

Dalekovod d.d.
Marijana Čavića 4
10 000 Zagreb



Management Report for Jan-Mar 2014

Unaudited, unconsolidated

Zagreb, 15 May 2014



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I. MANAGEMENT REPORT

Dalekovod d.d. (the "Company") obtained operating revenue of HRK 119 million, EBITDA of HRK -6.2 million, and net income of HRK 205.5 million. The decreased operating revenue compared to the same period in 2013 is a result of the unpredictably lengthy process of entering into a pre-bankruptcy settlement before the Commercial Court, which directly affected the contracting of new projects on the local and international markets, as well as the fact that the volume of launched tenders on the local market was smaller than planned. As regards international markets, lower revenue than planned was obtained in Ukraine where some of the activities were suspended and some were impeded as a result of political uncertainty. At the end of the quarter, the project in Ukraine continued as planned.

Company's net income of HRK 205.5 million was affected by financial revenue of HRK 223.8 million resulting from the pre-bankruptcy settlement and calculation of the fair value of the resulting financial instruments. According to the pre-bankruptcy settlement and refinancing of the obligations to financial institutions, suppliers and other creditors, the fair value on the reporting date was calculated and presented in the financial statements in accordance with the International Accounting Standards, representing a one-time effect on the income statement and balance sheet of the Company.

Company's operations in Q1 of 2014 were marked by positive business shifts for the Company and the Group:

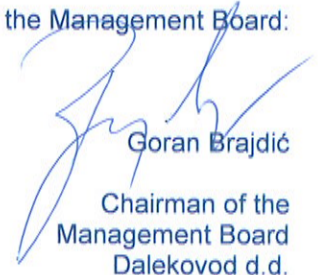
- On 14 February 2014, the Company successfully completed its pre-bankruptcy settlement procedure;
- The restructuring of the Company is being carried out as planned;
- The Company penetrated the Polish market after being awarded a Construction Contract for a 400 kV Kozienice-Oltarzew transmission line worth EUR 110 million.

After the Company's and Group's strategy was changed to include a stronger focus on international markets, the Company and its management have been aware it is crucial to continue optimizing fixed costs to adapt to the new environment of reduced demand on the domicile market and prepare for more substantial penetration of international markets.



During the past period, the Company used great efforts to be awarded projects on international markets. The Company is implementing projects in Norway, Ukraine, Latvia, Montenegro, Kosovo, Poland and Slovenia. In addition, the Group and the Company participate in a number of tenders in the country and abroad to obtain new contracts and attain their plan of moderate revenue growth in future years. In particular, the Company has undertaken activities toward assuming its position and performing on certain markets of Western Europe where the prequalification processes are pending or have been completed. As a result of its intensive international activities, the Company is expected to obtain new significant contracts abroad, of which it will promptly inform its shareholders.

For the Management Board:



Goran Brajdić
Chairman of the
Management Board
Dalekovod d.d.





II. DECLARATION

Pursuant to Article 410, paragraph 1, and Article 407, paragraph 2, subparagraph 3 of the Capital Market Act, the persons responsible for preparing the Report: Goran Brajdić, Chairman of the Management Board, Krešimir Anušić, Management Board Member, Marko Jurković, Management Board Member, and Željko Lekšić, Management Board Member, hereby make this

DECLARATION

To the best of our knowledge, the summary set of financial statements of Dalekovod and the Group, prepared in compliance with the appropriate financial reporting standards, provides a full and true view of the assets, liabilities and income of Dalekovod and the Group, with a brief comment on the causes of the information provided. The financial statements have not been audited.

For the Management Board:



Goran Brajdić
Chairman of the
Management Board
Dalekovod d.d.



