

## Social Responsibility Report



Zagreb, 2008

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## **Introductory note by the President of the Management Board**

As we in 2007 joined Global Compact, we assumed responsibility to comply our business operation with moral and ethic principles of the UN corporate initiative in the area of human rights, employees' standards, environmental protection and corruption combat.

In this context, our business results for the year 2007 meet our expectations. We, namely, increased production, sales and profit in compliance with business plans, we continued with the activities on development projects, advancement and improvement of production, employment of new people (mainly young and professional people) and sales on some new markets. The most important export markets are the markets of Norway, Albania and Kazakhstan, while we have also retained cooperation with the most of the countries where we export our products (there are some more than 80 of them).

We are in many ways included in the creation of the socially responsible atmosphere in the environment and the society. In the community where we are active, we are trying to have a good cooperation with it and accordingly we attempt to enable a better education to our employees and offer free activities regarding sport, recreation and culture. We contribute to the development of the society through donations and sponsorships. We are especially interested in supporting sport, education and culture as to contribute to creation of perspectives for young people and shaping of the society of knowledge where we wish to live.

This report incorporates the indicators for the most important activities in the area of socially responsible operation in the year 2007. In this way we wish to join the group of companies that will not only recognize the need for serious operation in the area of social responsibility, but that use reporting according to internationally adopted principles in order to open a possibility for dividing responsibility for the further development of Dalekovod with all business partners, associates, institutions and other persons.

Respectfully yours,

President of the Management Board of Dalekovod d.d.  
M. Sc. Luka Miličić, B. Sc. (Civil Eng.)

## **PRINCIPLE 1**

### **Companies must support and comply with protection of international and human rights within its range of responsibilities**

- The Collective Agreement and other bylaws specify the rights beyond legal rights, freedom of associations and collective negotiations for all employees of the Dalekovod Group.
- Dalekovod d.d. complies with applicable regulations, collective and individual agreements and protects human and civil rights, dignity and reputation of every employee.
- Dalekovod d.d. allows in no way discrimination or harassment of employees due to sex, religion, national and political orientation, physical defects, age, family status, personal characteristics or convictions.
- The equal payroll for equal work value principle is applied in the whole organization.
- Following its development strategy as a socially responsible company, Dalekovod d.d. Zagreb has for many years been active in the area of sponsorship of humanitarian activities, science and education, culture and art, sport, sustainable development and health. Our goal is to create the society of knowledge and perspectives for young people. In this sense in relation with local community, it additionally focuses on investments in different projects: 1) EXPO sponsorship in Zaragoza, Spain, 2) Donation-Firefighting Community of the County of Šibenik and Knin, that is, families of the firefighters killed while putting out fire on Kornati, 3) Foundation of Ana Rukavina for collecting aid in financing of the voluntarily bone marrow donation system, 4) Sponsorship of the concert by Andrea Bocelli in Međugorje, 5) Sponsorship of the chamber music festival entitled Rachlin & Friends in Dubrovnik, 6) Support to the Dalekovod mountaineering society, 7) Support to the Dalekovod Chess Club, etc.

## **PRINCIPLE 2**

### **Companies must make sure that they do not participate in violating human rights**

Dalekovod d.d. Zagreb has signed the statement of accepting the Business Ethic Code, thereby accepting the obligation of operating in compliance with principles of responsibility, integrity, effectiveness, transparency, quality, acting in good faith and compliance with good principles of operation towards business partners, business and social environment and its own employees.

- While conducting its operation, Dalekovod d.d. complies with the Constitution and legal regulations that prohibit forced and compulsory work.

### **PRINCIPLE 3**

#### **Companies need to support freedom of association and actual recognition of right to collective negotiations**

- The freedom of association and collective negotiations is accessible to every employee working for Dalekovod d.d.
- Employees working for Dalekovod d.d. are the members of the Labor Union, namely:  
Construction Labor Union: 87 employees  
Croatian Metalworkers' Labor Union 279 employees

### **PRINCIPLE 4**

#### **Companies need to root out all kinds of forced and non-free work**

- Dalekovod d.d. conducts its operation thereby complying with Constitution and applicable legal regulations that prohibit forced and compulsory work.
- Dalekovod d.d. promotes the ability and expertise of every individual during his/her work, providing every employee with training, evaluation of his/her work and promotion as it contributes to satisfaction of every employee and the whole company as a whole.

### **PRINCIPLE 5**

#### **Companies must abolish children's work**

- Dalekovod d.d. conducts its operation thereby complying with applicable legal regulations that prohibit children's work and employs no children in any business activities.

### **PRINCIPLE 6**

#### **Companies must eliminate discrimination when employing new staff and at work**

- Dalekovod d.d. promotes a fair relationship towards all people when employing new staff irrespective of gender, religion, race, national or political orientation, age, family status, personal characteristics, conviction and disability.
- Basic pays for men and women in all categories of employees are identical.
- When managing human resources and making some other relevant business decisions, the principles of equality and standardization of criteria are complied with.

### **PRINCIPLE 7**

#### **Companies must carefully and sensibly treat environmental issues**

- Dalekovod d.d. as an economically successful and socially responsible company pays special attention to protection of natural resources. Dalekovod d.d. has a defined Environmental Management Policy that all the employees are familiar with and manages all environmental aspects, thereby reducing negative effects of their activities and permanently improving their results achieved in the area of environmental protection.

## **PRINCIPLE 8**

### **Companies must stimulate promotion of greater responsibility towards environment**

- Policies and aims of environmental protection are implemented through established systems of environmental management, their certification and permanent improvement of norms according to quality management system (ISO 9001), environmental management system (ISO 14001) and health and occupational safety protection management system (OHSAS 18001).
- Dalekovod d.d. belongs to producers whose equipment efficiently operates in different climatic and natural environments with no harmful consequences for the environment and continuously affects the product development contributing thus to this goal.

