Annual Report of Iskra and the Iskra Group for 2009

Iskra

ISKRA, D. D.

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 Societe Generale Srbija AD, Belgrade, acc. no. (Dinar) 2750010222088178452 Societe Generale Srbija AD, Belgrade, acc. no. (FX) RS35275001022088170131
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. The Iskra Group is a part of the MAOS Group. The Annual Report of the MAOS Group for 2009 is available at the company's head office.

SHAREHOLDERS OF ISKRA	No. of shares 31/12/2009	Share In %	No. of shares 31/12/2008	Share 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 nearly 65 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.

About the Iskra Group

The Group consists of 25 companies in four activities, namely:

- automation;
- telecommunications;
- devices and elements; and
- services.

Activities and members 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;
- 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;
- the range of antennas and antenna electronics covers the commercial needs for receiving earth and satellite television and radio programmes (analogue and digital antennas). 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	2009 or 31/12/2009	2008 or 31/12/2008	Index 09/08
Net sales revenues	3,823,690	3,253,089	118
Net profit	2,204,030	2,710,090	81
Assets - liabilities	78,594,422	80,158,708	98
Property, plant and equipment	622,241	662,817	94
Investment property	9,666,803	9,876,315	98
Assets held for sale	0	2,569,311	0
Long-term investments	52,863,892	50,117,967	105
Share capital	51,072,634	50,899,015	100
Financial and operating liabilities (debts)	27,311,572	28,893,005	95
Return on equity in %	4.32	5.32	81
Earnings per share in €	0.33	0.40	81
Book share price in €	7.55	7.52	100

Iskra Group

KEY ACHIEVEMENTS	2009 or 31/12/2009	2008 or 31/12/2008	Index 09/08
Net profit	763,070	1,008,236	76
Assets - liabilities	152,442,695	153,802,193	99
Property, plant and equipment	43,400,883	44,276,663	98
Long-term investments	7,494,517	8,028,845	93
Current assets	81,524,652	86,604,870	94
Share capital	52,673,278	53,976,200	98
Financial and operating liabilities	85,353,575	89,497,722	95
Return on equity in %	1.45	1.87	78
Earnings per share in €	0.11	0.15	76
Diluted earnings per share in €	0.11	0.15	76

Major events in operations of Iskra and the Iskra Group

Major business events in 2009

January	Signing of the contract with RTP Litostroj and a contract for delivery of PLC equipment to Russia. Introduction of shorter working hours in Iskra Kondenzatorji.
February	Implementation of the control centre for active fire protection in Pivovarna Laško. Signing of the ELGO contract: Moste DTS; signing of the HSE/TET contract. Conclusion of the contract with Nokia Siemens Networks for rendering services and installation of telecommunication links for the end user Slovenian Railways at the Ormož-Pragerskop section. Signing of the contract for delivery of PLC equipment to Kazakhstan. Introduction of shorter working hours in Iskra MIS and Iskra TELA.
March	Signing of the HS Zletovica contract. Completed the ASU-TP development project. Supply and initiated operation of the SparkWave SDR radio relay equipment for the 1st stage of modernisation of the radio relay network for the OSCE Mission in Kosovo.
April	Signing of the contract for two hydro power plants in Taiwan. Completed the DZ9a development project.
May	Acquiring NF certificates for protective current switches and UL certificate for capacitor contactors. Supply of the first SparkWave SDR radio relay links to RosTelekom in Russia via our partner Waterhunters.
June	Completed construction of UMTS base stations for the Si.mobil mobile operator. Presentation of Alcatel-Lucent DWDM OTM solutions for ELES. Development of the industrial electronics production programme and abolishment of measurement systems and time relays programmes.
July	Set up of MISmart, an energy consumption control system.
August	Implementation of electrical and mechanical equipment of the Barnica, Podnanos and Rebernice tunnels. Upgrade of the active fire protection system in the Domel Železniki facility. Signing of the Postojna DTS contract. Signing of the contract for supply of 33 SparkWave DRL radio relay links for expansion of the Tetra network ordered by the Ministry of the Interior. Completion of the DARS – Dragomelj Control Centre project. Return to normal working hours. Successful applications at the RIP09 invitation with a number of development projects.
September	Acquiring stakes in Iskra Commerce, Belgrade and ISEL, Belgrade. Completed the SDR-GE development project and acquiring of CE certificate for a new family of optic devices, SparkLight ADM-16. Conclusion of the contract for the 2nd stage of modernisation of the radio relay network for the OSCE Mission in Kosovo.
October	Acquiring of security clearance for handling secret information marked internal and implemented a system of automatic fire extinguishing for the Krško Nuclear Power Plant. Merging R&D groups into the Research & Development Department. Successful technical qualification of the DZ9 product in Thailand. Temporary layoffs in Iskra Kondenzatorji.
November	Startup of the Balos DS testing polygon. Supply of SparkWave SDR radio relay devices for the Sochi-Lazarevskaja route ordered by our Russian partner Gazprom. Supply of radio relay equipment for expansion of the radio relay network of the Ministry of Defence of the Republic of Slovenia. Supply of Cisco equipment to the Ministry of the Interior. Avče Pump Hydro Power Plant – completed implementation of the telecommunication part of the project.
December	Signing of an annex for the Koper-Divača project. Completed the ADM16 development project. Completed optic network of the Slovenian Railways. Supply of Arris CMTS equipment to the IpkoNet operator. Testing Fiber To The Building, Alcatel Lucent – pilot project in Telekom Slovenije. Testing PLC DZ9 equipment at the user EGAT (Thailand) with the aim of winning the tenders pending in 2010.

Major events after year-end

January	Signing of maintenance contracts with HSE, DEM, GEN and SEL. Signing of the contract for upgrade of the GEN/SEL Management Centre. Signing of the contract for implementation of technical security at the Stožice Sports Park. Signing of the contract for implementation of technical security at the Maribor Airport. Completed development of FPC 620 and DAS II. Renewal and expansion of the certificate under GOST for the SDR equipment. Successful attestation measurements for acquiring of a Russian certificate for the new SparkWave SDR GE and SparkLight ADM-16 devices. Opening of an office of Iskra SISTEMI in Uzbekistan.
February	Signing of the contract for the Video Wall with the Macedonian Railways.

	Signing of the NPr Belo contract.
	Signing of the contract for implementation of a system of alarms Infranet for the Ministry of the Interior.
March	Completed development of FPC 620 and DAS II.
	Renewal and expansion of the certificate under GOST for the SDR equipment.
	Successful attestation measurements for acquiring of a Russian certificate for the new SparkWave SDR GE and SparkLight ADM-16 devices.

General Meeting of Shareholders

The General Meeting of Iskra met once in 2009, namely:

1. on 16th June 2009 – the shareholder adopted a resolution on distribution of gross profit, granted discharge from liability to the Management Board and the Supervisory Board and appointed the auditor for 2009. The General Meeting appointed KPMG Slovenija the auditor for the financial year 2009.

Supervisory Board

The Supervisory Board of Iskra consists of three members; two representing shareholders and one representing employees.

The Supervisory Board's current composition has been in place since February 2007 and its term expires in December 2010.

Management Board

Iskra is managed by the Management Board with two members.

The Management Board's current composition has been in charge since 1993 and its current term will expire in July 2014.

The CEO's letter to shareholders

The Iskra Group has had a difficult year even if it was not wholly reflected in financial performance. 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 for successfully overcoming the uncertainty that is still present in the Group's business.

The year 2009 began with a big drop in sales, notably in the devices and elements segment. The trend continued in the second and third quarter. The first signs of economic recovery, which we managed to utilise well and improve performance, became evident only in the fourth quarter.

The Iskra Group could not escape the turmoil on financial markets and was faced with tougher conditions for financing as were many other enterprises. The Group retained liquidity and regularly settled its obligations to the debtors.