III. BALANCE SHEET

Assets

Name of position:	AOP	31.12.2013	31.3.2014
1	2	3	4
DALEKOVOD jsc			
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001	0	0
B) NON CURRENT ASSETS (003+010+020+029+033)	002	891.003.563	881.981.744
I. INTANGIBLE ASSETS (004 to 009)	003	7.022.262	6.347.341
1. Research & Development expenditure	004	0	0
2. Patents, licences, royalties, trade marks, software&similar rights	005	7.022.262	6.347.341
3. Goodwill	006	0	0
4. Prepayments for intangible assets	007	0	0
5. Intangible assets under construction	008	0	0
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	516.163.090	509.324.783
1. Land	011	164.913.887	164.913.887
2. Property	012	56.634.825	56.040.635
3. Plants and equipment	013	68.877.075	65.550.899
4. Tools, plants&vehicles	014	4.862.839	3.978.230
5. Biological asset	015	0	0
6. Prepayments for tangible assets	016	0	0
7. Assets under construction	017	0	411
8. Other tangible assets	018	0	0
9. Investments property	019	220.874.464	218.840.721
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	367.818.211	366.309.620
1. Share in related parties	021	314.078.254	314.078.254
2. Loans to related parties	022	1.401.507	0
3. Participating interests (stakes)	023	25.516.604	25.516.604
4. Loans to participating interest	024	0	0
5. Investments in securities	025	22.984.198	22.984.198
6. Loans & deposits	026	3.837.648	3.730.564
7. Other non-current financial assets	027	0	0
8. Investment accounted by equity method	028	0	0
IV. TRADE RECEIVABLES (030 to 032)	029	0	0
1. Receivables from related parties	030	0	0
2. Receivables from credit sales	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) CURENT ASSETS (035+043+050+058)	034	419.156.868	594.733.718
I. INVENTORIES (036 to 042)	035	9.443.781	9.222.985
1. Raw materials & consumables	036	8.480.696	8.288.063
2. Work in progress	037	0	0
3. Products	038	963.085	934.902
4. Merchandise	039	0	0
5. Prepayments for inventories	040	0	0
6. Other available-for-sale assets	041	0	0
7. Biological asset	042	0	0
II. RECEIVABLES (044 to 049)	043	352.276.648	346.825.237
1. Receivables from related parties	044	63.184.886	72.514.007
2. Trade receivables	045	200.255.715	192.328.352
3. Receivables from participating parties	046	671.564	789.414
4. Amounts receivable from employees	047	209.971	174.159
5. Receivables from government agencies	048	264.321	4.131.286
6. Other receivables	049	87.690.191	76.888.019
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	51.890.333	80.606.638
1. Share in related parties	051	0	0
2. Loans to related parties	052	51.405.306	56.790.480
3. Participating interests (stakes)	053	0	0
4. Loans to participating interest	054	311.737	311.737
5. Investments in securities	055	28.290	28.290
6. Loans & deposits	056	145.000	23.476.031
7. Other financial assets	057	0	0
IV. CASH ON HAND AND IN THE BANK	058	5.546.108	168.078.978
D) PREPAYMENTS AND ACCRUED INCOME	059	1.035.805	711.388
E) TOTAL ASSETS (001+002+034+059)	060	1.311.196.236	1.477.426.850
F) OFF-BALANCE SHEET ITEMS	061	947.853.743	340.986.813

