



**Annual Report of
Iskra, d. d.
and the Iskra Group
for 2008**



PRESENTATION OF ISKRA AND THE ISKRA GROUP

Iskra

Registered name:	Iskra, elektro in elektronska industrija, d. d., Ljubljana
Short registered name:	Iskra, d. d.
Registered office:	Ljubljana, Kotnikova 28
Legal form	Public limited company
Country	Slovenia
Activity code:	74.150
Activity:	K 64.200 Holding activity
Share capital:	28,242,522.12
Reg. file no.	061/10521800, Regional Court of Ljubljana, Company Law Division
Date of incorporation:	22/12/1989
Company ID number:	5330424
Tax number:	53675444
Size of the company:	Large
Bank account:	NLB, Ljubljana, acc. no. 02968-0017967282 Banka Celje, Celje, Ljubljana Branch, acc. no. 06000-0064484638 Hypo Alpe-Adria-Bank, Ljubljana, acc. no. 33000-5367544461 Abanka VIPA, Ljubljana, acc. no. 051008-012607373 Hypo Alpe-Adria-Bank, Belgrade, dinar acc. no. 543100-1924700169 Hypo Alpe-Adria-Bank, Belgrade, FX acc. no. 50311-1924700169
Management Board:	Dušan Šešok, President of the Management Board and Chief Executive Officer Jože Godec, Member of the Management Board
Supervisory Board:	Irena Peternel, Chair Jože Pukl, Member Janez Peskar, Member

Main areas of activity:

- managing and financing members of the Iskra Group;
- letting and managing property;
- managing the ISKRA brand;
- managing portfolio investments;
- legal advice to subsidiaries;
- establishing branches and subsidiaries and acquiring equity stakes in Slovenia and abroad.

Iskra is simultaneously a subsidiary of the company MAOS and the parent company of the Iskra Group.

SHAREHOLDERS OF ISKRA	No. of shares	Stake	No. of shares	Stake
	31/12/2008	in %	31/12/2007	in %
MAOS, d. o. o.	6,768,038	100	6,768,038	100
TOTAL	6,768,038	100	6,768,038	100

Iskra Group

The Iskra Group is a modern group of companies in electro and electronic industry with more than 60 years of presence on the Slovenian and global market. The Iskra Group is holder of the ISKRA brand which has gained reputation and prestige on the Slovenian and global market in its six decades of existence. In that period the Group had different organisational forms and experienced its ups and occasional downs. But it was strong enough to overcome all problems and endure even at the time when a number of Slovenian brands

including some well known ones disappeared from the market together with their holders. Iskra was well aware even during the transition period that the brand has an exceptional even strategic value and appreciated and developed it as a synonym for great value.

The consolidated annual report of the Iskra Group can be obtained at the registered office of the parent company MAOS, Kotnikova 28, Ljubljana and at the registered office of Iskra, Kotnikova 28, Ljubljana.

Activities of the Iskra Group

Automation

The business segment **automation** comprises:

- Automation of railway transport includes safety, control and management of railway transport with signal safety equipment, remote transport management equipment, automation of marshalling stations and telecommunications systems.
- Automation of road transport offers to customers state-of-the-art system safety solutions in road transport applying wireless data transmission developed with in-house knowledge and in cooperation with business

partners and institutions. The product range comprises road traffic surveillance and management systems for urban road traffic, motorways and tunnels.

- Automation in energy and manufacturing industries seeks new challenges and business opportunities in the world of global dimensions in particular those requiring new approaches and technologies such as energy management in handling management processes.

Telecommunications

The business segment telecommunications includes setting up telecommunications systems in the energy industry, state-of-the-art communications infrastructure and building of telecommunication networks.

Iskra's telecommunications systems enable transmission of different types of information (speech, data and remote protection instructions) for continuous and reliable operation of power distribution systems. In addition to standard telecommunications technologies power distribution also uses high-

frequency connections where high-voltage transmission lines are the transmission medium.

By building of telecommunications networks Iskra provides integrated telecommunication solutions ranging from analysis, solution planning, supply, installation and configuration of equipment to safety, maintenance and contractual control and management of networks. We build solutions by using in-house radio and optic transmission systems and equipment produced by the leading global manufacturers of package telecommunications equipment.

Devices and elements

The business segment of devices offers a wide range of electronic products for use and installation in complex automation systems and for use in manufacturing and energy industry. Devices include:

- measuring devices and electrical measuring instruments;
- optoelectronic measuring devices for very precise micrometre measuring of lengths and angles of turn; and
- machinery and lines for large series production of capacitors and filters.

An extensive platform in the offer of electronic and electrical elements places Iskra among the major global suppliers for the automotive industry, as well as manufacturing of computers, household appliances and the electronics industry in general. The production range comprises:

- contactors, engine protective switches, installation contactors, automatic circuit breakers, surge protection elements and a wide range of other switching elements in the low-voltage switching technology for professional use in industrial automation and power distribution;
- a wide range of switches for installation in car cabin;
- potentiometers for electronics;
- electronic, energy medium- and high-voltage capacitors, elements for elimination of radiofrequency noise and capacitors for energy electronics and special applications;

- Iskra manufactures under the established Zmaj brand manganese high-capacity primary batteries ensuring autonomy of operation of traffic signalling devices, electrical fences and protection against game as well as in other applications. The alkaline technologies which Iskra was among the first to adopt provide for environmentally-friendly production and use. Standard batteries for household use are also manufactured and marketed;
- the range of antennas and antenna electronics covers the commercial needs for receiving earth and satellite television and radio programmes. The special part of the range includes receiving antennas for frequency bands of mobile phones and commercial wireless communications as well as for nautical applications;
- filters for eliminating radiofrequency noise are intended for professional applications in power electronic systems, regulated electromotor drives, telecommunications and medical electronics;
- in the segment of transformers and other wound elements Iskra offers a wide range of toroid transformers for electronics, measuring transformers and wound electromagnetic cores.

Services

Services excel in their performance by quality and competitive service, constant development of offer and professional attitude towards the customers. Services comprise supply and distribution of electricity and heat for distance

heating, energy consulting, managing and maintaining office buildings and business zones, fast mail delivery services and human resources engineering services.

KEY ACHIEVEMENTS OF ISKRA AND THE ISKRA GROUP
Iskra, d. d.