## **PRINCIPLE 9**

### **Companies need to stimulate the development and dissemination of technologies which are not harmful for the environment**

Energetic efficiency as a principle is to be applied wherever this is technologically and economically feasible. When initiatives that Dalekovod d.d. has undertaken, are concerned, it is naturally worth mentioning that Dalekovod-Cinčaonica d.o.o. (member of the Dalekovod Group) uses technologies selected as the one that will least affect the environment in the production process, that is, the process of galvanization.

We also continuously invest in new technologies and develop new products in compliance with the principles of energetic efficiency and use of renewable energy sources (wind power plants).

## **PRINCIPLE 10**

### **Companies should fight all kinds of corruption, including extortion and bribery.**

- In Dalekovod d.d. corruption is treated as unacceptable, irrespective of a motive, cause, the manner or consequences of corruptive acting.
- The Company's articles of association and statements of incorporation stipulate that all materially important contracts must be considered and approved by supervisory boards.
- Dalekovod d.d. neither grants donations to political parties, sponsors nor donates any other political activities in the local country or abroad.

## **Company profile**

Dalekovod d.d. Zagreb was founded in 1949. To date, it has developed into a modern organization that provides designing, production and construction services. With the time, the company has specialized for the engineering of services in the area of: power supply utilities (especially power transmission lines of 0.4 to 1000 kV), substations of all types and voltage levels up to 1000 kV, air, underground and marine cables rated up to 110 kV, telecommunication utilities, all kinds of networks and antennas, production of suspension and jointing equipment for all types of transmission lines and substations from 0.4 to 1000 kV, construction and installment of metal parts for traffic roadways, especially for: road lighting, protective fencing and traffic signalization, tunnel lightning and traffic management, electrification of railway and tramway lines in cities.

In 1993 it becomes joint-stock company.

**Vision:** To become a leading company in carrying out its activities in central and south-eastern Europe with registered seat in the region.

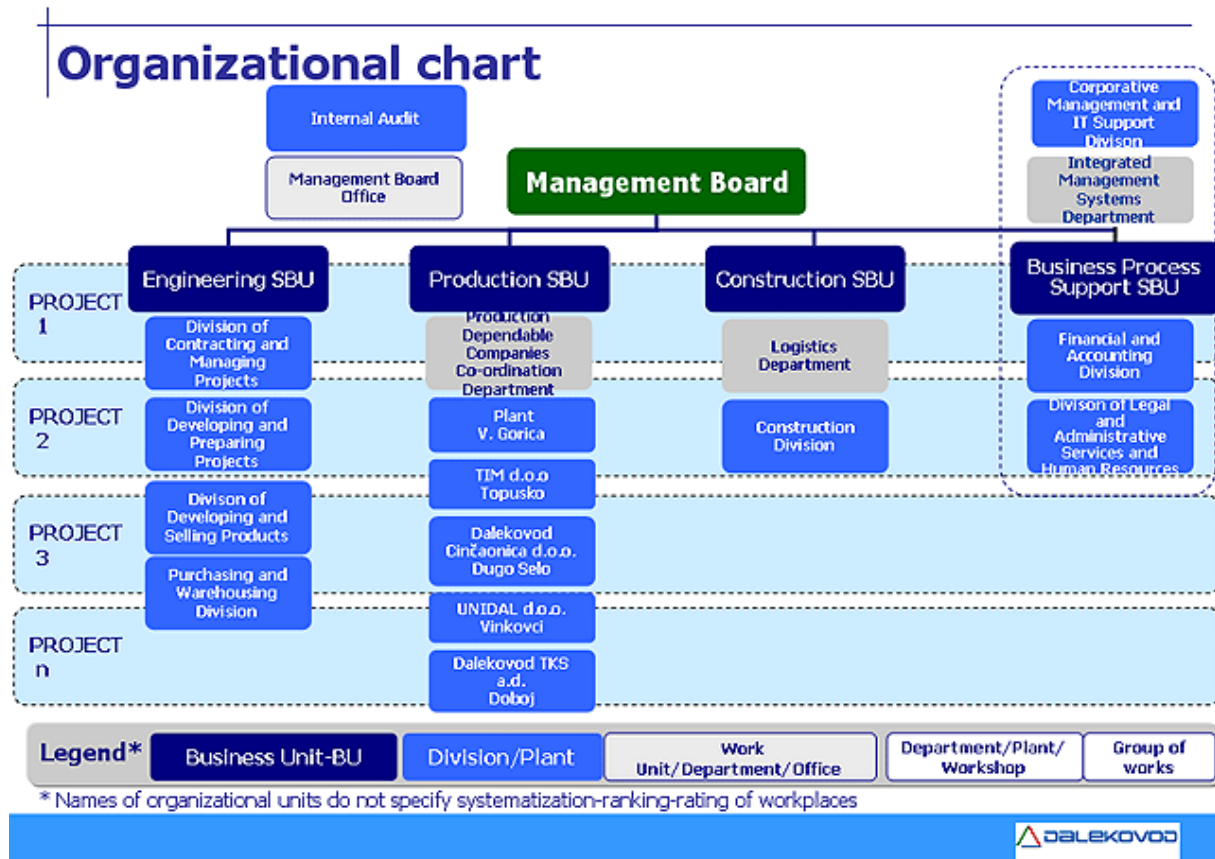
**Mission:** Our business is focused on the creation of added value in project designing, manufacturing, assembly and power engineering, traffic and telecommunication facilities on the markets of Central and South-Eastern Europe entirely prioritizing the importance of our client's satisfaction. Our mission is to provide a complete service for infrastructural activities (power engineering, road and railway traffic, telecommunications) based on the principles of business excellence and top quality. The personnel possessing expertise and special skills specially appreciated by our clients are regarded fundamental asset of our Company. Our Company's business is based on the principles of organization undergoing a continuous process of learning and ability of quick adaptation to turbulent market changes. A new organizational operation model so called "stakeholder approach" is characteristic for business operation of our company which is evidenced by the fact that the major Company owner is current and former employees. We shall always behave as a responsible member of the society bearing in mind that our sustainable development is to comply with the interests of the wider community and environmental protection requirements.

Dalekovod d.d. Zagreb is organized in several business units:

- The Engineering business unit (at the same time and profit center while the other business units are budget centers)
- The Production business unit
- The Construction business unit
- The Business processes support business unit

Table 1.

