



Marijana Čavića 4, 10000 Zagreb

**MANAGEMENT'S REPORT
FOR I QUARTER OF 2009**

Zagreb, 30 April 2009



Marijana Čavića 4, 10000 Zagreb

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Marijana Čavića 4, 10000 Zagreb

I MANAGEMENT'S REPORT

In I quarter of 2009, the Company has realized total income to the amount of 472.293.274,00 kunas, which represents an increase of 32% in relation to the same period last year.

From the above amount, 389.239.415,00 kunas have been realized on the domestic market, which represents an increase of 24 % in relation to the same period last year, through contracts on construction of road, railway and power supply projects concluded with traditional customers.

Further, income amounting to 83.053.859,00 kunas has been realized on the foreign market, esp. through projects in Norway, Albania, Montenegro, Kazakhstan and Bosnia and Herzegovina, and through sales of line hardware and metal structures, which represents an increase of almost 90% in relation to the same period last year.

In the first quarter of this year company's production capacities have been fully employed and all deadlines have been met while maintaining traditional high quality throughout the entire execution of works on projects.

As total realized expenses within the accounting period amount to 452.437.649,99 kuna, a pre-tax profit has been realized to the amount of 19.855,625,00 kunas, which represents an increase of 7% in relation to the same period last year.

The above results are in compliance with the anticipated variables and represent a realization of 20% of the anticipated annual amount.

Notwithstanding the good performance in the first quarter of this year, the consequences of the recession are highly noticeable, mostly through the aggravated liquidity and extension of deadlines for collection of receivables and poor availability of financing sources, which has an immediate effect on aggravated payment of liabilities towards the suppliers.

Further, decrease in investments as well as deceleration in realization of the already contracted projects is being observed.

Due to the newly arisen situation, the Company has taken appropriate measures, as follows:

- a) Increased activities with regard to searching for projects abroad, especially in non-European countries;
- b) Decrease of costs on which we have some influence by 10 % on average;
- c) Decrease of salaries of the senior management by ca 10%;
- d) Disciplined behavior with regard to utilization of working hours, and esp. reexamination of work outside working hours, realization of overreaching the work norms and similar;
- e) Limiting use of official vehicles to private purposes.

The number of employees is higher by 3% in relation to the same period last year, and the average net salary is lower by 1%.

Taking into account the aggravated situation on the market and its influence on profitability of business operations, we are anticipating in the future period realization of planned results in almost all segments, by maintaining the sufficient employment of Company's capacities.

on behalf of Company Management:

Luka Miličić, M.Sc.C.E.
President of Management Board of
„Dalekovod“ d.d.
personal signature



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I STATEMENT

Pursuant to Article 410 Paragraph 2 and Article 407 Paragraph 2 Section 3 and Paragraph 3 of Capital Market Act, persons who are in charge for elaboration of the Quarter Report: Luka Miličić - President of Management Board, Krešo Kraljević - Deputy President of Management Board and Tomislav Belamarić- Member of Management Board have issued the following

STATEMENT

According to our best knowledge, the abbreviated set of Company's financial reports that have been drawn up in compliance with current financial reporting standards give an integral and true presentation of assets and liabilities, and Company's business results as well, along with a short reference to causative agents of the presented data. The mentioned quarter financial reports have not been audited.

on behalf of Company Management:

*Luka Miličić, M.Sc.C.E.
President of Management Board
Dalekovod d.d.
personal signature*

