

MANAGING BOARD REPORT ON BUSINESS OPERATIONS OF THE KONČAR GROUP FOR THE TIME PERIOD FROM JANUARY TO DECEMBER 2010

The KONČAR Group consists of KONČAR – ELECTRICAL INDUSTRY Inc. as the Mother Company and 20 dependant companies in which the mother company has a prevailing influence (more than 50 % of votes at the AGM/EGM). In a part of companies, besides ordinary shares, preferred shares have been registered as well. In addition, the Mother Company has a minority managing impact (49 % of votes at the AGM/EGM) in one company (associated company).

Companies within the Group are legally independent companies and the Mother Company supervises and directs them through Company Supervisory Boards in accordance with the Trading Company Act, the Statutes of KONČAR – ELECTRICAL INDUSTRY Inc. and the Statutes of each individual company. The Mother Company also manages a part of the assets that are not invested into companies, but, directly or indirectly, has the function of a financial support to marketing and sales, products and equipment of associated companies as credit and guarantee potential.

The KONČAR Group business activities are divided into business areas:

- Energy and transport: designing and construction of plants for generation, transmission and distribution of electric energy with belonging equipment, thyristor locomotives, tram cars, and electrical line side equipment;
- Industry: electric motor drives, middle voltage and low voltage electric equipment and catering equipment;
- Trade: electric household appliances, serial products and low voltage electric apparatus.
- Special business activities: research and development of products and infrastructural services.

Managing Board

The President and Members of the Managing Board are appointed and recalled by the Supervisory Board. The term of office of the President and Members of the Managing Board lasts 5 years; after expiry of their term of office, they can be reappointed. Pursuant the Trading Company Act and the Statutes of the Company, the Managing Board manages business activities at its own responsibility; it is obliged and authorised to perform all possible actions and make decisions it considers necessary for a successful managing of the Company. Some decisions, prescribed by the Statues, require consent of the Supervisory Board.

The Company Končar – Electrical Industry Inc. is managed by the Managing Board consisting of:

Darinko Bago	The President of the Managing Board
Marina Kralj Miliša	A Member of the Managing Board in charge of Legal, Common and Personnel Affairs

Jozo Miloloža	A Member of the Managing Board in charge of Finances
Davor Mladina	A Member of the Managing Board in charge of business areas Industry and Trade
Vladimir Plečko	A Member of the Managing Board in charge of Corporate Development and ICT

Supervisory Board

Pursuant provision of the Trading Company Act, the Statutes of KONČAR – ELECTRICAL INDUSTRY Inc. the Annual (Extraordinary) General Meeting makes decision on nomination and recalling of the Supervisory Board. The Supervisory Board is responsible for appointment and recall of Managing Board Members and supervision over management of business activities of the Company. Any more significant transactions and business decisions (the level of transactions is defined by the Statues of the Company) requires the Supervisory Board consent.

The Supervisory Board has 9 members as follows:

Igor Lučić	President of the Supervisory Board
Jasminka Belačić	Deputy President of the Supervisory Board
Ante Babić	Member
Kristijan Floričić	Member
Ruder Friganović	Member
Zdenka Matković	Member
Nenad Matić	Member
Đuro Perica	Member
Ivan Rujnić	Member

AUDITED 2010 BUSINESS RESULTS OF THE KONČAR GROUP

2010 business operations of the Končar Group were developed under expressly unfavourable business operation conditions. To the contrary of the globally significant economies, the Croatian economy and a larger number of neighbouring economies did not recover from economic and financial crisis and continued their operations under the conditions of a prolonged stagnation, influencing significantly business operation of the KONČAR Group as well.

Deficiency and slowing down of investment activities in the country was also reflected in a decrease of the level of contracted projects by 13 per cent compared with the situation at the end of 2009 resulting in a drop of incomes from sales and services on the domestic market. Intensified export activities compensated partially the significant drop at the domestic market and in 2010 sales on the global market exceeded the domestic market results. Exports were increased by 6 per cent compared to the previous year results and they represented 54 per cent of the total incomes from sales of products and services.

Despite complex conditions for business operation and a huge pressure of the competitors on the market, the KONČAR Group achieved a good business results in 2010. Better management of market and financial risks, permanent control and rationalisation of operating costs, satisfactory agreements with social partners resulted in keeping of profitable

business operations and a financial stability of the Group. The consolidated profits before tax amount to HRK 201.6 million. The profit tax is calculated to amount to HRK 15.6 million resulting in the profits after tax in the amount of HRK 186 million, out of which HRK 31.1 million belongs to the uncontrolled interest, while the Group net profits amount to HRK 154.9 million.

Good business results are achieved and founded on in-house development of products and manufacturing processes, while the research projects represent a permanent directive of KONČAR to be continued during further time intervals with innovations and prototypes that should result in new products and widening of business activities.

In 2010, the KONČAR Group generated incomes from sales of products and services in the amount above HRK 2,464.8 million. On the domestic market, products and services were sold in the amount of HRK 1,159.6 million, while HRK 1,305.2 million was generated in export. A whole range of facilities were constructed in Croatia and on the challenging market of the European Union, in neighbouring countries, while significant export was realised as well in the Middle East Countries.