KEY ACHIEVEMENTS	2008	2007	Index
	or 31/12/2008	or 31/12/2007	08/07
Net sales revenues	3,253,089	3,715,181	88
Net profit	2,710,090	3,254,494	83
Assets - liabilities	80,158,708	69,597,446	115
Property, plant and equipment	662,817	591,943	112
Investment property	9,876,315	8,940,197	110
Assets held for sale	2,569,311	2,772,702	93
Long-term investments	50,117,967	47,246,310	106
Share capital	50,899,015	50,517,144	101
Financial and operating liabilities (debts)	28,893,005	17,093,224	169
Return on equity in %	5.32	6.89	77
Earnings per share in €	0.40	0.48	83
Book share price in €	7.52	7.46	101

Iskra Group

KEY ACHIEVEMENTS	2008	2007	Index
	or 31/12/2008	or 31/12/2007	08/07
Net sales revenues - consolidated	120,204,526	112,733,045	106
Net profit	1,008,236	2,225,642	45
Assets - liabilities	154,406,500	144,321,953	107
Property, plant and equipment	44,276,663	44,909,112	100
Long-term investments	8,028,845	7,979,875	101
Current assets	86,604,869	76,590,181	113
Share capital	53,976,200	56,129,498	96
Financial and operating liabilities	89,497,722	77,302,750	116
Return on equity in %	1.87	3.97	47
Earnings per share in €	0.15	0.33	45
Diluted earnings per share in €	0.00	0.00	0

MAJOR EVENTS IN OPERATIONS OF ISKRA AND THE ISKRA GROUP

Major business events in 2008

January	<p>The company Iskra Sistemi made for its own a new family of SDR radio relay devices enabling wireless transmission of digital time domain multiplexing (TDM) and package data and certified the products for marketing in Russia.</p> <p>Startup of production of antennas in the company TELA L in Laktaši in Bosnia and Herzegovina.</p> <p>The company Iskra MIS began to market its products on the US market via its newly established subsidiary Iskra USA.</p>
February	<p>Iskra Sistemi signed an agreement with the Municipality of Trebnje for protection of the grade railway road intersection Mirna na Dolenjskem.</p>
March	<p>The Iskra Group presented its products and services at the Modern Electronics (<i>Sodobna elektronika</i>) fair on Gospodarsko razstavišče in Ljubljana.</p> <p>Management of Iskra Sistemi has developed a new organisational structure creating three business divisions from former eight business segments in order to improve efficiency of business processes and better utilise synergies within the company.</p>
April	<p>Experts of Iskra Sistemi successfully started up the first generator of the Zlatoličje Hydro Power Plant and the company's management signed the contract for a new order from Elektroprivreda BiH.</p> <p>The company Iskra INVEST successfully passed the regular audit of the quality management system ISO 9001:2000.</p> <p>The Iskra Group presented its products at the international industrial fair in Hannover.</p>
May	<p>Prime Minister of the Republic of Macedonia, Nikola Gruevski, and Chief Executive Officer of Iskra, Dušan Šešok, signed a letter of intent based on which the Iskra Group began to relocate a part of production to Macedonia. The project has been suspended because of the uncertain economic situation.</p> <p>Factory acceptance from Iskra Sistemi of the equipment for the management centre of the power distribution system Burgas in Bulgaria.</p> <p>The business unit Galvanisation of Iskra TELA acquired the environmental permit until 2014.</p> <p>The Iskra Group was presented at the Tehnika technology fair in Belgrade.</p>
June	<p>The Iskra Group presented its products at the Electro fair in Moscow where the major global manufacturers of electro and electronic equipment were present.</p> <p>Iskra Sistemi won a major contract in Thailand. Training of Ukrainian experts from the company Energomir and the design bureau Energosetprojekt.</p> <p>The company Iskra Kondenzatorji modernised production with a new winding machine KS-983A for winding CNC rolls.</p>
July	<p>Experts of Iskra Sistemi in the business segment of technical security completed the Avtotehna project comprising installation of fire and burglary alarm in a new office and warehousing facility.</p>
August	<p>No major events.</p>
September	<p>Iskra Sistemi was a part of a campaign by the Road Traffic Prevention and Education Council of the City Municipality of Ljubljana which performs a number of activities for traffic safety in general and safety of children in particular.</p>
October	<p>Iskra Sistemi supplied in accordance with the contract signed in the beginning of September between the company as the contractor and the investors Brestanica Thermal Power Plant, Elektro Celje and Elektro Slovenija equipment for management, protection and measurements for the 110 kV juncture in the project of reconstruction of 110 kV and 20 kV junctures with the power distribution lines system of the Brestanica Thermal Power Plant.</p> <p>Iskra Sistemi trained engineers from Georgia (they were familiarised with the SparkWave SDR microwave radio system and the SparkLight microwave optical system) employed at the Iskra's system integrator in Georgia.</p>

Experts from the Transport business division of Iskra Sistemi successfully implemented a project on the Obrežje border crossing in line with the Schengen requirements entitled Managing transport with changeable traffic signs in LED technology.

November The company Iskra MIS expanded its sales range with the offer of new load switches LA DC which are intended for connection of direct current circuits in photovoltaic uses.

The Iskra Group presented its products at the Elektronica 2008 fair.

December The company Iskra Kondenzatorji expanded its range of low-voltage capacitors for compensation of reactive energy with a new design.

Iskra Sistemi successfully completed development of a new DZ9 device (for transmitting information via digital and analogue channels).

Iskra MIS presented a single-phase measuring device for work power with LCD display - WS 0021.

Iskra Sistemi won a contract from Gazprom for supply of radio relay links SDH.

Major events after year-end

January The devices and elements segment introduced 36-hour working week due to reduced orders.

February Iskra concluded an agreement on mutual relations with two socially-owned companies in Serbia (Iskra Commerce Beograd and ISEL) regarding return of real estate.

March The Supervisory Board appointed the current Management Board for a new five-year term.

The CEO's letter to shareholders

The Iskra Group has had a good year despite the extremely adverse business conditions in the last quarter of the year. Bold decisions, cooperation of all employees of the Group, readiness for change and good communications are the main factors contributing to our performance last year. They are also the foundation to successfully overcome business problems.

The year began very promising for the Iskra Group with above-average sales performance. Unfortunately the trend did not last into the second half of the year when the first signs of the crisis were being felt. Sales began to decrease and towards the end of the year some business segments saw steep falls. It was the main reason for the total volume of sales failing to grow as in the beginning of 2008.

The Iskra Group could not escape the turmoil on financial markets and was faced with tougher conditions for financing as were many other enterprises. They also had an impact on profitability.

We had record sales volume of € 120.2 million.

The Iskra Group generated sales revenues of € 120.204 million in 2008 or 6.63% more than in 2007. Operating and net profit equalled € 0.444 million and € 1.008 million, respectively.

The biggest breakthrough was in the segment of automation and telecommunications which together recorded 37% increase in sales. The Iskra Group sold products and services in the amount of € 63.5 million on foreign markets which proves its export orientation. We were also active in winning new sales markets, namely in Russia, Central Asia, USA etc.

The Iskra Group implemented several important development projects in 2008 at the cost of few million euros. The results of those projects are partially visible today but will give the greatest results in the coming years.

The Group's financial position is solid and enables stable business growth in the future.

Key financial indicators of the Iskra Group such as net profit, return on equity, EBITDA and operating profit improved in 2008 from the previous year. This points to financially sound performance, solid growth and improved profitability.

Clearly defined path of development.

The Iskra Group has a clear business vision and development strategy for the years ahead. We want to be a major Slovenian corporation in electro and electronic industry which will achieve long-term development and business growth through quickly responding market flexibility of companies and ranges. The principles of sustainable development are therefore included in our strategic decisions and plans as well as in day-to-day business. We believe that socially responsible behaviour of every enterprise ensures stable economic growth and sound business performance.

Objectives for 2009 slightly less bold.

