

DALEKOVOD d.d. ZAGREB

SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

Pursuant to Article 263, Paragraph 3 and Article 300 c) of the Companies Act, the Supervisory Board of Dalekovod d.d. adopted the Report on the performed supervision of the Company's business operations at its 63rd Session held on 29 April 2010 and submitted it to the General Shareholders' Meeting.

I It was on 1 July 2006 that the General Shareholders' Meeting of Dalekovod d.d. elected Members of Supervisory Board with the 4-year mandate, as follows:

- 1 Marijan Pavlović – President of Supervisory Board
- 2 Željko Poljak – Deputy President of Supervisory Board
- 3 Alda Zaninović – Member of Supervisory Board
- 4 Anđa Bošković – Member of Supervisory Board
- 5 Gordan Mirošević – Member of Supervisory Board
- 6 Ivan Radotić – Member of Supervisory Board
- 7 Velimir Đurđević – Member of Supervisory Board

The Supervisory Board was established at the 1st Session held on 1 July 2006 when it started to perform its tasks stipulated by the Act and the Company's Articles of Association.

II

At the 45th Session of the Supervisory Board held on 5 December 2007, Member of Supervisory Board of Dalekovod d.d. Zagreb, Gordan Mirošević, submitted his resignation, through the Management Board, from his duties as Member of Supervisory Board, since prerequisites from Article 255 of the Companies Act had been met, i.e. as he was appointed

Director-Member of Management Board of Dalekovod – project d.o.o., a company dependable on Dalekovod d.d. Zagreb. As the resignation was submitted due to legal reasons, pursuant to Article 255 of the Companies Act, no discussion was held with regard to the above.

At the 50th Session of the Supervisory Board held on 14 May 2008, **Dinko Markoljević** was proposed as Member of the Supervisory Board and the above proposal was accepted at the General Shareholders' Meeting.

III

From the beginning of the mandate of the newly selected Members of the Supervisory Board in 2006, the Supervisory Board has held eight Sessions at which many issues related to the Company's business operation have been discussed.

IV

At the 39th Session of the Supervisory Board held on 19 October 2006 an Auditing Sub-Committee was established.

The following persons were elected as Members of the Auditing Sub-Committee:

- 1 Alda Zaninović, President
- 2 Jerko Bakula, Member
- 3 Mladen Štahan, Member

Five sessions of the Auditing Sub-Committee have been held in the period from the past until the present General Shareholders' Meeting.

At the 45th Session of the Supervisory Board of Dalekovod d.d. held on 5th December 2007, the Committee for Strategy and Relations with Influential Interest Groups and the Appointing and Awarding Sub-Committee were established.

The following persons were elected as Members of the Committee for Strategy and Influential Interest Groups:

- 1 Darko Tipurić, President
- 2 Anđa Bošković, Member
- 3 Jurica Prižmić, Member

Four sessions of the Sub-Committee for Strategy and Influential Interest Groups have been held in the period from the past until the present General Shareholders' Meeting.

The following persons were elected as Members of the Appointing and Awarding Sub-Committee:

- 1 Marjan Pavlović, President
- 2 Lovorka Galetić, Member
- 3 Petar Miladin, Member

Four sessions of the Appointing and Awarding Sub-Committee have been held in the period from the past until the present General Shareholders' Meeting.

There are no other Committees or Election Boards of the Supervisory Board.

V

In compliance with its commitments, the Supervisory Board performed supervision and established that the Company has been operating in compliance with the law, Articles of Association and decisions of the General Shareholders' Meeting.

VI

The Supervisory Board supports the draft decision of the Company's Management Board about the allocation of profit.

VII

Upon inspection of the Company's Annual Financial Reports submitted by the Management Board, the Supervisory Board has, by taking into account the findings and opinions of the Company's Auditor PricewaterhouseCoopers d.o.o. and the Auditing committee of the Supervisory Board, established that the Company's Annual Financial Reports completed by

the year 31 Dec 2009 were made in compliance with the financial situation presented in the Company's business books and that they reflect in a proper way the property and business situation of the Company and then issued an approval with regard to the above. These Reports are considered as established pursuant to Article 300 d) of the Companies Act.

The following are considered to be component parts of the Consolidated Annual Financial Reports of Dalekovod d.d. for the year that ended as of 31 Dec 2009:

- a) Profit and Loss Account of Dalekovod d.d.
- b) Balance Sheet of Dalekovod d.d.
- c) Report on the changes in the financial situation of Dalekovod d.d. (Report on cash flow)
- d) Report on the changes of capital and reserves of Dalekovod d.d.
- e) Notes accompanying the Financial Reports of Dalekovod d.d.
- f) Reports on the performed auditing of the auditing company PricewaterhouseCoopers d.o.o.

VIII

The Supervisory Board approves of the Report of the Management Board about the Company's situation.

IX

The Supervisory Board submits this Report to the General Shareholders' Meeting of Dalekovod d.d.

Marijan Pavlović, duly signed

President of Supervisory Board