In 2010, the total of HRK 2,100.2 million of new projects was contacted. The contracted project position (unsettled liabilities) at the end of 2010 amounted to HRK 2,133.2 million (13 % less than at the beginning of the year). Out of more significant business activities contracted for the domestic market in 2010 were construction of Dugopolje S/S, while in export equipping of Toro 3 HPP (Costa Rica), reconstruction of Fierza, Koman and Vau and Dejes S/Ss (Albania), reconstruction of Prizren 2 S/S (Kosovo) can be emphasised, as well as a range of other facilities and equipment in Croatia and in the world.

With a constant technical and technological improvements of our products, manufacturing and business processes, continuous adjustment to market conditions, improvement of educational and age structure of employees, a system of values in which the culture of work, creativity and excellence have a prominent place has been gaining every day more significant position in KONČAR Companies. The KONČAR Group motivates and supports socially responsible business operations systematically.

Social responsibility is a part of every-day working processes in all business operation segments in Končar. It relies on the human potential that is also the keeper of the development of the company. In addition to the responsibility towards the environment in which it works, KONČAR has determined the environmental management as one of the business activity priorities and its result is visible in the satisfaction of buyers and in every day larger number of certificates proving compliance with the highest requirements. Following the stated, in addition to ISO 9001, OHSAS 18001 Certificates, as well as many other special certificates and standards, so much as eighteen KONČAR Group Companies hold ISO 14001 Certificate as well.

Socially responsible behaviour helps Končar to develop its reputation and to motivate its employees to work on a business development of the company in the long run with the aim to achieve traced and adopted Company Plans.

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

4th April, 2011

STATEMENT OF PERSONS RESPONSIBLE FOR COMPILATION OF THE KONČAR GROUP CONSOLIDATED FINANCIAL REPORTS

This Statement of the Končar – Electrical Industry Inc., Zagreb, Managing Board is given regarding compilation and publishing of the Končar Group Consolidated Financial Reports for the time period January – December 2010.

The Managing Board of the Group is obliged to assure that 2010 Consolidated Annual Financial Reports are compiled in accordance with the Accounting Act (OJ 109/07) and the International Financial Reporting Standards (OJ 140/06, 30/08, 130/08, 137/08, 29/09) published by the Committee for Financial Reporting Standards and they give a true and objective report on the financial position, business operation results, changes in capital and cash flows for the stated time period.

On the basis of the performed studies, the Managing Board justifiably expects the Group to have appropriate assets for continuance of business operations in the near future. In accordance with the stated, the Managing Board has compiled the consolidated financial reports under the supposition of unlimited time of business operations of the Group.

When compiling the consolidated financial reports, the Managing Board is responsible for:

- Selection and consequent consistent application of appropriate accounting policies;
- Making of reasonable and sensible judgements and estimates;
- Application of valid financial reporting standards and publication and explanation of every deviation having the material importance comprised by consolidated financial reports; and
- Compilation of consolidated financial reports under the supposition of unlimited time of business operations, unless the supposition is inappropriate.

The Managing Board is responsible for keeping of correct accounting registers that will reflect the financial position and results of the business operations of the Group and their harmonisation with the Accounting Act (OJ 109/07) and International Financial Reporting Standards (OF 140/06, 30/08, 130/08, 137/08, 29/09) published by the Committee for Financial Reporting Standards, with an acceptable correctness all the time. The Managing Board shall take care of the Group property and therefore to take justifiable measures to prevent and to reveal frauds and any other illegalities.

Signed in the name of the Managing Board:

Darinko Bago, the President of the Managing Board of the Company

Končar – Electrical Industry Inc., Zagreb
Fallerovo šetalište 22
10 000 Zagreb
18th March, 2011.

- Note:

Consolidated Financial Reports were compiled by expert services of Končar – Electrical Industry Inc.

Contract persons:

Ervin Filipčić, Managing Board Office Head, filipcic@koncar.hr

Branka Velkovski, accounting expert, branka.velkovski@koncar.hr

Vesna Ilić, Accounting Department Head, vesna.ilic@koncar.hr

Appendix 1

Reporting period:

1.1.2010

to

31.12.2010.

Annual financial report of entrepreneur - GFI-POD

Registration number (MB) | 03282635 |

Identification number of subject
(MBS) | 080040936 |Personal identification number
(OIB) | 45050126417 |

Issuer company: | KONČAR - ELEKTROINDUSTRIJA d.d. |

Postal code and place | 10000 | ZAGREB |

Street and number | FALLEROVO ŠETALIŠTE 22 |

E-mail address: | koncar.finance@koncar.hr |Internet adresa: | www.koncar.hr |

Code and name of comune/town | 133 | Zagreb |

Code and county name | 21 | Zagreb City |

Number of employees | 3.938 |

(at quarter end)

Consolidated statement | Yes |

NKD/NWC code: | 2711 |

Subsidiaries subject to consolidation (according to IFRS):

in appendix

Registration number:

Končar - Energetika i usluge d.o.o	Zagreb	01343068
Končar - Institut za elektrotehniku d.d.	Zagreb	03645363
Končar - Elektronika i informatika d.d.	Zagreb	03282899
Končar - Mali električni strojevi d.d.	Zagreb	03282678
Končar - Obnovljivi izvori d.o.o.	Zagreb	02435071
Končar - Mjerni transformatori d.d.	Zagreb	03654656
Končar - Distributivni i specijalni transform. d.d.	Zagreb	03654664
Končar - Električni aparati srednjeg napona d.d.	Zagreb	03641287
Končar - Električna vozila d.d.	Zagreb	03282660
Končar - Sklopna postrojenja d.d.	Sesvetski Kraljevec	03641279
Končar - Električni visokonaponski aparati d.d.	Zagreb	03641252
Končar - Niskonaponske sklopke i prekidači d.o.o.	Zagreb	03228398
Končar - Ugostiteljska oprema d.d.	Zagreb	03788717
Končar - Alati d.d.	Zagreb	03672468
Končar - Montažni inženjering d.d.	Zagreb	03654362
Končar - Inženjering za energetiku i transport d.d.	Zagreb	03654354
Končar - Metalne konstrukcije d.d.	Zagreb	01114328
Končar - Kućanski aparati d.o.o.	Zagreb	01403222
Kones AG	Zurich, Švicarska	