I BALANCE SHEET

as of 31 March 2009 and comparison with the initial period

Item	AOP label	31 Dec 2008	31 March 2009	2009-08	%
1	2	4	5	6 (5-4)	7 (6/4)
ASSETS					
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0		
B) FIXED ASSETS (003+010+020+028+032)	002	661.247.628	640.143.627	-21.104.001	-3.19%
I INTANGIBLE ASSETS (004 to 009)	003	18.156.322	16.992.533	-1.163.789	-6.41%
1 Development projects expenditures	004	0	0	0	-
2 Concessions, patents, licenses, trade marks, software and similar rights	005	18.156.322	16.967.564	-1.188.758	-6.55%
3 Goodwill	006	0	0	0	-
4 Advance payments for intangible assets	007	0	0	0	-
5 Intangible assets in preparation	008	0	24.969	24.969	-
6 Other intangible assets	009	0	0	0	-
II TANGIBLE ASSETS (011 to 019)	010	491.706.508	481.607.394	-10.099.114	-2,05%
1 Land	011	13.521.765	13.521.765	0	0.00%
2 Construction facilities	012	189.339.329	187.097.542	-2.241.787	-1.18%
3 Plant and machinery	013	231.468.758	223.857.779	-7.610.979	-3.29%
4 Tools, plant inventory and means of transport	014	0	0	0	-
5 Biological property	015	0	0	0	-
6 Advance payments for tangible assets	016	25.368	25.368	0	0.00%
7 Tangible assets in preparation	017	28.081.187	27.505.079	-576.108	-2.05%
8 Other tangible assets	018	0	0	0	-
9 Investments in property	019	29.270.101	29.599.861	329.760	1.13%
III FIXED FINANCIAL ASSETS (021 to 027)	020	151.384.798	141.543.700	-9.841.098	-6.50%
1 Shares in affiliated undertakings	021	72.647.022	72.659.261	12.239	0.02%
2 Loans to affiliated undertakings	022	0	5.355.142	5.355.142	-
3 Participating interests	023	23.909.020	16.689.020	-7.220.000	-30.20%
4. Investments in securities	024	21.277.300	21.277.300	0	0.00%
5. Loans, deposits, and similar	025	33.551.456	25.562.976	-7.988.480	-23.81%
6 Own shares and interests	026	0	0	0	-
7 Other fixed financial assets	027	0	0	0	-
IV RECEIVABLES (029 to 031)	028	0	0	0	-
1 Receivables from affiliated undertakings	029	0	0	0	-
2 Receivables related to credit sale	030	0	0	0	-
3 Other receivables	031	0	0	0	-
DEFERRED TAX ASSETS	032	0	0	0	-
C) CURRENT ASSETS (034+042+049+057)	033	1.918.558.726	1.969.093.283	50.534.557	2.63%
I STOCKS (035 To 041)	034	691.663.210	702.070.505	10.407.295	1.50%
1 Raw material	035	226.143.164	240.689.041	14.545.877	6.43%
2 Production in progress	036	42.029.954	20.853.978	-21.175.976	-50.38%
3 In-process products and semi-products	037	0	0	0	-
4 Finished products	038	423.490.092	440.527.486	17.037.394	4.02%
5 Goods for resale	039	0	0	0	-
6 Advance payments for inventories	040	0	0	0	-
7 Other assets intended for sale	041	0	0	0	-
II RECEIVABLES (043 To 048)	042	1.077.845.587	1.145.426.094	67.580.507	6.27%

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1 Receivables from affiliated undertakings	043	30.762.948	66.518.589	35.755.641	116.23%
2 Receivables from customers	044	981.387.962	1.011.707.087	30.319.125	3.09%
3 Receivables from participating undertakings	045	0	0	0	-
4 Receivables from employees and members of undertakings	046	1.153.576	821.636	-331.940	-28.77%
5 Receivables from the state and other institutions	047	38.381.724	40.743.743	2.362.019	6.15%
6 Other receivables	048	26.159.377	25.635.039	-524.338	-2.00%
III CURRENT FINANCIAL ASSETS (050 To 056)	049	44.329.523	63.852.442	19.522.919	44.04%
1 Shares in affiliated undertakings	050	0	0	0	-
2 Loans to affiliated undertakings	051	8.608.625	8.789.771	181.146	2.10%
3 Participating interests	052	0	0	0	-
4. Investments in securities	053	23.929	23.929	0	0.00%
5. Loans, deposits, and similar	054	35.696.969	50.046.841	14.349.872	40.20%
6 Own shares and interests	055	0	0	0	-
7 Other long-term financial assets	056	0	4.991.900	4.991.900	-
IV CASH IN HAND AND AT BANK	057	104.720.406	57.744.242	-46.976.164	-44.86%
D) PREPAYMENTS AND ACCRUED INCOME	058	10.942.842	18.215.036	7.272.194	66.46%
E) LOSS ABOVE CAPITAL	059	0	0	0	-
F) TOTAL ASSETS (001+002+033+058+059)	060	2.590.749.196	2.627.451.946	36.702.750	1.42%
G) OFF-BALANCE SHEET ITEMS	061	335.792.398	335.802.169	9.771	0.00%

