CONSOLIDATED AND SEPARATE ANNUAL REPORT 2021

DALEKOVOD GROUP

Dalekovod d.d.

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Note: This PDF form is not official form of publication of annual report.

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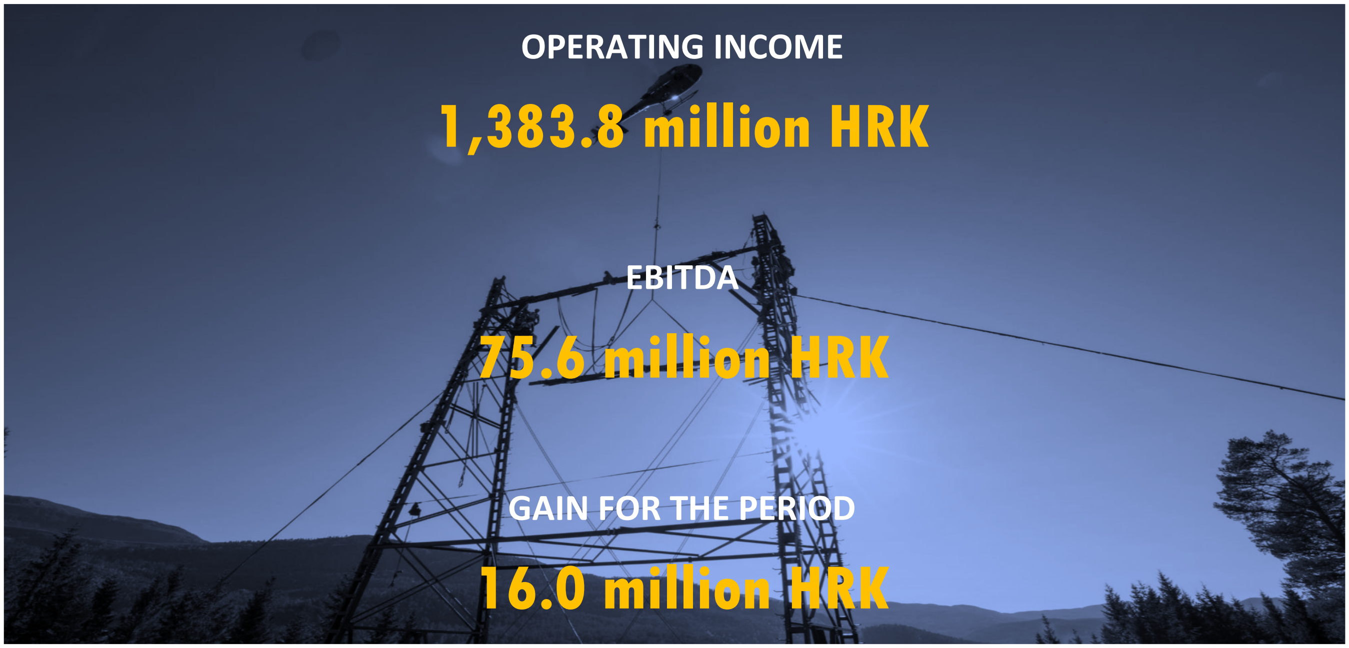
THE GROUP'S OPERATING INCOME, EBITDA AND NET PROFIT

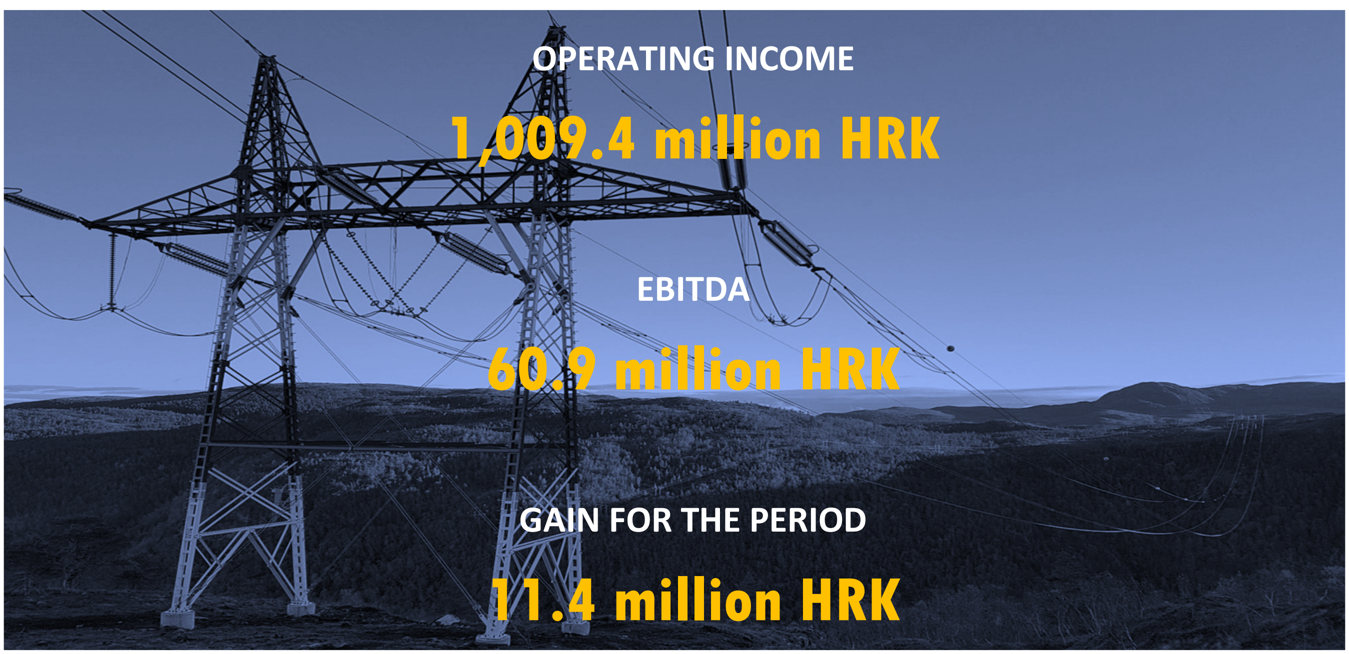
(I–XII 2021)



OPERATING INCOME, EBITDA AND NET PROFIT OF THE COMPANY

DALEKOVOD D.D.

(I–XII 2021)



MANAGEMENT BOARD REPORT

Key messages

Business operations of the Dalekovod Group (hereinafter: the Group) in 2021 were marked by the risk management continuation related to the COVID-19 pandemic. Proactive crisis management and implementation of employee health protection activities enabled the accomplishment of active projects. Significant growth in key material and raw material prices as well as difficulties in supply chain had a negative impact on the Group's profitability. The COVID-19 pandemic also had a negative impact on the activity of investors and key customers of the Group, which reflected, in a negative way, on the amount of contracted work in 2021, with a decline of about 40% and a significantly smaller book of contracts compared to the same period of the previous year. The difficult financial position of the Group, in other words the inadequacy of the capital and limited financial possibilities further limited the Group in mitigation activities before the aforementioned negative effects of the COVID-19 pandemic. In addition to the above, during the fourth quarter of 2021 there was an increase in due or unregulated liabilities to financial creditors based on claims arising in the pre-bankruptcy settlement, which as at 31 December amounted to over HRK 115 million based on principal and interest.

Taking into account the above, in other words, the amount of accumulated losses and low level of capitalization of Dalekovod (hereinafter: the Company), on 30 June 2021 the General Assembly of the Company decided to reduce and increase the share capital of the Company. In January 2022, with the entry of the share capital increase in the court register, the recapitalization of Dalekovod d.d. was successfully completed. Pursuant to the Shareholders' Decision on the increase of the Company's share capital, HRK 410 million was paid, i.e. 41,000,000 new ordinary shares were subscribed with a nominal value of HRK 10.00 each and the Company's share capital was increased to HRK 412,471,930.00. The recapitalization completely eliminated capital inadequacies and a strong financial position will ensure the stability and self-sustainable business operations of the Group, which continues to operate without debts from the pre-bankruptcy settlement.

The Group's operating revenue in 2021 amounted to HRK 1,383.8 million, which is HRK 94.2 million or 7% more than in the same period last year. The growth in operating revenues is the result of the high level of contracting in the period before the COVID-19 pandemic. In 2021, the parent company Dalekovod generated operating revenue in the amount of HRK 1,009.4 million, which is a decrease of 6% compared to the same period last year. In relation to the members of the Group, the largest contribution to the operating income total growth is made by the subsidiary Dalekovod Ljubljana d.o.o. regarding the implementation of the project of construction of 400 kV transmission line Cirkovce-Pince in Slovenia, which was contracted in 2020. The operating profit (EBIT) of the Group and the Company decreased because of the negative impact of the COVID-19 pandemic, that is, lower realized margins on active projects. The Group's EBIT amounted to HRK 43.9 million, which is a decrease of 12% compared to the same period last year, while the Company's EBIT decreased by 38% compared to the same period last year. The Group's realized EBITDA is HRK 75.7 million and the EBITDA margin is 5.5%, which is a decrease of 0.5 percent in relation to the same period last year. The realized EBITDA of the Company amounts to HRK 60.9 million and the realized EBITDA margin is 6%, which is a decrease of 1.2 percentage points compared to the same period last year. In accordance with the above, there was also a decline in the net profit compared to the profit realized before the effect of discontinued operations. The Group's net profit is HRK 16,2 million (that is, HRK 16.0 million including the effect of discontinued operations - Cinčaonica), which is a decrease of almost HRK 9 million, while the Company recorded a 67% decrease in net profit of HRK 12,7 million. (that is, HRK 11,4 million including the effect of discontinued operations - Cinčaonica).

Key events during 2021: (i) continuation of negative impact of the COVID-19 pandemic (ii) lower tender activity in key markets (iii) significant growth in prices of raw materials and transport services, slowdown in supply chain (vi) growth in overdue financial liabilities and operating in conditions of limited liquidity (v) decision on the increase of the Company's share capital and collected investors' subscriptions in the amount exceeding the highest envisaged amount of recapitalization of HRK 410 million.

Financial results for 2021

Indicators (in HRK 000)	Dalekovod Group			Dalekovod d.d.		
	2021	2020	Index	2021	2020	Index
Total revenue	1,383,761	1,289,657	107	1,009,438	1,078,633	94
Sales revenue	1,364,324	1,258,611	108	966,581	1,047,116	92
Operating expenses	(1,339,885)	(1,239,760)	108	(975,282)	(1,023,891)	95
EBITDA	75,606	77,705	-2,099kn	60,986	77,684	-16,698kn
EBIT	43,876	49,897	-6,021kn	34,156	54,742	-20,586kn
Net profit	16,231	25,612	-9,381kn	12,696	38,513	-25,817kn
Discontinued operations	(179)	(53,129)	+52,950kn	(1,262)	(48,525)	+47,263kn
Net profit after discontinued operations	16,052	(27,517)	+43,569kn	11,434	(10,012)	+21,446kn
EBITDA margin	5.5%	6.0%		6.0%	7.2%	

*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 harmonised for financial impact of the mentioned transactions, i.e., the termination of business activity.

The Group's operating income amounts to 1,383.8 million HRK and has increased by 7% compared to the same period in the previous year. The Group's sales income amounted to 1,364.3 million HRK and has increased by 8% 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.

The Group’s EBITDA (calculated as follows: “Operating income - Operating expenses + Depreciation”) amounts to 75.6 million HRK, which represents a decrease of 2.1 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 1,009.4 million HRK and has decreased by 6% compared to the same period in the previous year. The Company’s EBITDA amounts to 60.9 million HRK, which represents a decrease of 16.7 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 12.7 million HRK and the loss from the discontinued operations (related to the sales of the galvanisation segment) in the amount of 1.3 million 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.		
	2021	2020	Index	2021	2020	Index
ASSETS	**1,319,215**	**923,020**	**143**	**1,230,608**	**827,656**	**149**
Non-current assets	**328,690**	**329,130**	**100**	**354,677**	**352,620**	**101**
Current assets	**990,525**	**593,890**	**167**	**875,931**	**475,036**	**184**
Inventories	*73,175*	*72,598*	101	*8,049*	*7,543*	107
Trade and other receivables	*446,852*	*450,633*	99	*405,465*	*410,640*	99
Receivables for subscribed unpaid capital	*410,000*	-	-	*410,000*	-	-
Income tax receivable	*2,371*	*5,915*	40	*1,554*	*5,911*	26
Cash and cash equivalents	*57,842*	*64,100*	90	*50,727*	*50,805*	100
Assets held for sale	*285*	*644*	44	*136*	*137*	99
LIABILITIES	**836,208**	**868,272**	**96**	**787,065**	**808,048**	**97**
Provisions	**29,637**	**33,361**	**89**	**26,085**	**30,030**	**87**
Non-current liabilities	**70,007**	**285,300**	**25**	**73,151**	**293,322**	25
Borrowings	*60,483*	*245,641*	25	*63,627*	*249,269*	26
Mezzanine debt	-	*30,723*	-	-	*35,117*	-
Trade and other payables	*39*	-	-	*39*	-	-
Deferred tax liability	*9,485*	*8,936*	106	*9,485*	*8,936*	106
Current liabilities	**736,564**	**549,611**	**134**	**687,829**	**484,696**	**142**
Borrowings	*294,408*	*77,465*	380	*301,875*	*80,930*	373
Trade and other payables	*380,685*	*407,092*	94	*320,621*	*342,010*	94
Income tax payable	*29,209*	*25,590*	114	*29,030*	*24,973*	116
Liabilities held for sale	*551*	*39,464*	1	-	*36,783*	-
EQUITY	**483,007**	**54,748**	**882**	**443,543**	**19,608**	**2262**
Share capital	*412,472*	*247,193*	167	*412,472*	*247,193*	167
Share premium	-	*86,142*	-	-	*86,142*	-
Legal reserves	*166*	*11,652*	1	-	*11,487*	-
Treasury shares	*(8,466)*	*(8,466)*	100	*(8,466)*	*(8,466)*	100
Statutory and other reserves	*43,099*	*75,584*	57	*8,466*	*40,654*	21
Revaluation reserves	*43,208*	*40,707*	106	*43,208*	*40,707*	106
Translation reserves	*(4,586)*	*(4,588)*	100	-	-	-
Accumulated loss	*(2,886)*	*(393,476)*	1	*(12,137)*	*(398,109)*	3

The Group’s assets increased by 43% compared to the amount on 31 December 2020, while the liabilities decreased by 4 percent compared to 31.12.2020. The share capital of the Group and the Company was reduced from HRK 247.2 million to HRK 2.5 million and is a consequence of the implementation of the General Assembly decisions as at 30 June 2021, i.e. the decision on simplified reduction of share capital. The Company's capital, as well as receivables for subscribed but not paid-in share capital increased by 410 million, as a result of the recapitalization carried out in January 2022. Among other changes in the financial position, on the liabilities side there was an increase in short-term borrowings in the amount of HRK 216.9 million, and an increase in share capital by HRK 165.3 million.

The Company recorded an increase in assets of 49%, i.e., they increased by 402.9 million HRK. The Company’s capital has increased by 2262% and amounts to 443.5 million HRK due to the recapitalization in the amount of HRK 410 million.

Type of financial debt	Dalekovod Group			Dalekovod d.d.		
	2021	2020	Index	2021	2020	Index
Senior debt	213,434	213,790	100	213,434	213,790	100
Lease liabilities	69,152	45,825	151	67,727	44,641	152
Bonds	14,367	15,686	92	18,962	20,705	92
Mezzanine	31,711	30,723	103	36,303	35,117	103
Prebankruptcy liabilities	67,492	65,680	103	67,492	65,680	103
Other	11,366	18,740	61	18,807	22,165	85
Total financial debt	407,522	390,444	104	422,725	402,098	105
Adjusted financial debt	**308,319**	**294,041**	**105**	**318,930**	**301,301**	**106**

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

Due to the difficult financial position of the Group stemming from the high level of debt, high need for working capital, i.e. operations in conditions of liquidity crisis, there was an increase in overdue debt to financial institutions. The overdue debt as at 31 December 2021 amounted to over HRK 115 million, of which HRK 87 million relates to matured principal and HRK 29 million relates to accrued interest. On 11 February 2022, the Group settled its debts to creditors whose claims were determined by the pre-bankruptcy settlement concluded between the Company and its creditors before the Commercial Court in Zagreb on 29 January 2014 under file number Stpn-365/2013 on the basis of remaining senior debt and mezzanine capital of debt, or are related to them or as prescribed by the adopted decision under agenda item 13 at the General Assembly of the Company on 30 June 2021. The total amount of this transaction was around HRK 357 million. In view of the above, part of the liabilities settled in the said transaction has been reclassified from long-term liabilities to current liabilities, which is reflected in the decrease in long-term and increase in current liabilities. During the year, there was a decrease in cash in the Group's account in the amount of 10 percent compared to the same period of the previous year.

