Dalekovod Group
Marijana Čavića 4
10 000 Zagreb

Preliminary report by the Management Board for the year 2011

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

The above financial statements as integral parts of the reports by the Management Board are preliminary, unaudited and non-consolidated reports.
Some differences may occur between preliminary, final 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 will be publicized within legal deadline by 30 April 2012.

Non-audited, consolidated

In Zagreb, 14 February 2012

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I MANAGEMENT BOARD REPORT

Given below is a presentation of preliminary and unaudited financial statements of the Dalekovod Group (hereinafter "the Group) and Dalekovod d.d. (hereinafter" Parent Company ") for 2011. All data are expressed in HRK unless otherwise stated.

The year 2011 shall, within the Dalekovod Group, be marked as a year of big changes, primarily with regard to initiated restructuring and reorganizing with a view of providing more efficient operation and maintaining long-term competitiveness of the Group. The initial effects of restructuring measures taken by the Group can be already noticed, while the overall effects of saving and cost structure optimization should be noticeable in 2012. It is important to note that the Group remained globally competitive even during the exceptionally demanding 2011 and that it also managed to ensure, or contract, international projects worth almost HRK 1,193 million, and domestic projects worth over HRK 468 million in the past 18 month-period, in other words a total of HRK 1,328 million (domestic projects worth HRK 367 million and foreign projects worth HRK 961 million) in the past 12 months. In order to enhance competitiveness and make better use of great opportunities that arise in foreign markets, the Group will have to continue implementing internal restructuring measures, optimizing the cost structure in line with further internationalization strategy and further optimizing its balance sheet.

Due to implementation of restructuring measures and associated costs, the financial result of the Group in 2011 was sacrificed in terms of profitability. The above costs refer primarily to one-off restructuring costs and to the loss incurred by separating discontinuous production activities (HRK 172 million) and to a smaller extent to costs from Group's regular and continuous activities (HRK 104 million).

One-off restructuring costs refer for the most part to wages, salaries and redundancy payments of workers covered by the restructuring process. During the above process the number of employees was reduced by 284 at the Group level. Further, one-off costs related to spinning off the production business unit are due to writing off expired debts, revaluating and writing off the inventory and high costs incurred by spinning off the production unit into a stand-alone company. The negative result of continuous activity is a result of significant reduction in total revenue by 27%, high level of financing costs, continuation of negative economic conditions in the domestic market and postponement of realization of already agreed works.

The Group is aware of the belated reduction in the costs structure, as the infrastructure projects in the domestic market were expected to revitalize. As the negative macro-economic conditions in the domestic market continued throughout the year 2011, the Group was compelled, although with a certain delay, to optimize the costs structure and conduct a comprehensive restructuring process, which includes:

1. Reorganizing the Group and spinning off the production business unit into a stand-alone company (discontinuous activity);
2. Reducing personnel costs (by decreasing the number of employees by 284 and wage and salary costs by additional 27% for the management and 13% for the remaining personnel);
3. Decreasing sub-supplier costs and overhead expenses;

4 Implementing the secondary public offering procedure and changing the corporate governance policy;

5 Investing in projects that generate continuous revenue and profitability in order to reduce the dependency on tenders;

6 Initiating a procedure for sales of the identified non-core assets.

1 Group’s Reorganization

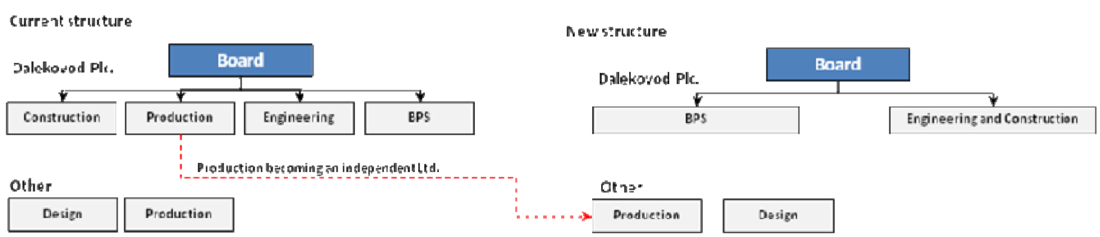
With a view of focusing on the Group’s core activity underpinning a significant comparative advantage, the Parent company decided in 2011 to merge the Engineering and Construction business units in order to eliminate fixed costs. Further, the Parent company spun off the Production unit into a stand-alone company. By taking this measure the Parent company managed to ensure a more efficient production process management and increase the responsibility for results achieved by the Production entity and make it easier for the Parent company to sell or find a strategic partner for the Production entity.

Merging the Engineering and Construction Business Units into a single Business Unit. In May 2011, the Parent Company merged the Engineering Business Unit and the Construction Business Unit into a single organizational entity (Engineering). The merger shall make possible a larger focus on management of market segments and make a foundation for better offers, contracting and realization of projects. Further, the above also opened a window of opportunities for implementing fixed cost saving measures, as some costs increased twofold before the merger.

Spinning off the Production Business Unit from the Parent Company into a stand-alone limited liability company. In 2011, the Parent company spun off the Production Business Unit into a stand-alone legal company (renamed from Dalekovod Cinčaonica d.o.o. into Dalekovod Proizvodnja d.o.o.) and discontinued the production activities within the Parent company. This measure was taken in order to:

- monitor production operation;
- prove the profitability of each individual program within production segments;
- identify unprofitable production lines;
- enable the newly founded companies to act independently and in line with market principles;
- for the company Dalekovod Proizvodnja d.o.o. to put greater emphasis on offering its services and products to third parties.

Subsequently, the group's new structure is as follows:



2 Reduction in costs of employees - anticipated effect in 2012

In order to adapt to a very demanding situation, the Group has, in the past two years, significantly decreased the costs with a view of maintaining the competitive advantage in the long run and adapting the business model to an export-oriented strategy. By means of stimulating redundancy payments in 2011 the total number of employees was reduced by 284, and in addition, the wage and salary costs at the Group level for managers were reduced by 27% and for other employees by 13% (in March and November 2011). These effects shall exert positive influence on the EBITDA level in 2012.

