

Dalekovod d.d.

# Financial Restructuring Implementation Report

1<sup>st</sup> Implementation Report (Q1 2014)

## **1. Introduction**

The report is prepared in compliance with the provision of Article 79, paragraph 4 of the Financial Operations and Pre-Bankruptcy Settlement Act. In all its contents, it refers to the period from 1 January 2014 to 31 March 2014.

The pre-bankruptcy settlement (hereinafter: "Settlement") over the debtor Dalekovod d.d. Zagreb (hereinafter: "Company") was reached at the hearing before the Commercial Court in Zagreb on 29 January 2014 and became legally effective on 14 February 2014.

In compliance with the provisions of Article 79, paragraph 4 of the Financial Operations and Pre-Bankruptcy Settlement Act, the report contains the following:

1. description of financial restructuring measures that were implemented and their impact on the debtor in terms of liquidity and solvency,
2. total amount of the creditors' claims payment, in portions in which these claims were paid,
3. quarterly Balance Sheets, Profit and Loss Account and Cash Flow Statement,
4. debtor's declaration that no actions have been taken that would result in putting the creditors in an unequal position.

**2. Description of financial restructuring measures that were implemented and their impact on the debtor in terms of liquidity and solvency as well as the total amount of the creditors' claims payment, in portions in which these claims were paid**

Within the period from 14 February 2014, when the resolution on the pre-bankruptcy settlement became legally effective, to 31 March 2014, the following financial restructuring measures were implemented:

- A) Share capital was decreased to cover the accumulated losses, and accordingly the nominal value per share was decreased from HRK 100 to HRK 10.
- B) A conversion of a partial debt to creditors into the capital was carried out, 852.168 new shares were issued and thereby the Company's share capital was increased by HRK 8,521,680.
- C) Recapitalization was carried out in the amount of HRK 150,000,000 by a cash contribution to finance investments and development of the Company. The recapitalization was made by the company Konsolidator d.o.o. at the price of HRK 10 per share. 15.000.000 new shares were issued and the share capital was increased by HRK 150,000,000.
- D) In accordance with the terms of the Settlement, the Company's debt was relieved on the basis of a joint debt, joint and several liability or warranty in full as well as the claims of other companies based on joint debt for the Company's liabilities to the third parties.
- E) In compliance with the terms of the Settlement, the liabilities for interest and fees were written off.
- F) Fair value of non-current liabilities from the pre-bankruptcy settlement was calculated as of 31 March 2014 in compliance with the International Accounting Standards and it represents a one-time significant positive impact on the Profit and Loss Account, as well as the Company's Balance Sheet in the amount of HRK 223.8 million. The fair value will be calculated on a quarterly basis and will be shown in future financial statements.

- G) All liabilities from the pre-bankruptcy settlement to financial institutions based on annuity and interest were regularly settled and there are no outstanding liabilities based on the issued invoices from liabilities according to the pre-bankruptcy settlement.

### 3. Quarterly Balance Sheets, Profit and Loss Account and Cash Flow Statement

#### A) Balance Sheet

Name of position	1Q 2014 Amounts in HRK
<b>ASSETS</b>	
<b>A) SUBSCRIBED CAPITAL UNPAID</b>	0
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	881.981.744
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	6.347.341
1. Research and development expenditure	0
2. Patents, licenses, royalties, trademarks, software and similar rights	6.347.341
3. Goodwill	0
4. Prepayments for intangible assets	0
5. Intangible assets under construction	0
6. Other intangible assets	0
<b>II. TANGIBLE ASSETS (011 to 019)</b>	509.324.783
1. Land	164.913.887
2. Property	56.040.635
3. Plants and equipment	65.550.899
4. Tools, plants and vehicles	3.978.230
5. Biological assets	0
6. Prepayments for tangible assets	0
7. Tangible assets under construction	411
8. Other tangible assets	0
9. Investments property	218.840.721
<b>III. NON-CURRENT FINANCIAL ASSETS (021 to 028)</b>	366.309.620
1. Share in related parties	314.078.254
2. Loans to related parties	0
3. Participating interests (stakes)	25.516.604
4. Loans to participating interests	0
5. Investments in securities	22.984.198
6. Loans and deposits	3.730.564
7. Other non-current financial assets	0
8. Investments accounted by equity method	0
<b>IV. TRADE RECEIVABLES (030 to 032)</b>	0
1. Receivables from related parties	0
2. Receivables from credit sales	0
3. Other receivables	0
<b>V. DEFERRED TAX ASSETS</b>	0
<b>C) CURRENT ASSETS (035+043+050+058)</b>	594.733.718
<b>I. INVENTORIES (036 to 042)</b>	9.222.965
1. Raw material and consumables	8.288.063
2. Work in progress	0
3. Products	934.902
4. Merchandise	0
5. Prepayments for inventories	0
6. Other available-for-sale assets	0
7. Biological assets	0

