

Dalekovod group
Marijana Čavića 4
10 000 Zagreb



The Management Board Report for the third quarter of 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	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.	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 36,914,758 for the first three quarters of the 2010th. Out of the total reported profit, 37,285,868 HRK is ascribed to capital holders of the parent company, and the loss of HRK 371,109 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 96%.

In the period up to the end of the year, along with undertaking additional saving measures and rationalization of business operations, and due to projects, realization of which is in progress as well as biddings in which we are taking part, we are expecting achievement of planned results even in this exceptionally demanding business period.

On behalf of the Management Board:

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

III. BALANCE SHEET

Item	AOP label	Previous year (net)	Current year (net)
1	2	4	5
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (003+010+020+028+032)	002	808.471.436	826.191.168
I INTANGIBLE ASSETS (004 to 009)	003	22.709.667	20.856.987
II TANGIBLE ASSETS (011 to 019)	010	708.864.076	667.926.740
III FIXED FINANCIAL ASSETS (021 to 027)	020	76.897.693	137.209.117
IV RECEIVABLES (029 to 031)	028	0	198.324
DEFERRED TAX ASSETS	032	0	0
C) CURRENT ASSETS (034+042+049+057)	033	1.510.276.109	1.559.199.174
I STOCKS (035 To 041)	034	482.712.214	357.501.964
II RECEIVABLES (043 To 048)	042	918.742.794	978.007.581
III CURRENT FINANCIAL ASSETS (050 To 056)	049	60.383.596	118.408.691
IV CASH IN HAND AND AT BANK	057	48.437.505	105.280.938
D) PREPAYMENTS AND ACCRUED INCOME	058	13.861.910	17.197.889
E) LOSS ABOVE CAPITAL	059	0	0
F) TOTAL ASSETS (001+002+033+058+059)	060	2.332.609.455	2.402.588.230
G) OFF-BALANCE SHEET ITEMS	061	406.320.335	614.226.331
LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074075+076)	062	686.999.363	723.911.395
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	345.632.495	432.381.766
IV REVALUATION RESERVES	071	7.224.760	7.224.760
V RETAINED PROFIT	072	2.324.459	13.921.333
VI LOSS BROUGHT FORWARD	073	0	0
VII PROFIT OF FINANCIAL YEAR	074	91.573.397	37.285.868
VIII LOSS OF FINANCIAL YEAR	075	0	0
IX MINORITY INTEREST	076	10.863.052	3.716.467
B) PROVISIONS (078 TO 080)	077	8.475.988	8.281.988
C) LONG-TERM LIABILITIES (082 To 089)	081	279.185.838	376.722.580
D) SHORT-TERM LIABILITIES (091 do 101)	090	1.280.098.888	1.222.197.240
E) ACCRUALS AND DEFERRED PAYMENT	102	77.849.378	71.475.027
F) TOTAL - LIABILITIES (062+077+081+090+102)	103	2.332.609.455	2.402.588.230
G) OFF-BALANCE SHEET ITEMS	104	406.320.335	614.226.331
CAPITAL AND RESERVES			
KAPITAL I REZERVA			
1. Ascribed to capital holders of the principal office	105	676.136.311	720.194.928
2. Ascribed to minority interest	106	10.863.052	3.716.467