**Organizational structure – Dalekovod d.d. Zagreb**



**Ownership structure**

Dalekovod is a joint-stock company that is entirely a private company. The company share capital amounts to HRK 229,381,200.00 and is divided in 2,293,812 A series common stocks, the nominal value of which is HRK 100 per share.

Two Employees Stock Ownership Plans have been implemented so far at Dalekovod - ESOP 2000 and ESOP 2001 in the year 2000 with 53 % employees and in 2001 with 37% employees, in such a way that total of 37% share capital of the Company was sold to the employees. The effects of successful implementation of the ESOP program are also

evidenced by excellent operating indicators, to which motivation of all employees of Dalekovod d.d. has significantly contributed.

Table 2.

The position of securities as at: 11.08.2008.

Account holder	Position	[%]	Type of account
1. CTG D.O.O.	358.674	15,64	Basic account
2. BMK I PARTNERI D.O.O.	303.879	13,25	Basic account
3. KLT I PARTNERI D.O.O.	294.329	12,83	Basic account
4. PBZ D.D.	69.435	3,03	Trustee account
5. HPB D.D./KAPITALNI FOND D.D.	44.071	1,92	Trustee account
6. PBZ D.D.	28.587	1,25	Trustee account
7. DALEKOVOD D.D.	25.239	1,10	Basic account
8. RAIFFEISENBANK AUSTRIA D.D. ZAGREB	20.524	0,89	Trustee account
9. ZAGREBAČKA BANKA D.D.	19.994	0,87	Trustee account
10. SOCIETE GENERALE-SPLITSKA BANKA D.D./ALLIANZ ZB D.O.O. FOR AZ COMPULSORY PENSION FUND	15.421	0,67	Trustee account
<b>Total</b>		<b>51,45</b>	

The position of securities of the first ten accounts with the largest quantity of securities for the security DLKV-R-A can be seen at [www.sda.hr](http://www.sda.hr)

The indicators of the size of the organization

### Business activities

*The Dalekovod Group consists of the following companies:*

#### In the Republic of Croatia

- Dalekovod d.d. for engineering, production and construction
- Dalekovod Projekt d.o.o. for designing, supervision, consulting and engineering
- Dalekovod Cinčaonica d.o.o. for galvanization
- Dalekovod TIM d.d. – Expanded metals factory
- Unidal d.o.o. for the production of forged steel
- Dalekovod Eko d.o.o. for energy industry
- Dalekovod Ulaganja d.o.o. for business services

#### In the world:

- Dalekovod d.o.o. Mostar, Federation of Bosnia and Herzegovina
- Dalekovod TKS Doboje a.d., Tvornica konstrukcija i stubova a.d. (Structures and Poles Factory) Doboje, Bosnia and Herzegovina
- DALCOM Engineering Außenhandels-gesellschaft GmbH, Republic of Germany
- Dalekovod Inženjering in trgovina d.o.o., Ljubljana, Republic of Slovenia
- Dalekovod Poljska Spolka Akcyjna, Warsaw, Republic of Poland

- Dalekovod Namibija, Dalekovod Engineering and construction company Namibia, Proprietary Limited, Windhoek, Republic of Namibia

#### **Subsidiaries:**

- Dalekovod NUF, Tonsberg, Kingdom of Norway
- Dalekovod Albanija, Tirana, Republic of Albania
- Dalekovod Skopje, Skopje, Republic of Macedonia
- Dalekovod Kazakhstan, Astana, Republic of Kazakhstan
- Dalekovod Kosovo, Pristina, Republic of Kosovo

#### **Representative office:**

- Dalekovod Ukrajina, Kiev, Republic of Ukraine

#### **AWARDS:**

According to the British financial magazine Finance Central Europe, Dalekovod d.d. was declared the best construction company in south-eastern Europe for 2003, 2004 and 2005.

Dalekovod d.d. Zagreb is a full member of the Croatian-Austrian Commercial Chamber.

In 2006, we were awarded the Crystal Kuna for business excellence, an award we received for three consecutive years in the category of most successful large company.

On the Croatian capital market in 2005 in the category for the Golden Share, Dalekovod d.d. Zagreb was awarded the Industrial Share of the year for the category Miscellaneous, while in 2006, Dalekovod d.d. repeated this success in the same category receiving the recognition the Industrial Share for 2006 in the marine, transport, telecommunications and construction sector.

In 2003, 2004 and 2005 we received the recognition Golden Kuna in the category of most successful large company awarded by the Croatian Chamber of Commerce.

Dalekovod d.d. possesses the quality sign for Croatian products.

#### **ISO systems**

Dalekovod d.d. has the following management systems established and applied

- Quality management system
- Environmental management system

- Health management and occupational safety management system

Dalekovod d.d. is the holder of the certificate issued by Lloyd's Register Quality Assurance for the quality management system ISO 9001:2000 and welding activity in compliance with the requirements EN 729-2 and environmental management system ISO 14001:2004, the certificate issued by RWTÜV for the health and occupational safety management system OHSAS 18001 and the certificate for metal structures DIN 18800-7:2002 issued by SLV München.

Dalekovod-Laboratorij (Dalekovod-Laboratory) for electro-mechanic and chemical researches is accredited in compliance with the norm requirements HRN EN ISO/IEC 17025:2006 recognized by the Croatian Accreditation Agency.

#### > Fundamental business activities

According to Article 37, paragraph 3.4 of the Building Act (Official Gazette, no. 175/03 and 100/04) in connection with Article 353, paragraph 2, sub-paragraph 2 of the Town Planning and Building Act (Official Gazette, no. 76/07) and Article 3, paragraph 2 of the Regulation of conditions and standards for giving consent for initiation of construction (Official Gazette, no. 89/06 and 139/06), a consent has been obtained from the Ministry of Protection, Town Planning and Construction for carrying out construction works and performing some individual works on structures which may be checked at <http://www.mzopu.hr/>.

