

Dalekovod d.d.
Marijana Čavića 4
10 000 Zagreb



Report by the Management Board for the first quarter of 2010

Non-audited, non-consolidated

In Zagreb 30th April 2010



CONTENTS:

- I. REPORT BY THE MANAGEMENT BOARD
- II. REPRESENTATION LETTER
- III. BALANCE SHEET
- IV. PROFIT AND LOSS ACCOUNT
- V. REPORT OF CASH FLOW
- VI. REPORT OF CHANGES TO CAPITAL
- VII. ADDITIONAL NOTES



I. REPORT BY THE MANAGEMENT BOARD

In the three-month period of the Company's business operations its capacities have not been fully engaged. In general, construction deadlines and delivery periods have been met.

Recession consequences have been felt strongly in the past period, as e.g. through aggravated liquidity, extension of deadlines for collection of claims, and stopping of realizations of the already concluded contracts by the investors, that has had a direct reflection on the achieved business results.

In the newly emerged situation, Dalekovod d.d. has undertaken, two years in succession, savings measures and rationalization of business operations, which has specially reflected on the below mentioned:

- Reduction of all wages and salaries by ca 10%
- Reduction of costs, on which influence can be exerted, by an average of 10%
- Disciplined behavior and use of work time, and esp. examining the work outside the regular working hours
- Limited use of private vehicles for official purposes
- Increased activities with regard to searching for new projects abroad, and meeting contractual commitments with a view of achieving references for new businesses.

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 basic results of operations compared to the same period last year show a significant decline in line with expectations that the Company expressed by adopting the Business Plan 2010, i.e. 45% lower than the realization of 2009, so that both revenues and expenditures decreased by 45% and gross profit by 38%.

Number of employees has continued to decrease by a natural outflow from the Company by retirement or termination of mutual agreement. Average net salary has been reduced by 10%.

In the coming period we are expecting a gradual increase in the employment capacity of the Company in accordance with the concluded contracts.

On behalf of the Management Board:


M.Sc. Ljiljana 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 financial statements of the Company prepared by using suitable financial reporting standards, give 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 non-audited and non-consolidated.

On behalf of the Management Board:


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

III. BALANCE SHEET

Assets

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		678.111.938	712.138.217
I INTANGIBLE ASSETS (004 to 009)	003		18.150.158	16.963.646
1 Development projects expenditures	004		0	0
2 Concessions, patents, licenses, trade marks, software and similar rights	005		16.197.111	14.948.268
3 Goodwill	006		0	0
4 Advance payments for intangible assets	007		0	0
5 Intangible assets in preparation	008		1.953.047	2.015.378
6 Other intangible assets	009		0	0
II TANGIBLE ASSETS (011 to 019)	010		468.458.748	459.136.003
1 Land	011		13.521.765	13.521.765
2 Construction facilities	012		118.319.745	111.633.285
3 Plant and machinery	013		181.376.004	205.863.454
4 Tools, plant inventory and means of transport	014		31.133.001	0
5 Biological property	015		0	0
6 Advance payments for tangible assets	016		0	25.368
7 Tangible assets in preparation	017		17.267.527	16.899.129
8 Other tangible assets	018		0	0
9 Investments in property	019		106.840.706	111.193.003
III FIXED FINANCIAL ASSETS (021 to 027)	020		191.503.032	236.038.568
1 Shares in affiliated undertakings	021		119.100.800	132.094.501
2 Loans to affiliated undertakings	022		11.858.508	0
3 Participating interests	023		33.665.538	33.665.538
4. Investments in securities	024		23.109.846	23.109.846
5. Loans, deposits, and similar	025		3.768.340	0
6 Own shares and interests	026		0	0
7 Other fixed financial assets	027		0	47.168.682
IV RECEIVABLES (029 to 031)	028		0	0
1 Receivables from affiliated undertakings	029		0	0
2 Receivables related to credit sale	030		0	0
3 Other receivables	031		0	0
DEFERRED TAX ASSETS	032		0	0
C) CURRENT ASSETS (034+042+049+057)	033		1.456.096.953	1.494.774.664
I STOCKS (035 To 041)	034		444.713.689	437.724.007
1 Raw material	035		100.001.544	106.258.344
2 Production in progress	036		15.080.785	7.832.450
3 In-process products and semi-products	037		0	0
4 Finished products	038		329.631.360	323.633.213
5 Goods for resale	039		0	0
6 Advance payments for inventories	040		0	0
7 Other assets intended for sale	041		0	0
II RECEIVABLES (043 To 048)	042		908.076.263	855.429.142
1 Receivables from affiliated undertakings	043		7.456.038	0
2 Receivables from customers	044		865.742.878	793.205.307
3 Receivables from participating undertakings	045		0	0
4 Receivables from employees and members of undertakings	046		966.184	1.042.783
5 Receivables from the state and other institutions	047		557.850	26.148.437
6 Other receivables	048		33.353.313	35.032.616
III CURRENT FINANCIAL ASSETS (050 To 056)	049		63.014.840	139.539.377
1 Shares in affiliated undertakings	050		0	0
2 Loans to affiliated undertakings	051		17.617.282	0
3 Participating interests	052		0	0
4. Investments in securities	053		26.023	26.023
5. Loans, deposits, and similar	054		45.371.535	139.513.354
6 Own shares and interests	055		0	0
7 Other long-term financial assets	056		0	0
IV CASH IN HAND AND AT BANK	057		40.292.161	62.082.138
D) PREPAYMENTS AND ACCRUED INCOME	058		12.052.995	71.639.384



