	61	57	58	50
Rental income	88	101	857	3,996
Court settlement income	10	-	10	-
Inventory surpluses	1	7	-	-
Fair valuation of libilities to secured creditors	134	1,169	-	1,000
Other operating income	1,038	612	1,113	792
	2,029	**2,750**	**2,716**	**6,343**

The Company's rental income is realized from investment property (note 18), on the basis of leases that the Company concluded with its subsidiaries Dalekovod MK d.o.o. and Dalekovod OSO d.o.o.

NOTE 7 – OTHER INCOME (continued)

The most significant part of the other income refers to the income from the sale of waste that comes from the Sweden branch in the amount of 657 thousand euros, and most of it is related to the customer Stena Recycling AB.

NOTE 8 – COST OF MATERIALS AND SERVICES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Raw materials and supplies				
Raw materials and supplies	46,577	25,684	40,396	26,134
Energy	2,711	3,262	1,900	2,236
Spare parts and small inventory	1,149	1,139	1,010	948
	50,437	30,085	43,306	29,318
External services				
Subcontractor services	32,438	27,785	19,969	15,258
Rental expense	7,162	3,415	7,063	5,130
Transportation	2,421	2,352	1,436	1,449
Repairs and maintenance	2,039	2,131	1,495	1,668
Advertising and promotion	253	168	226	107
Other	770	939	411	360
	45,083	36,790	30,600	23,972
Total cost of materials and services	**95,520**	**66,875**	**73,906**	**53,290**

NOTE 9 – STAFF COSTS

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Net salaries	23,533	24,263	18,042	19,024
Taxes and contributions on and from salaries	9,569	8,739	6,218	5,769
Severance costs	496	440	351	423
Other staff costs	4,071	4,476	2,992	2,189
	37,669	**37,918**	**27,603**	**27,405**

Other employee expenses include gifts, jubilee awards, field allowance, labor hire services, employee performance awards, and other benefits.

The costs of employees include the calculated costs for management bonuses, the Company 413 thousand euros and the Group 507 thousand euros.

As of December 31, 2023, there were 1,029 employees in the Group (2022: 1,088 employees), and 645 employees in the Company (2022: 700 employees).

NOTE 10 – OTHER OPERATING EXPENSES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Intellectual and non-production services	2,788	4,460	2,676	1,997
Daily allowances and travel cost	2,720	3,508	2,503	3,264
Insurance	1,296	1,103	1,156	896
Bank charges	962	1,188	781	1,045
Taxes and contributions	641	607	474	444
Entertainment	456	306	234	160
Impairment of inventories (restated)	324	41	-	-
Court cases	299	234	299	205
Interest from suppliers	70	54	41	12
Sponsorships, donations and other aids	50	77	26	34
Fines and penalties	56	36	27	7
Impairment and write-off of property, plant and equipment	41	-	-	-
Inventory shortages	24	5	6	2
Other	799	1,228	875	959
	10,526	**12,847**	**9,098**	**9,025**

Costs of intellectual and non-production services at the Group level include fees to the audit firm related to audit services and permitted non-audit consulting services. Fees payable to the statutory auditors of the Company for the year ended 31 December 2023 amounted to 76 thousand euros (2022: 70 thousand euros), and at the level of the Group they amount to 118 thousand euros (2022: 109 thousand euros). These fees relate to statutory audits of Group companies.

During 2023, the auditors provided permissible non-audit services to the Group in the amount of 30 thousand euros (2022: nil) with respect to financial advisory services.

Within the costs of intellectual and non-production services, there are non-production services, which largely consist of various testing, testing, commissioning, etc. services on projects, followed by legal services, design services and security services.

The cost of daily allowances and travel cost in 2023 includes the cost of accommodation and food, which to a significant extent are the costs of workers in the field, especially seconded workers.

NOTE 11 – VALUE ADJUSTMENT OF FINANCIAL ASSETS

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Impairment of financial assets	6,636	-	6,636	-
Impairment of trade receivables and loans – net	(1)	29	(345)	(63)
	6,635	**29**	**6,291**	**(63)**

Impairment of financial assets relates mostly to the impairment allowance for receivables from the Ministry of Finance where the Company initiated the collection of the receivable in accordance with contractual terms. However, in November 2023 the Company received a first instance ruling from the Commercial Court in Zagreb which rejected the Company's request for collection and payment of the receivable. The Company appealed this ruling and on 25 March 2024 received a decision of the High Commercial Court of the Republic of Croatia which annulled the first-instance ruling. However, this has not resulted in the collection of the receivable as the court instead returned the case to the Commercial Court in Zagreb for a new ruling. Management assessed, after consultation with legal counsel, that the circumstances following the the initial ruling against the Company indicate that uncertainties with respect to the collection of the receivable have significantly increased and has therefore recognised an impairment in full amount.

NOTE 12 – FINANCIAL INCOME AND EXPENSES– NET

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Net foreign exchange differences from financing activities	1,116	843	1,064	778
Interest income	11	3	68	82
Income from unwinding of discount	-	123	-	123
Interest income on bank deposits	2	16	1	-
Income from shares in profit	-	-	978	280
Income from interest and fees write-offs	-	-	-	265
Other finance income	651	11	95	12
Finance income	**1,780**	**996**	**2,206**	**1,540**
Net foreign exchange differences (financing activities)	(415)	(761)	(355)	(691)
Interest expense	(901)	(627)	(931)	(691)
Cost of writing off interest and fees	-	(14)	-	(14)
The cost of discounting long-term receivables	(211)	-	(211)	-
Other financial expenses	-	(76)	-	-
Finance costs	**(1,527)**	**(1,478)**	**(1,497)**	**(1,396)**

Income from profit sharing at the level of the Company refers to the voted profits of the companies Dalekovod Projekt d.o.o., Dalekovod EMU d.o.o. and Dalekovod Ljubljana d.o.o.

As part of other financial income at the Company level, income from the sale of shares in the company Dalekovod Adria d.o.o. was reported in the amount of 91 thousand euros and 645 thousand euros at the Group level.

