

Zagreb, 28 February 2017

MANAGEMENT REPORT FOR JAN-DEC 2016

Unaudited, consolidated

*** IMPORTANT NOTE TO THE MANAGEMENT REPORT:**

These financial statements, being an integral part of the Management Report, are preliminary, unaudited, unconsolidated statements. There may be discrepancies between the preliminary and final audited financial statements of the Company, which will not have a material impact on the Company's business result.

The audited annual financial statements will be disclosed as required by law, by 30 April 2017.



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I. MANAGEMENT BOARD'S REPORT

Dalekovod Group aims to increase its revenue while improving its operating efficiency. Consequently, although the **operating revenue** in 2016 for **Dalekovod d.d.** was according to the preliminary unaudited figures **HRK 897 million** or HRK 1,230 million on the Dalekovod Group level, which is 11% and 4%, respectively, less compared to 2015, a significant growth in profitability was achieved, where the **gross margin** increased by 2.6 p.p. on the **Dalekovod d.d.** level and by 1.8 p.p. on the Dalekovod Group level in 2016. The relatively lower revenue on the Dalekovod d.d. level in 2016 is a result of a substantially slower rate of launching tenders for infrastructural projects on the domestic market.

According to the preliminary unaudited figures, the **(EBITDA)** for **Dalekovod d.d.** for 2016 was **HRK 98.0 million**, which is **22.4%** more than in 2015. Dalekovod Group's EBITDA increased from 95.7 to 124.9 (30.5%). The gross income obtained from projects, which demonstrates operating efficiency in project implementation, increased by 9.6% on the Dalekovod d.d. level and by 9.1% on the Dalekovod Group level.

The financial position of Dalekovod Group is presently stable – at 31 December 2016, the total **net debt** was **HRK 414.7 million** on the Dalekovod d.d. level and HRK 416.8 million on the Dalekovod Group level. To reflect the actual balance of assets and debt according to the Pre-Bankruptcy Settlement ("PBS"), the balance sheets of Dalekovod d.d. and Dalekovod Group were adjusted both on the asset side and the liability side by removing from assets such items that the Company will derive no future economic benefits from and by removing from liabilities a debt for which Dalekovod d.d. has no future obligations. This resulted in an adjustment of the initial balance of HRK 101.8 million in 2015 and, consequently, in 2016.

During the same period, the **net income** obtained by **Dalekovod d.d.** in 2016 was **HRK 40.2 million**, which is **29.2%** more compared to 2015. On the Dalekovod Group level, net income increased from HRK 4.0 million to HRK 53.8 million (1,239.0%).

Like it did in previous years, in 2016 Dalekovod d.d. performed all its obligations arising from PBS, cumulatively paid its creditors HRK 238.2 million in previous periods, and continues to build strong relationships with its partners.

The key markets for Dalekovod d.d. in 2016 were Norway, Ukraine and Croatia and the share of revenue obtained on foreign markets in total revenue exceeded 78.1%. On the Dalekovod Group level, this share was 77.6%, which indicates that the Company is strongly focused on exports. **The total amount of newly awarded contracts in 2016 for the upcoming period exceeded HRK 1 billion.** It is particularly important to mention a new project in the Kingdom of Norway worth HRK 605.0 million and the award of contract for the reconstruction and construction of the second track of the Dugo Selo-Križevci line in a consortium with Croatian partners.



Business in 2016 was marked by positive shifts, both on the Dalekovod d.d. level and on the Dalekovod Group level:

- Focus on increasing well-structured revenue
- Focus on project implementation efficiency and increasing the gross margin
- Strong focus on obtaining new contracts, both abroad and locally
- HR empowerment on all levels and increasing the level of corporate culture

The foregoing are also the Dalekovod's key strategic guidelines for the upcoming period.

For the Management Board:

Alen Premužak

Chairman of the Management Board

Dalekovod d.d.





II. DECLARATION

Pursuant to Article 410, paragraph 1, and Article 407, paragraph 2, subparagraph 3 and paragraph 3 of the Capital Market Act, the persons responsible for preparing the financial statements: Alen Premužak, Chairman of the Management Board, Helena Jurčić Šestan, Management Board Member, Marko Jurković, Management Board Member, Ivica Kranjčić, Management Board Member, and Ivan Kurobasa, Management Board Member, hereby make this

DECLARATION

To the best of our knowledge, the financial statements for the reporting period, prepared in compliance with the appropriate financial reporting standards, provide a full and true view of the assets, liabilities and income of DALEKOVOD and the companies included in consolidation, with a brief comment on the causes of the information provided. The financial statements have not been audited.

For the Management Board:

Alen Premužak

Chairman of the Management Board

Dalekovod d.d.