The Iskra Group set out bold objectives in the strategic business plans for 2009 which, however, we will be unable to meet in full due to the global economic situation. We were forced to lower our expectations for 2009 and adapt them to the prevailing market situation. We nevertheless do not plan for a major decrease in sales revenue at the Group level as we will try to offset the fall in the segment of devices and elements with growth in the segment of telecommunications and automation. We expect to end the financial year with business results at least as good as in 2008.

The year 2008 was a successful one. It will be much harder in 2009.



Dušan Šešok, President of the Management Board and Chief Executive Officer

Report of the Supervisory Board

Method and scope of supervising management of the company during the financial year

The Supervisory Board in 2008 monitored and supervised the operations of Iskra within the scope of its powers and competencies set out in the applicable legislation and the company's Articles of Association.

The Supervisory Board in line with its powers regularly monitored management and operations of Iskra and its subsidiaries. The Supervisory Board supervised management of companies by discussing interim business reports and performance, comparing the results with the plan and the preceding periods and by obtaining additional oral and written explanations from the Management Board.

In 2008 the Supervisory Board held one regular meeting which discussed the following areas of the company's business:

- discussing and adopting the annual report of Iskra and the Iskra Group for 2007 together with the auditor's reports;
- report of the Supervisory Board on supervising management of the company in 2007;
- discussing material and draft resolutions of the draft agenda of the Annual General Meeting of Iskra;
- and information on current operations of Iskra and the Iskra Group.

The Management Board submitted to the Management Board all other information needed or requested by the Supervisory Board in performing of its supervisory duties.

Discussing the 2008 Annual Report

The Management Board approved financial statements of Iskra and the Iskra Group for 2008 at a meeting held on 25/05/2009.

In examination of the submitted annual report for 2008 the Supervisory Board found the following:

- the company successfully ended the financial year 2008 and improved all key elements of business performance compared to 2007 as well as achieved all major planned goals;

- the annual report has been compiled clearly and transparently and contains all legally required elements;
- the annual report gives a true and authentic presentation of assets, liabilities, financial position and profit of the company; and
- the annual report gives an authentic presentation of the development of operations and the business position of the company.

The statements above were also confirmed by the certified auditor who has issued an opinion in writing stating that the report gives a true and fair presentation of the financial position of Iskra and the Iskra Group as at 31/12/2008 as well as the business and financial performance and changes in equity in the relevant financial year.

The Supervisory Board had no objections and agreed with the auditor's reports.

Establishing and allocating distributable profit

The Supervisory Board established the distributable profit in the amount of € 3,636,365 and proposed the Annual General Meeting to decide on its allocation.

Proposal to the Annual General Meeting

The Supervisory Board after final examination of the annual report of Iskra and the Iskra Group for 2008 found no objections and approved the report. The Annual General Meeting is proposed to grant discharge from liability to the Management Board and Supervisory Board for the financial year 2008.

The report was prepared by the Supervisory Board in accordance with Article 282 of the Companies Act (Official Gazette of the RS, no. 42/06 of 19/04/2008) and is intended for the Annual General Meeting.



Irena Peternel,
Chair of the Supervisory Board

VISION, MISSION, STRATEGIC AND GLOBAL GOALS

Vision and mission

Vision of the Iskra Group is to be a modern corporation which will quickly adapt enterprises and ranges to the market in order to ensure long-term business development and growth, profitability and increased value of shares of Iskra.

Iskra and other members of the Group started in the second half of 2007 to prepare the medium-term development plan 2008-2012 which represents an expanded and supplemented vision of the Group. The strategic planning process was completed in the middle of 2008.

Strategic orientation

The strategic orientation is primarily focused on:

- acquisitions of enterprises which increase and expand the range of products and services offered to the market and improve economic stability of the Group;
- higher level of innovations, faster introduction of new, more complex products with higher know-how and added value;
- faster changes of the knowledge structure in the direction of college and university education and rejuvenation of management and executive teams of companies;

- organisational changes and mergers of companies resulting in better utilisation of resources and improved economic benefits;
- intensive introduction of the already initiated joint implementations, notably in strategic staff, IT and international trade.

Members of the Iskra Group and Iskra perform the following strategic tasks with that regard:

- strategy of growth, development and programme restructuring;
- strategy of lowering costs;
- strategy of financial resources management and restructuring;
- human resources strategy.

Programme orientation

The Iskra Group will continue to develop the following programmes:

- automation;
- telecommunications;
- devices and elements;
- trade and services;
- new programmes developed in the Group or obtained by acquisition.

According to forecasts the highest growth is expected in telecommunications and the lowest in trade and services. The orientation and goals will together with new programmes and acquisitions strengthen the image of Iskra as a group operating in electro and electronic industry and in trade and services.

OPERATIONS OF THE ISKRA GROUP

Business performance

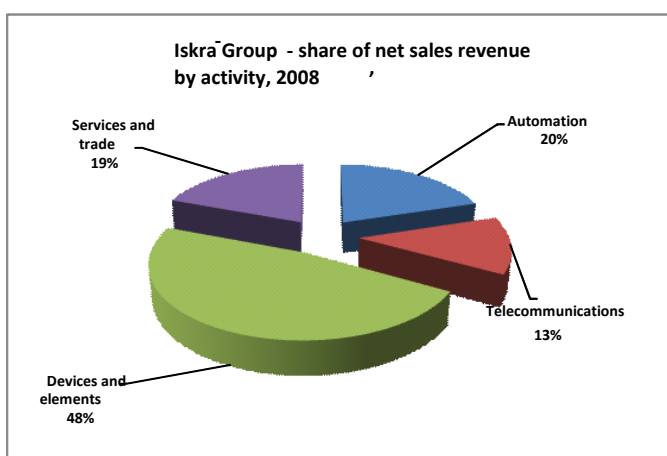
Operations in 2008 were marked with the beginning of the global economic crisis in the last quarter of the year. The Group had a promising start of the year recording high

growth in sales. In the second half of the year the trend began to slow down and by the last quarter it was over.

Sales revenue

Sales revenue of € 120.2 million

was 7% higher than in 2007.



Operating revenue

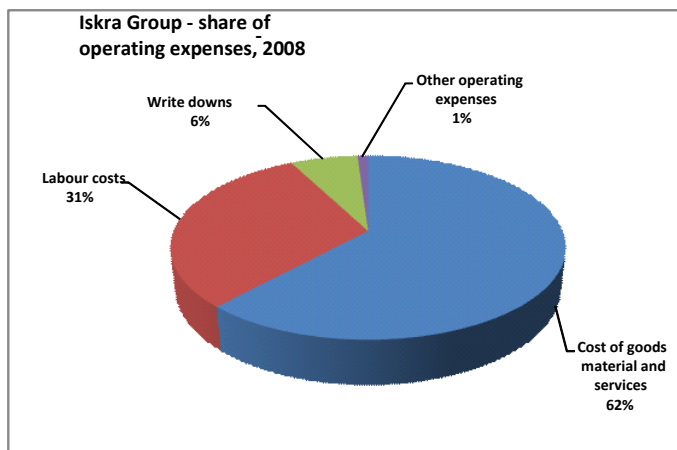
Operating revenue of € 126.3 million

was 3% higher than in 2007.