NOTE 13 – INCOME TAX

The reconciliation of accounting and taxable profit is shown below in the table:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Profit/(loss) before tax	**(2,686)**	**1,539**	**(4,062)**	**897**
Tax calculated at the domestic tax rate applicable to profits in the respective countries	468	799	(329)	617
Effect of non-taxable income	(286)	(158)	(269)	(132)
Effect of non-deductible expenses	396	337	236	267
Effect of tax losses not recognised as deferred tax assets	1,049	-	1,049	-
Utilisation of tax losses for which deferred tax assets was not recognised	(454)	(139)	-	(72)
	(3)	(46)	(3)	(45)
Income tax expense	**1,170**	**793**	**684**	**635**
Effective tax rate	***(43.6%)***	***51.5%***	***(16.8%)***	***70.8%***

In accordance with the regulations of the Republic of Croatia, the Tax Authority may at any time inspect the Company's books and records within 3 years following the year in which the tax liability is reported, and may impose additional tax assessments and penalties. The same regulations apply to other subsidiaries of the Group in Croatia. Foreign subsidiaries abroad must comply with tax regulations of the country in which they operate. During the year there were no changes in tax rates in countries where members of the Group operate. Reported income tax expense in the Company includes income tax expense recorded in separate business units abroad in accordance with the tax laws of the countries in which the units operate.

Overview of tax losses for which deferred tax asset has not been recognised is as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Unutilised tax losses				
Tax loss from 2018 - expires 2023	-	13,295	-	9,746
Tax loss from 2019 - expires 2024	4,690	4,690	-	-
Tax loss from 2020 - expires 2025	7,841	7,841	5,854	5,854
Tax loss from 2021 - expires 2026	6,364	6,364	6,233	6,233
Tax loss from 2023 - expires 2028	5,826	-	5,826	-
	24,721	**32,190**	**17,913**	**21,833**

NOTE 13 – INCOME TAX (continued)

The Company and the Group did not recognise deferred tax asset as it is not probable that future taxable profits will be available to utilize the tax losses.

During the year the Company and the Group recognised deferred tax liability on revaluation of assets under foreclosure (note 17).

Movement in deferred tax liability

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
At beginning of year	1,406	1,259	1,406	1,259
Charged to revaluation reserves	-	199	-	199
Canceled	-	(52)	-	(52)
At end of year	**1,406**	**1,406**	**1,406**	**1,406**

NOTE 14 – BASIC AND DILUTED PROFIT / (LOSS) PER SHARE

Basic and diluted earnings per share are calculated based on the Company's net profit attributable to the Company shareholders and the weighted average number of ordinary shares in issue, excluding treasury shares. There are no diluted potential ordinary shares.

	Dalekovod Group	
(in thousands of EUR)	**2023**	**2022**
Net loss attributable to shareholders *(in thous. of EUR)*	(3,210)	746
Weighted average number of shares	41,246,205	30,996,205
Basic/diluted loss per share *(in EUR)*	(0.08)	0.02

NOTE 15 – DIVIDEND PER SHARE

In 2022, a write-off of liabilities for dividends in the amount of eur 13 thousand was carried out, which was shown as a liability for dividends under the item "liabilities to suppliers and other liabilities" (note 29) and related to dividends for shareholders who did not deliver necessary data for payment and the legal deadline for payment thereof has passed.

NOTE 16 – INTANGIBLE ASSETS

Group

(in thousands of EUR)	**Goodwill**	**Software**	**Assets under construction**	**Total**
At 1 January 2022				
Cost	161	6,075	4	6,240
Accumulated amortisation and impairment losses	-	(5,772)	-	(5,772)
Net book value	**161**	**303**	**4**	**468**
Year ended 31 December 2022				
At 1 January	161	303	4	468
Additions	-	2	601	603
Capitalized salary costs	-	-	82	82
Amortisation	-	(170)	-	(170)
At 31 December	**161**	**135**	**687**	**983**
At 31 December 2022				
Cost	161	6,077	687	6,925
Accumulated amortisation and impairment losses	-	(5,942)	-	(5,942)
Net book value	**161**	**135**	**687**	**983**
Year ended 31 December 2023				
At 1 January	161	135	687	983
Additions	-	9	111	120
Capitalized salary costs	-	-	6	6
Transfer	-	712	(712)	-
Amortisation	-	(140)	-	(140)
At 31 December	**161**	**716**	**92**	**969**
At 31 December 2023				
Cost	161	6,798	92	7,051
Accumulated amortisation and impairment losses	-	(6,082)	-	(6,082)
Net book value	**161**	**716**	**92**	**969**

Goodwill is allocated entirely to the Construction segment.

NOTE 16 – INTANGIBLE ASSETS (continued)

Company

(in thousands of EUR)	Software	Assets under construction	Total
At 1 January 2022			
Cost	5,659	-	5,659
Accumulated amortisation	(5,424)	-	(5,424)
Net book value	**235**	**-**	**235**
Year ended 31 December 2022			
At 1 January	235	-	235
Additions	-	601	601
Capitalized salary costs	-	82	82
Amortisation	(149)	-	(149)
At 31 December	**86**	**683**	**769**
At 31 December 2022			
Cost	5,659	683	6,342
Accumulated amortisation	(5,573)	-	(5,573)
Net book value	**86**	**683**	**769**
Year ended 31 December 2023			
At 1 January	86	683	769
Additions	-	101	101
Capitalized salary costs	-	6	6
Transfer	704	(704)	-
Amortisation	(120)	-	(120)
At 31 December	**670**	**86**	**756**
At 31 December 2023			
Cost	6,363	86	6,449
Accumulated amortisation	(5,693)	-	(5,693)
Net book value	**670**	**86**	**756**

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT

Group

(in thousands of EUR)	**Land**	**Buildings**	**Plant and equipment**	**Assets under construction**	**Total**
At 1 January 2022					
Cost or deemed cost	12,682	38,892	50,323	108	102,005
Accumulated depreciation	-	(30,574)	(35,292)	-	(65,866)
Net book value	**12,682**	**8,318**	**15,031**	**108**	**36,139**
			-		
Year ended 31 December 2022			-		
At 1 January	12,682	8,318	15,031	108	36,139
Additions	-	12	2,143	2	2,157
Disposals and write-offs	(3,355)	(5)	(407)	-	(3,767)
Revaluation	1,108	-	-	-	1,108
Foreign exchange differences	1	-	-	-	1
Depreciation	-	(770)	(3,039)	-	(3,809)
At 31 December	**10,436**	**7,555**	**13,728**	**110**	**31,829**
At 31 December 2022					
Cost or deemed cost	10,436	38,900	52,058	110	101,504
Accumulated depreciation and impairment losses	-	(31,345)	(38,330)	-	(69,675)
Net book value	**10,436**	**7,555**	**13,728**	**110**	**31,829**

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (continued)