We recorded sales volume of € 109.3 million.

The Iskra Group generated sales revenues of € 109.3 million in 2009 or 9% less than in 2008. Operating and net profit equalled € 0.9 million and € 0.8 million, respectively. The latter was 24% lower than in 2008. Share capital and balance sheet of the Group and the parent company slightly decreased.

The biggest breakthrough was in the segment of automation and telecommunications which between them recorded 8% increase in sales. The Iskra Group sold products and services in the amount of € 52.0 million on foreign markets. Although foreign sales fell, the Iskra Group has retained 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 2009 at the cost of several 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 were worse in 2009 than in 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 2010 are bold.

The Iskra Group set out bold objectives in the business plans for 2010 which we aim to meet entirely unless some unexpected crisis strikes. We adapted our expectations to the prevailing market conditions. We plan for an increase in sales revenue at the Group level as we will try to offset the fall in sales volume of the segments of automation and telecommunications with growth in the segment of devices and elements. We expect the performance in the financial year to improve from 2009.

The year 2009 was a difficult one. The year 2010 will also be a complicated one.

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 2009 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 2009 the Supervisory Board held three regular meetings which discussed the following areas of the company's business:

- discussing and adopting the annual report of Iskra and the Iskra Group for 2008 together with the auditor's reports;
- report of the Supervisory Board on supervising management of the company in 2008;
- discussing material and draft resolutions of the draft agenda of the Annual General Meeting of Iskra;
- business plan of Iskra and the Iskra Group for 2010;
- 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 2009 Annual Report

The Management Board approved financial statements of Iskra and the Iskra Group for 2009 at a meeting held on 31 May 2010.

In examination of the submitted annual report for 2009 the Supervisory Board found the following:

- the company successfully ended the financial year 2009 and preserved all key elements of business performance compared to 2008 as well as achieved the 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 December 2009 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 € 3,809,984.32 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 2009 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 2009.

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) 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 services. The orientation and goals will together with new programmes and any acquisitions strengthen the image of Iskra as a group operating in electro and electronic industry and in trade and services.

THE IMPACT OF THE ECONOMIC SITUATION

The impact of the economic situation on operations in 2009

The year 2009 will surely go down in economic history as the year of the worst economic crisis in the last six decades. The crisis has hit hard primarily the developed countries while the rapidly developing countries recorded only lower growth rates than in previous years.

Extensive fiscal and monetary measures in 2009 halted the steep decline in economic activity and consequently the economic activity in our major foreign trade partners began to improve in the second half of 2009, but the improvement was uneven, however. GDP of the Eurozone nevertheless fell in the last quarter of 2009 although at a much lower rate year-on-year than in the previous quarters. GDP of the Eurozone fell by 4.1% year-on-year. Increase in foreign trade helped to spark industrial production.

The conditions of trade in goods, viewed primarily from commodity prices, were much better at the beginning than at the end of 2009 when the global economic recovery began to push up the general level of purchasing prices.

Expansive measures of all major monetary authorities in the world have kept interest rates very low. Increased risk resulted in higher interest margins for long-term loans and higher fixed interest rates on short-term loans. The euro preserved its value in comparison to the major world currencies (US dollar, Swiss franc and British pound) for the most part of 2009. The trend turned negative towards the end of the year.

Slovenia's economy fell significantly in 2009 compared to 2008. GDP fell by 7.8%. The main reason for the decrease was reduced economic activity in the first half of the year and in particular in the first quarter when the economy fell strongly. The average inflation was 0.9% in 2009 and was falling throughout the year. The 12-month inflation in December 2009 was 1.8%. Industrial production decreased by 17.4% in 2009 from 2008 with manufacturing 18.5% lower.

Expected economic situation in 2010

Economists are united in their forecasts of the economic situation in Slovenia, the EU and the world – 2010 will be a year of slow economic recovery. The Eurozone is forecasted to grow by 0.8% and 1.4% in 2010 and 2011, respectively.[1] Expansive fiscal and monetary policy will continue to be the key growth factor in 2010. Other elements of aggregate demand (household consumption, exports and capital investments) will remain weak. Such forecasts apply to the main Slovenian foreign trade markets, i.e. the EU and countries of Eastern and Southeastern Europe.

The main macroeconomic forecasts for 2010 are:

- euro will continue to lose value;
- oil prices will remain at the level from the first quarter of the year (roughly 80 dollars per barrel);
- rising prices of non-energy commodities because of faster economic recovery in rapidly developing countries;
- weak investment activity;
- low inflation will keep interest rates at their present low levels.

Recovery of the Slovenian economy will be gradual in 2010 and the two years after, under the assumption of further revival of global trade and domestic household and investment demand.

Forecasts for Slovenia:

- GDP growth of 0.6%;
- real increase in exports of 4.3%;
- gross investments rising by 0.5%;
- inventories at the level of 2009;
- lower household consumption by 0.5%;
- demand from government expenditure rising by 0.6% and government spending growth slowing down.[2]

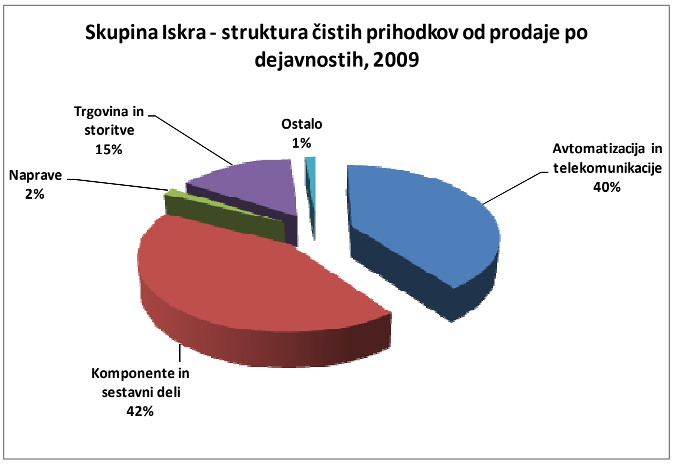
[1] Germany, the most important export market, is forecasted to grow 1.3% and 1.6% in 2010 and 2011, respectively.
[2] It should fall in subsequent two years.

Business performance

Operations in 2009 were marked by the global economic crisis. The Group started the year very badly as sales fell by as much as 30% and more. A new momentum started to appear in the second half of the year and was the strongest in the last quarter of 2009. The Iskra Group could not made up for all the losses from the first half of the year (i.e. falling sales and operating loss) despite introducing tough measures of cost cutting and improved business in the last quarter.

Sales revenue

Sales revenue of € 109.3 million was 9% lower than in 2008.



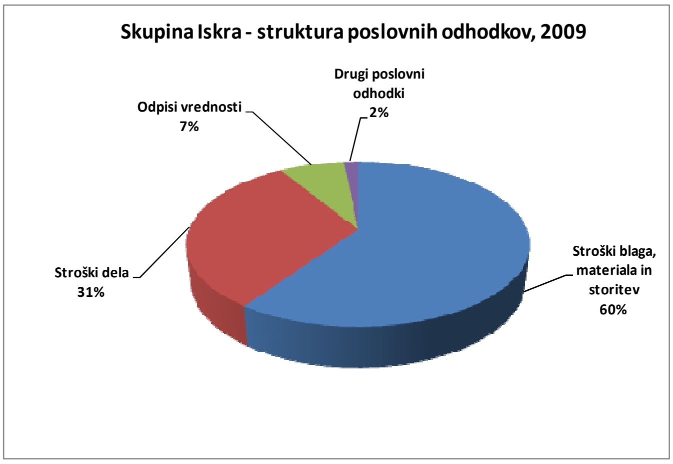
Skupina Iskra – struktura čistih prihodkov od prodaje po dejavnostih, 2009	Iskra Group – structure of net sales revenues by activity, 2009
Naprave	Devices
Trgovina in storitve	Trade and services
Ostalo	Other
Avtomatizacija in telekomunikacije	Automation and telecommunications
Komponente in sestavni deli	Elements and parts

Operating revenue

Operating revenue of € 112.8 million was 9% lower than in 2008.

