CONSOLIDATED AND SEPARATE ANNUAL REPORT 2022

DALEKOVOD GROUP

Dalekovod d.d.

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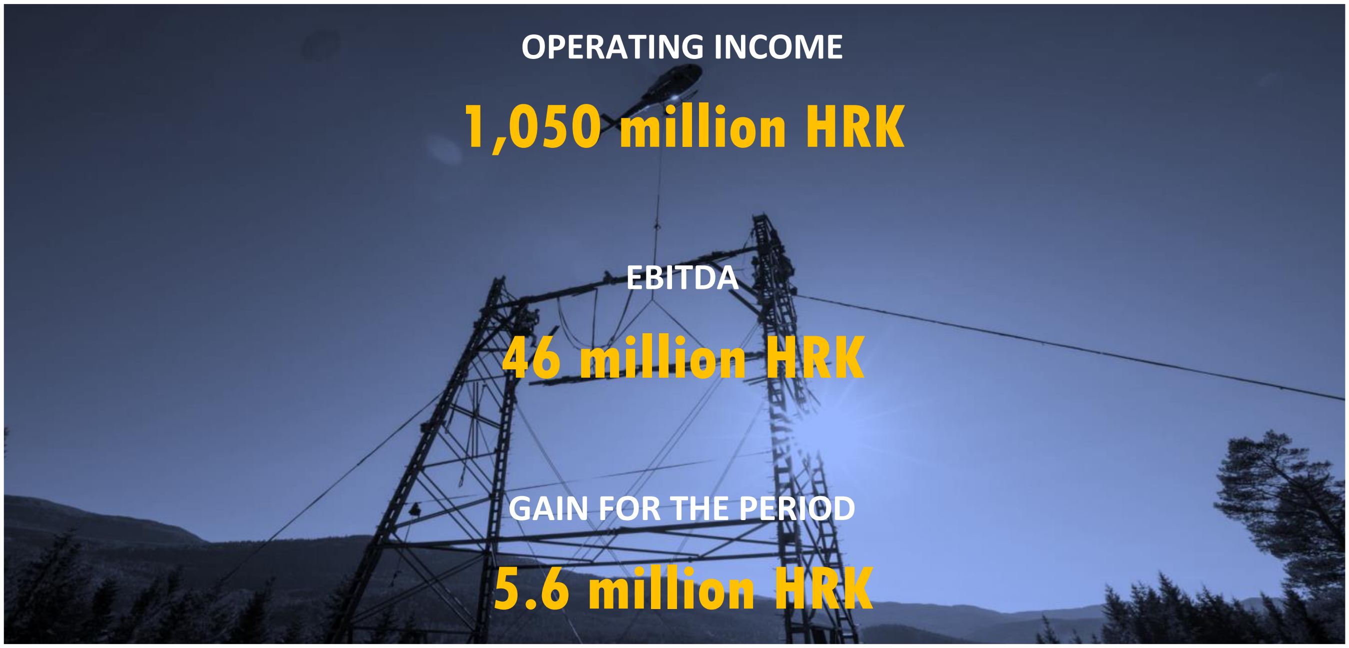
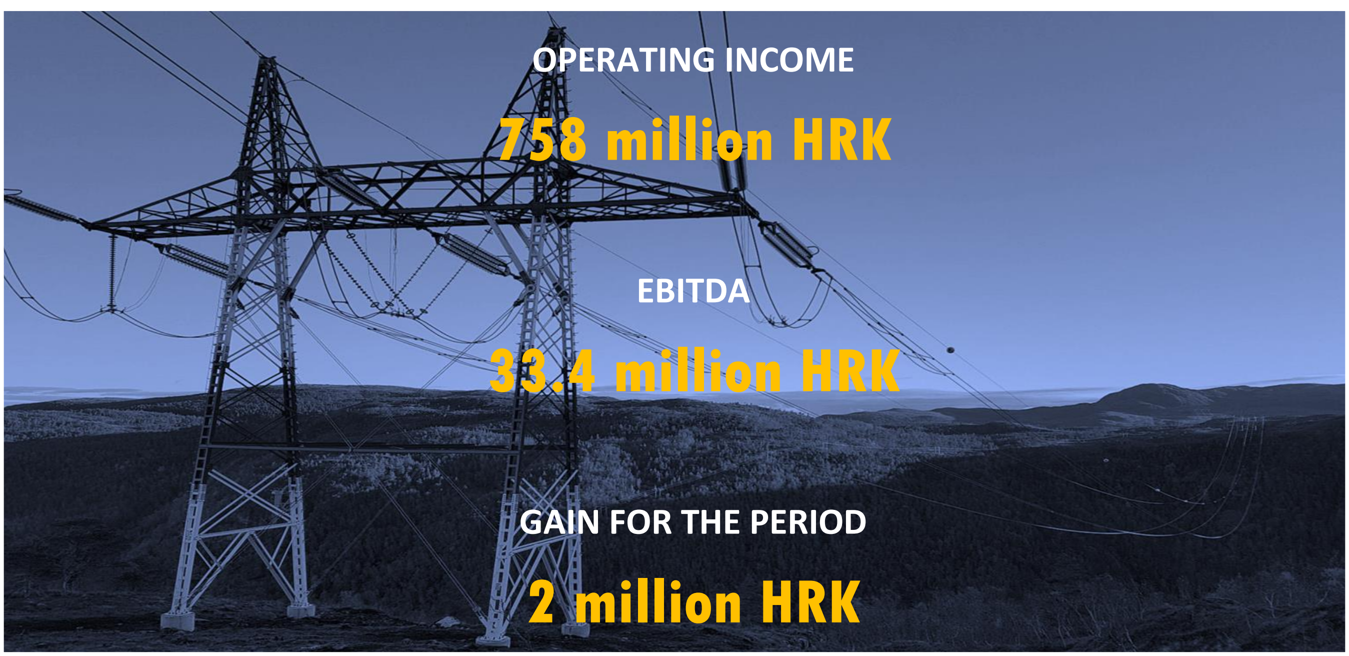
(I–XII 2022)



OPERATING INCOME, EBITDA AND NET PROFIT OF THE COMPANY

DALEKOVOD D.D.

(I–XII 2022)



MANAGEMENT BOARD REPORT

Key messages

New circumstances and challenges related to the Russia-Ukraine crisis and the ongoing negative effects of the COVID-19 pandemic, that is, reduced tender activity in 2020 and 2021 had a negative impact on the activities of Dalekovod Group (hereinafter: the Group). Challenges related to the Russia-Ukraine crisis have additionally accelerated the existing increase of prices of material and raw material, and thus aggravated the inflation pressure, all of which had a negative effect on the Group's profitability.

The Group launched intense negotiations on key markets and with key customers in terms of regulating the existing activities and settling the difference due to increased costs and on these grounds, significant positive effects on business operations are expected.

However, due to new circumstances and challenges, we are already seeing a significant recovery of business operations through newly concluded contracts, which has a positive effect on the company's position in the upcoming period.

At Group level, 2022 saw a 24-percent decrease in operating income compared to the same period of the previous year, amounting to HRK 1,050 million. The major culprit for the decrease in the Group's income was its parent company, Dalekovod d.d. (hereinafter: the Company) because of the discontinuation of works on two projects in Ukraine and reduced activity in Scandinavian countries.

A company of the Dalekovod Ljubljana d.o.o. group was also a factor contributing to decreased income in the observed period, because the most significant project, Cirkovce-Pince 2x400 kV, is in its final stages. The Ukrainian projects are not expected to yield losses or negatively affect the Company's profitability because of the structure of the contract with the investors with minimized risks.

The production segment achieved 32 percent higher income (HRK 191 million) compared to the same period of the previous year.

In 2022, the company Dalekovod Mostar recorded a growth in income of 25 percent compared to the same period of the previous year. Increased income is a result of a high level of contracted works during 2021 as well as a faster realization of the projects contracted in 2021 and 2022.

Dalekovod Projekt d.o.o. achieved a 15-percent growth in income compared to the same period of the previous year.

Dalekovod EMU d.o.o. achieved a 14-percent growth in income compared to the same period of the previous year.

Group’s EBITDA in the reporting period is 46 million, and this was mostly a result of the above-mentioned circumstances related to decreased tender activity of key customers due to the COVID-19 pandemic and the challenges related to the Russia-Ukraine crisis in the context of a strong increase in the prices of material, raw material, and energy, and consequently, all the other costs.

A recovery of the business operations was visible in Q3 2022, and the positive trend continued in Q4 2022 when income was achieved in the amount of HRK 345 million. The income level in this quarter was also affected by the collection of increased operating costs in agreement with national and foreign investors based on defined methodologies.

Particularly good evidence of the recovery of business operations are the newly concluded contracts: on 31 December 2022, the Group had a Contract Book amounting to more than HRK 1.8 billion which has a positive effect on income stability in the upcoming period.

In the upcoming period, we are expecting the strong tendering activity in the energy and transport infrastructure to continue both through the implementation of the NRRP projects and through a strong investment activity in terms of implementing green and digital transition activities on the markets where Dalekovod Group has been traditionally and strongly present, including significant investments in energy infrastructure and renewable energy sources.

After the capital increase was conducted and the total subscribed capital of HRK 410 million in cash was paid in January 2022, 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 in a pre-bankruptcy settlement. The total amount of settled claims at the Company level was HRK 357 million. The debt indicators consequently improved, as did the Company’s and Group’s overall financial position as on 31 December 2022 compared to the same period last year. Taking into consideration all the above, i.e., the elimination of capital inadequacy and limited financial possibilities, the capital increase will allow for Company’s and Group’s continued development and their greater resistance to external risk factors.

During the third quarter, a final decision was made on the award of the Company’s real property in Dugo Selo. In the fourth quarter, a write-off of the liabilities toward the creditor PODRAVSKA BANKA d.d. was carried out in the amount of HRK 25 million. The Group’s total financial debt and indebtedness related to the claims of separate creditors who did not participate in the pre-bankruptcy settlement thus decreased by the above amount.

As regards the Dugo Selo - Križevci project, based on the decision of the members of the consortium, and pursuant to the provisions of the inter-consortium agreement, the Company is planning to take over the remaining unfinished works on the Dugo Selo - Križevci project from the domain of the DIV Group, which the investor, HŽ infrastructure consented to.

Financial results for 2022

Indicators (in HRK 000)	Dalekovod Group			Dalekovod d.d.		
	2022	2021	Index	2022	2021	Index
Total revenue	1,050,269	1,383,761	76	758,275	1,009,438	75
Sales revenue	1,029,550	1,364,324	75	710,486	966,581	74
Operating expenses	(1,034,283)	(1,339,885)	77	(752,205)	(975,282)	77
EBITDA	45,968	75,606	-29,638kn	33,399	60,986	-27,587kn
EBIT	15,986	43,876	-27,890kn	6,070	34,156	-28,086kn
Net profit	6,379	16,232	-9,853kn	2,377	12,696	-10,318kn
Discontinued operations	(768)	(179)	-589kn	(406)	(1,262)	+856kn
Net profit after discontinued operations	5,611	16,053	-10,442kn	1,971	11,434	-9,462kn
EBITDA margin	4.4%	5.5%		4.4%	6.0%	

*In accordance with the international financial standards, the items in the profit and loss account and in the reports on the Group's financial position in the previous period, i.e., in 2020 and in 2021, have been harmonized for financial impact of the mentioned transactions, i.e., the termination of business activity.

The Group's operating income amounts to 1,050 million HRK and has decreased by 24% compared to the same period in the previous year. The Group's sales income amounted to 1,030 million HRK and has decreased by 25% compared to the same period in the previous year. The income growth is the result of the high level of contracted projects during the previous year, that is the high level of contracting before the COVID-19 pandemic. Due to the aforementioned circumstances related to the COVID-19 pandemic, both the Group and the Company recorded a decline in operating profitability.

Group's EBITDA (calculated as follows: "Operating income - Operating expenses + Depreciation") amounts to 46 million HRK, which represents a decrease of 29.6 million HRK compared to the same period in the previous year.

Operating income of the parent company, Dalekovod d.d. (hereinafter: "the Company"), amounts to 758.3 million HRK and has decreased by 25% compared to the same period in the previous year. The Company's EBITDA amounts to 33.4 million HRK, which represents a decrease of 27.6 million HRK compared to the same period in the previous year. The Company's profit in the current year comprises the profit from the regular business activities in the amount of 2 million HRK and the loss from the discontinued operations (related to the sales of the galvanization segment) in the amount of 406 thousand HRK.

Business operations of the company Dalekovod Ljubljana d.o.o. and the process of operational restructuring which resulted in a significant improvement of operating activities in the production segment, i.e. in the companies Proizvodnja MK d.o.o. and Proizvodnja OSO d.o.o., resulted in the Group recording higher EBITDA than the parent company. Despite the improvement of operating activities in the companies Proizvodnja MK d.o.o. and Proizvodnja OSO d.o.o., their financial position is still marked by a very limited liquidity, and the growth of prices of raw materials and their delivery further complicates operational business.

The Group's financial position

Dalekovod Group (in 000 HRK)	Dalekovod Group			Dalekovod d.d.		
	2022	2021	Index	2022	2021	Index
ASSETS	**976,786**	**1,319,215**	**74**	**907,500**	**1,230,608**	**74**
Non-current assets	**286,773**	**328,690**	**87**	**315,502**	**354,677**	**89**
Current assets	**690,013**	**990,525**	**70**	**591,998**	**875,931**	**68**
Inventories	*79,067*	*73,175*	108	*8,433*	*8,049*	105
Trade and other receivables	*580,138*	*446,852*	130	*560,653*	*405,465*	138
Receivables for subscribed unpaid capital	-	*410,000*	-	-	*410,000*	-
Income tax receivable	*2,177*	*2,371*	92	*1,535*	*1,554*	99
Cash and cash equivalents	*28,509*	*57,842*	49	*21,377*	*50,727*	42
Assets held for sale	*122*	*285*	43	-	*136*	-
LIABILITIES	**481,451**	**836,208**	**58**	**455,139**	**787,065**	**58**
Provisions	**25,622**	**29,637**	**86**	**23,787**	**26,085**	**91**
Non-current liabilities	**44,605**	**70,007**	**64**	**47,736**	**73,151**	**65**
Borrowings	*34,012*	*60,483*	56	*37,143*	*63,627*	58
Trade and other payables	-	39	-	-	39	-
Deferred tax liability	*10,593*	*9,485*	112	*10,593*	*9,485*	112
Current liabilities	**411,224**	**736,564**	**56**	**383,616**	**687,829**	**56**
Borrowings	*28,413*	*294,408*	10	*35,633*	*301,875*	12
Trade and other payables	*355,474*	*380,685*	93	*321,762*	*320,621*	100
Income tax payable	*26,439*	*29,209*	91	*26,221*	*29,030*	90
Liabilities held for sale	*898*	*551*	163	-	-	-
EQUITY	**495,335**	**483,007**	**103**	**452,361**	**443,543**	**102**
Share capital	*412,472*	*412,472*	100	*412,472*	*412,472*	100
Legal reserves	*166*	*166*	100	-	-	-
Treasury shares	*(8,466)*	*(8,466)*	100	*(8,466)*	*(8,466)*	100
Statutory and other reserves	*43,394*	*43,099*	101	*8,466*	*8,466*	100
Revaluation reserves	*48,255*	*43,208*	112	*48,255*	*43,208*	112
Translation reserves	*(5,011)*	*(4,586)*	109	-	-	-
Accumulated loss	*4,525*	*(2,886)*	(157)	*(8,366)*	*(12,137)*	69

The significant improvement in the financial position of the Group and the Company was primarily influenced by the implementation of the recapitalization process. As mentioned before, based on the Shareholders' Decision on the increase of the basic 410 million HRK were paid into the company's capital, i.e., 41,000,000 new ordinary shares with an individual nominal amount of HRK 10 were subscribed, and thus the company's share capital was increased to the amount of HRK 412,471,930.00. On February 11, 2022, the company with the funds collected by issuing new shares settled their debts to creditors whose claims were determined pre-bankruptcy. settlement. The total amount of settled claims based on principal and interest at the level of the Company amounted to HRK 357 million, and as a result, debt and overall financial indicators have significantly improved the position of the Company and the Group.

In addition to the previously mentioned, the most significant changes in the financial position refer to changes in working capital, the Group's short-term assets decreased by 30 percent, and short-term liabilities by 44 percent how much. The biggest impact on the reduction of short-term assets is the previously mentioned use of funds from recapitalization and payment of claims determined by the pre-bankruptcy settlement in accordance with the decisions of the Main Office assembly held on June 30, 2021. The transaction in question had a significant impact on reduction of short-term liabilities.

Type of financial debt	Dalekovod Group			Dalekovod d.d.		
	2022	2021	Index	2022	2021	Index
Senior debt	-	213,434	-	-	213,434	-
Lease liabilities	31,492	69,152	46	30,523	67,727	45
Bonds	13,019	14,367	91	17,185	18,962	69
Mezzanine	-	31,711	-	-	36,303	-
Prebankruptcy liabilities	-	67,492	-	-	67,492	-
Other	17,914	11,366	158	25,068	18,807	155
Total financial debt	62,425	407,522	15	72,776	422,725	17
Adjusted financial debt	**62,425**	**308,319**	**20**	**72,776**	**318,930**	**23**

* Financial debt adjusted for debt that does not affect the company's operating cash flows: (i) Mezzanine debt (ii) Separate debt.

The overview of the Group's key segment business activities

The Energy Sector (construction of transmission lines and electrical substations) during 2022, recorded a drop in income of 30.5 % in 2022 compared to the same period of the previous year, and the total income amounted to HRK 642 million. The profitability of both sectors significantly decreased due to the lower level of contracting and the negative effect of the increase of the prices of material and raw material and other related costs. Reduced activity on the Scandinavian market and the discontinuation of works on two projects in Ukraine had a negative effect on the income in the Energy Sector. The transmission lines segment is currently working on 20 large projects (1 in Norway, 6 in Sweden, 5 in the region, 2 in Germany and 6 in Croatia) as well as 8 smaller projects, and the substation segment is working on 12 large projects (5 in Croatia, 3 in Norway and 4 in Macedonia).