Group

Year ended 31 December 2023	**Land**	**Buildings**	**Plant and equipment**	**Assets under construction**	**Total**
At 1 January	10,436	7,555	13,728	110	31,829
Transfer	-	36	(36)	-	-
Correction of IFRS 16	-	-	(109)	-	(109)
Disposals and write-offs	-	(3)	(632)	(41)	(676)
Additions	-	27	3,835	-	3,862
Depreciation	-	(742)	(2,569)	-	(3,311)
At 31 December	**10,436**	**6,873**	**14,217**	**69**	**31,595**
At 31 December 2023					
Cost or deemed cost	10,436	38,963	55,748	69	105,216
Accumulated depreciation and impairment losses	-	(32,090)	(41,531)	-	(73,621)
Net book value	**10,436**	**6,873**	**14,217**	**69**	**31,595**

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (continued)

Company

(in thousands of EUR)	Land	Buildings	Plant and equipment	Total
At 1 January 2022				
Cost or deemed cost	11,062	14,452	35,711	61,225
Accumulated depreciation	-	(10,490)	(23,957)	(34,447)
Net book value	**11,062**	**3,962**	**11,754**	**26,778**
Year ended 31 December 2022				
At 1 January	11,062	3,962	11,754	26,778
Revalution	1,108	-	-	1,108
Additions	-	11	1,857	1,868
Disposals and write-offs	(3,355)	(5)	(374)	(3,734)
Depreciation	-	(287)	(2,481)	(2,768)
At 31 December	**8,815**	**3,681**	**10,756**	**23,252**
At 1 January 2022				
Cost or deemed cost	8,815	14,458	37,195	60,468
Accumulated depreciation	-	(10,777)	(26,439)	(37,216)
Net book value	**8,815**	**3,681**	**10,756**	**23,252**

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (continued)

Company

Year ended 31 December 2023	Land	Buildings	Plant and equipment	Total
At 1 January	8,815	3,681	10,756	23,252
Additions	-	27	3,434	3,461
Disposals and write-offs	-	(3)	(764)	(767)
Depreciation	-	(288)	(1,950)	(2,238)
At 31 December	**8,815**	**3,417**	**11,476**	**23,708**
At 31 December 2023				
Cost or deemed cost	8,815	14,482	39,864	63,161
Accumulated depreciation	-	(11,065)	(28,388)	(39,453)
Net book value	**8,815**	**3,417**	**11,476**	**23,708**

The assets were revalued and estimated at fair value. Other tangible assets are disclosed in the balance sheet, based on historical cost less accumulated depreciation. Historical cost includes costs directly attributable to the acquisition of an asset.

Plants in the amount of EUR 2,224 thousand were pledged as a means of securing loan repayment on December 31, 2023 (2022: EUR 2,853 thousand).

As of December 31, 2023, assets under lease where the Group and the Company are lessees amounted to EUR 68 thousand for the Group, while the Company has no assets under lease (2022: EUR 202 thousand, i.e. EUR 109 thousand).

NOTE 18 – INVESTMENT PROPERTY

(in thousands of EUR)	**Land**	**Buildings**	**Plant and equipment**	**Total**
At 1 January 2022				
Cost	790	20,687	3,199	24,676
Accumulated depreciation	-	(16,738)	(1,247)	(17,985)
Net book value	**790**	**3,949**	**1,952**	**6,691**
Year ended 31 December 2022				
At 1 January	790	3,949	1,952	6,691
Depreciation	-	(460)	(250)	(710)
At 31 December	**790**	**3,489**	**1,702**	**5,981**
At 31 December 2022				
Cost	790	20,687	3,199	24,676
Accumulated depreciation	-	(17,198)	(1,497)	(18,695)
Net book value	**790**	**3,489**	**1,702**	**5,981**
Year ended 31 December 2023				
At 1 January	790	3,489	1,702	5,981
Depreciation	-	(453)	(249)	(702)
At 31 December	**790**	**3,036**	**1,453**	**5,279**
At 31 December 2023				
Cost	790	20,687	3,199	24,676
Accumulated depreciation and impairment losses	-	(17,651)	(1,746)	(19,397)
Net book value	**790**	**3,036**	**1,453**	**5,279**

Investments in real estate at the level of the Company refer to part of the real estate that is in intragroup lease to affiliated companies, the said assets are treated as ordinary real estate at the level of the Group, and the Group does not carry out and publish fair value assessments related to these assets.

NOTE 19 – LEASES

The company leases vehicles under rental agreements.

/ i / Leases recorded in the statement of financial position as at 31 December are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Right of use assets:				
Vehicles	29	142	-	98
Real estate	-	11	-	11
Equipment	39	49	-	-
	68	**202**	**-**	**109**
Lease liabilities:				
Non-current liabilities	34	149	-	96
Current liabilities	37	52	-	9
	71	**201**	**-**	**105**

/ ii / Long-term lease liabilities as at 31 December are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
From 1 to 2 years	15	41	-	9
From 2 to 5 years	22	11	-	-
	37	**52**	**-**	**9**

/ iii / Leases recorded in the statement of comprehensive income are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Depreciation	56	348	-	302
Interest expenses (note 12)	4	16	-	11
Lease cost related to short-term lease (note 8)	7,162	3,415	7,063	5,130
	7,222	**3,779**	**7,063**	**5,443**

NOTE 19 – LEASES (continued)

/ iv / An overview of the movement of assets with right of use is as follows:

(in thousands of EUR)	Dalekovod Group 2023	Dalekovod Group 2022	Dalekovod d.d. 2023	Dalekovod d.d. 2022
For the year ended 31. December 2022				
Opening net book value of lease recognized under IFRS 16	1,738	1,738	952	1,150
Accumulated depreciation	(1,536)	(1,188)	(843)	(749)
Net book value	**202**	**550**	**109**	**401**
Opening net book value	**202**	**550**	**109**	**401**
Correction of IFRS 16	(78)	-	(109)	-
Exchange rate	-	-	-	(3)
Depreciation	(56)	(348)	-	(302)
Closing net book value	**68**	**202**	**-**	**96**
At 31 December 2023				
Cost	1,660	1,738	843	952
Accumulated depreciation	(1,592)	(1,536)	(843)	(843)
Net book value	**68**	**202**	**-**	**109**

NOTE 20 – INVESTMENTS IN SUBSIDIARIES

(in thousands of EUR)	Dalekovod d.d. 2023	Dalekovod d.d. 2022
At 1 January	6,491	6,226
Reversal of impairment /i/	-	265
Acquistion of Dalekovod OSO /ii/	4,904	-
Sale of Adria d.o.o. /i/	(265)	-
At 31 December	**11,130**	**6,491**

/i/ The reversal of impairment in subsidiaries in 2022 in the amount of 265 thousand euros refers to Dalekovod Adria d.o.o. (note 20). Company Dalekovod Adria d.o.o. it was sold in 2023, and the value of investments in subsidiaries was reduced in the stated amount.

