

Dalekovod d.d.
Marijana Čavića 4
10 000 Zagreb



Management Board Report for I - IX 2012

Non-audited, nonconsolidated

Zagreb, 31 October 2012

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I MANAGEMENT BOARD REPORT

Given below is a review of 9-month business operations and presentation of non-audited financial statements of the Dalekovod Group (hereinafter „Group“) and Dalekovod d.d. (hereinafter „Company“) for the third quarter of 2012. All data are expressed in HRK unless otherwise stated.

Key financial indicators of the Dalekovod Group in the third quarter of 2012:

- **Total revenue in the amount of HRK 1,090 million**
+ 25,5% compared to the same period last year
- **Profit before tax, interest and depreciation (EBITDA) in the amount of HRK 90,2 million**
Positive EBITDA compared to the loss in the same period in 2011
- **Profit before interest and tax (EBIT) of HRK 52,4 million**
A negative EBIT of HRK 57,9 million was realised during the same period last year.
- **Net loss after minority interests in the amount of HRK 9,6 million**
A negative loss of HRK 110,9 million was realised during the same period last year.
- **Decrease in Group's total liabilities by HRK 42 million**
- 4,68% compared to 31 Dec 2011 (excluding Sky office/project financing)

In the third quarter of 2012 the Group has realised sales revenue totalling HRK 1,090 million, being an increase of 25% compared to the same period last year. During the same period the Company has realised total sales revenue in the amount of HRK 784.1 million, being a decrease of 3,5% compared to the same period last year. The decrease of revenue at the Company level has been mainly due to the fact that the Production Business Unit formed an integral part of the Company during the year 2011. The Group has realised EBITDA totalling HRK 90.2 million, EBITDA margin being 8,3%, which is mainly due to efficiently implemented restructuring measures and a significant recovery of business operations compared to the same period last year when the Group realised a negative EBITDA margin. Further, the Group has realised a net loss totalling HRK 9.6 million, while the Company during the same period has realised a net loss totalling HRK 44 million.

The net negative result from the Company's and Group's ordinary activities recorded in the third quarter of 2012 is due to prolongation of completion of the current Group's contracts, high level of financial costs that make up 5,2% of sales revenue and continuation of negative macro-economic trends in the domestic market, that reflect primarily in the decline in infrastructure projects.

The most significant factors of the Group's and Company's net negative result in the last quarter include:

➤ **Prolonged completion of works at the existing construction sites**

Significant prolongations of projects being observed in the area of road construction have a huge impact on the performance of the Company's business operations. Internationally, the Company has been facing prolongation of projects in the Ukrainian market.

➤ **The Company, being under heavy pressure of servicing the expenditures, slowed down its operations during the realisation of all projects.**

The Company has been under heavy pressure of servicing the loan principal and interest, which has had a negative impact on the working capital and profitability as well.

The Company and the new Management Board have put focus on decrease in all fixed costs. Although in the first half-year positive moves in the right direction with regard to profitability have been observed, the Management Board is aware of the fact that it is necessary to further continue implementation of financial and operative restructuring with emphasis on selling non-core assets and decreasing credit indebtedness.

Changes in the Management Board

In July 2012 the Supervisory Board dismissed from duty previous members of the Management Board Luka Miličić (President of the Management Board) and Damir Skansi (member of the Management Board) and appointed new members of the Management Board. The new members of the Management Board as of 1 October 2012 are: Matjaž Gorjup – President of the Management Board, Krešimir Anušić – member of the Management Board, Marko Jurković – member of the Management Board, Željko Lekšić – member of the Management Board.

Primary tasks of the new Management Board include continuing implementation of laid down operative and financial restructuring tasks in terms of balance sheet optimisation through decrease in credit indebtedness and decrease in all fixed costs.

Selling Company's non-core assets

As this restructuring task has become a focus and priority of the new Management Board with a view of decreasing the liabilities, the Company has become actively engaged in:

- a) Sky Office – the project is anticipated to be completed by the end of December 2012. Activities regarding sale or hire of the whole building are underway.
- b) Wind power plants – active search for strategic partners in terms of sale of the existing wind power plant portfolio. It should be noted that the Company plans further investments in the development of new renewable energy sources projects and expansion of the existing wind power plant fields.
- c) Other non-core assets – an office in charge of divesting other identified non-core assets has been set up within the Company.

It is important to emphasise that despite the extremely unfavourable year 2011, and continuation of unfavourable conditions in 2012, the Group has managed to remain competitive on both the foreign as well as on the domestic market, which has resulted in new projects contracted by the Company totalling HRK 314 million in the first ten months of 2012. Besides, the Company has been taking active part in both domestic and foreign invitations to bid. In order to further increase the competitiveness and better use the huge opportunities arising in the international markets, the Group is determined to implement further measures of internal restructuring, optimise cost structure in compliance with the strategy of further internalisation and additionally optimise the balance sheet by decreasing financial indebtedness through selling all its non-core assets according to the laid out plan. Special attention should be drawn to the outstanding contracted works totalling HRK 1.8 billion, that the Company for the most part intends to complete during the year 2013.