III. BALANCE SHEET (unaudited)

ASSETS

| Name of position: | AOP | Previous year (net) | Current year (net) | Previous year (net) | Current year (net) | |
|---|------------|----------------------|----------------------|----------------------|------------------------|--|
| 1 | 2 | 3 | 4 | 5 | 6 | |
| | | | DALEKOVOD jsc | | DALEKOVOD GROUP | |
| ASSETS | | | | | | |
| A) SUBSCRIBED CAPITAL UNPAID | 001 | 0 | 0 | 0 | 0 | |
| B) NON CURRENT ASSETS (003+010+020+029+033) | 002 | 590.067.779 | 585.040.883 | 738.559.406 | 371.827.393 | |
| I. INTANGIBLE ASSETS (004 to 009) | 003 | 14.869.072 | 9.817.024 | 17.711.383 | 14.088.947 | |
| 1. Research & Development expenditure | 004 | 0 | 0 | 0 | 0 | |
| 2. Patents, licences, royalties, trade marks, software&similar rights | 005 | 14.139.000 | 9.000.768 | 15.640.602 | 10.400.076 | |
| 3. Goodwill | 006 | 0 | 0 | 1.213.000 | 1.213.000 | |
| 4. Prepay ments for intangible assets | 007 | 0 | 0 | 0 | 0 | |
| 5. Intangible assets under construction | 008 | 730.072 | 816.256 | 857.781 | 2.475.870 | |
| 6. Other intangible assets | 009 | 0 | 0 | 0 | 0 | |
| II. TANGIBLE ASSETS (011 to 019) | 010 | 213.872.823 | 205.325.336 | 654.460.483 | 289.166.828 | |
| 1. Land | 011 | 1.157.642 | 1.157.642 | 21.832.690 | 21.792.041 | |
| 2. Property | 012 | 6.130.426 | 5.774.201 | 157.935.419 | 149.011.278 | |
| 3. Plants and equipment | 013 | 49.865.075 | 39.023.984 | 88.906.744 | 76.064.955 | |
| 4. Tools, plants&v ehicles | 014 | 2.286.758 | 13.468.055 | 11.640.831 | 25.372.856 | |
| 5. Biological asset | 015 | 0 | 0 | 0 | 0 | |
| 6. Prepay ments for tangible assets | 016 | 0 | 0 | 0 | 0 | |
| 7. Assets under construction | 017 | 0 | 0 | 10.712.208 | 10.553.892 | |
| 8. Other tangible assets | 018 | 0 | 0 | 0 | 0 | |
| 9. Investments property | 019 | 154.432.922 | 145.901.454 | 363.432.590 | 6.371.806 | |
| III. NON-CURRENT FINANCIAL ASSETS (021 to 028) | 020 | 332.553.305 | 344.399.195 | 34.382.908 | 41.639.679 | |
| 1. Share in related parties | 021 | 285.996.508 | 276.891.774 | 0 | 0 | |
| 2. Loans to related parties | 022 | 13.729.680 | 24.662.953 | 0 | 0 | |
| 3. Participating interests (stakes) | 023 | 20.241.100 | 20.241.100 | 14.667.309 | 14.704.804 | |
| 4. Loans to participating interest | 024 | 0 | 0 | 0 | 0 | |
| 5. Investments in securities | 025 | 4.254.377 | 4.073.972 | 4.537.472 | 4.568.447 | |
| 6. Loans & deposits | 026 | 8.331.640 | 18.529.396 | 15.178.127 | 22.366.428 | |
| 7. Other non-current financial assets | 027 | 0 | 0 | 0 | 0 | |
| 8. Investment accounted by equity method | 028 | 0 | 0 | 0 | 0 | |
| IV. TRADE RECEIVABLES (030 to 032) | 029 | 28.772.579 | 25.499.328 | 32.004.632 | 26.931.939 | |