<u>Decrease of the number of employees by 13% at the Group level in 2011.</u> The Group reduced the number of employees by 284 by the end of 2011. Reduction of employees was mainly due to consensual termination of work contracts, whereby all employees received corresponding redundancy payments.

<u>Decrease of wage and salary costs by 11% in 2011.</u> In addition to previous reductions by 11% in 2010, further reductions of salaries and wages followed in 2011; reductions by 27% for managers and 13% for other employees (except those employees engaged in international projects that are paid according to the standard and conditions of the country where a particular project is carried out), whereby fixed costs were significantly reduced and a lower level of participation of personnel costs in overall costs was attained. As the wages and salaries were reduced by the end of the year, and the surplus of employees was leaving throughout the year, the reduction effect was not noticeable so much in 2011 as it shall be in 2012. Thanks to the communication of the Management Board about the difficult position of the Company and the anticipated saving measures, the Group successfully avoided resignation of key personnel and high-grade top managers.

3 Reduction in overhead and subcontracting costs – anticipated savings effect totalling HRK 75 million in 2012

The Supervisory Board set a goal for the Management Board to decrease fixed costs to the amount of HRK 75 million in 2012. One of the measures shall also include further reduction of employee costs by reducing the number of employees, and all non-production costs that are not directly related to projects.

<u>Suppliers and Subcontracting.</u> Due to delayed collection of receivables and low liquidity of the sector, the Group is aware of the fact that suppliers have incorporated a premium for long payment terms in their prices of material and services, so that with improvement of liquidity situation additional reduction in input prices could be bargained. Further, the Company has already implemented reduction of all fixed overhead costs in the 2012 Plan, so that the effect in 2012 shall amount to HRK 15 million.

4 Implementation of the Secondary public offering (SPO) and change of the Corporate governance policy

In order to provide sufficient funds for implementation of the above mentioned restructuring measures, in June 2011, the Parent company collected fresh capital amounting to HRK 140.5 million by issuing 573,453 shares (25% of former capital) through a secondary public offering at the Zagreb Stock Exchange. The Offering is a result of the statutory right of the Management to issue up to 25% additional capital provided that pre-emption rights of the existing shareholders are excluded. The new issue of shares was carried out in two rounds: in the first round 17.8% share (408,700 shares) was mainly sold to the Croatian Pension Funds. In the second round 7.2% share (164.753) was sold to Telegra d.o.o., being one of the key suppliers of the Parent company. It is through this issue that the Croatian Pension Funds have become the largest key shareholders of Dalekovod and at the moment they have been holding three to seven seats in the Supervisory Board of the Company. The funds collected by recapitalization were used for settling liabilities towards the employees, such as redundancies, investments in wind power plants and settling liabilities towards suppliers.

Changes in the Management Board. In July 2011, the Parent company expanded the Management Board to a total of 5 members, by appointing Damir Skansi, MA (Econ), (former Director of the Business Process Support BU) and Mr. Krešimir Anušić, MEng (EE) (former Director of the Engineering BU) as new members of the Management Board for a five-year term. By expanding the Management Board, it was intended to put more emphasis on a foreign market-oriented strategy, since Mr. Anušić had been a key person in contracting majority of projects in Norway, Ukraine, Iceland, Slovenia and Kazakhstan. In December 2011, the Management Board was reduced to 3 members after resignation of Mr. Belamarić (to the function of the Advisor to the Management Board) and Mr. Kraljević (Retirement).

Establishing an independent Supervisory Board. At the General Shareholders' Meeting held on 8 Sep 2011 and after implementation of the SPO, four new members were elected, three of which represent new shareholders: Mrs. Nataša Ivanović (Erste Plavi Mandatory Pension Fund), Mr. Dubravko Štimac (PBZ CO Mandatory Pension Fund), Mr. Davor Doko (AZ Mandatory Pension Fund) and Mr. Ante Ćurković (independent member). The new Supervisory Board is determined to reach new corporate governance measures, such as better control system, in order to more efficiently implement the proposed restructuring measures.

Introducing monthly reporting to the Supervisory Board and improving the controlling system. With a view of maintaining and improving the Group's liquidity, both the Supervisory Board and the Management Board shall on a monthly basis be informed of Group's receipts and expenditure of money, its comparison to the plan, anticipated revenues for the upcoming period and financial debt repayment schedule (in line with focus and the need for debt reduction). The Group also intends to improve the controlling system in order to effectively monitor implementation of mentioned savings measures and influence of the above on the profitability of the Group.

Harmonization of interests with shareholders. Upon implementation of SPO throughout 2011 and establishment of a new Supervisory Board, including representatives of three pension funds, the Group is intending to institute measurement of profitability of all business units through a more vigorous controlling system and initiate monitoring of plan realization, business optimization and business results, adopting a strategy focused on assurance of return on equity of all shareholders. The Management shall be responsible for monitoring of individual business units and for their results.

5 Investments in projects with sustainable revenues and profitability

The Group is focusing on decreasing the risk of the entire business model by diversifying business activities and investing in renewable energy projects that generate stable revenues and are not reliant on economic cycles. Wind power plants are just one way of investing and supplement the Group's business activities. Since Croatia (along with other countries in the Region) is about to join the EU, the Croatian Government has introduced a renewable energy strategy as well as quota that the renewable energy would have in the overall production of energy, compliant with EU rules and regulations, and is also offering stimulating conditions to companies producing electric power. The Parent Company has made two investments in the field of renewable energy:

ZD6 wind power plant – 9.2 MW. During 2010 the Parent Company has finished its first renewable energy project by investing in the construction of ZD6 wind power plant with the capacity of 9.2 MW. Total investment value amounted to EUR 15.8 million with Dalekovod d.d. having 50% of ownership in the project. Dalekovod d.d. and its partner are currently in the process of obtaining the final licence needed for the expansion of ZD6 wind power plant for additional 9.2 MW in the existing area. Once the licence has been obtained the expansion should be completed by the end of 2012. According to HEP's operative and financial data ZD6 power plant is the most productive wind power plant in Croatia.

