

Dalekovod d.d.
Marijana Čavića 4
10 000 Zagreb



Report by the Management Board for the period 01st January 2010 to 30 st September 2010

Non-audited, non-consolidated

In Zagreb 22th October 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 third quarter of 2010 Dalekovod d.d. has realized a total revenue of 1,244,752,686 HRK. Sales revenue amounts to 1,215,200,384 HRK, which by comparison to the same period last year is a decline; however, in compliance with the 2010 business plan.

In the third quarter overall expenditures of Dalekovod d.d. were realized in the amount of 1,197,013,919 HRK, which represents a decline in comparison to the same period last year. Decrease of expenditure has been also accompanied by decrease of revenue in the same relative amount.

During this account period a net profit of 38,191,014 HRK has been realized, which complies with the anticipated business results.

Dalekovod has undertaken, second year in a row, saving measures and realization of business operation with a view to optimize business results and adjust to the recession conditions in the economy. The recession effect is due to impaired liquidity and extension of collection deadlines and halt of realization of already contracted projects on the part of the investors.

The business performance in the captioned period has been significantly under the influence of the growth of financing costs, caused by exterior general illiquidity conditions.

In case earnings before interest, taxes, depreciation, and amortization (EBITDA) are compared to the same period last year, when the income amounted to 143,979,553 HRK, a profit of 129,682,437 HRK has been realized, which represents a decline of 10%. The expressed relative decrease of EBITDA is significantly less in relation to the decrease of gross profit.

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 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	705.786.888
I INTANGIBLE ASSETS (004 to 009)	003		18.150.158	15.238.829
1 Development projects expenditures	004		0	0
2 Concessions, patents, licenses, trade marks, software and similar rights	005		16.197.111	11.932.220
3 Goodwill	006		0	0
4 Advance payments for intangible assets	007		0	0
5 Intangible assets in preparation	008		1.953.047	3.306.609
6 Other intangible assets	009		0	0
II TANGIBLE ASSETS (011 to 019)	010		468.458.748	454.083.321
1 Land	011		13.521.765	13.521.765
2 Construction facilities	012		118.319.745	113.112.411
3 Plant and machinery	013		181.376.004	169.331.188
4 Tools, plant inventory and means of transport	014		31.133.001	26.345.508
5 Biological property	015		0	0
6 Advance payments for tangible assets	016		0	0
7 Tangible assets in preparation	017		17.267.527	26.563.853
8 Other tangible assets	018		0	0
9 Investments in property	019		106.840.706	105.208.595
III FIXED FINANCIAL ASSETS (021 to 027)	020		191.503.032	236.464.739
1 Shares in affiliated undertakings	021		119.100.800	134.163.697
2 Loans to affiliated undertakings	022		11.858.508	4.155.502
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	41.370.156
6 Own shares and interests	026		0	0
7 Other fixed financial assets	027		0	0
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	1.513.623.981
I STOCKS (035 To 041)	034		444.713.689	315.640.238
1 Raw material	035		100.001.544	94.547.606
2 Production in progress	036		15.080.785	119.509.553
3 In-process products and semi-products	037		0	0
4 Finished products	038		329.631.360	101.583.079
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	954.561.581
1 Receivables from affiliated undertakings	043		7.456.038	49.605.430
2 Receivables from customers	044		865.742.878	809.875.850
3 Receivables from participating undertakings	045		0	0
4 Receivables from employees and members of undertakings	046		966.184	1.197.091
5 Receivables from the state and other institutions	047		557.850	37.460.953
6 Other receivables	048		33.353.313	56.422.256
III CURRENT FINANCIAL ASSETS (050 To 056)	049		63.014.840	146.480.750
1 Shares in affiliated undertakings	050		0	0
2 Loans to affiliated undertakings	051		17.617.282	39.786.880
3 Participating interests	052		0	0
4. Investments in securities	053		26.023	26.023
5. Loans, deposits, and similar	054		45.371.535	106.667.848
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	96.941.412
D) PREPAYMENTS AND ACCRUED INCOME	058		12.052.995	15.459.202
E) LOSS ABOVE CAPITAL	059		0	0
F) TOTAL ASSETS (001+002+033+058+059)	060		2.146.261.886	2.234.870.071
G) OFF-BALANCE SHEET ITEMS	061		406.320.335	613.105.218