The overview of the Group's key segment business activities

The Energy Sector (construction of transmission lines and electrical substations) during 2021, recorded a decrease in revenue of 3.69% compared to the same period last year, and total revenue amounted to HRK 1,196 million. At the beginning and during the year, the COVID-19 pandemic affected the shift in the execution / contracting of projects caused by mandatory quarantine and restrictions caused by COVID-19 (on Norwegian projects) and also on projects in the region (Slovenia and Macedonia).

The High and Low Voltage Department is currently carrying out work on 20 major projects (4 in Norway, two of which ended in Q4, 8 in Sweden, 3 in the region, 2 in Germany and 3 in Croatia) and 6 smaller projects. The Electrical Substations Department is currently carrying out work on 8 large projects (3 in Croatia, 2 in Norway, 1 in Northern Macedonia and 2 in Ukraine). During the fourth quarter of 2021, 2 projects were contracted in the High and Low Voltage Department (2 in Sweden), and with several smaller projects the total contracted amount is HRK 290 million. The Electrical Substation Department had no new contracted projects for the fourth quarter.

The Infrastructure Sector recorded a drop in revenue of 35.7 percent compared to the same period last year, and total revenue this year amounted to HRK 65.9 million. This also contributed to a sharp decline in the profitability of the Sector. Most of the revenue came from the Dugo Selo-Križevci railway construction project and the Zaprešić-Savski Marof project. The most important investors are HŽ Infrastruktura, followed by HC and Bina Istra. Currently, 11 projects are active, and works are underway on 9 construction sites. Eight projects in the amount of HRK 139 million were contracted and an additional scope of HRK 10 million on an existing project was taken over from a consortium partner. A contract worth HRK 56 million with the client Cengiz is in the signing phase.

The production segment (Proizvodnja MK d.o.o. and Proizvodnja OSO d.o.o.) recorded a similar level of activity in 2021 as in the same period last year. Separating the company Proizvodnja MK i OSO d.o.o. to two companies, Proizvodnja MK d.o.o. and Proizvodnja OSO d.o.o. enabled more efficient implementation of separate development strategies for each segment in order to increase the efficiency of both companies.

Revenues of the company Proizvodnja MK d.o.o. in 2021 amount to HRK 69 million, while the revenues of the company Proizvodnja OSO d.o.o. amount to HRK 76 million. Proizvodnja MK d.o.o. has produced/processed a total of 3,148 tons, which is a decrease of about 10 percent compared to the same period last year. Proizvodnja OSO d.o.o. produced/processed 1,507 tons, which is an increase of 5.7 percent compared to the same period last year. Both companies are strongly influenced by the COVID-19 pandemic, which has caused a large increase in raw material prices and transport costs, extended delivery of raw materials, strong impact on tender dynamics, contracting projects, and the delivery of finished projects. Processes go beyond the expected time frames, which creates difficulties in implementation and collection, and thus creates a negative impact on liquidity.

EBITDA of both companies together amounts to HRK 8 million and is higher by HRK 8.4 million compared to the same period last year, which is mostly the result of the implemented restructuring process in 2020.

Designing, which is related to the activities of the company **Dalekovod Projekt d.o.o.,** recorded an increase in operating revenue of 3 percent compared to 2020 and the generated revenue amount to HRK 35.2 million. The company generates part of its revenue on the foreign market, where growth was also recorded (6 percent). Regardless of revenue growth, a decline in profitability was recorded, and a slower dynamics of tendering was noticeable. Given the stable level of contracted work, the realization for the next period is ensured.

Dalekovod Ljubljana d.o.o. had a significant increase in revenue in 2021, which is a consequence of the realization of the project for the construction of the 2X400kV Cirkovce-Pince transmission line. In 2021, the company generated revenues in the total amount of HRK 362 million, of which HRK 316 million relates to the aforementioned project for the construction of the 2X400kV Cirkovce-Pince transmission line. Strong revenue growth also resulted in better operating results of the company, i.e. EBITDA and EBIT levels.

Dalekovod Emu d.o.o. operates at locations in Zagreb and Vela Luka and generated revenue in the amount of HRK 3,217 million, which is an increase of 1 percent compared to the previous year. It performs activities in the segment of measuring and testing high and low frequency electromagnetic fields, as well as calibration of electricity meters. Although EMP measurements are a legal obligation for companies that have HF and NF radiation sources, due to COVID measurement is difficult because of the access to radiation sources, as testers must enter private and business facilities to perform the measurement. The second segment of the business, meter calibration in its own calibration plant in Vela Luka, is still at the level of HEP's needs for installing meters in new facilities, while complete replacement of old meters with new smart meters is expected in the coming period.

Dalekovod Mostar d.o.o. generated revenues of HRK 56.1 million in 2021, which is a decrease of about 13 percent compared to the same period previous year. Such a result is in line with expectations given the activities of investors during the year. The company has contracted several new projects, the realization of which is expected during the following year.

Company name (in 000 HRK)	Business revenue			Adjusted EBITDA		
	2021	2020	Index	2021	2020	Index
Dalekovod d.d.	1,009,438	1,078,633	94	60,986	77,684	-16,698kn
Proizvodnja MK d.o.o.	68,770	69,469	99	3,211	(9,159)	+12,370kn
Proizvodnja OSO d.o.o.	76,212	70,201	109	4,809	8,804	-3,995kn
Dalekovod Projekt d.o.o.	35,221	34,238	103	1,362	3,000	-1,638kn
Cinčaonica usluge d.o.o.	20	28,145	-	(169)	(17,077)	+16,908kn
Dalekovod EMU d.o.o.	3,217	3,175	101	408	182	+226kn
Other affiliates	418,055	147,933	283	8,097	3,509	+4,588kn
Elimination	(227,172)	(142,137)	160	(3,098)	10,762	-13,860kn
Total Group	**1,383,761**	**1,289,657**	**107**	**75,606**	**77,705**	**-2,099kn**

*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 2021 consists of Mr. Tomislav Rosandić (President of the Management Board), Mr. Hrvoje Išek (Member of the Management Board), Mr. Ivan Kurobasa (Member of the Management Board) and Mr. Đuro Tatalović (Member of the Management Board).

Supervisory Board

The Supervisory Board of the Company as at 31 December 2021 consists of: Mr. Dinko Novoselec (Chairman of the Supervisory Board), Mrs. Irena Weber (Deputy Chairman of the Supervisory Board), Mr. Krešimir Kukec (Member of the Supervisory Board), Mr. Dražen Buljić (Member of the Supervisory Board), Mr. Dalibor Balgač (Member of the Supervisory Board) and Mr. Mladen Gregović (Member of the Supervisory Board).

On 04/20/2021 Mr. Hrvoje Markovinović and Mr. Gordan Kuvek will cease to be members of the Supervisory Board, and Mr. Toni Đikić will cease to be the Deputy Chairman of the Supervisory Board, and on April 21, 2021, Mr. Krešimir Kukec and Mr. Dalibor Balgač became members of the Supervisory Board, while Ms. Irena Weber became the Deputy Chairman of the Supervisory Board. On November 26, 2021, Mr. Damir Sertić ceases to be a 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 2021, 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

During February 2022. a capital increase of 410 million HRK was made. On February 11, 2022. Company settled its debts to creditors whose claims have been set by pre-bankruptcy settlement agreed between company and its creditors in Commercial court in Zagreb on January 29, 2014. under business number Stpn-365/2013, on the basis of the rest of the senior debt and mezzanine debt or are related to them as it is concluded by the decision under Ad. 13. at the General assembly of the company on June 30, 2021. Most of the amount from the recapitalization settled the debt from the pre-bankruptcy settlement in the amount of 357 million HRK.

The structure of shareholders after the recapitalization as at 31 March 2022 is as follows:

	Number of shares 31.03.2022.	Share 31.03.2022.
Napredna energetska rješenja d.o.o.	31,000,000	75.16%
Agram Invest d.d.	2,410,000	5.84%
MF Ena d.o.o.	2,400,000	5.82%
Erste & Steiermärkische Bank d.d./ PBZ CO OMF - kategorija B	1,520,000	3.69%
OTP Banka d.d./AZ OMF kategorija B	1,170,000	2.84%
Zagrebačka banka d.d./ AZ PROFIT otvoreni dobrovoljni mirovinski fond	1,000,000	2.42%
OTP Banka d.d./AZ OMF kategorija A	1,000,000	2.42%
Erste & Steiermärkische Bank d.d./ PBZ CO OMF - kategorija A	500,000	1.21%
Ostali	247,193	0.60%
	41,247,193	**100.00%**

Due to the current situation in Ukraine, force majeure has been declared on both projects that we had as active during 2021. 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 March 2022:

Ukraine branch	**31.03.2022**	**31.12.2021**
Intangible assets	-	-
Property, plant and equipment	4	4
Inventories	438	460
Trade and other receivables	65,407	68,477
Cash and cash equivalents	1,726	2,507
Total assets	**67,574**	**71,448**
Accumulated loss	-2,204	1,615
Profit/Loss for the financial year	144	-3,818
Total equity	**-2,060**	**-2,204**
Trade and other payables	69,634	73,652
Total equity and liabilities	**67,574**	**71,448**

From the above it can be seen that the company has receivables and liabilities in significant amounts, however due to the coherence or interdependance 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.

On March 31, 2022, Dalekovod opened a branch, Germany AG, to expand its business to the German market.

The Company's and Group's gearing ratio was as follows:

	Company		Group	
(in thousands of HRK)	**31.03.2022.**	**31.12.2021.**	**31.03.2022.**	**31.12.2021.**
Borrowings (note 31)	90,980	365,502	80,782	354,891
Cash and cash equivalents (note 29)	(78,086)	(50,727)	(89,344)	(57,842)
Net debt	12,895	314,775	(8,561)	297,049
Equity	418,884	443,543	458,954	483,007
Total equity and net debt	**431,779**	**758,319**	**450,392**	**780,056**
Gearing ratio - Company	**2.99%**	**41.51%**	**-1.90%**	**38.08%**

The gearing ratio of the Company and the Group improved on 31 March 2022 due to the settlement of debts to creditors on 11 February 2022 whose claims were determined by the pre-bankruptcy settlement concluded between the Company and its creditors before the Commercial Court in Zagreb on 29 January 2014 under file number Stpn-365/2013 on the basis of remaining senior debt and mezzanine debt, or are related to them or as prescribed by the adopted decision under agenda item 13 at the General Assembly of the Company on 30 June 2021. The total amount of this transaction was around HRK 357 million. In view of the above, part of the liabilities settled in the said transaction has been reclassified from long-term liabilities to current liabilities, which is reflected in the decrease in long-term and increase in current liabilities.

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 2021)

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
Konsolidator d.o.o.	150,000
Individuals	71,981
Financial Institutions	17,837
Others	6,386
Own shares	989
TOTAL	**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 Kosova, 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

GENERAL STANDARD INFORMATION

Report profile

The Social Responsibility Report that Dalekovod d.d. prepares at the annual level has been prepared for the 1 January – 31 December 2021 reporting period. 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 2021 (for the 2020 calendar year). 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

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 in 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.

Identified material aspects and limits

Affiliated companies included in this report are Dalekovod d.d., Dalekovod Projekt d.o.o., Proizvodnja MK d.o.o. and Proizvodnja OSO d.o.o. In the preparation of this report, taken into consideration was the representation of economic, environmental and social dimensions from an equal number of aspects because they are equally important to the business operations and functioning of the Group.

This report was written according to GRI4 guidelines and Global Compact principles. Given the nature of business operations – design, production and construction, the environmental dimension is extremely important. The aspects of water, energy, materials, biodiversity, compliance and dispute resolution mechanisms in relation to the environment must certainly be highlighted here, and they are described in detail in this report.

In accordance with the importance and specific characteristics related to business operations, these two companies follow those topics that are significant to their areas of activity.

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.

SPECIFIC STANDARD INFORMATION

ENVIRONMENTAL DIMENSION

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.

Reporting period

• This report refers to the results of the activities from 1 January 2021 – 31 December 2021, and may refer to results before and after observed period that occurred prior to the publication of this report

Publication

• The latest publication of ecological performance with the data for 2021 was published in Annual consolidated and separate Management Report for 2021.

Reference guidelines

• GRI (Global Reporting Initiative)

Significant changes in Dalekovod Group which had an impact on environmental management

• Environmental management system policies for Group Companies have been reviewed, approved and posted on the website

• Internal audits are conducted according to a predefined plan.

• Environmental risk management: In order to protect the environment and reduce impact on environment, we place special emphasis on assessing the environmental risks associated with our activities.

Data related to the location Vukomerička 9, Velika Gorica refer to Proizvodnja MK d.o.o. and Proizvodnja OSO d.o.o.

Materials

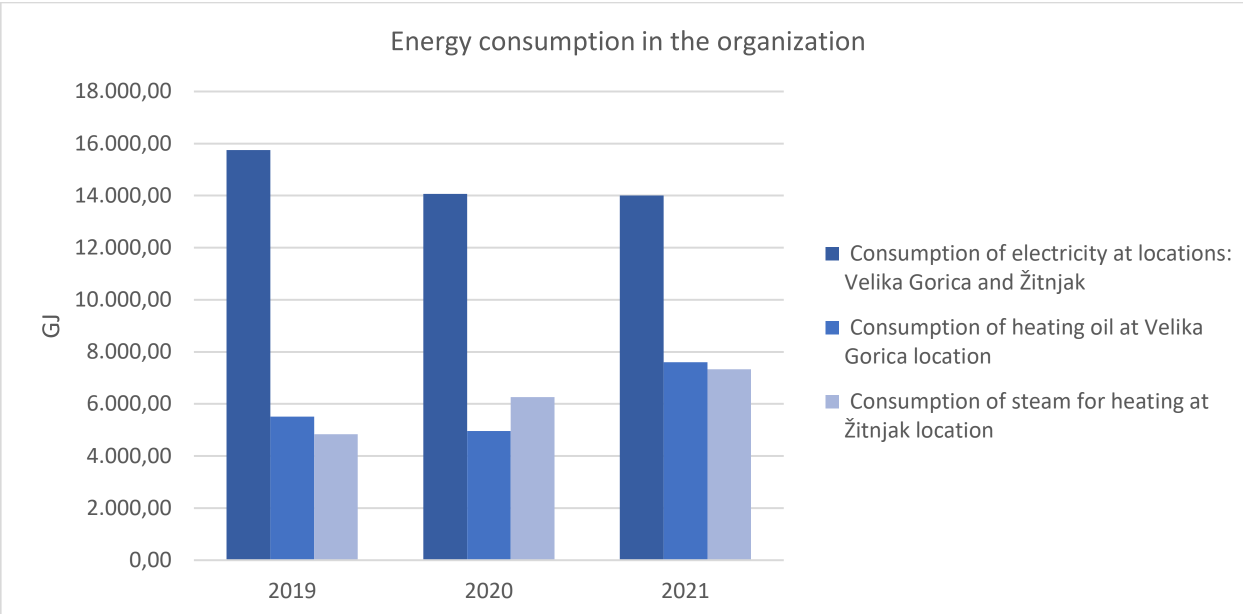
Strategic materials used in the manufacture of metal structures, suspension and connecting equipment, anti-corrosion steel protection are iron, zinc, aluminum and bronze. Countries of origin for metal materials are Czech Republic, Italy, Poland, Spain and Turkey and the chemicals used in production processes are purchased from suppliers from Croatia. Product lifetime is 50-70 years. Total 85 % of products are exported to over 80 countries around the world.

80% of the revenue of Dalekovod d.d. is generated from foreign projects. For the implementation of projects for the construction of transmission lines and substations on foreign construction sites, products are installed from suppliers selected by the investor or from suppliers that meet quality requirements and deadlines, it is also one of the conditions for suppliers to care for the environment.