Although emphasised earlier in the text, the new Management Board shall continue implementing strategic measures with a view of maintaining and prudently managing the Group's liquidity, and focusing on development of managing all risks connected with the Company's business operations. The Supervisory Board has, together with the new Management Board, additionally enlarged the monthly based reports on Group's revenues and expenditures by adding comparisons of the above amounts with the planned amounts, the anticipated revenues for the forthcoming period and a plan for repaying debt (in line with the group's focus and need to decrease indebtedness). The Group has been continuously integrating and improving the controlling system in order to efficiently monitor the implementation of planned saving measures in the amount of HRK 75 million in 2012 and getting the EBITDA margin to its pre-crisis level, between 7 - 10%.

Annotation of the Management Board

Taking into account the anticipated unfavourable macro-economic environment, the Company Management Board believes that the mentioned measures that have already carried out, as well as other planned restructuring measures, shall support its intention to bring the Group's interests into line with the interests of shareholders and creditors as much as possible. The impact of the measures undertaken has already been evident in 2012 through realised decrease in fixed costs, by enabling the Group to remain competitive in the long run and successfully continue the strategy of further internalisation of its business operations. The Group's competitiveness is a result of several-decades long successful performance of demanding projects, a comprehensive international reference list and employees' expertise. Dalekovod is one of the most important exporters in Croatia contracting profitable high value added projects. Internal changes that have been carried out within the Company shall enable it to ensure stable business operations and decrease in financial exposure. In the forthcoming period the Management Board shall focus primarily on optimisation of debt maturity and further optimisation of working capital. The Management Board shall also continue to undertake all necessary measures in order to ensure sustainability and business growth under the current circumstances.

On behalf of the Management Board:

Matjaž Gorjup, MEng (ME)
President of the Management Board
Dalekovod d.d., m.p.

II REPRESENTATION LETTER

Pursuant to Article 410 Paragraph 2 and Article 407 Paragraph 2 Section 3 and Paragraph 3 of the Capital Market Act, persons responsible for elaboration of the Report are: Matjaž Gorjup – President of the Management Board, Krešimir Anušić – member of the Management Board, Marko Jurković – member of the Management Board, Željko Lekšić- member of the Management Board, submit this:

REPRESENTATION LETTER

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

On behalf of the Management Board:

Matjaž Gorjup, MEng (ME)

President of the Management Board
Dalekovod d.d., m.p.