Liabilities

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062	668.191.261	706.233.180
I INITIAL (SUBSCRIBED) CAPITAL	063	229.381.200	229.381.200
II CAPITAL RESERVES	064		0
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	342.650.517	431.436.260
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	307.186.247
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	0
VI LOSS BROUGHT FORWARD	073	0	0
VII PROFIT OF FINANCIAL YEAR	074	88.934.838	38.191.014
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	308.702.905
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	84.210.345
4 Liabilities for advance payments	085	0	0
5 Liabilities towards suppliers	086	153.379.094	224.492.560
6 Liabilities related to securities	087	0	0
7 Other long-term liabilities	088	0	0
8 Deferred tax liability	089	0	0
D) SHORT-TERM LIABILITIES (091 do 101)	090	1.244.995.504	1.141.902.959
1 Liabilities towards affiliated undertakings	091	9.778.074	20.821.985
2 Liabilities for loans, deposits and similar	092	8.907.329	9.985.456
3 Liabilities towards banks and other financial institutions	093	335.385.720	368.636.077
4 Liabilities for advance payments	094	27.490.675	138.455.852
5 Liabilities towards suppliers	095	578.507.453	333.072.246
6 Liabilities related to securities	096	232.836.403	210.105.783
7 Liabilities towards employees	097	11.231.149	8.522.873
8 Liabilities for taxes, contributions and similar levies	098	13.355.958	21.321.099
9 Liabilities related to the share in the result	099	1.899.762	1.899.762
10 Liabilities related to fixed assets intended for sale	100	0	0
11 Other short-term liabilities	101	25.602.981	29.081.826
E) ACCRUALS AND DEFERRED PAYMENT	102	71.155.027	71.155.027
F) TOTAL - LIABILITIES (062+077+081+090+102)	103	2.146.261.886	2.234.870.071
G) OFF-BALANCE SHEET ITEMS	104	406.320.335	613.105.218

IV. REPORT OF OVERALL PROFIT

Item	Previous year (net)	Current year (net)
1	4	5
I OPERATING INCOME (108 to 110)	1.905.471.764	1.241.793.372
1 Revenues from products and services	1.862.567.988	1.215.200.384
2 Revenues from usage of own products and services	19.876.596	15.128.212
3 Other operating income	23.027.180	11.464.776
II OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	1.825.020.391	1.150.643.038
1 Reduction in stocks of finished goods and in work in progress	161.661.974	123.513.263
2 Increase of stocks of finished goods and in work in progress	0	0
3 Material costs (115 to 117)	1.267.893.518	714.729.903
a) Raw material costs	270.800.228	157.773.573
b) Costs of goods for sale	91.829.891	102.744.117
c) Other external services costs	905.263.399	454.212.213
4 Staff costs (119 to 121)	220.430.981	188.305.015
a) Net wages and salaries	133.274.394	113.525.163
b) Taxes and contribution on salaries	61.086.976	48.296.664
c) Contribution surtax on salaries	26.069.611	26.483.188
5 Depreciation	33.975.303	38.532.103
6 Other operating expenses	122.335.282	77.835.907
7 Value adjustment (125+126)	423.295	96.306
a) fixed assets (except financial assets)	0	0
b) current assets (except financial assets)	423.295	96.306
8. Long-term reserves	0	0
9. Other expenses	18.300.038	7.630.541
III FINANCIAL INCOME (130 to 134)	23.166.934	2.959.314
1 Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	236.014	0
2 Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	22.279.594	2.230.814
3 Income from affiliated undertakings and participating interests	0	0
4 Unrealized income of the financial assets	651.326	0
5 Other financial income	0	728.500
IV FINANCIAL EXPENSES(136 to 139)	54.858.704	46.370.881
1. Interest income, foreign exchange gains, dividends and other expenses related to affiliated undertakings	14.897.545	0
2 . Interest income, foreign exchange gains, dividends and other expenses related to unaffiliated undertakings and other persons	39.609.935	46.370.881
3. Unrealized losses (expenses) of the financial assets	351.224	0
4 Other financial expenses	0	0
V EXTRAORDINARY - OTHER INCOME	30.276.156	0
VI EXTRAORDINARY - OTHER EXPENSES	723.279	0
VII TOTAL INCOME (107+129+140)	1.958.914.854	1.244.752.686
VIII TOTAL EXPENSES (111+135+141)	1.880.602.374	1.197.013.919
IX PROFIT BEFORE TAX (142-143)	78.312.480	47.738.767
X LOSS BEFORE TAX (142-143)	0	0
XI TAX	14.729.704	9.547.753
XII PROFIT AFTER TAX	63.582.776	38.191.014
XIII LOSS AFTER TAX	0	0

