

## **MANAGEMENT BOARD REPORT ON THE BUSINESS ACTIVITY OF THE KONČAR GROUP FOR THE YEAR ENDED 31 DECEMBER 2010**

The KONČAR Group consists of KONČAR - Electrical Industry Inc., as the parent company, and twenty subsidiaries in which the parent company exercises a predominant managerial influence (more than 50 per cent of the votes at the General Assembly). In addition to this, the parent company exercises a minority managerial influence (49 per cent of the votes at the General Assembly) in one company (affiliated company).

All of the companies pertaining to the group are legally independent companies, under the control and strategic guidance of the parent company by the respective supervisory boards of the companies and in accordance with the Companies Act, the KONČAR – Electrical Industry Inc. Charter and the Charters of the individual companies. The parent company also manages the portion of the assets which have not been invested into companies, but are in direct or indirect function of financial support of sales, products and equipment of the subsidiaries as credit-guarantee potential.

The Group has issued joint and several guarantee in the total amount of HRK 523,6 million, of which HRK 356,6 million corresponds to performance guarantees (bid bonds, advanced payment guarantees, performance guarantees and warranty guarantees).

Business activities of the KONČAR Group are structured as follows:

- Energy and transport: Designing and building of production plants, transmission and distribution plants and the manufacture of accompanying equipment; electric vehicles and electric equipment for vehicles and electric traction plants
- Industry: Electromotor drives, medium and low-voltage electric equipment and catering equipment
- Trade: Electrical household appliances, serial production goods and low-voltage electrical goods
- Special activities: product research and development and infrastructure services

### **THE MANAGEMENT BOARD**

The Supervisory Board appoints and relieves the President of the Management Board and the Members of the Management Board. The terms of office of the President of the Management Board and the Board Members' mandates last for five years, with an option of reappointment. Pursuant to the Companies Act and the Company Charter, the Management Board is responsible for running the operations. In doing so, it is obliged and authorised to take any action and make any decision it deems necessary for the successful management of the Company. The consent of the Supervisory Board is required in making certain decisions stipulated by the KONČAR – Electrical Industry Inc. Charter.

KONČAR – Electrical Industry Inc. is managed by the Management Board consisting of:

Darinko Bago	President of the Management Board
Marina Kralj Miliša	Board member responsible for legal activities, general administrative services and human resources
Jozo Miloloža	Board member responsible for finance

Davor Mladina	Board member responsible for transmission and distribution of electrical energy, industry and trade
Vladimir Plečko	Board member responsible for electrical energy production, corporate development and ICT

## **THE SUPERVISORY BOARD**

Pursuant to the provisions contained in the Companies Act and the KONČAR – Electrical Industry Inc. Charter, the General Assembly makes the decisions on appointing and relieving the Supervisory Board. The Supervisory Board is responsible for appointing and dismissing the members of the Management Board, as well as for supervising the operations of the Company. More significant transactions and business decisions (the amount of transactions has been stipulated by the Company Charter) require the approval of the Supervisory Board. The Supervisory Board consists of the following nine members:

Igor Lučić	Chairman of the Supervisory Board
Jasminka Belačić	Vice-chairwoman of the Supervisory Board
Ante Babić	Member of the Supervisory Board
Kristijan Floričić	Member of the Supervisory Board
Ruđer Friganović	Member of the Supervisory Board
Zdenka Matković	Member of the Supervisory Board
Nenad Matić	Member of the Supervisory Board
Đuro Perica	Member of the Supervisory Board
Ivan Rujnić	Member of the Supervisory Board

### **The KONČAR Group business activity for the year ended 31 December 2010 (Unaudited statement)**

The KONČAR Group achieved a positive financial result for the year ended 31 December 2010. The total revenue for the year ended 31 December 2010 amounts to HRK 2,808.2 million, and total expenses to HRK 2,620 million. The profit before tax of the Group amounts to HRK 188.2 million.

The income tax amounts to HRK 15.3 million and the consolidated profits after tax totals HRK 172.9 million, of which the portion of the minority stakes in the profits structure amounts to HRK 28.7 million, and the portion of the parent company's shareholders amounts to HRK 144.2 million.

Overall consolidated revenues in the amount of HRK 2,620 million were generated and they amount to 93 per cent of the total revenues.

Financial income was generated in the amount of HRK 188.3 million, and it is composed of positive foreign exchange differences in the amount of HRK 48.4 million, interest in the amount of HRK 22.5 million, dividends and similar income from relations with affiliated companies in the amount of HRK 115.1 million and other financial income totalling HRK 2.3 million. Financial expenses total HRK 51.6 million and are composed of negative foreign exchange differences in the amount of HRK 33.9 million, interest and other financial expenses in the amount of HRK 17.7 million. The positive difference between financial income and expenses totalled HRK 136.7 million.

Operating income in the amount of HRK 51.5 million, as well as a positive difference between financial income and expenses totalling HRK 136.7 million represents the

consolidated profit before taxation in the amount of HRK 188.2 million.

Of the twenty companies in the KONČAR Group, fifteen companies performed with a profit, while six companies performed with a loss in the total amount of HRK 44.4 million.

The consolidated sales of goods and services revenues were generated in an amount of HRK 2,434.4 million, which is a 9 per cent decrease considering the same period of the previous year and a 3 per cent decrease considering the year 2010 plan.

A total of HRK 1,129.2 million (46 per cent of the total sales of goods and services revenues) were generated in the domestic market, which represents a decrease of 22.8 per cent with respect to the previous year and a 2.1 per cent decrease, which is less than previously planned.