E) LOSS ABOVE CAPITAL	059		0	0
F) TOTAL ASSETS (001+002+033+058+059)	060		2.146.261.886	2.278.552.265
G) OFF-BALANCE SHEET ITEMS	061		406.320.335	419.224.241

Liabilities

LIABILITIES				
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074075+076)	062		668.191.261	677.927.991
I INITIAL (SUBSCRIBED) CAPITAL	063		229.381.200	229.381.200
II CAPITAL RESERVES	064		0	0
III. RESERVES FROM PROFIT (066+067-068+069+070)	065		342.650.517	342.501.419
1 Legal reserves	066		11.486.600	11.486.600
2 Reserves for own shares	067		0	0
3 Own shares and interests (deductible item)	068		0	0
4 Statutory reserves	069		218.400.504	218.251.406
5 Other reserves	070		112.763.413	112.763.413
IV REVALUATION RESERVES	071		7.224.706	7.224.706
V RETAINED PROFIT	072		0	88.934.838
VI LOSS BROUGHT FORWARD	073		0	0
VII PROFIT OF FINANCIAL YEAR	074		88.934.838	9.885.828
VIII LOSS OF FINANCIAL YEAR	075		0	0
IX MINORITY INTEREST	076		0	0
B) PROVISIONS (078 TO 080)	077		6.876.000	6.876.000
1 Provisions for rents, lay-off pays and similar liabilities	078		6.876.000	6.876.000
2 Provision for tax liabilities	079		0	0
3 Other provisions	080		0	0
C) LONG-TERM LIABILITIES (082 To 089)	081		155.044.094	249.350.978
1 Liabilities towards affiliated undertakings	082		0	0
2 Liabilities for loans, deposits and similar	083		0	0
3 Liabilities towards banks and other financial institutions	084		1.665.000	12.289.379
4 Liabilities for advance payments	085		0	0
5 Liabilities towards suppliers	086		153.379.094	235.610.483
6 Liabilities related to securities	087		0	0
7 Other long-term liabilities	088		0	1.451.116
8 Deferred tax liability	089		0	0
D) SHORT-TERM LIABILITIES (091 do 101)	090		1.244.995.504	1.268.567.586
1 Liabilities towards affiliated undertakings	091		9.778.074	9.037.342
2 Liabilities for loans, deposits and similar	092		8.907.329	9.228.847
3 Liabilities towards banks and other financial institutions	093		335.385.720	357.827.762
4 Liabilities for advance payments	094		27.490.675	136.943.807
5 Liabilities towards suppliers	095		578.507.453	480.212.177
6 Liabilities related to securities	096		232.836.403	236.336.403
7 Liabilities towards employees	097		11.231.149	9.197.883
8 Liabilities for taxes, contributions and similar levies	098		13.355.958	9.165.821
9 Liabilities related to the share in the result	099		1.899.762	4.881.420
10 Liabilities related to fixed assets intended for sale	100		0	0
11 Other short-term liabilities	101		25.602.981	15.736.123
E) ACCRUALS AND DEFERRED PAYMENT	102		71.155.027	75.829.711
F) TOTAL - LIABILITIES (062+077+081+090+102)	103		2.146.261.886	2.278.552.265
G) OFF-BALANCE SHEET ITEMS	104		406.320.335	419.224.241