Name of position	1Q 2014 Amounts in HRK
<b>II. RECEIVABLES (044 to 049)</b>	<b>346.825.237</b>
1. Receivables from related parties	72.514.007
2. Trade receivables	192.328.352
3. Receivables from participating parties	789.414
4. Amounts receivable from employees and members	174.159
5. Receivables from government agencies	4.131.286
6. Other receivables	76.888.019
<b>III. CURRENT FINANCIAL ASSETS (051 to 057)</b>	<b>80.606.538</b>
1. Share in related parties	0
2. Loans to related parties	56.790.480
3. Participating interests (stakes)	0
4. Loans to participating interests	311.737
5. Investments in securities	28.290
6. Loans and deposits	23.476.031
7. Other financial assets	0
<b>IV. CASH ON HAND AND IN THE BANK</b>	<b>158.078.978</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>711.388</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>1.477.426.850</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>340.986.813</b>
<b>EQUITY AND LIABILITIES</b>	
<b>A) CAPITAL I RESERVES (063+064+065+071+072+075+078)</b>	<b>430.474.368</b>
<b>I. SHARE CAPITAL</b>	<b>187.194.330</b>
<b>II. CAPITAL RESERVES</b>	<b>86.750.590</b>
<b>III. RESERVES FROM PROFIT (066+067-068+069+070)</b>	<b>44.367.886</b>
1. Legal reserves	11.486.600
2. Reserves for own shares	7.773.071
3. Own shares and stakes (less)	7.773.071
4. Statutory reserves	32.881.286
5. Other reserves	0
<b>IV. REVALUATION RESERVES</b>	<b>50.020.716</b>
<b>V. RETAINED EARNINGS OR LOSS BROUGHT FORWARD (073-074)</b>	<b>-143.393.130</b>
1. Retained earnings	0
2. Loss brought forward	143.393.130
<b>VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR(076-077)</b>	<b>205.533.976</b>
1. Profit for the financial year	205.533.976
2. Loss for the financial year	0
<b>VII. MINORITY INTEREST</b>	
<b>B) PROVISIONS (080 to 082)</b>	<b>13.780.645</b>
1. Provisions for pensions, severance pay and similar liabilities	6.767.096
2. Provisions for tax obligations	0
3. Other provisions	7.013.549
<b>C) NON-CURRENT LIABILITIES (084 to 092)</b>	<b>732.932.099</b>
1. Liabilities to related parties	45.789.520
2. Liabilities for loans, deposits and similar	0
3. Liabilities towards banks and other financial institutions	419.391.063
4. Amounts payable for prepayment	0
5. Trade payables	246.219.360
6. Amounts payable for securities	18.347.031
7. Liabilities toward participating interests	3.185.125
8. Other non-current liabilities	0
9. Deferred tax	0
<b>D) CURRENT LIABILITIES (094 to 105)</b>	<b>300.239.738</b>
1. Liabilities to related parties	47.585.825
2. Liabilities for loans, deposits and similar	2.837.549
3. Liabilities towards banks and other financial institutions	81.333.276
4. Amounts payable for prepayment	48.948.493
5. Trade payables	102.838.003
6. Amounts payable for securities	919.417
7. Liabilities toward participating interests	1.274.050
8. Liabilities to employees	4.422.323
9. Taxes, contributions and similar liabilities	4.363.630

Name of position	1Q 2014 Amounts in HRK
10. Liabilities arising from share in the result	1.899.762
11. Liabilities arising from non-current assets held for sale	0
12. Other current liabilities	3.817.410
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>0</b>
<b>F) TOTAL – LIABILITIES (062+079+083+093+106)</b>	<b>1.477.426.850</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>340.986.813</b>

