

Dalekovod group
Marijana Čavića 4
10 000 Zagreb



The preliminary Management Board Report for the 2010

*** IMPORTANT NOTE ACCOMPANIED BY THE MANAGEMENT REPORT:**

The above financial statements as integral part of the reports by the Management are preliminary, unaudited and consolidated reports and have not been considered by the Supervisory Board.

Some differences may occur between preliminary and audited financial statements of the Group that will not have a great impact on the operating result of the Group.

Annual, audited, financial statements of the Group that will be subject to consideration by the Supervisory Board will be publicized within legal deadline on 30th April 2011.

Non-audited, consolidated

In Zagreb 15th February, 2010



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I. THE MANAGEMENT BOARD REPORT

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	95,74%
4.	DALEKOVOD – TKS d.d. DOBOJ – BOSNA I HERCEGOVINA	92,94%
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.	EL-RA d.o.o., Vela Luka	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 UKRAJINA D.O.O., Kijev, Ukrajina	100,00%
16.	EKO d.o.o., Zagreb	50,00%
17.	VELIKA POPINA d.o.o., Zagreb	50,00%
18.	DALEKOVOD Professio d.o.o. - Zagreb	100,00%

Even in this period of crisis and the extremely difficult market conditions the Dalekovod group made a profit of HRK 2,128,755 for the year 2010th. Out of the total reported profit, 2,477,248 HRK is ascribed to capital holders of the parent company, and the loss of HRK 348,484 is to be ascribed to minority interests. The credit for the profit of the group is mostly due to the parent company, whose share in total business revenue amounts to 94%.

On behalf of the Management Board:

M.Sc. Luka Miličić,
President of the Board „Dalekovod“ d.d.



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
President of the Board „Dalekovod“ d.d.

III. BALANCE SHEET

Assets

Name of position: 1	AOP designation 2	No. Note 3	Previous year (net) 4	Current year (net) 5
ASSETS				
A) RECEIVABLES FOR SUBSCRIBED CAPITAL, UNPAID	001		0	0
B) B) FIXED ASSETS (003+010+020+028+032)	002		808.471.436	889.173.345
I. INTANGIBLE ASSETS (004 to 009)	003		22.709.667	23.762.681
1. Development costs	004		0	0
2. Concessions, patents, licenses, merchandize and service trademarks, software and other rights	005		16.197.620	10.846.340
3. Goodwill	006		4.559.000	4.559.000
4. Advances for purchase of intangible assets	007		0	118.510
5. Intangible assets in construction	008		1.953.047	8.168.795
6. Other intangible assets	009		0	70.036
II TANGIBLE ASSETS (011 to 019)	010		708.864.076	710.832.923
1. LAND	011		25.843.365	59.984.793
2. Buildings	012		173.445.871	146.995.770
3. Plants and equipment	013		211.542.820	177.105.356
4. Tools, plant inventories and transportation assets	014		32.969.874	26.637.005
5. Biological assets	015		0	0
6. Advances for tangible assets	016		126.683	98.532
7. Tangible assets in construction	017		158.094.757	194.802.872
8. Other tangible assets	018		0	0
9. Real estate investment	019		106.840.706	105.208.595
III. LONG-TERM FINANCIAL ASSETS (021 to 027)	020		76.897.693	154.577.741
1. Stakes (shares) in affiliated companies	021		5.439.653	36.823.343
2. Loans granted to affiliated undertakings	022		0	19.879.309
3. Participating interests	023		33.665.538	38.889.640
4. Investments in securities	024		23.109.846	29.698.444
5. Loans, deposits and etc. granted	025		14.682.656	29.287.005
6. Treasury shares and stakes	026		0	0
7. Other long-term financial assets	027		0	0
IV. DEBTORS (029 to 031)	028		0	0
1. Receivables from affiliated companies	029		0	0
2. Receivables with respect to sale on loan	030		0	0
3. Other receivables	031		0	0
V. DEFERRED TAX ASSETS	032		0	0
C) CURRENT ASSETS (034+042+049+057)	033		1.510.276.109	1.629.249.371
I. INVENTORIES (035 to 041)	034		482.712.214	353.148.508
1. Raw material and material	035		126.182.683	106.429.027
2. Production in construction	036		20.296.285	135.103.131
3. Non-finished products and semi-finished products	037		1.514.691	9.545.137
4. Finished goods	038		331.924.941	99.802.188
5. Commodities	039		1.790.407	1.990.999
6. Advances for stocks	040		1.003.207	160.355
7. Other assets intended for sale	041		0	117.671
II DEBTORS (043 to 048)	042		918.742.794	973.472.425
1. Receivables from affiliated companies	043		0	29.637.998
2. Trade debtors	044		879.971.690	771.393.470
3. Amounts owed from participating companies	045		0	0
4. Amounts owed from employees and company members	046		2.471.127	2.651.660
5. Receivables from the Government and other institutions	047		1.316.481	80.742.168
6. Other receivables	048		34.983.496	89.047.129
III. SHORT-TERM FINANCIAL ASSETS (050 to 056)	049		60.383.596	219.952.915
1. Stakes (shares) in affiliated companies	050		0	0
2. Loans granted to affiliated undertakings	051		0	25.476.880
3. Participating interests	052		276.992	0
4. Investments in securities	053		26.023	27.629
5. Loans, deposits and etc. granted	054		59.850.036	194.448.406
6. Treasury shares and stakes	055		0	0
7. Other financial assets	056		230.545	0
IV. CASH IN BANK AND IN HAND	057		48.437.505	82.675.523