IV. PROFIT AND LOSS ACCOUNT

Item	Previous year (net)	Current year (net)
1	4	5
I OPERATING INCOME (108 to 110)	461.600.266	261.851.239
1 Revenues from products and services	443.530.842	253.184.238
2 Revenues from usage of own products and services	11.183.219	1.863.627
3 Other operating income	6.886.205	6.803.374
II OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	4.138.581	241.343.184
1 Reduction in stocks of finished goods and in work in progress	4.138.581	13.101.031
2 Increase of stocks of finished goods and in work in progress	0	0
3 Material costs (115 to 117)	335.090.800	136.606.524
a) Raw material costs	76.404.557	36.575.955
b) Costs of goods for sale	38.233.830	20.882.053
c) Other external services costs	220.452.413	79.148.516
4 Staff costs (119 to 121)	99.649.140	55.886.264
a) Net wages and salaries	36.247.742	31.497.029
b) Taxes and contribution on salaries	20.603.850	16.187.494
c) Contribution surtax on salaries	9.242.768	8.201.740
5 Depreciation	11.239.356	12.874.071
6 Other operating expenses	22.315.424	18.337.369
7 Value adjustment (125+126)	185.225	75.723
a) fixed assets (except financial assets)	0	0
b) current assets (except financial assets)	185.225	75.723
8. Long-term reserves	0	0
9. Other expenses	3.483.871	4.462.202
III FINANCIAL INCOME (130 to 134)	9.990.075	330.423
1 Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	236.014	204.253
2 Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	9.754.061	126.170
3 Income from affiliated undertakings and participating interests	0	0
4 Unrealized income of the financial assets	0	0
5 Other financial income	0	0
IV FINANCIAL EXPENSES(136 to 139)	9.890.032	8.482.443
1. Interest income, foreign exchange gains, dividends and other expenses related to affiliated undertakings	54.164	352.286
2. Interest income, foreign exchange gains, dividends and other expenses related to unaffiliated undertakings and other persons	9.688.934	8.125.742
3. Unrealized losses (expenses) of the financial assets	146.934	4.416
4 Other financial expenses	0	0
V EXTRAORDINARY- OTHER INCOME	702.933	0
VI EXTRAORDINARY - OTHER EXPENSES	0	0
VII TOTAL INCOME (107+129+140)	472.293.274	262.181.662
VIII TOTAL EXPENSES (111+135+141)	452.437.649	249.825.627
IX PROFIT BEFORE TAX (142-143)	19.855.625	12.356.035
X LOSS BEFORE TAX (142-143)		0
XI TAX	5.367.293	2.470.207
XII PROFIT AFTER TAX	14.488.332	9.885.828
XIII LOSS AFTER TAX		0

V. REPORT OF CASH FLOW

Name of position: 1	AOP	No.	Previous year 4	Current year 5
	designation 2	Note 3		
CASH FLOW FROM OPERATING ACTIVITIES				
1. Pre-tax profit	1		19.855.625	12.356.035
2. Depreciation	2		11.239.356	12.874.071
3. Increase in short-term liabilities	3		62.304.836	0
4. Decrease in short-term receivables	4		0	77.911.818
5. Reduction of stocks	5		0	6.989.682
6. Other increase in cash flow	6		0	0
I. Total increase in cash flow from operating activities (001 to 006)	7		93.399.817	110.131.606
1. Decrease in short-term liabilities	8		0	4.362.237
2. Increase in short-term receivables	9		68.372.994	0
3. Increase in stocks	10		10.406.992	0
4. Other decrease in cash flow	11		6.694.168	82.964.074
II Total decrease in cash flow from operating activities (008 to 011)	12		85.474.154	87.326.311
A1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (007-012)	13		7.925.663	22.805.295
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (012-007)	14		0	0
CASH FLOW FROM INVESTMENT ACTIVITIES				
1. Cash receipts from sale of fixed tangible and intangible assets	15		11.979.327	1.549.947
2. Cash receipts from sale of treasury and debt financial instruments	16		10.079.503	96.887
3. Cash receipts from interests	17		277.926	251.503
4. Cash receipts from dividends	18			
5. Other cash receipts from investment activities	19			
III. Total cash receipts from investment activities (015 do 019)	20		22.336.756	1.898.337
1. Expenditures for buying fixed assets and intangible assets	21		8.817.599	3.889.393
2. Expenditures for purchasing treasury and debt financial instruments	22		20.861.322	121.156.963
3. Other expenditures from investment activities	23			
IV. Total expenditures from investment activities (021 to 023)	24		29.678.921	125.046.356
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		7.342.165	123.148.019
CASH FLOW FROM FINANCIAL ACTIVITIES				
1. Cash receipts from issuance of treasury and debt financial instruments	27		0	0
2. Cash receipts from loan principal, bonds, borrowings and other loans	28		141.445.530	195.715.887
3. Total cash receipts from financial activities	29			
V. Total cash receipts from financial activities (027 To 029)	30		141.445.530	195.715.887
1. Expenditures for repayment of loan principal and bonds	31		186.606.492	67.591.600
2. Expenditures for payment of dividends	32		0	0
3. Expenditures for financial leasing	33		0	5.842.489
4. Expenditures for redemption of treasury shares	34		2.398.700	149.098
5. Other expenditures from financial activities	35			
VI. Total expenditures from financial activities (031 to 035)	36		189.005.192	73.583.187
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	37		0	122.132.700
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	38		47.559.662	0
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	39		0	21.784.972
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	40		46.976.164	0
Cash and cash equivalents at the beginning of the period	41		104.720.406	40.292.162
Increase in cash and cash equivalents	42		0	21.789.976
Decrease in cash and cash equivalents	43		46.976.164	0
Cash and cash equivalents at the end of the period	44		57.744.242	62.082.138