| 1. Receiv ables from related parties | 030 | 0 | 0 | 720.774 | 0 | |
| 2. Receiv ables from credit sales | 031 | 0 | 0 | 0 | 0 | |
| 3. Other receiv ables | 032 | 28.772.579 | 25.499.328 | 31.283.857 | 26.931.939 | |
| V. DEFERRED TAX ASSETS | 033 | 0 | 0 | 0 | 0 | |
| C) CURENT ASSETS (035+043+050+058) | 034 | 695.998.212 | 614.861.487 | 950.046.366 | 926.276.836 | |
| I. INVENTORIES (036 to 042) | 035 | 20.488.561 | 11.063.115 | 182.776.062 | 221.773.765 | |
| 1. Raw materials & consumables | 036 | 18.474.196 | 10.350.850 | 68.599.673 | 77.214.036 | |
| 2. Work in progress | 037 | 0 | 0 | 13.132.497 | 30.502.896 | |
| 3. Products | 038 | 266.435 | 235.024 | 25.926.563 | 41.683.014 | |
| 4. Merchandise | 039 | 1.747.930 | 477.241 | 9.016.213 | 6.803.287 | |
| 5. Prepay ments for inventories | 040 | 0 | 0 | 1.058.270 | 527.685 | |
| 6. Other available-for-sale assets | 041 | 0 | 0 | 65.042.846 | 65.042.846 | |
| 7. Biological asset | 042 | 0 | 0 | 0 | 0 | |
| II. RECEIVABLES (044 to 049) | 043 | 506.497.579 | 454.204.207 | 582.682.800 | 533.283.929 | |
| 1. Receiv ables from related parties | 044 | 34.476.796 | 31.757.973 | 0 | 0 | |
| 2. Trade receiv ables | 045 | 300.959.133 | 177.366.899 | 397.230.328 | 274.792.225 | |
| 3. Receiv ables from participating parties | 046 | 715.227 | 519.386 | 798.643 | 1.056.277 | |
| 4. Amounts receiv able from employ ees | 047 | 255.351 | 197.497 | 322.613 | 221.562 | |
| 5. Receiv ables from gov ernment agencies | 048 | 20.992.331 | 10.316.404 | 29.432.856 | 16.159.134 | |
| 6. Other receiv ables | 049 | 149.098.741 | 234.046.048 | 154.898.360 | 241.054.731 | |
| III. CURRENT FINANCIAL ASSETS (051 to 057) | 050 | 87.163.048 | 62.726.079 | 82.510.264 | 65.771.566 | |
| 1. Share in related parties | 051 | 0 | 0 | 0 | 0 | |
| 2. Loans to related parties | 052 | 31.585.316 | 2.207.126 | 0 | 0 | |
| 3. Participating interests (stakes) | 053 | 0 | 0 | 0 | 0 | |
| 4. Loans to participating interest | 054 | 0 | 0 | 0 | 0 | |
| 5. Investments in securities | 055 | 30.377.143 | 30.485.060 | 30.377.143 | 30.485.060 | |
| 6. Loans & deposits | 056 | 25.200.589 | 30.033.893 | 52.133.120 | 35.286.506 | |
| 7. Other financial assets | 057 | 0 | 0 | 0 | 0 | |
| IV. CASH ON HAND AND IN THE BANK | 058 | 81.849.024 | 86.868.086 | 102.077.241 | 105.447.576 | |
| D) PREPAYMENTS AND ACCRUED INCOME | 059 | 1.897.912 | 2.271.497 | 2.401.002 | 2.375.832 | |
| E) TOTAL ASSETS (001+002+034+059) | 060 | 1.287.963.903 | 1.202.173.867 | 1.691.006.774 | 1.300.480.060 | |
| F) OFF-BALANCE SHEET ITEMS | 061 | 652.402.930 | 669.618.925 | 680.360.486 | 739.206.354 | |