Operating expenses

Operating expenses of € 125.9 million

were 7% higher than in 2007.



Net profit of € 1.0 million was 55% lower than in 2007.

Operating profitability

Operating profitability was 3% lower than in 2007.

OPERATIONS OF ISKRA

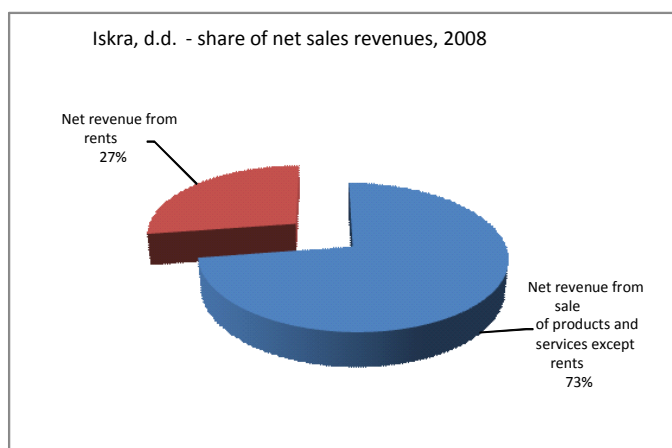
Business performance

Operations in 2008 were marked with the situation in the financial industry which had an

adverse impact on the real economy in Slovenia and abroad.

Sales revenue

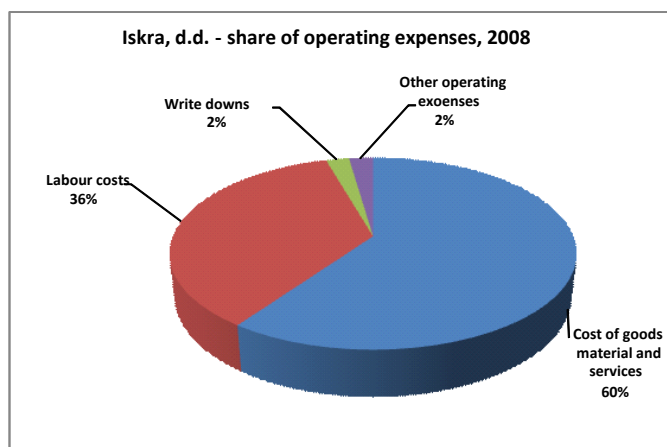
Sales revenue of € 3.3 million was 12.4% lower than in 2007.



Operating expenses

Operating expenses of € 2.7 million

were 31.7% lower than in 2007.



Finance expenses

Finance expenses of € 1.8 million were 37.3% lower than in 2007.

Net profit/loss

Net profit of € 2.7 million was 16.7% lower than in 2007.

Business by activity

SALES AND MARKETING

Iskra Group

Consolidated net sales revenue totalled € 120.2 million. The biggest growth in 2008 was in automation and telecommunications. Increased sales volume was also recorded in elements and parts.

The Iskra Group earned the following net sales revenue by programme in 2008:

NET REVENUE BY SEGMENT	Revenues	Revenues	Index	Share in %
	2008	2007	08/07	2008
Automation and telecommunications	44,803,467	34,552,745	130	37.3
Elements and parts	57,283,953	56,945,864	101	47.7
Devices	413,290	990,840	42	0.3
Trade and services	17,672,220	20,033,337	88	14.7
Other	31,596	210,259	15	0.0
TOTAL	120,204,526	112,733,045	107	100.0

The Iskra Group earned the bulk of sales revenue on foreign markets, namely € 62.7 million or 52% of the total. The share of foreign sales fell by 4 percentage points from the previous year. The main reason was that automation and telecommunications achieved the bulk of growth in sales revenue on the domestic market while the sales volume of

elements and devices on foreign markets fell towards the end of 2008.

The main export market of the Group remained the European Union. Its share was 66% of the total sales revenue generated abroad. Sales grew rapidly. The Group achieved the biggest sales increase on export markets in Asia.

Brand management

The business identity of the Iskra Group is represented by its brand ISKRA, which signifies:

- more than 60 years of tradition;
- quality and high level of modern technological development of products;

- business excellence;
- development capacity;
- modernity and reliability.

The "father" of the name Iskra (meaning *spark* in Slovene) is the late Prof. Dr. Mirjan Gruden

who substantiated his proposal in 1946 as follows: "The factory will develop and grow and flame comes out of a spark so our Iskra should ignite. As electro technicians we are dealing with sparks all the time. Iskra (Spark) marks the beginning of a process."

Management of the Iskra brand is aimed at preserving and caring for its substantial reputation and to ensure legal protection at home and abroad. Legal protection among other things includes regular monitoring of registration of brands identical or substitute to those of Iskra by applicants around the world and adequate measures to protect Iskra's rights from registered brands.

RESEARCH & DEVELOPMENT

The Group had 44 R&D projects in 2008 of which one half had the aim of developing new products. The Group developed more than ten new or significantly improved products which were completed at least to the test production stage or already promoted on the market.

The share of investments in new products and services equalled a good three percent of sales

Telecommunications

In 2008 we have completed the development of the family of devices SparkWave SDR and SparkLight ADM1/4 and acquired international certificates for sale of those products in Russia and its neighbours. We have also completed the development of the product SW-DRLGA+, a new product of the SW-DRL family and thus extended the life span of the product family.

We have initiated the development of a new product SW-GE, i.e. a low priced yet highly capable microwave radiofrequency product for Gigabit Ethernet applications. The product is

Automation

By completed development of the product FPC620 we have proven that the technological platform NEO3000 has matured and actually enables development of purpose-built products. Besides raising the technological level, the development of the product FPC620 also achieved an important breakthrough in the

Iskra has registered its brand directly or indirectly, through international registration, in 54 countries. Moreover, the Iskra trademark was among the first to have been registered as a European trademark.

The Iskra Group also builds recognition of its brand on the internet (www.iskra.eu). Visitors to our website can obtain basic information in Slovene, English and Russian on the Iskra Group, its members, activities and of course sales ranges. The website was upgraded and redesigned in 2008.

value in 2008. R&D employed more than 70 people on average or 4% of all employees of the Iskra Group. R&D investments in the wider sense which include investments in technology and pertaining activities amounted to more than five percent of the total sales value in 2008.

based on chips of the PVG610 and PVG710 series which enable faster development cycle of new products of the RM family.

The year 2008 was also marked by continued development of the product ADM16, the first member of a new product family. It will be based on optic STM-16 base. The product family will be designed so that it can include microwave systems.

development process itself. Key novelties include:

- planning and monitoring activities with the dotProject web tool;
- forming the group for preparing specifications of individual functionalities and the testing group;

- developing periodic software tests;
- testing functionalities based on prepared test plans;
- the process of solving reported problems with the emphasis on recording important technical information in the Bugzilla tool.

On the basis of progress of the FPC620 development project and the designated development team as well as the set up development process, a decision was taken in the second half of 2008 to develop the solution in house, without an external partner, for the DASII project in Thailand. Thus the CAU360 project came to life based on new hardware and supplemented functionalities with the completion deadline in the third quarter of 2009 when the first deliveries of the CAU360 devices are planned.