## B) Profit and Loss Account

Name of position	1Q 2014 Amounts in HRK
<b>I. OPERATING INCOME (112+113)</b>	<b>119.191.647</b>
1. Sales revenue	117.060.271
2. Other operating income	2.131.376
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>134.071.839</b>
1. Changes in inventories of finished products and work in progress	28.182
2. Material costs (117 to 119)	76.529.155
a) Cost of raw material and consumables	28.302.489
b) Cost of goods sold	8.061.663
c) Other costs	40.165.003
3. Staff costs (121 to 123)	22.469.143
a) Net salaries	15.317.678
b) Employee income tax	4.726.744
c) Tax on payroll	2.424.721
4. Depreciation and amortisation	8.181.582
5. Other expenditures	22.886.611
6. Value adjustment (127+128)	0
a) non-current assets (without financial assets)	0
b) current assets (without financial assets)	0
7. Provisions	0
8. Other operating expenses	3.977.166
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>223.763.969</b>
1. Interest income, foreign exchange differences, dividends and other financial income related to subsidiaries	28.501.742
2. Interest income, foreign exchange differences, dividends and other financial income related to third parties	17.296.814
3. Part of income from associates and participating interests	0
4. Unrealized gains (income) from the financial assets	0
5. Other financial income	177.965.413
<b>IV. FINANCIAL COSTS (138 to 141)</b>	<b>3.349.288</b>
1. Interest, foreign exchange differences and other expenses related to subsidiaries	0
2. Interest, foreign exchange differences and other expenses related to third parties	3.048.672
3. Unrealized loss (expenses) from the financial assets	0
4. Other financial expenses	300.616
<b>V. SHARE OF INCOME OF ASSOCIATES</b>	<b>0</b>
<b>VI. SHARE OF LOSS OF ASSOCIATES</b>	<b>0</b>
<b>VII. EXTRAORDINARY – OTHER INCOME</b>	<b>0</b>
<b>VIII. EXTRAORDINARY – OTHER EXPENSES</b>	<b>0</b>
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>342.955.616</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>137.421.127</b>
<b>XI. PROFIT OR LOSS BEFORE TAX (146-147)</b>	<b>205.534.489</b>
1. Profit before tax (146-147)	205.534.489
2. Loss before tax (147-146)	0
<b>XII. INCOME TAX EXPENSE</b>	<b>513</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>205.533.976</b>
1. Profit for the period (149-151)	205.533.976

Name of position	1Q 2014 Amounts in HRK
2. Loss for the period (151-148)	0
<b>ANNEX TO THE BALANCE SHEET (to be filled in by the company preparing the consolidated annual financial statements)</b>	
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>	
1. Attributable to owners of the company	
2. Attributable to non-controlling interests	
<b>STATEMENTS OF COMPREHENSIVE INCOME (to be filled in by entities who work in compliance with the IFRS)</b>	
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	205.533.976
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (159 to 165)</b>	
1. Exchange differences arising from foreign operations	
2. Revaluation of non-current assets and intangible assets	
3. Gains or loss available for sale investments	
4. Gains or loss on net movement on cash flow hedges	
5. Gains or loss on net investments hedge	
6. Share of the other comprehensive income/loss of associates	
7. Actuarial gain/loss on post-employment benefit obligations	
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)</b>	
<b>V. TOTAL COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	205.533.976

### C) Cash Flow Statement

Name of position	1Q 2014 Amounts in HRK
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
1. Profit before taxation	205.534.489
2. Depreciation and amortisation	8.181.582
3. Increase of current liabilities	0
4. Decrease of current receivables	5.451.411
5. Decrease of inventories	220.816
6. Other increase of cash flow	374.155.733
<b>. Total increase of cash flow from operating activities (001 to 006)</b>	<b>593.544.031</b>
1. Decrease of current liabilities	13.989.213
2. Increase of current receivables	0
3. Increase of inventories	0
4. Other decrease of cash flow	547.449.574
<b>II. Total decrease of cash flow from operating activities (008 to 011)</b>	<b>561.438.787</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>32.105.244</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>0</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>0</b>
1. Proceeds from sale of tangible and intangible non-current assets	0
2. Proceeds from sale of equity and debt instruments	0
3. Proceeds from interest	0
4. Proceeds from dividends	0
5. Other proceeds from investment activities	150.107.084
<b>III. Total cash proceeds from investment activities (015 to 019)</b>	<b>150.107.084</b>
1. Payments to purchase tangible and intangible noncurrent assets	668.354
2. Payments to acquire equity and debt instruments	0
3. Other payments from investment activities	28.716.205
<b>IV. Total cash payments from investment activities (021 to 023)</b>	<b>29.384.559</b>

Name of position	1Q 2014 Amounts in HRK
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)</b>	<b>120.722.525</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)</b>	<b>0</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>0</b>
1. Proceeds from issuing of equity and debt financial instruments	0
2. Proceeds from loan principal, debentures, loans and other borrowing	0
3. Other proceeds from financial activities	0
<b>V. Total proceeds from financial activities (027 to 029)</b>	<b>0</b>
1. Repayment of loan principal and bonds	0
2. Dividends paid	0
3. Payment of finance lease liabilities	294.897
4. Payments from repurchase of treasury shares	0
5. Other payments from financial activities	0
<b>VI. Total payments from financial activities (031 to 035)</b>	<b>294.897</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)</b>	<b>294.897</b>
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	152.532.872
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	0
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5.546.106</b>
Increase of cash and cash equivalents	152.532.872
Decrease of cash and cash equivalents	0
<b>Cash and cash equivalents at the end of the period</b>	<b>158.078.978</b>

4. Debtor's declaration that no actions have been taken that would result in putting the creditors in an unequal position

DECLARATION

whereby we confirm that we have taken no actions that would result in putting the creditors in an unequal position.

Goran Brajdić  
President of Management Board

Krešimir Anušić  
Member of Management Board

Marko Jurković  
Member of Management Board

Željko Lekšić  
Member of Management Board