Energy

The energy used within the organization refers to the consumption of electric energy, natural gas, steam consumption, fuel oil and fuel (fuel is used for transport within the organization and transport of people and products outside the organization). The energy used comes from non-renewable sources.

Dalekovod Group continuously implements measures to reduce electricity consumption and thus reduce greenhouse gas emissions from climate change. In 2021, goals were set regarding replacing lighting, i.e., the installation of LED lighting in offices at all locations and production facilities in MK Production and OSO Production.

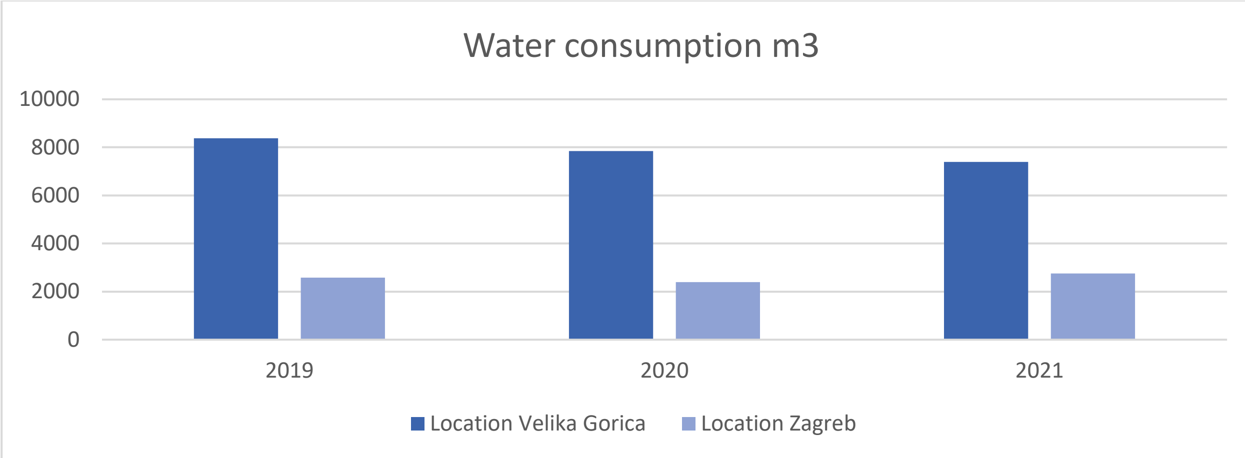


Energy intensity

Dalekovod d.d., Dalekovod-Projekt d.o.o., Proizvodnja MK d.o.o. and Proizvodnja OSO d.o.o. have an established energy management system according to the ISO 50001: 2018 standard. Energy performance indicators have been set. For Dalekovod d.d. and Dalekovod-Projekt d.o.o. fuel consumption per kilometer is defined as an indicator of energy performance. In Proizvodnja OSO d.o.o. and Proizvodnja MK d.o.o. the following indicators were set: electricity consumption per unit of product and fuel oil consumption per total area of heated spaces.

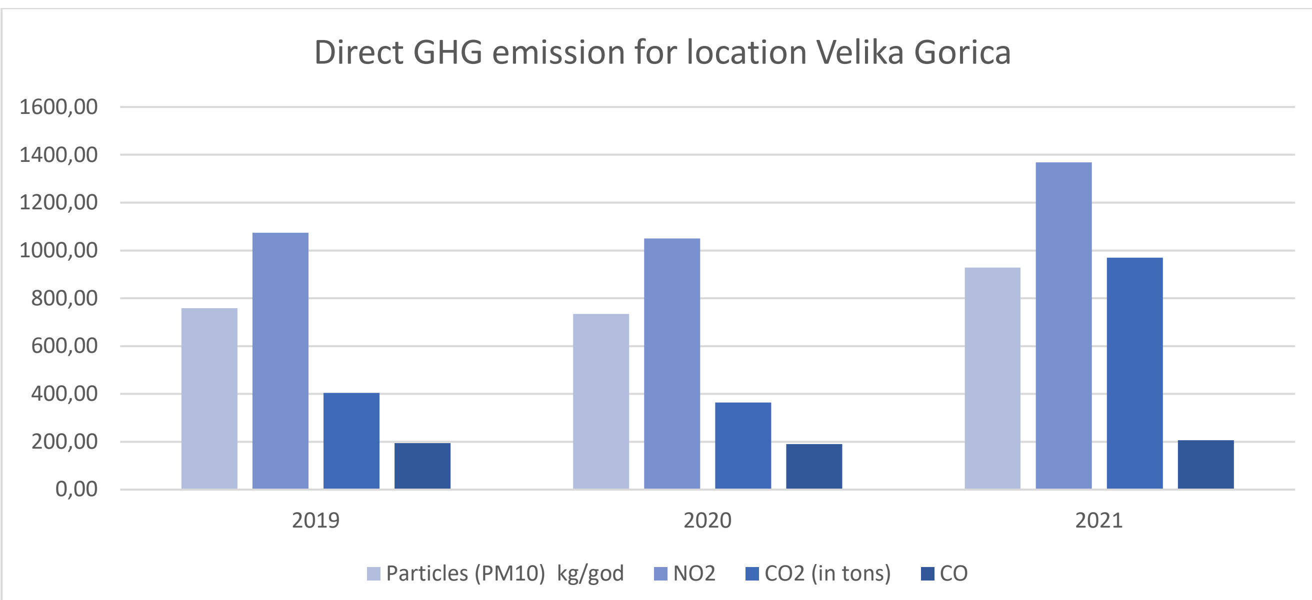
Water consumption

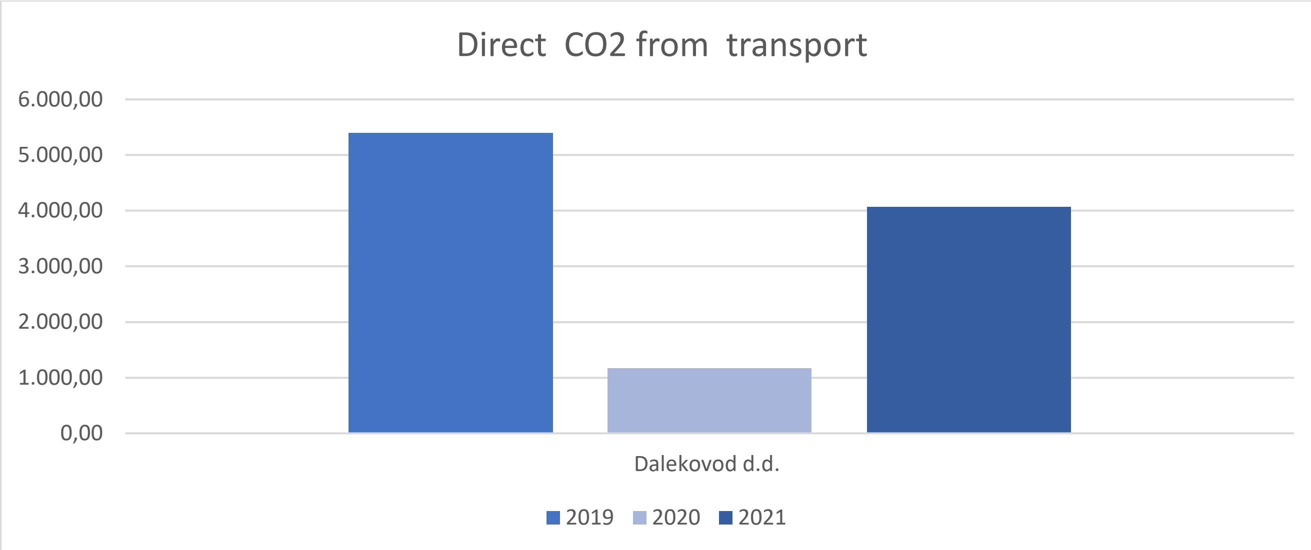
Water is supplied from local waterworks. Water consumption is monitored according to purpose: sanitary water, technological water, cooling water and reclaimed water. More than 65 % of the spent water refers to sanitary water consumption.



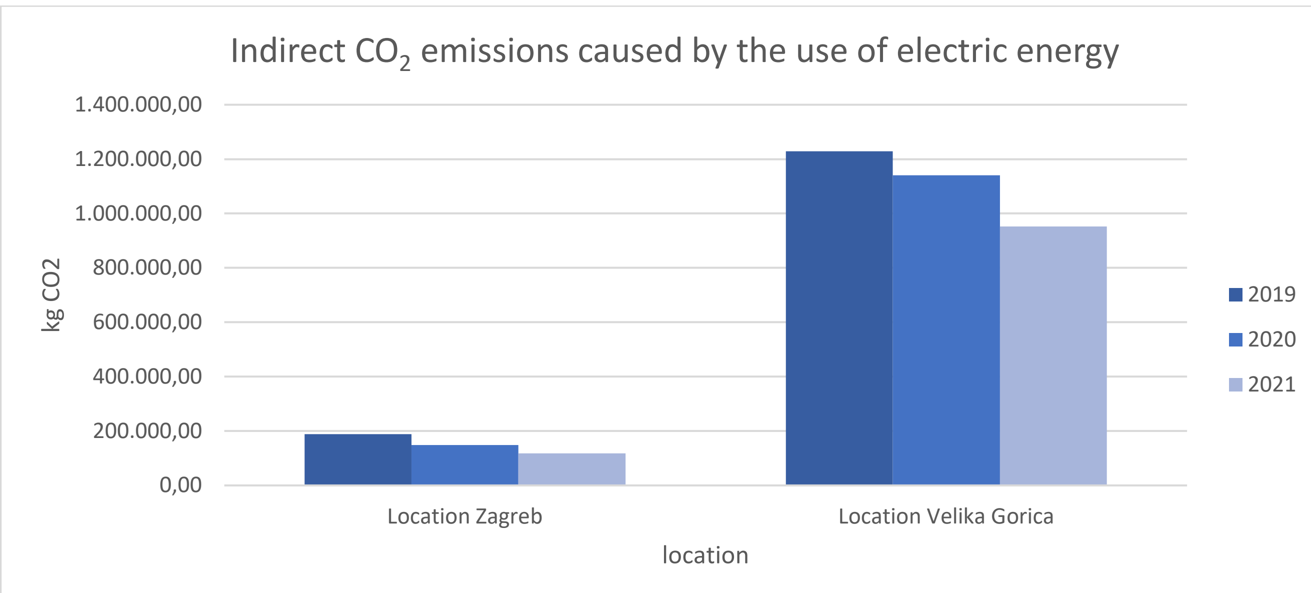
Emissions

Direct greenhouse gas emissions occur during the combustion of fuel oil at the location in Velika Gorica for heating purposes as well as based on fuel consumption for the transport of materials and employees by their means of transportation.





Indirect emissions refer to the consumption of electricity for machines and air conditioners.

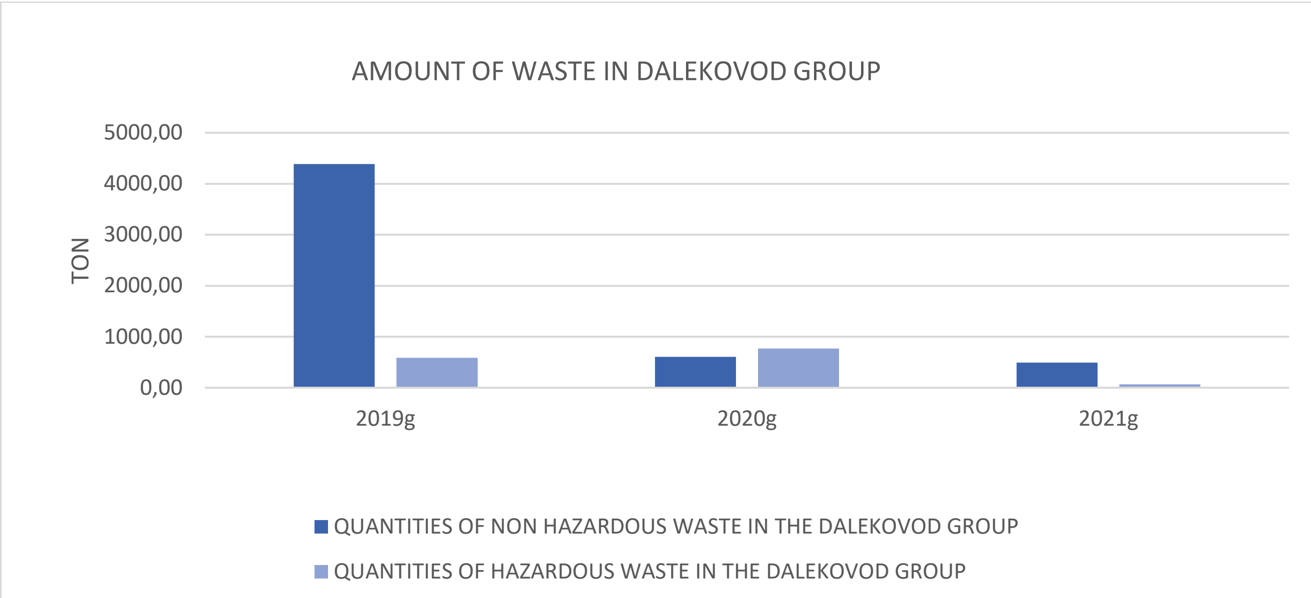


Waste water and other waste

Water discharge includes all discharge water and rainwater from its own locations. At the Velika Gorica location all water from the manipulative surfaces as well as water from technological processes is discharged through the separator. All tests are performed by an accredited laboratory. At the sites of Velika Gorica and Zagreb, all the tests are carried out in accordance with valid water permits. All wastewaters through the public sewerage network are discharged into the water area of the Sava river. There were no deviations from the prescribed values.

Waste management

Wastes are selected, collected, temporarily disposed and dispatched in accordance with legal requirements. When disposing of waste, the applicable legal documentation that accompanies waste is fulfilled. Waste is handed over to the waste collectors who have a Waste management license. From non-hazardous waste, the highest percentage of waste generation refers to recyclable metal waste.



Regulatory compliance

Monitoring of legislation is carried out systematically. Procedures and regulations are harmonized with the legal requirements related to Dalekovod. Management system audits are conducted to determine compliance with legal requirements. At foreign construction sites, legal regulations are checked on the portals of the ministries responsible for environmental protection, health and safety, and construction.

In 2021, there were no inspections by competent institutions. The company did not have to pay fines or impose non-monetary sanctions for non-compliance with environmental laws and regulations. So far, there have been no disputes regarding the impact on the environment.

Total environmental protection expenditures and investments

Total expenditures include waste management, wastewater management, tracking and remediation for emissions in air, expenditures for external employee training and, related to environmental protection, salaries of employees in the environmental management system and costs of external certification of the environmental management system. In the period under examination, there were investments for the purchase of equipment, materials with the purpose of reducing pollution.

There were no monetary fines for remediation of spills, as well as non-compliance with environmental laws and regulations. So far, there have been no environmental disputes.

Vendor assessment with respect to environmental impact

Dalekovod Group has in place a defined list of eligible vendors. Dalekovod vendors that are certified according to ISO 9001, ISO 14001, ISO 45001 are automatically entered on the list of eligible vendors, while those that do not have a certified system are checked out by a specified questionnaire. Removing the vendor or changing vendor ranking on the list depends on its significant negative environment impact.

Biodiversity

Our factory at Velika Gorica, as well as offices with workshop for maintenance of tools and mechanization at the Zagreb location are not situated in areas of high value in terms of biodiversity and protected areas. One of Dalekovod's main business activities is the construction of power transmission lines. The construction takes place in a natural environment, with all the necessary permits and in compliance with national ecological networks, which are adhered to already in the design phase. Avoided in this manner are any negative impacts on protected areas, including biodiversity. Works are performed in periods when they have the smallest impact on biodiversity. During work, it is forbidden to harass and hunt animals and feed wild animals. Seed forests are in accordance with the documentation of the investor or according to national laws. We always try to avoid or minimize any consequences on land use, surface and groundwater, cultural sites and biodiversity. For impacts that cannot be completely avoided, compensation measures are taken to reduce their impact. Participation and communication with the investor and the interested party (local community, legislative bodies) are important for increasing transparency and meeting the expectations of interested parties.