Book keeping service: | |

Contact person: | BRANKA VELKOVSKI |

(fill in only surname and name of contact person)

Phone number: | 01 3667175 |

Facsimile: | 01 3655377 |

E-mail address: | branka.velkovski@koncar.hr |

Surname and name | DARINKO BAGO |

(authorised person for representation)

Disclosure documents:

1. Financial statements (balance sheet, profit and loss account, cash flow statement, statement of changes in shareholders' equity and notes to the financial statements)
2. Statement of responsible persons for preparation of financial statements
3. Report of the Management Board on position of the Company

M.P.

(signed by authorised person for representation)

Balance sheet
as at 31 12 2010

Item	AOP code	Notes	Last year (net)	Current year (net)
1	2	3	4	5
ASSETS				
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001			
B) LONG-TERM ASSETS (003+010+020+028+032)	002		1.173.485.772	1.182.984.550
I. INTANGIBLE ASSETS (004 to 009)	003	18, 19	28.975.122	25.535.991
1. Assets development	004		19.931.942	12.462.855
2. Concessions, patents, licences fees, trade and service marks, software and other	005		1.991.822	3.051.947
3. Goodwill	006	18	6.551.752	7.040.919
4. Prepayments for purchase of intangible assets	007		0	0
5. Intangible assets in progress	008		0	2.726.213
6. Other intangible assets	009		499.606	254.057
II. TANGIBLE ASSETS (011 to 019)	010	20	894.353.276	887.958.621
1. Land	011		155.067.543	156.023.708
2. Buildings	012		393.503.747	379.674.182
3. Plant and equipment	013		147.651.436	151.821.233
4. Tools, facility inventory and transport assets	014		74.123.822	74.459.271
5. Biological assets	015		0	0
6. Prepayments for tangible assets	016		2.169.352	3.836.726
7. Tangible assets in progress	017		27.071.770	27.593.153
8. Other tangible assets	018		908.215	700.738
9. Investments in buildings	019	21	93.857.391	93.849.610
III. LONG-TERM FINANCIAL ASSETS (021 to 027)	020	23	174.553.929	212.986.676
1. Investments (shares) with related parties	021		170.132.232	208.808.973
2. Loans given to related parties	022		0	0
3. Participating interest (shares)	023		801.316	806.316
4. Investments in securities	024		2.659.738	2.686.761
5. Loans, deposits and similar assets	025		960.643	684.626
6. Treasury shares and investments	026		0	0
7. Other long - term financial assets	027		0	0
IV. RECEIVABLES (029 to 031)	028	24	75.603.445	56.503.262
1. Receivables from related parties	029		0	0
2. Receivables from based on trade loans	030		66.577.990	47.262.055
3. Other receivables	031		9.025.455	9.241.207
V. DEFERRED TAX ASSETS	032		0	
C) SHORT TERM ASSETS (034+042+049+057)	033		2.094.424.799	2.109.617.444
I. INVENTORIES (035 to 041)	034	25	581.368.485	485.999.118
1. Raw-material and supplies	035		224.616.953	222.173.270
2. Work in progress	036		110.503.144	80.450.213
3. Unfinished products and semi-products	037		69.195.904	61.805.797
4. Finished goods	038		126.305.704	85.428.778
5. Trade goods	039		21.789.213	18.380.883
6. Prepayments for inventories	040		28.203.531	13.889.218
7. Other assets held for sales	041	32	754.036	3.870.959
II. RECEIVABLES (043 to 048)	042		1.052.995.624	886.053.481
1. Receivables from related parties	043	26	86.121.171	111.046.846
2. Trade receivables	044	27	866.101.705	698.835.506
3. Receivables from participating parties	045		0	0
4. Receivables from employees and members of related parties	046	28	991.710	1.563.937
5. Receivables from government and other institutions	047	28	47.799.468	34.579.177
6. Other receivables	048	28	51.981.570	40.028.015
III. SHORT TERM FINANCIAL ASSETS (050 to 056)	049	29	149.739.330	157.199.494
1. Investments (shares) with related parties	050		0	0
2. Loans given to related parties	051		0	0
3. Participating interests (shares)	052		0	0
4. Investments in securities	053		0	0
5. Loans, deposits, etc.	054		149.739.330	155.489.822
6. Treasury shares and investments	055		0	0
7. Other financial assets	056		0	1.709.672
IV. CASH AT BANK AND IN CASHIER	057	30	310.321.360	580.365.351
D) PREPAID EXPENSES AND ACCRUED REVENUE	058	31	2.843.799	3.547.985
E) LOSS BEYOND CAPITAL	059		0	0
F) TOTAL ASSETS (001+002+033+058+059)	060		3.270.754.370	3.296.149.979
G) OFF-BALANCE RECORDS	061		2.009.430.712	2.094.716.902