In 2022, in **The Sales Sector** (transmission lines and substations segment), works have been contracted in the total value of HRK 488 million.

The Infrastructure Sector recorded a 41.37 % increase in income compared to the same period of the previous year, and total income in 2022 amounted to HRK 93.3 million. The largest part of the income resulted from the railway construction projects of Križevci–Botovo, Dugo Selo-Križevci, Zaprešić-Savski Marof and Vinkovci-Vukovar. The sector's profitability is according to plan. The most significant investors of the concerned sector are HŽ Infrastruktura and Hrvatske ceste. There are 10 ongoing projects, and works are taking place on 9 sites.
In Q4 2022, a contract was concluded for an OCL construction project on the Karlovac-Leskovac railway track, in the value of HRK 155 million. Another valuable project, the Omiš bypass (client: Hrvatske ceste) worth HRK 60 million is in the selection stage of the public tender. Award is expected in early 2023.

The production segment takes place through two companies - Proizvodnja MK d.o.o. and Proizvodnja OSO d.o.o. During 2022, the company Proizvodnja MK d.o.o. produced/processed 3,942 tones, which is an increase of app. 25 % compared to the same period of the previous year. The increase in production is mostly a result of the Slovakia project, the project for the Italian Ansaldo, the project for the Swedish Ellevio, and continuously good cooperation with GE Power Norway on the Sogn and Hamang projects.
On the domestic market, the long-expected Bilice-Trogir project and the High Voltage Testing Laboratory (buyer: Končar Institute) projects were executed. The income of Proizvodnja MK d.o.o. in 2022 was 50 percent higher than in the same period of the previous year and amounted to HRK 103.2 million as a result of increased exit prices and the level of realized works.

During 2022, **Proizvodnja OSO d.o.o**. produced/processed 1,416 tonnes, which is a 7.5 % decrease compared to the same period of the previous year. This decrease in terms of quantity is a consequence of reduced activity of key customers, including the parent company due to the above-mentioned circumstances. Regardless of the recorded decrease in terms of quantities of material produced/processed, the operating income of the company Proizvodnja OSO d.o.o. was 15 percent higher in 2022 compared to the same period of the previous year and amounted to HRK 87.6 million, which is a result of higher exit prices and the structure of realized works.

The achieved EBITDA of the production segment, that is, of both companies, is HRK 9.2 million, i.e., HRK 1.2 million more than in the same period of the previous year.

The operating income of the **Design Segment**, which is linked to the activities of Dalekovod Projekt d.o.o., was HRK 40.6 million, which is 15 percent more than in the same period of the previous year (2021 – HRK 35,2 million). The growth in income is a result of the strong breakthrough into the foreign market, especially the Swedish one. This indicates an almost six-fold increase in income on the foreign market in relation to the same period of the previous year (HRK 17.5 million). Considering the cyclic nature of designing activities, a satisfactory level of profitability was preserved. The steady level of contracted works ensures their execution in the upcoming period.

Dalekovod Ljubljana d.o.o. in 2022 achieved an income of HRK 116 million, 101.5 million of which is related to the Cirkovce-Pince 2x400 kV project. The decreased level of operating income is related to the decreased extent of works on the concerned project, that is, the fact that it is in its final stages. The company's EBITDA achieved in 2022 was HRK 2.5 million.

Dalekovod Emu d.o.o., operating on locations in Zagreb and Vela Luka, achieved an operating income in 2022 in the amount of HRK 3.58 million, which is a 15 percent increase compared to the previous year. 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. Although the companies with HF and LF radiation sources are legally obligated to perform EMF measurements, it is difficult for the operators to carry out the measurements because of the access to radiation sources, i.e., because they have to enter private and business premises to carry out the measurement. 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.

Dalekovod Mostar d.o.o. recorded HRK 69.9 million income in 2022, which is an increase of app. 25 percent compared to the same period of the previous year. As a consequence of the growth in income with approximately equal fixed costs as the previous year, the company's EBITDA for 2022 amounts to HRK 3.6 million and is 39 percent higher than the previous year. Increased income is a result of a high level of contracted works during 2021 as well as a faster realization of the projects contracted in 2021 and 2022. The execution of these projects slowed down during the previous two years as a consequence of the COVID-19 pandemic. In 2022, it intensified and expanded, among other, as a result of our Investors' investments into renewable energy sources.

Company name (in 000 HRK)	Business revenue			Adjusted EBITDA		
	2022	2021	Index	2022	2021	Index
Dalekovod d.d.	758,275	1,009,438	75	33,399	60,986	-27,587kn
Proizvodnja MK d.o.o.*	103,175	68,770	150	4,503	3,211	+1,292kn
Proizvodnja OSO d.o.o.*	87,634	76,212	115	4,671	4,809	-138kn
Dalekovod Projekt d.o.o.	40,579	35,221	115	2,716	1,362	+1,354kn
Cinčaonica Usluge d.o.o.**	190	20	950	(770)	(169)	-601kn
Dalekovod EMU d.o.o.	3,670	3,217	114	449	408	+41kn
Other affiliates	185,665	418,055	44	6,309	8,097	-1,788kn
Elimination	(128,919)	(227,172)	57	(5,309)	(3,098)	-2,211kn
Total Group	**1,050,269**	**1,383,761**	**76**	**45,968**	**75,606**	**-29,638kn**

*On 1 March 2020, in the company Proizvodnja MK i OSO d.o.o. there was a separation of the economic unit related to the production of suspension and coupling equipment. That economic unit continues to operate as a separate business entity Proizvodnja OSO d.o.o. (PIN: 55411035652), and the company Proizvodnja MK i OSO d.o.o. changed its name to Proizvodnja MK d.o.o.

**Termination of business activity

Strategy – business guidelines for future periods

With the implementation of the recapitalization and the successful completion of the pre-bankruptcy settlement, Dalekovod Group enters a new development phase in which it can use all its past experience, acquired knowledge and proven successful implementation of complex projects in significantly difficult circumstances combined with the implemented restructuring of business processes and synergistic effects within the Končar Group.

The industry in which Dalekovod Group competes expects a significant conjuncture in the future period for several key reasons: (i) the relatively old transmission of networks requiring renewal; (ii) the shift towards renewables and the general trend of the transition from energy generated from traditional fossil sources to electricity generated from renewable sources; (iii) conducting tenders postponed in previous periods due to the COVID-19 pandemic; (iv) also awaits the resolution of the Ukrainian crisis, which would calm the situation in the materials market and make assumptions for significant new business in the reconstruction of Ukraine's infrastructure.

The financial and operational restructuring carried out will enable Dalekovod Group to continue operating in the traditional markets of Scandinavia, the Region, Central and Eastern Europe and the domestic market with the possibility of increasing the profitability of the business. It will also support the continued entry into new markets such as Germany, where the first projects have been successfully completed, opening up the possibility of further strengthening the position in this potent market (30% of all investments in Europe are still expected to be in this market, according to ENTSO) and in markets that will contribute to the increase in operating margin.
The new level of capitalization and working capital will enable the Group to participate in tenders that we have not participated in before and to modernize machines and tools, which will also significantly affect the increase in revenues and business efficiency.

Dalekovod Group will continue to invest significantly in the health and safety of its employees and increase investments in sustainable development with the aim of striking a balance between the environment, society and our activities in order to meet the requirements of development, without compromising the prospects of future generations.

The organization of the Dalekovod Group, which enables control over all important parts of the process with synergy within the Končar Group, will enable further focus on increasing the profitability of the business in all segments of the business and focus on the realization of new business opportunities.

Management and supervisory board

As at 31 December, the Dalekovod Group ("Group") comprises parent company Dalekovod d.d. and fourteen subsidiaries owned by parent company and one company managed as joint venture (2020: fourteen subsidiaries owned by parent company and one company managed as joint venture) – please see note 22 and 24.

Dalekovod d.d. Zagreb (hereinafter referred to as the Company) was founded in accordance with laws and regulations of Republic of Croatia. Company's registered office is in Zagreb at Marijana Čavića 4. Company's shares are listed on ZSE (Zagreb Stock Exchange).

The main activity of the Company is design, production, construction and erection of power facilities, road, rail and city traffic facilities and telecommunication infrastructure.

Board

The Management Board manages the affairs of the Company in accordance with the positive regulations, Company Articles of Association and the Rules of Procedure of the Management Board.

The Management Board of the Company as at 31 December 2022 consists of Mr. Tomislav Rosandić (President of the Management Board), Mr. Eugen Paić-Karega (Member of the Management Board), Mr. Ivan Kurobasa (Member of the Management Board) and Mr. Tvrtko Zlopaša (Member of the Management Board).

Supervisory Board

The Supervisory Board of the Company as at 31 December 2022 consists of: Mr. Gordan Kolak (Chairman of the Supervisory Board), Mr. Josip Jurčević (Deputy Chairman of the Supervisory Board), Mr. Josip Lasić (Member of the Supervisory Board), Mr. Dražen Buljić (Member of the Supervisory Board), Mr. Božidar Poldrugač (Member of the Supervisory Board), Mr. Damir Spudić (Member of the Supervisory Board) and Mr. Pavao Vujnovac (Member of the Supervisory Board).

According to the authorities provided by the Companies Act, Articles of Association and Standing Orders of operations of Dalekovod dd. Supervisory Board, the Supervisory Board overlooks company's business operations. Sessions of the Supervisory Board are held at least four times annually (more frequently if required); members of Supervisory Board often discuss strategy and operational plan of Company at such sessions. Supervisory Board acts solely for management and supervision and sub-committees (commissions) are appointed with specific responsibilities.

Dalekovod d.d. is represented to Supervisory Board by representatives appointed by the Company. In compliance with the Labour Act, employees also have their representative in the Supervisory Board. General shareholders influence on management processes is specified by the Companies' Act.

The fees payable to the members of the Supervisory Board are fixed and are not subject to their presence at meetings. The qualification and expertise of the members of the Supervisory Board for strategic management of the organization in terms of economic, environmental and social issues are not evaluated separately. However, the members of the Supervisory Board are expected to have expertise and abilities to recognize risks and circumstances arising from the operations of Dalekovod d.d. and from its surrounding (which also includes the issues relating to social responsibility in business operations). It is necessary to constantly improve the Supervisory Board's procedures for supervising the management of economic, environmental and social effects, including some significant risks and circumstances, as well as adherence to or compliance with internationally agreed standards, codes of conduct and principles.

The Supervisory Board has its sub-committees that help Supervisory Board within the scope of their competence, thereby contributing to giving proposals for decisions accompanied with reasons for and against acceptance thereof. The Supervisory Board may form following sub-committees:

- Sub-committee for corporate management
- Sub-committee for audit
- Sub-committee for appointment and rewarding

Own shares

In 2022, the Company has not acquired any of its own shares.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries are detailed in Note 22 to Financial Statements.

Investments in associates are detailed in Note 23 to Financial Statements.

Investments in joint ventures are detailed in Note 24 to Financial Statements.

Subsequent events

Among the more significant events after the balance sheet date, we would highlight the opening of a branch in Slovenia in March 2023.

On 31.03.2023. Mr. Ivan Kurobasa ceases to be a member of the Management Board.

Due to the current situation in Ukraine, force majeure has been declared on both projects that we had as active during 2022. With the proclamation of force majeure, all actions on the project were suspended. Dalekovod d.d. does not expect losses on these projects due to the very structure of the Investor Agreement where risks are minimized.

The following is a presentation of the Balance Sheet and Profit and Loss Account as at 31 December 2021 and as at 31 December 2022:

Ukraine branch	**31.12.2022**	**31.12.2021**
Property, plant and equipment	2	4
Inventories	24	460
Trade and other receivables	80,029	68,477
Cash and cash equivalents	118	2,507
Total assets	**80,173**	**71,448**
Accumulated loss	(2,204)	1,615
Profit/Loss for the financial year	1,979	(3,818)
Total equity	**(225)**	**(2,204)**
Trade and other payables	80,398	73,652
Total equity and liabilities	**80,173**	**71,448**

From the above it can be seen that the company has receivables and liabilities in significant amounts, however due to the mutual connection or interdependence of one another, we consider that it is not needed to adjust the value with the stated claims.

Payment according to crucial suppliers (subcontractors) for both projects is related to the "BACK TO BACK" conditions, i.e. payment only after payment. According to the mentioned projects, all bank guarantees have been withdrawn, which will be reissued after the continuation of the projects and the revision of the Agreement.

Until the reporting date, there are no major changes compared to December 31, 2022.
The Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in "Official Gazette" No. 85/22). With the aforementioned decision, the euro becomes the official monetary unit and legal currency in the Republic of Croatia on 1 January 2023. The fixed conversion rate is set at HRK 7.53450 for one euro. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent an adjusting subsequent event.

Targets and policies in connection with financial risk and capital risk management

The Company and the Group are exposed to market risk, price risk, credit risk and liquidity risk, which are, together with capital risk management, detailed in Note 4 to Financial Statements.

Shareholder structure (as at 31 December 2022)

According to the Articles of Association, shareholders' voting right is not limited to a certain percentage of the number of votes and there are no time limits for exercising the voting right. Each ordinary share entitles to one vote at the General Meeting.

The Company's rights and obligations arising from acquiring its own shares are exercised and performed in accordance with the Companies Act and the Articles of Association.

SUBJECT	NUMBER OF SHARES
Napredna energetska rješenja d.o.o.	31,000,000
Financial Institutions	7,004,080
Foreign company	2,401,233
Individuals	200,729
Own shares	988
Others	640,163
TOTAL	**41,247,193**

Affiliates and subsidiaries

REPUBLIC OF CROATIA

1. PROIZVODNJA MK d.o.o., Vukomerička 9, 10410 Velika Gorica	79970472123/ 080437239
2. PROIZVODNJA 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. DALEKOVOD ADRIA d.o.o., Marijana Čavića 4, Zagreb	37315161677/ 080703108
6. EL-RA d.o.o., Vela Luka (Općina Vela Luka)	30113948970/ 060033055
7. CINČAONICA USLUGE d.o.o. – in liquidation	90304389514/ 081231295

On March 1, 2020, there is a separation of economic unit related to the production of suspension and coupling equipment in company Proizvodnja MK i OSO d.o.o.. The stated economic unit continues its business as a separate business entity Proizvodnja OSO d.o.o., and the company Proizvodnja MK and OSO d.o.o. changes its name to Proizvodnja MK d.o.o.

ABROAD

8. DALEKOVOD Plt, Namibia
9. DALEKOVOD TKS a.d., Doboj, BiH (in liquidation)
10. DALEKOVOD MOSTAR d.o.o., BiH, Ante Starčevića bb, Mostar, BIHJIB: 4227105910001
11. DALEKOVOD LJUBLJANA d.o.o., Zavetiška ul. 1, 10000 Ljubljana, SLO, Porezni broj: SI 28940024
12. DALEKOVOD UKRAJINA d.o.o., Ukraine, 4 Lunacharskogo str. 02002 Kiev, Ukraine, MBS: 36683014
13. DALEKOVOD LIBYA for engineering, joint company, Libya
14. DALEKOVOD NORGE AS, Norway, Sandviksveien 26, 1363 Høvik, Norway, MBS: 998628253

BRANCH OFFICES

15. DALEKOVOD NUF, Norway, Sandviksveien 26, 1363 Høvik, Norway
16. DALEKOVOD Skopje, 50te Divizije br. 36, Skopje-Centar, Skopje, North Macedonia
17. DALEKOVOD CRNA GORA, Ul. IV Proleterske br. 34, Podgorica, Montenegro
18. DALEKOVOD UKRAJINA - branch in Ukraine, 4 Lunacharskogo str. 02002 Kiev, Ukraine
19. DALEKOVOD – Branch Of Kosovo, Kosovo, St. Garibaldi 3/7, 10000 Prishtine, Kosovo
20. DALEKOVOD D.D. – branch in Sweden c/o Amesto Accounthouse AB, Roselundsgatan 54, 118 63 Stockholm, Sweden
21. DALEKOVOD DD Zagreb – podružnica Mostar, Ante Starčevića bb, 88000 Mostar
22. DALEKOVOD NJEMAČKA, Njemačka, Steistr. 28, 40210 Dusseldorf

Description of products and services

Over time, Dalekovod d.d. has become specialized in performing contracts on a “turn-key” basis in the following areas:

- electrical facilities, especially transmission lines between 0.4 and 750 kV
- transformer stations of all levels and voltages up to 500 kV
- air, underground and underwater cables up to 110 kV
- telecommunication facilities, all types of networks and antennas
- production of suspension and joining equipment for transmission lines and TS stations from 0.4 to 750 kV
- production and installation of all metal parts for roads, especially for road lighting, security barriers and traffic signals, tunnel lighting and traffic management
- electrification of railway tracks and tramways

SOCIAL RESPONSIBILITY REPORT

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 Social Responsibility Report that Dalekovod d.d. prepares at the annual level has been prepared for the 1 January – 31 December 2022 reporting period.

The Social Responsibility Report will be available in June 2023. An integral part of the Report will in accordance with the acts of the European Union, Article 11, Paragraph 3 (EU Taxonomy).

It was prepared by the Dalekovod Group and covers four companies within the Group, in which the parent company has the dominant influence. The last report was published in 2022 (for the 2021 calendar year) and is available on the website https://www.dalekovod.hr/un-global-compact.aspx and as part of the annual audited financial report on the website https://www.dalekovod.hr/izvjesca-2021.aspx.
The person responsible for questions related to the report and its content is the Head of Corporate Communications. The Dalekovod Group selected the option of core compliance with G4 guidelines. The report has not been externally verified. Until the next report, the Dalekovod Group will continually improve current practices and to monitor the progress of all companies within the Group, as well as relations with stakeholders, and to notify the public of this in the subsequent report and to consider the option of external verification.