Operating expenses

Operating expenses of € 110.4 million were 12% lower than in 2008.



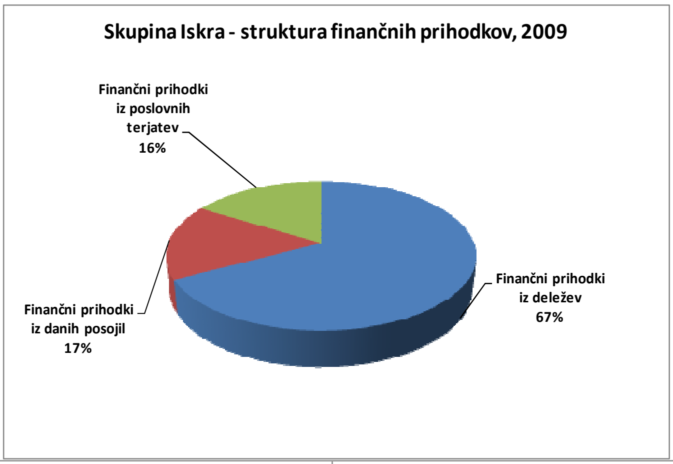
Skupina Iskra – struktura poslovnih odhodkov, 2009	Iskra Group – structure of operating expenses, 2009
Stroški dela	Labour costs
Odpisi vrednosti	Depreciation and amortisation
Drugi poslovni odhodki	Other operating expenses
Stroški blaga, materiala in storitev	Cost of goods, material and services

Profit & loss

Profit of € 0.9 million was 2.1 times higher than in 2008.

Finance income

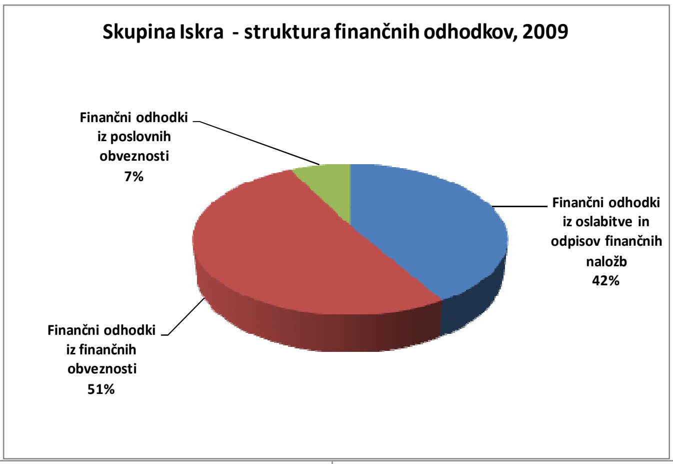
Finance income of € 1.9 million was 39% lower than in 2008.



Skupina Iskra – struktura finančnih prihodkov, 2009	Iskra Group – structure of finance income, 2009
Finančni prihodki iz danih posojil	Finance income from loans granted
Finančni prihodki iz poslovnih terjatev	Finance income from operating receivables
Finančni prihodki iz deležev	Finance income from participations

Finance expenses

Finance expenses of € 5.0 million were 17% lower than in 2008.



Skupina Iskra – struktura finančnih odhodkov, 2009	Iskra Group – structure of finance expenses, 2009
Finančni odhodki iz finančnih obveznosti	Finance expenses from financial liabilities
Finančni odhodki iz poslovnih obveznosti	Finance expenses from operating liabilities
Finančni odhodki iz oslabitve in odpisov finančnih naložb	Finance expenses from impairment and write downs of financial investments

Net profit/loss

Net profit of € 0.7 million was 24% lower than in 2008.

Operating profitability

Operating profitability of 0.9%

was 2.2 times higher than in 2008.[3]

[3] Operating profitability is calculated as the ratio between operating profit and net sales revenue.

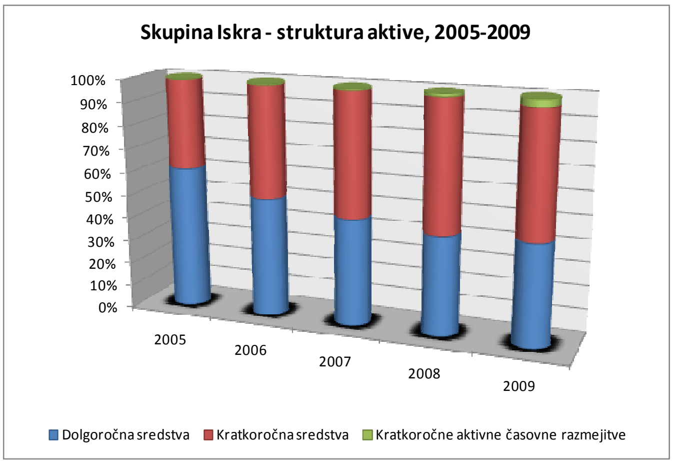
Composition of assets and liabilities

Total assets

As at 31/12/2009, total assets were € 152.4 million, having fallen by 1% from 31/12/2008.

Assets

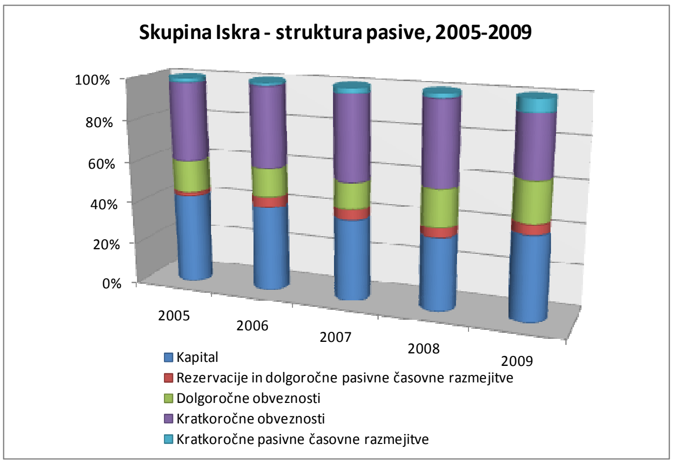
Non-current assets slightly grew while current assets fell by 6%. Current assets were 2.5 times higher.



Skupina Iskra – struktura aktive, 2005-2009	Iskra Group – structure of assets, 2005-2009
Dolgoročna sredstva	Non-current assets
Kratkoročna sredstva	Current assets
Kratkoročne aktivne časovne razmejitve	Short-term deferred items

Sources of finance

Share capital fell in 2009 from 2008 as did long-term provisions together with long-term accrued items and non-current and current liabilities. Short-term accrued items went up.



Skupina Iskra – struktura pasive, 2005-2009	Iskra Group – structure of liabilities, 2005-2009
Kapital	Share capital
Rezervacije in dolgoročne pasivne časovne razmejitve	Provisions and long-term accrued items
Dolgoročne obveznosti	Non-current liabilities
Kratkoročne obveznosti	Current liabilities

Kratkoročne pasivne časovne razmejitve	Short-term accrued items

Return on equity

Return on equity (ROE) of 1.4% was 23% lower than in 2008.

Number of employees in the Iskra Group

The Iskra Group employed 1,634 people as at 31/12/2009 or 276 less than as at 31/12/2008. The average number of employees by hours worked was 1,659 in 2009, 17% less than in 2008.