Item	AOP label	31 Dec 2008	31 March 2009	2009-08	%
1	2	4	5	6 (5-4)	7 (6/4)
LIABILITIES					
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062	578.021.443	590.111.074	12.089.631	2.09%
I INITIAL (SUBSCRIBED) CAPITAL	063	229.381.200	229.381.200	0	0.00%
II CAPITAL RESERVES	064	0	0	0	
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	262.533.975	260.135.274	-2.398.701	-0.91%
1 Legal reserves	066	11.486.600	11.486.600	0	0.00%
2 Reserves for own shares	067	0	0	0	
3 Own shares and interests (deductible item)	068	0	0	0	
4 Statutory reserves	069	219.999.205	217.600.504	-2.398.701	-1.09%
5 Other reserves	070	31.048.170	31.048.170	0	0.00%
IV REVALUATION RESERVES	071	3.591.025	3.591.025	0	0.00%
V RETAINED PROFIT	072	0	82.515.243	82.515.243	-
VI LOSS BROUGHT FORWARD	073	0	0	0	-
VII PROFIT OF FINANCIAL YEAR	074	82.515.243	14.488.332	-68.026.911	-82.44%
VIII LOSS OF FINANCIAL YEAR	075	0	0	0	-
IX MINORITY INTEREST	076	0	0	0	-
B) PROVISIONS (078 TO 080)	077	7.188.536	7.188.536	0	0,00%
1 Provisions for rents, lay-off pays and similar liabilities	078	7.188.536	7.188.536	0	0.00%
2 Provision for tax liabilities	079	0	0	0	-
3 Other provisions	080	0	0	0	-
C) LONG-TERM LIABILITIES (082 To 089)	081	223.170.882	221.314.761	-1.856.121	-0.83%
1 Liabilities towards affiliated undertakings	082	0	0	0	-
2 Liabilities for loans, deposits and similar	083	0	0	0	-
3 Liabilities towards banks and other financial institutions	084	19.921.983	18.065.862	-1.856.121	-9.32%
4 Liabilities for advance payments	085	0	0	0	-
5 Liabilities towards suppliers	086	203.248.899	203.248.899	0	0.00%
6 Liabilities related to securities	087	0	0	0	-
7 Other long-term liabilities	088	0	0	0	-
8 Deferred tax liability	089	0	0	0	-
D) SHORT-TERM LIABILITIES (091 do 101)	090	1.698.769.308	1.726.774.952	28.005.644	1.65%
1 Liabilities towards affiliated undertakings	091	54.779.337	8.642.234	-46.137.103	-84.22%
2 Liabilities for loans, deposits and similar	092	22.430.571	22.498.103	67.532	0.30%
3 Liabilities towards banks and other financial institutions	093	433.101.491	403.462.718	-29.638.773	-6.84%
4 Liabilities for advance payments	094	65.682.924	58.817.634	-6.865.290	-10.45%
5 Liabilities towards suppliers	095	824.813.804	941.531.422	116.717.618	14.15%
6 Liabilities related to securities	096	262.736.402	256.550.580	-6.185.822	-2.35%
7 Liabilities towards employees	097	12.064.268	11.945.028	-119.240	-0.99%
8 Liabilities for taxes, contributions and similar levies	098	17.211.183	17.056.956	-154.227	-0.90%
9 Liabilities related to the share in the result	099	1.946.577	1.916.271	-30.306	-1.56%
10 Liabilities related to fixed assets intended for sale	100	0	0	0	-
11 Other short-term liabilities	101	4.002.751	4.354.005	351.254	8.78%
E) ACCRUALS AND DEFERRED PAYMENT	102	83.599.027	82.062.623	-1.536.404	-1.84%
F) TOTAL – LIABILITIES (062+077+081+090+102)	103	2.590.749.196	2.627.451.946	36.702.750	1.42%
G) OFF-BALANCE SHEET ITEMS	104	335.792.398	335.802.169	9.771	0.00%

I PROFIT AND LOSS ACCOUNT

for the period between 1 Jan 2009 till 31 March 2009 and comparison with the previous period