III BALANCE SHEET

| ITEM | AOP | Previous year (net) | Current year (net) | Previous year (net) | Current year (net) |
|---|-----|---------------------|--------------------|------------------------|--------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| DALEKOVOD d.d. | | | | DALEKOVOD GROUP | |
| ASSETS | | | | | |
| A) SUBSCRIBED CAPITAL UNPAID | 001 | 0 | 0 | 0 | 0 |
| B) NON CURRENT ASSETS (003+010+020+029+033) | 002 | 1.127.395.179 | 1.119.837.997 | 1.222.229.586 | 1.273.914.516 |
| I. INTANGIBLE ASSETS (004 do 009) | 003 | 18.148.117 | 13.193.900 | 27.482.563 | 20.287.767 |
| 1. Research & Development expenditure | 004 | 0 | 0 | 0 | 0 |
| 2. Patents, licences, royalties, trade marks, software&similar rights | 005 | 16.914.361 | 11.903.487 | 21.669.580 | 14.098.563 |
| 3. Goodwill | 006 | 0 | 0 | 4.559.000 | 4.559.000 |
| 4. Prepay ments for intangible assets | 007 | 0 | 0 | 0 | 0 |
| 5. Intangible assets under construction | 008 | 1.233.756 | 1.290.413 | 1.253.983 | 1.290.413 |
| 6. Other intangible assets | 009 | 0 | 0 | 0 | 339.791 |
| II. TANGIBLE ASSETS (011 do 019) | 010 | 585.879.705 | 568.550.822 | 984.034.145 | 1.037.928.524 |
| 1. Land | 011 | 164.913.887 | 164.913.887 | 212.124.393 | 211.805.403 |
| 2. Property | 012 | 71.460.820 | 69.195.995 | 114.871.611 | 116.478.042 |
| 3. Plants and equipment | 013 | 97.775.867 | 92.094.408 | 154.560.883 | 145.165.993 |
| 4. Tools, plants&vehicles | 014 | 14.050.127 | 9.735.439 | 22.851.301 | 18.415.192 |
| 5. Biological asset | 015 | 0 | 0 | 0 | 0 |
| 6. Prepayments for tangible assets | 016 | 0 | 0 | 44.595 | 118.618 |
| 7. Assets under construction | 017 | 7.100.194 | 7.215.658 | 248.725.101 | 320.156.424 |
| 8. Other tangible assets | 018 | 0 | 0 | 0 | 20.010 |
| 9. Investments property | 019 | 230.578.810 | 225.395.535 | 230.856.261 | 225.768.842 |
| III. NON-CURRENT FINANCIAL ASSETS (021 do 028) | 020 | 523.367.357 | 538.093.275 | 210.711.440 | 215.698.225 |
| 1. Share in related parties | 021 | 427.498.522 | 443.511.908 | 101.551.520 | 85.535.351 |
| 2. Loans to related parties | 022 | 2.929.980 | 2.296.647 | 2.929.980 | 0 |
| 3. Participating interests (stakes) | 023 | 30.277.334 | 30.277.334 | 30.324.677 | 55.156.851 |
| 4. Loans to participating interest | 024 | 8.551.101 | 8.551.101 | 8.551.101 | 8.551.101 |
| 5. Investments in securities | 025 | 28.053.190 | 27.300.148 | 29.876.847 | 27.300.148 |
| 6. Loans & deposits | 026 | 26.057.230 | 26.156.137 | 26.137.315 | 27.814.774 |
| 7. Other non-current financial assets | 027 | 0 | 0 | 11.340.000 | 11.340.000 |
| 8. Investment accounted by equity method | 028 | 0 | 0 | 0 | 0 |
| IV. TRADE RECEIVABLES (030 do 032) | 029 | 0 | 0 | 1.438 | 0 |
| 1. Receivables from related parties | 030 | 0 | 0 | 0 | 0 |
| 2. Receivables from credit sales | 031 | 0 | 0 | 0 | 0 |
| 3. Other receivables | 032 | 0 | 0 | 1.438 | 0 |
| V. DEFERRED TAX ASSETS | 033 | 0 | 0 | 0 | 0 |
| C) CURENT ASSETS (035+043+050+058) | 034 | 1.024.699.656 | 952.527.199 | 1.253.962.988 | 1.236.766.044 |
| I. INVENTORIES (036 do 042) | 035 | 20.144.725 | 17.193.911 | 189.960.872 | 188.889.139 |
| 1. Raw materials & consumables | 036 | 14.390.404 | 14.158.921 | 77.117.651 | 85.588.341 |
| 2. Work in progress | 037 | 0 | 0 | 12.788.435 | 35.684.908 |
| 3. Products | 038 | 5.724.889 | 2.484.666 | 83.110.705 | 49.684.190 |
| 4. Merchandise | 039 | 29.432 | 550.324 | 16.273.707 | 17.015.266 |
| 5. Prepay ments for inventories | 040 | 0 | 0 | 552.703 | 597.310 |
| 6. Other available-for-sale assets | 041 | 0 | 0 | 117.671 | 119.124 |
| 7. Biological asset | 042 | 0 | 0 | 0 | 0 |
| II. RECEIVABLES (044 do 049) | 043 | 838.895.899 | 724.445.607 | 919.192.995 | 872.579.333 |
| 1. Receivables from related parties | 044 | 73.178.702 | 71.643.574 | 0 | 0 |
| 2. Trade receivables | 045 | 548.920.800 | 462.664.104 | 640.754.965 | 643.774.741 |
| 3. Receivables from participating parties | 046 | 4.037.721 | 3.905.932 | 4.037.721 | 4.457.319 |
| 4. Amounts receivable from employees | 047 | 656.421 | 401.980 | 1.879.956 | 1.610.973 |
| 5. Receivables from government agencies | 048 | 56.245.870 | 42.764.527 | 65.426.835 | 50.714.086 |
| 6. Other receivables | 049 | 155.856.385 | 143.065.490 | 207.093.518 | 172.022.214 |
| III. CURRENT FINANCIAL ASSETS (051 do 057) | 050 | 135.545.130 | 146.301.750 | 98.874.386 | 94.814.189 |
| 1. Share in related parties | 051 | 0 | 0 | 0 | 0 |
| 2. Loans to related parties | 052 | 48.684.603 | 68.537.881 | 0 | 0 |
| 3. Participating interests (stakes) | 053 | 0 | 0 | 0 | 3.308.546 |
| 4. Loans to participating interest | 054 | 9.631.534 | 2.781.110 | 9.631.534 | 2.781.110 |
| 5. Investments in securities | 055 | 26.629 | 26.629 | 26.629 | 12.662.562 |
| 6. Loans & deposits | 056 | 77.202.364 | 74.956.130 | 88.905.357 | 75.701.105 |
| 7. Other financial assets | 057 | 0 | 0 | 310.866 | 360.866 |
| IV. CASH ON HAND AND IN THE BANK | 058 | 30.113.902 | 64.585.932 | 45.934.735 | 80.683.383 |
| D) PREPAYMENTS AND ACCRUED INCOME | 059 | 5.637.911 | 4.697.349 | 9.619.059 | 8.778.600 |
| E) TOTAL ASSETS (001+002+034+059) | 060 | 2.157.732.746 | 2.077.062.545 | 2.485.811.633 | 2.519.459.160 |
| F) OFF-BALANCE SHEET ITEMS | 061 | 614.789.122 | 841.158.868 | 643.491.396 | 845.058.281 |