This report is to point out the activities that Dalekovod d.d. has obtained consent for:

1. Building structures of the first group of complexity (construction of buildings, engineering structures, low-rise construction and infrastructure)
2. Carrying out of some individual construction works on the structures of I, II, III , IV complexity group (construction of facilities, structures of engineering construction, low-rise construction and infrastructure, construction of roads, construction of railways, tunnels and underground structures, hydro-works, drainage and pipelines, demolition, earth works, geotechnic works, environmental development, development of sporting venues and playgrounds, interim construction works that require a special performance and equipment, electric installations and installations rated up to 1 kV, electric installations and installations between 1 kV and 36 kV, electric installations over 36kV)
3. Carrying out less complex construction works on the structures I, II, III, IV complexity group (final construction works on the buildings internal and external as well, installation and insulation works)

4. Carrying out specialist works on the structures of the I, II, III, IV complexity group  
(construction works)

The above consent is in compliance with the activities entered in the Articles of Association of the company Dalekovod d.d.

## Management, obligations and involvement

### > Management

Dalekovod d.d. is the parent company of the Dalekovod Group that consists of additional 12 companies, 5 subsidiaries and one representative office (that is authorized for performing sales activities) abroad.

The major activity of the parent company is the management of the operation of the dependent companies through supervisory boards of the dependent companies in compliance with the Companies' Act, Articles of Association of Dalekovod d.d. and Articles of Association of the companies and management of a part of the assets that have not been invested in the company.

The Management Board of the Company consists of Luka Miličić (President of the Management Board) and members of the Management Board Krešo Kraljević and Tomislav Belamarić.

According to the provision of the Companies' Act and Articles of Association of Dalekovod d.d., the General Meeting reaches decisions on election and revocation of the members of the Supervisory Board of the Company. The Supervisory Board of the Company has seven members and consists of: Marijan Pavlović (President), Željko Poljak (Deputy President) and Velimir Đurđević, Ivan Radotić, Alda Zaninović and Anđa Bošković (members). The seventh member, Mr. Gordan Mirošević resigned according to the Companies' Act, Article 255, paragraph 2, item 3, since he has been appointed a director of a dependent company. According to the authorizations provided by the Companies' Act, Articles of Association and Standing Orders of the operation of the Supervisory Board of Dalekovod d.d., the Supervisory Board supervises the process of conducting business of the Company. The sessions of the Supervisory Board are held at least four times a year (even more often, if required); the members of the Supervisory Board often discuss the strategy and operational plan of the Company at such sessions. The Supervisory Board exclusively acts as a uniform body for management and supervisory; sub-committees (commissions) with special responsibilities have been defined.

In 12 dependent companies, the company Dalekovod d.d. is the only owner, while in the seven companies, the ownership structure is different. The dependent companies are managed by the company management boards/directors. In every company the business operation is overseen by the supervisory board (consisting of five members) that represents the owners.

Dalekovod d.d. is in company supervisory boards represented by the representatives appointed by the Company. In compliance with Labor Act, even the employees have their representative in the Supervisory Board. Regarding the general shareholders' influencing the management processes, it is specified by the Companies' Act.

The fees payable to the members of the Supervisory Board are fixed and are not subject to their presence at meetings. The qualification and expertise of the members of the Supervisory Board for strategic management of the organization in terms of economic, environmental and social issues are not evaluated separately. However, the members of the Supervisory are expected to have expertise and abilities to recognize risks and circumstances arising from the operation of Dalekovod d.d. and from its surrounding (which also includes the issues relating to social responsibility in the business operation). For this purpose, additional training courses are scheduled for members of the Supervisory Board. It is necessary to additionally advance the Supervisory Board's procedures for supervising the management of economic, environmental and social effects, including some significant risks and circumstances and adherence to or compliance with internationally agreed standards, codes of conduct and principles.

The Supervisory Board has its sub-committees that make the work of the Supervisory Board easier through their actions, thereby discussing the issues within its scope of competence

and contributing to giving proposals for decisions accompanied by reasons for and against acceptance thereof.

The Supervisory Board may form the following subcommittees:

- Subcommittee for strategy and relations with interest and influential groups
- Subcommittee for audit;
- Subcommittee for appointment and rewarding.

### **Charters, principles and standards signed and supported by the organization**

Dalekovod d.d. has signed the Statement of acceptance of the Business Ethics Code which was in May 2005 confirmed by the Assembly of the Croatian Economic Chamber.

In 2007 its own Corporate Governance Code was passed.

The Business Ethics Code is applied in business operation of the company Dalekovod d.d., however, it is necessary to additionally work on communicating their provisions to the employees to the Dalekovod Group and its business partners.

The majority of the members of the Dalekovod Group have quality, environment, health and occupational safety management systems established and certified.

### **> Memberships in associations and professional organizations**

Dalekovod d.d. is a member of the association of the Croatian exporters that is active in the field of promotion and representation of the Croatian export interests. Dalekovod d.d. is also actively participating in the work of the Croatian Economic Chamber.

Dalekovod d.d. is also as a group, a single company or an individual, a member of the following organizations in the local country and abroad: CIGRE (International Council on Large Electric Systems), MIPRO (Croatian association for information and communication technology, electronics and microelectronics), Croatian Institute for Norms, Croatian Society for welding techniques and Croatian Society for Quality, Croatian Chamber for public relations (HUOJ), Croatian employers' society, Croatian chamber of architects and engineers in construction.

Dalekovod d.d. is a member of the Croatian Economic Chamber, namely, in the industry sector: Association of production of metals and metal products, Association of production of electric and optic equipment, Association of power supply - Community of renewable energy sources.

Owing to such memberships, the experts working for Dalekovod d.d. participate in professional meetings in the local country and abroad with their papers prepared every year, where they present their work, solutions and products of Dalekovod d.d. Owing to sponsorships and active participation in the preparation and holding of meetings that are held in Croatia, Dalekovod d.d. directly helps the work of professional organizations, considering them important places of promotion of their knowledge and exchange of experience with other experts.

## › Involvement of participants

Considering the production program and business strategy, the most companies within the Dalekovod Group is focused on business market and/or public sector, and less on the market of individual end users.