Item	AOP label	I-III 2008	I-III 2009	2009-08	%
1	2	4	5	6 (5-4)	7 (6/4)
I OPERATING INCOME (108 to 110)	107	355.288.396	461.600.266	106.311.870	29.92%
1 Revenues from products and services	108	347.693.047	443.530.842	95.837.795	27.56%
2 Revenues from usage of own products and services	109	1.110.708	11.183.219	10.072.511	906.85%
3 Other operating income	110	6.484.641	6.886.205	401.564	6.19%
II OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	111	331.857.186	442.547.617	-110.690.431	33.35%
1 Reduction in stocks of finished goods and in work in progress	112	0	4.138.581	4.138.581	
2 Increase of stocks of finished goods and in work in progress	113	18.089.799	0	-18.089.799	-100.00%
3 Material costs (115 to 117)	114	233.069.005	335.090.800	102.021.795	43.77%
a) Raw material costs	115	66.402.836	76.404.557	10.001.721	15.06%
b) Costs of goods for sale	116	31.095.876	38.233.830	7.137.954	22.95%
c) Other external services costs	117	135.570.293	220.452.413	84.882.120	62.61%
4 Staff costs (119 to 121)	118	68.832.411	66.094.360	30.816.729	44.77%
a) Net wages and salaries	119	36.825.306	36.247.742	-577.564	-1.57%
b) Taxes and contribution on salaries	120	21.848.003	20.603.850	-1.244.153	-5.69%
c) Contribution surtax on salaries	121	10.159.102	9.242.768	-916.334	-9.02%
5 Depreciation	122	10.663.855	11.239.356	575.501	5.40%
6 Other operating expenses	123	25.821.608	22.315.424	-3.506.184	-13.58%
7 Value adjustment (125+126)	124	10.921.552	185.225	-10.736.327	-98.30%
a) fixed assets (except financial assets)	125	0	0	0	
b) current assets (except financial assets)	126	10.921.552	185.225	-10.736.327	-98.30%
8. Long-term reserves	127	0	0	0	
9. Other expenses	128	638.554	3.483.871	2.845.317	445.59%
III FINANCIAL INCOME (130 to 134)	129	2.820.564	9.990.075	7.169.511	254.19%
1 Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	130	161.368	236.014	74.646	46.26%
2 Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	131	2.518.901	9.754.061	7.235.160	287.23%
3 Income from affiliated undertakings and participating interests	132	0	0	0	
4 Unrealized income of the financial assets	133	140.295	0	-140.295	-100.00%
5 Other financial income	134	0	0	0	
IV FINANCIAL EXPENSES(136 to 139)	135	7.880.843	9.890.032	2.009.189	25.49%
1. Interest income, foreign exchange gains, dividends and other expenses related to affiliated undertakings	136	34.185	54.164	19.979	58.44%
2. Interest income, foreign exchange gains, dividends and other expenses related to unaffiliated undertakings and other persons	137	7.772.404	9.688.934	1.916.530	24.66%
3. Unrealized losses (expenses) of the financial assets	138	74.254	146.934	72.680	97.88%
4 Other financial expenses	139	0	0		
V EXTRAORDINARY- OTHER INCOME	140	151.922	702.933	551.011	362.69%
VI EXTRAORDINARY - OTHER EXPENSES	141	0	0		
VII TOTAL INCOME (107+129+140)	142	358.260.882	472.293.274	114.032.392	31.83%
VIII TOTAL EXPENSES (111+135+141)	143	339.738.029	452.437.649	112.699.620	33.17%
IX PROFIT BEFORE TAX (142-143)	144	18.522.853	19.855.625	1.332.772	7.20%
XI PROFIT AFTER TAX	146	5.718.871	5.367.293	-351.578	-6.15%
XII PROFIT OF THE PERIOD (144-146)	147	12.803.982	14.488.332	1.684.350	13.15%

I CASH FLOW STATEMENT

for the period between 1 Jan 2009 and 31 March 2009 and comparison with the previous period

(amounts in thousands of kn)

Item	I-III 2008	I-III 2009
A) Net cash flow from operating activities (sum of AOP 057 to 070)	-2.722	-13.020
Profit/ loss after tax	12.866	14.488
Depreciation	10.664	11.239
Increase / reduction in stocks	-41.089	-8.950
Increase/reduction in customers' demand	-43.956	-139.266
Increase / reduction in other short-term receivables	-15.969	-3.288
Increase / reduction in prepayments and collection of outstanding income	0	62.280
Increase / reduction in short-term liabilities towards suppliers	-48.737	76.681
Increase / reduction in long-term reserves	0	0
Increase / reduction in deferred payment of costs and future income	0	-1.536
Increase / reduction in receivables for subscribed unpaid capital and loss above the capital amount	0	0
Increase / reduction in long-term receivables	1.294	1.305
Increase / reduction in current financial assets	294.868	-15.485
Increase / reduction in other long-term liabilities	0	0
Increase / reduction in other items	-172.663	-10.489
B) Net cash flow from investment activities (sum AOP 072 to 078)	-100.756	6.161
Purchase of tangible and intangible fixed assets	-97.604	24
Acquisition of subsidiaries	0	0
Acquisition of minority interests	0	0
Increase/reduction in financial fixed assets	-3.152	6.137
Proceeds from sale of tangible and intangible assets	0	0
Paid dividends	0	0
Increase/reduction in other items	0	0
C) Net cash flow from financial activities (sum AOP 080 to 084)	88.660	-40.117
Increase / reduction in new issue of shares	0	0
Increase / reduction in long-term liabilities related to loans and credits	-6.301	-1.856
Increase / reduction in other long-term liabilities	0	0
Increase / reduction in short-term liabilities related to loans and credits	94.961	-38.261
Increase / reduction in other items	0	0
D) Net increase/reduction in cash and cash equivalents (AOP 056+071+079)	-14.818	-46.976
Cash and cash equivalents at the beginning of the period	32.894	104.720
Cash and cash equivalents at the end of the period (AOP 085+086)	18.076	59.532