D) PREPAYMENTS AND ACCRUED INCOME	058		13.861.910	44.427.831
E) LOSS EXCEEDING THE CAPITAL	059		0	0
F) TOTAL ASSETS (001+002+033+058+059)	060		2.332.609.455	2.562.850.547
G) OFF-BALANCE ITEMS	061		406.320.335	613.105.218

Liabilities

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	62	686.999.363	697.439.284
I. SUBSCRIBED SHARE CAPITAL	63	229.381.200	229.381.200
II CAPITAL RESERVES	64	0	0
III. RESERVES FROM PROFIT (066+067-068+069+070)	65	345.632.495	436.634.871
1. Legal reserves	66	12.522.134	12.788.705
2. Reserves for treasury shares	67	0	0
3. Treasury shares and stakes (deductible item)	68	0	0
4. Statutory reserves	69	218.400.504	307.186.247
5. Other reserves	70	114.709.857	116.659.919
IV. REVALUATION RESERVES	71	7.224.760	15.037.772
V. RETAINED PROFIT	72	2.324.459	11.608.721
VI. LOSS CARRIED FORWARD	73	0	1.475.229
VII. PROFIT FOR THE FISCAL YEAR	74	91.573.397	2.477.236
VIII. LOSS FOR THE FISCAL YEAR	75	0	0
IX. MINORITY INTEREST	76	10.863.052	3.774.713
B) PROVISIONS (078 to 080)	77	8.475.988	13.460.668
1. Provisions for pensions, severance pays and related liabilities	78	8.475.988	12.921.920
2. Provisions for tax liabilities	79	0	0
3. Other provisions	80	0	538.748
C) LONG-TERM LIABILITIES (082 to 089)	81	279.185.838	478.647.331
1. Payables to affiliated companies	82	0	1.477.778
2. Liabilities for loans, deposits etc.	83	0	0
3. Amounts owed to banks and other financial institutions	84	125.806.744	255.414.476
4. Amounts owed for advances	85	0	0
5. Trade creditors	86	153.379.094	221.755.077
6. Amounts owed with respect to securities	87	0	0
7. Other long-term liabilities	88	0	0
8. Deferred tax liability	89	0	0
D) SHORT-TERM LIABILITIES (091 to 101)	90	1.280.098.888	1.373.265.851
1. Payables to affiliated companies	91	7.325.986	17.422.275
2. Liabilities for loans, deposits etc.	92	8.907.329	9.804.100
3. Amounts owed to banks and other financial institutions	93	343.896.704	416.960.135
4. Amounts owed for advances	94	27.894.232	136.438.652
5. Trade creditors	95	595.998.921	495.239.515
6. Amounts owed with respect to securities	96	232.836.403	210.105.783
7. Payables to employees	97	14.636.826	8.465.936
8. Debts for taxes, contributions and other payables	98	19.059.407	49.055.414
9. Liabilities with respect to share in result	99	1.899.762	2.899.762
10. Liabilities with respect to fixed assets intended for sale	100	0	0
11. Other short-term liabilities	101	27.643.318	26.874.279
E) ACCRUALS AND DEFERRED INCOME	102	77.849.378	37.413
F) TOTAL – LIABILITIES (062+077+081+090+102)	103	2.332.609.455	2.562.850.547
G) OFF-BALANCE ITEMS	104	406.320.335	613.105.218
ANNEX TO THE BALANCE SHEET (to be filled in by a company preparing the consolidated annual financial statements)			
CAPITAL AND RESERVES			
1. Ascribed to capital holders of the principal office	105	676.136.312	693.664.571
2. Ascribed to minority interest	106	10.863.052	3.774.713