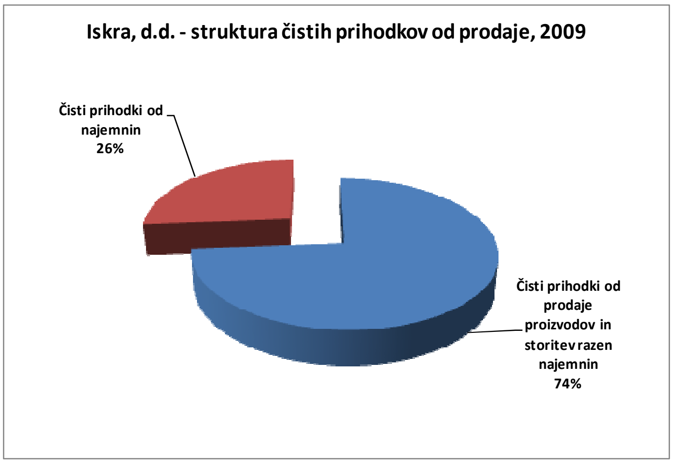
OPERATIONS OF ISKRA

Business performance

The business in 2009 was marked by a substantial decrease in economic activity in Slovenia and abroad.

Sales revenue

Sales revenue of € 3.8 million was 18% higher than in 2008.



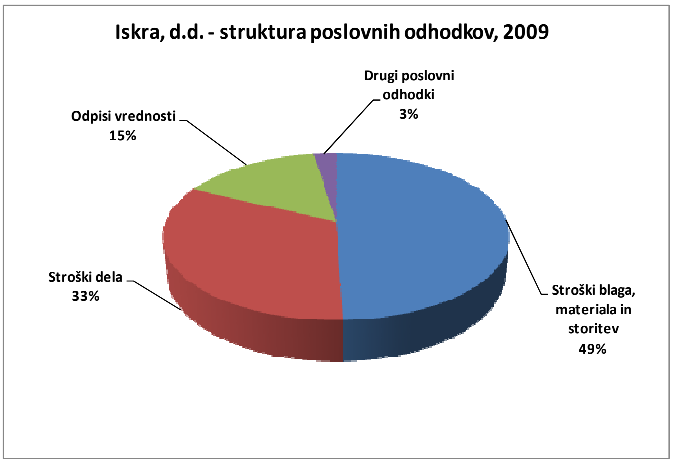
Iskra d.d. – struktura čistih prihodkov od prodaje, 2009	Iskra – structure of net sales revenues, 2009
Čisti prihodki od najemnin	Net income from rents
Čisti prihodki od prodaje proizvodov in storitev razen najemnin	Net revenues from sales of products and services except rents

Operating revenue

Operating revenue of € 3.9 million were 6% higher than in 2008.

Operating expenses

Operating expenses of € 1.8 million were 31.5% lower than in 2008.



Iskra d.d. – struktura poslovnih odhodkov, 2009 Iskra – structure of operating expenses, 2009

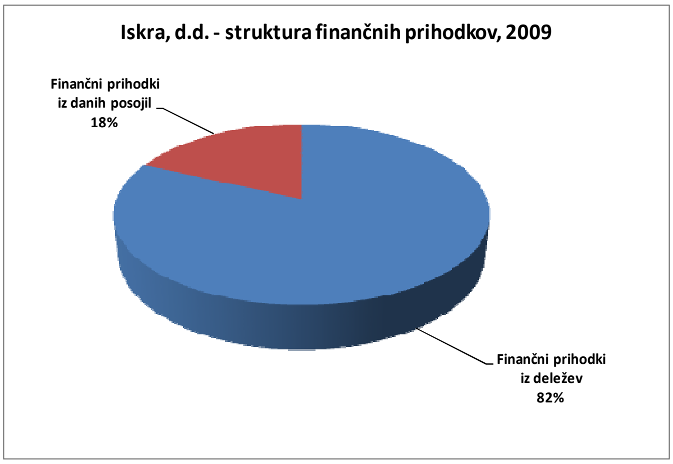
Stroški dela	Labour costs
Odpisi vrednosti	Depreciation and amortisation
Drugi poslovni odhodki	Other operating expenses
Stroški blaga, materiala in storitev	Cost of goods, material and services

Profit & loss

Profit of € 2.0 million was two times higher than in 2008.

Finance income

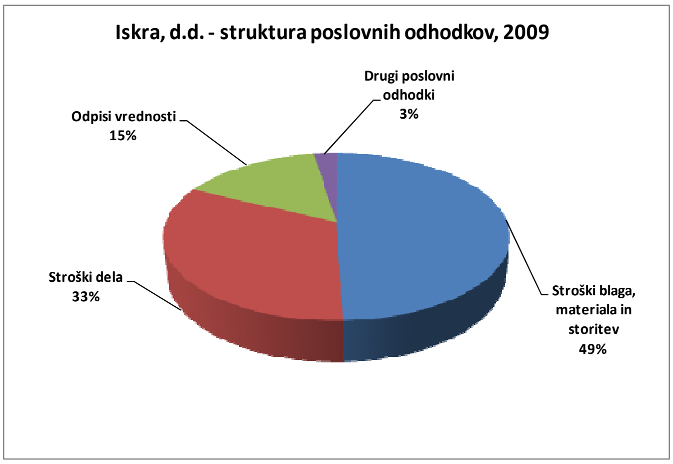
Finance income of € 3.2 million was 9.2% lower than in 2008.



Iskra d.d. – struktura finančnih prihodkov, 2009	Iskra – structure of finance income, 2009
Finančni prihodki iz danih posojil	Finance income from loans granted
Finančni prihodki iz deležev	Finance income from participations

Finance expenses

Finance expenses of € 3.1 million were 70.5% higher than in 2008.



Iskra d.d. – struktura poslovnih odhodkov, 2009	Iskra – structure of operating expenses, 2009
Stroški dela	Labour costs
Odpisi vrednosti	Depreciation and amortisation
Drugi poslovni odhodki	Other operating expenses
Stroški blaga, materiala in storitev	Cost of goods, material and services

Net profit & loss

Net profit of € 2.2 million was 18% lower than in 2008.

Operating profitability

Operating profitability of 53.1% was 2.1 times higher than in 2008.[4]

[4] Operating profitability is calculated as the ratio between operating profit and net sales revenue.

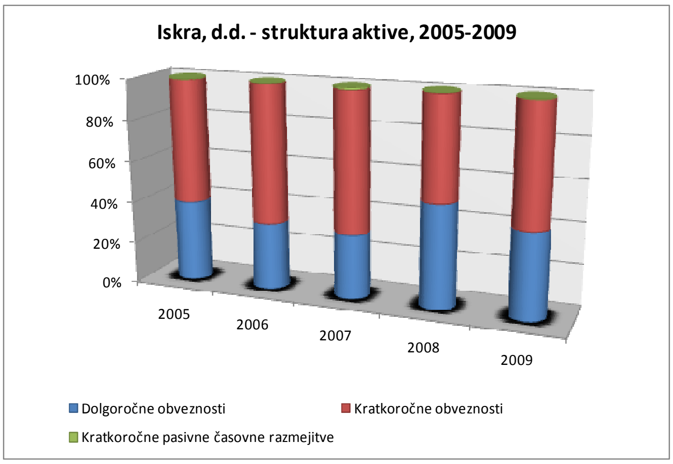
Composition of assets and liabilities

Total assets

As at 31/12/2009, total assets were € 78.6 million, having fallen by 2% from 31/12/2008.

Assets

Non-current assets grew by 4.1% in 2009, mostly from long-term investments in shares and stakes in Group members. Current assets were 20.9% lower. The decrease resulted from transfer of assets held for sale to non-current assets.
Short-term investments (loans to Group members) and operating receivables also fell.