SOCIAL DIMENSION

HEALTH AND SAFETY AT WORK

Organization of the safety at work committee at the Dalekovod Group

Each affiliated company has its own Occupational Safety and Health Committee.

Since April 1, 2020 company Proizvodnja MK i OSO d.o.o. becomes Proizvodnja MK d.o.o. and a new company Proizvodnja OSO d.o.o. is formed. After the separation, two Boards are established, which operate separately, i.e. one within the Production of MK d.o.o., and the other within the Production of OSO d.o.o.

Members of the Safety at Work Committee are:

a) Chairman of the Board - Employer's Representative

b) Deputy Chairman of the Committee - Occupational Safety Expert

c) authorized representatives of Business Units

d) Workers' delegates or their coordinator- elected representatives of workers

e) competent occupational safety specialist

f) a specialist in occupational medicine (contracted work medicine service)

The Chairperson of the Board or his Deputy convene a session at least once in six months and define the agenda depending on the current issue of safety and health at work, regarding planning and monitoring of the application of rules on occupational safety.

If the President fails to convene a session within that period, the delegate or Coordinator of delegates, or Works Council or a Trade Union Commissioner with the rights and obligations of the Works Council, has the right to convene a session of the Committee.

Goals and activities of the Committee

- by proposing preventive activities to influence the prevention of incident situations, work-related disorders, work injuries, and work-related illnesses
- proposing activities to strive for a constant improvement of working conditions and improvement of occupational safety
- Encourage risk reduction in all work processes and workplaces
- contribute to the achievement of permanent health protection of all employees
- planning and monitoring the training and notifying workers about safety at work

To achieve these goals, the following activities are undertaken:

a) define the objectives of safety and health protection as well as plans and programs for their realization in the implementation of legal provisions on occupational safety

b) define activities that will measure system efficiency and oversee the implementation of corrective and preventive activities that have been adopted at sessions of the Safety at Work Committee.

c) define priorities in undertaking necessary activities.

d) to improve co-operation between heads of services and units in solving problems encountered in the Health and Safety Management System.

e) to propose methods of continuous improvement of working conditions i.e. undertaking preventive activities to reduce the risk of work injuries and occupational illnesses related to work, and to supervise their implementation.

Co-ordination of activities related to organization of Board sessions, collecting input data, and drafting the minutes, is responsibility of Chairman of the Board in co-operation with Occupational Safety Expert.

Minutes from sessions of the Committee are submitted to all members of the Committee and the Workers' Council. Suggestions for improvement measures and responsible decision-makers who are part of minutes are sent to the Chairman of the Board for approval.

In Dalekovod d.d., Proizvodnja MK d.o.o., Proizvodnja OSO d.o.o. and Dalekovod Projekt in 2021, total of 8 sessions were held, with participation of Committee members, representatives of the Workers' Council, trade unions, directors of certain sectors in Dalekovod, as well as members of the Management Board.

A total of 39 improvement measures at meetings of the Board of Associated Companies were adopted in 2020.

Supervision and communication within the activities of the Committee

A total of 169 employees who work at Dalekovod d.d. location Marijana Čavića 4 in Zagreb, are under the direct supervision of the Committee in Dalekovod d.d.

Other 672 employees, who work on domestic and foreign construction sites, communicate via selected delegates with the Coordinator of Workers' Commissions at central office.

Given the complexity and number of projects, the workers of Dalekovod d.d. on external projects elect a commissioner (representative) of workers for each project.

Employees in Proizvodnja MK d.o.o. (106 employees), Proizvodnja OSO d.o.o. (158 employees) can communicate directly with their commissioners at the site.

All of 88 Dalekovod Projekt d.o.o. employees, are under the direct supervision of the Committee because they work at the location of Marijana Čavića 4, Zagreb .

Analysis of injuries in 2021 for Dalekovod Group

In 2021, a total of 18 work-related injuries were recorded. The total number of recorded incidents resulting in injury was 22. Types of injuries, injury rates, work-related illnesses, sick leave, absence from work, and work-related fatalities were analyzed for each firm separately in the occupational injury analysis.

Dalekovod d.d. and Dalekovod Projekt d.o.o.

Working hours 2021	1,330,143
Injuries/Incidents/Cases	
Fatalities	0
HSE Total Recordable Injuries	22
Lost Time Injuries	18
Loss of consciousness	0
Injuries requiring medical treatment (MTI)	4
Incident requiring first aid	4
Restriction of work	0
Cases of substitute work due to injury	0
Dangerous occurrences	42
Near hits / misses	27
HSE/HSA or equivalent improvement notices	1
HSE/HSA or equivalent prohibition notices	0
HSE/HSA or equivalent prosecutions	0

Total Recordable Injury Frequencies (TRIF)

LTI - value = (N x 200,000) / T

N = Total number of fatalities, lost time injuries, incidents requiring medical treatment, loss of consciousness, cases of substitute work due to injury = 22

T = Number of hours worked during the year = 1,340,070 TRIF - - Calculation for 2021 = 3.31

Lost Time Injury Rate (LTIF)

LTI - value = (N x 200,000) / T

N = Total number of accidents, causing a sick leave of at least one day =18

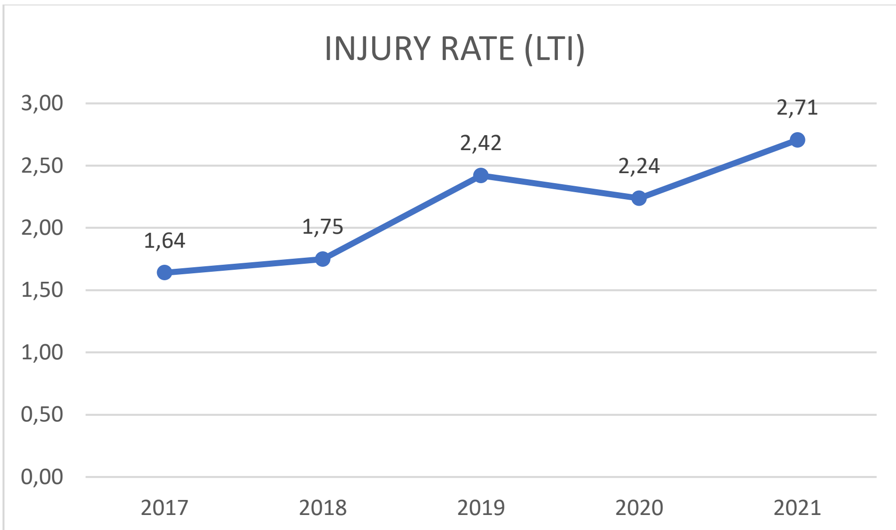
T = Number of hours worked during the year LTIF - - Calculation for 2021 = 2.71

Severity Rate (SR)

SR – value = N / T

N = Total number of lost workdays

T = Total number of recordable incidents SR - - Calculation for 2021 = 47.80



In 2021, injury rates increased (2.71) compared to 2020 (2.24). The injury rate remains slightly higher than the average over the last five years.

The program of measures for 2022 consists of 5 main goals, which are divided into smaller goals related to them and with specific activities, and link to improvements in the areas of:

transport, supervision, safety culture, company certification, and mentoring of new employees.

The trend of the specific rate in the last three years is related to activities on external construction sites, and especially to weather conditions and demanding terrains, and the increased number of newly employed workers.

Considering that Dalekovod plans to influence the reduction of the number of injuries and the loss of hours of sickness (caused by injuries at work), the goals for 2022 are set.

Objective program has long term character and especially since it is linked to improvement of safety culture of involved in actives. Activities related to this process are part of the program for achieving the goals in 2022.

The company is in the scope of campaign “Safety culture” determine the rules which workers should follow at the workplace.

THE LUCKY 13

During work hours:

• I am not under influence of drugs or alcohol

• While driving, I use a safety belt, hands free equipment and drive according to the conditions on the road

On the construction site:

• I follow the two-barrier rule

• I use the mandatory personal protective equipment

• I use the fall protection equipment for safe working at height

• I secure excavations and open pits

• I do not walk under a suspended load

• I respect the safety zones around working machinery

• I put hazardous and explosive substances under lock and key

In vicinity of electrical installations:

• I follow the correct procedure during setting up and removal of earthing

• I check visible earthing on disconnected lines

• I check visible barriers and protections while working close to installations under voltage

• I make sure all the measures have been implemented to prevent people and machines coming within the outer limit of the live working zone.

Proizvodnja MK d.o.o.

Working hours 2021	193,564.2
Injuries/Incidents/Cases	
Fatalities	0
HSE Total Recordable Injuries	0
Lost Time Injuries	0
Loss of consciousness	0
Injuries requiring medical treatment (MTI)	0
Incident requiring first aid	0
Restriction of work	0
Cases of substitute work due to injury	0
Dangerous occurrences	0
Near hits / misses	0
HSE/HSA or equivalent improvement notices	0
HSE/HSA or equivalent prohibition notices	0
HSE/HSA or equivalent prosecutions	0

Total Recordable Injury Frequencies (TRIF)

TRIF - value = (N x 200,000) / T

N = Fatalities, lost time injuries, incidents requiring medical treatment, loss of consciousness, cases of substitute work due to injury

T = Number of hours worked during the year

TRIF Calculation for 2021 = 0

Lost Time Injury Rate (LTIF)

LTI - value = (N x 200,000) / T

N = Total number of accidents, causing a sick leave of at least one day

T = Number of hours worked during the year

LTIF Calculation for 2021 = 0

Severity Rate (SR)

SR - value = N / T

N = Total number of lost workdays

T = Total number of recordable incidents

SR Calculation for 2021 = 0

Proizvodnja OSO d.o.o.

Working hours 2021	268,306.5
Injuries/Incidents/Cases	
Fatalities	0
HSE Total Recordable Injuries	0
Lost Time Injuries	0
Loss of consciousness	0
Injuries requiring medical treatment (MTI)	0
Incident requiring first aid	0
Restriction of work	0
Cases of substitute work due to injury	0
Dangerous occurrences	0
Near hits / misses	0
HSE/HSA or equivalent improvement notices	5
HSE/HSA or equivalent prohibition notices	0
HSE/HSA or equivalent prosecutions	0

Total Recordable Injury Frequencies (TRIF)

TRIF - value = (N x 200,000) / T

N = Fatalities, lost time injuries, incidents requiring medical treatment, loss of consciousness, cases of substitute work due to injury

T = Number of hours worked during the year

TRIF Calculation for 2021 = 0

Lost Time Injury Rate (LTIF)

LTI - value = (N x 200,000) / T

N = Total number of accidents, causing a sick leave of at least one day

T = Number of hours worked during the year

LTIF Calculation for 2021 = 0

Severity Rate (SR)

SR - value = N / T

N = Total number of lost workdays

T = Total number of recordable incidents

SR Calculation for 2021 = 0

Total number of incidents of non-compliance with regulations and/or voluntary codes concerning health and safety impacts of products and services within the reporting period:

Incidents of non-compliance with regulations resulting in a fine or penalty in 2021		
Br	consequence	cause
0	Termination of contract/warning notice	Violation of the rule of non-use of narcotics
Incidents of non-compliance with regulations resulting in a fine or penalty in 2021		
Br	consequence	cause
0	Termination of contract/warning notice	Working without PPE
0	Termination of contract/warning notice	Violation of safety rules
Incidents of non-compliance with voluntary codes		
Br	consequence	cause
/	/	/

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 December of 2020. 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 2021, 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.

MEASURES TAKEN DURING 2020/2021

PLAN IN CASE OF PATIENTS is distributed in accordance with the Notification Plan available at all locations and construction sites, and includes contacts in case of symptoms and detailed instructions for action.

PROTECTION OF RISK GROUPS - workers over the age of 60 and persons suffering from serious illnesses, as well as workers who may be considered a risk group, are referred to the use of annual leave and / or compulsory work from home.

CONTROL OF ACCESS TO LOCATIONS - ban on coming to work for workers who have a high body temperature and respiratory problems.

BUSINESS TRAVEL CONTROL - ban on all business trips, except those necessary for business continuity.

HUMAN RESOURCES MANAGEMENT - work from home of administrative staff, list of employees with the right to access locations, separation of shifts in production facilities, division of key people of the company into teams that operate without mutual contact.

MAXIMUM SAFETY MEASURES ON CONSTRUCTION SITES - in addition to the usual maximum safety standards, additional protection measures and restrictions related to social contacts and keeping a distance have been introduced, the use of masks, gloves and disinfection is mandatory.

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 counseling, 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.

Percentage of employees who receive a regular rating for work performance and individual development: Work performance and individual development is monitored with 60% of employees.

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 28 April 2022.

Tomislav Rosandić
President of the Management Board

Tvrtko Zlopaša
Management Board Member

Ivan Kurobasa
Management Board Member

Eugen Paić-Karega
Management Board Member

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

MANAGEMENT BOARD – AS AT 31 DECEMBER 2021

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 2021

Dinko Novoselec – President of the Supervisory Board

Irena Weber – Vice President of the Supervisory Board

Dalibor Balgač – Supervisory Board Member

Mladen Gregović – Supervisory Board Member

Krešimir Kukec – Supervisory Board Member

Dražen Buljić – Supervisory Board Member

AUDITING COMITTEE

Dinko Novoselec

Gordan Kuvek

Ivana Matovina

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; Number of shares: 41,247,193 (Balance as at 28 February 2022, recapitalization carried out during February 2022, see Events after the balance sheet date)

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 21 April 2021 and 30 June 2021.

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 2021, 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.

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;
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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 28 April 2022.

Tomislav Rosandić
President of the Management Board

Tvrtko Zlopaša
Management Board Member

Ivan Kurobasa
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 28, 2022 for submission to the Supervisory Board and signed below by:

Tomislav Rosandić
President of the Management Board

Tvrtko Zlopaša
Management Board Member

Ivan Kurobasa
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 2021, and their respective separate and consolidated statements of 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 2021, 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.

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 2021, and their respective separate and consolidated statements of 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").

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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.

<table>
<tr><th colspan="2">REVENUE RECOGNITION UNDER CONSTRUCTION CONTRACTS</th></tr>
<tr><td colspan="2">Revenue recognized from construction contracts recognized in profit or loss in 2021 amounted to HRK 1,261,488 thousand for the Group and HRK 966,581 thousand for the Company (92% of total Group revenue and 100% of total Company revenue in 2021). Please refer to the Note 2.20 within Significant accounting policies, Note 5 (a) Key accounting estimates and judgements and Note 8 Segment information in the financial statements.</td></tr>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td>
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.
</td><td>
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;
evaluating the design and implementation of controls related to:

accuracy of budgeting process including effectiveness of management review;
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:

challenging management’s identification of performance obligations, particularly with respect to the evaluation of whether the contract relates to a single performance obligation;
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;
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, 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.

</td></tr>
</table>

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 2021, investments in subsidiaries in the separate financial statements amounted to HRK 46,906 thousand. During the year the impairment loss on investments in subsidiaries was not recognised. Please refer to notes 2.2 (a) and 2.9 within *Significant accounting policies* and note 22 *Investments in subsidiaries.*

Key audit matter	How our audit addressed the matter
In accordance with the requirements of applicable accounting standards, the Company should perform an impairment test for assets for which there are indicators of impairment. 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 transactions 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: ○ evaluating the historical accuracy of management budgeting by comparing historical cash flow projections with actual outcomes; ○ 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; ○ 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.

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 2021 to audit the financial statements of the Company and the Group for the year ended 31 December 2021. Our total uninterrupted period of engagement is five years, covering the period from the year ended 31 December 2017 to the year ended 31 December 2021.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 25 April 2022;
- 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.

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.

KPMG

Independent Auditors' Report to the shareholders of Dalekovod d.d. (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 an opinion on compliance of the separate and consolidated financial statements, as included in the annual report, 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 unconsolidated 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 consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

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

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the separate and consolidated financial statements included in the annual report comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.
A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation and testing the operating effectiveness of relevant controls over the tagging process
- tracing the tagged data to the consolidated financial statements of the Company and / or the Group presented in human-readable format;
- evaluating the completeness of the Company's and / or the Group's tagging of the separate and consolidated financial statements;

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

Report on Compliance with the ESEF Regulation *(continued)*

Auditors' Responsibilities (continued)

- evaluating the appropriateness of the separate and consolidated use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the separate and consolidated financial statements.