LIABILITIES AND CAPITAL				
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062		1.617.663.280	1.794.175.361
I. SUBSCRIBED CAPITAL	063	33	1.028.847.600	1.028.847.600
II. CAPITAL RESERVES	064		-2.940.923	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	065		156.737.655	201.140.508
1. Reserves prescribed by law	066		11.976.389	13.150.803
2. Reserves for treasury shares	067		7.753.019	0
3. Treasury shares and investments (item to be deducted)	068		7.753.019	0
4. Statutory reserves	069		97.190.649	121.706.437
5. Other reserves	070		47.570.617	66.283.268
IV. REVALUATION RESERVES	071		0	0
V. RETAINED EARNINGS	072		121.807.709	194.104.351
VI. LOSS CARRIED FORWARD	073		0	0
VII. PROFIT FOR THE BUSINESS YEAR	074		112.822.916	154.975.583
VIII. LOSS FOR THE BUSINESS YEAR	075		0	0
IX. MINORITY INTERESTS	076		200.388.323	214.387.740
B) PROVISIONS (078 to 080)	077	34	546.048.793	578.643.690
1. Provisions for retirement allowances, severance pay, and other similar liabilities	078		15.241.223	21.899.686
2. Provisions for tax liabilities	079		0	0
3. Other provisions	080		530.807.570	556.744.004
C) LONG - TERM LIABILITIES (082 to 089)	081	35	75.419.112	81.299.423
1. Liabilities to related parties	082		0	0
2. Liabilities for loans, deposits etc.	083		2.380.000	1.615.000
3. Liabilities to banks and other financial institutions	084		72.028.222	79.684.423
4. Liabilities for prepayments	085		0	0
5. Accounts payable	086		0	0
6. Liabilities for securities	087		0	0
7. Other long-term liabilities	088		1.010.890	0
8. Deferred tax liability	089		0	0
D) SHORT - TERM LIABILITIES (091 to 101)	090		933.728.510	775.540.242
1. Liabilities to related parties	091	36	29.189.648	13.175.194
2. Liabilities for loans, deposits etc.	092	37	510.000	765.000
3. Liabilities to banks and other financial institutions	093	38	198.193.145	148.028.224
4. Liabilities for prepayments	094	40	197.941.888	180.197.510
5. Accounts payable	095	39	418.503.448	358.020.213
6. Liabilities for securities	096		0	0
7. Liabilities to employees	097	41	32.587.484	28.123.735
8. Liabilities for taxes, contributions and other payments	098	41	50.258.407	37.826.449
9. Liabilities based on share in result	099	41	435.950	0
10. Liabilities based on short-term assets held for sale	100		0	0
11. Other short - term liabilities	101	41	6.108.540	9.403.917
E) DEFERRED PAYMENT OF COSTS AND ACCRUED REVENUE	102	42	97.894.675	66.491.263
F) TOTAL – LIABILITIES (062+077+081+090+102)	103		3.270.754.370	3.296.149.979
G) OFF-BALANCE RECORDS	104		2.009.430.712	2.094.716.902
APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)				
CAPITAL AND RESERVES				
1. Subscribed to shareholders in mother company	105		1.417.274.957	1.579.787.621
2. Subscribed to minority interest	106		200.388.323	214.387.740

PROFIT & LOSS ACCOUNT
for the period 1.1.2010.- 31.12.2010.

Item	AOP code	Notes	Last year	Current year
1	2	3	4	5
I. OPERATING REVENUES (108 to 110)	107		2.795.680.476	2.637.560.093
1. Sales revenues	108	3	2.675.137.917	2.464.817.706
2. Revenues from use of own products, goods and services	109		0	0
3. Other operating revenues	110	4	120.542.559	172.742.387
II. OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	111		2.760.589.117	2.568.631.196
1. Impairment of inventories of work in progress and finished products and finished products	112		0	74.603.310
2. Increase of inventories of work in progress and finished products	113		14.870.955	0
3. Material costs (115 to 117)	114		1.875.945.988	1.610.705.563
a) Cost of raw-materials and supplies	115	5	1.378.518.176	1.132.606.393
b) Costs of goods sold	116		123.088.383	116.812.449
c) Other external costs	117	6	374.339.429	361.286.721
4. Staff costs (119 to 121)	118	7	475.014.074	472.684.365
a) Net salaries and wages	119		263.719.609	263.731.556
b) Cost for taxes and contributions from salaries	120		144.792.495	143.254.295
c) Contributions on salaries	121		66.501.970	65.698.514
5. Depreciation	122	8	76.516.548	76.716.868
6. Other costs	123	9	123.142.332	129.235.040
7. Value adjustment (125+126)	124	10	36.665.539	37.278.849
a) long-term assets (financial assets excluded)	125		5.951.561	0
b) short - term assets (financial assets excluded)	126		30.713.978	37.278.849
8. Provisions	127	11	174.291.909	159.018.123
9. Other operating costs	128	12	13.883.682	8.389.078
III. FINANCIAL REVENUES (130 to 134)	129	13, 14	184.798.020	188.731.611
1. Interests, currency differences, dividends and other revenues	130		232.802	60.982
2. Interests, currency differences, dividends and other revenues	131		73.123.192	74.596.700
3. Portion of revenue from associated parties and participating interests	132	13	110.645.889	114.015.279
4. Unrealized gains (revenues)	133		796.137	58.650
5. Other financial revenues	134		0	0
IV. FINANCIAL EXPENSE (136 to 139)	135	15	61.512.189	56.015.434
1. Interests, currency differences and other expenses from related	136		96.384	17.137
2. Interests, currency differences and other expenses from unrelated	137		61.415.805	50.288.459
3. Unrealized loss (expense) from financial assets	138		0	5.709.838
4. Other financial expenses	139		0	0
V. EXTRA - OTHER REVENUES	140		0	0
VI. EXTRA - OTHER EXPENSE	141		0	0
VII. TOTAL REVENUES (107+129+140)	142		2.980.478.496	2.826.291.704
VIII. TOTAL EXPENSE (111+135+141)	143		2.822.101.306	2.624.646.630
IX. PROFIT BEFORE TAX (142-143)	144		158.377.190	201.645.074
X. LOSS BEFORE TAX (143-142)	145		0	0
XI. PROFIT TAX	146	16	13.264.023	15.609.173
XII. PROFIT IN THE PERIOD (144-146)	147		145.113.167	186.035.901
XIII. LOSS IN THE PERIOD (145+146) or (146-144)	148		0	0
Appendix to p&L account				
XIV.* PROFIT SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY	149		112.822.916	154.975.583
XV.* PROFIT SUBSCRIBED TO MINORITY INTERESTS	150		32.290.251	31.060.318
XVI.* LOSS SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY	151		0	0
XVII.* LOSS SUBSCRIBED TO MINORITY INTEREST	152		0	0