The highest decrease in the domestic market was visible in the portion of the sales of goods and services revenues to the Croatian Electricity Company (Hrvatska Elektroprivreda or HEP), which is a 31.6 per cent decrease compared to the revenues in the same period of the previous year (a decrease of HRK 121.5 million in revenues).

The exports revenue generation accounted for HRK 1,305.2 million (54 per cent of total sales). Sales revenues in foreign markets were 6 per cent higher than in the same period of the previous year.

In the structure of the domestic market sales of goods and services revenues, revenues of the sales of goods and services to the Croatian Electricity Company (Hrvatska Elektroprivreda or HEP) account for HRK 263.4 million or 23.1 per cent of the total domestic market revenue, the companies falling under the industry and shipbuilding industry categories were supplied with goods and services totalling HRK 246.5 million or 21.7 per cent of the total revenues of the sales of goods in Croatia, revenues of the sales of goods and services to Zagreb Electric Tram Company (ZET) account for HRK 216.2 million or 19.1 per cent, trading companies were supplied with HRK 130.9 million worth of products, the Croatian Railways Company (Hrvatske željeznice or HŽ) with HRK 96.9 million, the construction companies with HRK 97.9 million, whereas the remainder worth HRK 77.5 million pertains to the Croatian Motorways Company (Hrvatske autoceste), the state and local administrations and public enterprises.

In the foreign market in the year ended 31 December 2010 the turnover from the sales of goods and services amounts to HRK 1,305.2 million or 6 per cent more than what was achieved during the same period of the previous year. The most significant export undertakings were performed in the markets of Germany; totalling HRK 165.5 million, India; HRK totalling 98.3 million, Sweden; totalling HRK 96.7 million, Albania; totalling HRK 84.1 million, Bosnia and Herzegovina; totalling HRK 83 million, Nigeria; totalling HRK 73.3 million and Finland; totalling HRK 64.8 million.

During the same accounting period, investment equipment, raw and primary materials in the amount of HRK 590.5 million were imported, resulting in an import by exports coverage coefficient of 2.2.

For the year ended 31 December 2010 the KONČAR Group companies contracted a 2.1 million worth of new works, which is 21.6 per cent less than the year 2010 plan. Out of all the works contracted, 38.7 per cent pertains to the domestic market, and 61.3 per cent to the foreign market. In 2010, a total of HRK 1,090.7 million worth of new works were contracted, and for the year 2011 and subsequent years a total of HRK 1,009.5 million worth of new works were contracted.

The status of order book at the end of 2010 totalled HRK 2,147.3 million, which is a 13 per cent decline as compared with the contracted works at the year beginning.

The KONČAR Group business activity in the year 2010 was operated to an extremely unfavourable and complex business situation. A decrease in the sales of products and services revenues in the Croatian market has had and still has a negative influence on business activities, which is directly connected with a significant investment decline and which is in turn related to

the contraction of new works and the indefinite postponement of previously contracted works. The amount of works contracted at the end of 2010 was lower than the amount at the beginning of the year by approximately 13 per cent. Despite that, due to a higher amount works contracted in the foreign markets, as well as announcements of more significant investments in our country, it is quite realistic to expect the current fiscal year plan to be fulfilled.

KONČAR – Electrical Industry Inc.  
President of the Management Board

Darinko Bago

February 11, 2011

## **RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS OF THE KONČAR GROUP**

This statement by the Management Board of KONČAR – Electrical Industry Inc. is issued in relation to the preparation and publishing of the consolidated financial statements for the KONČAR Group for the year ended 31 December 2010.

This set of financial statements (financial statements for KONČAR – Electrical Industry Inc. and consolidated financial statements) reports on the quarterly and cumulative unaudited information. Therefore, variations are possible with respect to the final annual report.

The financial statements have been prepared in accordance with the Croatian Accounting Law valid on the day of publishing of these financial statements, as well as being in accordance with the International Financial Reporting Standards.

These consolidated financial statements, to the best of our knowledge, provide a true and fair view of the balance sheet, income statement, cash flow statement and statements of changes in equity of the KONČAR Group.

Signed on behalf of the Management Board:

Končar – Electrical Industry Inc.  
President of the Management Board

Darinko Bago

February 11, 2011

- Note:

Consolidated financial statements have been prepared by Končar – Electrical Industry Inc. expert departments.

Persons to contact:

Ervin Filipčić. Head of the Management Board office, [filipcic@koncar.hr](mailto:filipcic@koncar.hr)

Branka Velkovski, accounting specialist, [branka.velkovski@koncar.hr](mailto:branka.velkovski@koncar.hr)

Ilić Vesna, accounting department manager, [vesna.ilic@koncar.hr](mailto:vesna.ilic@koncar.hr)

**Appendix 1**

Reporting period:

1.1.2010

to

31.12.2010.