Organization profile

The Social Responsibility Report was prepared by the Dalekovod Group, although such a form of the Group has not been legally registered. Nevertheless, given that Dalekovod d.d. is a signatory of the UN Global Compact, we believe that, concerning financial and environmental indicators, the companies Proizvodnja MK d.o.o., Proizvodnja OSO d.o.o. and Dalekovod Projekt d.o.o. must not be ignored, because, together, they form a whole, and this in the design, production and construction of transmission lines, and with their financial reports and environmental indicators have a significant impact on the sustainable operations of the Dalekovod Group.
Dalekovod Group is continuously working on improving current practices and monitors the work of its companies.

Supply chain

Nearly all our vendors in the past year are located in Europe, which is understandable given that all our projects last year were carried out in Europe. During cooperation with vendors, particular care is taken to respect the following standards:

• ISO 9001 – continual improvement of quality of products and process management

• ISO 14001 – environmental management

• ISO 45001 – health and safety management system

• ISO 50001 – energy management system

Based on these standards, operating procedures for all business processes, as well as for the procurement process, are defined in the Dalekovod Group. As part of the implementation of these work procedures, vendor list is compiled. The method of forming the Vendor List is defined according to internal procedures; however, it essentially consists of verifying new vendors by means of questionnaires and visits to major new suppliers by our quality control department.

Permanent vendors on the Vendor List are evaluated at the end of each year in such a manner as to measure quality and delivery deadlines.

As Dalekovod Group is essentially a design, production and engineering company, the structure of vendors can vary significantly from one year to the next depending on the projects themselves, and the purchase process begins at the stage of offering projects, when potential suppliers and the conditions with which to enter the bidding process are defined, and often investors within the tender documents predefine a few vendors whose equipment must be used in the actual implementation of the project. The result of a job obtained through the tendering process is the signing of a contract with the best equipment vendors for each individual project.

Annual contracts with vendors are signed for numerous areas for anticipated purchases that are repeated regardless of the projects themselves. Other annual contracts are related to services and certain materials whose procurement is carried out independently of the projects themselves.

Membership in associations

With the objective of achieving wider social objectives, Dalekovod is a member of:

• Global Compact

• Croatian Chamber of Economy’s Corporate Social Responsibility Board

• American Chamber of Commerce in Croatia

• Nordic Chamber of Commerce in Croatia

Dalekovod, as a group, an individual company or its employees, is a member of the following organizations at home and abroad:

- Croatian Exporters
- Croatian Chamber of Economy
- CIGRE (International Council on Large Electric Systems)
- HO CIRED (Croatian National Committee)
- MIPRO (Croatian Society for Information and Communication Technology, Electronics and Microelectronics)
- IEEE (Institute of Electrical and Electronics Engineers)
- PMI (Project Management Institute)
- Croatian Standards Institute
- Croatian Welding Society
- Croatian Society for Quality, Croatian Public Relations Association (HUOJ)
- Croatian Employers' Association
- Croatian Chamber of Architects and Civil Engineers
- Association of Production of Metals and Metal Products
- Association of Production of Electric and Optic Equipment
- Association of Power Supply – Community of Renewable Energy Sources
- HED (Member of World Energy Council)

Owing to such memberships, experts working for Dalekovod d.d. participate in professional meetings at home and abroad, contributing with their papers every year, where they present the work, solutions and products of Dalekovod d.d. By sponsoring and actively participating in the preparation and organization of meetings that are held in Croatia, Dalekovod d.d. directly helps the activities of professional organizations, considering them important places for the promotion of their knowledge and for the exchange of experience with other experts.

Research & development activities

Focus on investors and partners and ongoing innovation are the Group values governing its market research and new product development activities. We regularly undertake market research activities to better understand the market needs and provide services and products to meet any challenges. At the same time, we monitor trends and developments on highly developed markets with a focus on Scandinavia and potential expansion beyond Europe.

Within these activities numerous co-operations are being settled with various small and medium enterprises (SMEs) as well as local Universities and Institutes but also start-up community bringing new, innovative and advance technology into existing products and services of Dalekovod as a group.

Stakeholders

Internal and external stakeholders were involved in the preparation of sections of the report. Internal stakeholders are employees, other workers engaged in projects and in the production process through agencies and subcontractors and their unions. External stakeholders are customers, local communities, shareholders and investors and vendors. Group companies often act within a consortium organized for an individual project, which additionally may result in a reduction in the establishment of direct contact of a Group company with customers and/or communities. Therefore, besides customers, employees (including labor unions with which they are associated), suppliers and the public sector (acting in the double role as a party ordering a product and as business conditions regulator) may be recognized as key participants. Key participants are identified through an analysis of business processes and circumstances and risks brought about by relationships with individual participants. Communication is conducted on a continual basis with key participants through meetings, and while conducting business, where their legitimate interests are taken into consideration.

Within corporate social responsibility activities, communication with a wide range of representatives of civil society and individuals is maintained. To achieve full implementation of the organization and implementation of corporate social responsibility activities communication with the above stakeholders took place in several manners: communication in business relationships and regular meetings, special thematic discussions and meetings, trade shows and professional conferences.

Dalekovod's key stakeholders are customers, suppliers, employees and shareholders. Communication is conducted with all of them depending on key issues and interests. In addition to the usual reporting system, for all relevant business activities (mail newsletter, website, announcements on the Stock Exchange and in the media), communication is conducted in other ways as deemed necessary. The main topics over the course of the previous period were related to the restructuring of the Company, the impact of COVID-19 pandemic on business, key investment projects and business results, with shareholders, significant contracts at home and abroad. Communication with employees is conducted by e-mail: svi@dalekovod.hr ; svi_projekt@dalekovod.hr; svi_mk@dalekovod.hr and svi_oso@dalekovod.hr, and by means of different notices and decisions by the Company. Websites are recognized as an important method of communicating with partners at home and abroad, but also the public in general. We have the following websites: www.dalekovod.com, www.dalekovod-proizvodnja.com, www.dalekovod-projekt.com.

This is the reason why great importance is to be paid to this kind of communication with the intention of making information on the website timely, accurate and suitable to the media used. In compliance with market

requirements and needs, the websites of Dalekovod d.d. and all the above-listed companies within the Dalekovod Group are translated into English. Our main page www.dalekovod.com has additional available versions in Norwegian and Swedish.
There is a special, internal web, intended for employees, containing several directories with documents enabling information sharing. Key topics that arise from communication with participants include the future development of the Company and safety of employment, professional development of employees and satisfaction of growing market, environmental and regulatory standards required for acting on (especially international) markets.

Business ethics

On 4 July 2005, Dalekovod signed a Statement on Acceptance of the Code of Business Ethics, which was confirmed in May 2005 by the Assembly of the Croatian Chamber of Economy. The provisions of the Business Code must be constantly conveyed to employees of the Dalekovod Group and partners. Dalekovod's business policy is founded on the following business principles:

- Satisfaction of customers, vendors and other stakeholders
- Environmental protection, protection of health and safety
- Constant improvement of products and processes, as well as
- Involvement and motivation of all employees.

The principles are founded on the positive regulations of the Republic of Croatia and adopted international standards. Dalekovod accepts and conducts international and local principles, charters and standards that contribute to improved products, work processes and production, as well as for protecting and advancing the natural and social environment.

Environmental management

The Dalekovod Group is committed to sustainable development by achieving a balance between the environment, society and our activities, in order to meet the requirements for development, without compromising perspective of future generations. Sustainable development, transparency and conformity are basic components of the economic growth of Dalekovod.

Environmental management promotion

• Dalekovod Group believes that the environmental management and promotion of its activities in accordance with economic activities are among the basic responsibilities of the top management.

• Dalekovod Group performs monitoring, measurement and analysis of the achieved results to determine goals in relation to reducing environmental impact and preventing pollution .

• Group is continuously trying to improve environmental management by performing internal audits.

• Dalekovod Group meets all legal regulations, requirements of investors and its own guidelines relating to environment.

• Dalekovod Group seeks to be open in communication with the local community and interested parties, and transparently report on its environmental impacts.

• Dalekovod Group seeks to raise awareness of environmental protection through continuous training of its employees.

• Dalekovod Group operates on a global scale and promotes environmental protection activities in all the Dalekovod Group's activities accordingly.

Employment, dignity of work and human rights

The social sustainability dimension concerns the impact of the organization on social systems within which it acts. In this report, it is divided into segments of employment, dignity of work and human rights, society and responsibility for the product. An important strategy guideline of Dalekovod d.d. is directing the development of the Dalekovod Group towards creating a company of knowledge based on the quality of human resources and total intellectual capital.

Because of increased demand for competitiveness, professional development of employees and efficient management of human resources are considered the most important priorities of the organization. When determining labor relations and internal organization, the Dalekovod Group companies comply with applicable regulations, collective and individual agreements and protect human and civil rights, the dignity and reputation of every employee. Neither discrimination nor harassment of employees due to their sex, race, religious, national or political orientation, physical defects, age, family status, personal characteristics or convictions is allowed. The equal salaries for equal work principle are applied in the entire organization. Dalekovod d.d. ensures safe working conditions, which implies minimum differences in health and safety, providing suitable training and insurance from consequences of such risks, where applicable.

The freedom of association and collective negotiation is not limited, and rights specified by the Collective Agreement go beyond legal rights and are above average in the industrial sector. In the event of violation of legal or contractual rights, an employee or an associate is entitled to seek resolution of the problem caused and the protection of his/her own rights. Persons with permanent or temporary specific requirements shall, at the time of employment or while performing their work obligations, be treated equally, however, their specific requirements shall be taken into consideration. The Human Resources Department oversees the area of employment. A common policy compliant with the policy of Dalekovod d.d. is implemented (parent company).

Employment and structure of employees

Permanently employed persons work abroad in representative offices and subsidiaries, depending on requirements. The local labor force at construction sites is subject to the requirements of carrying out larger projects in distant areas and is employed on a temporary basis. In Scandinavian countries, where Dalekovod has the largest presence, local management with the knowledge of the local language is employed with aim to further develop this market.

Trends in the labor force area indicate that the inflow is mainly related to recent employment of younger and highly educated staff, but also with specialist knowledge (electro-mechanics, locksmiths, carpenters) because of working requirements at construction sites, while the outflow is mainly related to retirement of employees.

In Dalekovod d.d., employees work for an indefinite period, full-time, while employees hired for a definite period possess, during the period of their employment agreement, the same rights as those employees working full-time, in compliance with applicable regulations.

Collective agreements and employees rights

The first collective agreement was concluded on 14 June 1996 with the Croatian Metalworkers' Labor Union – Velika Gorica Subsidiary, Croatian Construction Labor Union – Dalekovod subsidiary, Croatian Labor Union Association, Dalekovod Labor Subsidiary, and it is applied to all employees. The Collective Agreement has been revised several times. The recent changes and amendments were adopted in June of 2022. Announcements that refer to important changes in business operations are given in compliance with the Labor Act and are not specifically mentioned in the Collective Agreement. Announcements about significant changes in business operations are given to the Workers' Council, that is, if it has not been organized in a company, to the principal labor union commissioner.

Health and occupational safety

During 2022, the worldwide pandemic of the disease COVID-19 continued, which affected the operations of the Company Dalekovod d.d. Dalekovod, as a socially responsible company, takes care of all aspects of business and wants to communicate as transparently as possible with all its stakeholders - employees, partners and investors, customers and suppliers, the community and others. The Company has crisis headquarters to manage the situation of the development of the epidemic of COVID-19 disease, caused by the SARS-COV-2 virus, and actions

in activities that are challenging for the company's operations. The Headquarters, which is responsible for the entire Dalekovod Group, regularly reports on possible changes related to business continuity, internal and external communication channels managed by the Corporate Communications Office.
At the beginning of the crisis, Management Board of Dalekovod d.d. decided to take measures to prevent the spread of the COVID-19 virus epidemic to ensure health of employees and business continuity, on the basis of which new executive decisions are made daily, in accordance with the situation and thus manage the crisis.
In order to ensure business continuity, and in accordance with the importance and responsibility of the company to ensure the functionality of critical national infrastructure in the Republic of Croatia and the countries where Dalekovod operates, Dalekovod continues all its business activities on active projects to the extent permitted by current circumstances, while simultaneously planning activities in case of escalation of the crisis.

Training and education

Dalekovod Group companies are constantly working on the professional and personal development of employees, from the moment they are hired to the present. Trainees, who are employed for the first time after completing their education, are introduced into the jobs and assignments for their posts by the companies that hire them. Trainees are introduced to the organization, the entire production program, references, marketing and promotional activities, corporate social responsibility and other activities in Dalekovod Group. As part of their training, they visit factories at the Dugo Selo and Velika Gorica locations, and are introduced to their production processes. This important task that is conducted by Human Resources Department. Quality, frequency and right timing for the training and development have a significant impact on the sustainability and competitiveness of the companies. The education program attempts to adapt to the requirements of the companies, and it is becoming increasingly complex, and includes in itself the required qualifications for the current job (for instance, training for bridge crane operator, training for chainsaw and rotating tools operator etc.), the possibility of expanding knowledge of tasks that employees conduct – supplementary training and the possibility for advancement of motivated and capable individuals.
Education program adapted to employee requirements is divided into several forms of education: acquisition of IT knowledge, foreign languages, certification exams, various training (professional seminars, program for managers, undergraduate and graduate study program, doctorate program).
Human Resources Department encourage learning and improving of foreign languages, which is organized in accordance with the requirements of their jobs, languages are also learned depending on company needs in specific markets such as Norwegian or other Scandinavian languages.

Pursuant to Occupational Safety Act, a certain number of workers are qualified to administer first aid. For every 50 workers, one worker is trained in first aid. Therefore, due to the well-organized security and occupational safety system, as evidenced by the low rate of injuries and cases of professional incompetence, there was no need to further extend risk counselling, prevention and control. Regarding communication with employees, regular meetings of teams, departments and direct supervisors are held. Communication with employees is conducted via the e-mails svi.dd@dalekovod.hr, the spokesperson, and by means of various Company decisions and announcements.

Diversity and equal possibilities

The ratio between basic salary for men and women according to the employee category: Basic salary for men and women is identical in all employee categories.

Human rights

No cases of discrimination based on gender, race, age, national orientation, political and religious convictions and other applicable criteria have been recorded. The principles of equality and uniformed criteria are compiled for purposes of managing human resources and making other relevant business decisions.

Freedom of association and collective negotiation

Within all companies of the Dalekovod Group and in all other business activities, there is the freedom of association and collective negotiation. No cases of their restriction have been recorded. This applies to business activities outside of Croatia as well.

Child labor, compulsory and forced labor

Dalekovod d.d. conducts its operations in compliance with applicable legal regulations that prohibit child labor. Dalekovod d.d. thereby operates in accordance with the Constitution and applicable legal regulations prohibiting forced and compulsory work.

Donations and sponsorships

In accordance with its development strategy as a socially responsible company, Dalekovod has for years been active in sponsoring science and education, culture and the arts, sports and sustainable development and health. There is a significant impact on humanitarian activities as well. The aim is to create a society based on knowledge and to create opportunities for young people.

Signed on behalf of the Management Board on 19 April 2023.

Tomislav Rosandić

President of the Management Board

Tvrtko Zlopaša

Management Board Member

Eugen Paić-Karega

Management Board Member

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

MANAGEMENT BOARD – AS AT 31 DECEMBER 2022

Tomislav Rosandić – President of the Management Board

Hrvoje Išek – Management Board Member

Ivan Kurobasa – Management Board Member

Đuro Tatalović – Management Board Member

SUPERVISORY BOARD – AS AT 31 DECEMBER 2022

Gordan Kolak – President of the Supervisory Board

Josip Jurčević – Vice President of the Supervisory Board

Josip Lasić – Supervisory Board Member

Božidar Poldrugač – Supervisory Board Member

Damir Spudić – Supervisory Board Member

Pavao Vujnovac – Supervisory Board Member

Dražen Buljić – Supervisory Board Member

AUDITING COMITTEE

Josip Lasić

Damir Spudić

Josip Jurčević

Dalekovod Joint Stock Company for engineering, production and construction

Marijana Čavića 4, 10 000 Zagreb, Hrvatska

10001 Zagreb, P.P. 128

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

E-mail: dalekovod@dalekovod.hr

Share capital: HRK 412,471,930.00 kn / 54,744,432.94 eur; Number of shares: 41,247,193.

IBAN: HR8323600001101226102, ZABA Zagreb

Reg. No. (MBS): 080010093, Commercial Court in Zagreb

Stat. No. (MB): 3275531

PIN (OIB): 47911242222

Activity code: 4222 (Construction of utility projects for electricity and telecommunications)

The Company voluntarily uses its Code of Corporate Governance as defined by the Croatian Financial Services Supervisory Agency (HANFA) and Zagreb Stock Exchange Inc.

In 2021, the Company substantially complied with and implemented recommendations provided in the Code by publishing all information to be published under the applicable regulations and information of interest to Company's shareholders. The Company presents any events of significant noncompliance with recommendations provided in Code in Annual Questionnaire provided to ZSE.

The Annual Corporate Governance Questionnaire for Dalekovod d.d. is available at www.zse.hr and on the website of Dalekovod d.d. in the section intended for investors at http://www.dalekovod.hr/kodeks-korporativnog-upravljanja.aspx.

According to the provisions of the Companies Act, the Supervisory Board supervises the Company's business by holding regular meetings where the Management Board presents the relevant reports. All issues within the Supervisory Board's scope of responsibility as defined by the Companies Act and the Articles of Association are discussed at Supervisory Board's meetings.

The Supervisory Board's Supervision Report is part of the Annual Company Report submitted to the General Meeting. In addition, the Supervisory Board is responsible for internal control and supervision via the Audit Subcommittee which provides technical support to the Supervisory Board and the Management Board regarding corporate governance, risk management, financial reporting and controlling duties.