ZD2 and ZD3 wind power plants – 36.8 MW. In 2011 the Company completed the construction of wind power plants with the capacity of 36.8 MW, which are now in commercial usage. Total investment value amounts to EUR 61 million with Dalekovod d.d. having 50% of ownership in the project. The wind power plant was financed through capital gained via SPO in June 2011 as well as through long term bank loan provided by the Company. The expected yearly revenue from the wind power plant surpasses EUR 13 million.

Dalekovod plans to keep investing in wind power plants. The preparation of the new wind power plant project Kamensko – Voštane wind power plant with the capacity of 63 MW is in its final stage, and is being planned as a joint venture project with former partners. Total value of this project is estimated to be worth more than EUR 100 million. Five additional power plant sites are currently in various stages of administrative proceedings for the procurement of building permit. The planned power created by new wind turbines will exceed 100 MW. The said activities have established Dalekovod as a leading company on the market of renewable energy resources in the field of exploiting the potentials of wind produced energy.

Due to significant expertise and historical references in the field of electrical engineering, Dalekovod is in search of new joint ventures and partnerships for the development of renewable energy resources projects in the Region (wind power plants, biomass, geothermal energy and so on). The primary focus is on Croatia, Bosnia and Herzegovina, and Serbia, which have so far invested minimum funds in renewable energy resources projects, but are expecting a new wave of investments upon joining the EU. Furthermore, Croatian investments in the field of renewable energy resources are quite poor at the moment, especially in the field of wind energy, with only 89 ME of installed capacities. The strategy of Croatia is to have up to 1.200 MW of installed capacities by 2020.

6 Selling non-core assets

The Parent Company has identified asset portfolio which is not crucial for core business activity, and is planning to divest as soon as possible in order to secure new funds for the decrease of liabilities and the development of core business. Current identified non-core employed assets amount to HRK 448 million (equity and amounts owned to banks), which is one of the main reasons for the increase of liabilities in the previous period. The largest portion of employed assets currently relate to the Sky Office Project (HRK 315 million of equity and amounts owed to banks). The overview of major identified non-core assets is as follows:

The Sky Office Project is planned to be put out for sale in its entirety. The project is in its final stage of building (end of works expected in June/July 2012). The Sky Office Project includes the construction of the largest business tower in Zagreb (approx. 70.000 m2 of GLA). Total investment value amounts to HRK 735 million with Dalekovod having 50% of share in the project. Upon completion of the project, gross employed capital by Dalekovod will amount to HRK 375 million (equity and amounts owed to banks).

Dalekovod Adria represents an SPV for investments in TLM company (Expanded Metals Factory). The Company has started talks for divestment of its own share in the company.

Companies within the Group for which a strategic partner is yet to be found that would lead to a decrease in ownership to 50%:
Dalekovod TKS Doboj – production of transmission lines, lighting pylons, antenna lattice pylons and polygonal pylons, and various metal structures.

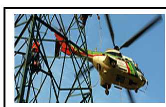
Dalekovod Cindal, Doboj (construction under way) – is planned to become the largest galvanizing company in Bosnia and Herzegovina with a yearly capacity exceeding 24.000 tonnes. Overall planned investment in the company amounts to HRK 80.3 million. The reason for investment has been the synergy with the existing Dalekovod TKS Doboj factory as well as the offer of the most competitive price for the services.

TIM Topusko – expanded metals factory where Dalekovod has 95.74% of ownership share.

Plan for 2012

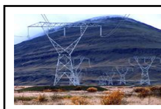
The Management believes that the measures which have been carried out and announced measures have confirmed its intention to synchronise the Group's interests with the interests of its shareholders and creditors. Influence of the measures carried through will become noticeable in 2012 via a significant decrease in fixed costs which will enable the Group to stay competitive in the long run, and successfully carry through the strategy of further internationalisation of its business activities. The Group's competitiveness is the result of decades and decades of successful execution of demanding projects, a very long international reference list, and significant human resources. Dalekovod is one of Croatia's major exporters, contracting profitable projects with high value added, and making great internal changes that will allow Dalekovod to raise revenues, regain profitability and decrease indebtedness to sustainable levels.

Dalekovod does business in the electric power supply sector which hasn't been hit hard by the recession, neither internationally nor domestically, and it is precisely the electric power supply sector that expects a significant increase in investments, both internationally and in Croatia. Even during this period of economic crisis Dalekovod gets awarded significant international tenders proving itself to be a competitive company on the international level, a true rarity among domestic industrial companies. In the last 18 months the Parent Company has managed to contract projects worth more than HRK 1.661 million (amount of exclusive of VAT). In case Dalekovod is granted a few more international projects under on-going invitations to bid, increase in international revenues in 2012 could exceed the record-breaking 2009, and could amount to approx. HRK 700 – 800 million in 2012/2013. The most relevant contracts entered into in the past two years to be carried out in 2012 include (amounts exclusive of VAT):



HRK 812 mil.

Norway – construction of transmission line, Equipment delivery and electrical installation works



HRK 604 mil.

Ukraine – construction works

HRK 409 mil.

Slovenia - construction of transmission lines, supply of accessories and electrical installation works

HRK 167 mil.

Croatia – Sv. Ilija tunnel – electric power supply works, road lighting works, telecommunication works, signalling and tunnel equipping

HRK 75 mil.

Croatia – S/S Srđ – construction of substation

HRK 29 mil.