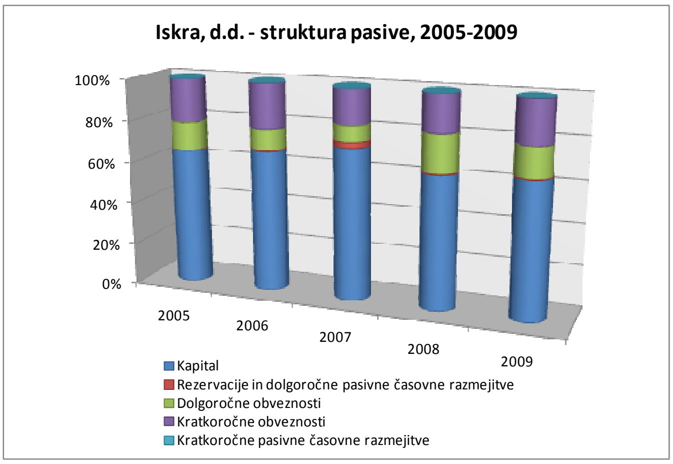


Iskra d.d. – struktura aktive, 2005-2009	Iskra – structure of assets, 2005-2009
Dolgoročne obveznosti	Non-current liabilities
Kratkoročne obveznosti	Current liabilities
Kratkoročne pasivne časovne razmejitve	Short-term accrued items

Sources of finance

Share capital rose by 0.3% as at 31/12/2009 mostly from higher distributable profit.

Provisions and long-term accrued items were lower because of their drawing.
Non-current liabilities fell by 21.2% because of repayment of long-term bank loans. Current liabilities rose because of new short-term bank loans. Short-term operating liabilities fell because of payment of liabilities to Group members.



Iskra d.d. – struktura pasive, 2005-2009	Iskra – structure of liabilities, 2005-2009
Kapital	Share capital
Rezervacije in dolgoročne pasivne časovne razmejitve	Provisions and long-term accrued items
Dolgoročne obveznosti	Non-current liabilities
Kratkoročne obveznosti	Current liabilities
Kratkoročne pasivne časovne razmejitve	Short-term accrued items

Return on equity

Return on equity (ROE) of 4.3% was 1 percentage point lower than in 2008.

Number of employees

Iskra employed 7 people as at 31/12/2009 or 2 less than as at 31/12/2008.

BUSINESS BY ACTIVITY

Automation and telecommunications

The two activities increased sales volumes in 2009 despite the economic crisis. It resulted from winning contracts in 2007 and 2008. They will face a different structure of business in 2010 which will reduce sales. Their operations improved in 2009 by the majority of indicators.

AUTOMATION AND TELECOMMUNICATIONS KEY ACHIEVEMENTS (non-consolidated)	2009 or 31/12/2009	2008 or 31/12/2008	Index 09/08
Net sales revenues	48,199,071	45,971,497	105
Gross operating income	47,694,970	46,371,907	103
Cost of goods, material and services	33,136,961	33,619,470	99
Labour costs	10,655,845	9,907,417	108
Depreciation and amortisation	1,900,583	1,353,090	140
Other operating expenses	449,396	413,497	109
Profit & loss	1,552,185	1,078,433	144
Return on sales (in %)	3.22%	2.35%	137
EBITDA margin (in %)	7%	5%	135

Devices and elements

Operations of the activity were worse in 2009. It was the Group's activity that fared the most badly from adverse global economic trends. Operations of the activity improved in the last quarter of 2009.

Sales volume fell by 15% from 2008. The activity made a loss while it earned a profit in 2008. Labour costs fell despite the cost of severance pay made to laid off staff.

DEVICES AND ELEMENTS KEY ACHIEVEMENTS (non-consolidated)	2009 or 31/12/2009	2008 or 31/12/2008	Index 09/08
Net sales revenues	53,334,837	62,768,983	85
Gross operating income	53,843,501	67,701,698	80
Cost of goods, material and services	30,139,084	37,484,697	80
Labour costs	20,255,836	23,686,100	86
Depreciation and amortisation	5,446,140	5,950,588	92
Other operating expenses	993,040	518,684	191
Profit & loss	-2,990,598	61,628	-4853
Return on sales (in %)	-5.61%	0.10%	-5711
EBITDA margin (in %)	5%	10%	48

Services

Sales volume in the activity fell by 16% in 2009. The reason was: lower volume of sales of electricity and management services. Operating costs and other operating expenses fell in 2009 from 2008 while profit rose.

TRADE AND SERVICES KEY ACHIEVEMENTS (non-consolidated)	2009 or 31/12/2009	2008 or 31/12/2008	Index 09/08
Net sales revenues	19,308,618	22,962,670	84
Gross operating income	19,852,822	24,565,761	81
Cost of goods, material and services	12,734,949	16,790,082	76
Labour costs	3,819,732	4,925,011	78
Depreciation and amortisation	1,185,215	1,351,734	88
Other operating expenses	285,760	342,990	83
Profit & loss	1,827,165	1,155,943	158
Return on sales (in %)	9.46%	5.03%	188
EBITDA margin (in %)	16 %	11%	143

SALES AND MARKETING

Iskra

Iskra made € 3,823 thousand in net sales revenues in 2009, all on the domestic market.

NET SALES REVENUES	Year 2009	Year 2008	Index 09/08
1. Net revenues from sale of services	2,821,950	2,362,066	119
3. Net rent income	1,001,740	891,023	112
TOTAL	**3,823,690**	**3,253,089**	**118**

Iskra made the bulk of net revenues with the performance of business services and consulting the subsidiaries, with which it has annual contracts.

Iskra Group

Consolidated net sales revenue totalled € 109.3 million. The biggest growth in 2009 was in automation and telecommunications. Sales volume in devices and elements and in services fell. The Iskra Group earned the following net sales revenue by segment in 2009:

NET REVENUE BY SEGMENT	Revenues 2009	Revenues 2008	Index 09/08	Share in % 2009
Automation and telecommunications	48,012,914	44,803,467	107	43.9%
Elements and parts	44,598,008	57,283,953	78	40.8%
Devices	1,688,018	413,290	408	1.5%
Trade and services	13,478,339	17,672,220	76	12.3%
Other	1,543,067	31,596	4884	1.4%
TOTAL	**109,320,346**	**120,204,526**	**91**	**100.0%**

The Iskra Group earned the bulk of sales revenue on the domestic market, namely € 60.1 million or 55% of the total. The share of domestic sales rose by 5% in 2009 from the previous year. The main reason was: automation and telecommunications earned the bulk of revenue in Slovenia. The increased share of sales on the Slovenian market was also due to a decrease in sales in the segment of elements, parts and devices. The segment earning the bulk of sales revenue on foreign markets sold less there in 2009 than in 2008.

The main export market of the Group remained the European Union, despite a fall in sales. It accounted for 32% of total sales. On foreign markets, the Group managed to sell more only on markets of the rest of the world.

Net sales revenues by geographic area are presented below.

SALES BY MARKET	Revenues 2009	Revenues 2008	Index 09/08	Share in % 2009
Slovenia	60,093,593	57,456,320	105	55.0%
Southeastern Europe	2,843,554	4,929,155	58	2.6%
Eastern Europe	3,696,016	5,118,046	72	3.4%
EU and EEC companies	34,854,557	41,158,641	85	31.9%
Asia	5,625,784	9,885,624	57	5.1%
America	663,775	722,037	92	0.6%
Rest of the world	1,543,067	934,703	165	1.4%
TOTAL	**109,320,346**	**120,204,526**	**91**	**100.0%**

The share of sales within the Iskra Group was 9.5% of sales before consolidation exclusions in 2009.

Brand management

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

- nearly 65 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.

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.

PURCHASING

General purchasing terms

The general purchasing terms were differently favourable for the Iskra Group in 2009. They started favourably at the beginning of the year as the prices of commodities, raw material and oil were falling and partly achieved the lowest levels in the last few years. It was reflected in low inflation in Slovenia and abroad.