**Quarterly financial report of entrepreneur -TFI-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](mailto:koncar.finance@koncar.hr) |Internet adresa: [www.koncar.hr](http://www.koncar.hr) |

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

Code and county name | 21 | City of Zagreb |

Number of employees | 49 |

Consolidated statement | No |

(at quarter end)

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](mailto: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 December 2010

in kunas

Item	AOP code	Last year (net) 31 December	Current year (net)
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS</b>	<b>002</b>	1.109.707.473	1.165.735.396
I. INTANGIBLE ASSETS	<b>003</b>	422.183	244.953
II. TANGIBLE ASSETS	<b>004</b>	305.225.975	321.186.838
III. NON-CURRENT FINANCIAL ASSETS	<b>005</b>	758.614.875	805.669.606
IV. RECEIVABLES	<b>006</b>	45.444.440	38.633.999
V. DEFERRED TAX ASSETS	<b>007</b>		
<b>C) CURRENT ASSETS</b>	<b>008</b>	371.631.036	396.626.231
I. INVENTORIES	<b>009</b>	17.479	7.389
II. RECEIVABLES	<b>010</b>	122.139.283	117.033.379
III. CURRENT FINANCIAL ASSETS	<b>011</b>	140.612.047	116.269.431
IV. CASH AT BANK AND IN HAND	<b>012</b>	108.862.227	163.316.032
<b>D) PREPAID EXPENSES AND ACCRUED REVENUE</b>	<b>013</b>	795.395	733.263
<b>E) LOSS BEYOND CAPITAL</b>	<b>014</b>		
<b>F) TOTAL ASSETS</b>	<b>015</b>	1.482.133.904	1.563.094.890
<b>G) OFF-BALANCE RECORDS</b>	<b>016</b>	622.581.792	623.770.637
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>A) CAPITAL AND RESERVES</b>	<b>017</b>	1.109.707.473	1.165.735.396
I. SUBSCRIBED CAPITAL	<b>018</b>	422.183	244.953
II. CAPITAL RESERVES	<b>019</b>	305.225.975	321.186.838
III. RESERVES FROM PROFIT	<b>020</b>	758.614.875	805.669.606
IV. REVALUATION RESERVES	<b>021</b>	45.444.440	38.633.999
V. RETAINED EARNINGS	<b>022</b>		
VI. LOSS CARRIED FORWARD	<b>023</b>	371.631.036	396.626.231
VII. PROFIT FOR THE BUSINESS YEAR	<b>024</b>	17.479	7.389
VIII. LOSS FOR THE BUSINESS YEAR	<b>025</b>	122.139.283	117.033.379
IX. MINORITY INTERESTS	<b>026</b>	140.612.047	116.269.431
<b>B) PROVISIONS</b>	<b>027</b>	108.862.227	163.316.032
<b>C) NON-CURRENT LIABILITIES</b>	<b>028</b>	795.395	733.263
<b>D) CURRENT LIABILITIES</b>	<b>029</b>		
<b>E) DEFERRED PAYMENT OF COSTS AND ACCRUED REVENUE</b>	<b>030</b>	1.482.133.904	1.563.094.890
<b>F) TOTAL – LIABILITIES</b>	<b>031</b>	622.581.792	623.770.637
<b>G) OFF-BALANCE RECORDS</b>	<b>032</b>	622.581.792	623.770.637
<b>APPENDIX to balance sheet (to be filled in by entrepreneur that prepares consolidated annual financial report)</b>			
<b>CAPITAL AND RESERVES</b>			
1. Subscribed to shareholders in mother company	<b>033</b>		
2. Subscribed to minority interest	<b>034</b>		

**PROFIT & LOSS ACCOUNT**

for the period 1.1.2010 to 31.12.2010

in kunas

Item	AOP code	Last year		Current year	
		Comulative	Quartely	Comulative	Quartely
1	2	3	4	5	6
<b>I. OPERATING REVENUE</b>	<b>035</b>	78.811.460	18.070.358	79.806.652	25.198.235
1. Sales revenue	<b>036</b>	56.113.773	14.563.056	52.382.226	12.650.075
2. Revenue from use of own products, goods and services	<b>037</b>				
3. Other operating revenues	<b>038</b>	22.697.687	3.507.302	27.424.426	12.548.160
<b>II. OPERATING EXPENSES</b>	<b>039</b>	127.022.630	60.090.199	142.570.273	75.279.446
1. Decrease of inventories	<b>040</b>				
2. Increase of inventories	<b>041</b>				
3. Material costs	<b>042</b>	21.022.171	5.771.907	21.794.359	6.209.723
4. Staff costs	<b>043</b>	24.213.755	9.168.066	34.457.371	8.566.622
5. Depreciation	<b>044</b>	6.980.765	1.718.355	7.336.036	1.963.274
6. Other costs	<b>045</b>	14.180.824	5.782.797	14.463.367	4.555.958
7. Value adjustment	<b>046</b>	21.449.222	21.449.222	38.424.703	38.424.703
8. Provisions	<b>047</b>	39.130.033	16.182.771	25.802.155	15.334.665
9. Other operating costs	<b>048</b>	45.860	17.081	292.282	224.501
<b>III. FINANCIAL REVENUES</b>	<b>049</b>	119.739.664	73.797.681	146.103.542	103.319.727
1. Interests, currency differences, dividends and other revenues based on relation	<b>050</b>	98.714.604	66.871.966	101.135.165	75.389.692
2. Interests, currency differences, dividends and other revenues based on	<b>051</b>	21.025.060	6.925.715	44.968.377	27.930.035
3. Portion of revenue from associated parties and participating interests	<b>052</b>				
4. Unrealized gains (revenues)	<b>053</b>				
5. Other financial revenues	<b>054</b>				
<b>IV. FINANCIAL EXPENSE</b>	<b>055</b>	6.338.032	910.032	6.883.915	2.544.523
1. Interests, currency differences and other expenses with related parties	<b>056</b>				
2. Interests, currency differences and other expenses with unrelated parties and	<b>057</b>	6.338.032	910.032	6.883.915	2.544.523
3. Unrealized loss (expense) from financial assets	<b>058</b>				
4. Other financial expense	<b>059</b>				
<b>V. EXTRA - OTHER REVENUES</b>	<b>060</b>				
<b>VI. EXTRA - OTHER EXPENSE</b>	<b>061</b>				
<b>VII. TOTAL REVENUES</b>	<b>062</b>	198.551.124	91.868.039	225.910.194	128.517.962
<b>VIII. TOTAL EXPENSE</b>	<b>063</b>	133.360.662	61.000.231	149.454.188	77.823.969
<b>IX. PROFIT BEFORE TAX</b>	<b>064</b>	65.190.462	30.867.808	76.456.006	50.693.993
<b>X. LOSS BEFORE TAX</b>	<b>065</b>				
<b>XI. INCOME TAX</b>	<b>066</b>				
<b>XII. PROFIT IN THE PERIOD</b>	<b>067</b>	65.190.462	30.867.808	76.456.006	50.693.993
<b>XIII. LOSS IN THE PERIOD</b>	<b>068</b>				
<b>APPENDIX to P&amp;L account (to be filled in by entrepreneur that prepares consolidated annual financial report)</b>					
<b>XIV.* PROFIT SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY</b>	<b>069</b>				
<b>XV.* PROFIT SUBSCRIBED TO MINORITY INTERESTS</b>	<b>070</b>				
<b>XVI.* LOSS SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY</b>	<b>071</b>				
<b>XVII.* LOSS SUBSCRIBED TO MINORITY INTEREST</b>	<b>072</b>				