/ii/ In 2023, Dalekovod OSO d.o.o. was sold by Dalekovod MK d.o.o. to the company Dalekovod d.d. The purchase price was 4,904 thousand euros. The purchase price is based on the valuation of an independent appraiser and was also used as a basis for the impairment test the Company performed for 2023 (see note 20).

NOTE 20 – INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2023, the Company owns shares in the following subsidiaries:

Name	Country of incorporation	Primary activity	2023	Investment	Impairment	Net investment
			%		*(in thousands of EUR)*	
Dalekovod d.o.o., Ljubljana	Slovenia	Construction	100.00	275	-	275
Dalekovod d.o.o., Mostar	Bosnia and Herzegovina	Construction	100.00	28	-	28
Dalekovod MK d.o.o., Velika Gorica	Croatia	Production	100.00	29,565	(26,076)	3,489
Dalekovod-projekt d.o.o., Zagreb	Croatia	Construction	100.00	612	-	612
Dalekovod TKS a.d., Doboj	Bosnia and Herzegovina	Production	97.25	2,700	(2,700)	-
Denacco Namibia (PTY) Ltd	Namibia	Construction	60.00	2	(2)	-
Dalekovod OSO d.o.o., Velika Gorica	Croatia	Other	100.00	4,904	-	4,904
Dalekovod EMU d.o.o. Zagreb	Croatia	Construction	100.00	1,003	-	1,003
EL-RA d.o.o. Zagreb	Croatia	Other	100.00	531	-	531
Dalekovod Libya za inženjering, zajedničko poduzeće	Libya	Construction	65.00	117	(117)	-
Dalekovod Ukrajina d.o.o.	Ukraine	Construction	100.00	10	-	10
Dalekovod Norge AS	Norway	Construction	100.00	275	-	275
Cinčaonica usluge d.o.o. /i/	Croatia	Other	100.00	3	-	3
				40,025	**(28,895)**	**11,130**

In 2023, Dalekovod Adria d.o.o., which had no operational business, was sold. The positive effects of sales are manifested at the level of Dalekovod d.d. in the amount of 91 thousand euros. In 2023, Dalekovod MK d.o.o. sold shares in Dalekovod OSO d.o.o. to the parent company Dalekovod d.d.. The transaction was carried out based on the estimated market value of the company Dalekovod OSO., with the aim of harmonizing the management structure of the Group. Cindal d.o.o. was also closed in BiH.

NOTE 20 – INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2022, the Company owns shares in the following subsidiaries:

Name	Country of incorporation	Primary activity	2022	Investment	Impairment	Net investment
			%	*(in thousands of EUR)*		
Dalekovod d.o.o., Ljubljana	Slovenia	Construction	100.00	275	-	275
Dalekovod d.o.o., Mostar	Bosnia and Herzegovina	Construction	100.00	28	-	28
Dalekovod MK d.o.o., Velika Gorica	Croatia	Production	100.00	29,565	(26,076)	3,489
Dalekovod-projekt d.o.o., Zagreb	Croatia	Construction	100.00	612	-	612
Dalekovod TKS a.d., Doboj	Bosnia and Herzegovina	Production	97.25	2,700	(2,700)	-
Denacco Namibia (PTY) Ltd	Namibia	Construction	60.00	2	(2)	-
Cindal d.o.o. Doboj	Bosnia and Herzegovina	Production	95.01	689	(689)	-
Dalekovod-Adria d.o.o. Zagreb	Croatia	Other	100.00	4,261	(3,995)	266
Dalekovod EMU d.o.o. Zagreb	Croatia	Construction	100.00	1,468	-	1,468
EL-RA d.o.o. Zagreb	Croatia	Other	100.00	65	-	65
Dalekovod Libya za inženjering, zajedničko poduzeće	Libya	Construction	65.00	117	(117)	-
Dalekovod Ukrajina d.o.o.	Ukraine	Construction	100.00	10	-	10
Dalekovod Norge AS	Norway	Construction	100.00	275	-	275
Cinčaonica usluge d.o.o.	Croatia	Other	100.00	3	-	3
				40,070	**(33,579)**	**6,491**

Subsidiary company Proizvodnja MK d.o.o. (Dalekovod MK) had in 2022 a 100% share in the company Proizvodnja OSO d.o.o. (Dalekovod OSO).

NOTE 20 – INVESTMENTS IN SUBSIDIARIES (continued)

Recoverability of investments in subsidiaries

In the course of the sale and purchase transaction whereby the Company bought its indirect subsidiary Dalekovod OSO from its direct subsidiary Dalekovod MK, the Company engaged an independent external appraiser to estimate the fair value of the companies. The same assessment was used as the basis for the implementation of the impairment test of investments in subsidiaries for the year 2023.

Impairment of investments in subsidiaries, i.e. calculation of recoverable amount is based on approved plans using the discounted cash flows method. Future cash flows derived from those plans are discounted using the weighted average cost of capital between 10.66% and 12.66%, depending on the industry in which the individual entity operates.

In addition to the discounted cash flow method, the Company used the approved plans to test the impairment of investments in subsidiaries, i.e. the calculation of the recoverable amount, using the multiplier method. The multiplier method is a relative valuation method that bases the company's value on similar assets on the market.

Multipliers represent the ratio of the share price (market or transaction) to a certain category per share (such as net income or book value of common equity). Multipliers of comparable companies and transactions rely on the so-called the law of one price according to which two identical units of assets (shares) should be traded at the same prices (multipliers). It is an assessment of the value of an individual share compared to the average multiplier at which similar shares are valued or traded.

The Company also analysed the sensitivity of the impairment tests with respect to changes in key assumptions such as the discount rate and terminal growth rate. A reasonable increase (by 50 basis points) in the weighted average cost of capital (with the terminal growth rate unchanged) would not have a material impact on the results of the impairment tests for Dalekovod MK and Dalekovod OSO and neither would a reasonable decrease (by 50 basis points) in the terminal growth rate (with the weighted average cost of capital unchanged).

NOTE 21 – INVESTMENTS IN ASSOCIATES

	Dalekovod Group		**Dalekovod d.d.**	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
At beginning of year	1	1	1	1
At end of year	**1**	**1**	**1**	**1**

Associates are as follows:

	Dalekovod Group		**Holding in %**	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
TLM Group Members	1	1	22-25	22-25
Total	**1**	**1**		

NOTE 22 – FINANCIAL INSTRUMENTS BY CATEGORY

Group

(in thousands of EUR)	Note	2023	2022
Financial assets			
Trade receivables	25	35,483	36,960
Receivables by construction contracts	25	20,830	17,362
Loans receivable and deposits	25	8,193	10,074
Other receivables	25	244	6,796
Cash and cash equivalents	26	12,345	3,784
Total		**77,095**	**74,976**
Financial liabilities			
Loans	28	5,718	2,378
Bonds	28	1,540	1,728
Finance lease	28	4,696	4,179
Trade payables	29	30,271	25,043
Other payables	29	393	405
Total		**42,618**	**33,733**

Financial instruments do not include tax payables, payables to employees, taxes and contributions and advances received.