CASH FLOW - INDIRECT METHOD
for the period 1.1.2010.- 31.12.2010.

Item 1	AOP code 2	Notes 3	Last year 4	Current year 5
CASH FLOW FROM OPERATING ACTIVITIES				
1. Net profit	001		158.377.190	201.645.074
2. Depreciation	002		76.516.548	76.716.868
3. Increase in short term liabilities	003		0	0
4. Decrease in short term receivables	004		23.918.535	166.942.143
5. Decrease in inventories	005		122.301.958	95.369.367
6. Other increase in cash flow	006		185.336.760	126.822.115
I. Total increase in cash flow from operating activities (001 to 006)	007		566.450.991	667.495.567
1. Decrease in short term liabilities	008		258.465.000	158.188.268
2. Increase in short term receivables	009		0	0
3. Increase in inventories	010		0	0
4. Other decrease in cash flow	011		243.362.640	191.262.201
II. Total decrease in cash flow from operating activities (008 to 011)	012		501.827.640	349.450.469
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	013		64.623.351	318.045.098
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	014		0	0
CASH FLOW FROM INVESTING ACTIVITIES				
1. Cash inflows from sales of long-term tangible and intangible assets	015		233.322	2.999.245
2. Cash inflows from sales of equity and debt instruments	016		3.541.927	7.076.566
3. Proceeds from interests	017		0	0
4. Proceeds from dividends	018		51.578.485	64.646.202
5. Other cash inflows from investing activities	019		0	0
III. Total cash inflows from investing activities (015 to 019)	020		55.353.734	74.722.013
1. Cash outflow for purchase of long-term tangible and intangible assets	021		48.079.175	49.955.772
2. Cash outflow for acquisition of equity and debt financial instruments	022		50.000	2.668.809
3. Other cash outflow for investing activities	023		964.711	0
IV. Total cash outflow for investing activities (021 do 023)	024		49.093.886	52.624.581
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		6.259.848	22.097.432
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	026		0	0
CASH FLOW FROM FINANCIAL ACTIVITIES				
1. Cash inflow from issuing property and debt financial instruments	027		249.000	0
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028		164.338.486	88.187.843
3. Other proceeds from financial activities	029		47.683.269	99.649.532
V. Total cash inflows from financial activities (027 to 029)	030		212.270.755	187.837.375
1. Cash outflow for repayment of credit principal and bonds	031		171.340.496	134.730.732
2. Cash outflow for dividends paid	032		19.059.466	17.196.110
3. Cash outflow for financial lease	033		0	0
4. Cash outflow for purchase of treasury shares	034		0	0
5. Other cash outflow for financial activities	035		154.827.124	106.009.072
VI. Total cash outflow for financial activities (031 to 035)	036		345.227.086	257.935.914
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	037		0	0
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	038		132.956.331	70.098.539
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039		0	270.043.991
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040		62.073.132	0
Cash and cash equivalents at the beginning of the period	041	28	372.394.492	310.321.360
Increase of cash and cash equivalents	042		0	270.043.991
Decrease of cash and cash equivalents	043		62.073.132	0
Cash and cash equivalents at the end of the period	044	28	310.321.360	580.365.351

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
for the period 1.1.2010.- 31.12.2010.

Item	AOP code	Notes	Last year	Current year
1	2	3	4	5
1. Subscribed capital	001	33	1.132.799.297	1.151.410.796
2. Capital reserves	002		-2.940.923	719.579
3. Reserves from profit	003		222.280.821	261.601.518
4. Retained earnings or loss carried forward	004		120.410.918	194.407.567
5. Profit or loss for the bussines year	005		145.113.167	186.035.901
6. Revaluation tangible assets	006		0	0
7. Revaluation intangible assets	007		0	0
8. Revaluation financial assets	008		0	0
9. Other revaluation	009		0	0
10. Total capital and reserves (AOP 001 do 009)	010		1.617.663.280	1.794.175.361
11. Effect of changes in foreign exchange rates	011		-59.932	1.311.326
12. Deffered taxes	012		0	0
13. Protection of cash flow	013		0	0
14. Change of accounting policy	014		0	0
15. Correction significant mistakes of previous period	015		8.036.520	-441.292
16. Other changes of capital	016		132.612.937	175.642.047
17. Total increase or decrease of equity (AOP 011 do 016)	017		140.589.525	176.512.081
17 a. Subscribed to shareholders in mother company	018		122.178.259	162.512.664
17 b. Subscribed to minority interest	019		18.411.266	13.999.417

Appendix 1

Reporting period:

1.1.2010

to

31.12.2010.