The Group companies often act within the consortium organized for an individual project, which additionally may result in reduction of establishing a direct contact of the Group company with customer and/or community. Therefore, besides customers, employees may be recognized as key participants (including labor unions in which they are associated), suppliers and public sector (acting double role of a person ordering a product and business conditions regulator).

Key participants are identified through an analysis of business processes and circumstances and risks brought about by relationships with individual participants. There is a continuous communication conducted with key participants through meetings and while conducting business, their legitimate interests are to be appreciated. Within activities connected with social responsibility, a wide range of representatives of civil society and individuals are communicated with.

During the year 2009, we shall attempt to organize and make the internal web page accessible as a means of communication and exchange of information among the employees.

Communication with employees is conducted through e-mail [svi@dalekovod.hr](mailto:svi@dalekovod.hr) and through different notices and decisions by the Company.

Web pages are recognized as an important method of communicating with partners in the local country and abroad, but also the public in general. This is the reason why a new web page for Dalekovod d.d. at [www.dalekovod.com](http://www.dalekovod.com) and for other companies was set up last year: Dalekovod TIM d.d. at [www.dalekovod.tim.com](http://www.dalekovod.tim.com), for Dalekovod Cinčaonica d.o.o. at [www.dalekovod-cincaonica.com](http://www.dalekovod-cincaonica.com), and for Dalekovod TKS a.d., Doboje, Bosnia and Herzegovina at [www.dalekovod.tks.com](http://www.dalekovod.tks.com).

This is the reason why this kind of communication is to be paid a great importance with an intention that information on the page should be timely, accurate and suitable to the media used. In compliance with market requirements and needs, the web site of Dalekovod d.d. and all above-mentioned companies within the Dalekovod Group is translated in the two languages (Croatian and English). During the year 2007, there were recorded 181 671 visitors who paid 5 932 314 visits.

The key topics arisen from the communication with participants include the future development of the company and safety of the employment, professional development of the employees, the manner and dynamics of the privatization of the parent company and dependent or affiliated companies and satisfaction of growing market, environmental and regulatory standards required for acting on (especially international) markets. Since it would be useful to work on the systematization and stronger interactivity of the communication with key participants, we conducted a research on organizational climate and satisfaction of employees within the business unit Business Processes Support and we intend to conduct research in which all the employees of Dalekovod d.d. will be included during the year 2008.

## Approach to management and performance indicators

### Economic dimension

Dalekovod d.d. is traditionally assigned a role of one of the key economic entities in the production sector in Croatia – not only owing to its size, but also its presence on the international markets, technological potential and multiplicative effects on other companies, participants and the entire society. Despite great changes in the surrounding and organization, during the period of transition, Dalekovod d.d. retained its stability in business operation and during the last few years it has strengthened its market position.

Its future development is based on the investments into new technologies, development of new products and ever greater presence on international markets. Besides, it is necessary to permanently develop operating systems that will enable optimum resource management and timely recognition and an answer to risks and circumstances in the organization and surrounding. This is the way how preconditions for increase in revenues and profitability are created.

Accordingly, ORACLE EBS, a system for management of business processes has been introduced.

The socially responsible operation is connected with donations and other types of investments in the community that also depend on the available resources. In the future, the system of processes relating to donation awards for the purpose of transparency and efficient connecting with business strategy, wherever possible, will be considered.

### > Economic effect indicators

Direct, generated and distributed economic value, including revenues, operational expenses, fees to employees, donations and other investments in the community, retained profit and disbursements to those who introduced capital and other payables to the state.

Table /  
**Generated and distributed economic value**  
RDIG 2005 – 2007

Table 3.  
in .000 HRK-

	2005	2006	2007
Revenues generated from sale	1.315.867	1.439.249	1.739.227
Other revenues	9.765	21.555	27.351
<b>Total operating income</b>	<b>1.325.632</b>	<b>1.460.804</b>	<b>1.766.578</b>
<b>Operating expense</b>	-1.227.497	-1.418.904	-1.647.180
Change to the value of stocks of non-finished production and finished products	-27.956	-38.221	17.102
Costs of sold goods		-73.764	-127.918
Material and services expenses	-822.124	-885.747	-1.055.843

Employees' expenses	-248.720	-267.890	-308.049
Depreciation	-30.680	-32.586	-37.197
Other operating expense	-98.954	-118.075	-132.337
Other (losses)/gains - net	937	-2.621	-2.938
<b>Profit generated by ordinary operation</b>	<b>98.135</b>	<b>115.664</b>	<b>119.398</b>
<b>Financial revenues/expenses</b>	<b>-6.868</b>	<b>-17.922</b>	<b>-18.636</b>
Pre-tax profit	91.267	97.742	100.762
Income tax	-20.419	-22.875	-21.564
<b>Net profit</b>	<b>70.848</b>	<b>74.867</b>	<b>79.198</b>
Net profit for:			
Company shareholders	71.879	74.867	79.198
Minority interest	-1.031	-	-
<b>Net profit</b>	<b>70.848</b>	<b>74.867</b>	<b>79.198</b>

Information taken from the auditor's report

During the last year, Dalekovod d.d. achieved some important results in business operation. The achieved results confirm the continuation of the continuous company growth trend throughout a longer period.

Table 4.

**2005**                      **2006**                      **2007**

in .000 HRK-

<b>Structure of revenues</b>			
Revenues generated from sales of products and services in the local country	1.156.554	1.144.509	1.292.080
Revenues generated from sales of products and services abroad	84.318	292.270	380.521
Revenues generated from use of its own products and services for its own purposes	11.368	36.080	66.625
Revenues generated from sale of fixed assets	8.280	852	523
Revenues from rental	11	14.690	15.547
Revenues from financial investments	511	1.011	1.831
Other revenues	43.422	18.535	44.584
<b>Total revenues from ordinary operation</b>	<b>1.304.464</b>	<b>1.507.947</b>	<b>1.801.711</b>

Information taken from TFI an GFI forms

The largest revenues have been generated by sales of equipment and carried out construction works in the local country during this and during previous years. A large increase in foreign revenues is a result of new contracts on demanding markets (Island, Kazakhstan, Macedonia) and complex projects.