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			0
3. Reserves from profit	119	342.650.517		149.098	342.501.419
4. Retained profit or loss carried forward	120	0	88.934.838		88.934.838
5. Profit/loss for the current year	121	88.934.838	9.885.828	88.934.838	9.885.828
6. Revaluation of the fixed tangible assets	122	0			0
7. Revaluation of intangible assets	123				0
8. Revaluation of financial assets available for sale	124	7.224.706			7.224.706
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	668.191.261			677.927.991

VII. ADDITIONAL NOTES

1. MEMBERS OF THE COMPANY MANAGEMENT BOARD

1. Board President: M.Sc. Luka Miličić, Master of Civil Eng.
2. Deputy President -Member: Krešo Kraljević, Master of Electrical Eng.
3. Member: Tomislav Belamarić, Master of Electrical Eng.

2. MEMBERS OF THE SUPERVISORY BOARD

President: Marijan Pavlović
 Member: Anđa Bošković
 Member: Velimir Đurđević
 Member: Ivan Radotić
 Member: Alda Zaninović
 Member: Dinko Markoljević
 Member: Željko Poljak

3. TEN MAJOR SHAREHOLDERS:

CTG d.o.o.	Zagreb, Zadarska 80/III	352.474	15,37%
HPB d.d./Kapitalni fond d.d.	Zgb, Jurišićeva 4	44.071	1,92%
Dalekovod d.d.	Zgb, M. Čavića 4	43.934	1,91%
Zagrebačka banka / Zbirni skrbnički račun	Zagreb, Paromlinska 2	36.288	1,58%
Societe generale - Splitska banka d.d.	Split, R. Boškovića 16	26.348	1,15%
Raiffaisenbank Austria d.d. / Zbirni skrbnički račun	Zgb, Petrinjska 159	25.501	1,09%
Erste&Steiermarkische bank d.d. /CSC	Rijeka, Jadranski trg 3A	22.872	1%
Miličić Luka	Zagreb, Čačkovićeveva 7a	22.469	0,98%
PBZ d.d. Street client account	Zgb, Račkog 6	21.341	0,93%
Mirošević Gordan	Zgb, Papova 10	19.463	0,85%

4. DIVISION OF SHARES:

There was no new issue of shares.

5. EARNING PER SHARE

Earning per share for the first quarter of 2010 amounted to HRK 4,39.

6. ACQUISITION AND MERGER

During the first quarter of 2010 there were no acquisitions or mergers.

7. UNCERTAINTY

During the first quarter of 2010 there were no identified bad and doubtful debts affecting the continuity of business.

8. DESCRIPTION OF PRODUCTS AND SERVICES

Dalekovod d.d with time has specialized for performance of contracts based on „turnkey“solution in the following areas:

- Electrical power facilities, especially transmission lines from 0.4 to 500 kV
- Substations of all levels and voltage levels up to 500 kV
- Air, underground and marine cables up to 110 kV
- Telecommunication facilities
- All types of networks and antennas
- Production of suspension and jointing equipment for all types of transmission lines and substations from 0.4 to 500 kV
- Production and installation of all metal parts for traffic roads, especially for road lighting, protective fencing and traffic signalization
- Tunnel lighting and traffic control
- Electrification of railway and trams

9. CHANGES TO ACCOUNTING POLICIES

There are no new accounting policies.

10. LEGAL ISSUES

There are no unresolved issues greatly affecting the Company's business.