Equity and Liabilities

Name of position:	AOP	31.12.2013	31.3.2014
1	2	3	4
DALEKOVOD jsc			
EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-10.276.408	430.474.368
I. SHARE CAPITAL	063	286.726.500	187.194.330
II. CAPITAL RESERVES	064	80.478.889	86.750.590
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	157.131.299	44.367.886
1. Legal reserves	066	11.486.600	11.486.600
2. Reserves for own shares	067	7.773.071	7.773.071
3. Own shares and stakes (less)	068	7.773.071	7.773.071
4. Statutory reserves	069	32.881.286	32.881.286
5. Other reserves	070	112.763.413	0
IV. REVALUATION RESERVES	071	50.020.716	50.020.716
V. RETAINED EARNINGS OR LOSS BROUGHT FORWARD (073-074)	072	-441.240.682	-143.393.130
1. Retained earnings	073	0	0
2. Loss brought forward	074	441.240.682	143.393.130
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	-143.393.130	205.533.976
1. Profit for the financial year	076	0	205.533.976
2. Loss for the financial year	077	143.393.130	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 to 082)	079	13.780.645	13.780.645
1. Provisions for pensions, severance pay and similar liabilities	080	6.767.096	6.767.096
2. Provisions for tax obligations	081	0	0
3. Other provisions	082	7.013.549	7.013.549
C) NON-CURRENT LIABILITIES (084 to 092)	083	460.523.536	732.932.099
1. Liabilities to related parties	084	0	45.789.520
2. Liabilities for loans, deposits and other	085	0	0
3. Liabilities towards banks and other financial institutions	086	319.073.915	419.391.063
4. Amounts pay able for prepayment	087	0	0
5. Trade payables	088	141.449.621	246.219.360
6. Amounts payable for securities	089	0	18.347.031
7. Liabilities toward participating interests	090	0	3.185.125
8. Other non-current liabilities	091	0	0
9. Deferred tax	092	0	0
D) CURRENT LIABILITIES (094 to 105)	093	847.168.463	300.239.738
1. Liabilities to related parties	094	119.129.282	47.585.825
2. Liabilities for loans, deposits and other	095	8.009.169	2.837.549
3. Liabilities towards banks and other financial institutions	096	308.143.443	81.333.276
4. Amounts payable for prepayment	097	21.371.228	48.948.493
5. Trade payables	098	304.683.022	102.838.003
6. Amounts payable for securities	099	44.223.213	919.417
7. Liabilities toward participating interests	100	6.370.250	1.274.050
8. Liabilities to employees	101	9.902.032	4.422.323
9. Taxes, contributions and similar liabilities	102	19.502.861	4.363.630
10. Liabilities arising from share in the result	103	1.899.762	1.899.762
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	3.934.201	3.817.410
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	0	0
F) TOTAL LIABILITIES (062+079+083+093+106)	107	1.311.196.236	1.477.426.850
G) OFF-BALANCE SHEET ITEMS	108	947.853.743	340.986.813
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		
2. Attributable to non-controlling interests	110		

