

Zagreb, July 27th 2011

ZAGREB STOCK EXCHANGE

Ivana Lu i a 2a
10000 Zagreb

Subject: Dalekovod breaks into UK market

Dear Sirs,

Dalekovod d.d., a consortium member of the Transmit Energy comprising of renowned English companies (Costain . leading partner, and Reachactive) and partners on projects (Arup, Hyder and Spie) has completed the prequalification procedure for the National Grid in UK, and has been invited to make a bid for the construction of power lines, delivery of equipment and design.

Passing the prequalification procedure will enable Dalekovod to join the Electricity Alliance Programme being carried out by the National Grid UK . high-voltage electric power transmission network in Great Britain. The programme in question includes %life-long cycle+ type of business involving design, execution and additional maintenance of high-voltage lines in the UK market.

National Grid UK has invited tenders for signing of frame agreement on design and construction of new power lines in Great Britain. The tender envisions the signing of two frame agreements thereby increasing the number of contractors (consortium) with the National Grid UK& Electricity Alliance Programme from the existing two to four.

The National Grid UK is an international corporation running the electric power and gas network in UK, and North-East part of USA. In 2007 the National Grid has signed contracts worth 2.5 billion pounds sterling for the maintenance and development of electric power network in England and Wales with 15 companies (organised by few consortia) within the Energy Alliance Programme in order to provide resources and support the development and delivery of quality and timely solutions for high-voltage networks.

With respect to increased demands for maintenance works and network construction, as well as execution limitations, the National Grid is planning to expand the list of partner companies (consortia), thereby enabling the arrival of new bidders to enter into the market. At the same time, the references and the ability to come through on time when a project needs to be done will play a key role.

Taking into account that this is Dalekovod& first time on the vast and demanding UK market, Dalekovod d.d. has chosen to partner up with the Costain Group, a leading British engineering and construction company, and ReachActive, an Irish-British engineering company within in the Transmit Energy consortium. The consortium will rely on Arup& and Hyder& (two global companies providing consulting and design services) technical and engineering support, who& role is to adapt Dalekovod& technical solutions and projects to national legislation and regulations.

Dalekovod d.d. references play a key role in the said consortium . over 1000 km of recently constructed high-voltage lines, as well as three significant projects across Europe, represent a unique experience in this field in Europe, which has also been recognised by our UK partners.

Taking into consideration the fact that National Grid is a private company listed on LSE and NYSE, the terms of engagement of contractors differ a bit from those in other European countries. The process goes as follows: National Grid chooses partners within the Electricity Alliance Programme directly or via invitation to tender with whom they sign a perennial framework agreement defining unit prices for basic type of works and services (framework agreement is usually signed to last 5 years). In compliance with that agreement, the National Grid gives an indication on the amount of work and its dynamics and accordingly employs contractors without additional soliciting for tenders.

The Management Board feels that being part of and playing a role in the said consortium, as well as successfully completing the prequalification process, is a huge success for Dalekovod d.d., which has been working abroad quite successfully for the past 6 years. A rather significant role has been played by projects executed in Norway and Iceland. Bearing in mind how unique and important this procedure is for the Group's business activities, the Management Board would like to issue the information regarding the company's breakthrough onto the UK market, but also kindly reminding you that the elements of the aforementioned agreement will timely be reported on once it has been agreed upon with partners.

Based on successfully executed projects performed by Dalekovod d.d. so far, it is fair to expect that the 2012 elected consortium shall successfully complete the given pilot-project, thereby meeting all the prerequisites for the signing of contract with the National Grid UK in a 1+4 period with the possibility of prolongation up to four more years, which represents further long-lasting business co-operation. The approximate value of works for the first framework agreement amounts to 150 million pounds sterling with the possibility of increasing later contracted values of works in accordance to the quality of works executed.

A successful signing of the framework agreement with Dalekovod d.d. would represent a significant step out in the demanding UK market, as well as long-term quality work on the design, equipment delivery and construction of high-voltage power lines.

Respectfully yours,

Dalekovod d.d.