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

Opinion

In our opinion, the separate and consolidated financial statements of the Company and Group as at and for the year ended 31 December 2021 have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

KPMG

KPMG Croatia
d.o.o. za reviziju
Eurotower, 17. kat
Ivana Lučića 2a, 10000 Zagreb

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

28 April 2022

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.

DALEKOVOD d.d.

CONSOLIDATED AND SEPARATE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2021.	Dalekovod Group 2020.	Dalekovod d.d. 2021.	Dalekovod d.d. 2020.
Sales revenue	8	1,364,324	1,258,611	966,581	1,047,116
Other income	8, 9	19,437	31,046	42,857	31,517
Change in work in progress and finished goods		(2,129)	(878)	-	-
Cost of trade goods sold		(237,986)	(55,345)	(196,109)	(16,431)
Cost of materials and services	10	(620,721)	(707,427)	(396,550)	(633,896)
Staff costs	11	(325,417)	(335,578)	(249,831)	(262,313)
Depreciation and amortisation	18-21	(31,730)	(27,808)	(26,830)	(22,942)
Other operating expenses	12	(122,063)	(105,980)	(105,999)	(87,919)
Other gains/(losses) – net	13	160	(6,744)	37	(390)
Operating gain/(loss)		43,875	49,897	34,156	54,742
Finance income	14	11,277	6,056	16,109	11,991
Finance costs	14	(30,648)	(20,164)	(30,651)	(19,400)
		(19,371)	(14,108)	(14,542)	(7,409)
Profit / (loss) before tax		**24,504**	**35,789**	**19,614**	**47,333**
Income tax	15	(8,274)	(10,177)	(6,918)	(8,820)
Net profit / (loss) from continuing operations		**16,230**	**25,612**	**12,696**	**38,513**
Net profit / (loss) from discontinued operations		**(179)**	**(53,129)**	**(1,262)**	**(48,525)**
Net profit / (loss)		**16,051**	**(27,517)**	**11,434**	**(10,012)**
Net profit / (loss) attributable to:					
Equity holders of the Company		16,051	(27,517)	11,434	(10,012)
Non-controlling interests		-	-	-	-
Net profit / (loss)		**16,051**	**(27,517)**	**11,434**	**(10,012)**
Basic profit / (loss) per share (in HRK)	16	**0.65**	**(1.12)**		
Diluted profit / (loss) per share (in HRK)	16	**0.65**	**(1.12)**		

CONSOLIDATED AND SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2021.	Dalekovod Group 2020.	Dalekovod d.d. 2021.	Dalekovod d.d. 2020.
Net profit / (loss)		**16,051**	**(27,517)**	**11,434**	**(10,012)**
Other comprehensive income / (loss):					
Change of tax rates		-	-	-	-
Foreign exchange differences		-	(248)	-	-
Gain on revaluation of assets	19, 32	2,501	-	2,501	-
Other		(295)	-	-	-
Total other comprehensive income / (loss)		**2,206**	**(248)**	**2,501**	**-**
Total comprehensive income / (loss)		**18,257**	**(27,765)**	**13,935**	**(10,012)**
Comprehensive income / (loss) attributable to:					
Equity holders of the Company		18,257	(27,765)	13,935	(10,012)
Non-controlling interests		-	-	-	-
Total comprehensive income / (loss)		**18,257**	**(27,765)**	**13,935**	**(10,012)**

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2021.	Dalekovod Group 2020.	Dalekovod d.d. 2021.	Dalekovod d.d. 2020.
ASSETS					
Intangible assets	18	3,526	4,831	1,770	2,923
Property, plant and equipment	19	272,297	254,758	201,753	153,026
Prepayments		20	20	-	-
Investment property	20	-	-	50,410	79,038
Investments in subsidiaries	22	-	-	46,906	46,906
Investments in associates	23	4	4	4	4
Loans and receivables	26	52,843	69,517	53,834	70,723
Non-current assets		**328,690**	**329,130**	**354,677**	**352,620**
Inventories	27	73,175	72,598	8,049	7,543
Trade and other receivables	28	446,852	450,633	405,465	410,640
Receivables for subscribed but unpaid capital	28	410,000	-	410,000	-
Income tax receivable		2,371	5,915	1,554	5,911
Cash and cash equivalents	29	57,842	64,100	50,727	50,805
Assets held for sale	38	285	644	136	137
Current assets		**990,525**	**593,890**	**875,931**	**475,036**
Total assets		**1,319,215**	**923,020**	**1,230,608**	**827,656**

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2021

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2021.	Dalekovod Group 2020.	Dalekovod d.d. 2021.	Dalekovod d.d. 2020.
EQUITY AND LIABILITIES					
Share capital	30	412,472	247,193	412,472	247,193
Share premium	30	-	86,142	-	86,142
Legal reserves	30	166	11,652	-	11,487
Treasury shares	30	(8,466)	(8,466)	(8,466)	(8,466)
Statutory and other reserves	30	43,099	75,584	8,466	40,654
Revaluation reserves	30	43,208	40,707	43,208	40,707
Translation reserves		(4,586)	(4,588)	-	-
Accumulated loss		(2,886)	(393,476)	(12,137)	(398,109)
Shareholders' equity		**483,007**	**54,748**	**443,543**	**19,608**
Non-controlling interests		-	-	-	-
Total equity		**483,007**	**54,748**	**443,543**	**19,608**
Borrowings	31, 21	60,483	245,641	63,627	249,269
Mezzanine debt	32	-	30,723	-	35,117
Provisions	34	27,139	30,443	23,930	27,327
Trade and other payables	33	39	-	39	-
Deferred tax liability	15	9,485	8,936	9,485	8,936
Non-current liabilities		**97,146**	**315,743**	**97,081**	**320,649**
Borrowings	31, 21	294,408	77,465	301,875	80,930
Mezzanine debt	32	31,711	-	36,303	-
Provisions	34	2,498	2,918	2,155	2,703
Trade and other payables	33	380,685	407,092	320,621	342,010
Income tax payable		29,209	25,590	29,030	24,973
Liabilities held for sale	38	551	39,464	-	36,783
Current liabilities		**739,062**	**552,529**	**689,984**	**487,399**
Total liabilities		**836,208**	**868,272**	**787,065**	**808,048**
Total equity and liabilities		**1,319,215**	**923,020**	**1,230,608**	**827,656**

DALEKOVOD d.d.

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

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**	**Non-controlling interests**	**Total**
At 1 January 2020		**247,193**	**86,142**	**11,652**	**(8,466)**	**75,584**	**40,707**	**(4,340)**	**(365,958)**	**82,514**	**-**	**82,514**
Net profit/(loss)		-	-	-	-	-	-	-	(27,516)	(27,516)	-	(27,516)
Other comprehensive income/(loss)		-	-	-	-	-	-	(248)	-	(248)	-	(248)
Total comprehensive income/(loss)		-	-	-	-	-	-	(248)	(27,516)	(27,764)	-	(27,764)
At 31 December 2020		**247,193**	**86,142**	**11,652**	**(8,466)**	**75,584**	**40,707**	**(4,588)**	**(393,474)**	**54,750**	**-**	**54,750**
Net profit/(loss)		-	-	-	-	-	-	-	16,051	16,051	-	16,051
Other comprehensive income/(loss)		-	-	-	-	(297)	2,501	2	-	2,206	-	2,206
Total comprehensive income/(loss)		-	-	-	-	(297)	2,501	2	16,051	18,257	-	18,257
Decrease in share capital	30	(244,721)	(86,142)	(11,486)	-	(32,188)	-	-	374,537	-	-	-
Increase in share capital		410,000	-	-	-	-	-	-	-	410,000	-	410,000
Total transactions with owners		165,279	(86,142)	(11,486)	-	(32,188)	-	-	374,537	410,000	-	410,000
At 31 December 2021		**412,472**	**-**	**166**	**(8,466)**	**43,099**	**43,208**	**(4,586)**	**(2,886)**	**483,007**	**-**	**483,007**

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2020		**247,193**	**86,142**	**11,487**	**(8,466)**	**40,654**	**40,707**	**(388,097)**	**29,620**
Net profit/(loss) - restated		-	-	-	-	-	-	(10,012)	**(10,012)**
Total comprehensive income/(loss)		-	-	-	-	-	-	(10,012)	**(10,012)**
At 31 December 2020		**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
Total transactions with owners		165,270	(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**

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

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2021.	Dalekovod Group 2020.	Dalekovod d.d. 2021.	Dalekovod d.d. 2020.
Profit/(loss) before tax		**24,325**	**(17,341)**	**18,352**	**(1,192)**
Adjustments:					
Depreciation and amortisation	18-21	31,730	27,808	26,830	22,942
Revaluation		(998)	-	(999)	-
Loss/(gain) on sale of property, plant and equipment	13	(134)	4,641	(37)	(348)
Fair value of pre bankrupty liabilities	9, 12	1,812	(1,559)	1,812	(1,559)
Impairment of trade receivables and loans receivable	12	3,972	1,585	6,900	(104)
Impairment of inventories and inventory shortages	12	69	183	79	79
Net change in provisions	36	(3,724)	(2,769)	(3,945)	(1,438)
Dividend income	14	-	-	(4,900)	(6,011)
Loss/(gain) on sale of subsidiaries and joint ventures	13	-	2,103	-	738
Unrealised foreign exchange differences		1,471	961	1,343	86
Interest income	14	(347)	(679)	(530)	(1,021)
Income from unwinding of discount	14	-	-	(867)	-
Interest expenses	14	18,169	12,671	18,551	13,200
		76,345	27,604	62,589	25,372
Changes in working capital:					
Trade and other receivables		9,065	(87,441)	24,629	(100,838)
Inventories		(646)	12,468	(585)	(1,275)
Trade and other payables		(37,453)	84,790	(27,176)	95,046
Net cash generated from operating activities		**47,311**	**37,421**	**59,457**	**18,305**
Interest paid		(1,737)	(3,778)	(1,810)	(3,951)
Tax paid		(1,111)	(20,542)	1,496	(19,433)
Net cash flows from operating activities		**44,463**	**13,101**	**59,143**	**(5,079)**

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS(continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are expressed in thousands of HRK)	Note	Dalekovod Group 2021.	Dalekovod Group 2020.	Dalekovod d.d. 2021.	Dalekovod d.d. 2020.
Cash flows from investing activities					
Acquisition of intangible assets	18	(37)	(168)	(16)	(4)
Acquisition of property, plant and equipment	19	(42,600)	(24,654)	(42,451)	(21,851)
Acquisition of investment property	20	-	-	(470)	-
Proceeds from sale of property, plant and equipment		636	636	1,562	3,454
Net change in deposits		7,845	1,522	6,215	3,292
Advances given		-	-	-	-
Loans given		-	-	(14,197)	(1,305)
Repayments of loans given		191	9,281	2,473	13,672
Proceeds from share in profits		-	-	2,850	6,011
Interest received		88	1,026	248	1,551
Net cash flows used in investing activities		**(33,877)**	**(12,357)**	**(43,786)**	**4,820**
Cash flows from financing activities					
Proceeds from borrowings		-	10,754	-	10,754
Repayment of borrowings		(7,900)	(2,635)	(9,218)	(2,635)
Redemption of bonds		(1,308)	(1,327)	(1,727)	(1,727)
Repayment of lease liabilities		(7,636)	(4,955)	(4,490)	(4,881)
Net cash flows from / (used in) financing activities		**(16,844)**	**1,837**	**(15,435)**	**1,511**
Net increase / (decrease) in cash		**(6,258)**	**2,581**	**(78)**	**1,252**
Cash at beginning of year		64,100	61,519	50,805	49,553
Cash at end of year	29	57,842	64,100	50,727	50,805
Net increase / (decrease) in cash		**(6,258)**	**2,581**	**(78)**	**1,252**

NOTE 1 – GENERAL INFORMATION

At 31 December 2021 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 (2020: 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 2021 were: Mr. Tomislav Rosandić (President of the Management Board), Mr. Đuro Tatalović (Member of the Management Board), Mr. Ivan Kurobasa (Member of the Management Board) i Mr. Hrvoje Išek (Member of the Management Board).

The Management Board of the Company on 01 April 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 2021 were: Mr. Dinko Novoselec (President of the Supervisory Board), Mrs. Irena Weber (Vice president of the Supervisory Board), Mr. Krešimir Kukec (Member of the Supervisory Board), Mr. Dražen Buljić (Member of the Supervisory Board), Mr. Dalibor Balgač (Member of the Supervisory Board) and Mr. Mladen Gregović (Member of the Supervisory Board).

On April 20, 2021 Mr. Hrvoje Markovinović and Mr. Gordan Kuvek will cease to be members of the Supervisory Board, and Mr. Toni Đikić will cease to be the Deputy Chairman of the Supervisory Board, and on April 21, 2021, Mr. Krešimir Kukec and Mr. Dalibor Balgač became members of the Supervisory Board, while Ms. Irena Weber became the Deputy Chairman of the Supervisory Board. On November 26, 2021, Mr. Damir Sertić ceases to be a member of the Supervisory Board.

The Supervisory Board of the Company on 01 April 2022 consists of: Mr. Gordan Kolak (Chairman of the Supervisory Board), Mr. Josip Jurčević (Deputy Chairman of the Supervisory Board), Josip Lasić (Member of the Supervisory Board), Drazen Buljić (Member of the Supervisory Board), Bozidar Poldrugač (Member of the Supervisory Board), Damir Spudić (Member of the Supervisory Board) and Pavao Vujnovac (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 2021, if the EURO had weakened/strengthened by 1.00% against the HRK (2020: 1.00%), with all other variables held constant, the net profit for the reporting period after tax would have been HRK 1,584 thousand for the Group and HRK 1,888 thousand for the Company (2020: HRK 878 thousand for the Group and HRK 1,456 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 commercial papers. Borrowings issued at variable rates expose the Group and the Company to cash flow interest rate risk.

The Group and the Company analyse their interest rate changes on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group and the Company calculate the impact on profit and loss of a defined interest rate shift. As at 31 December 2021, if the effective interest rate on borrowings with variable rates had increased/decreased by 0.82% on an annual level (2020: 0.82%), the loss after tax would have been higher/lower by HRK 357 thousand (2020: HRK 56 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.

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 2021**	**31 December 2020**
Borrowings (note 31)	365,502	330,199
Cash and cash equivalents (note 29)	(50,727)	(50,805)
Net debt	314,775	279,394
Equity	443,543	19,608
Total equity and net debt	**758,318**	**299,002**
Gearing ratio - Company	**41.5%**	**93.4%**

The Group's gearing ratio was as follows:

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Borrowings (note 31)	354,891	323,106
Cash and cash equivalents (note 29)	(57,842)	(64,100)
Net debt	297,049	259,006
Equity	483,007	54,748
Total equity and net debt	**780,056**	**313,754**
Gearing ratio - Group	**38.1%**	**82.6%**

NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. IFRS 7 requires disclosure of 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 2021				
Property, plant and equipment				
Land	-	-	112,312	112,312
Total	**-**	**-**	**112,312**	**112,312**
31 December 2020				
Property, plant and equipment				
Land	-	-	110,326	110,326
Total	**-**	**-**	**110,326**	**110,326**

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 2021				
Property, plant and equipment				
Land	-	-	112,313	112,313
Total	**-**	**-**	**112,313**	**112,313**
31 December 2020				
Property, plant and equipment				
Land	-	-	86,695	86,695
Investment property	-	-	23,630	23,630
Total	**-**	**-**	**110,325**	**110,325**

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 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 2021				
Liabilities secured with foreclosure assets	-	-	65,680	65,680
Mezzanine debt	-	-	31,711	31,711
Trade payables	-	-	3,720	3,720
Total	**-**	**-**	**101,111**	**101,111**
31 December 2020				
Liabilities secured with foreclosure assets	-	-	65,680	65,680
Mezzanine debt	-	-	30,723	30,723
Trade payables	-	-	3,720	3,720
Total	**-**	**-**	**100,123**	**100,123**

(in thousands of HRK)	Level 1	Level 2	Level 3	Total
Company				
31 December 2021				
Liabilities secured with foreclosure assets	-	-	65,680	65,680
Mezzanine debt	-	-	36,303	36,303
Trade payables	-	-	3,720	3,720
Total	**-**	**-**	**105,703**	**105,703**
31 December 2020				
Liabilities secured with foreclosure assets	-	-	65,680	65,680
Mezzanine debt	-	-	35,117	35,117
Trade payables	-	-	3,720	3,720
Total	**-**	**-**	**104,517**	**104,517**

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).