IV. STATEMENT OF COMPREHENSIVE INCOME

Name of position	AOP	1Q 2013	1Q 2014
1	2	3	4
DALEKOVOD J.S.C.			
I. OPERATING INCOME (112+113)	111	171.960.345	119.191.647
1. Sales revenue	112	165.416.110	117.060.271
2. Other operating income	113	6.544.235	2.131.376
II. OPERATING EXPENSES (116+118+120+124+126+128+129+130)	114	166.994.000	134.071.839
1. Changes in inventories of finished products and work in progress	116	156.273	28.182
2. Material costs (117 to 119)	116	113.590.140	76.529.155
a) Cost of raw materials & consumables	117	30.613.779	28.302.489
b) Cost of goods sold	118	19.118.332	8.061.663
c) Other costs	119	63.858.029	40.165.003
3. Staff costs (121 to 123)	120	27.809.104	22.469.143
a) Net salaries	121	17.938.046	15.317.678
b) Employee income tax	122	5.728.443	4.726.744
c) Tax on payroll	123	4.142.615	2.424.721
4. Depreciation and amortisation	124	8.774.600	8.181.582
5. Other expenditures	125	15.069.060	22.886.611
6. Value adjustment (127+128)	126	0	0
a) non-current assets (without financial assets)	127	0	0
b) current assets (without financial assets)	128	0	0
7. Provisions	129	0	0
8. Other operating expenses	130	1.594.823	3.977.166
III. FINANCIAL INCOME (132 to 136)	131	1.812.761	223.763.969
1. Interest income, foreign exchange differences, dividends and other financial income related to subsidiaries	132	871.645	28.501.742
2. Interest income, foreign exchange differences, dividends and other financial income related to third parties	133	644.430	17.296.814
3. Part of income from associates and participating interests	134	296.686	0
4. Unrealized gains (income) from the financial assets	135	0	0
5. Other financial income	136	0	177.965.413
IV. FINANCIAL COSTS (138 to 141)	137	6.355.277	3.349.288
1. Interest, foreign exchange differences and other expenses related to subsidiaries	138	562.569	0
2. Interest, foreign exchange differences and other expenses related to third parties	139	5.474.580	3.048.672
3. Unrealized loss (expenses) from the financial assets	140	0	0
4. Other financial expenses	141	318.128	300.616
V. SHARE OF INCOME OF ASSOCIATES	142	0	0
VI. SHARE OF LOSS OF ASSOCIATES	143	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0
IX. TOTAL INCOME (111+131+142 + 144)	148	173.773.106	342.955.616
X. TOTAL EXPENSES (114+137+143 + 146)	147	173.349.277	137.421.127
XI. PROFIT OR LOSS BEFORE TAX (148-147)	148	423.829	205.534.489
1. Profit before tax (146-147)	149	423.829	205.534.489
2. Loss before tax (147-146)	150	0	0
XII. INCOME TAX EXPENSE	151	0	613
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	423.829	205.533.976
1. Profit for the period (149-151)	153	423.829	205.533.976
2. Loss for the period (151-148)	154	0	0
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	155	0	0
2. Attributable to non-controlling interests	156	0	0
STATEMENTS OF COMPREHENSIVE INCOME (to be filled in by entities who work in compliance with IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	423.829	205.533.976
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 to 165)	158	0	0
1. Exchange differences arising from foreign operations	159	0	0
2. Revaluation of non-current assets and intangible assets	160	0	0
3. Gains or loss available for sale investments	161	0	0
4. Gains or loss on net movement on cash flow hedges	162	0	0
5. Gains or loss on net investments hedge	163	0	0
6. Share of the other comprehensive income/loss of associates	164	0	0
7. Actuarial gain / loss on post employment benefit obligations	165	0	0
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166	0	0
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	0	0
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	423.829	205.533.976
APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)			
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD			
1. Attributable to owners of the company	169	0	0
2. Attributable to non-controlling interests	170	0	0

V. CASH FLOW STATEMENT

Name of position:	AOP designation	Previous year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Pre-tax profit	001	423.829	205.534.489
2. Depreciation	002	8.774.600	8.181.582
3. Increase in short-term liabilities	003	34.990.123	0
4. Decrease in short-term receivables	004	0	5.451.411
5. Reduction of stocks	005	856.277	220.816
6. Other increase in cash flow	006	0	374.155.733
I. Total increase in cash flow from operating activities (001 to 006)	007	45.044.829	593.544.031
1. Decrease in short-term liabilities	008	0	13.989.213
2. Increase in short-term receivables	009	25.874.259	0
3. Increase in stocks	010	0	0
4. Other decrease in cash flow	011	17.059.561	547.449.574
II Total decrease in cash flow from operating activities (008 to 011)	012	42.933.820	561.438.787
A1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (007-012)	013	2.111.009	32.105.244
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash receipts from sale of fixed tangible and intangible assets	015	0	0
2. Cash receipts from sale of treasury and debt financial instruments	016	0	0
3. Cash receipts from interests	017	0	0
4. Cash receipts from dividends	018	0	0
5. Other cash receipts from investment activities	019	0	150.107.084
III. Total cash receipts from investment activities (015 do 019)	020	0	150.107.084
1. Expenditures for buying fixed assets and intangible assets	021	1.462.852	668.354
2. Expenditures for purchasing treasury and debt financial instruments	022	56.124	0
3. Other expenditures from investment activities	023	506.125	28.716.205
IV. Total expenditures from investment activities (021 to 023)	024	2.025.101	29.384.559
B1) NET INCREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	120.722.525
b2) NET DECREASE IN CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	2.025.101	0
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipts from issuance of treasury and debt financial instruments	027	0	0
2. Cash receipts from loan principal, bonds, borrowings and other loans	028	967.133	0
3. Total cash receipts from financial activities	029	112.852	0
V. Total cash receipts from financial activities (027 to 029)	030	1.079.985	0
1. Expenditures for repayment of loan principal and bonds	031	0	0
2. Expenditures for payment of dividends	032	0	0
3. Expenditures for financial leasing	033	301.126	294.897
4. Expenditures for redemption of treasury shares	034	0	0
5. Other expenditures from financial activities	035	0	0
VI. Total expenditures from financial activities (031 to 035)	036	301.126	294.897
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	778.869	0
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	294.897
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	864.767	152.532.872
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of the period	041	9.691.818	5.546.106
Increase in cash and cash equivalents	042	864.767	152.532.872
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of the period	044	10.556.585	158.078.978