## CASH FLOW STATEMENT - INDIRECT METHOD

for the period 1.1.2010 to 31.12.2010

in kunas

Item	AOP code	Last year	Current year
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	073	65.190.462	76.456.006
2. Depreciation	074	6.980.765	7.336.036
3. Increase in current liabilities	075		932.649
4. Decrease in current receivables	076	59.502	13.404.942
5. Decrease in inventories	077		
6. Other increase in cash flow	078	17.310.056	591.990
<b>I. Total increase in cash flow from operating activities</b>	<b>079</b>	<b>89.540.785</b>	<b>98.721.623</b>
1. Decrease in current liabilities	080	3.296.563	83.510
2. Increase in current receivables	081		
3. Increase in inventories	082	8.263	10.090
4. Other decrease in cash flow	083	2.881.598	2.832.832
<b>II. Total decrease in cash flow from operating activities</b>	<b>084</b>	<b>6.186.424</b>	<b>2.926.432</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>085</b>	<b>83.354.361</b>	<b>95.795.191</b>
<b>A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>086</b>		
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Cash inflows from sales of non-current tangible and intangible assets	087		
2. Cash inflows from sales of ownership and debt instruments	088		
3. Interest income	089	1.296.341	994.607
4. Dividend income	090		
5. Other cash inflows from investing activities	091	8.046.599	6.548.510
<b>III. Total cash inflows from investing activities</b>	<b>092</b>	<b>9.342.940</b>	<b>7.543.117</b>
1. Cash outflow for purchase of non-current tangible and intangible assets	093	22.134.892	23.296.899
2. Cash outflow for acquisition of ownership and debt financial instruments	094	15.386.942	39.288.940
3. Other cash outflow for investing activities	095	12.802.786	8.828.896
<b>IV. Total cash outflow for investing activities</b>	<b>096</b>	<b>50.324.620</b>	<b>71.414.735</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>097</b>		
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>098</b>	<b>40.981.680</b>	<b>63.871.618</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash inflow from issue of ownership and debt financial instruments	099		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	100		24.483.010
3. Other proceeds from financial activities	101	1.758.595	1.264.894
<b>V. Total cash inflows from financial activities</b>	<b>102</b>	<b>1.758.595</b>	<b>25.747.904</b>
1. Cash outflow for repayment of credit principal and bonds	103	4.869.546	2.082.743
2. Cash outflow for dividends paid	104		
3. Cash outflow for financial lease	105		
4. Cash outflow for purchase of treasury shares	106		
5. Other cash outflow for financial activities	107	107.619.276	1.134.929
<b>VI. Total cash outflow for financial activities</b>	<b>108</b>	<b>112.082.583</b>	<b>3.217.672</b>
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>109</b>		<b>22.530.232</b>
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>110</b>	<b>110.730.227</b>	
Total increase in cash flow	111	83.354.361	118.325.423
Total decrease in cash flow	112	151.711.907	63.871.618
Cash and cash equivalents at the beginning of the period	113	177.219.773	108.862.227
Increase of cash and cash equivalents	114		54.453.805
Decrease of cash and cash equivalents	115	68.357.546	
Cash and cash equivalents at the end of the period	116	108.862.227	163.316.032

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

from 1.1.2010 to 31.12.2010

in kunas

Item 1	AOP code 2	31.12. Last year	Increase	Decrease	Current year 4
1. Subscribed capital	117	1.028.847.600			1.028.847.600
2. Capital reserves	118	-2.940.923	3.660.501		719.578
3. Reserves from profit	119	79.688.772	72.467.935	17.849.221	134.307.486
4. Retained earnings or loss carried forward	120	15.752.186	15.482.735		31.234.921
5. Profit or loss for the bussines year	121	65.190.462	76.456.006	65.190.462	76.456.006
6. Revaluation tangible assets	122				
7. Revaluation intangible assets	123				
8. Revaluation non-current financial assets	124				
9. Other revaluation	125				
10. Effect of changes in foreign exchange rates	126				
11. Deffered taxes	127				
12. Protection of cash flow	128				
13. Change of accounting policy	129				
14. Correction significant mistakes of previous period	130				
15. Other changes of capital	131				
<b>16. Total increase or decrease of equity</b>	<b>132</b>	1.186.538.097	168.067.177	83.039.683	1.271.565.591
16a. Subscribed to shareholders in mother company	133				
16b. Subscribed to minority interest	134				

**Appendix 1**

Reporting period:

1.1.2010

to

31.12.2010.