Adjustment of software (symbols and functionalities) of the TRIS CTC system was made with regard to the requirements from the customer's documentation (specifications for

system requirements of logic of setups and the catalogue of symbols of the ILTIS system for remote control of traffic, description of electronic setups). That enabled installation of the TRIS CTC system on the Kamnik station.

We have developed a new hardware platform for the system for monitoring used space in gas tanks which may be applied in other projects as, for example, communications link between different media. We have also made adjustments on the TRIS CTC system with regard to the tender requirements of the Sivas projects in Macedonia.

We have initiated the development of the relay group of supplementary signal due to the introduction of the new signal rule book and completed the development of the relay group of time handling of protective paths for the needs of uniform operations of the relay system on the Ljubljana-Sežana line.

Devices and elements

R&D activities in the low-voltage switching technology segment were focused on product development with the emphasis on market-oriented applicative development of products and production technologies. In 2008 we completed the developed of the *mini contactor* used for installation on printed circuits and intended for wide circulation in particular as a small volume combines high switching power and the option of hooking up relatively large users; *two ampere installation circuit breaker* and *installation contactor*. We have initiated the development of the KNL43/63 contactor and brought it to the testing stage by the end of the year. Other projects include bistable switches and protective switches sensitive to sine alternating values.

Product development in the measuring technology segment went according to the R&D plan in 2008. We have successfully completed four development projects, namely the *MC600 measuring centres* (this development has expanded the range of our measuring centres in the medium price class), the *MT510 measuring converters* (a new family of single-phase converters of the accuracy class 0.2 with up to 2 analogue outputs resulting in increased market share), the *WS003X energy indicator* (this development has expanded the range of

our energy meters in the lower price class) and the *PFC6X power factor regulator*. The following projects are under development: the *AMR-GSM Communicator X-4* (development of a GSM communicator for managing and controlling measurements of various energy sources), the *C-2 and C-50 communicators* (used for reading meters of different energy sources on the frequency of 868 MHz), the *MC330 and MC744 measuring centres* (the project's aim is to develop a new family of measuring centres), *point of connection interface* (a product containing all necessary elements in the installation cabinet (energy meter, communicator, protection and fuses) for safe and controlled connection of small power plants on renewable sources (solar, wind and hydro) to the public power grid) and the *analogue input module for MC and MT* (includes upgrading a family of measuring centres and measuring converters with additional functionalities).

In the capacitor segment we have launched on the market a new generation of engine capacitors in a box, developed and introduced in production a new generation of capacitors for compensation of reactive energy closed in a tin can system and with screw connections, developed a special engine capacitor, capacitor

with time stable capacity in tougher operating conditions, performed R&D in metallisation with the aim of improving the quality of metallised foil and completed upgrades and reconstruction of a number of capacitors with regard to specific customer requirements.

In other programmes (potentiometers, car switches, time relays, batteries, antennas and transformers) mostly upgrades of the existing range of products were made in 2008 with the aim of extending their life span and improving characteristics and quality.

HUMAN RESOURCES MANAGEMENT

Human capital is becoming increasingly important and skills, innovations and abilities of employees are crucial in implementation of strategic development plans of the Iskra Group and its members.

The Group has regular annual talks with the staff and the organisational climate is being measured.

In the 2007/2008 school year 17 employees of the Iskra Group attended the ISKRA Business School.

The Iskra Group supports and enables education and training of staff on relevant topics in the form of seminars, workshops, classes and lectures for the purpose of improving performance.

Employees of the Iskra Group

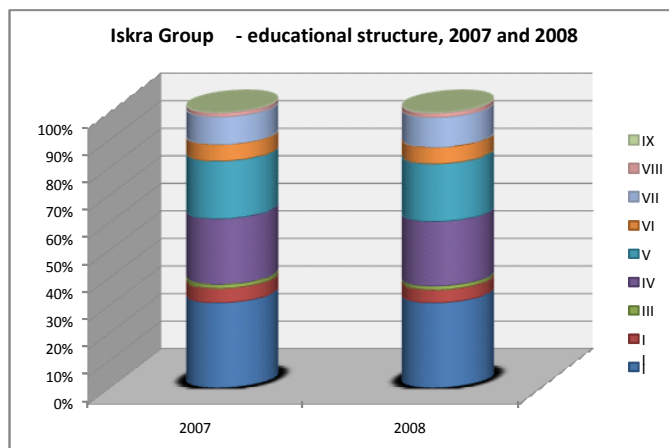
As at the end of 2008 the number of employees of the Iskra Group fell by 94 compared to the end of 2007. The number of employees as at 31/12/2007 was 2004 and as at 31/12/2008 there were 1910 employees.

staff was 3.7 and 3.66 in 2008 and 2007, respectively (1-9 scale).

The Iskra Group took 258 new employees in 2008 and 352 people left. The respective numbers for 2007 were 236 and 432. The number of new employees with college degree or higher was 38 and 44 in 2008 and 2007, respectively. The average education level of

The education structure of staff has improved as the share of employees with high education (levels VII, VIII and IX) rose by 4.2 employees on average or 1.66%.

The average number of employees in the Group was 2014.6 in 2008 and 2154.9 in 2007 falling in 2008 by 140.3 from 2007.



QUALITY AND BUSINESS EXCELLENCE

The Iskra Group paid a lot of attention to quality and business excellence in 2008. All manufacturing and service companies have renewed standards and acquired ISO 9001/2000 and ISO 14001 certificates. In some companies there were also regular audits of quality systems (in line with the requirements of the technical specification ISO/TS 16949:2002).

Business processes in the Group are structured and documented in line with the applicable organisation of the company, responsibilities and competencies for quality are clearly defined

and activities within business processes are controlled and oriented towards efficiency in meeting of customer demands. All activities affecting the product or service quality are systemically implemented, controlled and documented.

Care for quality and business excellence is a permanent task of all Group members who are aware that they are an increasingly important element for market activities and have a significant effect on business relationships with the existing and even more so new customers.

ENVIRONMENT AND THE COMPANY

Care for the environment

Fast pace of progress and technological advances improve the quality of life but have adverse impacts on the environment. A large portion of manufacturing companies has become aware of that and tries to mitigate the adverse environmental impacts. We must be aware that market advantage will be given to products resulting in the process in lower emissions of dust, smell, noise and waste and produced with the minimum utilisation of natural resources.

The Iskra Group complies with all regulations concerning household waste, waste packaging and drainage and sewage systems. The Group's activities are concentrated on several locations in Slovenia and abroad and everywhere the Group tries not to endanger the environment with its business. Our production is not fully environmentally-friendly but we put great efforts in reducing environmental pollution with different types of waste.

All industrial wastewater in Semič goes through the company's wastewater treatment plant. Waste mud is regularly analysed and water monitored. Measured values are always within the permitted limits. The final release of all water (industrial and sanitary) is to the end public wastewater treatment plant in Semič.

We continued in 2008 with separate collection of hazardous and non-hazardous waste as reduction of waste production and strict

separation are a permanent task of all employees. Strict separation is evident in household waste with the volume declining even as production grows.

