

Dalekovod d.d.
Marijana Čavića 4
10 000 Zagreb



Management's report for 2009 With reference to IV. Quarter of 2009*

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

The above financial statements as integral part of the reports by the Management are preliminary, unaudited and non-consolidated reports and have not been considered by the Supervisory Board.

Some differences may occur between preliminary and audited financial statements of the Company that will not have a great impact on the operating result of the Company.

Annual, audited, financial statements of the Company that will be subject to consideration by the Supervisory Board will be publicized within legal deadline on 30th April 2010.

Zagreb, 31 Januar 2010



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I. MANAGEMENT BOARD'S REPORT

For the year 2009, the Company generated total income amounting to HRK 2,350,752,038 which constitutes a rise of 3.10% compared to the income generated last year.

Out of the presented amount, the income amounting to HRK 1,769,392,304 was generated on the local market which constitutes a rise of 3.26% compared to the income generated in 2008 through the contracts concluded with traditional customers on projects relating to road construction, railway and energy supply sector.

The income amounting to HRK 581,359,734 was generated on the international market in Norway, Albania, Montenegro, Kazakhstan and Bosnia and Herzegovina, which constitutes a rise of 2.63 % compared to the income generated in 2008 (HRK 566,464,766).

A great increase in foreign income and generated profit of the Company relates to the completion of significant capital works in Kazakhstan, Norway and Bosnia and Herzegovina. The gross profit generated on international projects in 2009 amounts to HRK 56,188,975.

Besides the increase in foreign income and profit generated on the international market, the Company has strengthened its market position abroad, confirmed its reputation as one of the strongest companies in its sector in the region and has ensured a good position when contracting some new international projects.

In the fiscal period, expenses amounting to HRK 2,239,239.968 were generated along with increased production and assembly. The growth of expenses is smaller than the growth of income, which is the consequence of further optimization of the production and construction process and enforceable saving measures and rationalization in normal business operation.

The financial crisis directly and negatively affected operating result with regard to an increase in expenditures generated for the purpose of financing current liquidity and current assets. The positive impact that partly mitigated general insolvency problems was achieved by contracted foreign projects whereas high down payment sums had been paid.

In 2009 great gross profit before taxation to amount of HRK 111,512,070 was generated, with a rise of 6.2% compared to the profit generated in 2008. The rise in gross profit generated abroad was greatly affected by the profit generated abroad which is over 50% of the totally generated gross profit.



During the deep financial crises which was mainly reflected on a decrease in investments and slow-down of performance of contracted deals already concluded, more expensive and worse sources of financing, the Company achieved results as it had planned ones and the best so far, which is a direct result of knowledge, ability and readiness to ensure and then perform contracted deals within requested deadlines and meeting quality criteria on such a demanding market.

In the forthcoming period, considering the downturn of the local market, the Company is planning to greatly increase foreign deals and expand market niches where it operates, and generate foreign income amounting up to 1.0 billion Kuna. Unfortunately, considering a great decrease in contracts on the local market, the Company forecasts a large decrease in income from the local market in the forthcoming period.

For the Management Board of the Company:
Pres. of the Management Board





II. REPRESENTATION LETTER

According to Article 410, paragraph 2 and Article 407, paragraph 2, item 3 of the Capital Market Act, the responsible persons for the preparation of the reports: Luka Miličić – President of the Management Board, Krešo Kraljević – Deputy President and Tomislav Belamarić – the member of the Management Board submit this

REPRESENTATION LETTER

According to our best knowledge, the short financial statements of the Company prepared by using suitable standards of the financial statements, give a full and a true presentation of assets and liabilities and operating result of the Company with a short review of causes of disclosed data. Financial statements are preliminary, unaudited, non-consolidated and the Supervisory Board have not discussed them*.