| ITEM | AOP | Previous year (net) | Current year (net) | Previous year (net) | Current year (net) |
|---|------------|---------------------|--------------------|---------------------|--------------------|
| | | DALEKOVOD d.d. | | DALEKOVOD GROUP | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| EQUITY AND LIABILITIES | | | | | |
| A) CAPITAL AND RESERVES (063+064+065+071+072+075+078) | 062 | 583.638.994 | 504.633.233 | 610.228.565 | 570.685.361 |
| I. SHARE CAPITAL | 063 | 286.726.500 | 286.726.500 | 286.726.500 | 286.726.500 |
| II. CAPITAL RESERVES | 064 | 80.478.889 | 80.478.889 | 80.478.889 | 80.478.889 |
| III. RESERVES FROM PROFIT (066+067-068+069+070) | 065 | 434.445.578 | 122.539.112 | 441.552.955 | 129.044.999 |
| 1. Legal reserves | 066 | 11.486.600 | 11.486.600 | 13.171.867 | 12.586.043 |
| 2. Reserves for own shares | 067 | 7.773.071 | 7.773.071 | 7.773.071 | 7.773.071 |
| 3. Own shares and stakes (less) | 068 | 7.773.071 | 7.773.071 | 7.773.071 | 7.773.071 |
| 4. Statutory reserves | 069 | 310.195.565 | 32.881.288 | 310.420.110 | 33.089.335 |
| 5. Other reserves | 070 | 112.763.413 | 78.171.226 | 117.960.978 | 83.369.621 |
| IV. REVALUATION RESERVES | 071 | 59.302.306 | 59.302.306 | 59.302.306 | 59.650.161 |
| V. RETAINED EARNINGS OR LOSS BROUGHT FORWARD (073-074) | 072 | 0 | 0 | 17.711.613 | 21.473.484 |
| 1. Retained earnings | 073 | 0 | 0 | 27.868.908 | 36.882.528 |
| 2. Loss brought forward | 074 | 0 | 0 | 10.157.295 | 15.409.044 |
| VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077) | 075 | -277.314.279 | -44.413.574 | -278.179.473 | -9.687.260 |
| 1. Profit for the financial year | 076 | 0 | 0 | 0 | 0 |
| 2. Loss for the financial year | 077 | 277.314.279 | 44.413.574 | 278.179.473 | 9.687.260 |
| VII. MINORITY INTEREST | 078 | 0 | 0 | 2.635.775 | 2.998.588 |
| B) PROVISIONS (080 do 082) | 079 | 3.762.000 | 3.762.000 | 7.068.583 | 7.057.793 |
| 1. Provisions for pensions, severance pay and similar liabilities | 080 | 3.762.000 | 3.762.000 | 6.579.068 | 6.565.742 |
| 2. Provisions for tax obligations | 081 | 0 | 0 | 0 | 49.690 |
| 3. Other provisions | 082 | 0 | 0 | 489.515 | 442.361 |
| C) NON-CURRENT LIABILITIES (084 do 092) | 083 | 482.436.118 | 485.533.392 | 672.477.705 | 726.808.186 |
| 1. Liabilities to related parties | 084 | 0 | 0 | 633.333 | 0 |
| 2. Liabilities for loans, deposits and other | 085 | 0 | 0 | 0 | 0 |
| 3. Liabilities towards banks and other financial institutions | 086 | 329.101.121 | 341.949.496 | 517.686.271 | 582.723.265 |
| 4. Amounts payable for prepayment | 087 | 0 | 0 | 0 | 0 |
| 5. Trade payables | 088 | 153.334.997 | 143.583.896 | 154.158.101 | 144.084.921 |
| 6. Amounts payable for securities | 089 | 0 | 0 | 0 | 0 |
| 7. Liabilities toward participating interests | 090 | 0 | 0 | 0 | 0 |
| 8. Other non-current liabilities | 091 | 0 | 0 | 0 | 0 |
| 9. Deferred tax | 092 | 0 | 0 | 0 | 0 |
| D) CURRENT LIABILITIES (094 do 105) | 093 | 1.084.844.932 | 1.079.146.899 | 1.192.865.836 | 1.200.081.717 |
| 1. Liabilities to related parties | 094 | 52.724.327 | 79.583.776 | 0 | 0 |
| 2. Liabilities for loans, deposits and other | 095 | 1.159.071 | 1.915.679 | 1.226.407 | 7.514.738 |
| 3. Liabilities towards banks and other financial institutions | 096 | 356.960.472 | 318.617.457 | 407.334.632 | 366.162.648 |
| 4. Amounts payable for prepayment | 097 | 196.951.533 | 183.041.783 | 224.669.303 | 185.264.804 |
| 5. Trade payables | 098 | 355.053.342 | 324.003.664 | 415.550.167 | 440.846.079 |
| 6. Amounts payable for securities | 099 | 64.948.782 | 58.118.751 | 64.948.782 | 58.118.751 |
| 7. Liabilities toward participating interests | 100 | 1.906.148 | 3.950.619 | 1.906.148 | 3.950.619 |
| 8. Liabilities to employees | 101 | 17.345.107 | 29.101.097 | 23.668.192 | 36.153.886 |
| 9. Taxes, contributions and similar liabilities | 102 | 4.777.585 | 34.203.960 | 16.922.163 | 52.221.422 |
| 10. Liabilities arising from share in the result | 103 | 1.899.762 | 1.899.762 | 2.899.762 | 1.899.762 |
| 11. Liabilities arising from non-current assets held for sale | 104 | 0 | 0 | 0 | 0 |
| 12. Other current liabilities | 105 | 31.118.803 | 44.710.351 | 33.740.280 | 47.949.008 |
| E) ACCRUED EXPENSES AND DEFERRED INCOME | 106 | 3.050.702 | 3.987.021 | 3.170.944 | 14.826.103 |
| F) TOTAL LIABILITIES (062+079+083+093+106) | 107 | 2.157.732.746 | 2.077.062.545 | 2.485.811.633 | 2.519.459.160 |
| G) OFF-BALANCE SHEET ITEMS | 108 | 614.789.122 | 841.158.868 | 643.491.396 | 845.058.281 |
| 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 | 109 | | | 607.592.790 | 567.686.773 |
| 2. Attributable to non-controlling interests | 110 | | | 2.635.775 | 2.998.588 |