LIABILITIES

| Name of position: | AOP | Previous year (net) | Current year (net) | Previous year (net) | Current year (net) |
|---|------------|----------------------|----------------------|----------------------|----------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| DALEKOVOD jsc | | | | | |
| DALEKOVOD GROUP | | | | | |
| EQUITY AND LIABILITIES | | | | | |
| A) CAPITAL AND RESERVES (063+064+065+071+072+075+078) | 062 | 183.257.787 | 222.840.252 | 160.472.518 | 213.558.449 |
| I. SHARE CAPITAL | 063 | 247.193.050 | 247.193.050 | 247.193.050 | 247.193.050 |
| II. CAPITAL RESERVES | 064 | 86.141.670 | 86.141.670 | 86.141.670 | 86.141.670 |
| III. RESERVES FROM PROFIT (066+067-068+069+070) | 065 | 44.324.747 | 43.675.007 | 76.306.051 | 75.577.221 |
| 1. Legal reserves | 066 | 11.486.600 | 11.486.600 | 11.652.410 | 11.652.410 |
| 2. Reserves for own shares | 067 | 7.816.210 | 8.465.950 | 7.816.210 | 8.465.950 |
| 3. Own shares and stakes (less) | 068 | -7.816.210 | -8.465.950 | -7.816.210 | -8.465.950 |
| 4. Statutory reserves | 069 | 32.838.147 | 32.188.407 | 32.838.147 | 32.188.407 |
| 5. Other reserves | 070 | 0 | 0 | 31.815.494 | 31.736.404 |
| IV. REVALUATION RESERVES | 071 | 0 | 0 | -1.951 | 0 |
| V. RETAINED EARNINGS OR LOSS BROUGHT FORWARD (073-074) | 072 | -225.551.550 | -194.401.680 | -252.489.075 | -248.470.432 |
| 1. Retained earnings | 073 | 0 | 0 | 0 | 0 |
| 2. Loss brought forward | 074 | 225.551.550 | 194.401.680 | 252.489.075 | 248.470.432 |
| VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077) | 075 | 31.149.870 | 40.232.205 | 4.018.643 | 53.811.449 |
| 1. Profit for the financial year | 076 | 31.149.870 | 40.232.205 | 4.018.643 | 53.811.449 |
| 2. Loss for the financial year | 077 | 0 | 0 | 0 | 0 |
| VII. MINORITY INTEREST | 078 | 0 | 0 | -695.870 | -694.508 |
| B) PROVISIONS (080 to 082) | 079 | 26.468.723 | 22.628.875 | 29.625.995 | 25.830.379 |
| 1. Provisions for pensions, severance pay and similar liabilities | 080 | 3.841.498 | 4.379.000 | 6.794.225 | 7.516.670 |
| 2. Provisions for tax obligations | 081 | 0 | 0 | 0 | 0 |
| 3. Other provisions | 082 | 22.627.225 | 18.249.875 | 22.831.770 | 18.313.710 |
| C) NON-CURRENT LIABILITIES (084 to 092) | 083 | 488.228.366 | 435.688.854 | 463.081.998 | 421.692.134 |
| 1. Liabilities to related parties | 084 | 25.699.137 | 13.873.126 | 0 | 0 |
| 2. Liabilities for loans, deposits and other | 085 | 0 | 0 | 0 | 0 |
| 3. Liabilities towards banks and other financial institutions | 086 | 372.246.507 | 366.865.771 | 372.750.778 | 367.202.163 |
| 4. Amounts payable for prepayment | 087 | 0 | 0 | 0 | 0 |
| 5. Trade payables | 088 | 46.557.538 | 9.742.640 | 46.606.037 | 9.282.655 |
| 6. Amounts payable for securities | 089 | 43.056.560 | 44.819.352 | 43.056.559 | 44.819.352 |
| 7. Liabilities toward participating interests | 090 | 668.624 | 387.965 | 668.624 | 387.965 |
| 8. Other non-current liabilities | 091 | 0 | 0 | 0 | 0 |
| 9. Deferred tax | 092 | 0 | 0 | 0 | 0 |
| D) CURRENT LIABILITIES (094 to 105) | 093 | 575.502.902 | 505.254.054 | 1.023.320.136 | 623.637.265 |
| 1. Liabilities to related parties | 094 | 51.323.164 | 37.055.017 | 0 | 0 |
| 2. Liabilities for loans, deposits and other | 095 | 402.220 | 0 | 0 | 0 |
| 3. Liabilities towards banks and other financial institutions | 096 | 52.335.222 | 15.094.882 | 395.284.610 | 51.850.059 |
| 4. Amounts payable for prepayment | 097 | 105.548.698 | 130.307.747 | 109.296.214 | 135.433.002 |
| 5. Trade payables | 098 | 209.940.651 | 154.269.056 | 274.679.369 | 226.104.192 |
| 6. Amounts payable for securities | 099 | 58.509.271 | 58.509.271 | 58.509.272 | 58.509.272 |
| 7. Liabilities toward participating interests | 100 | 0 | 0 | 1.571.520 | 1.153.639 |
| 8. Liabilities to employees | 101 | 17.605.673 | 25.843.621 | 41.690.867 | 48.843.778 |
| 9. Taxes, contributions and similar liabilities | 102 | 12.063.713 | 27.769.585 | 18.832.466 | 33.766.004 |
| 10. Liabilities arising from share in the result | 103 | 100.985 | 100.985 | 100.985 | 110.743 |
| 11. Liabilities arising from non-current assets held for sale | 104 | 0 | 0 | 0 | 0 |
| 12. Other current liabilities | 105 | 67.673.305 | 56.303.890 | 123.354.833 | 67.866.577 |
| E) ACCRUED EXPENSES AND DEFERRED INCOME | 106 | 14.506.126 | 15.761.832 | 14.506.127 | 15.761.833 |
| F) TOTAL LIABILITIES (062+079+083+093+106) | 107 | 1.287.963.904 | 1.202.173.867 | 1.691.006.774 | 1.300.480.060 |
| G) OFF-BALANCE SHEET ITEMS | 108 | 652.402.930 | 669.618.925 | 680.360.486 | 739.206.354 |
| ANNEX TO THE BALANCE SHEET (to be filled in by a company preparing the consolidated annual financial statements) | | | | | |
| A) CAPITAL AND RESERVES | | | | | |
| 1. Attributable to equity holders of the parent company's capital | 109 | | | 161.168.388 | 214.252.957 |
| 2. Attributable to non-controlling interests | 110 | | | -695.870 | -694.508 |