For the Management Board of the Company:
Pres. of the Manag. Board



DALEKOVOD
dioničko društvo za inženjering, proizvodnju i izgradnju
Zagreb, Republika Hrvatska, p.p. 128, MB 3275531 3

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II. BILANCA

Assets

Item	AOP label		Previous year (net)	Current year (net)
1	2	3	4	5
ASSETS				
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001		0	0
B) FIXED ASSETS (003+010+020+028+032)	002		653.177.626	687.779.868
I INTANGIBLE ASSETS (004 to 009)	003		18.156.320	19.023.288
1 Development projects expenditures	004		0	0
2 Concessions, patents, licenses, trade marks, software and similar rights	005		18.156.320	16.197.213
3 Goodwill	006		0	0
4 Advance payments for intangible assets	007		0	0
5 Intangible assets in preparation	008		0	2.826.075
6 Other intangible assets	009		0	0
II TANGIBLE ASSETS (011 to 019)	010		491.706.508	468.401.800
1 Land	011		13.521.765	13.521.765
2 Construction facilities	012		107.762.676	113.967.449
3 Plant and machinery	013		231.468.758	212.321.576
4 Tools, plant inventory and means of transport	014		0	0
5 Biological property	015		0	0
6 Advance payments for tangible assets	016		25.368	25.368
7 Tangible assets in preparation	017		28.081.187	17.372.641
8 Other tangible assets	018		0	0
9 Investments in property	019		110.846.754	111.193.003
III FIXED FINANCIAL ASSETS (021 to 027)	020		143.314.798	200.354.780
1 Shares in affiliated undertakings	021		72.647.022	121.697.656
2 Loans to affiliated undertakings	022		5.355.142	11.858.508
3 Participating interests	023		23.909.020	32.689.020
4. Investments in securities	024		21.277.300	19.199.648
5. Loans, deposits, and similar	025		20.126.314	14.909.948
6 Own shares and interests	026		0	0
7 Other fixed financial assets	027		0	0
IV RECEIVABLES (029 to 031)	028		0	0
1 Receivables from affiliated undertakings	029		0	0
2 Receivables related to credit sale	030		0	0
3 Other receivables	031		0	0
DEFERRED TAX ASSETS	032		0	0
C) CURRENT ASSETS (034+042+049+057)	033		1.926.628.731	1.606.638.895
I STOCKS (035 To 041)	034		691.663.210	444.794.741
1 Raw material	035		226.143.164	99.882.494
2 Production in progress	036		42.029.954	15.080.785
3 In-process products and semi-products	037		0	0
4 Finished products	038		423.490.092	329.831.461
5 Goods for resale	039		0	0
6 Advance payments for inventories	040		0	0
7 Other assets intended for sale	041		0	0
II RECEIVABLES (043 To 048)	042		1.077.845.592	1.022.007.676
1 Receivables from affiliated undertakings	043		66.518.589	7.456.038
2 Receivables from customers	044		945.632.326	980.966.372
3 Receivables from participating undertakings	045		0	0
4 Receivables from employees and members of undertakings	046		1.153.576	959.884
5 Receivables from the state and other institutions	047		38.381.724	3.057.691
6 Other receivables	048		26.159.377	29.567.691
III CURRENT FINANCIAL ASSETS (050 To 056)	049		52.399.523	90.549.019
1 Shares in affiliated undertakings	050		0	0
2 Loans to affiliated undertakings	051		8.789.771	17.617.282
3 Participating interests	052		0	0
4. Investments in securities	053		23.929	23.929



5. Loans, deposits, and similar	054		43.585.823	72.907.808
6 Own shares and interests	055		0	0
7 Other long-term financial assets	056		0	0
IV CASH IN HAND AND AT BANK	057		104.720.406	49.287.459
D) PREPAYMENTS AND ACCRUED INCOME	058		10.942.838	28.539.735
E) LOSS ABOVE CAPITAL	059		0	0
F) TOTAL ASSETS (001+002+033+058+059)	060		2.590.749.195	2.322.958.498
G) OFF-BALANCE SHEET ITEMS	061		335.792.399	335.979.829