**Quarterly financial report of entrepreneur -TFI-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](mailto:koncar.finance@koncar.hr) |Internet adresa: [www.koncar.hr](http://www.koncar.hr) |

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

Code and county name | 21 | City of Zagreb |

Number of employees | 3.938 |

Consolidated statement | Yes |

(at quarter end)  
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: BRANKA VELKOVSKI  
(fill in only surname and name of contact person)

Phone number: 01 3667175 |

Fascimile: 01 3655377 |

E-mail address: [branka.velkovski@koncar.hr](mailto: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 December 2010

in kunas

Item	AOP code	Last year (net) 31 December	Current year (net)
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>	0	0
<b>B) NON-CURRENT ASSETS</b>	<b>002</b>	1.173.485.772	1.184.156.083
I. INTANGIBLE ASSETS	<b>003</b>	28.975.122	25.045.123
II. TANGIBLE ASSETS	<b>004</b>	894.353.276	889.542.060
III. NON-CURRENT FINANCIAL ASSETS	<b>005</b>	174.553.929	214.466.937
IV. RECEIVABLES	<b>006</b>	75.603.445	55.101.963
V. DEFERRED TAX ASSETS	<b>007</b>	0	0
<b>C) CURRENT ASSETS</b>	<b>008</b>	<b>2.094.424.799</b>	<b>2.106.503.893</b>
I. INVENTORIES	<b>009</b>	581.368.485	492.677
II. RECEIVABLES	<b>010</b>	1.052.995.624	877.690.994
III. CURRENT FINANCIAL ASSETS	<b>011</b>	149.739.330	155.739.897
IV. CASH AT BANK AND IN HAND	<b>012</b>	310.321.360	580.355.325
<b>D) PREPAID EXPENSES AND ACCRUED REVENUE</b>	<b>013</b>	<b>2.843.799</b>	<b>3.618.387</b>
<b>E) LOSS BEYOND CAPITAL</b>	<b>014</b>	0	0
<b>F) TOTAL ASSETS</b>	<b>015</b>	<b>3.270.754.370</b>	<b>3.294.278.363</b>
<b>G) OFF-BALANCE RECORDS</b>	<b>016</b>	622.581.792	623.770.637
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>A) CAPITAL AND RESERVES</b>	<b>017</b>	1.617.663.280	1.794.447.238
I. SUBSCRIBED CAPITAL	<b>018</b>	1.028.847.600	1.028.847.600
II. CAPITAL RESERVES	<b>019</b>	-2.940.923	719.579
III. RESERVES FROM PROFIT	<b>020</b>	156.737.655	201.133.447
IV. REVALUATION RESERVES	<b>021</b>	0	0
V. RETAINED EARNINGS	<b>022</b>	121.807.709	205.186.297
VI. LOSS CARRIED FORWARD	<b>023</b>	0	0
VII. PROFIT FOR THE BUSINESS YEAR	<b>024</b>	112.822.916	144.179.876
VIII. LOSS FOR THE BUSINESS YEAR	<b>025</b>	0	0
IX. MINORITY INTERESTS	<b>026</b>	200.388.323	214.380.439
<b>B) PROVISIONS</b>	<b>027</b>	546.048.793	575.355.778
<b>C) NON-CURRENT LIABILITIES</b>	<b>028</b>	75.419.112	71.372.701
<b>D) CURRENT LIABILITIES</b>	<b>029</b>	933.728.510	785.130.074
<b>E) DEFERRED PAYMENT OF COSTS AND ACCRUED REVENUE</b>	<b>030</b>	97.894.675	67.972.572
<b>F) TOTAL – LIABILITIES</b>	<b>031</b>	3.270.754.370	3.294.278.363
<b>G) OFF-BALANCE RECORDS</b>	<b>032</b>	622.581.792	623.770.637
<b>APPENDIX to balance sheet (to be filled in by entrepreneur that prepares consolidated annual financial report)</b>			
<b>CAPITAL AND RESERVES</b>			
1. Subscribed to shareholders in mother company	<b>033</b>	1.417.274.957	1.580.066.799
2. Subscribed to minority interest	<b>034</b>	200.388.323	214.380.439