IV. STATEMENT OF COMPREHENSIVE INCOME (unaudited)

| Name of position | AOP | Previous period | Current period | Previous period | Current period |
|--|------------|----------------------|--------------------|----------------------|----------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| DALEKOVOĐ J.S.C. | | | | DALEKOVOĐ GROUP | |
| I. OPERATING INCOME (112+113) | 111 | 1.010.252.316 | 897.294.352 | 1.284.974.148 | 1.230.392.560 |
| 1. Sales revenue | 112 | 928.316.646 | 804.564.380 | 1.202.046.131 | 1.147.193.731 |
| 2. Other operating income | 113 | 81.935.670 | 92.729.972 | 82.928.017 | 83.198.828 |
| II. OPERATING EXPENSES (115+116+120+124+125+126+129+130) | 114 | 964.140.547 | 831.407.033 | 1.240.228.626 | 1.154.687.671 |
| 1. Changes in inventories of finished products and work in progress | 115 | 75.889 | 35.024 | 10.645.751 | -33.149.486 |
| 2. Material costs (117 to 119) | 116 | 653.640.629 | 541.838.804 | 741.395.673 | 748.320.583 |
| a) Cost of raw materials & consumables | 117 | 185.466.428 | 197.204.200 | 244.824.153 | 279.207.281 |
| b) Cost of goods sold | 118 | 127.533.607 | 85.798.749 | 143.223.507 | 160.181.400 |
| c) Other costs | 119 | 340.640.594 | 258.835.855 | 353.348.013 | 308.931.902 |
| 3. Staff costs (121 to 123) | 120 | 138.205.806 | 163.162.176 | 231.175.988 | 257.842.679 |
| a) Net salaries | 121 | 95.845.222 | 121.997.086 | 152.119.473 | 179.776.758 |
| b) Employee income tax | 122 | 27.006.259 | 26.331.278 | 51.127.921 | 50.598.421 |
| c) Tax on payroll | 123 | 15.354.325 | 14.833.812 | 27.928.594 | 27.467.500 |
| 4. Depreciation and amortisation | 124 | 33.949.894 | 32.141.920 | 50.907.247 | 49.155.045 |
| 5. Other expenditures | 125 | 18.392.245 | 12.829.367 | 33.504.864 | 24.695.826 |
| 6. Value adjustment (127+128) | 126 | 3.038.341 | 9.763 | 9.583.067 | 718.154 |
| a) non-current assets (without financial assets) | 127 | 28.846 | 9.763 | 1.181.304 | 162.824 |
| b) current assets (without financial assets) | 128 | 3.009.495 | 0 | 8.401.763 | 555.330 |
| 7. Provisions | 129 | 19.302.625 | 10.910.167 | 19.679.129 | 10.910.167 |
| 8. Other operating expenses | 130 | 97.535.118 | 70.479.812 | 143.336.907 | 96.194.702 |
| III. FINANCIAL INCOME (132 to 136) | 131 | 17.420.508 | 11.049.326 | 13.442.737 | 34.320.410 |
| 1. Interest income, foreign exchange differences, dividends and other financial income related to subsidiaries | 132 | 13.614.979 | 5.381.912 | 0 | 0 |
| 2. Interest income, foreign exchange differences, dividends and other financial income related to third parties | 133 | 2.999.121 | 5.636.602 | 12.531.895 | 12.814.830 |
| 3. Part of income from associates and participating interests | 134 | 0 | 0 | 0 | 0 |
| 4. Unrealized gains (income) from the financial assets | 135 | 0 | 0 | 0 | 0 |
| 5. Other financial income | 136 | 806.408 | 30.812 | 910.842 | 21.505.580 |
| IV. FINANCIAL COSTS (138 to 141) | 137 | 24.413.110 | 24.422.288 | 45.422.154 | 40.257.466 |
| 1. Interest, foreign exchange differences and other expenses related to subsidiaries | 138 | 1.883.118 | 1.460.676 | 0 | 0 |