IV GROSS PROFIT REPORT

| ITEM | AOP | Previous period | Current period | Previous period | Current period |
|--|------------|---------------------|--------------------|---------------------|----------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| | | DALEKOVOD d.d. | | DALEKOVOD GROUP | |
| I. OPERATING INCOME (112+113) | 111 | 812.625.252 | 784.195.698 | 868.707.703 | 1.090.025.816 |
| 1. Sales revenue | 112 | 788.822.046 | 773.620.102 | 843.591.552 | 1.079.715.491 |
| 2. Other operating income | 113 | 23.803.206 | 10.575.596 | 25.116.151 | 10.310.325 |
| II. OPERATING EXPENSES (115+116+120+124+125+128+129+130) | 114 | 801.592.271 | 775.929.429 | 861.986.809 | 1.045.822.225 |
| 1. Changes in inventories of finished products and work in progress | 115 | 0 | 3.342.101 | 2.374.324 | 10.415.938 |
| 2. Material costs (117 do 119) | 116 | 542.480.393 | 560.333.171 | 541.694.387 | 709.504.317 |
| a) Cost of raw materials & consumables | 117 | 139.956.534 | 155.263.973 | 135.531.266 | 278.187.510 |
| b) Cost of goods sold | 118 | 61.225.439 | 79.987.090 | 67.718.054 | 80.476.550 |
| c) Other costs | 119 | 341.298.420 | 325.082.108 | 338.445.067 | 350.840.257 |
| 3. Staff costs (121 do 123) | 120 | 126.355.109 | 107.500.744 | 167.672.915 | 186.767.716 |
| a) Net salaries | 121 | 80.661.881 | 71.230.982 | 104.820.458 | 119.292.514 |
| b) Employee income tax | 122 | 29.857.858 | 17.900.351 | 39.566.118 | 39.212.670 |
| c) Tax on pay roll | 123 | 15.835.370 | 18.369.411 | 23.286.339 | 28.262.532 |
| 4. Depreciation and amortisation | 124 | 32.836.722 | 29.442.008 | 36.536.689 | 37.808.797 |
| 5. Other expenditures | 125 | 82.346.584 | 68.146.747 | 95.653.887 | 90.596.304 |
| 6. Value adjustment (127+128) | 126 | 31 | 90.924 | 32 | 92.402 |
| a) non-current assets (without financial assets) | 127 | 0 | 0 | 0 | 0 |
| b) current assets (without financial assets) | 128 | 31 | 90.924 | 32 | 92.402 |
| 7. Provisions | 129 | 0 | 0 | 0 | 0 |
| 8. Other operating expenses | 130 | 17.573.432 | 7.073.734 | 18.054.575 | 10.636.751 |
| III. FINANCIAL INCOME (132 do 136) | 131 | 2.503.608 | 2.839.868 | 2.191.690 | 3.430.339 |
| 1. Interest income, foreign exchange differences, dividends and other financial income related to subsidiaries | 132 | 1.997.499 | 1.950.316 | 1.668.088 | 2.414.859 |
| 2. Interest income, foreign exchange differences, dividends and other financial income related to third parties | 133 | 284 | 536.815 | 15.431 | 656.798 |
| 3. Part of Income from associates and participating interests | 134 | 505.825 | 352.737 | 505.949 | 352.737 |
| 4. Unrealized gains (income) from the financial assets | 135 | 0 | 0 | 0 | 0 |
| 5. Other financial income | 136 | 0 | 0 | 2.222 | 5.945 |
| IV. FINANCIAL COSTS (138 do 141) | 137 | 53.555.473 | 55.195.745 | 54.585.631 | 56.312.633 |
| 1. Interest, foreign exchange differences and other expenses related to subsidiaries | 138 | 118.116 | 680.199 | 221.949 | 822.944 |
| 2. Interest, foreign exchange differences and other expenses related to third parties | 139 | 53.437.357 | 47.606.373 | 54.347.755 | 48.527.282 |