In accordance with Article 26 of the Decree on the management of packaging and packaging waste (Official Gazette of the RS, no. 84/06), a contract with a certified management company was concluded in February 2008. The Decree prescribes handling of waste packaging at the company's cost and the obligation of accepting and processing waste packaging must be transferred to a waste packaging management company.

The Regulation of the European Parliament and the Council no. 1907/2006 concerning the registration, evaluation, authorisation and restriction of chemicals (REACH) entered into force on 01/06/2007 introducing new rules for handling chemicals which require more communication between customers and suppliers regarding the bought and sold substances, preparations and products. The pre-registration period was between 01/06/2008 and 30/11/2008. In line with the Regulation, the Group prepared a questionnaire on the basis of which we requested and obtained statements from suppliers regarding the pre-registration process thus transferring the responsibility to suppliers.

As an environmental protection measure we have planned for the next few years in the Stegne industrial zone rehabilitation of devices containing pyralene (transformers and compensation devices). In 2008 we managed as was planned for several years to replace the existing oil cable with a modern one which has installed appropriate insulation materials (the Stegne industrial zone is adjacent to areas of the 1st and 2nd water protection regime of the City Municipality of Ljubljana).

In the Labore industrial zone we have managed through investments in modern and efficient solutions in heat and cold production to raise the output/input energy ratio to the level of the best comparable technologies. That has significantly reduced CO₂ emissions and at the same time improved the economics of thermal energy supply.

The galvanisation segment obtained the uniform environmental permit in March 2008.

Sponsoring

The Iskra Group is the main sponsor of the Basketball Association of Slovenia and one of the general sponsors of the Olympic Committee of Slovenia.

The Iskra Group does not sponsor cultural and political organisations but has allocated smaller

funds for humanitarian and educational purposes in 2008.

The Group is also linked through capital with Cankarjev dom and the Valvasor and Gallus foundations.

BUSINESS WITH ASSOCIATES

Corporate governance

Majority stakes in companies with equity links to Iskra provided the formal conditions for more direct cooperation.

Iskra monitored performance of associated companies within the setup controlling system. Performance of Group members was monitored monthly and cumulatively for past months of the year compared to the respective period of the previous year and to the plan.

Direct cooperation with individual or several companies further gained importance in 2008 resulting in more efficient performing of the supervisory and management functions and adoption of common guidelines for continued efficient operations of subsidiaries.

A form of monitoring performance and supervising subsidiaries was also participation on supervisory boards and active attendance at annual general meetings.

Marketing

Iskra was active in sales and purchasing in 2008; as regards the latter the completed project task Lowering purchase prices was performed as a regular activity.

In sales Iskra coordinated and set up the strategy – concept for more efficient marketing, notably in those geographic segments where Iskra and/or its subsidiaries have too little presence with regards to the potential and

possibilities. It particularly applies to markets in Southeastern Europe (former Yugoslavia), Eastern Europe (Russia and other republics of the former Soviet Union), France, Spain, United Kingdom and USA.

Iskra made staff changes in the subsidiary Iskra RUS to enhance and organise the business in Russia and other Eastern European countries.

Development programming consulting

The main tasks of programming consulting and coordination of companies were aimed at programme restructuring and increasing growth rates in the pillar companies of the Group for the purpose of providing for uniform and combined production technologies.

Iskra was active in development programming projects in companies planning and introducing new solutions and products (Iskra EMS, Iskra Sistemi and Iskra Kondenzatorji) and monitored implementation of strategic development projects and programmes implemented by subsidiaries based on the development plans.

Business IT

Comprehensive activities concerning preparation of an integrated IT system in companies Iskra Kondenzatorji, Iskra IP, Iskra Orodjarna and Iskra Turizem. The BAAN IT system was successfully introduced in the abovementioned companies in 2008.

Additional hardware and software was purchased and the data structure defined for

the purpose of building the executive information system comprising setting up portals of purchasing, sales, finance, production etc. Tests with the Panorama tool have already been carried out in Iskra Sistemi. A number of other IT-related activities were carried out including software maintenance and upgrades, all in accordance with the plan.

Controlling and economic-programming analyses

Controlling also included some in-depth business analyses of individual subsidiaries used as the foundations for certain measures and analyses were carried out regarding the possibilities for programming connections of subsidiaries to enable even more competitive pricing.

Iskra has in addition to analysing subsidiaries also analysed business of companies with which Iskra could more closely cooperate in the future with regard to Iskra's long-term strategy. The possibilities for all forms of business cooperation were contemplated from closer business relationship to equity participations.

Consolidated balance sheet

BALANCE SHEET	As at	As at
	31/12/2008	31/12/2007
ASSETS	154,406,501	144,321,953
A. NON-CURRENT ASSETS	65,866,841	66,371,813
I. Intangible fixed assets and long-term deferred items	5,310,757	5,114,982
1. Long-term deferred development costs	708,025	841,466
2. Long-term title rights	604,308	428,042
3. Goodwill	3,599,414	3,599,414
5. Other intangible assets	399,010	245,805
6. Advances for intangible fixed assets	0	0
7. Other long-term deferred items	0	255
II. Property plant & equipment	44,276,663	44,909,112
1. Land & buildings	25,239,983	26,011,414
a) Land	4,909,755	4,914,976
b) Buildings	20,330,228	21,096,438
2. Manufacturing plant and equipment	14,850,939	13,912,884
3. Other plant and equipment	2,851,779	2,827,178
4. Property, plant & equipment under construction or in process	867,208	2,088,960
5. Advance payments for acquisition of property, plant & equipment	466,754	68,676
III. Investment property	7,118,087	7,316,910
IV. Long-term investments	8,028,845	7,979,875
1. Long-term investments, except loans	7,836,023	7,899,780
b) Shares and stakes in associates	1,856,194	2,018,510
d) Other long-term investments	5,979,829	5,881,270
2. Long-term loans	192,822	80,095
V. Long-term operating receivables	29,942	94,832
VI. Deferred tax assets	1,102,548	956,103
B. CURRENT ASSETS	86,604,870	76,590,181
I. Assets (of the disposal group) held for sale	4,777,069	2,909,337
II. Inventories	26,756,930	24,795,695
1. Material	10,646,050	9,371,446
2. Work-in-progress	11,115,677	10,412,013
3. Products and merchandise	4,711,200	4,589,155
4. Advances on inventories	284,003	423,081
III. Short-term investments	15,852,613	11,231,238
1. Short-term investments, excluding loans	10,411,925	9,298,192
2. Short-term loans	5,440,688	1,933,046