Liabilities

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062	578.021.443	664.709.572
I INITIAL (SUBSCRIBED) CAPITAL	063	229.381.200	229.381.200
II CAPITAL RESERVES	064	0	0
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	262.533.975	342.650.517
1 Legal reserves	066	11.486.600	11.486.600
2 Reserves for own shares	067	0	0
3 Own shares and interests (deductible item)	068	0	0
4 Statutory reserves	069	219.999.205	218.400.504
5 Other reserves	070	31.048.170	112.763.413
IV REVALUATION RESERVES	071	3.591.025	3.591.025
V RETAINED PROFIT	072	0	0
VI LOSS BROUGHT FORWARD	073	0	0
VII PROFIT OF FINANCIAL YEAR	074	82.515.243	89.086.830
VIII LOSS OF FINANCIAL YEAR	075	0	0
IX MINORITY INTEREST	076	0	0
B) PROVISIONS (078 TO 080)	077	7.188.536	6.940.763
1 Provisions for rents, lay-off pays and similar liabilities	078	7.188.536	6.940.763
2 Provision for tax liabilities	079	0	0
3 Other provisions	080	0	0
C) LONG-TERM LIABILITIES (082 To 089)	081	183.956.881	194.922.998
1 Liabilities towards affiliated undertakings	082	0	0
2 Liabilities for loans, deposits and similar	083	0	0
3 Liabilities towards banks and other financial institutions	084	2.497.982	12.497.500
4 Liabilities for advance payments	085	0	0
5 Liabilities towards suppliers	086	181.458.899	182.425.498
6 Liabilities related to securities	087	0	0
7 Other long-term liabilities	088	0	0
8 Deferred tax liability	089	0	0
D) SHORT-TERM LIABILITIES (091 do 101)	090	1.744.194.308	1.378.997.226
1 Liabilities towards affiliated undertakings	091	11.939.405	14.155.909
2 Liabilities for loans, deposits and similar	092	22.430.571	8.900.747
3 Liabilities towards banks and other financial institutions	093	478.526.491	295.506.816
4 Liabilities for advance payments	094	65.682.924	26.431.293
5 Liabilities towards suppliers	095	867.653.736	746.397.733
6 Liabilities related to securities	096	262.736.402	232.836.403
7 Liabilities towards employees	097	12.064.268	11.092.803
8 Liabilities for taxes, contributions and similar levies	098	17.211.183	25.459.692
9 Liabilities related to the share in the result	099	1.946.577	1.899.762
10 Liabilities related to fixed assets intended for sale	100	0	0
11 Other short-term liabilities	101	4.002.751	16.316.067
E) ACCRUALS AND DEFERRED PAYMENT	102	77.388.027	77.387.939
F) TOTAL - LIABILITIES (062+077+081+090+102)	103	2.590.749.195	2.322.958.498
G) OFF-BALANCE SHEET ITEMS	104	335.792.399	335.979.829

III. PROFIT AND LOSS ACCOUNT

Item	IV Quarter 2008	Previous year (net)	IV Quarter 2009	Current year (net)
1		4		5
I OPERATING INCOME (108 to 110)	844.115.075	2.255.457.479	385.481.213	2.321.229.133
1 Revenues from products and services	825.974.716	2.195.923.359	378.578.998	2.241.146.986
2 Revenues from usage of own products and services	7.740.460	21.725.700	5.440.103	25.316.699
3 Other operating income	10.399.899	37.808.420	1.462.112	54.765.448
II OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	763.636.791	2.096.854.821	337.762.281	2.163.505.951
1 Reduction in stocks of finished goods and in work in progress	0	0	-41.659.359	120.002.615
2 Increase of stocks of finished goods and in work in progress	270.343.150	349.798.280	0	0
3 Material costs (115 to 117)	843.721.211	1.918.534.990	268.420.108	1.536.313.626
a) Raw material costs	163.721.560	503.491.930	65.705.706	338.610.730
b) Costs of goods for sale	130.486.714	250.318.339	27.011.236	118.841.127
c) Other external services costs	549.512.937	1.164.724.721	175.703.166	1.078.861.769
4 Staff costs (119 to 121)	109.046.538	314.469.390	65.333.470	285.764.451
a) Net wages and salaries	71.552.774	181.913.484	35.742.157	169.016.551
b) Taxes and contribution on salaries	27.031.802	91.946.347	20.077.901	78.816.461
c) Contribution surtax on salaries	10.461.962	40.609.559	9.513.412	37.931.439
5 Depreciation	12.245.005	44.028.194	11.733.308	45.708.611
6 Other operating expenses	61.546.832	155.672.300	29.314.102	151.649.384
7 Value adjustment (125+126)	2.060.734	2.289.696	54.024	477.319
a) fixed assets (except financial assets)	0	0	0	0
b) current assets (except financial assets)	2.060.734	2.289.696	54.024	477.319
8. Long-term reserves	0	0	0	0
9. Other expenses	5.359.621	11.658.531	4.566.628	23.589.945
III FINANCIAL INCOME (130 to 134)	13.992.667	24.600.627	6.355.971	29.522.905
1 Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	102.827	161.368	0	58.541
2 Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	10.470.577	20.859.674	5.215.592	27.672.659
3 Income from affiliated undertakings and participating interests	0	0	0	0
4 Unrealized income of the financial assets	3.419.263	3.579.585	1.140.379	1.791.705
5 Other financial income	0	0	0	0
IV FINANCIAL EXPENSES(136 to 139)	40.788.938	78.218.257	20.875.313	75.734.017
1. Interest income, foreign exchange gains, dividends and other expenses related to affiliated undertakings	-724.271	34.185	0	758.456
2. Interest income, foreign exchange gains, dividends and other expenses related to unaffiliated undertakings and other persons	41.596.133	77.823.585	11.176.809	64.925.833
3. Unrealized losses (expenses) of the financial assets	-82.924	360.487	9.698.504	10.049.728
4 Other financial expenses	0	0	0	0
V EXTRAORDINARY - OTHER INCOME	0	0	0	0
VI EXTRAORDINARY - OTHER EXPENSES	0	0	0	0
VII TOTAL INCOME (107+129+140)	858.107.742	2.280.058.106	391.837.184	2.350.752.038
VIII TOTAL EXPENSES (111+135+141)	804.425.729	2.175.073.078	358.637.594	2.239.239.968
IX PROFIT BEFORE TAX (142-143)	53.682.013	104.985.028	33.199.590	111.512.070
X LOSS BEFORE TAX (142-143)	0	0	0	0
XI TAX	6.014.959	22.469.785	7.695.536	22.425.240
XII PROFIT AFTER TAX	47.667.054	82.515.243	25.504.054	89.086.830
XIII LOSS AFTER TAX	0	0	0	0