| 3. Unrealized loss (expenses) from the financial assets | 140 | 0 | 0 | 0 | 0 |
| 4. Other financial expenses | 141 | 0 | 6.909.173 | 15.927 | 6.962.407 |
| V. SHARE OF INCOME OF ASSOCIATES | 142 | 0 | 0 | 0 | 3.198.162 |
| VI. SHARE OF LOSS OF ASSOCIATES | 143 | 0 | 0 | 0 | 0 |
| VII. EXTRAORDINARY - OTHER INCOME | 144 | 0 | 0 | 8.475.426 | 5.019.731 |
| VIII. EXTRAORDINARY - OTHER EXPENSES | 145 | 73.122.957 | 0 | 73.122.957 | 140 |
| IX. TOTAL INCOME (111+131+142 + 144) | 146 | 815.128.660 | 787.035.566 | 879.374.819 | 1.101.674.048 |
| X. TOTAL EXPENSES (114+137+143 + 145) | 147 | 928.270.701 | 831.125.174 | 989.695.397 | 1.102.134.998 |
| XI. PROFIT OR LOSS BEFORE TAX (146-147) | 148 | -113.141.841 | -44.089.608 | -110.320.578 | -460.950 |
| 1. Profit before tax (146-147) | 149 | 0 | 0 | 0 | 0 |
| 2. Loss before tax (147-146) | 150 | 113.141.841 | 44.089.608 | 110.320.578 | 460.950 |
| XII. INCOME TAX EXPENSE | 151 | 0 | 323.968 | 672.185 | 9.236.417 |
| XIII. PROFIT OR LOSS FOR THE PERIOD (148-151) | 152 | -113.141.841 | -44.413.574 | -110.992.763 | -9.697.367 |
| 1. Profit for the period (149-151) | 153 | 0 | 0 | 0 | 0 |
| 2. Loss for the period (151-148) | 154 | 113.141.841 | 44.413.574 | 110.992.763 | 9.697.367 |
| ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements) | | 0 | 0 | 0 | 0 |
| XIV. PROFIT OR LOSS FOR THE PERIOD | | 0 | 0 | 0 | 0 |
| 1. Attributable to owners of the company | 155 | 0 | 0 | -110.896.682 | -9.687.260 |
| 2. Attributable to non-controlling interests | 156 | 0 | 0 | -96.081 | -10.107 |
| STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS) | | 0 | 0 | 0 | 0 |
| I. PROFIT OR LOSS FOR THE PERIOD (= 152) | 157 | -113.141.841 | -44.413.574 | -110.992.763 | -9.697.367 |
| II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165) | 158 | 0 | 0 | 0 | 0 |
| 1. Exchange differences arising from foreign operations | 159 | 0 | 0 | 0 | 0 |
| 2. Revaluation of non-current assets and intangible assets | 160 | 0 | 0 | 0 | 0 |
| 3. Gains or loss available for sale investments | 161 | 0 | 0 | 0 | 0 |
| 4. Gains or loss on net movement on cash flow hedges | 162 | 0 | 0 | 0 | 0 |
| 5. Gains or loss on net investments hedge | 163 | 0 | 0 | 0 | 0 |
| 6. Share of the other comprehensive income/loss of associates | 164 | 0 | 0 | 0 | 0 |
| 7. Actuarial gain / loss on post employment benefit obligations | 165 | 0 | 0 | 0 | 0 |
| III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD | 166 | 0 | 0 | 0 | 0 |
| IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166) | 167 | 0 | 0 | 0 | 0 |
| V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167) | 168 | -113.141.841 | -44.413.574 | -110.992.763 | -9.697.367 |
| APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements) | | 0 | 0 | 0 | 0 |
| VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD | | 0 | 0 | 0 | 0 |
| 1. Attributable to owners of the company | 169 | 0 | 0 | -110.896.682 | -9.687.260 |
| 2. Attributable to non-controlling interests | 170 | 0 | 0 | -96.081 | -10.107 |