I. CHANGE IN CAPITAL STATEMENT

for the period between 1 Jan 2009 and 31 March 2009

(amounts in thousands of kn)

Item	31 Dec 2008	Increase	Reduction	31 March 2009
Subscribed capital	229.381			229.381
Premiums on issued shares				0
Reserves	262.534		2.399	260.135
Own shares	5.374	2.399		7.773
Retained profit or loss carried forward		82.515		82.515
Profit or loss of the current period	82.515	14.489	82.515	14.489
Dividends		0	0	0
Revaluation reserves	3.591	0	0	3.591
a) revaluation of property, plants and equipment				0
b) revaluation of investments	3.591			3.591
c) other revaluations				0
Correction of fundamental mistakes				0
Exchange rate differentials related to net investments in a foreign entity				0
Change in accounting policy				0
Sum-total of capital and reserves (AOP 088+089+090+091+092+093+094+095+099+100+101)	583.395	16.888	2.399	597.884



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V ADDITIONAL NOTES

1 MEMBERS 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 COMPANY SUPERVISORY BOARD

- President : Marijan Pavlović
 Member : Anđa Bošković
 Member : Gordan Mirošević
 Member : Ivan Radotić
 Member: Alda Zaninović
 Member : Velimir Đurđević
 Member : Željko Poljak

3 TOP TEN SHAREHOLDERS

NAME	ADDRESS	NUMBER	SHARE - %
CTG d.o.o.	Zgb, Srednjaci 10	358,674	15.64
PBZ d.d. Collective custodial account	Zgb, Račkog 6	68,456	2.98
PBZ d.d. Client's Collective custodial account	Zgb, Račkog 6	45,863	2.00
HPB d.d./Kapitalni fond d.d.	Zgb, Jurišićeva 4	44,071	1.92
Societe generale - Splitska banka d.d./ ALLIANZ ZB	Split, R. Boškovića 16	38,607	1.68
Miličić Luka	Zgb, Čačkovićeve 7a	22,469	0.98
PBZ d.d. State street client account	Zgb, Račkog 6	21,091	0.92
Kraljević Krešo	Zgb, 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
Own shares		43,934	1.92

Initial capital amount

229,381,200

4 SHARE ALLOCATION

A new issue of shares has not been carried out so far. In the past period the Company has acquired 34,208 regular shares of A series in the treasury. During the last quarter the Company has purchased own shares to the total amount of 43,934.

5 EARNINGS PER SHARE

Earnings per share for I quarter of 2009 shall amount to 6,44 kn/share.



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6 CHANGE OF OWNERSHIP STRUCTURE

In the first quarter a change of ownership structure has taken place within the top ten Company's shareholders, as BMK i partneri d.o.o. and KLT parnteri d.o.o. have withdrawn from the ownership structure.

7 MERGER AND ACQUISITION

Neither merger nor acquisition has taken place in the first quarter of 2009.

8 UNCERTAINTY

There have been no identified doubtful and disputable receivables that could exert influence on the continuity of business operations.

9 DESCRIPTION OF PRODUCTS AND SERVICES

Primary activities of the company are production programs, installation of power plants, high voltage and low voltage systems, road and motorway programs, and railways for the domestic and foreign market.

10 CHANGE IN ACCOUNTING POLICIES

No new accounting policies have been implemented so far.

11 LEGAL ISSUES

There have been no unresolved legal issues that could be of any importance for the Company's business operations.