The trend reversed in the second half of the year because of the slow economic recovery and increasing demand from the rapidly developing countries. But the reversal did not have the magnitude to affect the general price levels.

Iskra

Slovenia is the only purchasing market of Iskra. The biggest item in costs of goods, material and services in 2009 was costs of services representing 95% of such costs. The biggest among them was costs of intellectual and personal services, other services and maintenance costs.

Purchasing within the Group totalled € 10.1 million.

Iskra Group

Costs of goods, material and services fell by 14% in 2009 due to lower business volumes of the Group and adopted cost-cutting measures.

Costs of purchasing by geographic area before consolidation exclusions are presented in the table below. We can see that Slovenia remained the main purchasing market in 2009.

PURCHASING BY MARKET	Purchasing 2009	Purchasing 2008	Index 09/08	Share in % 2009
Slovenia	41,530,578	64,074,228	65	54.6%
Southeastern Europe	2,454,550	1,457,690	168	3.2%
Eastern Europe	1,159,223	1,037,838	112	1.5%
EU and other European countries	26,388,423	17,620,184	150	34.7%
Asia	2,742,197	3,543,148	77	3.6%
America	1,494,812	264,740	0	2.0%
Rest of the world	241,211	157,341	100	0.3%
TOTAL	**76,010,994**	**88,155,169**	**86**	**100.0%**

RESEARCH & DEVELOPMENT

The Group had 56 R&D projects in 2009 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 three and a half percent of sales value in 2009. 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 2009.

Telecommunications

The development of SparkWave SDR GE and ADM16 devices was successfully completed. CE and GOST certificates were acquired for both product lines. Second-stage activities have already been initiated for both products, i.e. additional functionalities that will enhance competitiveness of the products on the market.

Activities regarding a new product, SDR GE+, began in 2009; the product is an upgrade of the SparkWave SDR GE radio in terms of both hardware and software. It will be our first product incorporating the purpose-built package processor, i.e. a technology that we believe will form the base for development of products and services of future generations based on package data transmission.
The telecommunications in energy programme continued to develop the ET9 device, which will upgrade the existing solutions in term of functions and technology.

The effects of combined R&D are:
- harmonisation of books of elements at the overall development level;
- sharing experiences in the field of EV and EMC directives;
- linking different segments of R&D (flow of information, know-how and common tools);
- increased consistency and accuracy in development of PCB meaning less revisions, less time and less money for prototypes;
- application of the same processor solution in products from two segments.

Automation

The ENERGY Division successfully completed the CAU 360 project which has already shown first results. The BALOS pilot project was successfully implemented within the FPC 620 project with an inter-stage product. The R&D process was measurably improved and accelerated in those two projects, own adaptable tool was developed by introducing testing of units of functional modules, which enables repeatability and automation of tests directly improving product quality.

Novelties in hardware were:
- harmonisation of books of elements at the overall development level;
- adoption of LV and EMC standards and devising a procedure for certification of devices (CE);
- linking with the other part of HW development (flow of information, know-how and common tools);
- increased consistency and accuracy in development of PCB meaning less revisions, less time and less money for prototypes;
- prepared documentation for HW testing in the measuring room;
- sufficient knowledge and experience to plan own processing unit (CPU PPC).

As regards development in the TRANSPORT Division in 2009, the SAF module (simple automatic function) was developed on the TRIS CTC system for the SIVAS project (Turkey) representing a simplified version of the ARS (automatic route setting). It enables automatic issue of commands. Work has been made on additional development of the tachograph where additional functionalities had to be developed and the orientation of the tachograph changed for the Kosovo project. The Division also made adjustments on the TRIS CTC system with regard to the tender requirements of the Sivas and Macedonia projects. Activities were initiated at the end of 2009 on preparation of the SIL4 project which will raise the security level of the existing TRIS CTC system for application in certain projects being prepared.

Devices and elements

The project is worth around € 3 million with grants of about € 1 million. It consists of five sub-projects where the first two represent development and major investments for production of capacitors and the other three projects being upgrades of capacitors which will represent in the future products with higher value added (dynamic capacitor sets, HV measuring sets and system solutions for compensation systems).

The Group invested in this segment in 2009 in three excellence centres with the aim of achieving the critical mass of researchers in key technological fields and promoting transfer of knowledge in the economy. The Group was successful at the public invitation "Direct incentives for joint research & development projects RIP 09" with the project Systems for measuring and improving the quality of power distribution networks and devices.

The goal of excellence centres is to provide for successful work of Slovenian R&D centres in international setting and obtaining of new ideas, experience, know-how. products and services for application in Slovenia. The excellence centres in which the Iskra Group participates are:

- Low-carbon Technology Excellence Centre (CO NOT) – 15 investors co-finance the programme. The base is bringing together Slovenian potentials in the field of new, low-carbon energy sources and use of those sources in fixed and mobile users.
- Synthetic Materials Excellence Centre (CO NAMASTE) – 20 investors co-finance the programme. The key objective of the centre is to achieve technological progress in synthetic metal and non-metal materials and their implementation in electronics.
- Space Technology Excellence Centre (CO VESOLJE) – 11 investors co-finance the programme. Setting up of the centre fully supports the Slovenia's efforts for participation in the European Space Agency ESA and will contribute to reducing the gap between highly-developed European countries and Slovenia.

The direct incentives project is worth around € 3 million with grants of about € 1 million. The development project consists of five sub-projects where the first two represent development and major investments for production of capacitors and the other three projects being upgrades of capacitors which will represent in the future products with higher value added (dynamic capacitor sets, HV measuring sets and system solutions for compensation systems).

As regards new products, the segment introduced on the market a new generation of engine capacitors in a box KNM1428. A special capacitor with thinner dielectric (5µm) and extended range of capacitance was developed for the customer Sonfy. A new generation of KLV capacitors was developed for Mexico in line with their special requirements. Successful testing of prototypes of welded insulators on covers (replacement of soldering) and introduction of cheaper insulators from India. Changed and improved technological procedure for closing the impregnation hole which improved the quality of capacitors. Successful type testing of the KLV capacitor 600Kvar. Developed special version of the KPB7426 capacitor and the KPL9555 filter for the customer Miele Oelde, the KNB9331 capacitor for the customer Imperial and the KPA1412 capacitor for startup coils for the customer AET.

Developed and patented a new generation of capacitors for compensation of reactive energy at low voltage in dry version. Of new materials, cheaper first pouring with polyurethane was introduced for KPB capacitors.

The measuring instruments and switches department completed in 2009 the development of insulation measuring devices, portable analysers, communicator for remote reading of gas meters, MC 330 measuring centre and BR6 bimetal relay. They initiated the development of a number of products (AMR-LPR transmitter, MC744 measuring centre, communications interface etc.) which will in the future be the main revenue source in the field.

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. 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 Iskra

Employees of Iskra and their education structure as at 31/12/2009 is presented below.

EMPLOYEES	IV	V	VI	VII	VIII	Total
As at 31/12/2009	0	1	0	5	1	7
As at 31/12/2008	1	1	0	6	1	9

The average number of employees in Iskra based on hours worked was 7.3 in 2009.

Iskra had 6 employees on service contracts as at 31/12/2009. Total receipts of the members of the Management Board and other employees are presented in the financial report.