Table 5.

in .000 HRK-

	2005	2006	2007
<b>Operating expenses</b>			
Costs of sold goods		73.764	127.918
Material and services expenses	822.124	885.747	1.055.843
Other operating expense	98.954	118.075	132.337
Other (losses)/gains - net	937	2.621	2.938

Table 6.

in .000 HRK-

	2005	2006	2007
<b>Payments to those introducing capital</b>			
Interest-related expenses	13.016	18.607	22.276
Dividend distribution	29.017	29.017	23.953

Table 7.

in .000 HRK-

	2005	2006	2007
<b>Payrolls and employees' benefits</b>	<b>248.720</b>	267.890	308.049
Net payrolls	137.048	138.461	161.470
Taxes and contributions on payrolls and from payrolls	102.993	114.233	134.014
Employees' severance pays	1.613	4.308	5.077
Other employees' expenses	6.704	10.631	7.119
Fees payable to the members of the Supervisory Board	362	252	369

Other fees to employees, including gifts, rewards and other fees

Table 8.

in .000 HRK-

	2005	2006	2007
<b>Payables to the state</b>			
Income tax	20.419	22.875	21.564
Taxes and contributions on payrolls and from payrolls	102.993	114.233	134.014

Table 9.

in .000 HRK-

	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Donations</b>	5.791	5.875	5.734
<b>Sponsorships</b>	3.921	4.784	12.274

› Financial consequences and other risks connected with climatic changes.

Dalekovod d.d. acts in power supply, road, railway, telecommunication industry, and the factors that affect the investments in such industries are not directly influenced by financial depression and depression on the real estate market. Just contrary, as a result of ever greater demand for energy and ever greater investment cycles in the region focused on the transport infrastructure, Dalekovod d.d. looks forward to long-term sustainable investment cycles in roads, railways and power supply infrastructure not only in the countries of the region, but even in the wider area.

› Financial aid received by the government

Table 10.

in .000 HRK-

	2005	2006	2007
<b>State subsidies</b>	435	418	130

Dalekovod d.d. did not in 2007 receive any significant financial aid from the Government or central state authorities. Smaller subsidy amounts and support are related with support when exhibiting products at international fairs. Contracts entered into with public companies (or any other representatives of the public sector) referring to delivery of goods and/or providing services are in compliance with law, at public tenders and they are not aided by state subsidies.

› Difference in ratio between typical beginners' payroll in comparison with local minimum payroll in important operational places

Table 11.

in .000 HRK-

	2005	2006	2007
<b>Comparison of Dalekovod average monthly net payrolls with average payrolls in the Republic of Croatia</b>			
Dalekovod d.d.	5.990	6.692	7.125
Republic of Croatia	4.376	4.603	4.841
Construction	3.733	3.966	4.263
Processing industry	3.934	4.189	4.378
Production of metal-made products, except for machines and equipment	3.436	3.659	3.966
City of Zagreb	5.239	5.516	5.806

Payrolls on export markets are competitive and in the event of developing countries, they are even larger than local ones. At the same time all applicable legal regulations in a specific country and on a specific market are to be complied with.

#### Indirect economic effects

Owing to professional and efficient carrying out of projects for clients from the public sector in Croatia and abroad, Dalekovod d.d. directly affects the quality of infrastructure and provision of public services. The projects in the area of power supply, construction of transmission lines, equipment of roads and tunnels, projects in the area of railways etc are to be distinguished. Development of wind power plants contributes to the use of renewable energy sources which play a very important role for the community.

#### › Environmental dimension

The management of environmental impact is attached a special importance in the entire Dalekovod Group. Dalekovod d.d. has a defined environmental management policy which is publicly accessible at web page <http://www.dalekovod.com/> (under 'Social responsibility') and all employees are made familiar with it. Dalekovod d.d. manages all environmental aspects, reducing thus negative influences of its activities, permanently improving achieved results in the area of environmental management, completely complying with Croatian laws and regulations and applying international standards.

#### › Policy, practice and share of consumption on products and services of local suppliers in important business places

Dalekovod d.d. collects all necessary inputs required for performing its activities on the local and international supply market.

Regarding total supply, import participates with around 22%, which mainly relates to a supply of non-ferrous metals (iron metallurgy).

Table 12. Ratio of import in total supply

Republic of Croatia	Ratio
Republic of Croatia	73,24%
Other countries	26,76%
<b>Total</b>	<b>100,00 %</b>

Suppliers are mainly permanent and reliable. Major permanent suppliers from the local country and abroad are mentioned in the below text:

Table 13.

Supplier	State	Ratio
SALZGITTER STAHLHANDEL	Germany	18,07 %
GLENCORE	Switzerland	10,51 %
APAR INDUSTRIES LTD	India	10,30 %

BEPRO GMBH&CO.KG	Germany	5,11 %
DALEKOVOD TVOR.KONSTR.I STUB.	Bosnia and Herzegovina	4,93 %
U.S.STEEL SERBIA D.O.O	Serbia and Montenegro	4,69 %
PRIMET D.O.O.	Slovenia	3,91 %
DALEKOVOD D.D.	Bosnia and Herzegovina	3,59 %
OLIFER-ACP SPA	Italy	3,18 %
COURTENAY LIMITED	United Kingdom	2,29 %
INVEC-REMACON D.O.O.	Slovenia	1,86 %
QUALU CONSULT - NFT	Belgium	1,68 %
NEW STEEL D.O.O.	Serbia and Montenegro	1,67 %
ENERGOINVEST DD SARAJEVO	Bosnia and Herzegovina	1,57 %
FURUKAWA	Hungary	1,47 %
	OTHER	<b>25,16 %</b>
	<b>TOTAL</b>	<b>100,00 %</b>

**The procedures for employment of local labor force and share of local citizens holding higher managerial positions in the places of important business activities**

Business activities have been mainly performed in Croatia so far, however, the most recent business activity (in 2007) was characterized as stronger penetration into international markets, namely, with the „turn-key“project. A share of foreign suppliers meets the requirements of the construction site.

