

Dalekovod Group
Marijana Čavića 4
10 000 Zagreb



Report by the Management Board for the first half of 2010

Non-audited, consolidated

In Zagreb 30th July 2010



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I. REPORT BY THE MANAGEMENT BOARD

Dalekovod Group consists of the following companies where Dalekovod is a major owner and whose financial statements are disclosed in the Group's consolidated reports.

	AFILIATED COMPANIES – Dalekovod d.d. is major owner	Portion
1.	DALEKOVOD CINČAONICA d.o.o. - Dugo Selo	100,00%
2.	DALEKOVOD PROJEKT d.o.o. - Zagreb	100,00%
3.	DALEKOVOD TIM d.d. - Topusko	93,23%
4.	DALEKOVOD – TKS d.d. DOBOJ – BOSNA I HERCEGOVINA	88,83%
5.	DALEKOVOD d.o.o. - LJUBLJANA - SLOVENIJA	100,00%
6.	DALCOM GmbH Freilassing – NJEMAČKA	100,00%
7.	DALEKOVOD d.o.o. - Mostar – BOSNA I HERCEGOVINA	100,00%
8.	DALEKOVOD – POLSKA S.A. – Varšava – POLJSKA	87,18%
9.	CINDAL d.o.o. – Doboj	95,01%
10.	DALEKOVOD ULAGANJA d.o.o. - Zagreb	100,00%
11.	DALEKOVOD - EMU d.o.o. - Vela Luka	100,00%
12.	DALEKOVOD EKO d.o.o. Zagreb	100,00%
	Companies that are not included in consolidated reports:	
13.	DALEKOVOD - ADRIA d.o.o. - Zagreb	100,00%
14.	DALEKOVOD-NAMIBIJA LTD .- WINDHOEK NAMIBIJA	60,00%
15.	DALEKOVOD Professio d.o.o. - Zagreb	100,00%

During the first half of 2010., the Company generated total income amounting to HRK 716,798,137 which constitutes a decrease of 42% compared to the income generated last year in the same period, while gross profit decreased of 21% comparing the first half of 2009. Overall revenues and expenditures have been realized at the level of the anticipated amounts for this reporting period that due to the seasonal character of works in our line of business are not evenly distributed throughout the year.

The profit indicated in first half of 2010 amounts to 19,978,210 out of which HRK 20,286,626 is ascribed to capital holders of the principal company, and the loss amounting to 308,416 is to be ascribed to minority interest.

On behalf of the Management Board:

M.Sc. Luka Miličić,
Board President
„Dalekovod“ d.d., v.r.



II. REPRESENTATION LETTER

According to Article 410, paragraph 2 and Article 407, paragraph 2, item 3 and paragraph 3 of the Capital Market Act, the persons in charge of the preparation of the reports: Luka Miličić – President of the Management Board, Krešo Kraljević – Deputy President and Tomislav Belamarić – the member of the Management Board submit this

REPRESENTATION LETTER

According to our best knowledge, the short set of financial statements of the Company prepared by using suitable financial reporting standards, gives a full and a fair presentation of assets and liabilities and operating result of the Company with a short review of causes of disclosed data. Financial statements are consolidated and are not audited.

On behalf of the Management Board:

M.Sc. Luka Miličić,
Board President
Dalekovod d.d.