In addition to the Audit Subcommittee, the Supervisory Board includes the Appointments and Rewards Subcommittee and the Corporate Management Subcommittee. The Management Board is required to ensure that the Company maintains its business accounts and other books and business records, prepares the relevant accounting documents, realistically values its assets and liabilities, and prepares financial statements and other

reports in accordance with the applicable accounting regulations and standards and the applicable laws and regulations. General Assemblies were held on 25 March 2022, 31 March 2022 and 30 June 2022.

The Company has defined its quality management policy which ensures and continuously improves quality of all its activities in accordance with relevant statutory and professional requirements and other requirements of its internal and external stakeholders.

The policy shall be governed by the following principles:

1. Ongoing improvement of customer satisfaction with products and services;
2. Ongoing development of fair relationships with suppliers;
3. Ongoing improvement of relationships with employees;
4. Ongoing improvement of product and service quality;
5. Building a collective spirit of belonging to the Company and development of teamwork while insisting on high levels of responsibility and making substantial investments in professional training and motivation.

The Quality Management System is continuously implemented and is responsibility of the Management Board, Division Directors, Executives, Managers and all employees of the Company according to defined targets, tasks and responsibilities in Company's business.

In 2022, the Company actively took measures to promote gender equality across the Company. The focus was on defining equal requirements irrespective of gender and age for new employment and internal reassignment of employees.

Equal criteria also applied to the employment of executives in the Company, which provides for ongoing progress. No differences in salaries for equal or equivalent positions were recorded.

The shares of professionals of all genders and age groups were roughly equal on all levels. As regards the professional criteria, the Company uses a strategy for employment and development of management functions for professions and education levels depending on the nature of each function and its requirements. The Company also continuously provides trainings and educations for its employees for further improving and developing their competencies.

Signed on behalf of the Management Board on 19 April 2023.

Tomislav Rosandić

President of the Management Board

Tvrtko Zlopaša

Management Board Member

Eugen Paić-Karega

Management Board Member

RESPONSIBILITY FOR CONSOLIDATED AND SEPARATE ANNUAL STATEMENTS

The Management Board of Dalekovod d.d., Marijana Čavića 4, Zagreb (the "Company") and its subsidiaries (jointly: the "Group") is required to ensure that the Company's and Group's annual consolidated and separate financial statements for each year are prepared in accordance with the Accounting Act (Official Gazette 78/15, 120/16) and the International Financial Reporting Standards (IFRS) adopted by the European Union to provide a true and fair view of the financial position, business performance, cash flows and changes in equity for the period.

Having conducted the relevant investigations, the Management Board reasonably expects the Company and the Group to have appropriate funds to continue in business for the foreseeable future. Accordingly, the Management Board prepared the annual consolidated and separate financial statements under the assumption that the Company and the Group will continue in business on a going concern basis.

When preparing annual consolidated and separate financial statements, Management Board is responsible for:

- selecting and consistently applying appropriate accounting policies in accordance with the applicable financial reporting standards;
- making reasonable and prudent judgments and estimates; and
- preparing annual consolidated and unconsolidated financial statements on a going concern basis unless such basis is inappropriate to assume.

The Management Board is responsible for maintaining proper accounting records that will always reflect with reasonable accuracy the financial position, business performance, cash flows and changes in equity of the Company and the Group and their compliance with the Accounting Act and the International Financial Reporting Standards. The Management Board is also responsible for safeguarding Company's and Group's assets, including the taking of reasonable steps to prevent and detect any fraud or any other illegal activities.

The Management Board is also responsible for the preparation and content of Annual Report and Statement of Compliance with the Code of Corporate Governance, in accordance with Croatian Accounting Law. The Annual Report and the Statement of Compliance with the Code of Corporate Governance have been approved for issue by the Management Board and signed in accordance with this. The Management Board is responsible for submitting Annual Report together with the consolidated and separate financial statements to the Supervisory Board. Subsequently, the Supervisory Board must approve the annual financial statements for their submission to the General Shareholders' Meeting.

The Consolidated and Separate Financial Statements and the Annual Report were approved by the Management Board on April 19, 2023, for submission to the Supervisory Board and signed below by:

Tomislav Rosandić

President of the Management Board

Tvrtko Zlopaša

Management Board Member

Eugen Paić-Karega

Management Board Member

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

Report on the Audit of the Financial Statements

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 2022, 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 significant 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 2022, 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 2022: the Group HRK 930,291 thousand; the Company: HRK 710,486 thousand (90 and 100 per cent, respectively, of the total revenue amount for 2022). Please refer to the Notes 2.20 of *Significant accounting policies*, Note 5 (a) of *Key accounting estimates and judgements* and Note 8 *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:
	  o accuracy of budgeting process including effectiveness of management review;
	  o approval of contract changes with particular focus on approval of relevant changes in budgeted cost to completion;
	• assessing the accuracy of contract budgets by analysing historical accuracy of prior year budgets for completed contracts and contracts with significant change in the stage of completion in the current year;
	• 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.

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

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES

As at 31 December 2022, investments in subsidiaries in the separate financial statements amounted to HRK 48,906 thousand. During the year the reversal of impairment loss on investments in subsidiaries of HRK 2,000 thousand was recognised. Please refer to notes 2.2 (a) and 2.9 of *Significant accounting policies* and note 22 *Investments in subsidiaries* in the financial statements.

Key audit matter	How our audit addressed the matter
In accordance with the relevant financial reporting standards, the Company is required to perform an impairment test for assets for which impairment indicators were identified. Due to the magnitude of investments in subsidiaries (as well as total exposure toward these entities, calculated as the sum of the carrying amounts of the investments and related loans and receivables, net of related liabilities), identification of the impairment indicators for any such subsidiaries at the reporting date and testing for potential impairment requires significant management judgement. Where impairment indicators are identified for a certain exposure, the Company tests the impairment by determining the recoverable amount of the assets and comparing it with their carrying values. The recoverable amounts are determined, with the assistance from external and internal appraisers, as fair values of the underlying subsidiaries, measured using appropriate valuation techniques, e.g. discounted cash flow models of the underlying entity, supplemented, where available, by comparable valuation multiples or prices achieved in actual market transaction for comparable entities. The determination of the recoverable amount requires making a number of assumptions and judgements, in particular those relating to the selection and application of valuation models, future cash flow projections and the appropriateness of used valuation multiples, and comparable transactions. Future cash flow projections are subject to significant variability due to changing market conditions and environment. Key assumptions relate to discount rate used and cash flows growth rate in the residual period. A minor change in these assumptions may have a significant impact on the recoverable amount. As a result, this area required our significant judgment and increased attention in the course of our audit and consequently we considered it to be a key audit matter.	Our audit procedures in this area included, among others: • evaluating, against the relevant requirements of the financial reporting standards, the process of management's identification of impairment indicators, considering factors such as unfavourable developments in the industry, negative or insufficient net assets, changing laws and regulations, declining financial performance, existence of any overdue loans and receivables and/or rolling of existing facilities, and changing business models; • assessing the appropriateness of valuation methodology applied for impairment testing against the relevant requirements of financial reporting standards. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of the said requirements; • assessing competence, capabilities and objectivity of internal and external appraisers engaged by the Company; • assisted by our own valuation specialists, challenging the key assumptions used by management in its impairment testing, which specifically involved: o evaluating the historical accuracy of management budgeting by comparing historical cash flow projections with actual outcomes; o challenging the key macroeconomic assumptions applied (such as discount rates and growth rates in the residual period) by reference to publicly available external sources and data on historical financial performance; o analysing sensitivity of the impairment test results to changes in key assumptions and considering whether the level of key assumptions indicates management bias; • evaluating the adequacy and completeness of disclosures in the financial statements with respect to impairment testing against the relevant requirements of the financial reporting standards.

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.

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.

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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)*

Auditors’ Responsibilities for the Audit of the Financial Statements (continued)

- 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 30 June 2022 to audit the financial statements of the Company and the Group for the year ended 31 December 2022. Our total uninterrupted period of engagement is six years, covering the period from the year ended 31 December 2017 to the year ended 31 December 2022.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 17 April 2023;
- 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 Capital Market Act, we are required to express a conclusion on compliance of the separate and consolidated financial statements of the Company and the Group, as included in the attached electronic file "*dalekovoddd-2022-12-31-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 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 Company's and Group's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express a conclusion, based on evidence obtained, as to whether the separate and consolidated financial statements comply, in all material respects, with the RTS on ESEF. 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.

Work performed

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.

In respect of the subject matter, we have performed the following procedures:

- 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 the 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 conclusion.

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 *(continued)*

Conclusion

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 2022 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 conclusion 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.

KPMG

KPMG Croatia d.o.o. za reviziju **19 April 2023**
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

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.

CONSOLIDATED AND SEPARATE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2022.	Dalekovod Group 2021.	Dalekovod d.d. 2022.	Dalekovod d.d. 2021.
Sales revenue	8	1,029,550	1,364,324	710,486	966,581
Other income	8, 9	20,719	19,437	47,789	42,857
Change in work in progress and finished goods		(185)	(2,129)	-	-
Cost of trade goods sold		(117,532)	(237,986)	(49,351)	(196,109)
Cost of materials and services	10	(503,872)	(620,721)	(401,516)	(396,550)
Staff costs	11	(285,695)	(325,417)	(206,485)	(249,831)
Depreciation and amortisation	18-21	(29,982)	(31,730)	(27,329)	(26,830)
Other operating expenses	12	(97,017)	(122,063)	(67,524)	(105,999)
Other gains/(losses) – net	13	-	160	-	37
Operating gain/(loss)		15,986	43,875	6,070	34,156
Finance income	14	7,502	11,277	11,605	16,109
Finance costs	14	(11,136)	(30,648)	(10,521)	(30,651)
		(3,634)	(19,371)	1,084	(14,542)
Profit / (loss) before tax		**12,352**	**24,504**	**7,154**	**19,614**
Income tax	15	(5,973)	(8,274)	(4,777)	(6,918)
Net profit / (loss) from continuing operations		**6,379**	**16,230**	**2,377**	**12,696**
Net profit / (loss) from discontinued operations		**(768)**	**(179)**	**(406)**	**(1,262)**
Net profit / (loss)		**5,611**	**16,051**	**1,971**	**11,434**
Net profit / (loss) attributable to:					
Equity holders of the Company		5,611	16,051	1,971	11,434
Non-controlling interests		-	-	-	-
Net profit / (loss)		**5,611**	**16,051**	**1,971**	**11,434**
Basic profit / (loss) per share (in HRK)	16	**0.18**	**1.29**		
Diluted profit / (loss) per share (in HRK)	16	**0.18**	**1.29**		

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 2022

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2022.	Dalekovod Group 2021.	Dalekovod d.d. 2022.	Dalekovod d.d. 2021.
Net profit / (loss)		**5,611**	**16,051**	**1,971**	**11,434**
Other comprehensive income / (loss):					
Gain on revaluation of assets	19, 32	5,047	2,501	5,047	2,501
Other		1,670	(295)	1,800	-
Total other comprehensive income / (loss)		**6,717**	**2,206**	**6,847**	**2,501**
Total comprehensive income / (loss)		**12,328**	**18,257**	**8,818**	**13,935**
Comprehensive income / (loss) attributable to:					
Equity holders of the Company		12,328	18,257	8,818	13,935
Total comprehensive income / (loss)		**12,328**	**18,257**	**8,818**	**13,935**

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Dalekovod Group		Dalekovod d.d.	
(all amounts are expressed in thousands of HRK)	**Note**	**2022.**	**2021.**	**2022.**	**2021.**
ASSETS					
Intangible assets	18	7,406	3,526	5,794	1,770
Property, plant and equipment	19	239,816	272,297	175,192	201,753
Prepayments		-	20	-	-
Investment property	20	-	-	45,063	50,410
Investments in subsidiaries	22	-	-	48,906	46,906
Investments in associates	23	4	4	4	4
Loans and receivables	26	39,547	52,843	40,543	53,834
Non-current assets		286,773	328,690	315,502	354,677
Inventories	27	79,067	73,175	8,433	8,049
Trade and other receivables	28	580,138	446,852	560,653	405,465
Receivables for subscribed but unpaid capital	28	-	410,000	-	410,000
Income tax receivable		2,177	2,371	1,535	1,554
Cash and cash equivalents	29	28,509	57,842	21,377	50,727
Assets held for sale	37	122	285	-	136
Current assets		690,013	990,525	591,998	875,931
Total assets		**976,786**	**1,319,215**	**907,500**	**1,230,608**

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2022

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2022.	Dalekovod Group 2021.	Dalekovod d.d. 2022.	Dalekovod d.d. 2021.
EQUITY AND LIABILITIES					
Share capital	30	412,472	412,472	412,472	412,472
Legal reserves	30	166	166	-	-
Treasury shares	30	(8,466)	(8,466)	(8,466)	(8,466)
Statutory and other reserves	30	43,394	43,099	8,466	8,466
Revaluation reserves	30	48,255	43,208	48,255	43,208
Translation reserves		(5,011)	(4,586)	-	-
Accumulated loss		4,525	(2,886)	(8,366)	(12,137)
Shareholders' equity		**495,335**	**483,007**	**452,361**	**443,543**
Non-controlling interests		-	-	-	-
Total equity		**495,335**	**483,007**	**452,361**	**443,543**
Borrowings	31, 21	34,012	60,483	37,143	63,627
Provisions	34	24,677	27,139	23,070	23,930
Trade and other payables	33	-	39	-	39
Deferred tax liability	15	10,593	9,485	10,593	9,485
Non-current liabilities		**69,282**	**97,146**	**70,806**	**97,081**
Borrowings	31, 21	28,413	294,408	35,633	301,875
Mezzanine debt	32	-	31,711	-	36,303
Provisions	34	945	2,498	717	2,155
Trade and other payables	33	355,474	380,685	321,762	320,621
Income tax payable		26,439	29,209	26,221	29,030
Liabilities held for sale	37	898	551	-	-
Current liabilities		**412,169**	**739,062**	**384,333**	**689,984**
Total liabilities		**481,451**	**836,208**	**455,139**	**787,065**
Total equity and liabilities		**976,786**	**1,319,215**	**907,500**	**1,230,608**

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Group

(all amounts are expressed in thousands of HRK)	Note	Share capital	Share premium	Legal reserves	Treasury shares	Statutory and other reserves	Revaluation reserves	Translation reserve	Accumulated loss	Total
At 1 January 2021		**247,193**	**86,142**	**11,652**	**(8,466)**	**75,584**	**40,707**	**(4,588)**	**(393,474)**	**54,750**
Net profit/(loss)		-	-	-	-	-	-	-	16,051	16,051
Other comprehensive income/(loss)		-	-	-	-	(297)	2,501	2	-	2,206
Total comprehensive income/(loss)		-	-	-	-	(297)	2,501	2	16,051	18,257
Share capital decrease	30	(244,721)	(86,142)	(11,486)	-	(32,188)	-	-	374,537	-
Share capital increase		410,000	-	-	-	-	-	-	-	410,000
Transactions with owners		165,279	(86,142)	(11,487)	-	(32,188)	-	-	374,538	410,000
At 31 December 2021		**412,472**	**-**	**166**	**(8,466)**	**43,099**	**43,208**	**(4,586)**	**(2,886)**	**483,007**
Net profit/(loss)		-	-	-	-	-	-	-	5,611	5,611
Other comprehensive income/(loss)		-	-	-	-	295	5,047	(425)	1,800	6,717
Total comprehensive income/(loss)		-	-	-	-	295	5,047	(425)	7,411	12,328
At 31 December 2022		**412,472**	**-**	**166**	**(8,466)**	**43,394**	**48,255**	**(5,011)**	**4,525**	**495,335**

Company

(all amounts are expressed in thousands of HRK)	Note	Share capital	Share premium	Legal reserves	Treasury shares	Statutory and other reserves	Revaluation reserves	Accumulated loss	Total
At 1 January 2021		**247,193**	**86,142**	**11,487**	**(8,466)**	**40,654**	**40,707**	**(398,109)**	**19,608**
Net profit/(loss)		-	-	-	-	-	-	11,434	**11,434**
Other comprehensive income/(loss)		-	-	-	-	-	2,501	-	**2,501**
Total comprehensive income/(loss)		-	-	-	-	-	2,501	11,434	**13,935**
Decrease in share capital	30	(244,721)	(86,142)	(11,487)	-	(32,188)	-	374,538	-
Increase in share capital		410,000	-	-	-	-	-	-	410,000
Transactions with owners		165,279	(86,142)	(11,487)	-	(32,188)	-	374,538	410,000
At 31 December 2021		**412,472**	**-**	**-**	**(8,466)**	**8,466**	**43,208**	**(12,137)**	**443,543**
Net profit/(loss)		-	-	-	-	-	-	1,971	1,971
Other comprehensive income/(loss)		-	-	-	-	-	5,047	1,800	6,847
Total comprehensive income/(loss)		-	-	-	-	-	5,047	3,771	8,818
At 31 December 2022		**412,472**	**-**	**-**	**(8,466)**	**8,466**	**48,255**	**(8,366)**	**452,361**