V CASH FLOW REPORT

| ITEM | AOP | Previous period | Current period | Previous period | Current period |
|---|-----|-----------------|----------------|-----------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| DALEKOVOD d.d. | | | | DALEKOVOD GROUP | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| 1. Pre-tax profit | 001 | -113.141.841 | -44.089.608 | -110.320.578 | -460.950 |
| 2. Depreciation | 002 | 37.060.309 | 29.442.008 | 40.760.276 | 37.808.797 |
| 3. Increase in short-term liabilities | 003 | 119.797.233 | 116.333.145 | 171.831.236 | 124.640.865 |
| 4. Decrease in short-term receivables | 004 | 0 | 0 | 4.611.624 | 0 |
| 5. Reduction of stocks | 005 | 35.005.009 | 2.950.813 | 40.099.236 | 9.182.841 |
| 6. Other increase in cash flow | 006 | 0 | 7.230.664 | 154.526 | 6.663.898 |
| I. Total increase in cash flow from operating activities (001 to 006) | 007 | 78.720.710 | 111.867.022 | 147.136.320 | 177.835.451 |
| 1. Decrease in short-term liabilities | 008 | 0 | 0 | 3.935.970 | 0 |
| 2. Increase in short-term receivables | 009 | 63.098.123 | 8.859.739 | 126.677.223 | 65.684.854 |
| 3. Increase in stocks | 010 | 0 | 0 | 2.497.023 | 0 |
| 4. Other decrease in cash flow | 011 | 117.890.095 | 0 | 131.041.636 | 0 |
| II Total decrease in cash flow from operating activities (008 to 011) | 012 | 180.988.218 | 8.859.739 | 264.151.852 | 65.684.854 |
| A1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (007-012) | 013 | 0 | 103.007.283 | 0 | 112.150.597 |
| A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (012-007) | 014 | 102.267.508 | 0 | 117.015.532 | 0 |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | | | |
| 1. Cash receipts from sale of fixed tangible and intangible assets | 015 | 2.291.671 | 1.118.865 | 2.291.671 | 1.118.865 |
| 2. Cash receipts from sale of treasury and debt financial instruments | 016 | 15.124.475 | 9.208.715 | 15.124.475 | 25.229.571 |
| 3. Cash receipts from interests | 017 | 1.215.891 | 299.429 | 1.234.527 | 311.986 |
| 4. Cash receipts from dividends | 018 | 0 | 0 | 0 | 0 |
| 5. Other cash receipts from investment activities | 019 | 0 | 0 | 297.373 | 0 |
| III. Total cash receipts from investment activities (015 do 019) | 020 | 18.632.037 | 10.627.009 | 18.948.046 | 26.660.422 |
| 1. Expenditures for buying fixed assets and intangible assets | 021 | 2.829.555 | 8.277.778 | 52.251.203 | 9.367.924 |
| 2. Expenditures for purchasing treasury and debt financial instruments | 022 | 78.141.034 | 16.922.377 | 78.141.034 | 16.922.377 |
| 3. Other expenditures from investment activities | 023 | 0 | 19.215.418 | 112.560 | 89.913.202 |
| IV. Total expenditures from investment activities (021 to 023) | 024 | 80.970.589 | 44.415.573 | 130.504.797 | 116.203.503 |
| B1) NET INCREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES (020-024) | 025 | 0 | 0 | 0 | 0 |
| b2) NET DECREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES (024-020) | 026 | 62.338.552 | 33.788.564 | 111.556.751 | 89.543.081 |
| CASH FLOW FROM FINANCIAL ACTIVITIES | | | | | |
| 1. Cash receipts from issuance of treasury and debt financial instruments | 027 | 194.200.676 | 0 | 194.200.676 | 0 |
| 2. Cash receipts from loan principal, bonds, borrowings and other loans | 028 | 560.129.252 | 22.122.851 | 649.182.610 | 72.292.598 |
| 3. Total cash receipts from financial activities | 029 | 0 | 0 | 67.635.585 | 800.000 |
| V. Total cash receipts from financial activities (027 To 029) | 030 | 754.329.928 | 22.122.851 | 911.018.871 | 73.092.598 |
| 1. Expenditures for repayment of loan principal and bonds | 031 | 631.838.355 | 45.710.422 | 644.372.009 | 47.228.555 |
| 2. Expenditures for payment of dividends | 032 | 0 | 0 | 0 | 0 |
| 3. Expenditures for financial leasing | 033 | 11.066.362 | 11.159.118 | 11.121.480 | 11.191.529 |
| 4. Expenditures for redemption of treasury shares | 034 | 0 | 0 | 0 | 0 |
| 5. Other expenditures from financial activities | 035 | 0 | 0 | 76.606.323 | 2.531.382 |
| VI. Total expenditures from financial activities (031 to 035) | 036 | 642.904.717 | 56.869.540 | 732.099.812 | 60.951.466 |
| C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036) | 037 | 111.425.211 | 0 | 178.919.059 | 12.141.132 |
| C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030) | 038 | 0 | 34.746.689 | 0 | 0 |
| Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038) | 039 | 0 | 34.472.030 | 0 | 34.748.648 |
| Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037) | 040 | 53.180.849 | 0 | 49.653.224 | 0 |
| Cash and cash equivalents at the beginning of the period | 041 | 86.091.287 | 30.113.902 | 99.548.455 | 45.934.735 |
| Increase in cash and cash equivalents | 042 | 0 | 34.472.030 | 0 | 34.748.648 |
| Decrease in cash and cash equivalents | 043 | 53.180.849 | 0 | 49.653.224 | 0 |
| Cash and cash equivalents at the end of the period | 044 | 32.910.438 | 64.585.932 | 49.895.231 | 80.683.383 |