## PROFIT & LOSS ACCOUNT

for the period 1.1.2010 to 31.12.2010

in kunas

Item	AOP code	Last year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
1	2	3	4	5	6
<b>I. OPERATING REVENUE</b>	<b>035</b>	2.795.680.476	732.502.145	2.619.987.476	721.032.373
1. Sales revenue	<b>036</b>	2.675.137.917	684.777.736	2.434.418.471	599.554.030
2. Revenue from use of own products, goods and services	<b>037</b>	0	0	0	0
3. Other operating revenues	<b>038</b>	120.542.559	47.724.409	185.569.005	121.478.343
<b>II. OPERATING EXPENSES</b>	<b>039</b>	2.760.589.117	727.815.181	2.568.446.508	715.979.538
1. Decrease of inventories	<b>040</b>	0	0	71.208.310	24.946.512
2. Increase of inventories	<b>041</b>	14.870.955	-19.981.362	0	0
3. Material costs	<b>042</b>	1.875.945.988	481.576.628	1.536.182.150	384.993.117
4. Staff costs	<b>043</b>	475.014.074	130.214.878	472.239.767	122.107.310
5. Depreciation	<b>044</b>	76.516.548	21.288.072	76.355.723	18.828.423
6. Other costs	<b>045</b>	123.142.332	-7.647.200	204.097.713	58.376.554
7. Value adjustment	<b>046</b>	36.665.539	-7.483.444	43.483.228	24.332.172
8. Provisions	<b>047</b>	174.291.909	85.878.547	156.797.408	77.630.854
9. Other operating costs	<b>048</b>	13.883.682	4.006.338	8.082.209	4.764.596
<b>III. FINANCIAL REVENUES</b>	<b>049</b>	184.798.020	60.446.678	188.305.885	88.883.860
1. Interests, currency differences, dividends and other revenues based on relation	<b>050</b>	232.802	-2.366.374	1.435.987	198.575
2. Interests, currency differences, dividends and other revenues based on	<b>051</b>	73.123.192	24.996.357	69.593.432	32.793.776
3. Portion of revenue from associated parties and participating interests	<b>052</b>	110.645.889	38.934.048	98.092.157	37.895.367
4. Unrealized gains (revenues)	<b>053</b>	796.137	796.137	0	0
5. Other financial revenues	<b>054</b>	0	-1.913.490	19.184.309	17.996.142
<b>IV. FINANCIAL EXPENSE</b>	<b>055</b>	61.512.189	12.236.972	51.572.155	18.387.557
1. Interests, currency differences and other expenses with related parties	<b>056</b>	96.384	-2.808.916	1.988.658	119.168
2. Interests, currency differences and other expenses with unrelated parties and	<b>057</b>	61.415.805	15.866.442	49.150.391	17.983.496
3. Unrealized loss (expense) from financial assets	<b>058</b>	0	0	0	0
4. Other financial expense	<b>059</b>	0	-820.554	433.106	284.893
<b>V. EXTRA - OTHER REVENUES</b>	<b>060</b>	0	0	0	0
<b>VI. EXTRA - OTHER EXPENSE</b>	<b>061</b>	0	0	0	0
<b>VII. TOTAL REVENUES</b>	<b>062</b>	2.980.478.496	792.948.823	2.808.293.361	809.916.233
<b>VIII. TOTAL EXPENSE</b>	<b>063</b>	2.822.101.306	740.052.153	2.620.018.663	734.367.095
<b>IX. PROFIT BEFORE TAX</b>	<b>064</b>	158.377.190	52.896.670	188.274.698	75.549.138
<b>X. LOSS BEFORE TAX</b>	<b>065</b>	0	0	0	0
<b>XI. INCOME TAX</b>	<b>066</b>	13.264.023	-2.604.401	15.344.414	-256.235
<b>XII. PROFIT IN THE PERIOD</b>	<b>067</b>	145.113.167	55.501.071	172.930.284	75.805.373
<b>XIII. LOSS IN THE PERIOD</b>	<b>068</b>	0	0	0	0
<b>APPENDIX to P&amp;L account (to be filled in by entrepreneur that prepares consolidated annual financial report)</b>					
<b>XIV.* PROFIT SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY</b>	<b>069</b>	112.822.916	44.313.759	144.179.876	67.357.988
<b>XV.* PROFIT SUBSCRIBED TO MINORITY INTERESTS</b>	<b>070</b>	32.290.251	11.187.312	28.750.408	8.447.385
<b>XVI.* LOSS SUBSCRIBED TO HOLDERS OF CAPITAL IN MOTHER COMPANY</b>	<b>071</b>	0	0	0	0
<b>XVII.* LOSS SUBSCRIBED TO MINORITY INTEREST</b>	<b>072</b>	0	0	0	0