Annual financial report of entrepreneur - GFI-POD

Registration number (MB) | 03282635 |

Identification number of subject
(MBS) | 080040936 |Personal identification
number (OIB) | 45050126417 |

Issuer company: KONČAR - ELEKTROINDUSTRIJA d.d. |

Postal code and place | 10000 |

ZAGREB |

Street and number | FALLEROVO ŠETALIŠTE 22 |

E-mail address: koncar.finance@koncar.hr |Internet adresa: www.koncar.hr |

Code and name of comune/tov | 133 | Zagreb |

Code and county name | 21 | Zagreb City |

Number of employees | 49 |

(at quarter end)

Consolidated statement | No |

NKD/NWC code: | 2711 |

Subsidiaries subject to consolidation (according to IFRS):

in appendix

Registration number:

Subsidiaries subject to consolidation (according to IFRS):	in appendix	Registration number:

Book keeping service: | |

Contact person: Vesna Ilić |

(fill in only surname and name of contact person)

Phone number: 01 3667-183 |

Fascimile: 01 3667-177 |

E-mail address: vesna.ilic@koncar.hr |

Surname and name | DARINKO BAGO |

(authorised person for representation)

Disclosure documents:

1. Financial statements (balance sheet, profit and loss account, cash flow statement, statement of changes in shareholders' equity and notes to the financial statements)
2. Statement of responsible persons for preparation of financial statements
3. Report of the Management Board on position of the Company

M.P.

(signed by authorised person for representation)

Balance sheet
as at 31 12 2010

Item	AOP code	Notes	Last year (net)	Current year (net)
1	2	3	4	5
ASSETS				
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001			
B) LONG-TERM ASSETS (003+010+020+028+032)	002		1.109.707.473	1.149.127.417
I. INTANGIBLE ASSETS (004 to 009)	003	16	422.183	244.953
1. Assets development	004			
2. Concessions, patents, licences fees, trade and service marks, software and other	005		13.928	
3. Goodwill	006			
4. Prepayments for purchase of intangible assets	007			
5. Intangible assets in progress	008			
6. Other intangible assets	009		408.255	244.953
II. TANGIBLE ASSETS (011 to 019)	010		305.225.975	321.186.838
1. Land	011	17	64.167.432	72.487.276
2. Buildings	012	17	118.664.703	123.735.036
3. Plant and equipment	013	17	6.708.628	13.086.148
4. Tools, facility inventory and transport assets	014	17	695.495	404.447
5. Biological assets	015			
6. Prepayments for tangible assets	016	17	10.100.915	1.703.296
7. Tangible assets in progress	017	17	10.980.635	15.857.649
8. Other tangible assets	018	17	50.776	63.376
9. Investments in buildings	019	18	93.857.391	93.849.610
III. LONG-TERM FINANCIAL ASSETS (021 to 027)	020		758.614.875	793.378.921
1. Investments (shares) with related parties	021	19-20	756.254.575	791.005.849
2. Loans given to related parties	022			
3. Participating interest (shares)	023			
4. Investments in securities	024	21	2.360.300	2.373.072
5. Loans, deposits and similar assets	025			
6. Treasury shares and investments	026			
7. Other long - term financial assets	027			
IV. RECEIVABLES (029 to 031)	028	22	45.444.440	34.316.705
1. Receivables from related parties	029			
2. Receivables from based on trade loans	030		39.388.849	28.571.347
3. Other receivables	031		6.055.591	5.745.358
V. DEFERRED TAX ASSETS	032			
C) SHORT TERM ASSETS (034+042+049+057)	033		371.631.036	398.308.258
I. INVENTORIES (035 to 041)	034		17.479	6.091
1. Raw-material and supplies	035			
2. Work in progress	036			
3. Unfinished products and semi-products	037			
4. Finished goods	038			
5. Trade goods	039			
6. Prepayments for inventories	040		17.479	6.091
7. Other assets held for sales	041			
II. RECEIVABLES (043 to 048)	042		123.812.349	119.395.087
1. Receivables from related parties	043	23	109.929.244	103.492.189
2. Trade receivables	044	24	294.434	597.490
3. Receivables from participating parties	045			
4. Receivables from employees and members of related parties	046	25	38.884	35.103
5. Receivables from government and other institutions	047	25	193.174	5.325
6. Other receivables	048	25	13.356.613	15.264.980
III. SHORT TERM FINANCIAL ASSETS (050 to 056)	049		138.938.981	115.581.504
1. Investments (shares) with related parties	050			
2. Loans given to related parties	051	26	55.882.938	31.400.000
3. Participating interests (shares)	052			
4. Investments in securities	053			
5. Loans, deposits, etc.	054			
6. Treasury shares and investments	055			
7. Other financial assets	056	27	83.056.043	84.181.504
IV. CASH AT BANK AND IN CASHIER	057	28	108.862.227	163.325.576
D) PREPAID EXPENSES AND ACCRUED REVENUE	058	29	795.395	733.263
E) LOSS BEYOND CAPITAL	059			
F) TOTAL ASSETS (001+002+033+058+059)	060		1.482.133.904	1.548.168.938
G) OFF-BALANCE RECORDS	061	39	622.581.792	658.114.155