Croatia – Burilica tunnel – electric power supply works, road construction and tunnel lighting works, equipping and ventilation

In view of this, year 2012 should result in significant recovery of business activity in terms of revenue gain and profitability – expected business revenues on the Group level should surpass HRK 1.700 million, EBITDA in the amount of HRK 128.1 million. It is important to note that the value of the newly contracted projects to be realised in 2012 on the domestic market has already surpassed the planned values. The Group expects its 2012 net results at break even point due to high costs of financing.

Even though the Management feels that the existing restructuring measures will suffice for complete recovery of business activities, the Management plans to put in effort to find a strategic partner for the Parent Company, bearing in mind that a financially strong strategic partner may increase the Group's stability and trustworthiness, especially if the demand on foreign markets exceeds the Group's independent financing capacities. The Management believes that an adequate strategic partner could, with minor or greater part, make other positive changes within the Group, such as organisational expertise, accessing new markets and favourable financing. The Group would be of interest to a great number of strategic partners since it is an exceptional brand with numerous references coming from markets where strategic players are still not present, since it employs esteemed employees with technical expertise, and has low market capitalisation at the moment. Appetite for mergers and acquisitions is present in this sector, especially with small and medium sized companies due to extremely positive expectations for the said sector.

Although the Group is leaving behind one of the hardest years in its history, the Management believes that through efficient implementation of further cost-saving measures and support of key creditors as well as with successful realisation of contracted projects Dalekovod can stabilise its business activities in its entirety, and make record-setting financial results. Through successful and efficient financial restructuring Dalekovod will be able to significantly reduce financial liabilities and within a mean time provide adequate yield to all the owners of capital.

On behalf of the Company:

Luka Miličić, M.Sc.C.E.
President of Management Board
"Dalekovod d.d."

II. REPRESENTATION LETTER

Pursuant to Article 410 Paragraph 2 and Article 407 Paragraph 2 Section 3 and Paragraph 3 of Capital Market Act, persons who are in charge for elaboration of the Report: Luka Miličić - President of Management Board, Damir Skansi – Member of Management Board, and Krešimir Anušić – Member of Management Board, submit this:

REPRESENTATION LETTER

According to our best knowledge, the abbreviated set of the Group's financial statements that have been drawn up in compliance with current financial reporting standards give an integral and true presentation of assets and liabilities, and the Group's operating results, along with a short reference to causative agents of the disclosed data. The Financial Statements are preliminary, and have not been audited.

On behalf of the Company:

Luka Miličić, M.Sc.C.E.
President of Management Board
"Dalekovod d.d."

Croatian quality

OHSAS 18000

III BALANCE SHEET

Assets

Name of position:	Previous year (net)	Current year (net)	Previous year (net)	Current year (net)
	DALEKOVOD jsc		DALEKOVOD GROUP	
ASSETS				
A) SUBSCRIBED CAPITAL UNPAID	0	0	0	0
B) NON CURRENT ASSETS (003+010+020+029+033)	799.555.170	1.119.974.254	910.723.134	1.220.989.885
I. INTANGIBLE ASSETS (004 do 009)	**19.935.669**	**15.857.389**	**26.308.486**	**21.995.836**
1. Research & Development expenditure	0	0	0	0
2. Patents, licences, royalties, trade marks, software&similar rights	10.704.401	11.863.760	20.077.541	16.768.980
3. Goodwill	0	0	4.559.000	1.213.000
4. Prepayments for intangible assets	0	0	118.510	0
5. Intangible assets under construction	9.231.268	3.993.629	1.483.399	4.013.856
6. Other intangible assets	0	0	70.036	0
II. TANGIBLE ASSETS (011 do 019)	**482.882.260**	**580.765.203**	**716.357.194**	**978.396.332**
1. Land	13.521.765	164.913.887	59.984.791	212.124.393
2. Property	122.237.664	81.981.252	151.586.298	125.392.043
3. Plants and equipment	168.936.051	98.309.478	204.527.446	154.762.446
4. Tools, plants&vehicles	25.267.540	13.923.533	2.034.294	22.833.719
5. Biological asset	0	0	0	0
6. Prepayments for tangible assets	0	0	98.532	44.595
7. Assets under construction	46.718.248	14.017.427	191.924.841	255.342.059
8. Other tangible assets	0	0	0	0
9. Investments property	106.200.992	207.619.626	106.200.992	207.897.077
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	**296.737.241**	**523.344.131**	**168.057.454**	**220.588.749**
1. Share in related parties	205.418.497	427.498.519	23.458.799	101.406.743
2. Loans to related parties	11.382.208	2.929.980	0	12.576.841
3. Participating interests (stakes)	18.889.640	30.277.334	49.822.016	30.723.125
4. Loans to participating interest	8.551.101	8.551.101	0	8.551.101
5. Investments in securities	29.698.444	28.053.190	38.498.444	29.876.847
6. Loans & deposits	22.797.351	26.034.007	44.938.195	26.114.092
7. Other non-current financial assets	0	0	11.340.000	0
8. Investment accounted by equity method	0	0	0	11.340.000
IV. TRADE RECEIVABLES (030 do 032)	**0**	**7.530**	**0**	**8.968**
1. Receivables from related parties	0	7.530	0	7.530
2. Receivables from credit sales	0	0	0	0
3. Other receivables	0	0	0	1.438
V. DEFERRED TAX ASSETS	**0**	**0**	**0**	**0**
C) CURENT ASSETS (035+043+050+058)	1.411.333.429	1.148.531.774	1.494.715.230	1.428.278.088
I. INVENTORIES (036 do 042)	**314.767.443**	**20.109.860**	**354.294.817**	**189.766.186**
1. Raw materials & consumables	84.950.752	14.353.305	106.457.327	77.292.694
2. Work in progress	134.421.350	0	240.758.848	12.542.725
3. Products	95.395.341	5.724.890	4.809.957	82.832.581
4. Merchandise	0	31.665	1.990.659	16.427.812
5. Prepayments for inventories	0	0	160.355	552.703
6. Other available-for-sale assets	0	0	117.671	117.671
7. Biological asset	0	0	0	0
II. RECEIVABLES (044 do 049)	**880.721.122**	**936.643.159**	**954.444.600**	**1.045.483.391**
1. Receivables from related parties	46.887.177	56.578.254	0	-15.683.785
2. Trade receivables	744.424.644	654.300.990	631.099.027	775.864.417
3. Receivables from participating parties	0	601.391	0	601.391
4. Amounts receivable from employees	1.150.392	656.422	2.607.272	1.852.605
5. Receivables from government agencies	30.657.572	60.348.321	35.224.717	67.597.344
6. Other receivables	57.601.337	164.157.781	285.513.584	215.251.419
III. CURRENT FINANCIAL ASSETS (051 do 057)	**129.753.577**	**153.905.406**	**86.562.668**	**138.718.583**
1. Share in related parties	0	0	0	0
2. Loans to related parties	30.862.219	52.640.743	0	16.766.498
3. Participating interests (stakes)	0	0	0	0
4. Loans to participating interest	855.000	5.675.393	0	5.675.393
5. Investments in securities	26.629	26.629	1.000	26.629
6. Loans & deposits	98.009.729	95.562.641	86.534.401	115.939.197
7. Other financial assets	0	0	27.267	310.866
IV. CASH ON HAND AND IN THE BANK	**86.091.287**	**37.873.350**	**99.413.145**	**54.309.928**
D) PREPAYMENTS AND ACCRUED INCOME	10.261.859	4.541.328	10.306.542	8.645.357
E) TOTAL ASSETS (001+002+034+059)	2.221.150.458	2.273.047.356	2.415.744.906	2.657.913.330
F) OFF-BALANCE SHEET ITEMS	613.050.041	614.789.122	613.050.041	614.789.122