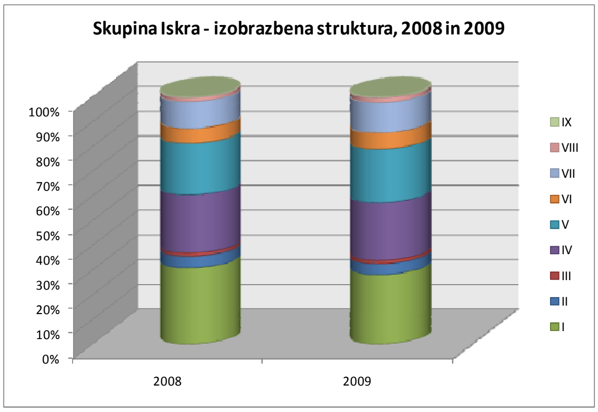
Employees of the Iskra Group

As at the end of 2009 the number of employees of the Iskra Group fell by 276 compared to the end of 2008. The number of employees as at 31/12/2009 was 1634 and as at 31/12/2008 there were 1910 employees.

The Iskra Group took 130 new employees in 2009 and 406 people left. The respective numbers for 2008 were 258 and 352. The number of new employees with college degree or higher was 20 and 38 in 2009 and 2008, respectively. The average education level of staff was 3.9 and 3.7 in 2009 and 2008, respectively (1-9 scale).

In 2009, the share of staff with higher education (VII, VIII and IX) rose by 1.7% on average and in the total number of employees the number of people with higher education was on average smaller by 5.8 employees.

The average number of employees in the Group was 1,735.7 and 2014.6 in 2009 and 2008, respectively, falling by 278.9 from the average number in 2008.



Skupina Iskra – izobrazbena struktura, 2008 in 2009	Iskra Group – educational structure, 2008 and 2009

RISK MANAGEMENT

The Iskra Group managed risks in 2009 with internal techniques of alternative selection of optimal business decisions, obtaining rating information and reports of business partners and with external techniques such as ordering and obtaining guidelines from specialised consulting agencies, banks and other institutions.

Operational risks

Operational risk is the risk that the buyers and suppliers would change the terms & conditions of business relations or default on their contractual obligations.

For Iskra, operational risk was low: in sales it is predominantly engaged with companies in the Group and in purchasing it has relations with selected suppliers.

The Iskra Group has primarily contractual relations with customers and suppliers in Slovenia and abroad which individually do not represent a decisive share of revenues and the necessary purchases.

In the sales segment there was a strong pressure for reducing sales prices throughout the year, notably in products in the elements field. Other activities did not detect such strong pressures for lowering prices.

In purchasing, the risk of default by counterparty was low as the Group has selected several possible suppliers for key purchases. The Group has throughout the year adjusted its purchasing costs to the market conditions, implemented the policy of reducing purchasing prices and monitored exchange rate fluctuations. It also obtained rating reports for suppliers, notably for purchases of equipment of higher value.

Credit risk

Credit risk is the risk of non-fulfilment of contractual and operating obligations by the counterparty, i.e. that the counterparty to a financial instrument contract will default on its obligation and incur the Company a financial loss.

Iskra is not exposed to significant credit risk, as the majority of business relationships involve intra-group companies and the bulk of purchasing involves suppliers who have been delivering in the agreed schedules.

The Group does not hedge the majority of its operating receivables with any special hedging instruments. Additional collateral and factoring of receivables was used in certain cases.

Interest rate risk

Interest rate risk represents the risk arising from the fluctuation of financial instrument value due to market, in particular reference, interest rate changes.

The reference interest rates (EURIBOR and CHFLIBOR) were low as a result of measures of the world's central banks aimed at overcoming the financial crisis. The Iskra Group faced no significant interest rate risk in 2009.

The Iskra Group worked with 16 commercial banks in Slovenia in 2009.

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Iskra Group sells the majority of its products and services in Slovenia, the European

Union and other European countries. The main currency on those markets is the euro and hence no foreign exchange risk existed there. The Iskra Group will face foreign exchange risk if the value of the euro changes compared to the Swiss franc and the US dollar.
The first risk stems from FX loans denominated in Swiss francs. The exchange rate of the Swiss franc to the euro was stable in 2009. It was around CHF 1.50 per 1 euro. The exchange rate as at 31/12/2009 was only slightly lower than the closing exchange rate as at 31/12/2008. Therefore the Group had no major negative exchange rate differences.

The US dollar/euro exchange rate was much more volatile in 2009. The dollar strengthened against the euro in the beginning of the year reaching the highest levels at the end of January. After that it started to fall and ended 2009 at the rate 3.5% below the rate as at the end of 2008. Export and purchasing markets of the Group linked to payments in US dollars are relatively small. As the Group sells more to the dollar zone than it purchases there, lower dollar exchange rate (increase in sales prices did not follow the lower exchange rate) had a negative effect on business results.

Inflation risk

Inflation risk is the risk tied to product price changes. The inflation risk was low in 2009 as the inflation rate in Slovenia and the Eurozone was very low.

Liquidity risk

Liquidity risk is the risk that the company will run into problems in finding sources of finance necessary to fulfil its financial obligations.

The Iskra Group noticed the trend of extended payment deadlines by our customers and the first cases of insolvency have started to appear which is why the Group had to make additional restatements of receivables. The Group obtained rating reports of customers throughout the year 2009 and in particular towards the end of the year in order to reduce the liquidity risk.

The reliance of Group companies on external short- and long-term financing is normal. The companies are settling their current obligations largely with own funds but also with bridging short-term loans and the drawing of approved credit lines. Considering the possibilities for financing, especially by banks, and the ratings of most Group companies, liquidity risk was low.

The Iskra Group had no major liquidity problems in 2009.

Business risk

Business risks are risks related to reducing of economic benefits stemming primarily from inappropriate planning, implementation and supervision of business processes.

The Iskra Group has introduced an efficient system of planning and monitoring business processes which is implemented from the initial to the closing stage (input controls, control of production and end controls). Minor risks can be present only in certain projects, R&D implementation and introduction of new products to the market where quality takes precedence over schedule (time delays of project completion) which did not occur in 2009.

QUALITY AND BUSINESS EXCELLENCE

The Iskra Group placed a lot of efforts in 2009 into preserving the achieved and improving the quality of its products and services.

Business processes in the Iskra Group are structured and documented, 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.

In order to establish and provide for adequacy, efficiency and permanence of implementation of the quality management system, the Group in 2009 supervised operation of the quality management system on the basis of:

- assessment of the quality system;
- discussing the quality policy;
- discussing data on meeting the quality targets;
- discussing the annual report on quality.

Regular external assessment of the ISO 9001:2000 quality system was successfully performed in several members of the Iskra Group in 2009. The assessors paid particular attention to the management supervision and targeted management through set and planned performance criteria by process. The system of internal assessments was also checked.

The Group proves the quality of its products and processes with maintaining and acquiring new certificates, such as VDE EN, UL, CSA and CQC. We successfully underwent controls by inspectors from international certification bodies. It should be noted that the capacitors being sampled in the inspections complied with all tests required by individual standards.

Quality targets for 2010 were set in line with the quality policy. The results and any deviations are discussed at management inspections.

In the sales area of switch and measuring technology the Iskra Group:

- extended the validity of certificates GOST-R, VDE, NF and KEMA for the switch technology and a portion of merchandise;
- acquired the NF certificate for the NFI and FI protective current switches;
- acquired the UL certificate for the KC 12-63 capacitor contactors from India;
- extended validity of certification of the company under the management standards ISO9001 and ISO14001.

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 2009 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, Interseroh, 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 certain devices (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 CO_2 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 was the main sponsor of the Basketball Association of Slovenia and one of the general sponsors of the Olympic Committee of Slovenia.

In 2009, smaller funds went for humanitarian and educational purposes.

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

BUSINESS WITH ASSOCIATES

Monitoring and control

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 2009 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.

Participation in financial restructuring and bailouts

Despite tough economic conditions for members of the Iskra Group, the Group had no need for major financial restructuring and bailouts.

Coordination in the acquisition of finance, crediting and surety

Iskra monthly monitored dealings of companies with banks with special emphasis on the balance of received loans and the terms & conditions of loans raised from banks.