NOTE 22 – FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

(in thousands of EUR)	Note	2023	2022
Financial assets at amortised cost			
Trade receivables	25	30,617	35,408
Receivables by construction contracts	25	17,988	14,754
Loans receivable and deposits	25	8,447	12,731
Interest receivable	25	85	99
Other receivables	25	331	98
Other receivables	25	164	6,745
Cash and cash equivalents	26	10,262	2,837
Total		**67,894**	**72,672**
Financial liabilities at amortised cost			
Loans	28	5,909	3,327
Bonds	28	2,033	2,281
Finance lease	28	4,604	4,051
Trade payables	29	25,142	23,103
Other payables	29	335	307
Total		**38,023**	**33,069**

Financial instruments do not include tax payables, payables to employees, taxes and contributions and advances received.

NOTE 23 – LOANS AND RECEIVABLES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Long-term deposits	919	919	909	909
Long-term guarantee deposits	5,556	4,509	5,555	4,509
Other long-term receivables	6	-	-	-
Long-term loans receivable:				
- housing loans and other loans to employees	16	42	13	14
- loans to subsidiaries	-	-	108	170
Impairment of long-term deposits and loans receivable	(432)	(221)	(432)	(221)
Total long-term deposits and loans receivable	6,065	5,249	6,153	5,381
Long-term loans and deposits given	**6,065**	**5,249**	**6,153**	**5,381**

Deposits

Deposits are mostly denominated in EUR and used as collateral for bank guarantees. Some deposits are not interest bearing and other had effective interest rates, ranging to 0.01%.

Long-term guarantee deposits refer to retentions or retentions for each invoice / situation issued, which amounts are defined in accordance with the provisions of the contract. The amounts of retentions for individual projects vary between 5% -10% and are cumulated up to a certain contract value.

While for the Norwegian market the specific cumulation of retention value is 10% for each invoice issued, at the same time this amount is limited to a maximum of 5% of the total contract value.

For the Swedish market, the specific cumulation of retention value is 5% for each invoice issued, at the same time this amount is limited to a maximum of 5% of the total contract value.

Other retentions are characterized by cumulation in percentage defined by the contract. In all cases, the retention is released after the takeover of the facility by the Investor, after the construction period and if the contracts allow it after the partial takeover of part of the facility with the consent of the Investor.

Loans to other companies

During 2022, previously adjusted loans in the amount of eur 1,792 thousand were permanently written off due to the impossibility of collecting them.

NOTE 23 – LOANS AND RECEIVABLES (continued)

Movements in the provision for impairment of long-term deposits and loans receivable are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
At 1 January	221	2,136	221	2,136
Discount of guarantee deposits	211	(123)	211	(123)
	-	(1,792)	-	(1,792)
At 31 December	**432**	**221**	**432**	**221**

NOTE 24 – INVENTORIES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Raw materials	6,956	5,287	1,118	774
Finished and semi-finished goods and work in progress	4,233	3,443	-	-
Spare parts and small inventories	1,298	725	767	335
Trade goods	3,647	769	579	10
Advances for inventories	-	270	-	-
	16,134	**10,494**	**2,464**	**1,119**

Cost of raw materials and supplies recognised in the income statement is disclosed in note 8.

The cost of inventory adjustment recognized in the profit and loss account is shown in note 10. The cost of inventory adjustment was carried out at Dalekovod MK d.o.o. (123 thousand euros) and Dalekovod OSO d.o.o. (201 thousand euros), the value of the inventory position in the Statement of Financial Position is reduced by the cost of value adjustments.

NOTE 25 – TRADE AND OTHER RECEIVABLES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Domestic trade receivables	13,894	15,428	15,484	18,355
Foreign trade receivables	21,775	22,287	15,140	17,689
Impairment of trade receivables	(186)	(755)	(7)	(636)
	35,483	36,960	30,617	35,408
Receivable from customers for contract work	20,830	17,362	17,988	14,754
Guarantee deposits – current portion	1,855	4,589	1,855	4,587
Short-term deposits /iii/	221	208	105	70
Loans to subsidiary	-	-	334	2,983
Other short-term loans /i/	256	239	204	204
Interest receivable	-	-	85	99
Dividend receivable	-	-	331	98
Other receivables /iv/	6,880	6,796	6,800	6,745
Impairment of other financial assets	(6,840)	(211)	(6,840)	(501)
Total financial assets	58,685	65,943	51,479	64,447
Advances /ii/	8,250	7,700	7,352	7,122
Receivable from employees	6	14	6	14
VAT receivable	2,725	1,757	2,048	1,550
Outstanding VAT receivable	2	286	2	-
Prepaid expenses	903	1,297	872	1,278
Total non-financial assets	11,886	11,054	10,280	9,964
	70,571	**76,997**	**61,759**	**74,411**

/i/ Other short-term loans and loans to subsidiaries are with annual interest rates from 0%-2.4%. Interest for domestic loans is adjusted according to the Decision on interest rates on loans between related parties, while part of the loan is interest-free (0%). Loans to related parties are approved for a period of up to 6 months and are secured by promissory notes and promissory notes. Credit risk related to credit claims is limited due to the allocation of these claims to various customers.

/ii/ Advances were granted to suppliers for the purchase of material and equipment, as well as for project design services.

/iii/ Short-term deposits are mostly dedicated time deposits whose purpose is insurance for issued bank placements. All deposits are due within a period of one year after the reporting date. Part of the deposits are interest-free, while during 2023 the effective interest rates for deposits with a contracted interest rate are 0%-0.01%.

/iv/ In 2022, other receivables included receivables from the Ministry of Finance in the amount of 6,636 thousand euros. In 2023, the Company adjusted the value of the receivable from the Ministry of Finance/RO from 2016 as described in detail in note 11.