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2022	Dalekovod Group 2021	Dalekovod d.d. 2022	Dalekovod d.d. 2021
Profit/(loss) before tax		**11,584**	**24,325**	**6,748**	**18,352**
Adjustments:					
Depreciation and amortisation	18-21	29,982	31,730	27,329	26,830
Revaluation		-	(998)	-	(999)
Loss/(gain) on sale of property, plant and equipment	13	(44)	(134)	62	(37)
Fair value of pre bankruptcy liabilities	9, 12	-	1,812	-	1,812
Impairment of trade receivables and loans receivable	12	217	3,972	(478)	6,900
Capitalization of salary costs	18	(618)	-	(618)	-
Impairment of investments in subsidiaries	12.22	-	-	(2,000)	-
Impairment of inventories and inventory shortages	12	350	69	13	79
Net change in provisions	36	(4,015)	(3,724)	(2,298)	(3,945)
Dividend income	14	-	-	(2,113)	(4,900)
Unrealised foreign exchange differences		(614)	1,471	(651)	1,343
Interest income	14	(140)	(347)	(616)	(530)
Transfer to assets intended for sale		510	-	406	-
Income from unwinding of discount	14	(923)	-	(923)	(867)
Other finance income	13	(91)	-	(91)	-
Interest expenses	14	4,166	18,169	5,310	18,551
		40,364	76,345	30,080	62,589
Changes in working capital:					
Trade and other receivables		(119,656)	9,065	(137,326)	24,629
Inventories		(6,242)	(646)	(397)	(585)
Trade and other payables		5,941	(37,453)	31,600	(27,176)
Net cash generated from operating activities		**(79,593)**	**47,311**	**(76,043)**	**59,457**
Interest paid		(36,614)	(1,737)	(37,047)	(1,810)
Tax paid		(8,944)	(1,111)	(7,962)	1,496
Net cash flows from operating activities		**(125,151)**	**44,463**	**(121,052)**	**59,143**

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

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2022	Dalekovod Group 2021	Dalekovod d.d. 2022	Dalekovod d.d. 2021
Cash flows from investing activities					
Acquisition of intangible assets	18	(4,546)	(37)	(4,530)	(16)
Acquisition of property, plant and equipment	19	(5,015)	(42,600)	(2,837)	(42,451)
Acquisition of investment property	20	-	-	-	(470)
Proceeds from sale of property, plant and equipment		3,152	636	2,791	1,562
Net change in deposits		110	7,845	305	6,215
Loans given		(304)	-	(5,361)	(14,197)
Repayments of loans given		302	191	511	2,473
Proceeds from share in profits		-	-	3,424	2,850
Interest received		100	88	308	248
Net cash flows used in investing activities		**(6,201)**	**(33,877)**	**(5,389)**	**(43,786)**
Cash flows from financing activities					
Proceeds from borrowings		7,255	-	7,255	-
Repayment of borrowings		(255,831)	(7,900)	(256,056)	(9,218)
Repayment of mezzanine		(31,049)	-	(35,863)	-
Redemption of bonds Repayment		(1,358)	(1,308)	(1,792)	(1,727)
of lease liabilities		(26,998)	(7,636)	(26,453)	(4,490)
Proceeds from issuing shares	30	410,000	-	410,000	-
Net cash flows from / (used in) financing activities		**102,019**	**(16,844)**	**97,091**	**(15,435)**
Net increase / (decrease) in cash		**(29,333)**	**(6,258)**	**(29,350)**	**(78)**
Cash at beginning of year		57,842	64,100	50,727	50,805
Cash at end of year	29	28,509	57,842	21,377	50,727
Net increase / (decrease) in cash		**(29,333)**	**(6,258)**	**(29,350)**	**(78)**

NOTE 1 – GENERAL INFORMATION

At 31 December 2022 the Dalekovod Group (the Group) comprises of the parent company Dalekovod d.d., Zagreb and 14 subsidiaries owned by the parent company, one entity owned by the other subsidiary and one entity run as joint venture (2021: 14 subsidiaries owned by the parent company and one entity run as joint venture) – note 22 and 24.

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.

Management Board

Management Board members of the Company as at 31 December 2022 were: Mr. Tomislav Rosandić (President of the Management Board), Mr. Eugen Paić-Karega (Member of the Management Board), Mr. Ivan Kurobasa (Member of the Management Board) and Mr. Tvrtko Zlopaša (Member of the Management Board).

The Management Board of the Company on 31 March 2022 consists of Mr. Tomislav Rosandić (President of the Board), Mr. Ivan Kurobasa (Member of the Management Board), Mr. Eugen Paić-Karega (Member of the Management Board) and Mr. Tvrtko Zlopaša (Member of the Management Board).

Supervisory Board

Members of the Supervisory Board as at 31 December 2022 were: Mr. Gordan Kolak (President of the Supervisory Board), Mr. Josip Jurčević (Vice president of the Supervisory Board), Mr. Josip Lasić (Member of the Supervisory Board), Mr. Dražen Buljić (Member of the Supervisory Board), Mr. Božidar Poldrugač (Member of the Supervisory Board), Mr. Damir Spudić (Member of the Supervisory Board) and Mr. Pavao Vujnovac (Member of the Supervisory Board). New members of the Supervisory Board were appointed on April 11, 2022.

The Supervisory Board of the Company on 31 March 2022 consists of: Mr. Dinko Novoselec (Chairman of the Supervisory Board), Mrs. Irena Weber (Deputy Chairman of the Supervisory Board), Krešimir Kukec (Member of the Supervisory Board), Drazen Buljić (Member of the Supervisory Board) and Dalibor Balgač (Member of the Supervisory Board).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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 5.

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, which is analysed in more detail in Note 7.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments to standards and interpretations have been released and are effective but not mandatory for the year ended 31 December 2020 and/or are not yet adopted by the European Union and as such have not been applied in preparing these financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(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.

(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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(f) Joint ventures

The Group's interest in a jointly controlled entity is accounted for using the equity method of accounting and is initially recognised at cost. Under the equity method, the Group's share of post-acquisition profits or losses is recognised in the income statement, whereas 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.

2.3 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.

2.4 Foreign currencies

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Croatian Kuna (HRK), which is the Company's functional and presentation currency.

(b) *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.

(c) 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 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

2.5.1 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. Gains and losses are included in the line item "other gain/ (loss)– net" in the income statement.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

Assets are 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 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment property

2.6.1 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the acquisition cost over the carrying value of the Group's share of the net identifiable assets of the acquired business sector at the acquisition date. Goodwill on acquisition is included in intangible assets.

Separately recognised goodwill is tested annually for impairment, or whenever there are indications of impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified by business segment. If a part or the whole cash generating unit is sold, the related goodwill is included in the carrying amount of net assets sold when determining gain or loss on the transaction.

(b) Rights of use and computer software

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 – SIGNIFICANT ACCOUNTING POLICIES (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.

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

2.9.1 Financial assets (continued)

(b) Classification and subsequent measurement (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. During initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so, eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Trade receivables are held as part of the business model of holding until collection.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on; earning contractual interest income; maintaining a particular interest rate profile; matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows; or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business and/or the portfolio are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (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

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.

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. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

2.9.1 Financial assets (continued)

(b) Classification and subsequent measurement (continued)

Subsequent measurement and recognition of gains and losses

The table below provides an overview of key features of the accounting policy that the Group applies with respect to subsequent measurement of financial assets and recognition of gains and losses per each type of financial asset:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
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.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividends clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to 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 – SIGNIFICANT ACCOUNTING POLICIES (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.

2.9.4 Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

2.9.5 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

2.9.5 Impairment of non-derivative financial assets (continued)

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Lease (continued)

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Lease (continued)

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.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – SIGNIFICANT ACCOUNTING POLICIES (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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(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.

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:

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (continued)

(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.

(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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Mezzanine debt

Mezzanine debt is initially recognized as financial liability recognized at fair value (host contract). Within the host contract, according to IAS 39 the Company has identified embedded derivatives options, for (a) option for holder of the mezzanine instrument to require issuance of additional senior debt for no additional proceeds should the Company achieve certain pre-defined debt-to-EBITDA (D/E) ratios in 7th year and (b) option for early repayment of the mezzanine debt after 7th year for a maximum amount up to HRK 35.5 million. Option (b) is treated as derivative at fair value and is offset with total mezzanine debt, according to IAS 32, which defines net representation of financial liabilities considering that Company intends to settle net amount of the commitment.

Managements estimates in assessing the mezzanine debt were as follow:

i. pre-defined debt-to-EBITDA ratio (2.5) in 7th year will not be achieved. The management estimates that EBITDA will not be on the level that would result that D/E ratio is below the 2.5.
ii. the management plans to use early repayment option after 7th year and the Company will repay remaining outstanding mezzanine debt amounting HRK 176.4 million (note 34) with a maximum amount of HRK 35.5 million.

Part of mezzanine debt for which there is an obligation to pay proceeds from the sale of the investment identified in the creditor agreement (to a maximum of HRK 62 million) was accounted for as a financial liability initially recognised at fair value until the end of 2019 and was classified as other financial liabilities and subsequently was measured at amortised cost using the effective interest method, taking into consideration changes in future expected cash flows in accordance with IAS 39.

As at 31 December 2019, the part of the mezzanine debt for which there was an liability to pay with funds collected from the sale of Dalekovod Professio d.d. it no longer exists as such. During 2019, the Company was sold and this obligation was settled by its sale with the funds realized by the sale accordance to the pre-bankruptcy settlement.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 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 – CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the year.

NOTE 4 – FINANCIAL RISK MANAGEMENT

4.1 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 programme, 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 HRK. 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. Although any movement in exchange rates between the EURO against the Croatian Kuna will have an impact on the Group's and the Company's operating results, the Company does not use financial instruments to protect against currency risk.

At 31 December 2022, if the EURO had weakened/strengthened by 1.00% against the HRK (2021: 1.00%), with all other variables held constant, the net profit for the reporting period after tax would have been HRK 171 thousand for the Group and HRK (215) thousand for the Company (2021: HRK 1,584 thousand for the Group and HRK 1,888 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.

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(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 bonds. 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 2022, if the effective interest rate on borrowings with variable rates had increased/decreased by 0.82% on an annual level (2021: 0.82%), the loss after tax would have been higher/lower by HRK 258 thousand (2021: HRK 357 thousand) as a result of a higher/lower interest expense.

(b) 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 and 26. Further, judgements and estimates in respect of credit risk exposure and related impairment provisions are described in more detail in note 2.9.5.

(c) 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.

With the legal validity of the pre-bankruptcy settlement on 14 February 2014 conditions for enforcement of financial restructuring were met which had significant affect over the Company's debt and their maturity. Part of trade payables is converted into share capital (note 30), part is converted into mezzanine debt (note 6) and part is reclassified into long-term liabilities in accordance with the adopted plan. Borrowings are also partly converted into mezzanine debt, and partly reprogrammed. The maturity of borrowings is presented in note 31.

The obligations under the pre-bankruptcy settlement were settled in 2022, and the pre-bankruptcy procedure was closed.

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.2 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.

The Company's gearing ratio was as follows:

(in thousands of HRK)	**31 December 2022.**	**31 December 2021.**
Borrowings (note 31)	72,776	365,502
Cash and cash equivalents (note 29)	(21,377)	(50,727)
Net debt	51,399	314,775
Equity	452,361	443,543
Total equity and net debt	**503,760**	**758,318**
Gearing ratio - Company	**10.2%**	**41.5%**

The Group's gearing ratio was as follows:

(in thousands of HRK)	**31 December 2022.**	**31 December 2021.**
Borrowings (note 31)	62,425	354,891
Cash and cash equivalents (note 29)	(28,509)	(57,842)
Net debt	33,916	297,049
Equity	495,335	483,007
Total equity and net debt	**529,251**	**780,056**
Gearing ratio - Group	**6.4%**	**38.1%**

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation

The Group discloses fair value measurements by level of the following fair value measurement 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 Group's assets at fair value:

(in thousands of HRK)	**Level 1**	**Level 2**	**Level 3**	**Total**
Group				
31 December 2022.				
Property, plant and equipment				
Land	-	-	66,414	66,414
Total	**-**	**-**	**66,414**	**66,414**
31 December 2021.				
Property, plant and equipment				
Land	-	-	112,312	112,312
Total	**-**	**-**	**112,312**	**112,312**

There were no transfers between level 1 and level 2 during 2021 and 2020.

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

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

(in thousands of HRK)	Level 1	Level 2	Level 3	Total
Company				
31 December 2022.				
Property, plant and equipment				
Land	-	-	66,414	66,414
Total	**-**	**-**	**66,414**	**66,414**
31 December 2021.				
Property, plant and equipment				
Land	-	-	112,313	112,313
Total	**-**	**-**	**112,313**	**112,313**

There were no transfers between level 1 and level 2 during 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

The tables below present the fair value liabilities of the Group and Company:

(in thousands of HRK)	Level 1	Level 2	Level 3	Total
Group				
31 December 2022.				
Liabilities secured with foreclosure assets	-	-	-	-
Mezzanine debt	-	-	-	-
Trade payables	-	-	-	-
Total	**-**	**-**	**-**	**-**
31 December 2021.				
Liabilities secured with foreclosure assets	-	-	67,492	67,492
Mezzanine debt	-	-	31,711	31,711
Trade payables	-	-	3,665	3,665
Total	**-**	**-**	**102,868**	**102,868**

(in thousands of HRK)	Level 1	Level 2	Level 3	Total
Company				
31 December 2022.				
Liabilities secured with foreclosure assets	-	-	-	-
Mezzanine debt	-	-	-	-
Trade payables	-	-	-	-
Total	**-**	**-**	**-**	**-**
31 December 2021.				
Liabilities secured with foreclosure assets	-	-	67,492	67,492
Mezzanine debt	-	-	36,303	36,303
Trade payables	-	-	3,665	3,665
Total	**-**	**-**	**107,460**	**107,460**

NOTE 5 – CRITICAL 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 estimates the 'progress to satisfaction' of the performance obligation to determine the appropriate amount of revenue to recognise 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 (note 8).

(b) Impairment of loans and receivables

The Group and the Company review the portfolio of loans and receivables on an annual basis to assess impairment. While assessing the recognition of impairment in the statement of comprehensive income, the Group and the Company assess whether there is observable data indicating the existence of a measurable decrease in future cash flows of the portfolio of loans and receivables before establishing the impairment of certain loans and receivables in the stated portfolio (note 12).

(c) Useful life of property, plant and equipment

The Company's and the Group companies' managements determine and reassess the useful lives and related depreciation charge for tangible assets. This assessment is based on the estimated remaining useful life of assets and could significantly change as a result of technical innovation and activities of competitors. Management will increase the depreciation charge if it assesses that the useful life of assets is lower than prior to estimates, or it will write off obsolete and discarded property (note 2.5.1).

(d) Legal claims and disputes

Provisions for legal claims and disputes are recorded based on Management's best estimate of probable losses after consultation with legal counsel (note 34).

NOTE 6 – PRE-BANKRUPTCY SETTLEMENT

The pre-bankruptcy settlement process, initiated by the Company on 20 December 2012, was formally completed on 14 February 2014 with the issuance of a final settlement decision.

As part of the pre-bankruptcy settlement, the Company prepared and implemented a restructuring plan that included financial and operational measures to relieve the Company and improve profitability and EBITDA in order to achieve long-term sustainable business, and which plan was accepted by creditors with over 90% of votes. The emphasis of the restructuring was on providing liquidity through the sale of "non-core" assets and restructuring and reducing debt in order to create conditions for recapitalization and achieve financial stability.

Following the recapitalization of the Company during the year and the payment of the total amount of recapitalization of HRK 410 million in January 2022, on 11 February 2022 with funds raised by the issue of new shares, the Company settled its debts to creditors whose claims were determined by a pre-bankruptcy settlement concluded between the Company and his creditors before the Commercial Court in Zagreb on January 29, 2014 under business number Stpn-365/2013 on the basis of the remaining senior debt and mezzanine debt or are related to them or as prescribed by the adopted decision under Ad. 13. at the General Assembly of the Society on June 30, 2021.

By the decision of the Commercial Court in Zagreb from July 8, 2022, the pre-bankruptcy settlement from January 29, 2014 was closed.

NOTE 7 – GOING CONCERN

The recapitalization of Dalekovod d.d. was successfully completed by entering the share capital increase in the court register in January 2022. Pursuant to the Shareholders' Decision on the increase of the Company's share capital, HRK 410 million was paid, ie 41,000,000 new ordinary shares were subscribed with an individual nominal amount of HRK 10.00 and the Company's share capital was increased to HRK 412,471,930.00.

Although the circumstances related to the COVID-19 pandemic and the war in Ukraine adversely affected the activity of investors and key customers of the Group in previous years, during 2022 there was an increase in tender activity compared to the same disease of the previous year, and there is also a significant improvement in the financial position as a result of the recapitalization and the gradual normalization of market trends.

The management concludes that the assumption of unlimited business time used in the preparation of financial statements as of the reporting date of December 31, 2022, is appropriate.

NOTE 8 – 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 8 – BUSINESS SEGMENT INFORMATION (continued)

Operating results by business segments for the Group

(in thousands of HRK)	Construction	Production	Other	*Discontinued operations*	Total
Year ended 31 December 2022.					
Gross revenues	939,662	186,244	8	-	1,125,914
Inter-segment revenues /i/	(9,371)	(86,993)	-	-	(96,364)
Total revenues	**930,291**	**99,251**	**8**	**-**	**1,029,550**
Operating profit/(loss) before depreciation and amortisation	42,863	3,863	10	(768)	45,968
Depreciation and amortisation	(28,818)	(1,164)	-	-	(29,982)
Operating profit/(loss)	**14,045**	**2,699**	**10**	**(768)**	**15,986**
Total assets	**823,345**	**152,974**	**345**	**122**	**976,786**
Total liabilities	**348,993**	**129,331**	**2,229**	**898**	**481,451**
Year ended 31 December 2021.					
Gross revenues	1,422,789	143,113	6	-	1,565,908
Inter-segment revenues /i/	(130,437)	(71,147)	-	-	(201,584)
Total revenues	**1,292,352**	**71,966**	**6**	**-**	**1,364,324**
Operating profit/(loss) before depreciation and amortisation	74,927	1,940	1	(1,262)	75,605
Depreciation and amortisation	(28,093)	(3,637)	-	-	(31,730)
Operating loss	**46,834**	**(1,697)**	**1**	**(1,262)**	**43,875**
Total assets	**1,186,364**	**132,182**	**384**	**285**	**1,319,215**
Total liabilities	**740,459**	**92,920**	**2,277**	**552**	**836,208**

NOTE 8 – BUSINESS SEGMENT INFORMATION (continued)

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

	2022.		2021.	
	(in thousands of HRK)	%	*(in thousands of HRK)*	%
Croatia	289,577	28.13	270,111	19.80
Sweeden	269,499	26.18	129,362	9.48
Norway	151,661	14.73	351,296	25.75
Slovenia	117,877	11.45	357,546	26.21
Bosnia and Herzegovina	69,954	6.79	57,025	4.18
Ukraine	49,699	4.83	122,770	9.00
Macedonia	13,452	1.30	13,285	0.97
Germany	10,268	1.00	2,521	0.18
United Kingdom	3,865	0.38	9,260	0.68
France	55	0.01	21,029	1.54
Other abroad	53,643	5.20	30,119	2.21
Total	**1,029,550**	**100.00**	**1,364,324**	**100.00**

In 2022, the Group achieved 14% with the largest customer, and the Company 20% of total sales revenue. With the next largest customer, the Group generated 13% in 2022, and the Company 19% of total sales revenues.