IV. REPORT OF OVERALL PROFIT

Item	Previous year (net)	Current year (net)
1	4	5
I OPERATING INCOME (108 to 110)	2.451.423.294	1.652.199.214
1 Revenues from products and services	2.394.605.008	1.555.415.497
2 Revenues from usage of own products and services	27.112.106	163.741
3 Other operating income	29.706.180	96.619.976
II OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	2.268.309.019	1.587.515.283
1 Reduction in stocks of finished goods and in work in progress	127.017.905	116.026.133
2 Increase of stocks of finished goods and in work in progress	0	9.122.471
3 Material costs (115 to 117)	1.509.563.316	991.616.336
a) Raw material costs	323.474.299	149.264.825
b) Costs of goods for sale	122.068.551	195.982.143
c) Other external services costs	1.064.020.466	646.369.368
4 Staff costs (119 to 121)	367.236.862	283.072.408
a) Net wages and salaries	220.854.198	176.731.826
b) Taxes and contribution on salaries	95.516.314	72.668.609
c) Contribution surtax on salaries	50.866.350	33.671.973
5 Depreciation	59.272.335	48.278.664
6 Other operating expenses	197.212.753	136.473.160
7 Value adjustment (125+126)	2.809.141	6.705.374
a) fixed assets (except financial assets)	208.128	0
b) current assets (except financial assets)	2.601.013	6.705.374
8. Long-term reserves	3.725.919	0
9. Other expenses	1.470.788	14.465.679
III FINANCIAL INCOME (130 to 134)	2.009.932	2.614.398
1 Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	0	0
2 Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	503.293	1.514.223
3 Income from affiliated undertakings and participating interests	0	1.759
4 Unrealized income of the financial assets	0	0
5 Other financial income	1.506.639	1.098.416
IV FINANCIAL EXPENSES(136 to 139)	74.270.337	63.078.966
1. Interest income, foreign exchange gains, dividends and other expenses related to affiliated undertakings	0	0
2. Interest income, foreign exchange gains, dividends and other expenses related to unaffiliated undertakings and other persons	74.270.337	57.812.617
3. Unrealized losses (expenses) of the financial assets	0	5.061.423
4 Other financial expenses	0	204.926
V EXTRAORDINARY- OTHER INCOME	0	0
VI EXTRAORDINARY - OTHER EXPENSES	0	0
VII TOTAL INCOME (107+129+140)	2.453.433.226	1.654.813.612
VIII TOTAL EXPENSES (111+135+141)	2.342.579.356	1.650.594.249
IX PROFIT BEFORE TAX (142-143)	110.853.870	4.219.363
X LOSS BEFORE TAX (142-143)	0	0
XI TAX	23.455.636	2.090.608
XII PROFIT AFTER TAX	87.398.234	2.128.755
XIII LOSS AFTER TAX	0	0
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	91.573.400	2.477.248
XV.* PROFIT ASCRIBED TO MINORITY INTEREST	0	0
XVI.*LOSS ASCRIBED TO CAPITAL HOLDERS OF THE PRINCIPAL OFFICE	0	0
XVII.* LOSS ASCRIBED TO MINORITY INTEREST	4.175.166	348.484