## CASH FLOW STATEMENT - INDIRECT METHOD

for the period 1.1.2010 to 31.12.2010

in kunas

Item	AOP code	Last year	Current year
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	073	158.377.190	188.274.698
2. Depreciation	074	76.516.548	76.355.723
3. Increase in current liabilities	075	0	0
4. Decrease in current receivables	076	23.918.535	177.018.742
5. Decrease in inventories	077	122.301.958	88.650.808
6. Other increase in cash flow	078	185.336.760	115.351.834
<b>I. Total increase in cash flow from operating activities</b>	<b>079</b>	<b>566.450.991</b>	<b>645.651.805</b>
1. Decrease in current liabilities	080	258.465.000	148.598.436
2. Increase in current receivables	081	0	0
3. Increase in inventories	082	0	0
4. Other decrease in cash flow	083	243.362.640	180.483.320
<b>II. Total decrease in cash flow from operating activities</b>	<b>084</b>	<b>501.827.640</b>	<b>329.081.756</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>085</b>	<b>64.623.351</b>	<b>316.570.049</b>
<b>A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>086</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Cash inflows from sales of non-current tangible and intangible assets	087	233.322	2.999.245
2. Cash inflows from sales of ownership and debt instruments	088	3.541.927	7.076.566
3. Interest income	089	0	0
4. Dividend income	090	51.578.485	64.646.202
5. Other cash inflows from investing activities	091	0	0
<b>III. Total cash inflows from investing activities</b>	<b>092</b>	<b>55.353.734</b>	<b>74.722.013</b>
1. Cash outflow for purchase of non-current tangible and intangible assets	093	49.043.886	49.955.772
2. Cash outflow for acquisition of ownership and debt financial instruments	094	50.000	2.668.809
3. Other cash outflow for investing activities	095	0	0
<b>IV. Total cash outflow for investing activities</b>	<b>096</b>	<b>49.093.886</b>	<b>52.624.581</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>097</b>	<b>6.259.848</b>	<b>22.097.432</b>
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>098</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash inflow from issue of ownership and debt financial instruments	099	249.000	0
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	100	164.338.486	69.426.690
3. Other proceeds from financial activities	101	47.683.269	100.050.265
<b>V. Total cash inflows from financial activities</b>	<b>102</b>	<b>212.270.755</b>	<b>169.476.955</b>
1. Cash outflow for repayment of credit principal and bonds	103	171.340.496	115.969.580
2. Cash outflow for dividends paid	104	19.059.466	17.196.110
3. Cash outflow for financial lease	105	0	0
4. Cash outflow for purchase of treasury shares	106	0	0
5. Other cash outflow for financial activities	107	154.827.124	104.944.781
<b>VI. Total cash outflow for financial activities</b>	<b>108</b>	<b>345.227.086</b>	<b>238.110.471</b>
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>109</b>	<b>0</b>	<b>0</b>
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>110</b>	<b>132.956.331</b>	<b>68.633.516</b>
Total increase in cash flow	111	-62.073.132	270.033.965
Total decrease in cash flow	112	0	0
Cash and cash equivalents at the beginning of the period	113	372.394.492	310.321.360
Increase of cash and cash equivalents	114	0	270.033.965
Decrease of cash and cash equivalents	115	62.073.132	0
Cash and cash equivalents at the end of the period	116	310.321.360	580.355.325

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

from 1.1.2010 to 31.12.2010

in kunas

Item	AOP code	31.12. Last year	Increase	Decrease	Current year
1	2			3	4
1. Subscribed capital	117	1.028.847.600			1.028.847.600
2. Capital reserves	118	-2.940.923	3.660.501		719.578
3. Reserves from profit	119	79.688.772	72.467.935	17.849.221	134.307.486
4. Retained earnings or loss carried forward	120	15.752.186	15.482.735		31.234.921
5. Profit or loss for the bussines year	121	65.190.462	76.456.006	65.190.462	76.456.006
6. Revaluation tangible assets	122				
7. Revaluation intangible assets	123				
8. Revaluation non-current financial assets	124				
9. Other revaluation	125				
10. Effect of changes in foreign exchange rates	126				
11. Deffered taxes	127				
12. Protection of cash flow	128				
13. Change of accounting policy	129				
14. Correction significant mistakes of previous period	130				
15. Other changes of capital	131				
<b>16. Total increase or decrease of equity</b>	<b>132</b>	1.186.538.097	168.067.177	83.039.683	1.271.565.591
16a. Subscribed to shareholders in mother company	133				
16b. Subscribed to minority interest	134				

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

from 1.1.2010 to 31.12.2010

in kunas

Item	AOP code	31.12. Last year	Increase	Decrease	Current year
1	2			3	4
1. Subscribed capital	117	1.132.799.297	18.698.499	87.000	1.151.410.796
2. Capital reserves	118	-2.940.923	3.660.502	0	719.579
3. Reserves from profit	119	222.280.821	100.428.927	61.115.291	261.594.457
4. Retained earnings or loss carried forward	120	120.410.918	197.111.739	109.730.535	207.792.122
5. Profit or loss for the bussines year	121	145.113.167	172.930.284	145.113.167	172.930.284
6. Revaluation tangible assets	122	0	0	0	0
7. Revaluation intangible assets	123	0	0	0	0
8. Revaluation non-current financial assets	124	0	0	0	0
9. Other revaluation	125	0	0	0	0
10. Effect of changes in foreign exchange rates	126	0	0	0	0
11. Deffered taxes	127	0	0	0	0
12. Protection of cash flow	128	0	0	0	0
13. Change of accounting policy	129	0	0	0	0
14. Correction significant mistakes of previous period	130	0	0	0	0
15. Other changes of capital	131	0	0	0	0
<b>16. Total increase or decrease of equity</b>	<b>132</b>	1.617.663.280	492.829.951	316.045.993	1.794.447.238
16a. Subscribed to shareholders in mother company	133	1.417.274.957			1.580.066.799
16b. Subscribed to minority interest	134	200.388.323			214.380.439



## Notes

### GRUPA KONČAR ELEKTROINDUSTRIJA

#### Bilješke uz konsolidirane financijske izvještaje

##### 1. Podjela dionica

Nije bilo podjela dionica.

##### 2. Zarada po dionici

Ostvarena zarada po dionici u razdoblju 1-12.2010. godine iznosi 56,05 kuna i veća je od zarade po dionici u istom razdoblju prethodne godine za 12,19 kuna.

##### 3. Promjena vlasničke strukture

U odnosu na prethodno tromjesečje nije bilo značajnijih promjena u vlasničkoj strukturi.

##### 4. Pripajanja i spajanja

Nema novih pripajanja i spajanja.