IV. REPORT OF OVERALL PROFIT

Item	Previous year (net)	Current year (net)
1	4	5
I OPERATING INCOME (108 to 110)	1.953.903.164	1.292.506.710
1 Revenues from products and services	1.909.969.855	1.261.938.375
2 Revenues from usage of own products and services	19.876.596	16.129.678
3 Other operating income	24.056.713	14.438.657
II OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	1.870.737.777	1.200.924.817
1 Reduction in stocks of finished goods and in work in progress	170.360.714	123.513.263
2 Increase of stocks of finished goods and in work in progress	0	6.966.223
3 Material costs (115 to 117)	1.196.474.842	702.797.368
4 Staff costs (119 to 121)	273.606.958	234.980.124
5 Depreciation	39.001.156	41.780.705
6 Other operating expenses	168.927.667	96.345.409
7 Value adjustment (125+126)	423.295	96.306
8. Long-term reserves	0	0
9. Other expenses	21.943.145	8.377.865
III FINANCIAL INCOME (130 to 134)	24.759.991	3.042.043
1 Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	236.014	22.198
2 Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	23.439.520	2.290.564
3 Income from affiliated undertakings and participating interests	0	0
4 Unrealized income of the financial assets	651.326	0
5 Other financial income	433.131	729.281
IV FINANCIAL EXPENSES(136 to 139)	57.853.141	47.449.200
1. Interest income, foreign exchange gains, dividends and other expenses related to affiliated undertakings	0	241.147
2. Interest income, foreign exchange gains, dividends and other expenses related to unaffiliated undertakings and other persons	57.501.917	47.150.191
3. Unrealized losses (expenses) of the financial assets	351.224	0
4 Other financial expenses	0	57.862
V EXTRAORDINARY- OTHER INCOME	30.922.872	0
VI EXTRAORDINARY - OTHER EXPENSES	928.417	0
VII TOTAL INCOME (107+129+140)	2.009.586.027	1.295.548.753
VIII TOTAL EXPENSES (111+135+141)	1.929.519.334	1.248.374.017
IX PROFIT BEFORE TAX (142-143)	80.066.693	47.174.736
X LOSS BEFORE TAX (142-143)		
XI TAX	15.855.578	10.259.978
XII PROFIT AFTER TAX	64.211.115	36.914.758
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	67.238.483	37.285.868
XV.* PROFIT ASCRIBED TO MINORITY INTEREST		
XVI.*LOSS ASCRIBED TO CAPITAL HOLDERS OF THE PRINCIPAL OFFICE		
XVII.* LOSS ASCRIBED TO MINORITY INTEREST	3.027.368	371.109

V. REPORT OF CASH FLOW

Name of position: 1	AOP designation 2	Previous year 4	Current year 5
CASH FLOW FROM OPERATING ACTIVITIES			
1. Pre-tax profit	1	78.312.481	47.174.734
2. Depreciation	2	33.975.303	41.769.906
3. Increase in short-term liabilities	3	0	16.276.026
4. Decrease in short-term receivables	4	0	14.879.186
5. Reduction of stocks	5	276.342.330	129.924.495
6. Other increase in cash flow	6	0	1.151.213
I. Total increase in cash flow from operating activities (001 to 006)	7	388.630.114	251.175.560
1. Decrease in short-term liabilities	8	21.188.789	160.026.286
2. Increase in short-term receivables	9	80.686.552	38.926.511
3. Increase in stocks	10	0	8.421.077
4. Other decrease in cash flow	11	35.874.527	34.288.333
II Total decrease in cash flow from operating activities (008 to 011)	12	137.749.868	241.662.207
A1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (007-012)	13	250.880.246	9.513.353
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	24.819.241	2.229.698
2. Cash receipts from sale of treasury and debt financial instruments	16	56.308.437	21.369.415
3. Cash receipts from interests	17	801.288	1.239.747
4. Cash receipts from dividends	18		0
5. Other cash receipts from investment activities	19		287.449
III. Total cash receipts from investment activities (015 do 019)	20	81.928.966	25.126.309
1. Expenditures for buying fixed assets and intangible assets	21	38.061.077	48.792.082
2. Expenditures for purchasing treasury and debt financial instruments	22	84.335.368	153.188.034
3. Other expenditures from investment activities	23		170.796
IV. Total expenditures from investment activities (021 to 023)	24	122.396.445	202.150.912
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	40.467.479	177.024.603
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	472.972.789	592.896.194
3. Total cash receipts from financial activities	29		60.652.533
V. Total cash receipts from financial activities (027 To 029)	30	624.154.563	816.420.350
1. Expenditures for repayment of loan principal and bonds	31	876.178.153	566.872.766
2. Expenditures for payment of dividends	32	0	578.476
3. Expenditures for financial leasing	33	23.270.289	23.794.099
4. Expenditures for redemption of treasury shares	34	2.398.700	149.098
5. Other expenditures from financial activities	35		435.080
VI. Total expenditures from financial activities (031 to 035)	36	901.847.142	591.829.519
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	37	0	224.590.831
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	38	277.692.579	0
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	39	0	58.511.003
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	40	67.279.812	1.431.422
Cash and cash equivalents at the beginning of the period	41	104.720.406	48.201.356
Increase in cash and cash equivalents	42	0	58.511.003
Decrease in cash and cash equivalents	43	67.279.812	1.431.422
Cash and cash equivalents at the end of the period	44	37.440.594	105.280.937

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	345.632.495	86.749.271		432.381.766
4. Retained profit or loss carried forward	120	2.324.459	11.596.874		13.921.333
5. Profit/loss for the current year	121	91.573.397	37.285.868	91.573.397	37.285.868
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			720.194.928

KAPITAL I REZERVA					
1. Ascribed to capital holders of the principal office	105	676.136.311			720.194.928
2. Ascribed to minority interest	106	10.863.052			3.716.467