In 2021, the Group achieved 24% with the largest customer, and the Company 34% of total sales revenue. With the next largest customer, the Group generated 9% in 2021, and the Company 13% of total sales revenues.

/ii/ Sales revenues by sectors are as follows:

	2022.	2021.
	(in thousands of HRK)	
Energetics	801,286	1,196,075
Railroads	42,107	52,200
Sale of metal constructions	34,703	18,906
Sale of suspension and jointing equipment	64,538	53,044
Roads	41,306	4,638
Projects	36,594	30,864
Properties	3,653	8,162
Other	5,363	435
Total	**1,029,550**	**1,364,324**

Revenue from construction contracts amounts to HRK 893,697 thousand for the Group (2021: HRK 1,261,488 thousand) and 710,486 thousand for the Company (2021: HRK 996,581 thousand)

NOTE 8 – 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 Grupa		Dalekovod d.d.	
(u tisućama kuna)	**2022.**	**2021.**	**2022.**	**2021.**
Trade receivables	278,484	164,382	266,782	131,913
Guarantee deposits - retention	68,548	94,945	68,530	94,915
Contract assets	130,813	85,249	111,163	70,375
Contract liabilities	(112,492)	(125,458)	(105,405)	(115,117)
	365,353	**219,118**	**341,070**	**182,086**

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 that are active at the reporting date are presented within advances in note 35 and amount to HRK 63,875 thousand (2021: HRK 81,993 thousand) for Company and HRK 70,962 thousand (2021: HRK 86,276thousand) for the Group.

NOTE 9 – OTHER INCOME

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Income from reversal of provisions	6,057	7,638	3,809	7,282
Insurance claims proceeds	426	2,571	373	2,496
Rental income	762	485	30,105	22,887
Court settlement income	-	81	-	81
Inventory surpluses	54	15	1	8
Fair valuation of libilities to secured creditors	8,806	-	7,531	-
Other operating income	4,614	8,647	5,970	10,103
	20,719	**19,437**	**47,789**	**42,857**

Rental income of the Company is related to investment property (note 20).

The most significant part of other income refers to income from providing professional assistance to related companies (HRK 2,850 thousand).

NOTE 10 – COST OF MATERIALS AND SERVICES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Raw materials and supplies				
Raw materials and supplies	193,513	145,226	196,908	125,676
Energy	24,580	16,177	16,850	12,432
Spare parts and small inventory	8,582	12,291	7,145	10,759
	226,675	173,694	220,903	148,867
External services				
Subcontractor services	209,344	369,151	114,958	177,758
Rental expense	25,731	32,768	38,650	38,299
Transportation	17,724	19,030	10,916	14,737
Repairs and maintenance	16,053	17,126	12,569	14,115
Advertising and promotion	1,265	548	804	525
Other	7,080	8,404	2,716	2,249
	277,197	447,027	180,613	247,683
Total cost of materials and services	**503,872**	**620,721**	**401,516**	**396,550**

NOTE 11 – STAFF COSTS

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Net salaries	182,811	222,949	143,338	184,643
Taxes and contributions on and from salaries	65,843	67,436	43,464	45,018
Severance costs	3,315	848	3,186	523
Other staff costs	33,726	34,184	16,497	19,647
	285,695	**325,417**	**206,485**	**249,831**

Other staff costs include gifts, jubilee awards and other benefits.

As of 31 December 2022, the Group had 1,088 employees (2021: 1,193 employees), and the Company had 700 employees (2021: 813 employees).

NOTE 12 – OTHER OPERATING EXPENSES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Intellectual and non-production services	33,601	35,064	15,050	22,064
Daily allowances and travel cost	26,432	47,004	24,591	46,147
Insurance	8,314	10,673	6,753	9,581
Bank charges	8,954	9,194	7,873	8,505
Taxes and contributions	4,571	4,251	3,343	3,221
Entertainment	2,302	1,479	1,206	750
Court cases	1,761	4,055	1,545	3,646
Sponsorships, donations and other aids	578	537	254	256
Interest from suppliers	408	454	92	162
Impairment of inventories (restated)	309	-	-	-
Fines and penalties	272	328	52	82
Impairment of trade receivables and loans – net	207	3,972	(478)	5,111
Inventory shortages	41	69	13	12
Impairment of non-financial assets	10	-	-	-
Court settlement agency cost	-	237	-	237
Impairment and write-off of property, plant and equipment	-	(999)	-	(999)
Other	9,257	5,745	7,230	7,224
	97,017	**122,063**	**67,524**	**105,999**

The cost of per diems and travel expenses in 2022 includes the cost of accommodation and meals.

The costs of intellectual and non-production services at the Group level include fees to the auditors. The fees relate to the audit services and the permitted non-audit consulting services. Total fees for audit services and the permitted non-audit consulting services amounts to HRK 500 thousand (2021: HRK 507 thousand)

Also included are non-production services, at the Group level HRK 8,886 thousand, and at the Company level HRK 4,462 thousand, which are largely various services of testing, testing, commissioning, etc. on projects.

NOTE 13 – OTHER GAINS/(LOSSES) – NET

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Net gain on sale of property, plant and equipment	-	160	-	37
	-	**160**	**-**	**37**

NOTE 14 – FINANCE INCOME AND COSTS– NET

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Net foreign exchange differences from financing activities	6,349	10,063	5,862	9,812
Interest income	20	311	616	527
Income from unwinding of discount	923	867	923	867
Interest income on bank deposits	120	36	-	3
Income from shares in profit	-	-	2,113	4,900
Income from interest and fees write-offs	-	-	2,000	-
Other finance income	90	-	90	-
Finance income	**7,502**	**11,277**	**11,605**	**16,109**
Net foreign exchange differences (financing activities)	(5,735)	(11,534)	(5,211)	(11,155)
Interest expense	(4,726)	(18,169)	(5,208)	(18,551)
Cost of writing off interest and fees	(102)	(945)	(102)	(945)
Other financial expenses	(573)	-	-	-
Finance costs	**(11,136)**	**(30,648)**	**(10,521)**	**(30,651)**
	(3,634)	**(19,371)**	**1,084**	**(14,542)**

The value of Dalekovod Adria d.o.o. it was estimated at HRK 2,000 thousand based on available market data, and profit from the change in the fair value of shares that were adjusted to a lower value in earlier periods was recognized.

As part of other financial income, income from the sale of shares in the company Officium partner d.o.o. was shown in the amount of HRK 75 thousand.

NOTE 15 – INCOME TAX

The reconciliation of accounting income and taxable income is detailed in the table below:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Profit/(loss) before tax	**11,584**	**24,325**	**6,748**	**18,352**
Tax calculated at the domestic tax rate applicable to profits in the respective countries	6,019	(1,522)	4,649	(2,562)
Effect of non-taxable income	(1,192)	(2,023)	(991)	(1,754)
Effect of non-deductible expenses	2,540	3,022	2,013	2,865
Effect of tax losses not recognised as deferred tax assets	-	8,797	-	8,369
Utilisation of tax losses for whic deferred tax assets was not recognised	(1,045)	-	(545)	-
Other	(349)	-	(349)	-
Income tax expense	**5,973**	**8,274**	**4,777**	**6,918**
Effective tax rate	***51.6%***	***34.0%***	***70.8%***	***37.7%***

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 HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Unutilised tax losses				
Tax loss from 2017 - expires 2022	-	22,515	-	10,031
Tax loss from 2018 - expires 2023	100,168	100,168	73,429	73,429
Tax loss from 2019 - expires 2024	35,334	35,334	-	-
Tax loss from 2019 - expires 2025	59,076	59,076	44,108	44,108
Tax loss from 2020 - expires 2026	49,212	47,836	46,959	45,574
	243,790	**264,929**	**164,496**	**173,142**

NOTE 15 – INCOME TAX (continued)

The Company and the Group did not recognise deferred tax asset due to the uncertainty of existence of future taxable profits in relation to which the Company 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 19).

Movement in deferred tax liability

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
At beginning of year	9,485	8,936	9,485	8,936
Charged to revaluation reserves	1,503	549	1,503	549
Canceled	(395)	-	(395)	-
At end of year	**10,593**	**9,485**	**10,593**	**9,485**

NOTE 16 – 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	
	2022.	**2021.**
Net loss attributable to shareholders *(in thous. of HRK)*	5,611	16,051
Weighted average number of shares	30,996,205	12,433,353
Basic/diluted loss per share *(in HRK)*	0.18	1.29

NOTE 17 – DIVIDEND PER SHARE

In 2022, a write-off of liabilities for dividends in the amount of HRK 101 thousand was carried out, which was shown as a liability for dividends under the item "liabilities to suppliers and other liabilities" (note 33) and related to dividends for shareholders who did not deliver necessary data for payment and the legal deadline for payment thereof has passed.

NOTE 18 – INTANGIBLE ASSETS

Group

(in thousands of HRK)	**Goodwill**	**Usage rights**	**Software**	**Assets under construction**	**Total**
At 1 January 2021.					
Cost	1,213	15,511	45,396	372	62,492
Accumulated amortisation and impairment losses	-	(15,511)	(42,150)	-	(57,661)
Net book value	**1,213**	**-**	**3,246**	**372**	**4,831**
Year ended 31 December 2021.					
At 1 January	1,213	-	3,246	372	4,831
Additions	-	-	17	20	37
Transfer	-	-	359	(359)	-
Amortisation	-	-	(1,342)	-	(1,342)
At 31 December	**1,213**	**-**	**2,280**	**33**	**3,526**
At 31 December 2021.					
Cost	1,213	-	45,772	33	47,018
Accumulated amortisation and impairment losses	-	-	(43,492)	-	(43,492)
Net book value	**1,213**	**-**	**2,280**	**33**	**3,526**
Year ended 31 December 2022.					
At 1 January	1,213	-	2,280	33	3,526
Additions	-	-	16	4,530	4,546
Transfer	-	-	-	618	618
Amortisation	-	-	(1,284)	-	(1,284)
At 31 December	**1,213**	**-**	**1,012**	**5,181**	**7,406**
At 31 December 2022.					
Cost	1,213	-	45,788	5,181	52,182
Accumulated amortisation and impairment losses	-	-	(44,776)	-	(44,776)
Net book value	**1,213**	**-**	**1,012**	**5,181**	**7,406**

NOTE 18 – INTANGIBLE ASSETS (continued)

Group (continued)

Goodwill is allocated entirely to the Construction segment.

Goodwill is tested annually for impairment as stated in note 2.7.

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections from financial budgets approved by the management covering a five-year period. The terminal growth rate used to extrapolate the cash flows beyond the five-year period is 3%, and the present value of future cash flows is calculated using a discount rate of 7.24%. The growth rate assumption was based on the historical data and the management's expectations for market development. The discount rate used is based on the Group's weighted average cost of capital.

By the decision of the Management Board dated 31.01.2023. In 2008, salary costs in the amount of HRK 618,092 were capitalized on intangible assets.

NOTE 18 – INTANGIBLE ASSETS (continued)

Company

(in thousands of HRK)	Usage rights	Software	Assets under construction	Total
At 1 January 2021.				
Cost	15,511	42,622	-	58,133
Accumulated amortisation	(15,511)	(39,699)	-	(55,210)
Net book value	**-**	**2,923**	**-**	**2,923**
Year ended 31 December 2021.				
At 1 January	-	2,923	-	2,923
Additions	-	16	-	16
Amortisation	-	(1,169)	-	(1,169)
At 31 December	**-**	**1,770**	**-**	**1,770**
At 31 December 2021.				
Cost	-	42,638	-	42,638
Accumulated amortisation	-	(40,868)	-	(40,868)
Net book value	**-**	**1,770**	**-**	**1,770**
Year ended 31 December 2022.				
At 1 January	-	1,770	-	1,770
Additions	-	-	4,530	4,530
Transfer	-	-	618	618
Amortisation	-	(1,124)	-	(1,124)
At 31 December	**-**	**646**	**5,148**	**5,794**
At 31 December 2022.				
Cost	-	42,638	5,148	47,786
Accumulated amortisation	-	(41,992)	-	(41,992)
Net book value	**-**	**646**	**5,148**	**5,794**

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT

Group

(in thousands of HRK)	Land	Buildings	Plant and equipment	Assets under construction	Total
At 1 January 2021.					
Cost or deemed cost	92,504	291,674	431,755	1,168	817,101
Accumulated depreciation	-	(224,294)	(338,049)	-	(562,343)
Net book value	**92,504**	**67,380**	**93,706**	**1,168**	**254,758**
			-		
Year ended 31 December 2021.			-		
At 1 January	92,504	67,380	93,706	1,168	254,758
Additions	-	1,402	43,964	23	45,389
Transfer	-	-	374	(374)	-
Disposals and write-offs	-	(39)	(463)	-	(502)
Revaluation	3,050	-	-	-	3,050
Foreign exchange differences	(4)	(4)	(2)	-	(10)
Depreciation	-	(6,064)	(24,324)	-	(30,388)
At 31 December	**95,550**	**62,675**	**113,255**	**817**	**272,297**
			-		
At 31 December 2021.			-		
Cost or deemed cost	95,550	293,033	379,161	817	768,561
Accumulated depreciation and impairment losses	-	(230,358)	(265,906)	-	(496,264)
Net book value	**95,550**	**62,675**	**113,255**	**817**	**272,297**

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT (continued)

Group

(in thousands of HRK)

Year ended 31 December 2022.	**Land**	**Buildings**	**Plant and equipment**	**Assets under construction**	**Total**
At 1 January	95,550	62,675	113,255	817	272,297
Additions	-	92	16,147	18	16,257
Disposals and write-offs	(25,279)	(36)	(3,079)	-	(28,394)
Revaluation	8,350	-	-	-	8,350
Foreign exchange differences	4	-	-	-	4
Depreciation	-	(5,808)	(22,890)	-	(28,698)
At 31 December	**78,625**	**56,923**	**103,433**	**835**	**239,816**
At 31 December 2022.					
Cost or deemed cost	78,625	293,089	392,229	835	764,778
Accumulated depreciation and impairment losses	-	(236,166)	(288,796)	-	(524,962)
Net book value	**78,625**	**56,923**	**103,433**	**835**	**239,816**

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT (continued)

Company

(in thousands of HRK)	Land	Buildings	Plant and equipment	Assets under construction	Total
At 1 January 2021.					
Cost or deemed cost	56,662	107,522	227,841	350	392,375
Accumulated depreciation	-	(76,878)	(162,471)	-	(239,349)
Net book value	**56,662**	**30,644**	**65,370**	**350**	**153,026**
Year ended 31 December 2021.					
At 1 January	56,662	30,644	65,370	350	153,026
Additions	-	1,402	42,751	(350)	43,803
Revaluation surplus	3,051	-	-	-	3,051
Transfer from investment property	23,630	-	-	-	23,630
Disposals and write-offs	-	-	(1,525)	-	(1,525)
Impairment loss	-	(39)	-	-	(39)
Depreciation	-	(2,161)	(18,032)	-	(20,193)
At 31 December	**83,343**	**29,846**	**88,564**	**-**	**201,753**
At 1 January 2021.					
Cost or deemed cost	83,343	108,885	269,067	-	461,295
Accumulated depreciation	-	(79,039)	(180,503)	-	(259,542)
Net book value	**83,343**	**29,846**	**88,564**	**-**	**201,753**

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT (continued)

Company

(in thousands of HRK)

Year ended 31 December 2022.	Land	Buildings	Plant and equipment	Assets under construction	Total
At 1 January	83,343	29,846	88,564	-	201,753
Additions	-	86	13,993	-	14,079
Revaluation surplus	8,350	-	-	-	8,350
Disposals and write-offs	(25,279)	(36)	(2,817)	-	(28,132)
Depreciation	-	(2,160)	(18,698)	-	(20,858)
At 31 December	**66,414**	**27,736**	**81,042**	**-**	**175,192**
At 31 December 2022.					
Cost or deemed cost	66,414	108,935	280,243	-	455,592
Accumulated depreciation	-	(81,199)	(199,201)	-	(280,400)
Net book value	**66,414**	**27,736**	**81,042**	**-**	**175,192**

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT (continued)

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.

As at 31 December 2021, land and buildings of the Group and the Company with a net book value of HRK 31,187 thousand were pledged as collateral for loans (note 31). As of December 31, 2022, there are no liens on the lands and buildings of the Company and the Group.

Plants in the amount of HRK 21,499 thousand were pledged as a means of securing loan repayment on December 31, 2022 (2021: HRK 0).

As of 31 December 2021, assets under foreclosure of the Group and the Company with a net book value of HRK 112,312 thousand were pledged as collaterals for loans (note 31). In 2022, there are no properties under foreclosure.

As at 31 December 2022, assets under finance lease where the Group and the Company are the lessee amounted to HRK 1,491 thousand and HRK 821 thousand (2021: HRK 4,039 thousand and HRK 3,019 thousand).