LIABILITIES AND CAPITAL				
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062	30	1.186.538.097	1.256.631.736
I. SUBSCRIBED CAPITAL	063		1.028.847.600	1.028.847.600
II. CAPITAL RESERVES	064		-2.940.923	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	065		79.688.772	134.314.547
1. Reserves prescribed by law	066		8.129.531	11.389.054
2. Reserves for treasury shares	067		7.753.019	
3. Treasury shares and investments (item to be deducted)	068		7.753.019	
4. Statutory reserves	069		44.523.585	75.489.055
5. Other reserves	070		27.035.656	47.436.438
IV. REVALUATION RESERVES	071			
V. RETAINED EARNINGS	072		15.752.186	31.234.921
VI. LOSS CARRIED FORWARD	073			
VII. PROFIT FOR THE BUSINESS YEAR	074		65.190.462	61.515.089
VIII. LOSS FOR THE BUSINESS YEAR	075			
IX. MINORITY INTERESTS	076			
B) PROVISIONS (078 to 080)	077	31	282.464.852	282.274.972
1. Provisions for retirement allowances, severance pay, and other similar liabilities	078		227.600	1.291.160
2. Provisions for tax liabilities	079			
3. Other provisions	080		282.237.252	280.983.812
C) LONG - TERM LIABILITIES (082 to 089)	081	32	850.000	510.000
1. Liabilities to related parties	082			
2. Liabilities for loans, deposits etc.	083		850.000	510.000
3. Liabilities to banks and other financial institutions	084			
4. Liabilities for prepayments	085			
5. Accounts payable	086			
6. Liabilities for securities	087			
7. Other long-term liabilities	088			
8. Deferred tax liability	089			
D) SHORT - TERM LIABILITIES (091 to 101)	090		9.445.325	8.559.115
1. Liabilities to related parties	091	33	16.094	899.906
2. Liabilities for loans, deposits etc.	092	34	340.000	340.000
3. Liabilities to banks and other financial institutions	093	35	1.742.743	
4. Liabilities for prepayments	094			
5. Accounts payable	095	36	1.116.777	1.174.806
6. Liabilities for securities	096			
7. Liabilities to employees	097	37	2.330.276	2.128.977
8. Liabilities for taxes, contributions and other payments	098	37	3.704.332	3.669.995
9. Liabilities based on share in result	099	37	127.730	127.658
10. Liabilities based on short-term assets held for sale	100			
11. Other short - term liabilities	101	37	67.373	217.773
E) DEFERRED PAYMENT OF COSTS AND ACCRUED REVENUE	102	38	2.835.630	192.676
F) TOTAL – LIABILITIES (062+077+081+090+102)	103		1.482.133.904	1.548.168.499
G) OFF-BALANCE RECORDS	104	39	622.581.792	658.114.155
APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)				
CAPITAL AND RESERVES				
1. Subscribed to shareholders in mother company	105			
2. Subscribed to minority interest	106			

PROFIT & LOSS ACCOUNT
for the period 1.1.2010.- 31.12.2010.

Item	AOP code	Notes	Last year	Current year
1	2	3	4	5
I. OPERATING REVENUES (108 to 110)	107		78.811.460	79.806.652
1. Sales revenues	108	3	56.113.773	52.382.226
2. Revenues from use of own products, goods and services	109			27.424.426
3. Other operating revenues	110	4	22.697.687	
II. OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	111		127.022.630	162.079.789
1. Impairment of inventories of work in progress and finished products and finished products	112			
2. Increase of inventories of work in progress and finished products	113			
3. Material costs (115 to 117)	114		31.591.064	32.108.250
a) Cost of raw-materials and supplies	115	5	4.622.617	5.229.385
b) Costs of goods sold	116			
c) Other external costs	117	6	26.968.447	26.878.865
4. Staff costs (119 to 121)	118	7	22.947.097	20.720.668
a) Net salaries and wages	119		10.286.052	9.292.368
b) Cost for taxes and contributions from salaries	120		9.397.205	8.396.025
c) Contributions on salaries	121		3.263.840	3.032.275
5. Depreciation	122	8	6.980.765	7.336.036
6. Other costs	123	11	4.878.589	17.894.942
7. Value adjustment (125+126)	124		21.449.222	57.925.456
a) long-term assets (financial assets excluded)	125	9	21.188.951	57.925.456
b) short - term assets (financial assets excluded)	126	9	260.271	
8. Provisions	127	10	39.130.033	25.802.155
9. Other operating costs	128	11	45.860	292.282
III. FINANCIAL REVENUES (130 to 134)	129	12	119.739.664	154.781.116
1. Interests, currency differences, dividends and other revenues	130		32.751.868	15.890.189
2. Interests, currency differences, dividends and other revenues	131		20.229.923	53.587.301
3. Portion of revenue from associated parties and participating interests	132		65.962.736	78.041.969
4. Unrealized gains (revenues)	133		795.137	7.261.657
5. Other financial revenues	134			
IV. FINANCIAL EXPENSE (136 to 139)	135	13	6.338.032	10.992.890
1. Interests, currency differences and other expenses from related	136			
2. Interests, currency differences and other expenses from unrelated	137		6.338.032	6.883.915
3. Unrealized loss (expense) from financial assets	138			4.108.975
4. Other financial expenses	139			
V. EXTRA - OTHER REVENUES	140			
VI. EXTRA - OTHER EXPENSE	141			
VII. TOTAL REVENUES (107+129+140)	142		198.551.124	234.587.768
VIII. TOTAL EXPENSE (111+135+141)	143		133.360.662	173.072.679
IX. PROFIT BEFORE TAX (142-143)	144		65.190.462	61.515.089
X. LOSS BEFORE TAX (143-142)	145		0	
XI. PROFIT TAX	146	14		
XII. PROFIT IN THE PERIOD (144-146)	147	15	65.190.462	61.515.089
XIII. LOSS IN THE PERIOD (145+146) or (146-144)	148		0	
Appendix to p&L account				
XIV.* PROFIT SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY	149			
XV.* PROFIT SUBSCRIBED TO MINORITY INTERESTS	150			
XVI.* LOSS SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY	151			
XVII.* LOSS SUBSCRIBED TO MINORITY INTEREST	152			