| 2. Interest, foreign exchange differences and other expenses related to third parties | 139 | 22.529.992 | 22.961.612 | 45.420.440 | 40.254.703 |
| 3. Unrealized loss (expenses) from the financial assets | 140 | 0 | 0 | 0 | 0 |
| 4. Other financial expenses | 141 | 0 | 0 | 1.714 | 2.764 |
| V. SHARE OF INCOME OF ASSOCIATES | 142 | 0 | 0 | 13.735 | 37.494 |
| VI. SHARE OF LOSS OF ASSOCIATES | 143 | 0 | 0 | 0 | 0 |
| VII. EXTRAORDINARY - OTHER INCOME | 144 | 0 | 0 | 0 | 0 |
| VIII. EXTRAORDINARY - OTHER EXPENSES | 145 | 0 | 0 | 0 | 0 |
| IX. TOTAL INCOME (111+131+142 + 144) | 146 | 1.027.672.824 | 908.343.678 | 1.298.430.620 | 1.264.750.464 |
| X. TOTAL EXPENSES (114+137+143 + 145) | 147 | 988.553.657 | 855.829.321 | 1.285.650.780 | 1.194.945.137 |
| XI. PROFIT OR LOSS BEFORE TAX (146-147) | 148 | 39.119.167 | 52.514.357 | 12.779.840 | 69.805.327 |
| 1. Profit before tax (146-147) | 149 | 39.119.167 | 52.514.357 | 12.779.840 | 69.805.327 |
| 2. Loss before tax (147-146) | 150 | 0 | 0 | 0 | 0 |
| XII. INCOME TAX EXPENSE | 151 | 7.969.297 | 12.282.152 | 8.761.199 | 15.993.878 |
| XIII. PROFIT OR LOSS FOR THE PERIOD (148-151) | 152 | 31.149.870 | 40.232.205 | 4.018.641 | 53.811.449 |
| 1. Profit for the period (149-151) | 153 | 31.149.870 | 40.232.205 | 4.018.641 | 53.811.449 |
| 2. Loss for the period (151-148) | 154 | 0 | 0 | 0 | 0 |
| ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements) | | | | | |
| XIV. PROFIT OR LOSS FOR THE PERIOD | | | | | |
| 1. Attributable to owners of the company | 155 | 0 | 0 | 4.282.083 | 53.810.087 |
| 2. Attributable to non-controlling interests | 156 | 0 | 0 | -263.440 | 1.362 |
| STATEMENTS OF COMPREHENSIVE INCOME (to be filled in by entities who work in compliance with IFRS) | | | | | |
| I. PROFIT OR LOSS FOR THE PERIOD (= 152) | 157 | 31.149.870 | 40.232.205 | 4.018.641 | 53.811.449 |
| II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 to 165) | 158 | 0 | 0 | -632.072 | 370.538 |
| 1. Exchange differences arising from foreign operations | 159 | 0 | 0 | 0 | 370.538 |
| 2. Revaluation of non-current assets and intangible assets | 160 | 0 | 0 | 0 | 0 |
| 3. Gains or loss available for sale investments | 161 | 0 | 0 | 0 | 0 |
| 4. Gains or loss on net movement on cash flow hedges | 162 | 0 | 0 | 0 | 0 |
| 5. Gains or loss on net investments hedge | 163 | 0 | 0 | 0 | 0 |
| 6. Share of the other comprehensive income/loss of associates | 164 | 0 | 0 | 0 | 0 |
| 7. Actuarial gain / loss on post employment benefit obligations | 165 | 0 | 0 | 0 | 0 |
| III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD | 166 | 0 | 0 | 0 | 0 |
| IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166) | 167 | 0 | 0 | -632.072 | 370.538 |
| V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167) | 168 | 31.149.870 | 40.232.205 | 3.386.569 | 54.181.987 |
| APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements) | | | | | |
| VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD | | | | | |
| 1. Attributable to owners of the company | 169 | 0 | 0 | 3.650.011 | 54.184.229 |
| 2. Attributable to non-controlling interests | 170 | 0 | 0 | -263.440 | -2.242 |