NOTE 25 – TRADE AND OTHER RECEIVABLES (continued)

The ageing of trade receivables is as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Not due	20,814	25,955	16,249	25,520
Up to 90 days	9,374	4,974	6,517	3,247
From 91 to 180 days	875	2,136	1,749	2,378
Over 180 days	4,420	3,895	6,102	4,263
	35,483	**36,960**	**30,617**	**35,408**

Movements on the provision for impairment of trade receivables and other financial assets are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
At 1 January	966	12,926	1,137	12,613
Impairment of trade receivables and other financial assets	6,714	31	6,636	3
Collected amounts	-	(41)	(290)	(41)
Change after adjustment to IFRS 9	(71)	35	(55)	(26)
Exchange rate difference	-	(29)	-	(29)
Receivables written-off during the year as uncollectible	(583)	(11,956)	(581)	(11,383)
At 31 December	**7,026**	**966**	**6,847**	**1,137**

The carrying amounts of the Group's and the Company's financial assets are denominated in the following currencies:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
HRK	-	34,024	-	38,484
EUR	39,465	5,763	32,769	500
NOK	3,500	6,251	3,213	5,990
SEK	7,879	11,752	7,694	11,560
UAH	2,728	-	2,728	-
Other currencies	5,113	8,153	5,075	7,913
Total	**58,685**	**65,943**	**51,479**	**64,447**

The fair value of trade receivables approximates their carrying amount.

NOTE 26 – CASH AND CASH EQUIVALENTS

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Cash at bank and petty cash in domestic currency	5,916	1,057	4,211	909
Cash at bank and petty cash in foreign currency	6,429	2,727	6,051	1,928
	12,345	**3,784**	**10,262**	**2,837**

Cash and cash equivalents are denominated in the following currencies:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
EUR	-	923	-	207
NOK	1,657	513	1,657	513
SEK	4,246	884	4,245	884
UAH	21	24	10	6
Other currencies	505	383	139	318
Total	**6,429**	**2,727**	**6,051**	**1,928**

NOTE 27 – SHAREHOLDERS' EQUITY

Share capital

The share capital as of December 31, 2023 is EUR 41,247 thousand (December 31, 2022: EUR 54,744 thousand), and is divided into 41,247,193 shares (2022: 41,247,193 shares). The nominal value of one share is EUR 1.33 (December 31, 2022: EUR 1.33).

The structure of shareholders as at 31 December is as follows:

	Number of shares		Holding	
	2023	**2022**	**2023**	**2022**
Napredna energetska rješenja d.o.o.	31,000,000	31,000,000	75.16%	75.16%
Financial institutions	9,144,753	7,004,080	22.17%	16.98%
Foreign company	3,928	2,401,233	0.01%	5.82%
Individuals	463,956	200,729	1.12%	0.49%
Treasury shares	988	988	0.00%	0.00%
Others	633,568	640,163	1.54%	1.55%
	41,247,193	**41,247,193**	**100%**	**100%**

The majority owner of Dalekovod d.d. is company Napredna energetska rješenja d.o.o.

The founders of the company Napredna energetska rješenja d.o.o. from Zagreb are Končar - Ulaganja d.o.o. and Construction Line Limited. Company Končar - Ulaganja d.o.o. is wholly owned by Končar – Elektroindustrije d.d. which is considered the ultimate owner.

NOTE 27 – SHAREHOLDERS’ EQUITY (CONTINUED)

Capital reserves

By the decision of the General Assembly of the company from June 12, 2023, the share capital of the company was reduced from the amount of 54,744,432.94 euros, by the amount of 13,497,239.94 euros, to the amount of 41,247,193.00 euros, and the amount of 13,497 .239.24 euros, by which the share capital was reduced, was distributed as follows: the amount of 1,110,300.75 euros to cover the transferred loss of the Company from previous years and the rest in the amount of 12,386,939.19 euros was entered into the company's capital reserves.

Legal reserves

The legal reserve is required under Croatian law whereby a minimum of 5% of the profit for the year is required to be allocated to legal reserves until they reach 5% of the Company's share capital. Legal reserves are not distributable.

Treasury shares

As at 31 December 2023, the Company owns 988 treasury shares (2022: 988 treasury shares).

Statutory and other reserves

Statutory and other reserves consist of reserves for own shares in the amount of EUR 1,124 thousand (2022: EUR 1,124 thousand).

Revaluation reserves

In 2022, the land in Žitnjak was revalued and increased by 909 thousand euros (assets increased by 1,108 thousand euros). The land in Dugi Selo ceases to be owned by Dalekovod d.d. these revaluation reserves were reduced by 239 thousand euros.

The fair value of the land at the Žitnjak location was determined using the income and comparative method. The area calculation used in the calculation corresponds to the area calculation of comparable properties.

In 2023, there were no significant changes that would indicate the need for additional land value correction.

NOTE 28 – BORROWINGS

(in thousands of EUR)	**Average interest rate**	**Dalekovod Group 2023**	**Dalekovod Group 2022**	**Dalekovod d.d. 2023**	**Dalekovod d.d. 2022**
Non-current					
Loans from banks and subsidiaries	4.15%	3,131	-	3,131	-
Bonds	4.00%	1,345	1,540	1,776	2,033
Finance lease /i/	6.01%	3,330	2,974	3,280	2,897
		7,806	**4,514**	**8,187**	**4,930**
Current					
Loans from banks and subsidiaries	4.15%	2,587	2,378	2,778	3,327
Commercial papers	4.00%	195	188	257	248
Finance lease /i/	6.01%	1,366	1,205	1,324	1,154
		4,148	**3,771**	**4,359**	**4,729**
Total borrowings		**11,954**	**8,285**	**12,546**	**9,659**

Gross liabilities under the Lease liabilities – minimum lease payments:

(in thousands of EUR)	**Dalekovod Group 2023**	**Dalekovod Group 2022**	**Dalekovod d.d. 2023**	**Dalekovod d.d. 2022**
Up to 1 year	1,374	1,229	1,323	1,178
Between 1 to 5 years	3,330	2,974	3,281	2,897
	4,704	4,203	4,604	4,075
Future finance costs under finance lease	(8)	(24)	-	(24)
Present value of liabilities under finance lease	**4,696**	**4,179**	**4,604**	**4,051**

Of the total amount of loans from banks and subsidiaries reported by the Company and the Group as of December 31, 2023, part of the debt in the amount of EUR 953,000 relates to a bank in Norway that has a lien on the Company's movable property up to a total value of EUR 2,224,000 (NOK 25 million).

NOTE 28 – BORROWINGS (continued)

The Group's loans in the amount of EUR 8,454 thousand (2022: EUR 6,557 thousand) are exposed to interest rate changes, since the contractual interest rate is variable. Other loans in the amount of EUR 3,500,000 have a fixed interest rate and relate to bonds and part of financial leasing obligations. (year 2022: 1,728 thousand euros).

The interest rate for the bonds is a fixed 4%, for the loan granted to the Dalekovod NUF branch with a repayment term until the end of 2024, the currently valid interest rate is 10.98%, the variable interest rate for the financial lease is between 5.78%-6.76% , while the fixed interest rate for financial lease is 5.85%-6.55%.