V. REPORT OF CASH FLOW

Name of position: 1	AOP	Previous year 4	Current year 5
	designation 2		
CASH FLOW FROM OPERATING ACTIVITIES			
1. Pre-tax profit	1	78.312.481	47.738.761
2. Depreciation	2	33.975.303	38.532.103
3. Increase in short-term liabilities	3	0	0
4. Decrease in short-term receivables	4	0	0
5. Reduction of stocks	5	276.342.330	129.073.451
6. Other increase in cash flow	6	0	0
I. Total increase in cash flow from operating activities (001 to 006)	7	388.630.114	215.344.315
1. Decrease in short-term liabilities	8	21.188.789	128.689.478
2. Increase in short-term receivables	9	80.686.552	14.370.731
3. Increase in stocks	10	0	0
4. Other decrease in cash flow	11	35.874.527	25.430.263
II Total decrease in cash flow from operating activities (008 to 011)	12	137.749.868	168.490.472
A1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (007-012)	13	250.880.246	46.853.843
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	2.172.854
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	1.235.512
4. Cash receipts from dividends	18	0	0
5. Other cash receipts from investment activities	19	0	0
III. Total cash receipts from investment activities (015 do 019)	20	81.928.966	24.777.781
1. Expenditures for buying fixed assets and intangible assets	21	38.061.077	23.392.829
2. Expenditures for purchasing treasury and debt financial instruments	22	84.335.368	153.188.034
3. Other expenditures from investment activities	23	0	0
IV. Total expenditures from investment activities (021 to 023)	24	122.396.445	176.580.863
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	151.803.082
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	582.012.149
3. Total cash receipts from financial activities	29	0	0
V. Total cash receipts from financial activities (027 To 029)	30	624.154.563	744.883.772
1. Expenditures for repayment of loan principal and bonds	31	876.178.153	559.387.338
2. Expenditures for payment of dividends	32	0	0
3. Expenditures for financial leasing	33	23.270.289	23.748.847
4. Expenditures for redemption of treasury shares	34	2.398.700	149.098
5. Other expenditures from financial activities	35	0	0
VI. Total expenditures from financial activities (031 to 035)	36	901.847.142	583.285.283
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	37	0	161.598.489
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	56.649.250
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	40	67.279.812	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	56.649.250
Decrease in cash and cash equivalents	43	67.279.812	0
Cash and cash equivalents at the end of the period	44	37.440.594	96.941.412

VI. REPORT OF CHANGES TO CAPITAL

Item		Previous year	Increase	Decrease	Current year
Subscribed capital	117	229.381.200			229.381.200
Capital reserves	118	0			
Reserves from profit	119	342.650.517	88.934.838	149.098	431.436.257
Retained profit or loss carried forward	120				
Profit or loss of the current period	121	88.934.838	38.191.014	88.934.838	38.191.014
Revaluation of long-term tangible assets	122	7.224.706			7.224.706
Revaluation of intangible assets	123				
Revaluation of available-fo-sale financial assets	124				
Other revaluations	125				
Exchange rate differentials related to net investments in a foreign entity	126				
Current and deferred tax	127				
Protect cash flow	128				
Change in accounting policy	129				
Correction of fundamental mistakes	130				
Other changes in capital statements	131				
Total increase / decrease in capital statements	132	668.191.261			706.233.177

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

1. Petar Đukan, President
2. Marijan Pavlović, Vice President
3. Velimir Đurđević, Member
4. Ivo Marfat, Member
5. Ilija Barišić, Member
6. Viktor Miletić, Member
7. Ivan Radotić, Member

3. TEN MAJOR SHAREHOLDERS:

NAME	ADDRESS:	NUMBER:	%
CURATUS D.O.O. (1/1)	Zg,Kraljevićeva 4	234.650	10,23%
TELEGRA D.O.O. (1/1)	Sveta Nedjelja,Plešivička 3	115.824	5,05%
PBZ D.D./STATE STREET CLIENT ACCOUNT	Zgb, Račkog 6	45.926	2,00%
HRVATSKA POŠTANSKA BANKA D.D./ KAPITALNI FOND D.D. (1/1)	Zgb, Jurišićeva 4	44.071	1,92%
ERSTE & STEIERMARKISCHE BANK D.D./CSC	Rijeka, Jadranski trg 3A	31.649	1,37%
DALEKOVOD D.D. (1/1)	Zgb, M. Čavića 4	25.239	1,10%
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND (1/1)	Split, R. Boškovića 16	24.992	1,09%
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZA UNICREDIT BANK AUSTRIA AG	Zagreb, Paromlinska 2	23.558	1,03%
MILIČIĆ LUKA	Zagreb, Čačkovićeva 7a	22.469	0,98%
ERSTE & STEIERMARKISCHE BANK D.D./HS	Rijeka, Jadranski trg 3A	20.906	0,91%

4. DIVISION OF SHARES:

There was no new issue of shares.

5. EARNING PER SHARE

Earning per share for the first three quarter of 2010 amounted to HRK 16,83.

6. ACQUISITION AND MERGER

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

7. UNCERTAINTY

During the first three 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.