V. CASH FLOW STATEMENT (unaudited)

| Name of position: | AOP | Previous period | Current period | Previous period | Current period |
|--|------------|--------------------|----------------------|--------------------|--------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| | | | DALEKOVOD jsc | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| 1. Pre-tax profit | 001 | 39.119.167 | 52.514.357 | 12.779.842 | 69.805.327 |
| 2. Depreciation | 002 | 33.949.894 | 32.141.920 | 50.907.247 | 49.155.045 |
| 3. Increase in short-term liabilities | 003 | 122.375.593 | 0 | 87.083.123 | 0 |
| 4. Decrease in short-term receivables | 004 | | 126.506.898 | | 122.180.469 |
| 5. Reduction of stocks | 005 | | 9.425.446 | 33.509.234 | 0 |
| 6. Other increase in cash flow | 006 | | 22.521.081 | 62.345 | 329.077.361 |
| I. Total increase in cash flow from operating activities (001 to 006) | 007 | 195.444.654 | 243.109.702 | 184.341.791 | 570.218.202 |
| 1. Decrease in short-term liabilities | 008 | | 69.939.742 | | 48.993.058 |
| 2. Increase in short-term receivables | 009 | 133.671.974 | 0 | 104.853.962 | 0 |
| 3. Increase in stocks | 010 | 175.082 | 0 | | 38.997.703 |
| 4. Other decrease in cash flow | 011 | | 153.436.164 | | 471.358.999 |
| II Total decrease in cash flow from operating activities (008 to 011) | 012 | 133.847.056 | 223.375.906 | 104.853.962 | 559.349.760 |
| A1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (007-012) | 013 | 61.597.598 | 19.733.796 | 79.487.829 | 10.868.442 |
| A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (012-007) | 014 | 0 | 0 | | 0 |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | | | |
| 1. Cash receipts from sale of fixed tangible and intangible assets | 015 | 2.540.000 | 0 | 1.448.567 | 0 |
| 2. Cash receipts from sale of treasury and debt financial instruments | 016 | 5.000.000 | 149.430 | | 0 |
| 3. Cash receipts from interests | 017 | 3.091.252 | 0 | 4.649.678 | 0 |
| 4. Cash receipts from dividends | 018 | 14.498.258 | 2.144.668 | | 0 |
| 5. Other cash receipts from investment activities | 019 | 24.409.472 | 9.104.734 | 17.912.789 | 9.658.312 |
| III. Total cash receipts from investment activities (015 to 019) | 020 | 49.538.982 | 11.398.832 | 24.011.034 | 9.658.311 |
| 1. Expenditures for buying fixed assets and intangible assets | 021 | 17.238.652 | 18.542.385 | 29.238.890 | 28.906.656 |
| 2. Expenditures for purchasing treasury and debt financial instruments | 022 | 46.414 | 30.975 | | 30.975 |
| 3. Other expenditures from investment activities | 023 | 53.192.308 | 6.891.815 | 29.529.901 | 145.411 |
| IV. Total expenditures from investment activities (021 to 023) | 024 | 70.477.374 | 25.465.175 | 58.768.791 | 29.083.042 |
| B1) NET INCREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES (020-024) | 025 | 0 | 0 | | 0 |
| b2) NET DECREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES (024-020) | 026 | 20.938.392 | 14.066.343 | 34.757.757 | 19.424.731 |
| CASH FLOW FROM FINANCIAL ACTIVITIES | | | | | |
| 1. Cash receipts from issuance of treasury and debt financial instruments | 027 | 7.548.052 | 0 | | 0 |
| 2. Cash receipts from loan principal, bonds, borrowings and other loans | 028 | | 0 | 30.011.232 | 25.669.799 |
| 3. Total cash receipts from financial activities | 029 | | 9.599.001 | | 10.194.315 |
| V. Total cash receipts from financial activities (027 to 029) | 030 | 7.548.052 | 9.599.001 | 30.011.232 | 35.864.114 |
| 1. Expenditures for repayment of loan principal and bonds | 031 | | 0 | 30.765.492 | 2.446.378 |
| 2. Expenditures for payment of dividends | 032 | | 0 | | 0 |
| 3. Expenditures for financial leasing | 033 | 8.077.579 | 9.597.651 | 8.242.646 | 13.296.553 |
| 4. Expenditures for redemption of treasury shares | 034 | 43.139 | 649.741 | | 725.518 |
| 5. Other expenditures from financial activities | 035 | | 0 | 43.139 | 7.469.042 |
| VI. Total expenditures from financial activities (031 to 035) | 036 | 8.120.718 | 10.247.392 | 39.051.277 | 23.937.490 |
| C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036) | 037 | 0 | 0 | | 11.926.624 |
| C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030) | 038 | 572.666 | 648.391 | 9.040.045 | 0 |
| Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038) | 039 | 40.086.540 | 5.019.062 | 35.690.027 | 3.370.335 |
| Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037) | 040 | 0 | 0 | | 0 |
| Cash and cash equivalents at the beginning of the period | 041 | 41.762.484 | 81.849.024 | 66.387.214 | 102.077.241 |
| Increase in cash and cash equivalents | 042 | 40.086.540 | 5.019.062 | 35.690.027 | 3.370.335 |
| Decrease in cash and cash equivalents | 043 | 0 | 0 | | 0 |
| Cash and cash equivalents at the end of the period | 044 | 81.849.024 | 86.868.086 | 102.077.241 | 105.447.576 |