Equity and liabilities

EQUITY AND LIABILITIES				
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	678.864.496	578.284.285	704.096.351	609.213.455
I. SHARE CAPITAL	229.381.200	286.726.500	229.381.200	286.726.500
II. CAPITAL RESERVES	0	80.478.889	37.768	80.478.889
III. RESERVES FROM PROFIT (066+067-068+069+070)	431.585.358	434.445.578	436.803.555	440.805.855
1. Legal reserves	11.486.600	11.486.600	12.846.059	12.424.767
2. Reserves for own shares	0	0	0	0
3. Own shares and stakes (less)	0	0	0	0
4. Statutory reserves	307.335.345	310.195.565	307.335.345	310.420.110
5. Other reserves	112.763.413	112.763.413	116.622.151	117.960.978
IV. REVALUATION RESERVES	15.037.718	59.302.306	15.037.772	59.254.650
V. RETAINED EARNINGS OR LOSS BROUGHT FORWARD (073-074)	0	0	18.947.385	15.176.820
1. Retained earnings	0	0	18.947.385	27.868.908
2. Loss brought forward	0	0	0	12.692.088
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	2.860.220	-282.668.988	1.190.882	-275.847.311
1. Profit for the financial year	2.860.220	0	1.190.882	0
2. Loss for the financial year	0	282.668.988	0	275.847.311
VII. MINORITY INTEREST	0	0	2.697.789	2.618.052
B) PROVISIONS (080 do 082)	6.282.000	1.124.887	8.280.917	2.881.308
1. Provisions for pensions, severance pay and similar libabilities	6.282.000	1.124.887	7.672.388	2.447.142
2. Provisions for tax obligations	0	0	0	0
3. Other provisions	0	0	608.529	434.166
C) NON-CURRENT LIBILITIES (084 do 092)	336.485.580	526.182.667	426.852.298	716.320.693
1. Liabilites to related parties	0	0	1.477.778	633.333
2. Liabilities for loans, deposits and other	0	0	85.229.967	0
3. Liabilities towards banks and other financial institutions	243.298.205	329.101.121	246.079.363	517.686.270
4. Amounts payable for prepayment	0	0	0	0
5. Trade payables	93.187.375	197.081.546	94.065.190	198.001.090
6. Amounts payable for securities	0	0	0	0
7. Liabilities toward participating interests	0	0	0	0
8. Other non-current liabilities	0	0	0	0
9. Deffered tax	0	0	0	0
D) CURRENT LIABILITIES (094 do 105)	1.199.518.382	1.167.455.518	1.276.477.299	1.329.477.862
1. Liabilites to related parties	20.086.020	67.187.953	0	39.722.147
2. Liabilities for loans, deposits and other	12.819.870	5.392.936	1.729.042	496.788
3. Liabilities towards banks and other financial institutions	429.766.197	357.710.506	470.642.918	407.988.226
4. Amounts payable for prepayment	135.030.287	234.838.741	116.574.785	265.763.849
5. Trade payables	365.331.524	352.561.245	436.023.492	444.309.444
6. Amounts payable for securities	210.105.783	64.948.782	210.105.783	64.948.782
7. Liabilities toward participating interests	0	6.902.971	0	6.902.971
8. Liabilities to emloyees	4.227.713	17.345.266	9.148.493	22.756.044
9. Taxes, contributions and similar liabilities	6.663.521	4.895.711	13.834.950	17.268.348
10. Liabilities arising from share in the result	1.899.762	1.899.762	2.900.422	2.899.762
11. Liabilities arising from non-current assets held for sale	0	0	0	0
12. Other current liabilities	13.587.705	53.771.644	15.517.414	56.421.501
E) ACCRUED EXPENSES AND DEFERRED INCOME	0	0	38.041	20.012
F) TOTAL LIABILITIES (062+079+083+093+106)	2.221.150.458	2.273.047.356	2.415.744.906	2.657.913.330
G) OFF-BALANCE SHEET ITEMS	613.050.041	614.789.122	613.050.041	614.789.122
ANNEX TO THE BALANCE SHEET (to be filled in by a company preparing the consolidated annual financial statements)				
A) CAPITAL AND RESERVES				
1. Attributable to equity holders of the parent company's capital			701.398.562	606.595.403
2. Attributable to non-controlling interests			2.697.789	2.618.052