VI CHANGES TO CAPITAL REPORT

| ITEM | AOP | Previous year | Current year | Previous year | Current year |
|--|------------|--------------------|--------------------|------------------------|--------------------|
| DALEKOVOD d.d. | | | | DALEKOVOD GROUP | |
| 1. Share capital | 001 | 286.726.500 | 286.726.500 | 286.726.500 | 286.726.500 |
| 2. Capital reserves | 002 | 80.478.889 | 80.478.889 | 80.478.889 | 80.478.889 |
| 3. Reserves from profit | 003 | 434.445.578 | 122.539.112 | 441.552.955 | 129.044.999 |
| 4. Retained profit or loss carried forward | 004 | 0 | | 17.711.613 | 21.473.484 |
| 5. Profit or loss of current year | 005 | -277.314.279 | -44.413.574 | -278.179.473 | -9.687.260 |
| 6. Revaluation of longterm tangible assets | 006 | 50.020.716 | 50.020.716 | 50.020.716 | 50.368.571 |
| 7. Revaluation of intangible assets | 007 | 0 | 0 | 0 | 0 |
| 8. Revaluation of financial assets available for sale | 008 | 9.281.590 | 9.281.590 | 9.281.590 | 9.281.590 |
| 9. Other revaluations | 009 | 0 | 0 | 0 | 0 |
| 10. Total equity and reserves (AOP 001 to 009) | 010 | 583.638.994 | 504.633.233 | 607.592.790 | 567.686.773 |
| 11. Foreign exchange differences arising from the titles of net | 011 | 0 | 0 | 0 | 0 |
| 12. Current and deferred taxes (part) | 012 | 0 | 0 | 0 | 0 |
| 13. Cash flow protection | 013 | 0 | 0 | 0 | 0 |
| 14. Changes in accounting policies | 014 | 0 | 0 | 0 | 0 |
| 15. Correction of significant errors in the previous period | 015 | 0 | 34.592.187 | 0 | 34.592.187 |
| 16. Other changes in equity | 016 | 0 | 0 | 0 | 0 |
| 17. Total increase or decrease in equity (AOP 011 to 016) | 17 | 0 | 34.592.187 | 0 | 34.592.187 |
| | | | | | |
| 17 a. Attributed to parent company equity holders | 018 | | | 607.592.790 | 567.686.773 |
| 17 b. Attributed to minority interest | 019 | | | 2.635.775 | 2.998.588 |

VII NOTES TO FINANCIAL STATEMENTS

1 MANAGEMENT BOARD MEMBERS

- 1 President: Matjaž Gorjup, MEng (ME)
- 2 Member: Krešimir Anušić, MEng (EE)
- 3 Member: Marko Jurković, MEng (EE), MA (Econ)
- 4 Member: Željko Lekšić, MEng (ME)

2 SUPERVISORY BOARD MEMBERS

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

3 SHAREHOLDERS' STRUCTURE (as of 30 Sep 2012):

| | |
|------------------------|------------------|
| NATURAL PERSONS | 1,384,156 |
| PENSION FUNDS | 648,086 |
| BANKS | 367,589 |
| TELEGRA d.o.o. | 164,753 |
| OTHERS | 258,747 |
| OWN SHARES | 43,934 |
| TOTAL | 2,867,265 |

4 MERGERS AND ACQUISITIONS

There have been no mergers and acquisitions in the first three quarters of 2012.

5 UNCERTAINTY

There have been no identified doubtful or disputable receivables in the first three quarters of 2012 that could exert influence on the continuity of business operations.

6 DESCRIPTION OF PRODUCTS AND SERVICES

Dalekovod d.d. has in the course of time specialised in performing turn-key projects in the following fields:

- Power transmission and distribution projects, especially transmission lines from 0.4 to 500 kV
- Substations of all levels and voltage levels up to 500 kV
- Overhead, underground and underwater 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, guard-rails and traffic signalisation
- Tunnel lighting and traffic control
- Electrification of railways and trams

7 CHANGES IN ACCOUNTING POLICIES

No new accounting policies have been implemented.