(e) Sale of assets held for sale

Sale of asset held for sale, which is one of the measures of the pre-bankruptcy settlement, is expected within a defined time period (note 2.25).

(f) Mezzanine debt

Estimates related to the recognition of mezzanine debt are described in the summary of significant accounting policies for the recognition and measurement of mezzanine debt (note 2.24).

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. Following the above, the Company is currently in the process of obtaining a formal confirmation of the completion of the pre-bankruptcy settlement.

An overview of the balance of net loans and capital of the Company and the Group after the recapitalization and repayment of debt to pre-bankruptcy creditors is given below:

	Company		**Group**	
(in thousands of HRK)	**31.12.2021.**	**31.03.2022.**	**31.12.2021.**	**31.03.2022.**
Borrowings (note 31)	365,502	90,980	354,891	80,782
Cash and cash equivalents (note 29)	(50,727)	(78,086)	(57,842)	(89,344)
Net debt	314,775	12,895	297,049	(8,561)
Equity	443,543	418,884	483,007	458,954
Total equity and net debt	**758,318**	**431,779**	**780,056**	**450,392**
Gearing ratio - Company	**41.51%**	**2.99%**	**38.08%**	**-1.90%**

The liquidity ratio of the Company and the Group on 31 March 2022 improved due to the settlement of debts to creditors on 11 February 2022, whose claims were determined by a pre-bankruptcy settlement concluded between the Company and its creditors before the Commercial Court in Zagreb on 29 January 2014 under business number Stpn-365/2013 on the basis of the remaining senior debt and mezzanine debt or are related to them, ie as prescribed by the adopted decision under Ad. 13. at the General Assembly of the Society on June 30, 2021. The total amount of the mentioned transaction was around HRK 357 million. In view of all the above, part of the liabilities settled by the mentioned transaction have been reclassified from long-term liabilities to short-term liabilities, which is reflected in the decrease in long-term and increase in short-term liabilities.

NOTE 7 – GOING CONCERN

On February 4, 2021, the Company published a Call for Expressions of Interest, inviting all interested parties and other entities to express their interest in participating in the financial restructuring of the Company in order to create a basis for improving the Company's financial position, adequate management and appropriate capitalization.

The Company received two expressions of interest, one of which resulted in a specific offer, and the Management Board decided to convene the General Assembly to make the necessary decisions to restructure the Company according to the model proposed in the offer. Pursuant to the offer, the restructuring model essentially consisted of: (i) a reduction of the share capital from the amount of HRK 247,193,050.00 to the amount of HRK 2,471,930.00 to cover losses from previous periods (ii) an increase of the share capital from the amount of HRK 2,471,930.00 in the amount of at least HRK 152,471,930.00 and a maximum of HRK 412,471,930.00 In the planned three rounds of capital increase, in the first and second rounds in which payments in cash are planned, the Company received subscriptions in the amount exceeding the highest planned amount of recapitalization through a public offering of new ordinary shares. In accordance with the adopted decisions of the General Assembly held on June 30, 2021, the raised capital will be used primarily to meet the Company's obligations to creditors whose claims were determined by a pre-bankruptcy settlement between the Company and its 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, ie as prescribed by the adopted decision under Ad. 13. at the General Assembly of the Company from June 30, 2021 or are related to them.
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 adversely affected the activity of investors and key customers of the Group, and the reduction in the number of contracted transactions compared to the same period last year, based on improved operating profitability, significant improvement in financial position due to recapitalization and expected normalization of market trends. The Management Board concludes that the going concern assumption used in the preparation of the financial statements at the reporting date of 31 December 2021 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 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)	75,606
Depreciation and amortisation	(28,093)	(3,637)	-	-	(31,730)
Operating profit/(loss)	**46,834**	**(1,697)**	**1**	**(1,262)**	**43,876**
Total assets	**1,186,364**	**132,467**	**384**	**285**	**1,319,215**
Total liabilities	**740,459**	**93,472**	**2,277**	**552**	**836,208**
Year ended 31 December 2020					
Gross revenues	1,230,952	158,069	4	(20,590)	1,368,435
Inter-segment revenues /i/	(39,690)	(70,134)	-	-	(109,824)
Total revenues	**1,191,262**	**87,935**	**4**	**(20,590)**	**1,258,611**
Operating profit/(loss) before depreciation and amortisation	82,560	(49,915)	-	45,060	77,705
Depreciation and amortisation	(24,152)	(7,036)	-	3,380	(27,808)
Operating profit/ (loss)	**58,408**	**(56,951)**	**-**	**48,440**	**49,897**
Total assets	**780,830**	**141,774**	**416**	**643**	**923,020**
Total liabilities	**748,217**	**117,747**	**2,308**	**39,462**	**868,272**

NOTE 8 – BUSINESS SEGMENT INFORMATION (continued)

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

	2021.		2020.	
	(in thousands of HRK)	%	*(in thousands of HRK)*	%
Slovenia	357,546	26.21	78,533	6.24
Norway	351,296	25.75	462,229	36.73
Croatia	270,111	19.80	264,944	21.05
Sweeden	129,362	9.48	329,166	26.15
Ukraine	122,770	9.00	3,883	0.31
Bosnia and Herzegovina	57,025	4.18	70,989	5.64
France	21,029	1.54	3,321	0.26
Northern Macedonia	13,285	0.97	4,454	0.35
United Kingdom	9,260	0.68	4,682	0.37
Other abroad	32,640	2.39	36,410	2.90
Total	**1,364,324**	**100.00**	**1,258,611**	**100.00**
Discontinued operations	**-**	**-**	**20,590**	**1.64**

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.

In 2020, the Group achieved 34% with the largest customer, and the Company 41% of total sales revenue. With the next largest customer, the Group generated 17% in 2020, and the Company 21% of total sales revenues.

/ii/ Sales revenues by sectors are as follows:

	2021.	2020.
	(in thousands of HRK)	
Energetics	1,196,075	1,053,681
Railroads	52,200	47,512
Sale of metal constructions	18,906	19,952
Sale of suspension and jointing equipment	53,044	47,353
Roads	4,638	34,299
Projects	30,864	28,705
Properties	8,162	19,973
Other	435	7,136
Total	**1,364,324**	**1,258,611**
Discontinued operations	**-**	**-**

Revenue from construction contracts amounts to HRK 1,261,488 thousand for the Group (2020: HRK 1,162,558 thousand) and 966,581 thousand for the Company (2020.: HRK 1,047,116 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 Group		Dalekovod d.d.	
(in thousands of HRK)	**2021**	**2020**	**2021**	**2020**
Trade receivables	164,382	161,898	131,913	134,934
Guarantee deposits - retention	94,945	102,638	94,915	94,936
Contract assets	85,249	71,997	70,375	62,435
Contract liabilities	(125,458)	(135,780)	(115,117)	(131,120)
	219,118	**200,753**	**182,086**	**161,185**

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 the 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 81,993 thousand (2020: HRK 89,904 thousand) for Company and HRK 86,276 thousand (2020: HRK 96,365 thousand) for the Group.

NOTE 9 – OTHER INCOME

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Income from reversal of provisions	7,638	4,280	7,282	2,630
Insurance claims proceeds	2,571	1,019	2,496	990
Rental income	485	424	22,887	6,176
Court settlement income	81	-	81	-
Inventory surpluses	15	74	8	-
Income from penalty interest	-	58	-	59
Other operating income	8,647	25,191	10,103	21,662
	19,437	**31,046**	**42,857**	**31,517**

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

The majority of Other operating income relates to release of Provisions for unused holidays.

NOTE 10 – COST OF MATERIALS AND SERVICES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Raw materials and supplies				
Raw materials and supplies	145,226	317,627	125,676	295,003
Energy	16,177	11,053	12,432	10,568
Spare parts and small inventory	12,291	14,947	10,759	13,782
	173,694	343,627	148,867	319,353
External services				
Subcontractor services	369,151	276,814	177,758	241,959
Rental expense	32,768	40,332	38,299	38,595
Transportation	19,030	22,357	14,737	17,814
Repairs and maintenance	17,126	15,814	14,115	13,724
Advertising and promotion	548	415	525	394
Other	8,404	8,068	2,249	2,057
	447,027	363,800	247,683	314,543
Total cost of materials and services	**620,721**	**707,427**	**396,550**	**633,896**

NOTE 11 – STAFF COSTS

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Net salaries	222,545	237,582	184,643	198,374
Taxes and contributions on and from salaries	67,436	66,477	45,018	42,965
Severance costs	848	5,038	523	1,110
Supervisory Board compensation	800	127	800	127
Unused vacation days	404	793	-	628
Other staff costs	33,384	25,561	18,847	19,109
	325,417	**335,578**	**249,831**	**262,313**

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

As at 31 December 2021, the Group had 1,193 employees (2020: 1,238 employees), and the Company had 813 employees (2020: 867 employees).

In 2021, severance pay for the Company amounts to HRK 523 thousand (2020: HRK 1,110 thousand), while for the Group it amounts to HRK 848 thousand (2020: HRK 5,038 thousand).

NOTE 12 – OTHER OPERATING EXPENSES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Daily allowances and travel cost	47,004	47,391	46,147	47,158
Intellectual and non-production services	35,064	20,493	22,064	11,677
Insurance	10,673	8,028	9,581	5,534
Bank charges	9,194	7,488	8,505	6,818
Taxes and contributions	4,251	4,365	3,221	3,013
Court cases	4,055	3,303	3,646	2,977
Impairment of trade receivables and loans – net	3,972	1,585	5,111	(104)
Entertainment	1,479	1,033	750	454
Sponsorships, donations and other aids	537	613	256	206
Interest from suppliers	454	1,305	162	1,102
Fines and penalties	328	740	82	638
Court settlement agency cost	237	-	237	-
Inventory shortages	69	183	12	79
Impairment and write-off of property, plant and equipment	(999)	-	(999)	-
Other	5,745	9,453	7,224	8,367
	122,063	**105,980**	**105,999**	**87,919**

The cost of litigation in 2021 relates mostly to the provision for litigation with ENEA Sp.z.o.o. in the amount of HRK 3,101 thousand (2020: HRK 814 thousand).

The cost of per diems and travel expenses in 2021 includes the cost of accommodation and meals, which is mostly related to the NUF (HRK 34,788 thousand).

The costs of intellectual and non-production services at the Group level include HRK 507 thousand (2020: 667 thousand) of fees to the auditors. The fees mostly relate to the audit services of the Company and its subsidiaries and the permitted non-audit consulting services.

Also included are non-production services, at the Group level HRK 15,633 thousand, and at the Company level HRK 9,607 thousand, which are largely various services of testing, testing, commissioning, etc. on projects.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 13 – OTHER GAINS/(LOSSES) – NET

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Net gain on sale of property, plant and equipment	160	(4,641)	37	348
Gain/(loss) from sale of subsidiary	-	(2,103)	-	(738)
Gain from loss of control - subsidiary	-	-	-	-
	160	**(6,744)**	**37**	**(390)**

During 2020, Dalekovod Polska S.A. was sold, which resulted in a loss of HRK 738 thousand at the Company level and a loss from expenses of the subsidiary at the Group level in the amount of HRK 2,103 thousand.

For more details regarding subsidiaries write-off please see Note 37.

NOTE 14 – FINANCIAL INCOME AND EXPENSES– NET

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Net foreign exchange differences from financing activities	10,063	5,377	9,812	4,959
Interest income	311	558	527	961
Income from unwinding of discount	867	-	867	-
Interest income on bank deposits	36	121	3	60
Income from shares in profit	-	-	4,900	6,011
Finance income	**11,277**	**6,056**	**16,109**	**11,991**
Net foreign exchange differences (financing activities)	(11,534)	(6,337)	(11,155)	(5,045)
Interest expense	(18,169)	(12,672)	(18,551)	(13,200)
Cost of writing off interest and fees	(945)	-	(945)	-
The cost of discounting long-term receivables	-	(869)	-	(869)
Other financial expenses	-	(286)	-	(286)
Finance costs	**(30,648)**	**(20,164)**	**(30,651)**	**(19,400)**
	(19,371)	**(14,108)**	**(14,542)**	**(7,409)**

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)	**2021.**	**2020.**	**2021.**	**2020.**
Profit/(loss) before tax	**24,325**	**(17,340)**	**18,352**	**(1,192)**
Tax calculated at the domestic tax rate applicable to profits in the respective countries	(1,522)	631	(2,562)	1,634
Effect of non-taxable income	(2,023)	(7,764)	(1,754)	(6,888)
Effect of non-deductible expenses	3,022	6,650	2,865	6,134
Effect of tax losses not recognised as deferred tax assets	8,797	10,660	8,369	7,940
Income tax expense	**8,274**	**10,177**	**6,918**	**8,820**
Effective tax rate	***34.0%***	***-58.7%***	***37.7%***	***-739.9%***

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)	**2021.**	**2020.**	**2021.**	**2020.**
Unutilised tax losses				
Tax loss from 2016 - expires 2021	-	40,701	-	40,648
Tax loss from 2017 - expires 2022	22,515	22,515	10,031	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 2020 - expires 2025	59,076	59,264	44,108	44,108
Tax loss from 2021 - expires 2026	47,836	-	45,574	-
	264,929	**257,982**	**173,142**	**168,216**

NOTE 15 – INCOME TAX (continued)

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

During the year the Company and the Group recognised deferred tax liability on revaluation of assets under foreclosure (note 19).

Movement in deferred tax liability

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
At beginning of year	8,936	8,936	8,936	8,936
Charged to revaluation reserves	549	-	549	-
At end of year	**9,485**	**8,936**	**9,485**	**8,936**

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	
	2021.	**2020.**
Net loss attributable to shareholders *(in thous. of HRK)*	16,051	(27,517)
Weighted average number of shares	24,620,464	24,620,464
Basic/diluted loss per share *(in HRK)*	0.65	(1.12)

NOTE 17 – DIVIDEND PER SHARE

There are no unpaid dividends in 2021, while in 2020 the unpaid dividend amounted to HRK 101 thousand, and are presented as dividend payable within "liabilities to suppliers and other liabilities" (note 33), and relate to dividends payable to shareholders who did not submit the required payment data.

NOTE 18 – INTANGIBLE ASSETS

Group

(in thousands of HRK)	**Goodwill**	**Usage rights**	**Software**	**Assets under construction**	**Total**
At 1 January 2020					
Cost	1,213	15,511	47,535	280	64,539
Accumulated amortisation and impairment losses	-	(15,511)	(42,971)	-	(58,482)
Net book value	**1,213**	**-**	**4,564**	**280**	**6,057**
Year ended 31 December 2020					
At 1 January	1,213	-	4,564	280	6,057
Additions	-	-	76	92	168
Amortisation	-	-	(1,394)	-	(1,394)
At 31 December	**1,213**	**-**	**3,246**	**372**	**4,831**
At 31 December 2020					
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)	-
Impairment loss	-	-	(1,342)	-	(1,342)
At 31 December	**1,213**	**-**	**2,280**	**33**	**3,526**
At 31 December 2021					
Cost	1,213	-	45,722	33	47,018
Accumulated amortisation and impairment losses	-	-	(43,492)	-	(43,492)
Net book value	**1,213**	**-**	**2,280**	**33**	**3,526**

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.