Movement in the borrowings for the Group:

(in thousands of EUR)	**Loans and bonds**	**Finance lease**	**Total**
At 1 January 2022	**44,909**	**6,402**	**51,311**
Cash receipts	963	-	963
Loan repayments	(38,076)	-	(38,076)
Bond redemption	(180)	-	(180)
New leases	-	1,492	1,492
Lease repayment	-	(3,583)	(3,583)
Other non-monetary items	(3,355)	-	(3,355)
Exchange rate differences	(155)	(132)	(287)
At 31 December 2022	**4,106**	**4,179**	**8,285**
At 1 January 2023	**4,106**	**4,179**	**8,285**
Cash receipts	4,900	-	4,900
Loan repayments	(1,332)	-	(1,332)
Bond redemption	(188)	-	(188)
New leases	-	1,923	1,923
Lease repayment	-	(1,069)	(1,069)
Other non-monetary items	-	(109)	(109)
Exchange rate differences	(228)	(228)	(456)
At 31 December 2023	**7,258**	**4,696**	**11,954**

NOTE 28 – BORROWINGS (continued)

Movement in the borrowings for the Company:

(in thousands of EUR)	**Loans and bonds**	**Finance lease**	**Total**
At 1 January 2022	**47,116**	**6,213**	**53,329**
Cash receipts	963	-	963
Loan repayments	(38,744)	-	(38,744)
Bond redemption	(238)	-	(238)
New leases	-	1,492	1,492
Lease repayment	-	(3,511)	(3,511)
Other non-monetary items	(3,355)	-	(3,355)
Exchange rate differences	(134)	(143)	(277)
At 31 December 2022	**5,608**	**4,051**	**9,659**
At 1 January 2023	**5,608**	**4,501**	**9,659**
Cash receipts	4,900	-	4,900
Loan repayments	(1,332)	-	(1,332)
Bond redemption	(248)	-	(248)
New leases	-	1,923	1,923
Lease repayment	-	(1,035)	(1,035)
Other non-monetary items	(745)	(109)	(854)
Exchange rate differences	(241)	(226)	(467)
At 31 December 2023	**7,942**	**4,604**	**12,546**

The borrowings are denominated in the following currencies:

	Dalekovod Group		**Dalekovod d.d.**	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
EUR	8,237	762	8,829	1,703
HRK	-	1,226	-	1,448
NOK	3,689	6,297	3,689	6,508
Other	28	-	28	-
Total	**11,954**	**8,285**	**12,546**	**9,659**

The maturity of long-term borrowings is as follows:

	Dalekovod Group		**Dalekovod d.d.**	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Between 1 to 5 years	3,131	-	3,131	-
	3,131	**-**	**3,131**	**-**

NOTE 28 – BORROWINGS (continued)

NOTE 29 – TRADE AND OTHER PAYABLES

Short-term

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
Domestic trade payables	16,339	13,204	15,567	13,380
Foreign trade payables	13,932	11,839	9,575	9,723
	30,271	25,043	25,142	23,103
Interest payable	96	85	164	171
Other accruals and liabilities	297	320	171	136
Financial liabilities	**30,664**	**25,448**	**25,477**	**23,410**
Advances	13,017	10,442	10,450	9,502
Deferred income	5,513	5,312	5,414	5,312
Accrued expenses	906	200	906	200
Due to employees	2,808	2,896	2,238	2,389
VAT payable	259	1,595	129	1,072
Taxes and contributions	941	634	614	381
Unused vacation days	638	583	382	373
Other current liabilities	70	71	66	66
Non-financial liabilities	**24,152**	**21,733**	**20,199**	**19,295**
	54,816	**47,181**	**45,676**	**42,705**

There are no long-term obligations to suppliers in 2023.

The Group's and the Company's short-term financial liabilities are denominated as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of EUR)	**2023**	**2022**	**2023**	**2022**
HRK	-	13,578	-	13,705
EUR	22,889	3,649	18,127	1,855
NOK	893	1,725	891	1,781
SEK	2,665	620	2,410	620
UAH	2,461	5,406	2,461	5,406
Other currencies	1,756	470	1,588	43
Total	**30,664**	**25,448**	**25,477**	**23,410**

NOTE 30 – PROVISIONS

Group

(in thousands of EUR)	Jubilee awards	Severance payments	Other provisions	Total
At 1 January 2023	235	354	2,811	3,400
Increase	-	457	56	513
Decrease	(16)	(2)	(20)	(38)
At 31 December 2023	**219**	**809**	**2,847**	**3,875**

Analysis:	**2023**	**2022**
Non-current portion	3,286	3,275
Current portion	589	125
Total	**3,875**	**3,400**

Company

(in thousands of EUR)	Jubilee awards	Severance payments	Other provisions	Total
At 1 January 2023	132	246	2,779	3,157
Increase	-	316	55	371
Decrease	(15)	(33)	-	(48)
At 31 December 2023	**117**	**529**	**2,834**	**3,480**

Analysis:	**2023.**	**2022.**
Non-current portion	3,077	3,062
Current portion	403	95
Total	**3,480**	**3,157**

Provisions for jubilee awards and retirement benefits

These provisions relate to estimated long-term employee benefits for jubilee awards and regular retirement benefit at the time of retirement according to the Collective Labour agreement. The liability is calculated by independent actuaries. Significant assumptions used by the actuary are as follows: an annual leaver's rate of 9.05% for the Group, and 11.8% for the Company (2022: Group 9.18%, Company 11.3%), the age of retirement is determined for each individual employee considering their present age and the overall realised years of service. The average age of retirement used in the calculation for the Company is 62 years and the Group is 61 years for men and for women it is 61 for the Company and 62 for the Group (2022.: the average age of retirement used in the calculation for the Company and the Group is 62 years for men, and for women 61 years for the Company and 62 years for the Group).

Other provisions

Other provisions refer to provisions for legal disputes in the amount of EUR 2,847 thousand for the Group and EUR 2,834 thousand for the Company (2022: EUR 2,812 thousand for the Group and EUR 2,779 thousand for the Company).

NOTE 31 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party, if it is under common control or if it has significant influence over the other party's operations.

In the ordinary course of business operations, the Company enters into related party transactions, which include the purchase of goods and services and loans. The nature of services with related parties is based on arm's length terms. In addition to the subsidiaries presented in note 20, associates presented in note 21, the Company's related parties include its Management Board, Executive Directors, their related parties.

Transactions with related companies also include the owner of Napredna energetska rješte d.o.o. and its founders Končar – Ulaganja d.o.o. and Construction Line Limited as well as their associated companies. Končar – Ulaganja d.o.o. is wholly owned by Končar – Elektroindustrije d.d. which is considered the ultimate owner.