IV. CASH FLOW STATEMENT

Item			Previous year	Current year
1	2	3	4	5
A) Cash flow from operating activities				
Profit/ loss after tax	001		104.985.029	111.512.071
Depreciation	002		44.028.194	45.708.611
Increase in short-term liabilities	003		204.422.998	0
Reduction in short-term receivables	004		0	50.374.338
Reduction in stocks	005		0	246.868.467
Increase in cash from other items	006		0	0
I. Total increase in cash from operating activities	007		353.436.221	454.463.487
Reduction in short-term liabilities	008		0	178.571.691
Increase in short-term receivables	009		280.562.286	0
Increase in stocks	010		462.640.693	0
Reduction in cash from other items	011		2.131.861	6.870.905
II. Total reduction from operating activities	012		745.334.840	185.442.596
A1) Net increase in cash from operating activities	013		0	269.020.891
A2) Net reduction in cash from operating activities	014		391.898.619	0
B) Cash flow from investment activities				
Proceeds from sale of tangible and intangible assets	015		130.545.184	26.266.346
Cash receipts from sale of investment securities	016		975.972.080	69.339.960
Cash receipts from interest	017		2.825.969	1.046.053
Cash receipts from dividends	018			
Cash inflow in other items from investment activities	019			
III. Total increase in cash from investment activities	020		1.109.343.233	96.652.359
Purchase of tangible and intangible fixed assets	021		184.115.593	49.537.307
Cash outflow from purchase of investment securities	022		875.237.396	164.529.433
Cash outflow in other items from investment activities	023			
IV. Total reduction in cash from investment activities	024		1.059.352.989	214.066.740
B1) Net increase in cash from investment activities	025		49.990.244	0
B2) Net reduction in cash from investment activities	026		0	117.414.381
C) Net cash flow from financial activities				
Cash receipts from issuance of stocks and debt financial instrument	027		225.000.000	151.181.774
Cash receipts from credits, loans and other borrowings	028		1.061.848.005	728.502.854
Cash inflow in other items from financial activities	029			
V. Total increase in cash from financial activities	030		1.286.848.005	879.684.628
Cash outflow related to loans, credits and bonds	031		783.210.347	1.055.278.177
Dividends paid	032		28.378.979	804
Cash outflow related to financial lease	033		57.393.449	29.046.404
Cash outflow for repurchase of stock (treasury stock)	034		4.130.270	2.398.700
Cash outflow from other financial activities	035			
VI. Total reduction in cash from financial activities	036		873.113.045	1.086.724.085
C1) Net increase in cash from financial activities	037		413.734.960	0
C2) Net reduction in cash from financial activities	038		0	207.039.457
Total increase in cash and cash equivalents	039		71.826.585	0
Total decrease in cash and cash equivalents	040		0	55.432.947
Cash and cash equivalents at the beginning of the period	041		32.893.821	104.720.406
Increase in cash and cash equivalents	042		71.826.585	0
Decrease in cash and cash equivalents	043		0	55.432.947
Cash and cash equivalents at the end of the period	044		104.720.406	49.287.459