## **THE FOLLOWING IS TO BE INCLUDED IN THE GENERAL ENVIRONMENTAL MANAGEMENT OPERATIONAL DIMENSION AIMS:**

### **ENVIRONMENTAL EFFECT INDICATORS**

One of the products based on renewable energy is wind power plant project. Energetic efficiency as a principle is to be applied wherever it is technologically and economically feasible.

When initiatives undertaken by Dalekovod d.d. are concerned, we need to mention that Dalekovod-Cinčaonica d.o.o. (member of the Dalekovod Group) uses technologies selected as the one which will least impact the environment during the process of production, that is, galvanization.

Dalekovod d.d. tracks the consumption of strategic raw materials (steel, aluminum alloys, bronze, brass) and their rational consumption is taken care of. In the event of generation of faulty products during the casting process, they are re-used in the production in ratio strictly prescribed by the procedure. Strategic materials (raw materials) are produced during the process that uses waste metal and are partially recycled at the same time.

Consumption of electricity is more important owing to a great number of machines in production which are used. A growth in air-conditioners – devices that affect the consumption growth is great. Rationalization of the consumption is implemented in production by automatic monitoring and elimination of excess energy-using devices.

In compliance with energetic strategy of the Republic of Croatia that defines a share of renewable of energy sources of 5.8% until 2020, a program relating to construction of wind power plants has been elaborated and the elaboration of conceptual design project for site permit is being drawn up.

The annual water consumption is monitored by sites. At the moment there are measures undertaken for the purpose of water consumption at the Žitnjak location through recording and reconstruction of worn out water pipelines. Water is used in production process to minimum quantities for Dalekovod d.d., so there is no need for its recycling and re-use.

### **BIOLOGIC VARIETIES**

One of the main activities of Dalekovod d.d. is the construction of power supply transmission lines. The construction of utilities is carried out in natural environment. The construction is carried out following obtaining of all required permits and in compliance with all prescribed conditions that were met during the stage of project design. In this way, any negative impact on protected areas, even including biological varieties, is avoided.

With its products, Dalekovod d.d. meets the highest safety standards for equipment, it delivers, exerting minimum environmental impact. To date, in that area there have been no objections and incidents recorded.

### **PRODUCTS AND SERVICES**

Within the scope of researches and product development, we attempt to reduce environmental impact on products by using state-of-the-art technologies which are more efficient in terms of energy supply, require reduced consumption of resources, emit fewer waste substances and generally have less impact on the environment during its use.

Products produced in Dalekovd d.d. do not negatively impact the environment. Packaging of delivered products is returned and re-used.

**COMPLIANCE WITH ENVIRONMENTAL PROTECTION REGULATIONS**

Monitoring legal regulations is systematically performed and no significant fines or non-monetary sanction as a consequence of non-compliance with laws and environmental protection regulations have been recorded.

## General indicators

The social sustainability dimension concerns the impact of the organization on social systems within which it acts. In this report, it is divided into segments of employment, dignified work and human rights, society and responsibility for the product.

### › Employment, dignified work and human rights

An important strategy guideline of Dalekovod d.d. is directing of the development of the Dalekovod Group towards creating a company of knowledge based on the quality of human resources and total intellectual capital. As a result of increased demand for competitiveness, professional development of employees and efficient management of human resources are considered the most important priorities of the organization. When determining labor relations and internal organization, the Dalekovod Group companies comply with applicable regulations, collective and individual agreements and protect human and civil rights, dignity and reputation of every employee. Neither discrimination nor harassment of employees due to their sex, race, religious, national or political orientation, physical defects, age, family status, personal characteristics or convictions is allowed. The equal payroll for equal work value principle is applied in the whole organization. Dalekovod d.d. ensures safe working conditions, which implies minimum differences in the area of health and safety and providing suitable training and insurance from consequences of such risks, where applicable. The freedom of association and collective negotiation is not limited, and rights specified by the Collective agreement are beyond legal rights and above average in the industrial sector. In the event of violating legal or contractual rights, an employee or an associate is entitled to seek resolution of a problem caused and the protection of his/her own rights. Persons with permanent or temporary specific requirements shall, at the time of employment or while performing their working obligations, be treated equally, however, their specific requirements shall be taken into consideration. Human resources department is on charge of the area of employment. A common policy compliant with the policy of Dalekovod d.d. is conducted (parent company).

### › Employment and structure of employees

At the end of the year 2007, there were 1495 employees working for Dalekovod d.d., that is, 61 employees more than during the year 2006. In 2007, the structure of qualified employees changed, mostly as a consequence of retirement of highly educated staff. From the total number of employees there are 244 employees with university degree and 91 employees with higher educational degree working for Dalekovod.

There are permanently employed persons abroad working in representative offices and subsidiaries depending on requirements.

Local labor force on construction sites subject to requirements of carrying out larger projects in distant areas is employed on a temporary basis.

The trends in the area of labor force indicate that the inflow is mainly related to recent employment of younger and highly educated staff, but also low educated employees as a result of working requirements on construction sites, while the outflow is mainly related with retirement of employees.

In Dalekovod d.d. employees work for indefinite period of time, full time, while employees hired for a definite period exercise, during the term of their employment agreement, all rights as those employees working for indefinite time in compliance with applicable collective agreement.

### › Collective agreements and employees' rights

The first collective agreement was concluded on 14th June 1996 with the Croatian Metalworkers' Labor Union - Velika Gorica Subsidiary, Croatian Construction Labor Union – Dalekovod subsidiary, Croatian Labor Union Association, Vinkovci Democratic Protection Community and Dalekovod Labor Subsidiary and it is applied to all employees. The Collective Agreement has been revised for several times. The recent changes and amendments were adopted in January 2003. The notices that refer to the important changes in business operation are given in compliance with Labor Act and are not specially mentioned in the Collective Agreement. The notices about significant changes in business operation are given to the Workers' Council, that is, if it has not been organized in a particular company, to the principal labor union commissioner.