Items in the income statement for the year and balances in the statement of financial position at the end of the year that relates to subsidiaries are as follow:

Revenues and expenses

(in thousands of EUR)	**2023**	**2022**
Sales revenue	4,071	730
Rental income	777	3,902
Interest income	62	67
Other finance income	91	-
Dividend income	978	280
Interest income	1,195	1,341
	7,174	**6,320**
Cost of raw materials and supplies	7,930	10,902
Subcontractor services	792	507
Other staff costs	198	-
Other operating expenses	68	-
Interest expense and foreign exchange losses	37	43
	9,025	**11,452**

During 2023, other operating expenses with related parties through members of the Supervisory Board amounted to 9 thousand euros for the Company and 13 thousand euros for the Group.

NOTE 31 – RELATED PARTY TRANSACTIONS (continued)

Receivables, payables and loans *(in thousands of EUR)*	**2023**	**2022**
Trade receivables	7,006	8,360
Receivables for profit share	331	98
Impairment of trade receivables	(2,074)	(2,065)
Short-term deposits	38	-
Interest receivable	85	99
Advances	842	841
Loans receivable	733	3,166
Impairment of loans receivable	(292)	(502)
	6,669	**9,997**
Trade payables	3,525	3,717
Interest payable	79	87
Other accruals and liabilities	27	51
Bonds	493	553
Loans payable	191	949
	4,315	**5,357**

The company's transactions with Končar Group companies:

Revenues and expenses *(in thousands of EUR)*	**2023**	**2022**
Sales revenue	1,438	955
	1,438	**955**
Cost of raw materials and supplies	753	22
Subcontractor services	514	24
Other operating expenses	40	55
Other staff costs	2	-
	1,309	**101**

Receivables, payables and loans *(in thousands of EUR)*	**2023**	**2022**
Trade receivables	423	154
Advances	380	-
	803	**154**
Trade payables	785	109
	785	**109**

NOTE 31 – RELATED PARTY TRANSACTIONS (continued)

Dalekovod Group transactions with Končar Group companies:

Revenues and expenses

(in thousands of EUR)	**2023.**	**2022.**
Sales revenue	1,842	1,469
	1,842	**1,469**
Cost of raw materials and supplies	753	22
Subcontractor services	549	37
Other operating expenses	42	78
Other staff costs	3	-
	1,347	**137**

Receivables, payables and loans

(in thousands of EUR)	**2023.**	**2022.**
Trade receivables	492	190
Advances	380	-
	872	**190**
Trade payables	792	136
Advances	-	14
	792	**150**

Transactions with key management

Key management consists of Management Board, Executive Directors, and Heads of departments, 35 people in total (2022: 28 people). Remuneration to key management at Group's level amounted to EUR 3,287 thousand (2022: EUR 1,809 thousand), while remuneration at the level of the Company amounted to EUR 2,384 thousand (2022: 1,479 thousand).

Remuneration to Supervisory Board in 2023 amounted to EUR 7 thousand (2022.: EUR 52 thousand).

NOTE 32 – CONTINGENCIES AND COMMITMENTS

As of December 31, 2023, the Group has concluded contracts whose execution has begun, but has not been completed. Undertaken obligations at the level of the Group that have yet to arise under these contracts are estimated at EUR 233,806 thousand (2022: EUR 205,943 thousand).

As of December 31, 2023, the Group and the Company are exposed to potential liabilities on the basis of issued bank guarantees (as a means of securing payment, ensuring the quality of performed works) in the total amount of EUR 57,021 thousand and EUR 47,489 thousand (2022: EUR 52,233 thousand Group and 43,960 thousand euros the Company). The company is additionally exposed as a co-debtor of subsidiaries in the total amount of EUR 8,814 thousand (2022: EUR 6,478 thousand). The Group and the Company estimate that it is not certain that there will be a collection of potential liabilities on the basis of bank guarantees, given that the Group and the Company, as in previous periods, fulfill all contractual obligations on the basis of projects.

During regular operations, the Group had several court cases, either as a plaintiff or as a defendant. In the opinion of the Management and legal counsel, a provision is made for those disputes that will potentially result in a loss (note 30). In addition to the disputes for which a reservation has been created, there are also court disputes which, according to the Management Board and the legal advisor, will not result in losses.

NOTE 33 – DISCONTINUED OPERATIONS

On July 10, 2020, a settlement was concluded with the creditor from the Pre-Bankruptcy Settlement, HETA Asset Resolution d.o.o., on regulating the relationship from three leasing contracts of which HETA is the exclusive creditor on the property which in nature is a galvanizing plant in Dugo Selo. HETA took over the leased property by settlement and sold it to the end customer, NFS Cink d.o.o. members of the Czech Signum Group. The entire segment of galvanizing services has been put into discontinued operation. The impact on the statements of comprehensive income and financial position is shown below. The impact on the statement of comprehensive income for 2023 is not significant considering that the result from discontinued operations amounted to 12 thousand euros (2022: 102 thousand euros) at the Group level, and 80 thousand euros (2022: 54 thousand euros) at at the level of the Company. Assets and liabilities related to discontinued operations are shown within assets and liabilities held for sale and are also not significant from the perspective of the Group and the Company.

NOTE 34 – SALE OF SUBSIDIARY COMPANIES

During 2023, the subsidiary Dalekovod Adria d.o.o. was sold.

The impact of the sale of the subsidiary Dalekovod Adria d.o.o. is visible in the position of other financial income in the amount of 91 thousand euros at the level of the Company and in the amount of 645 thousand euros at the Group level.

NOTE 35 - EVENTS AFTER THE REPORTING DATE

On March 31, 2024, the President of the Management Board ceases to be Mr. Tomislav Rosandić, and is replaced by Eugen Pajić-Karega, who together with Mr. Tvrtko Zlopaš forms a two-member Management Board of the Company.

On January 18, 2024, the company Proizvodnja MK d.o.o. changed its name to Dalekovod MK d.o.o.

Follow-up to the first-instance verdict in favor of the Ministry of Finance/Republic of Croatia in the court case that the Company as a plaintiff is conducting before the Commercial Court in Zagreb for the collection of the Company's claim in the amount of EUR 6,636,140.42 (for more details see note 11) and the filing of a legal remedy against the said verdict, on March 25, 2024, the Company received a decision of the High Commercial Court of the Republic of Croatia, which annulled the first-instance verdict. However, the court has returned the case to the Commercial Court in Zagreb for a new decision. Due to the events that unfolded during the year and the legal uncertainties arising therefrom, the receivable continues to be is held fully impaired by the Company and the Group.