IV REPORT OF GROSS PROFIT

ITEM	2010	2011	2010	2011
	DALEKOVOD J.S.C.		DALEKOVOD GROUP	
I. OPERATING INCOME (112+113)	1.576.758.056	1.071.170.990	1.657.494.942	1.191.183.321
1. Sales revenue	1.478.616.371	990.240.630	1.553.940.595	1.112.196.645
2. Other operating income	98.141.685	80.930.360	103.554.346	78.986.676
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	1.513.147.481	1.115.470.519	1.592.917.897	1.235.564.277
1. Changes in inventories of finished products and work in progress	114.292.612	69.436.087	105.787.322	61.585.432
2. Material costs (117 do 119)	982.969.205	784.031.125	980.056.329	774.439.200
a) Cost of raw materials & consumables	170.623.725	145.892.308	171.842.384	217.998.456
b) Cost of goods sold	114.480.157	172.919.501	155.924.766	117.411.965
c) Other costs	697.865.323	465.219.317	652.289.178	439.028.779
3. Staff costs (121 do 123)	225.385.562	129.290.783	285.414.230	200.563.800
a) Net salaries	143.298.826	84.953.733	179.164.247	129.861.432
b) Employee income tax	55.783.324	28.906.108	72.796.492	44.384.172
c) Tax on payroll	26.303.412	15.430.942	33.453.491	26.318.196
4. Depreciation and amortization	51.497.854	35.948.765	56.017.582	41.879.707
5. Other expenditures	117.487.305	69.128.211	141.739.652	127.895.264
6. Value adjustment (127+128)	5.243.134	9.176.385	5.243.134	9.351.354
a) non-current assets (without financial assets)	0	0	0	0
b) current asssets (without financial assets)	5.243.134	9.176.385	5.243.134	9.351.354
7. Provisions	0	0	238.327	81.931
8. Other operating expenses	16.271.809	18.459.162	18.421.321	19.767.589
III. FINANCIAL INCOME (132 do 136)	2.230.814	4.829.163	1.833.943	1.577.111
1. Interest income, foreign exchange differences, dividends and other financial income related to subsidiaries	0	3.434.495	0	976.650
2. Interest income, foreign exchange differences, dividends and other financial income related to third parties	2.230.814	0	1.672.833	65.138
3. Part of income from associates and participating interests	0	862.032	94.045	0
4. Unrealized gains (income) from the financial assets	0	532.636	0	532.636
5. Other financial income	0	0	67.064	2.687
IV. FINANCIAL COSTS (138 do 141)	60.429.983	71.199.480	61.733.354	72.997.671
1. Interest, foreign exchange dfifferences and other expenses related to subsidiaries	248.775	243.977	0	554.559
2. Interest, foreign exchange differences and other expenses related to third parties	60.181.208	70.955.503	61.504.598	72.391.365
3. Unrealized loss (expenses) from the financial assets	0	0	23.815	19.300
4. Other financial expenses	0	0	204.943	32.447
V. SHARE OF INCOME OF ASSOCIATES	0	0	0	0
VI. SHARE OF LOSS OF ASSOCIATES	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	0	0	0	13.214.763
VIII. EXTRAORDINARY - OTHER EXPENSES	0	171.999.141	0	172.191.731
IX. TOTAL INCOME (111+131+142 + 144)	1.578.988.870	1.076.000.152	1.659.328.884	1.205.975.195
X. TOTAL EXPENSES (114+137+143 + 145)	1.573.577.464	1.358.669.140	1.654.651.253	1.480.753.679
XI. PROFIT OR LOSS BEFORE TAX (146-147)	5.411.406	-282.668.988	4.677.633	-274.778.484
1. Profit before tax (146-147)	5.411.406	0	4.677.630	0
2. Loss before tax (147-146)	0	-282.668.988	0	274.778.484
XII. INCOME TAX EXPENSE	2.551.186	0	3.760.160	1.244.519
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	2.860.220	-282.668.988	917.473	-276.023.003
1. Profit for the period (149-151)	2.860.220	0	917.471	0
2. Loss for the period (151-148)	0	282.668.988	0	276.023.003
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)				
XIV. PROFIT OR LOSS FOR THE PERIOD				
1. Attributable to owners of the company			1.190.882	-275.847.312
2. Attributable to non-controlling interests			-273.411	-175.691
STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)				
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	2.860.220	-282.668.988	917.471	-276.023.003
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)				
1. Exchange differences arising from foreign operations				
2. Revaluation of non-current assets and intangible assets				
3. Gains or loss available for sale investments				
4. Gains or loss on net movement on cash flow hedges				
5. Gains or loss on net investments hedge				
6. Share of the other comprehensive income/loss of associates				
7. Acturial gain / loss on post employment benefit obligations				
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166) PERIODS (158-166)				
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	2.860.220	-282.668.988	917.471	-276.023.003
APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)				0
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD				0
1. Attributable to owners of the company			1.190.882	-275.847.312
2. Attributable to non-controlling interests			-273.411	-175.691

As one-off restructuring costs and one-off costs related to spinning off the discontinuous production business unit exerted large influence on the 2011 Profit and Loss Account, a review of the RDG Groups shall follow with declared continuous activities and discontinuous activities including one-off restructuring costs:

Name of position:	RDG from ordinary activity	Discontinuous production activity + restructuring cost	Dalekovod Group
		2011	
OPERATING INCOME (112+113)	1.181.468.660	9.714.661	1.191.183.321
1. Sales revenue	1.108.847.274	3.349.371	1.112.196.645
2. Other operating income	72.621.386	6.365.290	78.986.676
INTERCOMPANY REVENUE		136.346.073	136.346.073
OPERATING EXPENSES(115+116+120+124+125+126+129+130)	930.952.955	304.611.322	1.235.564.277
1. Changes in inventories of finished products and work in progress	61.585.432	0	61.585.432
2. Material costs (117 do 119)	625.431.911	149.007.289	774.439.200
a) Cost of raw materials & consumables	129.325.516	88.672.940	217.998.456
b) Cost of goods sold	93.089.336	24.322.629	117.411.965
c) Other costs	403.017.059	36.011.720	439.028.779
3. Staff costs (121 do 123)	116.152.077	84.411.723	200.563.800
a) Net salaries	81.210.173	48.651.259	129.861.432
b) Employee income tax	21.170.651	23.213.521	44.384.172
c) Tax on payroll	13.771.252	12.546.944	26.318.196
4. Depreciation and amortization	15.230.515	26.649.192	41.879.707
5. Other expenditures	89.350.748	38.544.516	127.895.264
6. Value adjustment (127+128)	9.351.354	0	9.351.354
a) non-current assets (without financial assets)	0	0	0
b) current assets (without financial assets)	9.351.354	0	9.351.354
7. Provisions	81.931	0	81.931
8. Other operating expenses	13.768.987	5.998.602	19.767.589
FINANCIAL INCOME (132 do 136)	1.577.111	0	1.577.111
1. Interest income, foreign exchange differences, dividends and other financial income related to subsidiaries	976.650	0	976.650
2. Interest income, foreign exchange differences, dividends and other financial income related to third parties	65.138	0	65.138
3. Part of income from associates and participating interests	0	0	0
4. Unrealized gains (income) from the financial assets	532.636	0	532.636
5. Other financial income	2.687	0	2.687
FINANCIAL COSTS (138 do 141)	59.549.118	13.448.553	72.997.671
1. Interest, foreign exchange differences and other expenses related to subsidiaries	554.559	0	554.559
2. Interest, foreign exchange differences and other expenses related to third parties	58.942.812	13.448.553	72.391.365
3. Unrealized loss (expenses) from the financial assets	19.300	0	19.300
4. Other financial expenses	32.447	0	32.447
INTERCOMPANY EXPENSES	136.346.073	0	136.346.073
SHARE OF INCOME OF ASSOCIATES	0	0	0
SHARE OF LOSS OF ASSOCIATES	0	0	0
EXTRAORDINARY - OTHER INCOME	13.214.763	0	13.214.763
EXTRAORDINARY - OTHER EXPENSES	172.191.731	0	172.191.731
TOTAL INCOME (included intercompany revenue)	1.196.260.534	146.060.734	1.342.321.268
TOTAL EXPENSES (included intercompany expenses)	1.299.039.876	318.059.876	1.617.099.752
PROFIT OR LOSS BEFORE TAX (146-147)	-102.779.343	-171.999.141	-274.778.484
1. Profit before tax 146-147)	0	0	0
2. Loss before tax (147-146)	-102.779.343	-171.999.141	-274.778.484
INCOME TAX EXPENSE	1.244.519	0	1.244.519
PROFIT OR LOSS FOR THE PERIOD (148-151)	-104.023.862	-171.999.141	-276.023.003
1. Profit for the period (149-151)	0	0	0
2. Loss for the period (151-148)	-104.023.862	-171.999.141	-276.023.003

V REPORT OF CASH FLOW

ITEM	Previous period	Current period	Previous period	Current period
	DALEKOVOD jsc		DALEKOVOD GROUP	
CASH FLOW FROM OPERATING ACTIVITIES				
1. Pre-tax profit	5.411.410	-282.668.988	4.677.635	-274.778.483
2. Depreciation	51.497.854	35.948.765	56.017.582	41.879.707
3. Increase in short-term liabilities	0	296.165.325	16.556.059	373.066.406
4. Decrease in short-term receivables	22.491.883	0	43.179.010	12.214.221
5. Reduction of stocks	129.946.241	294.657.582	135.001.789	299.572.961
6. Other increase in cash flow	0	0	2.235.713	1.048.464
I. Total increase in cash flow from operating activities (001 to 006)	**209.347.388**	**344.102.684**	**257.667.788**	**453.003.276**
1. Decrease in short-term liabilities	83.848.020	0	135.174.072	135.030
2. Increase in short-term receivables	0	148.311.777	37.404.792	215.431.784
3. Increase in stocks	0	0	7.873.933	13.399.712
4. Other decrease in cash flow	25.211.786	51.060.718	36.270.754	75.339.683
II Total decrease in cash flow from operating activities (008 to 011)	**109.059.806**	**199.372.495**	**216.723.551**	**304.306.209**
A1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	**100.287.582**	**144.730.189**	**40.944.237**	**148.697.067**
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES	**0**	**0**	**0**	**0**
CASH FLOW FROM INVESTMENT ACTIVITIES				
1. Cash receipts from sale of fixed tangible and intangible assets	32.518.041	55.524.925	32.577.571	56.183.100
2. Cash receipts from sale of treasury and debt financial instruments	154.012.560	111.971.062	175.810.910	111.997.911
3. Cash receipts from interests	1.510.117	1.305.032	1.533.844	1.312.683
4. Cash receipts from dividends	0	0	0	0
5. Other cash receipts from investment activities	0	0	378.134	312.084
III. Total cash receipts from investment activities (015 do 019)	**188.040.718**	**168.801.019**	**210.300.459**	**169.805.778**
1. Expenditures for buying fixed assets and intangible assets	171.354.575	3.248.423	179.512.877	12.188.379
2. Expenditures for purchasing treasury and debt financial instruments	320.882.497	367.240.665	343.843.341	367.240.665
3. Other expenditures from investment activities	0	0	48.193.115	95.114.739
IV. Total expenditures **from investment activities (021 to 023)**	**492.237.072**	**370.489.088**	**571.549.333**	**474.543.783**
B1) NET INCREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES	**0**	**0**	**0**	**0**
b2) NET DECREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES	**304.196.354**	**201.688.069**	**361.248.874**	**304.738.005**
CASH FLOW FROM FINANCIAL ACTIVITIES				
1. Cash receipts from issuance of treasury and debt financial	162.871.623	47.224.260	162.871.623	55.095.852
2. Cash receipts from loan principal, bonds, borrowings and other loans	965.868.104	723.689.694	979.067.310	854.722.397
3. Total cash receipts from financial activities	0	0	119.996.333	66.881.041
V. Total cash receipts from financial activities (027 to 029)	**1.128.739.727**	**770.913.954**	**1.261.935.266**	**976.699.290**
1. Expenditures for repayment of loan principal and bonds	692.612.234	742.396.700	703.677.945	762.657.320
2. Expenditures for payment of dividends	0	0	578.476	0
3. Expenditures for financial leasing	186.449.596	19.777.311	187.046.702	19.846.184
4. Expenditures for redemption of treasury shares	0	0	0	0
5. Other expenditures from financial activities	0	0	638	83.442.028
VI. Total expenditures **from financial activities (031 to 035)**	**879.061.830**	**762.174.011**	**891.303.761**	**865.945.532**
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	**249.677.897**	**8.739.943**	**370.631.505**	**110.753.758**
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	**0**	**0**	**0**	**0**
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	45.769.125	0	50.326.868	0
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	0	48.217.937	0	45.287.180
Cash and cash equivalents at the beginning of the period	**40.322.162**	**86.091.287**	49.086.275	99.597.108
Increase in cash and cash equivalents	45.769.125	0	50.326.868	0
Decrease in cash and cash equivalents	0	48.217.937	0	45.287.180
Cash and cash equivalents at the end of the period	**86.091.287**	**37.873.350**	**99.413.143**	**54.309.928**