BALANCE SHEET	As at	As at
	31/12/2008	31/12/2007
IV. Short-term operating receivables	33,651,078	33,459,198
b) Short-term operating receivables from associates	31,690	77,241
c) Short-term accounts receivable	30,754,322	29,798,509
d) Short-term operating receivables from others	2,842,671	3,583,448
e) Other operating receivables for other profit participations	22,395	0
V. Cash and cash equivalents	5,567,179	4,194,713
C. SHORT-TERM DEFERRED ITEMS	1,934,790	1,359,959
LIABILITIES AND EQUITY	154,406,501	144,321,953
A. SHARE CAPITAL	53,976,200	56,129,498
I. Called-up capital	28,242,522	28,242,522
1. Share capital	28,242,522	28,242,522
II. Capital surplus	19,020,128	19,020,126
IV. Fair value reserves in shareholders' equity	4,939,052	5,864,749
V. Net profit or loss brought forward	751,847	146,603
VI. Net profit/loss for the financial year	842,711	2,218,988
Minority interests	179,940	636,510
B. PROVISIONS AND LONG-TERM ACCRUED ITEMS	6,871,749	7,178,076
1. Provisions for pensions and similar obligations	3,683,094	3,600,416
2. Other provisions	954,073	1,261,043
3. Long-term accrued items	2,234,582	2,316,617
C. NON-CURRENT LIABILITIES	27,139,153	18,598,705
I. Long-term financial liabilities	25,954,301	17,395,432
2. Long-term financial liabilities to banks	25,903,954	17,051,730
3. Other long-term financial liabilities	50,347	343,702
II. Long-term operating liabilities	491,986	236,661
1. Long-term accounts payable	32,827	0
2. Other long-term operating liabilities	459,159	236,661
III. Deferred tax liabilities	692,866	966,613
D. CURRENT LIABILITIES	62,358,569	58,704,045
II. Short-term financial liabilities	37,659,630	35,926,106
2. Short-term financial liabilities to banks	37,657,608	35,088,525
3. Short-term financial liabilities to others	1,983	837,581
4. Other financial liabilities	39	0
III. Short-term operating liabilities	24,698,939	22,777,939
2. Short-term operating liabilities to associated companies	15,616	106,901
3. Short-term operating liabilities from advances	480,376	525,285
4. Short-term accounts payable	17,800,338	16,875,527
5. Other short-term operating liabilities	6,402,609	5,270,226
E. SHORT-TERM ACCRUED ITEMS	4,060,830	3,711,629
OFF-BALANCE SHEET ASSETS AND LIABILITIES	66,397,475	74,764,157

Consolidated income statement

INCOME STATEMENT	Year	
	2008	2007
1. Net sales revenues	120,204,526	112,733,045
2. Change in inventories and work in progress	854,017	1,155,245
3. Capitalised own products and services	1,585,327	1,060,662
4. Other operating revenues	3,654,803	7,091,220
5. Cost of goods, material and services	77,767,917	69,850,373
a) Cost of goods and materials sold	9,636,279	6,295,775
b) Used material costs	37,437,315	40,549,506
b) Cost of services	30,694,323	23,005,092
6. Labour costs	38,535,993	38,360,487
a) Wages and salaries	28,081,285	28,057,037
b) Social security costs	2,946,706	2,576,660
c) Pension insurance costs	2,106,494	2,582,887
d) Other labour costs	5,401,508	5,143,903
7. Write-downs in value	8,252,736	8,113,066
a) Depreciation and amortisation	5,856,577	6,151,908
b) Restatement operating expenses	2,396,159	1,961,157
8. Other operating expenses	1,298,450	1,585,897
9. Finance income from participations	1,924,892	783,694
b) Finance income from stakes in associates	8,444	95,182
c) Finance income from shares and stakes in other enterprises	1,884,293	688,512
d) Finance income from other investments	32,155	0
10. Finance income from loans granted	368,126	472,452
c) to others	368,126	472,452
11. Finance income from operating receivables	843,023	630,270
b) to associated companies	0	714
c) to others	843,023	629,556
12. Finance expenses from impairment and write downs of financial investments	385,018	1,808,347
b) to associated companies	116,036	0
c) to others	268,982	1,808,347
13. Finance expenses for financial liabilities	4,793,227	2,232,963
b) Finance expenses from bank loans	4,044,208	2,161,692
c) other finance expenses	749,019	71,271

INCOME STATEMENT	Year	Year
	2008	2007
14. Finance expenses from operating liabilities	791,456	499,002
b) from accounts payable and bills of exchange	320,630	0
c) from other operating liabilities	470,826	499,002
15. Net profit/loss from ordinary activities	-2,390,083	1,476,454
16. Other revenues	3,240,995	1,042,529
17. Other expenses	144,888	368,679
19. Corporation tax	90,004	90,497
20. Deferred tax	-392,216	-165,835
21. Net profit or loss for the period	1,008,236	2,225,642
- Net profit or loss of the majority shareholder	842,711	2,218,988
- Net profit or loss of minority shareholders	165,525	6,654

Independent Auditor's Report



Independent Auditor's Report

To Shareholders of Iskra d. d.

We have audited the enclosed financial statements of Iskra d. d. and its subsidiaries (Iskra Group) which include the consolidated balance sheet as at 31 December 2008, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the underlying year and the summary of material accounting policies and other explanatory notes.

Responsibility of management for consolidated financial statements

The management is responsible for compilation and fair presentation of these consolidated financial statements in accordance with the Slovenian Accounting Standards. This responsibility includes: establishing, operating and maintaining internal controls related to compilation and fair presentation of consolidated financial statements not containing material misstatements resulting from deception or error, selection and use of appropriate accounting policies, and preparation of accounting estimates based in the given circumstances.

Responsibility of the auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted the audit in accordance with the International Standards on Auditing. Those Standards require that we meet ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatements.

The audit included procedures for obtaining audit evidence supporting the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's assessment and include assessment of the risk of misstatements in the financial statements due

to deception or error. When assessing these risks the auditor examines internal controls related to compiling and fair presentation of the consolidated financial statements in order to determine the audit procedures appropriate under the circumstances and not to give an opinion on success of internal controls in the Group. The audit also includes assessing the accounting policies used and substantiation of accounting estimates made by the management, as well as evaluating the overall consolidated financial statement presentation.

We believe the obtained audit evidence to present a sufficient and adequate basis for our audit opinion.

Opinion


In our opinion, the consolidated financial statements in all material respects give a fair view of the financial position of the Iskra Group as at 31 December 2008 and of the consolidated profit and consolidated cash flow for the underlying year, in accordance with the Slovenian Accounting Standards.

Report on other legal and regulatory issues

In accordance with the requirement stipulated by the Companies Act (ZGD-1) we hereby conform that the information contained in business report are in line with the enclosed consolidated financial statements.

KPMG SLOVENIJA,

podjetje za revidiranje, d. o. o.



Marjan Mahnič, B. Sc. Econ., certified auditor

partner

Ljubljana, 25 May 2009

KPMG Slovenija, d. o. o.