CASH FLOW - INDIRECT METHOD
for the period 1.1.2010.- 31.12.2010.

Item 1	AOP code 2	Notes 3	Last year 4	Current year 5
CASH FLOW FROM OPERATING ACTIVITIES				
1. Net profit	001		65.190.462	61.515.089
2. Depreciation	002		6.980.765	7.336.035
3. Increase in short term liabilities	003			
4. Decrease in short term receivables	004		59.502	4.897.149
5. Decrease in inventories	005			11.388
6. Other increase in cash flow	006		17.310.056	1.003.972
I. Total increase in cash flow from operating activities (001 to 006)	007		89.540.785	74.763.633
1. Decrease in short term liabilities	008		3.296.563	
2. Increase in short term receivables	009			
3. Increase in inventories	010		8.263	
4. Other decrease in cash flow	011		2.881.598	2.918.068
II. Total decrease in cash flow from operating activities (008 to 011)	012		6.186.424	2.918.068
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	013		83.354.361	71.845.565
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES	014		0	
CASH FLOW FROM INVESTING ACTIVITIES				
1. Cash inflows from sales of long-term tangible and intangible assets	015			
2. Cash inflows from sales of equity and debt instruments	016			
3. Proceeds from interests	017		1.296.341	
4. Proceeds from dividends	018			
5. Other cash inflows from investing activities	019		8.046.599	10.866.243
III. Total cash inflows from investing activities (015 to 019)	020		9.342.940	10.866.243
1. Cash outflow for purchase of long-term tangible and intangible assets	021		22.134.892	15.783.633
2. Cash outflow for acquisition of equity and debt financial instruments	022		15.386.942	34.085.134
3. Other cash outflow for investing activities	023		12.802.786	
IV. Total cash outflow for investing activities (021 do 023)	024		50.324.620	49.868.767
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025		0	
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES	026		40.981.680	39.002.524
CASH FLOW FROM FINANCIAL ACTIVITIES				
1. Cash inflow from issuing property and debt financial instruments	027			
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028			22.877.593
3. Other proceeds from financial activities	029		1.758.595	825.530
V. Total cash inflows from financial activities (027 to 029)	030		1.758.595	23.703.123
1. Cash outflow for repayment of credit principal and bonds	031		4.870.546	2.082.743
2. Cash outflow for dividends paid	032			72
3. Cash outflow for financial lease	033			
4. Cash outflow for purchase of treasury shares	034			
5. Other cash outflow for financial activities	035		107.619.276	
VI. Total cash outflow for financial activities (031 to 035)	036		112.489.822	2.082.815
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	037		0	21.620.308
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES	038		110.731.227	0
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039		0	54.463.349
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040		68.357.546	
Cash and cash equivalents at the beginning of the period	041		177.219.773	108.862.227
Increase of cash and cash equivalents	042			54.463.349
Decrease of cash and cash equivalents	043		68.357.546	
Cash and cash equivalents at the end of the period	044	28	108.862.227	163.325.576

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

for the period 1.1.2010.- 31.12.2010.

Item	AOP code	Notes	Last year	Current year
1	2	3	4	5
1. Subscribed capital	001		1.028.847.600	1.028.847.600
2. Capital reserves	002		-2.940.923	719.579
3. Reserves from profit	003		79.688.772	134.314.547
4. Retained earnings or loss carried forward	004		15.752.186	31.234.921
5. Profit or loss for the bussines year	005		65.190.462	61.515.089
6. Revaluation tangible assets	006			
7. Revaluation intangible assets	007			
8. Revaluation financial assets	008			
9. Other revaluation	009			
10. Total capital and reserves (AOP 001 do 009)	010	30	1.186.538.097	1.256.631.736
11. Effect of changes in foreign exchange rates	011		-19.272	825.532
12. Deffered taxes	012			
13. Protection of cash flow	013			
14. Change of accounting policy	014			
15. Correction significant mistakes of previous period	015			
16. Other changes of capital	016		67.140.101	69.268.107
17. Total increase or decrease of equity (AOP 011 do 016)	017		67.120.829	70.093.639
17 a. Subscribed to shareholders in mother company	018			
17 b. Subscribed to minority interest	019			