V. CHANGE IN CAPITAL STATEMENT

Item		Previous year	Increase	Decrease	Current year
Subscribed capital	117	229.381.200			229.381.200
Capital reserves	118	0			
Reserves from profit	119	262.533.975	82.515.243	2.398.701	342.650.517
Retained profit or loss carried forward	120				
Profit or loss of the current period	121	82.515.243	89.086.830	82.515.243	89.086.830
Revaluation of long-term tangible assets	122	3.591.025			3.591.025
Revaluation of intangible assets	123				
Revaluation of available-fo-sale financial assets	124				
Other revaluations	125				
Exchange rate differentials related to net investments in a foreign entity	126				
Current and deffered tax	127				
Protect cash flow	128				
Change in accounting policy	129				
Correction of fundamental mistakes	130				
Other changes in capital statements	131				
Total increase / decrease in capital statements	132	578.021.443			664.709.572

VI. ADDITIONAL NOTES

1. MEMBER OF MANAGEMENT BOARD

1. President: Luka Miličić, M.Sc.C.E.
2. Deputy President of Management Board-Member: Krešo Kraljević, B.Sc.E.E.
3. Member: Tomislav Belamarić, B.Sc.E.E.

2. MEMBERS OF SUPERVISORY BOARD

President: Marijan Pavlović
 Member: Anđa Bošković
 Member: Velimir Đurđević
 Member: Ivan Radotić
 Member: Alda Zaninović
 Member: Dinko Markoljević
 Member: Željko Poljak

3. TOP TEN SHAREHOLDERS:

CTG d.o.o.	Zagreb, Srednjaci 10	352.474	15,37%
HPB d.d./Kapitalni fond d.d.	Zgb, Jurišićeva 4	44.071	1,92%
PBZ d.d. Collective custodial account	Zgb, Račkog 6	40.601	1,77%
Zagrebačka banka / Zbirni skrbnički račun	Zagreb, Paromlinska 2	28.197	1,23%
Societe generale - Splitska banka d.d.	Split, R. Boškovića 16	26.348	1,49%
Miličić Luka	Zagreb, Čačkovićeve 7a	22.469	0,98%
PBZ d.d. Street client account	Zgb, Račkog 6	21.341	0,93%
Kraljević Krešo	Zagreb, Milana Rešetara 26	21.029	0,92%
Belamarić Tomislav	Zgb, Lastovska 5	20.669	0,90%
Mirošević Gordan	Zgb, Papova 10	19.463	0,85%
Dalekovod d.d. own shares		43.934	1,91%

4. SHARE ALLOCATION:

A new issue of shares has not been carried out so far.

5. EARNINGS PER SHARE

Earning per share for the year 2009 amounted to HRK 39.60



6. MERGERS

In 2009 there were no mergers.

7. UNCERTAINTY

In 2009 there were no doubtful and bad debts that impact the business continuity.

8. DESCRIPTION OF PRODUCTS AND SERVICES

Dalekovod d.d with time has specialized for performance of contracts based on „turnkey“ solution in the following areas:

- Electrical power facilities, especially transmission lines from 0.4 to 500 kV
- Substations of all levels and voltage levels up to 500 kV
- Air, underground and marine cables up to 110 kV
- Telecommunication facilities
- All types of networks and antennas
- Production of suspension and jointing equipment for all types of transmission lines and substations from 0.4 to 500 kV
- Production and installation of all metal parts for traffic roads, especially for road lighting, protective fencing and traffic signalization
- Tunnel lighting and traffic control
- Electrification of railway and trams

9. CHANGES TO ACCOUNTING POLICIES

There are no new accounting policies.

10. LEGAL ISSUES

There are no unresolved issues greatly affecting the Company's business.