VI. STATEMENT OF CHANGES IN EQUITY (unaudited)

| Name of position: | AOP | Previous period | Current period | Previous period | Current period |
|--|------------|--------------------|--------------------|---------------------|--------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| DALEKOVOD jsc | | | | | |
| 1. Share capital | 001 | 247.193.050 | 247.193.050 | 247.193.050 | 247.193.050 |
| 2. Capital reserves | 002 | 86.141.670 | 86.141.670 | 86.141.670 | 86.141.670 |
| 3. Reserves from profit | 003 | 44.324.747 | 43.675.007 | 76.306.051 | 75.577.221 |
| 4. Retained profit or loss carried forward | 004 | -225.551.550 | -194.401.680 | -253.184.945 | -249.164.940 |
| 5. Profit or loss of current year | 005 | 31.149.870 | 40.232.205 | 4.018.643 | 53.811.449 |
| 6. Revaluation of longterm tangible assets | 006 | | | -1.951 | 0 |
| 7. Revaluation of intangible assets | 007 | | | | |
| 8. Revaluation of financial assets available for sale | 008 | | | | |
| 9. Other revaluations | 009 | | | | |
| 10. Total equity and reserves (AOP 001 to 009) | 010 | 183.257.787 | 222.840.252 | 160.472.518 | 213.558.449 |
| 11. Foreign exchange differences arising from the titles of net | 011 | | | -632.000 | 370.538 |
| 12. Current and deferred taxes (part) | 012 | | | | |
| 13. Cash flow protection | 013 | | | | |
| 14. Changes in accounting policies | 014 | | | | |
| 15. Correction of significant errors in the previous period | 015 | 0 | 0 | | |
| 16. Other changes in equity | 016 | 0 | 0 | -138.234.612 | 52.716.754 |
| 17. Total increase or decrease in equity (AOP 011 to 016) | 017 | 0 | 0 | -138.866.612 | 53.087.292 |
| 17 a. Attributed to parent company equity holders | 018 | | | -138.915.482 | 53.085.931 |
| 17 b. Attributed to minority interest | 019 | | | 48.870 | 1.362 |

* IMPORTANT NOTE TO THE MANAGEMENT REPORT:

These financial statements, being an integral part of the Management Report, are preliminary, unaudited, unconsolidated statements. There may be discrepancies between the preliminary and final audited financial statements of the Company, which will not have a material impact on the Company's business result.

The audited annual financial statements will be disclosed as required by law, by 30 April 2017.

VII. NOTES TO FINANCIAL STATEMENTS

1. BASIC DETAILS

MANAGEMENT

Alen Premužak – Chairman of the Management Board

Helena Jurčić Šestan – Management Board Member

Marko Jurković – Management Board Member

Ivica Kranjčić – Management Board Member

Ivan Kurobasa – Management Board Member

SUPERVISORY BOARD

Marko Lesić – Chairman of the Supervisory Board

Ivan Peteržilnik – Deputy Chairman of the Supervisory Board

Krešimir Ružđak – Supervisory Board Member

Vlado Čović – Supervisory Board Member

Hrvoje Markovinović – Supervisory Board Member

Uwe Heiland – Supervisory Board Member

Marko Makek – Supervisory Board Member

Mirela Tomljanović Radović – Supervisory Board Member

Anton Pernar – Supervisory Board Member

Dalekovod dioničko društvo za inženjering, proizvodnju i izgradnju

Marijana Čavića 4, 10 000 Zagreb, Croatia

10001 Zagreb, P.P. 128

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

E-mail: dalekovod@dalekovod.hr

Share capital: HRK 247,193,050.00. Number of shares: 24,719,305

IBAN: HR8323600001101226102 ZABA Zagreb

REG. NO.: (MBS): 080010093, Commercial Court in Zagreb

Stat. No.: 3275531

PIN: 47911242222

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

2. SHAREHOLDINGS (as at 31 December 2016):

| | |
|------------------------|------------|
| Individuals | 4,233,668 |
| Financial institutions | 4,399,874 |
| Konsolidator d.o.o. | 15,000,000 |
| Others | 986,922 |
| Own shares | 98,841 |
| TOTAL | 24,719,305 |

1. MERGERS AND CONSOLIDATIONS

There were no mergers or consolidations in Q4 2016.

2. UNCERTAINTY

No items of doubtful and bad debt affecting business continuity were identified in Q4 2016.

3. DESCRIPTION OF PRODUCTS AND SERVICES

Over time, Dalekovod d.d. has become specialized in performing contracts on a turnkey basis in the following areas:

- electrical facilities, especially transmission lines between 0.4 and 500 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 all types of transmission lines and transformer stations between 0.4 and 500 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

4. CHANGES IN ACCOUNTING POLICIES

There are no new accounting policies.