NOTE 20 – INVESTMENT PROPERTY

(in thousands of HRK)	Land	Buildings	Plant and equipment	Total
At 1 January 2021.				
Cost	29,586	155,869	23,633	209,088
Accumulated depreciation	-	(122,586)	(7,464)	(130,050)
Net book value	**29,586**	**33,283**	**16,169**	**79,038**
Year ended 31 December 2021.				
At 1 January	29,586	33,283	16,169	79,038
Additions	-	-	471	471
Revaluation surplus	(23,630)	-	-	(23,630)
Disposals and write-offs	-	-	(1)	(1)
Depreciation	-	(3,529)	(1,939)	(5,468)
At 31 December	**5,956**	**29,754**	**14,700**	**50,410**
At 31 December 2021.				
Cost	5,956	155,869	24,103	185,928
Accumulated depreciation	-	(126,115)	(9,403)	(135,518)
Net book value	**5,956**	**29,754**	**14,700**	**50,410**
Year ended 31 December 2022.				
At 1 January	5,956	29,754	14,700	50,410
Depreciation	-	(3,467)	(1,880)	(5,347)
At 31 December	**5,956**	**26,287**	**12,820**	**45,063**
At 31 December 2022.				
Cost	5,956	155,869	24,103	185,928
Accumulated depreciation and impairment losses	-	(129,582)	(11,283)	(140,865)
Net book value	**5,956**	**26,287**	**12,820**	**45,063**

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 21 – 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 HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Right of use assets:				
Vehicles	968	2,809	634	2,236
Real estate	82	783	82	783
Equipment	366	448	-	-
	1,416	**4,040**	**716**	**3,019**
Lease liabilities:				
Non-current liabilities	1,122	2,417	723	2,081
Current liabilities	392	3,117	70	2,417
	1,514	**5,534**	**793**	**4,498**

NOTE 21 – LEASES (continued)

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

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
From 1 to 2 years	310	1,959	70	1,625
From 2 to 5 years	82	1,158	-	792
	392	**3,117**	**70**	**2,417**

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

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Depreciation	2,621	3,420	2,277	2,954
Interest expenses (note 14)	118	284	80	201
Lease cost related to short-term lease (note 10)	25,731	32,768	38,650	38,299
	28,470	**36,472**	**41,007**	**41,454**

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

(in thousands of HRK)	**Dalekovod Group 2022.**	**Dalekovod Group 2021.**	**Dalekovod d.d. 2022.**	**Dalekovod d.d. 2021.**
For the year ended 31. December 2020				
Opening net book value of lease recognized under IFRS 16	12,993	10,821	8,664	6,938
Accumulated depreciation	(8,953)	(5,533)	(5,645)	(2,691)
Net book value	**4,040**	**5,288**	**3,019**	**4,247**
Opening net book value	**4,040**	**5,288**	**3,019**	**4,247**
Additions	-	2,086	-	1,638
Exchange rate	(3)	86	(26)	88
Depreciation	(2,621)	(3,420)	(2,277)	(2,954)
Closing net book value	**1,416**	**4,040**	**716**	**3,019**
At 31 December 2021				
Cost	12,990	12,993	8,638	8,664
Accumulated depreciation	(11,574)	(8,953)	(7,922)	(5,645)
Net book value	**1,416**	**4,040**	**716**	**3,019**

NOTE 22 – INVESTMENTS IN SUBSIDIARIES

	Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**
At 1 January	46,906	46,906
Impairment /iii/	2,000	-
At 31 December	**48,906**	**46,906**

/i/ Abolition of impairment in subsidiaries in 2022 in the amount of HRK 2,000 thousand applies to Dalekovod Adria d.o.o. (note 14).

Impairment of investments in subsidiaries

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 6.3% and 8.7% (source: http://pages.stern.nyu.edu/~adamodar/), depending on the industry in which the individual entity operates.

NOTE 22 – 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 HRK)*		
Dalekovod d.o.o., Ljubljana	Slovenia	Construction	100.00	2,075	-	2,075
Dalekovod d.o.o., Mostar	Bosnia and Herzegovina	Construction	100.00	210	-	210
Proizvodnja MK i OSO d.o.o., Dugo Selo	Croatia	Production	100.00	222,758	(196,472)	26,286
Dalekovod-projekt d.o.o., Zagreb	Croatia	Construction	100.00	4,614	-	4,614
Dalekovod TKS a.d., Doboj	Bosnia and Herzegovina	Production	97.25	20,344	(20,344)	-
Denacco Namibia (PTY) Ltd	Namibia	Construction	60.00	18	(18)	-
Cindal d.o.o. Doboj	Bosnia and Herzegovina	Production	95.01	5,191	(5,191)	-
Dalekovod-Adria d.o.o. Zagreb	Croatia	Other	100.00	32,098	(30,098)	2,000
Dalekovod EMU d.o.o. Zagreb	Croatia	Construction	100.00	11,063	-	11,063
EL-RA d.o.o. Zagreb	Croatia	Other	100.00	492	-	492
Dalekovod Libya za inženjering, zajedničko poduzeće	Libya	Construction	65.00	879	(879)	-
Dalekovod Ukrajina d.o.o.	Ukraine	Construction	100.00	74	-	74
Dalekovod Norge AS	Norway	Construction	100.00	2,072	-	2,072
Cinčaonica usluge	Croatia	Other	100.00	20	-	20
				301,908	**(253,002)**	**48,906**

In 2022, the impairment was cancelled in Dalekovod Adria d.o.o. in the amount of HRK 2,000 thousand.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

At 31 December 2021, the Company owns shares in the following subsidiaries:

Name	Country of incorporation	Primary activity	2021.	Investment	Impairment	Net investment
			%	*(in thousands of HRK)*		
Dalekovod d.o.o., Ljubljana	Slovenia	Construction	100.00	2,075	-	2,075
Dalekovod d.o.o., Mostar	Bosnia and Herzegovina	Construction	100.00	210	-	210
Proizvodnja MK i OSO d.o.o., Dugo Selo	Croatia	Production	100.00	222,758	(196,472)	26,286
Dalekovod-projekt d.o.o., Zagreb	Croatia	Construction	100.00	4,614	-	4,614
Dalekovod TKS a.d., Doboj	Bosnia and Herzegovina	Production	97.25	20,344	(20,344)	-
Denacco Namibia (PTY) Ltd	Namibia	Construction	60.00	18	(18)	-
Cindal d.o.o. Doboj	Bosnia and Herzegovina	Production	95.01	5,191	(5,191)	-
Dalekovod-Adria d.o.o. Zagreb	Croatia	Other	100.00	32,098	(32,098)	-
Dalekovod EMU d.o.o. Zagreb	Croatia	Construction	100.00	11,063	-	11,063
EL-RA d.o.o. Zagreb	Croatia	Other	100.00	492	-	492
Dalekovod Libya za inženjering, zajedničko poduzeće	Libya	Construction	65.00	879	(879)	-
Dalekovod Ukrajina d.o.o.	Ukraine	Construction	100.00	74	-	74
Dalekovod Norge AS	Norway	Construction	100.00	2,072	-	2,072
Cinčaonica usluge	Croatia	Other	100.00	20	-	20
				301,908	**(255,002)**	**46,906**

Subsidiary company Proizvodnja MK d.o.o. is the holder of a 100% share in the company Proizvodnja OSO.

NOTE 23 – INVESTMENTS IN ASSOCIATES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
At beginning of year	4	4	4	4
At end of year	**4**	**4**	**4**	**4**

Associates are as follows:

	Dalekovod Group		Holding in %	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
TLM Group Members	4	4	22-25	22-25
Total	**4**	**4**		

NOTE 24 – INVESTMENTS IN JOINT VENTURE

The company has a 50% share in Officium partner d.o.o., the value of the share was reduced to zero on 31 December 2019.

Financial information about a joint venture on 31 December 2021 in which the Company has a 50% interest can be summarized as follows:

(in thousands of HRK)	**Assets**	**Liabilities**	**Revenue**	**Net income / (loss)**
Officium partner d.o.o.	656,736	665,650	36,551	(6,086)

In 2022, and in accordance with the Agreement on the purchase and sale of a business share dated June 3, 2022, the share in Officium partneru d.o.o. it was sold to Pleston Nekretnine d.o.o. (note 14).

NOTE 25 – FINANCIAL INSTRUMENTS BY CATEGORY

Group

(in thousands of HRK)	Note	Financial assets at amortized cost 2022.	Financial assets at FVTPL 2022.	Total 2022.	Financial assets at amortized cost 2022.	Financial assets at FVTPL 2021.	Total 2021.
Financial assets							
Trade receivables	26.28	278,484	-	278,484	169,204	-	169,204
Receivables by construction contracts	28	130,813	-	130,813	85,249	-	85,249
Loans receivable and deposits	26.28	75,905	-	75,905	96,172	-	96,172
Interest receivable	28	-	-	-	357	-	357
Other receivables	28	51,200	-	51,200	52,466	-	52,466
Cash and cash equivalents	29	28,509	-	28,509	57,842	-	57,842
Total		**564,911**	**-**	**564,911**	**461,290**	**-**	**461,290**
Financial liabilities							
Loans	31	17,914	-	17,914	226,611	65,680	292,291
Bonds	31	13,019	-	13,019	14,367	-	14,367
Finance lease	31	31,492	-	31,492	48,233	-	48,233
Mezzanine debt	32	-	-	-	-	31,711	31,711
Trade payables	33	188,685	-	188,685	161,619	3,720	165,339
Other payables	33	3,045	-	3,045	39,460	-	39,460
Total		**254,155**	**-**	**254,155**	**490,290**	**101,111**	**591,401**

Financial instruments do not include transactions with employees, receivables/payables for contributions, taxes and receivables/payables for advances received.

NOTE 25 – FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

(in thousands of HRK)	Note	Financial assets at amortized cost 2022.	Financial assets at FVTPL 2022.	Total 2022.	Financial assets at amortized cost 2022.	Financial assets at FVTPL 2021.	Total 2021.
Financial assets							
Trade receivables	26.28	266,782	-	266,782	136,735	-	136,735
Receivables by construction contracts	28	111,163	-	111,163	70,375	-	70,375
Loans receivable and deposits	26.28	95,924	-	95,924	111,235	-	111,235
Interest receivable	28	691	-	691	894	-	894
Receivables from subsidiaries for profit share		739	-	739	2,050	-	2,050
Other receivables	28	50,821	-	50,821	51,848	-	51,848
Cash and cash equivalents	29	21,377	-	21,377	50,727	-	50,727
Total		**547,497**	**-**	**547,497**	**423,864**	**-**	**423,864**
Financial liabilities							
Loans	31	25,068	-	25,068	234,050	65,680	299,730
Bonds	31	17,185	-	17,185	18,962	-	18,962
Finance lease	31	30,523	-	30,523	46,810	-	46,810
Mezzanine debt	32	-	-	-	-	36,303	36,303
Trade payables	33	174,063	-	174,063	116,821	3,720	120,541
Other payables	33	2,313	-	2,313	35,434	-	35,434
Total		**249,152**	**-**	**249,152**	**452,077**	**105,703**	**557,780**

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

NOTE 26 – LOANS AND RECEIVABLES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Long-term deposits	6,926	7,197	6,854	6,760
Long-term guarantee deposits	33,970	47,749	33,970	47,749
Long-term trade receivables	-	4,822	-	4,822
- housing loans and other loans to employees	317	486	105	181
- loans to other companies	-	13,504	-	13,504
- loans to subsidiaries	-	-	1,280	1,733
Impairment of long-term deposits and loans receivable	(1,666)	(16,093)	(1,666)	(16,093)
Impairment of long-term deposits and loans receivable	-	(4,822)	-	(4,822)
Total long-term deposits and loans receivable	39,547	52,843	40,543	53,834
Long-term loans and deposits given	**39,547**	**52,843**	**40,543**	**53,834**

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 from 0.04% to 0.57%.

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, so on the other hand local 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 HRK 13,504 thousand were permanently written off due to the impossibility of collecting them.

NOTE 26 – 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 HRK)	**2022.**	**2021.**	**2022.**	**2021.**
At 1 January	16,093	16,960	16,093	16,960
Discount of guarantee deposits	(923)	(867)	(923)	(867)
	(13,504)	-	(13,504)	-
At 31 December	**1,666**	**16,093**	**1,666**	**16,093**

NOTE 27 – INVENTORIES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Raw materials (restated)	39,833	32,569	5,830	5,891
Finished and semi-finished goods and work in progress (restated)	25,941	26,225	-	48
Spare parts and small inventories	5,462	5,337	2,530	2,095
Trade goods (restated)	5,797	9,044	73	15
Advances for inventories	2,034	-	-	-
	79,067	**73,175**	**8,433**	**8,049**

Cost of raw materials and supplies recognised in the income statement is disclosed in note 10.

Impairment of inventories recognised in the income statement is disclosed in note 12.

NOTE 28 – TRADE AND OTHER RECEIVABLES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Domestic trade receivables	116,245	141,239	138,296	155,814
Foreign trade receivables	167,925	106,694	133,279	55,092
Impairment of trade receivables	(5,686)	(83,551)	(4,793)	(78,993)
	278,484	164,382	266,782	131,913
Receivable from customers for contract work	130,813	85,249	111,163	70,375
Guarantee deposits – current portion	34,578	47,196	34,560	47,166
Short-term deposits /iii/	1,569	1,408	525	924
Loans to subsidiary	-	-	22,478	17,096
Other short-term loans /i/	1,799	5,287	1,536	4,973
Interest receivable	-	8,458	744	8,995
Dividend receivable	-	-	739	2,050
Other receivables	51,201	52,466	50,821	51,848
Impairment of other financial assets	(1,589)	(13,841)	(3,771)	(16,037)
Total financial assets	496,855	350,605	485,577	319,303
Advances /ii/	58,019	85,706	53,664	80,294
Receivable from employees	106	375	106	365
VAT receivable	13,236	8,359	11,677	5,755
Outstanding VAT receivable	2,156	1,780	-	-
Prepaid expenses	9,766	6,274	9,629	5,995
Impairment of non-financial assets (note 11)	-	(6,247)	-	(6,247)
Total non-financial assets	83,283	96,247	75,076	86,162
	580,138	**446,852**	**560,653**	**405,465**
Receivables for subscribed but unpaid capital /v/	**-**	**410,000**	**-**	**410,000**

/i/ Other short-term loans and loans to subsidiaries are with annual interest rates from 2%-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 2022 the effective interest rates for deposits with the agreed interest rate are 0.01%-0.39%.

NOTE 28 – TRADE AND OTHER RECEIVABLES (continued)

/iv/ Other receivables include receivable from Ministry of finance in the amount of HRK 50,000 thousand (2021: HRK 50,000 thousand) which are expected to be collected upon completion of the court process.

/v/ Receivables for subscribed, but unpaid capital in the amount of HRK 410,000 thousand on 31 December relate to the recapitalization of the Company as in February 2022, when the same receivables were collected.

The ageing of trade receivables is as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Not due	195,563	124,783	192,283	83,035
Up to 90 days	37,480	26,025	24,461	17,210
From 91 to 180 days	16,095	3,894	17,918	4,883
Over 180 days	29,346	9,680	32,120	26,785
	278,484	**164,382**	**266,782**	**131,913**

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

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
At 1 January	97,392	92,546	95,030	89,000
Impairment of trade receivables and other financial assets (note 11)	233	5,135	25	6,157
Collected amounts (note 11)	(309)	(139)	(306)	(22)
Change after adjustment to IFRS 9	262	-	(196)	(105)
	(222)	-	(222)	-
Receivables written-off during the year as uncollectible	(90,081)	(150)	(85,767)	-
At 31 December	**7,275**	**97,392**	**8,564**	**95,030**

NOTE 28 – TRADE AND OTHER RECEIVABLES (continued)

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 HRK)	**2022.**	**2021.**	**2022.**	**2021.**
HRK	256,357	175,284	289,954	191,519
EUR	43,424	63,143	3,765	13,632
NOK	47,095	52,765	45,129	52,762
SEK	88,545	15,281	87,101	15,281
UAH	1	4,349	-	4,345
Other currencies	61,433	39,784	59,628	41,764
Total	**496,855**	**350,606**	**485,577**	**319,303**

The fair value of trade receivables approximates their carrying amount.

NOTE 29 – CASH AND CASH EQUIVALENTS

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Cash at bank and petty cash in domestic currency	7,963	4,751	6,850	2,000
Cash at bank and petty cash in foreign currency	20,546	52,707	14,527	48,727
Deposits at bank in foreign currecny	-	384	-	-
	28,509	**57,842**	**21,377**	**50,727**

Cash and cash equivalents are denominated in the following currencies:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
EUR	6,951	4,518	1,560	353
NOK	3,863	26,649	3,862	26,646
SEK	6,661	12,624	6,661	12,624
UAH	181	2,702	43	2,507
Other currencies	2,890	6,598	2,401	6,597
Total	**20,546**	**53,091**	**14,527**	**48,727**

NOTE 30 – SHAREHOLDERS' EQUITY

Share capital

The share capital as at 31 December 2022 amounts to HRK 412,472 thousand (31 December 2021: HRK 2,472 thousand) and consists of 41,247,193 shares (2021: 247,193 shares). Nominal value of a share amounts to HRK 10 (31 December 2021: HRK 10).

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

	Number of shares		Holding	
	2022.	**2021.**	**2022.**	**2021.**
Napredna energetska rješenja d.o.o.	31,000,000	-	75.16%	0.00%
Financial institutions	7,004,080	17,837	16.98%	7.22%
Foreign company	2,401,233	402	5.82%	0.16%
Konsolidator d.o.o.	-	150,000	0.00%	60.68%
Individuals	200,729	71,981	0.49%	29.12%
Treasury shares	988	988	0.00%	0.40%
Others	640,163	5,985	1.55%	2.42%
	41,247,193	**247,193**	**100%**	**100%**

NOTE 30 – SHAREHOLDERS' EQUITY (continued)

The majority owner of Dalekovod d.d. is company Napredna energetska rješenja d.o.o. The owners of Napredna energetska rješenja d.o.o. are Končar – Ulaganja d.o.o. and Construction Line Limited. Company Končar – Ulaganja d.o.o. is 100% owned by Končar – Elektroindustrija d.d.