#### › Health and occupational safety

There are two Occupational Safety Boards in Dalekovod d.d. The boards consist of authorized persons of the company and employees' representatives for every business unit and two experts for occupational safety and occupational physician. The board session is convened minimum once in three months.

#### **Index of seriousness of occupational injuries occurred at working place during the last three years**

$$It = \frac{v.u. / \text{total loss of working time/}}{n.i. / \text{number of injuries /}}$$

**Table 14.**

2005	2006	2007
<b>215,3</b>	<b>171,85</b>	<b>151,1</b>

#### › Training and education

According to needs, there is an increasing number of employees participating in different types of education and training courses, followed by an increase in total and average investments in education at the same time.

An average annual number of hours of training courses by employee according to a category amounts to approximately 10.70 hours.

#### › Lifetime learning programs

Dalekovod d.d. continuously takes care of professional development of employees from the moment of their employment to date. The trainees, who start their employment for the first time following their education, are introduced into the jobs and assignments for their posts by the companies that engage them.

Apart from the fundamental introduction to the organization, entire production program, references, market activities and promotion, social responsibility and other activities in Dalekovod d.d., the trainees paid a visit to the factories at locations Dugo Selo, Velika Gorica, Topusko and were introduced to their production processes. Studying and improving foreign languages is organized in accordance with requirements of their jobs, so frequently apart from studying usual world languages, they learn the languages required by the needs of Dalekovod d.d. on specific markets and carrying out works in such countries.

## Employees' education by types of their training

The educational system for the employees working for Dalekovod d.d. is regulated by general bylaws of the Company and is a result of its wish for continuous professional training of the employees.

Professional training of the labor force and employees' ability to permanently improve the quality and acquire new technologies is a key guideline in organizational development; it leads to increased competitiveness of the company on the market and efficient operation and finally it results in generation of a larger profit not only for the employees, but for the company as well.

## PLANNING ON EDUCATION

The plan of educational requirements is an integral part of the plan in the Human Resources Department and accordingly of the general plan of the company development.

Every year, the educational program is aimed at adapting to the company requirements as much as possible and it is getting more complex every year, including the following:

- Requirements for training for a current job,
- Ability of knowledge improvement within the tasks to be performed – additional education,
- For progress of motivated and capable individuals.

The educational program adapted to the employees' requirements is divided in several types of training

- **Acquisition of IT skills,**
- **Acquisition of knowledge of foreign languages,**
- **Professional exams,**
- **Different training courses** (the mentioned type of training includes different professional seminars, program of managers' education, undergraduate studies, postgraduate studies and doctoral studies).

Since the requirements for education and employees' development are continuously growing thereby implying an obligation for the individuals to undergo permanent learning process, the teaching process is organized and adapted in the manner that the educational process attendees are enabled the harmonization of working and family obligations with educational obligations.

For that purpose different courses are organized (foreign languages: Russian, French and English) in the company premises during the working hours; paid leave for taking respective exams; settlement of the scholarship expenses.

### › Percentage of employees who receive a regular rating for work performance and individual development

Work performance and individual development is monitored with 90% of employees.

### › Diversity and equal possibilities

The composition of managerial bodies and structure of employees by categories according to gender, age groups, belonging to minority groups and other variety indicators.

In Dalekovod d.d. out of the total number of employees of 1257 (as at 25/7/2008), some 1396 of them are men and 131 of them are women. There are four women holding managerial positions.

› [Ratio between basic payroll for men and women according to the employee category](#) Basic payrolls for men and women in all employee categories are identical.

### › Socializing and recreation

Dalekovod d.d. supports activities undertaken by employees and their guests in socializing through sports activities. Doing recreational activities on a regular basis, several sports events have become a tradition - they are held on a regular basis and attract ever greater number of people interested in it.

The **Dalekovod Mountaineering Society** was established in the 80-ies during the last century. Today, it is a reputable mountaineering society, that is, the Mountaineers' Association with an attractive working program and experienced and sociable members and ever greater number of young people joins the society.

The Association is believed to develop its program even more in the forthcoming years by activating new sections, primarily environmental, as well as alpinist and speleological, which represents a challenge to new, young association members.

The **Dalekovod Chess Society** was founded in 1968 as a part of employees' sports activities in DALEKOVOD as a chess section consisting of some ten chess players. They acted as Dalekovod chess players in employees' sports games, Zagreb chess leagues and Former stare Chess Cup.

### › Human rights

No cases of discrimination based on gender, race, age, national orientation, political and religious convictions and other applicable criteria have been recorded. When managing human resources and making other relevant business decisions, the principles of equality and uniformed criteria are complied with.

### › Freedom of association and collective negotiation

Within all companies of the Dalekovod Group and in all other business activities there is a freedom of association and collective negotiation. No cases of their restriction have been recorded. It applies to business activities outside Croatia as well.

## Company

The operation of Dalekovod d.d. is based on the principles of social responsibility, including risk reduction and maximizing positive effects. It refers not only to fundamental business activities, but also relation with the social community where it is active. Owing to products that are developed and installed in different infrastructure systems by them, Dalekovod d.d. directly affects the functioning of many life aspects in the community with its business activities.

These impacts are complemented by the activities whose major goal is a direct support to individuals and groups for projects in the area of culture, sport, education, science, humanitarian activity etc. Due to a significant share of business operation with the public sector, the issue of transparency of the business operation, compliance with regulations, anti-corruption activity and participation in creating public policies are treated with a special attention. In compliance with signed and adopted Business Ethics Code, political impacts or impact on judicial authority are not allowed. Pleading for their own interests when defining public policies and passing or amending regulations is carried out transparently and through business associations and other institutional channels. The Dalekovod d.d. Management Board is in charge of the area of relations with the community.

› Community

The level of activities that the Dalekovod Group members are present at specific locations and specific communities is not sufficient to be able to systematically monitor the impact of business activities on the above communities.

› Child's work, compulsory and forced work

Dalekovod d.d. conducts its operation complying with applicable legal regulations that prohibit child's work. Dalekovod d.d. conducts its operation thereby complying with the Constitution and applicable legal regulations prohibiting forced and compulsory work.