VI REPORT OF CHANGES TO CAPITAL

	Previous period	Current period	Previous period	Current period
	DALEKOVOD jsc		DALEKOVOD GROUP	
1. Share capital	229.381.200	286.726.500	229.381.200	286.726.500
2. Capital reserves	0	80.478.889	37.768	80.478.889
3. Reserves from profit	431.585.358	434.445.578	436.803.555	440.805.855
4. Retained profit or loss carried forward	0	0	18.947.385	15.176.820
5. Profit or loss of current year	2.860.220	-282.668.988	1.190.882	-275.847.311
6. Revaluation of longterm tangible assets	0	0	0	0
7. Revaluation of intangible assets	0	0	0	0
8. Revaluation of financial assets available for sale	15.037.718	59.302.306	15.037.772	59.254.650
9. Other revaluations	0	0	0	0
10.Total equity and reserves (AOP 001 to 009)	**678.864.496**	**578.284.285**	**701.398.562**	**606.595.403**
11. Foreign exchange differences arising from the titles of net investment in foreign operations	0	0	0	0
12. Current and deferred taxes (part)	0	0	0	0
13. Cash flow protection	0	0	0	0
14. Changes in accounting policies	0	0	0	0
15. Correction of significant errors in the previous period			0	0
16. Other changes in equity			0	0
17. Total increase or decrease in equity (AOP 011 to 016)	**0**	**0**	**0**	**0**
17 a. Attributed to parent company equity holders			701.398.562	606.595.403
17 b. Attributed to minority interest			2.697.789	2.618.052

III. NOTES ACCOMPANYING FINANCIAL STATEMENTS

1. MANAGEMENT BOARD MEMBERS

1. President: M.Sc. Luka Miličić, MEng (CE)
2. Member: M. Sc. Damir Skansi, MA (Econ)
3. Member: Krešimir Anušić, MEng (EE)

2. SUPERVISORY BOARD MEMBERS

President: D. Sc. Petar Đukan
Vice President: Marijan Pavlović, LLM
Member: Nataša Ivanović, MA (Econ)
Member: M. Sc. Dubravko Štimac, MA (Econ)
Member: Davor Doko, MA (Econ)
Member: D. Sc. Ante Ćurković, MEng
Member: Viktor Miletić

3. TOP SHAREHOLDERS (on 14th Feb 2012):

1.	SOCIETE GENERALE-SPLITSKA BANKA D.D. (69326397242)/AZ MANDATORY PENSION FUND (59318506371)	245.626	8,57	Cust. acc.
2.	SOCIETE GENERALE-SPLITSKA BANKA D.D. (69326397242)/ERSTE BLUE MANDATORY PENSION FUND (37688683890)	200.248	6,98	Cust. acc.
3.	TELEGRA D.O.O. (05002572170)	164.753	5,75	Basic acc.
4.	HYPO ALPE-ADRIA-BANK D.D. (14036333877)/PBZ CROATIA OSIGURANJE MANDATORY PENSION FUND (99318944138)	132.137	4,61	Cust. acc.

4. SHARE ALLOCATION

The Parent Company has attracted HRK 140.5 million in fresh capital by issuing 573.453 shares (25% of former capital) through secondary public offering on Zagreb Stock Exchange. The offering is a result of Management's statutory right to issue up to 25% of additional capital by excluding pre-emption rights to existing shareholders. New issuing was done in two cycles: first cycle 17% share (408.700 shares) – mainly sold to Croatian pension funds; second cycle 7.2% share (164.753 shares) – sold to Telegra d.o.o.

5. MERGERS AND ACQUISITIONS

There were no M&A in 2011.

6. UNCERTAINTY

There have been no identified doubtful and disputable receivables that could have exerted influence on the continuity of business operations.

7. DESCRIPTION OF PRODUCTS AND SERVICES

Dalekovod d.d. has specialised in performing contracts based on turn key solutions in the following fields:

- 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 signalisation
- Tunnel lighting and traffic control
- Electrification of railway and trams

8. CHANGE IN ACCOUNTING POLICIES

No new accounting policies have been implemented.