V. REPORT OF CASH FLOW

Name of position: 1	AOP designation	Previous year	Current year
	2	4	5
CASH FLOW FROM OPERATING ACTIVITIES			
1. Pre-tax profit	1	110.853.870	4.218.838
2. Depreciation	2	59.272.118	48.278.666
3. Increase in short-term liabilities	3	107.806.837	23.560.157
4. Decrease in short-term receivables	4	189.994.519	33.683.096
5. Reduction of stocks	5	263.905.621	135.642.639
6. Other increase in cash flow	6	23.324.610	1.011.404
I. Total increase in cash flow from operating activities (001 to 006)	7	755.157.575	246.394.800
1. Decrease in short-term liabilities	8	387.656.642	10.392.511
2. Increase in short-term receivables	9	27.058.237	4.985.559
3. Increase in stocks	10	1.872.803	7.873.933
4. Other decrease in cash flow	11	3.880.918	62.520.393
II Total decrease in cash flow from operating activities (008 to 011)	12	420.468.600	85.772.396
A1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (007-012)	13	334.688.975	160.622.404
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	20.741.252	58.035.855
2. Cash receipts from sale of treasury and debt financial instruments	16	90.543.029	16.367.599
3. Cash receipts from interests	17	1.095.334	1.528.727
4. Cash receipts from dividends	18	0	0
5. Other cash receipts from investment activities	19	800.307	378.138
III. Total cash receipts from investment activities (015 do 019)	20	113.179.922	76.310.319
1. Expenditures for buying fixed assets and intangible assets	21	192.948.891	190.514.251
2. Expenditures for purchasing treasury and debt financial instruments	22	146.415.831	261.073.967
3. Other expenditures from investment activities	23	462.169	1.264.379
IV. Total expenditures from investment activities (021 to 023)	24	339.826.891	452.852.597
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	226.646.969	376.542.278
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipts from issuance of treasury and debt financial instruments	27	151.181.774	162.871.623
2. Cash receipts from loan principal, bonds, borrowings and other loans	28	742.765.533	789.204.892
3. Total cash receipts from financial activities	29	42.972.928	37.760
V. Total cash receipts from financial activities (027 To 029)	30	936.920.235	952.114.275
1. Expenditures for repayment of loan principal and bonds	31	1.080.446.859	676.541.595
2. Expenditures for payment of dividends	32	0	578.476
3. Expenditures for financial leasing	33	29.046.404	24.131.211
4. Expenditures for redemption of treasury shares	34	2.398.700	149.098
5. Other expenditures from financial activities	35	56.503	319.982
VI. Total expenditures from financial activities (031 to 035)	36	1.111.948.466	701.720.362
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	37	0	250.393.913
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	38	175.028.231	0
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	39	0	35.431.221
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	40	66.986.225	957.182
Cash and cash equivalents at the beginning of the period	41	115.423.730	48.201.479
Increase in cash and cash equivalents	42	0	411.016.317
Decrease in cash and cash equivalents	43	66.986.225	376.542.278
Cash and cash equivalents at the end of the period	44	48.437.505	82.675.518

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				
3. Reserves from profit	119	345.632.495	91.002.376		436.634.871
4. Retained profit or loss carried forward	120	2.324.459	7.809.033		10.133.492
5. Profit/loss for the current year	121	91.573.397	2.477.236	91.573.397	2.477.236
6. Revaluation of the fixed tangible assets	122	7.224.760	7.813.012		15.037.772
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			693.664.571

KAPITAL I REZERVA					
1. Ascribed to capital holders of the principal office	105	676.136.311			693.664.571
2. Ascribed to minority interest	106	10.863.052			3.774.713