VI. STATEMENT OF CHANGES IN EQUITY

Name of position:	AOP	Previous period	Current period
		DALEKOVOD jsc	
1	2	3	4
1. Share capital	001	286.726.500	187.194.330
2. Capital reserves	002	80.478.889	86.750.590
3. Reserves from profit	003	157.131.299	44.367.886
4. Retained profit or loss carried forward	004	0	-143.393.130
5. Profit or loss of current year	005	-143.393.130	205.533.976
6. Revaluation of longterm tangible assets	006	50.020.716	50.020.716
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial assets available for sale	008	0	0
9. Other revaluations	009	0	0
10. Total equity and reserves (AOP 001 to 009)	010	-10.276.408	430.474.368
11. Foreign exchange differences arising from the titles of net investment in foreign operations	011	0	0
12. Current and deferred taxes (part)	012	0	0
13. Cash flow protection	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant errors in the previous period	015	0	0
16. Other changes in equity	016	0	0
17. Total increase or decrease in equity (AOP 011 to 016)	017	0	0
17 a. Attributed to parent company equity holders	018		
17 b. Attributed to minority interest	019		

VII. NOTES TO FINANCIAL STATEMENTS

1. MANAGEMENT BOARD MEMBERS

1. Chairman: Goran Brajdić, M.Econ.
2. Member: Krešimir Anušić, M.El.Eng.
3. Member: Marko Jurković, M.El.Eng.
4. Member: Željko Lekšić, MSc Econ., M.Mech.Eng.

2. SUPERVISORY BOARD MEMBERS

Chairman: Marijan Pavlović, LLM
Member: Nataša Ivanović, M.Econ.
Member: Dubravko Štimac, MSc, M.Econ.
Member: Davor Doko, M.Econ.
Member: Ante Čurković, PhD, M.Eng.
Member: Viktor Miletić

3. SHAREHOLDING STRUCTURE (as at 31 March 2014)

NATURAL PERSONS	1.493.451
PENSION FUNDS	638.891
BANKS	298.181
TELEGRA d.o.o.	164.753
OTHERS	228.055
OWN SHARES	43.934
TOTAL	2.867.265

4. MERGERS AND CONSOLIDATIONS

There were no mergers or consolidations in the first quarter of 2014.

5. UNCERTAINTY

No items of doubtful and disputable debt affecting business continuity were identified in the first quarter of 2014.



6. DESCRIPTION OF PRODUCTS AND SERVICES

Over time, Dalekovod d.d. has become specialized in performing contracts on a turnkey basis in the following areas:

- electrical facilities, especially transmission lines between 0.4 and 500 kV
- transformer stations of all levels and voltages up to 500 kV
- air, underground and underwater cables up to 110 kV
- telecommunication facilities
- all types of networks and antennas
- production of suspension and joining equipment for all types of transmission lines and transformer stations 0.4 and 500 kV
- production and installation of all metal parts for roads, especially for road lighting, security barriers and traffic signals
- tunnel lighting and traffic management
- electrification of railway and tramways

7. CHANGES IN ACCOUNTING POLICIES

There are no new accounting policies.