ISKRA

Balance sheet

BALANCE SHEET	As at 31/12/2008	As at 31/12/2007
ASSETS	80,158,708	69,597,446
A. NON-CURRENT ASSETS	60,682,071	56,805,593
II. Property plant & equipment	662,817	591,943
1. Land & buildings	488,973	486,541
a) Land	20,447	20,447
b) Buildings	468,526	466,094
4. Other plant and equipment	173,844	105,402
III. Investment property	9,876,315	8,940,197
IV. Long-term investments	50,117,967	47,246,310
1. Long-term investments, except loans	49,429,164	44,475,347
a) Shares and stakes in the Group	46,471,239	41,517,422
b) Shares and stakes in associates	1,922,281	1,922,281
d) Other long-term financial investments	1,035,644	1,035,644
2. Long-term loans	688,803	2,770,963
VI. Deferred tax assets	24,972	27,143
B. CURRENT ASSETS	19,436,514	12,206,741
I. Assets (of the disposal group) held for sale	2,569,311	2,772,702
III. Short-term investments	14,462,929	6,001,414
1. Short-term investments, excluding loans	2,630,804	2,264,033
b) Other shares and stakes	2,630,804	2,264,033
2. Short-term loans	11,832,125	3,737,381
a) Short-term loans to Group members	11,494,254	3,691,010
c) Short-term loans to others	337,871	46,371
IV. Short-term operating receivables	2,319,229	3,414,966
a) Short-term operating receivables from Group members	2,243,976	1,200,709
c) Short-term accounts receivable	29,739	1,557,100
d) Short-term operating receivables from others	45,514	657,157
V. Cash and cash equivalents	85,045	17,659
C. SHORT-TERM DEFERRED ITEMS	40,123	585,112

BALANCE SHEET	As at 31/12/2008	As at 31/12/2007
LIABILITIES AND EQUITY	80,158,708	69,597,446
A. SHARE CAPITAL	50,899,015	50,517,144
I. Called-up capital	28,242,522	28,242,522
1. Share capital	28,242,522	28,242,522
II. Capital surplus	19,020,128	19,020,128
V. Net profit or loss brought forward	926,275	0
VI. Net profit/loss for the financial year	2,710,090	3,254,494
B. PROVISIONS AND LONG-TERM ACCRUED ITEMS	297,407	1,794,760
1. Provisions	244,400	1,740,969
2. Long-term accrued items	53,007	53,791
C. NON-CURRENT LIABILITIES	14,496,175	5,360,055
I. Long-term financial liabilities	14,489,494	5,351,078
2. Long-term financial liabilities to banks	14,489,494	0
3. Other long-term financial liabilities	0	5,351,078
II. Long-term operating liabilities	6,681	8,977
1. Other long-term operating liabilities	6,681	8,977
D. CURRENT LIABILITIES	14,396,830	11,733,169
II. Short-term financial liabilities	12,404,668	10,554,487
1. Short-term financial liabilities to group members	2,405,244	2,749,725
2. Short-term financial liabilities to banks	9,999,424	7,804,762
III. Short-term operating liabilities	1,992,162	1,178,682
1. Short-term operating liabilities to group members	1,482,557	409,220
3. Short-term operating liabilities from advances	0	0
4. Short-term accounts payable	64,838	136,532
5. Other short-term operating liabilities	444,767	632,930
E. SHORT-TERM ACCRUED ITEMS	69,281	192,318
OFF-BALANCE SHEET ASSETS AND LIABILITIES	11,938,957	20,140,176

Income statement

INCOME STATEMENT	Year	Year
	2008	2007
1. Net sales revenues	3,253,089	3,715,181
a) Net sales revenues generated on the domestic market	3,253,089	3,715,181
4. Other operating revenues	401,786	2,265,170
GROSS PROFIT FROM SALES	3,654,875	5,980,351
5. Cost of goods, material and services	1,585,809	1,174,593
b) Used material costs	47,477	36,475
b) Cost of services	1,538,332	1,138,118
6. Labour costs	948,384	921,100
a) Wages and salaries	715,016	707,089
b) Pension insurance costs	81,457	78,680
c) Social insurance costs	54,022	51,251
d) Other labour costs	97,889	84,080
7. Write-downs in value	245,949	187,352
a) Depreciation and amortisation	238,408	53,472
b) Restatement operating expenses related to property, plant & equipment and intangible fixed assets	3,245	0
c) Restatement operating expenses associated with operating current assets	4,295	133,880
8. Other operating expenses	60,160	1,599,229
OPERATING PROFIT	814,573	2,098,077
9. Finance income from participations	3,023,470	3,483,366
a) Finance income from intra-group participations	2,925,964	3,159,838
c) Finance income from shares and stakes in other enterprises	77,917	306,985
d) Finance income from other investments	19,589	16,543
10. Finance income from loans granted	513,460	369,008
a) Financial revenues from loans given to Group members	451,855	261,701
b) Finance income from loans given to others	61,605	107,307
11. Finance income from operating receivables	5,350	11,663
12. Finance expenses from impairment and write downs of financial investments	208,236	2,147,350

INCOME STATEMENT	Year	
	2008	2007
13. Finance expenses for financial liabilities	1,629,606	786,014
a) Finance expenses for loans, received from Group members	159,514	110,762
b) Finance expenses from bank loans	1,214,488	672,845
c) Finance expenses from other financial liabilities	255,604	2,407
NET OPERATING PROFIT OR LOSS FROM ORDINARY ACTIVITY	2,519,011	3,028,750
16. Other revenues	213,800	507,950
17. Other expenses	20,550	291,160
TOTAL PROFIT	2,712,261	3,245,540
20. Deferred tax	2,171	-8,954
21. Net profit or loss for the period	2,710,090	3,254,494

Independent Auditor's Report



Independent Auditor's Report

To Shareholders of Iskra d. d.

We have audited the enclosed financial statements of the company Iskra d.d. which include the balance sheet as at 31 December 2008, income statement, statement of changes in equity cash and flow statement for the underlying year and the summary of material accounting policies and other explanatory notes.

Responsibility of management for financial statements

The management is responsible for compilation and fair presentation of these financial statements in accordance with the Slovenian Accounting Standards. This responsibility includes: establishing, operating and maintaining internal controls related to compilation and fair presentation of financial statements not containing material misstatements resulting from deception or error, selection and use of appropriate accounting policies, and preparation of accounting estimates based in the given circumstances.

Responsibility of the auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted the audit in accordance with the International Standards on Auditing. Those Standards require that we meet ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

The audit included procedures for obtaining audit evidence supporting the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's assessment and include assessment of the risk of misstatements in the financial statements due to deception or error. When assessing these risks the auditor examines internal controls related to compiling and fair presentation of the Company's financial statements in order to determine the audit procedures appropriate under the circumstances and not to give an opinion on success of internal controls in the

Company. The audit also includes assessing the accounting policies used and substantiation of accounting estimates made by the management, as well as evaluating the overall financial statement presentation.

We believe the obtained audit evidence to present a sufficient and adequate basis for our audit opinion.

Opinion


In our opinion, the financial statements in all material respects give a fair view of the financial position of the company Iskra d.d. as at 31 December 2008 and of the profit and cash flow for the underlying year, in accordance with the Slovenian Accounting Standards.

Report on other legal and regulatory issues

In accordance with the requirement stipulated by the Companies Act (ZGD-1) we hereby conform that the information contained in business report are in line with the enclosed financial statements.

KPMG SLOVENIJA

podjetje za revidiranje, d. o. o.



Marjan Mahnič, B. Sc. Econ., certified auditor

partner

Ljubljana, 25 May 2009

KPMG Slovenija, d. o. o.