NOTE 18 – INTANGIBLE ASSETS (continued)

Company

(in thousands of HRK)	Usage rights	Software	Assets under construction	Total
At 1 January 2020				
Cost	15,511	42,618	-	58,129
Accumulated amortisation	(15,511)	(38,445)	-	(53,956)
Net book value	**-**	**4,173**	**-**	**4,173**
Year ended 31 December 2020				
At 1 January	-	4,173	-	4,173
Additions	-	4	-	4
Amortisation	-	(1,254)	-	(1,254)
At 31 December	**-**	**2,923**	**-**	**2,923**
At 31 December 2020				
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**

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT

Group

(in thousands of HRK)	Land	Buildings	Plant and equipment	Assets under construction	Total
At 1 January 2020					
Cost or deemed cost	98,991	413,482	416,197	953	929,623
Accumulated depreciation	-	(270,097)	(320,252)	-	(590,349)
Net book value	**98,991**	**143,385**	**95,945**	**953**	**339,274**
Year ended 31 December 2020					
At 1 January	98,991	143,385	95,945	953	339,274
Additions	-	98	26,138	349	26,585
Transfer	-	-	-	(140)	(140)
Disposals and write-offs	(6,504)	(67,505)	(10,587)	-	(84,596)
Foreign exchange differences	17	19	7	6	49
Depreciation	-	(8,617)	(17,797)	-	(26,414)
At 31 December	**92,504**	**67,380**	**93,706**	**1,168**	**254,758**
At 31 December 2020					
Cost or deemed cost	92,504	291,674	431,755	1,168	817,101
Accumulated depreciation and impairment losses	-	(224,294)	(338,049)	-	(562,343)
Net book value	**92,504**	**67,380**	**93,706**	**1,168**	**254,758**

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT (continued)

Group
(in thousands of HRK)

Year ended 31 December 2021	**Land**	**Buildings**	**Plant and equipment**	**Assets under construction**	**Total**
At 1 January	92,504	67,380	93,706	1,168	254,758
Transfer	-	-	374	(374)	-
Disposals and write-offs	-	(39)	(463)	-	(502)
Revaluation	3,050	-		-	3,050
Additions	-	1,402	43,964	23	45,389
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)

Company

(in thousands of HRK)	Land	Buildings	Plant and equipment	Assets under construction	Total
At 1 January 2020					
Cost or deemed cost	80,292	83,794	207,422	-	371,508
Accumulated depreciation	-	(74,721)	(149,704)	-	(224,425)
Net book value	**80,292**	**9,073**	**57,718**	**-**	**147,083**
Year ended 31 December 2020					
At 1 January	80,292	9,073	57,718	-	147,083
Additions	-	98	22,107	350	22,555
Disposals and write-offs	-	-	(3,106)	-	(3,106)
Depreciation	-	(2,157)	(11,349)	-	(13,506)
At 31 December	**80,292**	**7,014**	**65,370**	**350**	**153,026**
At 31 December 2020					
Cost or deemed cost	80,292	83,892	227,841	350	392,375
Accumulated depreciation	-	(76,878)	(162,471)	-	(239,349)
Net book value	**80,292**	**7,014**	**65,370**	**350**	**153,026**

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT (continued)

Company
(in thousands of HRK)

Year ended 31 December 2021	Land	Buildings	Plant and equipment	Assets under construction	Total
At 1 January	80,292	7,014	65,370	350	153,026
Additions	-	1,402	42,751	-	44,153
Revaluation surplus	3,051	-	-	-	3,051
Transfer to investment property	23,630	-	-	-	23,630
Transfer	-	-	-	(350)	(350)
Disposals and write-offs	-	-	(1,525)	-	(1,525)
Impairment loss	-	(39)	-	-	(39)
Depreciation	-	(2,161)	(18,032)	-	(20,193)
At 31 December	**106,973**	**6,216**	**88,564**	**-**	**201,753**
At 31 December 2021					
Cost or deemed cost	106,973	145,128	257,558	-	509,659
Accumulated depreciation	-	(138,912)	(168,994)	-	(307,906)
Net book value	**106,973**	**6,216**	**88,564**	**-**	**201,753**

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 (2020: HRK 34,278 thousand) were pledged as collateral for loans (note 31).

As at 31 December 2021, assets under foreclosure of the Group and the Company with a net book value of HRK 112,312 thousand (2020: HRK 110,326 thousand for the Group and 86,695 for the Company) were pledged as collaterals for loans (note 31). As stated in Notes 6 and 31, the three creditors (banks) have decided to settle their claims outside the pre-bankruptcy settlement process, and will settle their claims from future receipts from the sale of foreclosure assets (pledged as collateral).

As at 31 December 2021, assets under finance lease where the Group and the Company are the lessee amounted to HRK 34,376 thousand and HRK 34,155 thousand (2020: HRK 9,943 thousand and HRK 9,601 thousand).

NOTE 20 – INVESTMENT PROPERTY

(in thousands of HRK)	**Land**	**Buildings**	**Plant and equipment**	**Total**
At 1 January 2020				
Cost	36,091	277,795	126,614	440,500
Accumulated depreciation	-	(170,809)	(103,431)	(274,240)
Net book value	**36,091**	**106,986**	**23,183**	**166,260**
Year ended 31 December 2020				
At 1 January	36,091	106,986	23,183	166,260
Disposals and write-offs	(6,505)	(67,504)	(5,031)	(79,040)
Depreciation	-	(6,199)	(1,983)	(8,182)
At 31 December	**29,586**	**33,283**	**16,169**	**79,038**
At 31 December 2020				
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
Transfer from property, plant and equipment	(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 and impairment losses	-	(126,115)	(9,403)	(135,518)
Net book value	**5,956**	**29,754**	**14,700**	**50,410**

NOTE 20 – INVESTMENT PROPERTY (continued)

Land and buildings of the Company with a net book value of HRK 23,630 thousand as at 31 December 2020 are pledged as collateral for loan repayment, and in 2021 they are included in property, plant and equipment under foreclosed assets (Note 19).

The assets under foreclosure as at 31 December 2021 included land with a net book value of HRK 23,630 thousand pledged as collateral for loan repayment (note 31). As specified in Notes 6 and 31, three creditors (banks) decided to have their claims settled outside the scope of the pre-bankruptcy settlement, from proceeds of future sale of assets under foreclosure (pledged as security). This stated was transferred to land within property, plant and equipment in 2021.

Since real estate investments at the Company level relate to part of real estate that are intragroup leases to subsidiaries, these assets are treated as regular real estate at Group level and the Group does not perform valuations or and discloses fair value related to this asset.

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)	**2021.**	**2020.**	**2021.**	**2020.**
Right of use assets:				
Vehicles	2,809	5,288	2,236	4,247
Real estate	783	-	783	-
Equipment	448	-	-	-
	4,040	**5,288**	**3,019**	**4,247**
Lease liabilities:				
Non-current liabilities	2,417	2,388	2,081	2,081
Current liabilities	3,117	3,157	2,417	2,417
	5,534	**5,545**	**4,498**	**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)	**2021.**	**2020.**	**2021.**	**2020.**
From 1 to 2 years	1,959	1,946	1,625	1,625
From 2 to 5 years	1,158	1,211	792	792
	3,117	**3,157**	**2,417**	**2,417**

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

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Depreciation	3,420	2,737	2,954	2,691
Interest expenses (note 14)	284	256	201	251
Lease cost related to short-term lease (note 10)	32,768	40,332	38,299	38,595
	36,472	**43,325**	**41,454**	**41,537**

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

	Dalekovod Group 2021.	**Dalekovod Group 2020.**	**Dalekovod d.d. 2021.**	**Dalekovod d.d. 2020.**
(in thousands of HRK)	Assets	Assets	Assets	Assets
For the year ended 31. December 2020				
Opening net book value of lease recognized under IFRS 16	10,821	8,797	6,938	6,001
Accumulated depreciation	(5,533)	(2,796)	(2,691)	(2,796)
Net book value	**5,288**	**6,001**	**4,247**	**3,205**
Opening net book value	**5,288**	**6,001**	**4,247**	**6,001**
Additions	2,086	1,791	1,638	704
Exchange rate	86	233	88	233
Depreciation	(3,420)	(2,737)	(2,954)	(2,691)
Closing net book value	**4,040**	**5,288**	**3,019**	**4,247**
At 31 December 2021				
Cost	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**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 22 – INVESTMENTS IN SUBSIDIARIES

	Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**
At 1 January	46,906	46,906
Additions /i/	-	738
Transfer of shares /ii/	-	(738)
At 31 December	**46,906**	**46,906**

/i/ The increase in investments in subsidiaries in 2020 in the amount of HRK 738 thousand relates to shares in Dalekovod-Polska S.A. d.o.o., arising from the transfer of receivables related to given loans.

/ii/ During 2020, the subsidiary Dalekovod-Polska S.A. was sold and there was a decrease in the value of the share in the net amount of 738 HRK as a result.

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 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 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**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

At 31 December 2020, the Company owns shares in the following subsidiaries:

Name	Country of incorporation	Primary activity	2020	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-Polska S.A., Varšava	Poland	Construction	0.00	-	-	-
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**

As of March 1, 2020 the production company Proizvodnja MK is partitioned from the economic unit related to the production of suspension and jointing equipment. The mentioned new economic entity is continuing its business as a separate business entity under the name Proizvodnja OSO d.o.o. Production MK d.o.o. is the holder of a 100% share in the newly established company.

NOTE 23 – INVESTMENTS IN ASSOCIATES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
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)	**2021.**	**2020.**	**2021.**	**2020.**
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)

NOTE 25 – FINANCIAL INSTRUMENTS BY CATEGORY

Group

(in thousands of HRK)	Note	Financial assets at amortized cost 2021.	Financial assets at FVTPL 2021.	Total 2021.	Financial assets at amortized cost 2020.	Financial assets at FVTPL 2020.	Total 2020.
Financial assets							
Trade receivables	26,28	169,204	-	169,204	166,720	-	166,720
Receivables by construction contracts	28	85,249	-	85,249	71,997	-	71,997
Loans receivable and deposits	26,28	96,172	-	96,172	113,979	-	113,979
Interest receivable	28	357	-	357	98	-	98
Other receivables	28	52,466	-	52,466	78,033	-	78,033
Cash and cash equivalents	29	57,842	-	57,842	64,100	-	64,100
Total		**461,290**	**-**	**461,290**	**494,927**	**-**	**494,927**
Financial liabilities							
Loans	31	226,611	65,680	292,291	232,529	65,680	298,209
Bonds	31	14,367	-	14,367	15,686	-	15,686
Finance lease	31	48,233	-	48,233	9,211	-	9,211
Mezzanine debt	32	-	31,711	31,711	-	30,723	30,723
Trade payables	33	161,619	3,720	165,339	167,625	3,720	171,345
Other payables	33	39,460	-	39,460	31,302	-	31,302
Total		**490,290**	**101,111**	**591,401**	**456,353**	**100,123**	**556,476**

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 2021.	Financial assets at FVTPL 2021.	Total 2021.	Financial assets at amortized cost 2021.	Financial assets at FVTPL 2020.	Total 2020.
Financial assets							
Trade receivables	26.28	136,735	-	136,735	139,756	-	139,756
Receivables by construction contracts	28	70,375	-	70,375	62,435	-	62,435
Loans receivable and deposits	26.28	111,235	-	111,235	107,998	-	107,998
Interest receivable	28	894	-	894	611	-	611
Other receivables	28	51,848	-	51,848	76,151	-	76,151
Cash and cash equivalents	29	50,727	-	50,727	50,805	-	50,805
Total		**423,864**	**-**	**423,864**	**437,756**	**-**	**437,756**
Financial liabilities							
Loans	31	234,050	65,680	299,730	235,955	65,680	301,635
Bonds	31	18,962	-	18,962	20,231	-	20,231
Finance lease	31	46,810	-	46,810	7,859	-	7,859
Mezzanine debt	32	-	36,303	36,303	-	35,117	35,117
Trade payables	33	116,821	3,720	120,541	121,698	3,720	125,418
Other payables	33	35,434	-	35,434	28,655	-	28,655
Total		**452,077**	**105,703**	**557,780**	**414,398**	**104,517**	**518,915**

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)	**2021.**	**2020.**	**2021.**	**2020.**
Long-term deposits	7,197	8,793	6,760	8,355
Long-term guarantee deposits	47,749	63,503	47,749	63,503
Long-term trade receivables	4,822	4,822	4,822	4,822
Long-term loans receivable:				
- consumer goods loans	-	-	-	-
- housing loans and other loans to employees	486	677	181	154
- loans to other companies	13,504	13,504	13,504	13,504
- loans to subsidiaries	-	-	1,733	2,167
Impairment of long-term deposits and loans receivable	(16,093)	(16,960)	(16,093)	(16,960)
Impairment of other financial assets	(4,822)	(4,822)	(4,822)	(4,822)
	52,843	**69,517**	**53,834**	**70,723**

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 2008, the Company concluded a Loan Agreement with TPN Sportski grad from Split, according to which a revolving loan facility was agreed in the total amount of HRK 9,000 thousand, and the debtor drew down HRK 8,660 thousand on this facility. The loan was granted with a discount rate which was 9% annually at the date of Agreement. The loan matures in one instalment in 2028, while interest is calculated over the entire period and will be repaid from 31 October 2010. Due to the uncertainty of receivables collection of HRK 8,550 thousand under this loan, the Company impaired this loan during 2012. The remaining amount refers to the receivable on the loan given to the company Officium partner d.o.o. which is also fully value-adjusted in 2018.

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)	**2021.**	**2020.**	**2021.**	**2020.**
At 1 January	16,960	16,090	16,960	16,091
Discount of guarantee deposits	(867)	869	(867)	869
At 31 December	**16,093**	**16,960**	**16,093**	**16,960**

NOTE 27 – INVENTORIES

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Raw materials	32,569	34,637	5,891	4,805
Finished and semi-finished goods and work in progress	26,225	28,258	48	48
Spare parts and small inventories	5,337	5,577	2,095	2,082
Trade goods	9,044	4,126	15	608
Advances for inventories	-	-	-	-
	73,175	**72,598**	**8,049**	**7,543**

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)	**2021.**	**2020.**	**2021.**	**2020.**
Domestic trade receivables	141,239	117,052	155,814	130,083
Foreign trade receivables	106,694	124,926	55,092	79,238
Impairment of trade receivables	(83,551)	(80,080)	(78,993)	(74,387)
	164,382	161,898	131,913	134,934
Receivable from customers for contract work	85,249	71,997	70,375	62,435
Guarantee deposits – current portion	47,196	39,135	47,166	31,433
Short-term deposits /iii/	1,408	7,657	924	5,544
Current portion of long-term loans (note 24)	-	-	-	-
Loans to subsidiary	-	-	17,096	6,645
Other short-term loans /i/	5,287	6,809	4,973	4,987
Interest receivable	8,458	8,199	8,995	8,712
Receivables from other foreign business units for unpaid profit and loans receivable	-	-	-	-
Dividend receivable from subsidiaries	-	-	2,050	-
Other receivables /iv/	52,466	78,033	51,848	76,151
Impairment of other financial assets	(13,841)	(12,418)	(16,037)	(14,613)
Total financial assets	350,605	361,310	319,303	316,228
Advances /ii/	85,706	72,008	80,294	83,157
Receivable from employees	375	75	365	64
VAT receivable	8,359	8,142	5,755	5,803
Outstanding VAT receivable	1,780	957	-	-
Prepaid expenses	6,274	14,388	5,995	11,636
Impairment of non-financial assets	(6,247)	(6,247)	(6,247)	(6,248)
Total non-financial assets	96,247	89,323	86,162	94,412
	446,852	**450,633**	**405,465**	**410,640**
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%-6.5%. The loans are generally granted for periods from 3 to 12 months and are secured by bills of exchange, promissory notes, pledges on shares and fixed assets. 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 contracted with fixed maturities and variable interest rates that are approximately equal to market rates. All deposits have maturities of one year after the balance sheet date. Some of the deposits are not interest bearing while other during 2021 had effective interest rate ranged from 0.01% to 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 (2020: 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 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)	**2021.**	**2020.**	**2021.**	**2020.**
Not due	124,783	90,534	83,035	74,283
Up to 90 days	26,025	45,143	17,210	35,067
From 91 to 180 days	3,894	10,561	4,883	8,662
Over 180 days	9,680	15,660	26,785	16,922
	164,382	**161,898**	**131,913**	**134,934**

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)	**2021.**	**2020.**	**2021.**	**2020.**
At 1 January	92,546	109,979	89,000	123,285
Additional impairment of trade receivables	5,135	2,035	6,157	15,950
Collected amounts	(139)	(85)	(22)	(127)
Transfer to discontinued operations	-	-	-	(15,562)
Change after adjustment to IFRS 9	-	(365)	(105)	(365)
Receivables written-off during the year as uncollectible	(150)	(19,066)	-	(34,181)
At 31 December	**97,392**	**92,498**	**95,030**	**89,000**

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)	**2021.**	**2020.**	**2021.**	**2020.**
HRK	175,284	167,313	191,519	164,429
EUR	63,143	68,413	13,632	18,616
NOK	52,765	73,735	52,762	73,946
SEK	15,281	22,575	15,281	22,575
UAH	4,349	4,034	4,345	4,028
Other currencies	39,784	25,240	41,765	32,634
Total	**350,606**	**361,310**	**319,304**	**316,228**

The fair value of trade receivables approximates their carrying amount.