Share premium

Share premium resulted from the issue of shares in 2011 when the Company realised a premium of HRK 83,151 thousand, which was reduced by the cost of issuing new shares of HRK 2,672 thousand. During 2014 part of share premium in the amount of HRK 70,424 thousand was used to cover losses. Furthermore, during 2014 share premium was increased as a result of increase in share capital, i.e. transfer of debts towards suppliers into share capital as part of the pre-bankruptcy settlement in the amount of HRK 76,695 thousand and decreased by the cost of issuing new shares in the amount of HRK 608 thousand.

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 2022, the Company owns 692 treasury shares (2021: 989 treasury shares).

Statutory and other reserves

Statutory and other reserves consist of statutory reserves in the amount of HRK 8,466 thousand (2021: HRK 8,466 thousands) and reserves for own shares in the amount of HRK 8,466 thousand (2021: HRK 8,466 thousand).

Revaluation reserves

In 2021, based on the assessment of a certified appraiser, the revaluation of land and buildings at the Žitnjak and Dugo Selo locations was made. In 2022, the revaluation of the land in Žitnjak was carried out, and it was increased by HRK 6,847 thousand (assets increased by HRK 8,350 thousand). Dugo Selo is no longer owned by Dalekovod d.d. these revaluation reserves were reduced by HRK 1,800 thousand.
The fair value of land and buildings at the site in Žitnjak was determined using the income method and comparative method. The value of the property is determined based on the comparable value of similar properties.

NOTE 31 – BORROWINGS

(in thousands of HRK)	Average interest rate	Dalekovod Group 2022.	Dalekovod Group 2021.	Dalekovod d.d. 2022.	Dalekovod d.d. 2021.
Non-current					
Loans from banks and subsidiaries	4.15%	-	25,279	-	25,279
Bonds	4.00%	11,606	13,009	15,320	17,170
Finance lease /i/	4.40%	22,406	22,195	21,823	21,178
		34,012	**60,483**	**37,143**	**63,627**
Current					
Loans from banks and subsidiaries	4.15%-9.15%	17,914	267,012	25,068	274,451
Bonds	4.00%	1,413	1,358	1,865	1,792
Finance lease /i/	4.40%	9,086	26,038	8,700	25,632
		28,413	**294,408**	**35,633**	**301,875**
Total borrowings		**62,425**	**354,891**	**72,776**	**365,502**

* The average interest rate for loans refers to senior debt and credit of the NUF branch, while the interest rate is not calculated for separate rights.

Gross liabilities under the Lease liabilities – minimum lease payments:

(in thousands of HRK)	Dalekovod Group 2022.	Dalekovod Group 2021.	Dalekovod d.d. 2022.	Dalekovod d.d. 2021.
Up to 1 year	9,258	31,132	8,872	25,969
Between 1 to 5 years	22,413	17,865	21,830	21,605
Over 5 years	-	-	-	-
	31,671	48,997	30,702	47,574
Future finance costs under finance lease	(179)	(764)	(179)	(764)
Present value of liabilities under finance lease	**31,492**	**48,233**	**30,523**	**46,810**

NOTE 31 – BORROWINGS (continued)

Financial debt (long-term and short-term) in relation to 2021. decreased because of the repayment of debts under the pre-bankruptcy settlement in the first quarter of 2022 and the write-off of the liability for the bank's separate debt related to the Dugo Selo property.
On February 11, 2022, it settled its debts for due obligations under the pre-bankruptcy settlement. The total value of the loan from the pre-bankruptcy settlement, which was settled, amounts to HRK 357,263 thousand, and the same is reported as part of short-term liabilities.

In the total amount of loans received from banks and subsidiaries disclosed by the Company and the Group on 31 December 2022, part of the debt in the amount of 17,914 thousand refers to a bank in Norway that has a lien on the Company's movable assets up to a total value of HRK 21,498 thousand (NOK 30 million).

The Group's borrowings in the total amount of HRK 49,406 thousand (2021: HRK 32,317 thousand) are exposed to interest rate changes, since the contracted interest rate is variable. Other borrowings in the amount of HRK 13,019 thousand, have a fixed interest rate and relate to bonds and financial leasing based on a pre-bankruptcy settlement (year 2021: HRK 322,520 thousand, excluding loans charged from the Company's assets, have a fixed interest rate and relate to loans, bonds and financial leasing based on a pre-bankruptcy settlement).

Interest rates for the bonds are a fixed 4%, for the loan granted to the Dalekovod NUF subsidiary with a repayment term until the end of 2023, the currently valid interest rate is 9.15%, while the variable interest rate for the financial lease ranges between 2.27%-4.51 %.

The Company and the Group as of 31 December 2022 and 31 December 2021, according to the accounting policy for assets under foreclosure, have fair valued the corresponding loan obligation and other liabilities (guarantees) which relate to assets under foreclosure (notes 6, 19 and 20).

The Group's management with key financial creditors carries out financial restructuring activities in order to improve the financial position and liquidity of the Company and the Group.

The borrowings are denominated in the following currencies:

	Dalekovod Group		**Dalekovod d.d.**	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
EUR	5,739	137,007	12,829	149,974
HRK	9,241	173,299	10,907	171,529
Other	47,445	44,585	49,040	43,999
Total	**62,425**	**354,891**	**72,776**	**365,502**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 31 – BORROWINGS (continued)

The maturity of long-term borrowings is as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Between 1 to 5 years	-	-	-	-
Over 5 years	-	25,279	-	25,279
	-	**25,279**	**-**	**25,279**

NOTE 32 – MEZZANINE DEBT

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Short-term	-	31,711	-	36,303
	-	**31,711**	**-**	**36,303**

Movements in Mezzanine debt are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
At 1 January	31,711	30,723	36,303	35,117
Additions	-	988	-	1,186
Decrease	(31,711)	-	(36,303)	-
At 31 December	**-**	**31,711**	**-**	**36,303**

The mezzanine debt of the Group and the Company is denominated in the following currencies:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
HRK	-	19,129	-	23,721
EUR	-	12,582	-	12,582
	-	**31,711**	**-**	**36,303**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 33 – TRADE AND OTHER PAYABLES

Long-term

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Trade payables	-	39	-	39
	-	**39**	**-**	**39**

Short-term

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
Domestic trade payables	99,484	90,815	100,808	79,985
Foreign trade payables	89,201	74,485	73,255	40,517
	188,685	165,300	174,063	120,502
Interest payable	637	32,525	1,290	33,129
Dividends payable (note 15)	-	101	-	101
Contracted liabilities from acquisition	-	10	-	10
Other accruals and liabilities	2,408	6,758	1,023	2,128
Due to banks arising from collected guarantees	-	66	-	66
Financial liabilities	**191,730**	**204,760**	**176,376**	**155,936**
Advances	78,679	86,276	71,592	81,993
Deferred income	41,530	43,566	41,530	43,566
Due to employees	21,816	27,334	18,003	23,575
VAT payable	12,016	7,224	8,074	8,160
Taxes and contributions	4,774	5,935	2,874	3,623
Unused vacation days	4,392	4,711	2,813	2,921
Other current liabilities	537	879	500	847
Non-financial liabilities	**163,744**	**175,925**	**145,386**	**164,685**
	355,474	**380,685**	**321,762**	**320,621**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 33 – TRADE AND OTHER PAYABLES (continued)

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

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2022.**	**2021.**	**2022.**	**2021.**
HRK	102,293	103,871	103,248	88,344
EUR	27,490	76,466	13,974	40,181
NOK	12,996	5,770	13,422	6,165
SEK	4,675	3,482	4,675	3,482
UAH	40,734	13,360	40,734	13,360
Other currencies	3,542	1,811	323	4,404
Total	**191,730**	**204,760**	**176,376**	**155,936**

NOTE 34 – PROVISIONS

Group

(in thousands of HRK)	Jubilee awards	Severance payments	Other provisions	Total
At 1 January 2022.	2,131	4,461	23,045	29,637
Increase	194	239	1,545	1,978
Decrease	(558)	(2,031)	(3,404)	(5,993)
At 31 December 2022.	**1,767**	**2,669**	**21,186**	**25,622**

Analysis:	**2022.**	**2021.**
Non-current portion	24,677	27,139
Current portion	945	2,498
Total	**25,622**	**29,637**

Company

(in thousands of HRK)	Jubilee awards	Severance payments	Other provisions	Total
At 1 January 2022.	1,132	2,318	22,635	26,085
Increase	117	157	1,545	1,819
Decrease	(255)	(619)	(3,243)	(4,117)
At 31 December 2022.	**994**	**1,856**	**20,937**	**23,787**

Analysis:	**2022.**	**2021.**
Non-current portion	23,070	23,930
Current portion	717	2,155
Total	**23,787**	**26,085**

NOTE 34 – PROVISIONS (continued)

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 9.18% for the Group, and 11.6% for the Company (2021: Group 8.95%, 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 (2021.: 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 relate to provisions for litigation in the amount of HRK 21,187 thousand for the Group and HRK 20,937 thousand for the Company (2021: HRK 21,617 thousand for the Group and HRK 21,207 thousand for the Company). There are no reservations for bonus management in 2022 (2021: HRK 1,428 for both the Group and the Company).

NOTE 35 – 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 22, associates presented in note 23 and joint ventures presented in note 23, the Company’s related parties include its Management Board, Executive Directors, their related parties.
Related party transactions include owner Napredna energetska rješenja d.o.o and its founders Končar – Ulaganja d.o.o. i Construction Line Limited as well as their related parties. Končar – Ulaganja d.o.o. is 100 % owned by Končar – Elektroindustrija d.d.

The Company has no transactions with 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 HRK)	**2022.**	**2021.**
Sales revenue	5,503	117,058
Rental income	29,402	22,598
Interest income	507	217
Dividend income	2,113	4,900
Interest income	10,101	6,292
	47,626	**151,065**
Cost of goods sold	-	28,215
Cost of raw materials and supplies	82,141	22,778
Subcontractor services	3,822	4,415
Other operating expenses	-	5
Interest expesne and foreign exchange losses	321	46
	86,284	**55,459**

NOTE 35 – RELATED PARTY TRANSACTIONS (continued)

Receivables, payables and loans

(in thousands of HRK)	**2022.**	**2021.**
Trade receivables	62,990	59,679
Receivables for profit share	739	-
Impairment of trade receivables	(15,562)	(15,562)
Interest receivable	744	449
Impairment of interest receivable	-	(13)
Advances	6,340	6,123
Loans receivable	23,856	20,090
Impairment of loans receivable	(3,783)	(2,183)
	75,324	**68,583**
Trade payables	28,002	8,743
Mezzanine debt	-	4,592
Interest payable	652	463
Other accruals and liabilities	384	384
Bonds	4,165	4,595
Advances	-	0
Loans payable	7,154	7,444
	40,357	**26,221**

NOTE 35 – RELATED PARTY TRANSACTIONS (continued)

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 joint ventures are as follow:

Revenues and expenses

(in thousands of HRK)	**2022.**	**2021.**
Sales revenue	-	-
Interest income	-	246
Other income	-	-
	-	**246**
Cost of raw materials and supplies	-	-
Impairment of financial assets - interests	-	737
	-	**737**

Receivables, payables and loans

(in thousands of HRK)	**2022.**	**2021.**
Trade receivables	-	-
Interest receivable	-	491
Impairment of interest receivable	-	737
Loan receivables	-	-
	-	**1,228**

Receivable related to given loans is fully impaired.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 35 – RELATED PARTY TRANSACTIONS (continued)

The company's transactions with Končar Group companies:

Revenues and expenses

(in thousands of HRK)	**2022.**	**2021.**
Sales revenue	7,196	-
	7,196	**-**
Cost of raw materials and supplies	164	-
Subcontractor services	183	-
Other operating expenses	417	-
	764	**-**

Receivables, payables and loans

(in thousands of HRK)	**2022.**	**2021.**
Trade receivables	1,158	-
	1,158	**-**
Trade payables	820	-
	820	**-**

NOTE 35 – RELATED PARTY TRANSACTIONS (continued)

Dalekovod Group transactions with Končar Group companies:

Revenues and expenses

(in thousands of HRK)	**2022.**	**2021.**
Sales revenue	11,067	-
	11,067	**-**
Cost of raw materials and supplies	164	-
Subcontractor services	281	-
Other operating expenses	591	-
	1,037	**-**

Receivables, payables and loans

(in thousands of HRK)	**2022.**	**2021.**
Trade receivables	1,434	-
	1,434	**-**
Trade payables	1,023	-
Advances	104	-
	1,127	**-**

Transactions with key management

Key management consists of Management Board, Executive Directors, and Heads of departments, 28 people in total (2021: 13 people). Remuneration to key management at Group's level amounted to HRK 13,631 thousand (2021: HRK 9,538 thousand), while remuneration at the level of the Company amounted to HRK 11,142 thousand (2021: 6,670 thousand).

Remuneration to Supervisory Board in 2022 amounted to HRK 391 thousand (2021.: HRK 404 thousand).

NOTE 36 – CONTINGENCIES AND COMMITMENTS

As of 31 December 2022, the Group has numerous contracts which have commenced, but have not been completed. Costs to be incurred in the future arising from these contracts are estimated in the amount of HRK 1,551,677 thousand (2021: HRK 938,534 thousand).

As at 31 December 2022, the Group and the Company are exposed to potential liabilities arising from issued bank guarantees (as collateral for collection and security for the quality of work performed) in the total amount of HRK 393,552 thousand and HRK 331,217 thousand (2021: HRK 419,573 thousand Group and HRK 368,650 thousand Company). The Company is additionally exposed as a co-debtor for borrowings of subsidiaries in the total amount of HRK 48,809 thousand (2021: HRK 43,515 thousand). The Group and the Company estimate that it is not certain that any contingent liabilities arising from bank guarantees will be collected, as the Group and the Company, as in previous periods, fulfil all contractual liabilities arising from the projects.

In the ordinary course of operations, the Group was plaintiff and defendant in several legal disputes. Based on the opinion of the Management Board and its legal counsel, provision have been created for those legal dispute that will potentially result in losses (note 34). In addition to those court cases for which provision have been made, there are legal disputes for which Management Board and legal counsel believe will not result in significant losses.

NOTE 37 – 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.

Impact on the statement of comprehensive income:

(all amounts are expressed in thousands of HRK)	**Dalekovod Group discontinued operations 2022**	**Dalekovod Group discontinued operations 2021**	**Dalekovod d.d. discontinued operations 2022**	**Dalekovod d.d. discontinued operations 2021**
Other income	190	20	-	-
Cost of materials and services	(777)	(2)	-	-
Staff costs	(52)	(35)	-	-
Other operating expenses	(131)	(152)	(406)	(1,262)
Operating gain/(loss)	(770)	(169)	(406)	(1,262)
Finance income	2	14	-	-
Finance costs	-	(24)	-	-
	2	(10)	-	-
Discontinued operations	***(768)***	***(179)***	***(406)***	***(1,262)***

NOTE 37 – DISCONTINUED OPERATIONS (continued)

Impact on the statement of financial position:

(all amounts are expressed in thousands of HRK)	Dalekovod Group discontinued operations 2022	Dalekovod Group discontinued operations 2021	Dalekovod d.d. discontinued operations 2022	Dalekovod d.d. discontinued operations 2021
ASSETS				
Trade and other receivables	72	285	-	136
Cash and cash equivalents	50	-	-	-
Assets held for sale	***122***	***285***	***-***	***136***
LIBILITIES				
Provisions	173	114	-	-
Trade and other payables	725	437	-	-
Liabilities held for sale	***898***	***551***	***-***	***-***

NOTE 38 - EVENTS AFTER THE REPORTING DATE

Among the more significant events after the balance sheet date, we would highlight the opening of a branch in Slovenia in March 2023. On 31.03.2023. Mr. Ivan Kurobasa ceases to be a member of the Management Board.

Due to the current situation in Ukraine, force majeure has been declared on both projects that we had as active during 2022. With the proclamation of force majeure, all actions on the project were suspended. Dalekovod d.d. does not expect losses on these projects due to the very structure of the Investor Agreement where risks are minimized.

NOTE 38 - EVENTS AFTER THE REPORTING DATE (continued)

The following is a presentation of the Balance Sheet and Profit and Loss Account as at 31 December 2022 and as at 31 December 2021:

Ukraine branch	**31.12.2022**	**31.12.2021**
Property, plant and equipment	2	4
Inventories	24	460
Trade and other receivables	80,029	68,477
Cash and cash equivalents	118	2,507
Total assets	**80,173**	**71,448**
Accumulated loss	(2,204)	1,615
Profit/Loss for the financial year	1,979	(3,818)
Total equity	**(225)**	**(2,203)**
Trade and other payables	80,398	73,651
Total equity and liabilities	**80,173**	**71,448**

From the above it can be seen that the company has receivables and liabilities in significant amounts, however due to the mutual connection or interdependence of one another, we consider that it is not needed to adjust the value with the stated claims.

Payment according to crucial suppliers (subcontractors) for both projects is related to the "BACK TO BACK" conditions, ie payment only after payment. According to the mentioned projects, all bank guarantees have been withdrawn, which will be reissued after the continuation of the projects and the revision of the Agreement.

The Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in "Official Gazette" No. 85/22). With the aforementioned decision, the euro becomes the official monetary unit and legal currency in the Republic of Croatia on 1 January 2023. The fixed conversion rate is set at HRK 7.53450 for one euro. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent an adjusting subsequent event.