##### 5. Neizvjesnost (opis slučajeva kod kojih postoji neizvjesnost naplate prihoda ili mogućih budućih troškova)

Nema novih značajnijih neizvjesnosti u naplati i budućim troškovima.

##### 6. Rezultati poslovanja

U razdoblju 1-12.2010. godine u odnosu na isto razdoblje prethodne godine ostvareni su prihodi manji za 5,8%, pri čemu su poslovni prihodi, koji čine 93,3% ukupnih prihoda, manji za 6,3%. Ukupni rashodi su u odnosu na isto razdoblje prethodne godine manji za 7,2%, a poslovni rashodi s promjenama zaliha, koji čine 98,0% ukupnih rashoda, su manji za 7,0%. Financijski prihodi i prihodi od ulaganja u pridružena društva su veći za 1,9% u odnosu na isto razdoblje prethodne godine. Financijski rashodi su manji za 16,2% u odnosu na isto razdoblje prethodne godine.

##### 7. Opis proizvoda ili usluga

Proizvodnja elektroopreme za proizvodnju, prienos i potrošnju električne energije, proizvodnja transportne opreme i kućanskih aparata.

##### 8. Operativni i ostali troškovi

U razdoblju 1-12.2010. godine u odnosu na isto razdoblje prethodne godine smanjeno je učešće materijalnih troškova u ukupnom prihodu za 8,2 postotna poena, učešće troškova rezerviranja za 0,2 postotna poena i ostalih poslovnih rashoda za 0,2 postotna poena, a povećano je učešće troškova osoblja za 0,9 postotnih poena, troškova amortizacije za 0,1 postotni poen, ostalih troškova za 3,2 postotna poena i troškova vrijednosnog usklađivanja za 0,3 postotnih poena.

##### 9. Dobit ili gubitak

Dobit Grupe nakon oporezivanja je veća za 19,2% od ostvarenja u istom razdoblju prethodne godine.

Neto dobit Grupe koja pripada imateljima kapitala matice u razdoblju 1-12.2010. godine iznosi 144,18 milijuna kuna, što je za 31,36 milijuna kuna veće u odnosu na isto razdoblje prethodne godine. Od 21 društva koja čine Grupu Končar, šest društava je iskazalo gubitak u iznosu od 44,46 milijuna kuna od čega imateljima kapitala matice pripada 38,60 milijuna kuna.

##### 10. Likvidnost

Stanje novca i novčanih ekvivalenata krajem četvrtog tromjesečja 2010. godine u odnosu na početak godine je veće za 270,03 milijuna kuna. Navedeno povećanje proizašlo je iz poslovnih aktivnosti (uglavnom naplate potraživanja) kao i iz smanjenja oročenih kratkoročnih depozita iznad 3 mjeseca.

##### 11. Ostale napomene

Nije bilo promjena u računovodstvenim politikama i nema novih značajnijih pravnih sporova.

## Notes

### The Group KONČAR – Electrical Industry

#### Notes to the consolidated financial statements

##### 1. Distribution of shares

There has been no distribution of shares.

##### 2. Earnings per share

For the year ended 31 December 2010, earnings per share were HRK 56.05, which is by HRK 12.19 a higher amount of earnings per share in the same period of the previous year.

##### 3. Changes in ownership structure

In comparison with the previous trimester there have been no significant changes in ownership structure,

##### 4. Mergers and acquisitions

There have been no new mergers and acquisitions.

##### 5. Uncertainty (description of cases in which exists the uncertainty of collection of outstanding debts or possible future expenses)

There are no significant uncertainties in collection or future expenses.

##### 6. Results of business activities

For the year ended 31 December 2010, as opposed to the same period of the previous year, revenues decreased by 5.8 per cent, while operational revenues; which make up for 93.3 per cent of the total revenues, decreased by 6.3 per cent. Total expenses decreased by 7.2 per cent in respect to the same period of last year, while operating expenses with changes in stock; which make up for 98.0 per cent of total expenses, decreased by 7.0 per cent. Financial income and income from investment into affiliated companies increased by 1.9 per cent compared to the same period of last year. Financial expenses decreased by 16.2 per cent in comparison with the same period of the previous year.

##### 7. Description of products and services

Production of electrical equipment for production, transmission and consumption of electrical energy, production of transport equipment and electric household appliances.

## **8. Operating and other costs**

For the year ended 31 December 2010, in comparison with the same period of last year, the share of material expenses in the total revenue decreased by 8.2 percentage points, the share of costs of provisions decreased by 0.2 percentage points and other operating expenses decreased by 0.2 percentage points, while amounts due to employees increased by 0.9 percentage points, depreciation and amortisation expenses rose by 0.1 percentage points, while other expenses increased by 3.2 percentage points and expenses of value adjustment increased by 0.3 percentage points.

## **9. Profit or loss**

Consolidated Group profits after tax increased by 19.2 per cent in comparison with the same period of the previous year. For the year ended 31 December 2010 the Group's net profit subscribed to the parent capital holders amounted to HRK 144.18 million, which is an increase of 31.36 per cent compared to the same period of last year. Of the 20 companies comprising the Končar Group, six companies declared a loss of HRK 44.46 million, of which HRK 38.60 million is subscribed to the parent capital holders.

## **10. Solvency**

Cash and cash equivalents at the end of the third trimester 2010, as opposed to the beginning of the year, increased by HRK 270.03 million. The mentioned increase was a result of business activity (mostly the collection of outstanding debts).

## **11. Other notes**

There have been no changes in accounting policies and procedures, and there are no new noteworthy lawsuits.