III. BALANCE SHEET

Item	AOP label		Previous year (net)	Current year (net)
1	2	3	4	5
ASSETS				
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001		0	0
B) FIXED ASSETS (003+010+020+028+032)	002		808.471.436	800.155.641
I INTANGIBLE ASSETS (004 to 009)	003		22.709.667	21.295.785
II TANGIBLE ASSETS (011 to 019)	010		708.864.076	639.390.054
III FIXED FINANCIAL ASSETS (021 to 027)	020		76.897.693	139.307.406
IV RECEIVABLES (029 to 031)	028		0	162.396
DEFERRED TAX ASSETS	032		0	0
C) CURRENT ASSETS (034+042+049+057)	033		1.510.276.109	1.586.596.708
I STOCKS (035 To 041)	034		482.712.214	445.155.352
II RECEIVABLES (043 To 048)	042		918.742.794	968.148.805
III CURRENT FINANCIAL ASSETS (050 To 056)	049		60.383.596	107.334.416
IV CASH IN HAND AND AT BANK	057		48.437.505	65.958.135
D) PREPAYMENTS AND ACCRUED INCOME	058		13.861.910	17.371.607
E) LOSS ABOVE CAPITAL	059		0	0
F) TOTAL ASSETS (001+002+033+058+059)	060		2.332.609.455	2.404.123.956
G) OFF-BALANCE SHEET ITEMS	061		406.320.335	402.539.830
LIABILITIES				
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074075+076)	062		686.999.363	709.401.326
I INITIAL (SUBSCRIBED) CAPITAL	063		229.381.200	229.153.839
II CAPITAL RESERVES	064		0	36.787
III. RESERVES FROM PROFIT (066+067-068+069+070)	065		345.632.495	433.546.066
IV REVALUATION RESERVES	071		7.224.760	7.224.760
V RETAINED PROFIT	072		2.324.459	16.328.174
VI LOSS BROUGHT FORWARD	073		0	813.608
VII PROFIT OF FINANCIAL YEAR	074		91.573.397	26.279.450
VIII LOSS OF FINANCIAL YEAR	075		0	5.992.824
IX MINORITY INTEREST	076		10.863.052	3.638.681
B) PROVISIONS (078 TO 080)	077		8.475.988	11.500.455
C) LONG-TERM LIABILITIES (082 To 089)	081		279.185.838	242.520.710
D) SHORT-TERM LIABILITIES (091 do 101)	090		1.280.098.888	1.369.226.098
E) ACCRUALS AND DEFERRED PAYMENT	102		77.849.378	71.475.367
F) TOTAL - LIABILITIES (062+077+081+090+102)	103		2.332.609.455	2.404.123.956
G) OFF-BALANCE SHEET ITEMS	104		406.320.335	402.539.830
CAPITAL AND RESERVES				
KAPITAL I REZERVA				
1. Ascribed to capital holders of the principal office	105		676.136.311	705.642.448
2. Ascribed to minority interest	106		10.863.052	3.638.681

IV. REPORT OF OVERALL PROFIT

Item	Previous year (net)	Current year (net)
1	4	5
I OPERATING INCOME (108 to 110)	1.196.736.400	715.654.401
1 Revenues from products and services	1.164.745.098	697.770.744
2 Revenues from usage of own products and services	16.558.121	5.090.440
3 Other operating income	15.433.181	12.793.217
II OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	1.180.334.929	658.873.029
1 Reduction in stocks of finished goods and in work in progress	87.490.168	41.716.181
2 Increase of stocks of finished goods and in work in progress	0	2.262.407
3 Material costs (115 to 117)	811.449.632	375.776.912
4 Staff costs (119 to 121)	164.352.452	149.262.726
6 Depreciation	25.659.418	27.746.391
6 Other operating expenses	73.100.610	60.791.305
7 Value adjustment (125+126)	185.225	96.306
8. Long-term reserves	0	0
9. Other expenses	18.097.424	5.745.614
III FINANCIAL INCOME (130 to 134)	17.014.276	1.143.737
1 Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	1.102.195	24.133
2 Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	15.233.865	1.119.025
3 Income from affiliated undertakings and participating interests	0	0
4 Unrealized income of the financial assets	651.326	0
5 Other financial income	26.890	578
IV FINANCIAL EXPENSES(136 to 139)	29.638.898	31.628.692
1. Interest income, foreign exchange gains, dividends and other expenses related to affiliated undertakings	2.429.833	44.782
2. Interest income, foreign exchange gains, dividends and other expenses related to unaffiliated undertakings and other persons	26.887.887	31.574.485
3. Unrealized losses (expenses) of the financial assets	295.240	0
4 Other financial expenses	25.938	9.424
V EXTRAORDINARY- OTHER INCOME	30.888.846	0
VI EXTRAORDINARY - OTHER EXPENSES	1.145.358	0
VII TOTAL INCOME (107+129+140)	1.244.639.522	716.798.137
VIII TOTAL EXPENSES (111+135+141)	1.211.119.186	690.501.721
IX PROFIT BEFORE TAX (142-143)	33.520.336	26.296.417
X LOSS BEFORE TAX (142-143)		
XI TAX	11.333.680	6.318.207
XII PROFIT AFTER TAX	22.186.657	19.978.210
XIII LOSS AFTER TAX		
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by a company preparing the consolidated annual financial statements)		
XIV.* PROFIT ASCRIBED TO CAPITAL HOLDERS OF THE PRINCIPAL OFFICE	23.657.253	20.286.626
XV.* PROFIT ASCRIBED TO MINORITY INTEREST		
XVI.* LOSS ASCRIBED TO CAPITAL HOLDERS OF THE PRINCIPAL OFFICE		
XVII.* LOSS ASCRIBED TO MINORITY INTEREST	1.470.613	308.416