NOTE 29 – CASH AND CASH EQUIVALENTS

(in thousands of HRK)	Dalekovod Group 2021.	2020.	Dalekovod d.d. 2021.	2020.
Cash at bank and petty cash in domestic currency	4,751	14,289	2,000	11,772
Cash at bank and petty cash in foreign currency	52,707	49,426	48,727	39,033
Deposits at bank in domestic currecny	-	-	-	-
Deposits at bank in foreign currecny	384	385	-	-
	57,842	**64,100**	**50,727**	**50,805**

Cash and cash equivalents are denominated in the following currencies:

(in thousands of HRK)	Dalekovod Group 2021.	2020.	Dalekovod d.d. 2021.	2020.
EUR	4,518	15,629	353	5,189
NOK	26,649	19,592	26,646	19,453
SEK	12,624	8,467	12,624	8,467
UAH	2,702	4,991	2,507	4,792
Other currencies	6,598	1,132	6,597	1,132
Total	**53,091**	**49,811**	**48,727**	**39,033**

NOTE 30 – SHAREHOLDERS' EQUITY

Share capital

The share capital as at 31 December 2021 amounts to HRK 2,472 thousand (31 December 2020: HRK 247,193 thousand) and consists of 247,193 shares (2020: 24,719,305 shares). Nominal value of a share amounts to HRK 10 (31 December 2020: HRK 10).

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

	Number of shares 2021	2020	Share 2021	2020
Konsolidator d.o.o.	150,000	15,000,000	60.68%	60.68%
Individuals	71,981	7,045,883	29.12%	28.50%
Financial institutions	17,837	1,956,537	7.22%	7.92%
Others	6,386	618,044	2.58%	2.50%
Treasury shares	989	98,841	0.40%	0.40%
	247,193	**24,719,305**	**100,00%**	**100,00%**

NOTE 30 – SHAREHOLDERS' EQUITY (continued)

Management company Inspire investments d.o.o. manages the fund which owns the majority owner of Dalekovod d.d.

Share premium

Share premium as at 31 December 2021 amounts to HRK 0 (2020: HRK 86,142 thousand).

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 2021, the Company owns 989 treasury shares (2020: 98,841 treasury shares).

Statutory and other reserves

Statutory and other reserves consist of statutory reserves in the amount of HRK 8,466 thousands (2020: HRK 40,654 thousands) and reserves for own shares in the amount of HRK 8,466 thousand (2020: 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.

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. The fair value of land and buildings at the site in Dugo Selo was determined using the comparative method based on active market prices and recent arm's length market transactions.

NOTE 31 – BORROWINGS

(in thousands of HRK)	Average interest rate	Dalekovod Group 2021.	Dalekovod Group 2020.	Dalekovod d.d. 2021.	Dalekovod d.d. 2020.
Non-current					
Loans from banks and subsidiaries	4.15%*	25,279	226,144	25,279	226,144
Bonds	4.00%	13,009	14,380	17,170	18,980
Finance lease /i/	4.40%	22,195	5,117	21,178	4,145
		60,483	**245,641**	**63,627**	**249,269**
Current					
Loans from banks and subsidiaries	4.15%*	267,012	72,065	274,451	75,491
Commercial papers	4.00%	1,358	1,306	1,792	1,725
Finance lease /i/	4.40%	26,038	4,094	25,632	3,714
		294,408	**77,465**	**301,875**	**80,930**
Total borrowings		**354,891**	**323,106**	**365,502**	**330,199**

* 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 2021.	Dalekovod Group 2020.	Dalekovod d.d. 2021.	Dalekovod d.d. 2020.
Up to 1 year	31,132	4,094	25,969	3,714
Between 1 to 5 years	17,865	6,596	21,605	5,549
Over 5 years	-	-	-	-
	48,997	10,690	47,574	9,263
Future finance costs under finance lease	(764)	(1,479)	(764)	(1,404)
Present value of liabilities under finance lease	**48,233**	**9,211**	**46,810**	**7,859**

NOTE 31 – BORROWINGS (continued)

In the total amount of loans received form banks and subsidiaries disclosed by the Company and the Group on 31 December 2021, part of the debt in the amount of 60,743 thousand (2020.: HRK 59,371 thousand) relates to two banks and one company holding first-rank pledges over the Company's assets which refinance their claims until such assets are transferred to them by activation of their enforceable pledges and foreclosure.

Furthermore, the Company also owes a debt to one of those banks based on unpaid guarantees in the amount of HRK 6,748 thousand as at 31 December 2021 (2020: HRK 6,309 thousands).

The foreclosure procedures were initiated by enforcing pledges held by banks that chose to have their claims against the Company (secured by first-rank pledges over assets) settled through enforcement procedures, rather than the proposed settlement. The Company believes that no additional losses (cash outflows) will incur as a result of the separate settlement of these liabilities because the applicable Financial Operations and Pre-bankruptcy Settlement Act allows for claims of creditors with separate secured creditor claims rights to be satisfied only from the pre-bankruptcy debtor's assets over which the creditor held a separate secured claim at the time the pre-bankruptcy settlement was initiated.

The Company and the Group as at 31 December 2021 and 31 December 2020, 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 borrowings totalling HRK 32,317 thousand (2020: HRK 9,211 thousand) are exposed to interest rate changes, since the contracted interest rate is variable. Other borrowings in the amount of HRK 322,520 thousand (2020: HRK 248,215 thousand), except for borrowings which will be discharged by selling assets under foreclosure, have fixed interest rates and relate to loans, bonds and lease liability according to pre-bankruptcy settlement.

Interest rates on loans for senior debt according to the pre-bankruptcy settlement are 4%, for bonds also 4%, for financial lease 4% based on pre-bankruptcy settlement, for loan from NUF branch 6.98% while variable interest rate for financial lease ranges between 4.27% -4.51%.

Borrowings of the Group and the Company that matured by 31 December 2021 amount to HRK 87,032 thousand (2020.: HRK 34,011 thousand). On February 11, 2022, the company settled its debts for overdue liabilities. The total value of the loan from the pre-bankruptcy settlement that was settled amounts to HRK 357,263 thousand and the same is stated as part of the short-term liability.

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)	**2021.**	**2020.**	**2021.**	**2020.**
EUR	137,007	100,032	149,974	130,080
HRK	173,299	212,152	171,529	187,823
Other	44,585	10,922	43,999	12,296
Total	**354,891**	**323,106**	**365,502**	**330,199**

NOTE 31 – BORROWINGS (continued)

The maturity of long-term borrowings is as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Between 1 to 5 years	-	77,801	-	77,801
Over 5 years	25,279	148,343	25,279	148,343
	25,279	**226,144**	**25,279**	**226,144**

NOTE 32 – MEZZANINE DEBT

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Long-term	-	30,723	-	35,117
Short-term	31,711	-	36,303	-
	31,711	**30,723**	**36,303**	**35,117**

Movements in Mezzanine debt are as follows:

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
At 1 January	30,723	29,516	35,117	33,721
Additions	988	1,207	1,186	1,396
At 31 December	**31,711**	**30,723**	**36,303**	**35,117**

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

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
HRK	19,129	18,230	23,721	22,624
EUR	12,582	12,493	12,582	12,493
	31,711	**30,723**	**36,303**	**35,117**

NOTE 33 – TRADE AND OTHER PAYABLES

Long-term

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Trade payables	39	-	39	-
	39	**-**	**39**	**-**

Short-term

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
Domestic trade payables	90,815	95,069	79,985	86,946
Foreign trade payables	74,485	76,276	40,517	38,472
	165,300	171,345	120,502	125,418
Interest payable	32,525	17,081	33,129	17,574
Dividends payable (note 17)	101	101	101	101
Contracted liabilities from acquisition	10	10	10	10
Other accruals and liabilities	6,758	14,044	2,128	10,904
Due to banks arising from collected guarantees	66	66	66	66
Financial liabilities	**204,760**	**202,647**	**155,936**	**154,073**
Advances	86,276	96,365	81,993	89,904
Deferred income	43,566	43,799	43,566	42,517
Due to employees	27,334	32,283	23,575	28,792
VAT payable	7,224	18,660	8,160	17,301
Taxes and contributions	5,935	7,836	3,623	5,162
Unused vacation days	4,711	4,955	2,921	3,411
Other current liabilities	879	547	847	850
Non-financial liabilities	**175,925**	**204,445**	**164,685**	**187,937**
	380,685	**407,092**	**320,621**	**342,010**

NOTE 33 – TRADE AND OTHER PAYABLES (continued)

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

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
HRK	39	-	39	-
Total	**39**	**-**	**39**	**-**

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

	Dalekovod Group		Dalekovod d.d.	
(in thousands of HRK)	**2021.**	**2020.**	**2021.**	**2020.**
HRK	103,871	122,453	88,344	99,339
EUR	76,466	59,352	40,181	26,846
NOK	5,770	8,998	6,165	9,375
SEK	3,482	4,664	3,482	4,664
UAH	13,360	-	13,360	-
Other currencies	1,811	7,180	4,404	13,849
Total	**204,760**	**202,647**	**155,936**	**154,073**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 34 – PROVISIONS

Group

(in thousands of HRK)	**Jubilee awards**	**Severance payments**	**Other provisions**	**Total**
At 1 January 2021	2,379	4,477	26,505	33,361
Increase	200	320	4,948	5,468
Decrease	(448)	(336)	(8,408)	(9,192)
At 31 December 2021	**2,131**	**4,461**	**23,045**	**29,637**

Analysis:	**2021.**	**2020.**
Non-current portion	27,139	30,443
Current portion	2,498	2,918
Total	**29,637**	**33,361**

Company

(in thousands of HRK)	**Jubilee awards**	**Severance payments**	**Other provisions**	**Total**
At 1 January 2021	1,400	2,481	26,149	30,030
Increase	118	173	4,572	4,863
Decrease	(386)	(336)	(8,086)	(8,808)
At 31 December 2021	**1,132**	**2,318**	**22,635**	**26,085**

Analysis:	**2021.**	**2020.**
Non-current portion	23,930	27,327
Current portion	2,155	2,703
Total	**26,085**	**30,030**

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 8.95% for the Group, and 11.3% for the Company (2020: Group 8.15%, Company 7.50%); 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 (2020.: 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 21,617 thousand for the Group and HRK 21,207 thousand for the Company (2020: HRK 24,278 thousand for the Group and HRK 23,922 thousand for the Company) and provisions for management bonuses in the amount of HRK 1,428 thousand for both the Group and the Company (2020: HRK 2,227 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, owners and ultimate owner Inspire Investments d.o.o.

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)	**2021.**	**2020.**
Sales revenue	117,058	28,373
Rental income	22,598	8,924
Interest income	217	303
Dividend income	4,900	6,011
Interest income	6,292	7,142
	151,065	**50,753**
Cost of goods sold	28,215	9,933
Cost of raw materials and supplies	22,778	22,296
Subcontractor services	4,415	27,979
Other operating expenses	5	13
Interest expesne and foreign exchange losses	46	147
	55,459	**60,368**

NOTE 35 – RELATED PARTY TRANSACTIONS (continued)

Receivables, payables and loans

(in thousands of HRK)	**2021.**	**2020.**
Trade receivables	59,679	45,980
Impairment of trade receivables	(15,562)	(15,562)
Interest receivable	449	454
Impairment of interest receivable	(13)	(13)
Advances	6,123	16,728
Loans receivable	20,090	6,227
Impairment of loans receivable	(2,183)	(2,183)
	68,583	**51,631**
Trade payables	8,743	22,210
Mezzanine debt	4,592	4,394
Interest payable	463	392
Other accruals and liabilities	384	-
Bonds	4,595	5,019
Advances	0	29,969
Loans payable	7,444	3,426
	26,221	**65,410**

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)	**2021.**	**2020.**
Sales revenue	-	-
Interest income	246	247
Other income	-	-
	246	**247**
Impairment of financial assets - interests	737	-
	737	**-**

Receivables, payables and loans		
(in thousands of HRK)	**2021.**	**2020.**
Interest receivable	491	491
Impairment of interest receivable	737	-
Loan receivables	-	4,954
	1,228	**5,445**

Receivable related to given loans is fully impaired.

Transactions with key management

Key management consists of Management Board and Executive Directors, 13 people in total (2020: 21 people). Remuneration to key management at Group's level amounted to HRK 9,538 thousand (2020: HRK 11,448 thousand), while remuneration at the level of the Company amounted to HRK 6,670 thousand (2020: 7,305 thousand).

Remuneration to Supervisory Board in 2021 amounted to HRK 404 thousand (2020.: HRK 127 thousand).

NOTE 36 – CONTINGENCIES AND COMMITMENTS

As at 31 December 2021, 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 938,534 thousand (2020: HRK 825,597 thousand).

As at 31 December 2021, 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 419,573 thousand and HRK 368,650 thousand (2020: HRK 429,894 thousand and HRK 385,198 thousand Company). The Company is additionally exposed as a co-debtor for borrowings of subsidiaries in the total amount of HRK 43,515 thousand (2020: HRK 37,885 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 – WRITE-OFF OF SUBSIDIARIES

2020

During 2020, the independent company Dalekovod-Polska S.A. was sold.

The effect of the subsidiary's expenses is as follows:

(all amounts are expressed in thousands of HRK)	**Sale** **2020**
ASSETS	
Property, plant and equipment	279
Trade and other receivables	6,813
Cash and cash equivalents	(5)
Total assets	**7,087**
Long-term provisions	26
Long-term borrowings	409
Short-term borrowings	29
Trade and other payables	4,520
Total liabilities	**4,984**
Written-off net assets/(liabilities)	**2,103**
Proceeds from sale	-
Profit / (loss) from write-off	**(2,103)**

The effect of write-off the above listed subsidiaries has the following effect at the Company level:

(all amounts are expressed in thousands of HRK)	**Sale** **2020**
Proceeds from sale	-
Investments in subsidiaries	(738)
Profit / (loss) from write-off	**(738)**

NOTE 38 – 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 2021**	**Dalekovod Group discontinued operations 2020**	**Dalekovod d.d. discontinued operations 2021**	**Dalekovod d.d. discontinued operations 2020**
Sales revenue	-	20,590	-	-
Other income	20	3,293	-	3,109
Cost of trade goods sold	-	(11,216)	-	(5)
Cost of materials and services	(2)	(19,296)	-	(578)
Staff costs	(35)	(8,985)	-	-
Depreciation and amortisation	-	(3,380)	-	(3,271)
Other operating expenses	(152)	(4,567)	(1,262)	(19,372)
Other gains/(losses) – net	-	(24,879)	-	(23,778)
Operating gain/(loss)	(169)	(48,440)	(1,262)	(43,895)
Finance income	14	2,460	-	2,316
Finance costs	(24)	(7,149)	-	(6,947)
	(10)	(4,689)	-	(4,631)
Income tax	-	-	-	-
Discontinued operations	***(179)***	***(53,129)***	***(1,262)***	***(48,526)***

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

NOTE 38 – DISCONTINUED OPERATIONS (continued)

Impact on the statement of financial position:

	Dalekovod Group discontinued operations	Dalekovod Group discontinued operations	Dalekovod d.d. discontinued operations	Dalekovod d.d. discontinued operations
(all amounts are expressed in thousands of HRK)	**2021**	**2020**	**2021**	**2020**
ASSETS				
Trade and other receivables	285	476	136	137
Income tax receivable	-	31	-	-
Cash and cash equivalents	-	137	-	-
Assets held for sale	***285***	***644***	***136***	***137***
LIABILITIES				
Provisions	114	114	-	-
Borrowings	-	15,863	-	15,863
Trade and other payables	437	23,487	-	20,920
Liabilities held for sale	***551***	***39,464***	***-***	***36,783***

NOTE 39 - EVENTS AFTER THE REPORTING DATE

Recapitalization and debt repayment under pre-bankruptcy settlement

During January, the company was recapitalized with HRK 410 million of subscribed and unpaid capital as at 31 December 2021. Following the recapitalization and payment of the total subscribed capital of HRK 410 million in January 2022, on 11 February 2022 with funds collected through the release of new shares the Company settled its debts to creditors whose claims were determined by a pre-bankruptcy settlement. Please see notes 6 and 7 for details.