V. REPORT OF CASH FLOW

Name of position: 1	AOP	No.	Previous year	Current year
	designation	Note		
2	3	4	5	
CASH FLOW FROM OPERATING ACTIVITIES				
1. Pre-tax profit	1		33.520.336	26.296.414
2. Depreciation	2		25.659.418	27.746.391
3. Increase in short-term liabilities	3		100.586.419	14.839.082
4. Decrease in short-term receivables	4		0	13.228.478
5. Reduction of stocks	5		136.649.553	35.662.363
6. Other increase in cash flow	6		33.267.399	5.937.915
I. Total increase in cash flow from operating activities (001 to 006)	7		329.683.125	123.710.643
1. Decrease in short-term liabilities	8			102.985.070
2. Increase in short-term receivables	9		153.952.943	17.836.455
3. Increase in stocks	10			2.802.031
4. Other decrease in cash flow	11			36.953.437
II Total decrease in cash flow from operating activities (008 to 011)	12		153.952.943	160.576.993
A1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (007-012)	13		175.730.182	0
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (012-007)	14		0	36.866.350
CASH FLOW FROM INVESTMENT ACTIVITIES				
1. Cash receipts from sale of fixed tangible and intangible assets	15		30.464.981	1.546.810
2. Cash receipts from sale of treasury and debt financial instruments	16		432.028.526	16.146.253
3. Cash receipts from interests	17		526.999	1.024.969
4. Cash receipts from dividends	18		0	0
5. Other cash receipts from investment activities	19		0	292.766
III. Total cash receipts from investment activities (015 do 019)	20		463.020.506	19.010.798
1. Expenditures for buying fixed assets and intangible assets	21		29.602.483	15.440.577
2. Expenditures for purchasing treasury and debt financial instruments	22		464.414.591	125.037.689
3. Other expenditures from investment activities	23		0	1.260.747
IV. Total expenditures from investment activities (021 to 023)	24		494.017.074	141.739.013
B1) NET INCREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	25		0	0
b2) NET DECREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	26		30.996.568	122.728.215
CASH FLOW FROM FINANCIAL ACTIVITIES				
1. Cash receipts from issuance of treasury and debt financial instruments	27		6.695.557	116.020.828
2. Cash receipts from loan principal, bonds, borrowings and other loans	28		200.981.107	406.011.453
3. Total cash receipts from financial activities	29		0	1.994.584
V. Total cash receipts from financial activities (027 To 029)	30		207.676.664	524.026.865
1. Expenditures for repayment of loan principal and bonds	31		401.232.140	334.518.479
2. Expenditures for payment of dividends	32		0	0
3. Expenditures for financial leasing	33		16.832.684	11.748.293
4. Expenditures for redemption of treasury shares	34		2.398.700	149.098
5. Other expenditures from financial activities	35		0	249.938
VI. Total expenditures from financial activities (031 to 035)	36		420.463.524	346.665.808
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	37		0	177.361.057
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	38		212.786.860	0
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	39		0	17.766.492
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	40		68.053.246	0
Cash and cash equivalents at the beginning of the period	41		115.353.239	48.191.635
Increase in cash and cash equivalents	42		0	17.766.492
Decrease in cash and cash equivalents	43		68.053.246	0
Cash and cash equivalents at the end of the period	44		47.299.993	65.958.127

VI. REPORT OF CHANGES TO CAPITAL

Name of position:	AOP	Previous period	Increase	Decrease	Current period
	designation				
1. Subscribed capital	117	229.381.200			229.381.200
2. Capital reserves	118	0	36.787		36.787
3. Reserves from profit	119	345.632.495	87.913.571		433.546.066
4. Retained profit or loss carried forward	120	2.324.459	12.962.746		15.287.205
5. Profit/loss for the current year	121	91.573.397	20.286.626	91.573.397	20.286.626
6. Revaluation of the fixed tangible assets	122	7.224.760			7.224.760
7. Revaluation of intangible assets	123				
8. Revaluation of financial assets available for sale	124				
9. Other revaluation	125				
10. Foreign currency differences with respect to investment in foreign business	126				
11. Current and deferred taxes (part)	127				
12. Protection of cash flow	128				
13. Changes to accounting policies	129				
14. Adjustment of significant errors for the previous period	130				
15. Other changes to capital	131				
16. Total Increase or decrease in subscribed capital	132	676.136.311			705.725.857

KAPITAL I REZERVE					
1. Ascribed to capital holders of the principal office	105	676.136.311			705.642.448
2. Ascribed to minority interest	106	10.863.052			3.638.681