Iskra cooperated in the acquisition of finance and surety under favourable conditions from banks for subsidiaries. It furthermore participated in the refinancing of loans with a view to achieving the best credit conditions.

Iskra moreover provided short-term loans to bridge the liquidity problems of certain subsidiaries. The loans were extended primarily to Iskra EMS, Iskra Commerce and Iskra TELA.

Marketing

Iskra was active in sales and purchasing in 2009; 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 Sistemi, Iskra MIS and Iskra Kondenzatorji) and monitored implementation of strategic development projects and programmes implemented by subsidiaries based on the development plans.

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.

Legal counsel

Iskra provided legal counsel in company, corporate, labour and obligations law and legal counsel in amendments and supplements to articles of association and other regulations of subsidiaries.

Iskra provided for legal protection of Iskra brands; some legal cases are still pending due to unauthorised use of protected brands by third parties.

Iskra also cooperated and provided counsel in the resolution of some legal disputes involving its subsidiaries.

COMPOSITION OF THE ISKRA GROUP

The Iskra Group consist of Iskra as the parent company, subsidiaries of Iskra and subsidiaries of subsidiaries of Iskra. In line with the SAS 2006, associates no longer comprise the Group. Subsidiaries of Iskra and its equity stakes as at 31/12/2009 were as follows:

Ref. No.	SUBSIDIARIES of Iskra	Registered office	Equity stake 31/12/2009	Equity stake 31/12/2008
1.	Iskra Sistemi, d. d.	Stegne 21, Ljubljana, Slovenia	100.00%	100.00%
2.	Iskra MIS, d. d.	Ljubljanska 24a, Kranj, Slovenia	100.00%	100.00%
3.	Iskra Kondenzatorji, d. d.	Vajdova ul. 71, Semič, Slovenia	100.00%	100.00%
4.	Iskra TELA, d. d.	Cesta dveh cesarjev 403, Ljubljana, Slovenia	100.00%	100.00%
5.	Iskra INVEST, d. d.	Stegne 25a, Ljubljana, Slovenia	100.00%	100.00%
6.	Iskra EMS, d. o. o.	Trubarjeva c. 27, Šentjernej,Slovenia	93.65%	76.77%
7.	Iskra Commerce DP Belgrade	Hadži Nikole Živkovića br. 2, Belgrade	100.00%	0.00%
8.	ISEL d. o. o. Belgrade	Hadži Nikole Živkovića br. 2, Belgrade	100.00%	0.00%
9.	Iskra Commerce, d. o. o.	Kotnikova 28, Ljubljana, Slovenia	100.00%	100.00%
10.	Iskra Investments B.V.	Koningslaan 14, Amsterdam, the Netherlands	100.00%	100.00%
11.	Iskra Rus, d. o. o.	ul. B. Gruzinskaja 60, Moscow, Russia	100.00%	100.00%
12.	Eboran, d. o. o.	Kotnikova 28, Ljubljana	100.00%	100.00%
13.	Iskra Vega Plus, d. o. o.	Kotnikova 28, Ljubljana, Slovenia	100.00%	100.00%
14.	Cranex GmbH	Industrestrasse 49, Zug, Switzerland	0.00%	100.00%

Iskra TELA also holds treasury shares qualling 0.34%.

Subsidiaries of subsidiaries of Iskra and their equity stakes as at 31/12/2009 were as follows:

Ref. No.	SUBSIDIARIES OF SUBSIDIARIES	Registered office	Parent company	Equity stake
1.	Cavae Romanae, d. o. o.	Istarska 43, Umag, Croatia	Iskra Commerce	100.00%
2.	TEVIS - Agencija za kadre, d. o. o.	Kotnikova 28, Ljubljana, Slovenia	Iskra INVEST	100.00%
3.	Iskra, d. o. o. Novi Sad	Izvidnička 5, Novi Sad, Serbia	Iskra INVEST	100.00%
4.	Iskra CG, d. o. o. Podgorica	Bratstva i jedinstva 33, Podgorica; Montenegro	Iskra INVEST	60.40%
5.	Iskra IP, d. o. o.	Metliška cesta 8, Semič, Slovenia	Iskra Kondenzatorji	100.00%
6.	Iskra Turizem, d. o. o.	Vajdova 71, Semič, Slovenia	Iskra Kondenzatorji	100.00%
7.	Iskra Orodjarna, d. o. o.	Vajdova 71, Semič, Slovenia	Iskra Kondenzatorji	100.00%
8.	Iskra EI, d. o. o.	Batajnički put 23, Belgrade, Serbia	Iskra Kondenzatorji	71.47%
9.	TELA L, d. o. o.	Ul. Nemanjina 35, 78250 Laktaši, Bosnia and Herzegovina	Iskra TELA	100.00%
10.	Iskra Sistemi - M dooel	Ulica Kej 13 Noe mvri br. 1, Skopje, Macedonia	Iskra Sistemi	100.00%
11.	Iskra USA LLC.	1307 Brentwood Hills Blvd., Brandon, FL, USA	Iskra MIS	100.00%
12.	Iskra EMS, d. o. o.	Trubarjeva c. 27, Šentjernej, Slovenia	TEVIS	1.76%
13.	Iskra EMS, d. o. o.	Trubarjeva c. 27, Šentjernej, Slovenia	Iskra Orodjarna	3.85%

The Companies Act (ZGD-1) allows for the possibility that one or more subsidiaries are excluded from consolidation if this is not important for the fair and true depiction of the balance sheet, income statement, cash flow statement, statements of changes in equity and annexes to the Group's consolidated financial statements. The consolidated financial statements of the Iskra Group exclude subsidiaries of subsidiaries of Iskra, namely:

Iskra El, d. o. o. Belgrade and Iskra USA LLC. The total interest in these companies does not account for a relevant proportion of the total unconsolidated capital.

Capital and profit & loss of Iskra subsidiaries in Slovenia (excluding subsidiaries having their registered office abroad) in 2009:

Ref. No.	COMPANY	Share capital 31/12/2009	Net profit or loss 2009
1.	Iskra Sistemi, d. d.	12,678,033	1,181,451
2.	Iskra MIS, d. d.	11,247,526	-495,763
3.	Iskra Kondenzatorji, d. d.	5,802,634	-1,795,554
4.	Iskra TELA, d. d.	5,303,408	-437,629
5.	Iskra INVEST, d. d.	4,849,023	291,559
6.	Iskra EMS, d. o. o.	329,112	-1,055,749
7.	Iskra Commerce DP Belgrade	671,173	-21,014
8.	ISEL d. o. o. Belgrade	32,465	2,002
9.	Iskra Commerce, d. o. o.	4,826,025	253,952
10.	Iskra Investments B.V.	4,812,379	8,966
11.	Iskra RUS, d. o. o.	-57,561	-23,103
12.	Eboran, d. o. o.	6,182	9
13.	Iskra Vega Plus, d. o. o.	16,607	-660

Investments in associates of the Iskra Group:

Ref. No.	ASSOCIATED COMPANIES	CAPITAL 31/12/2009	NET PROFIT OR LOSS 2009	SHARE OF OWNERSHIP
1.	Iskra Autoelectique S.A	1,822,512	66,568	24.39%
2.	Kolektor Magma, d. o. o.	3,907,061	-997,891	29.17%

EXPECTED FUTURE DEVELOPMENT OF THE ISKRA GROUP

The Strategic Development Plan 2008-2012 specified the key strategic business orientations, priority objectives and the means to meet them. The targets for 2009 were lowered due to the changed situation. The main targets for 2010 are presented in the table below.

MAJOR GOALS	Measurement	2010 plan
1. Real annual sales growth rate	%	2.0
2. Profitability of sales	%	5.6
3. R&D investments as a share of net sales revenues	%	4.0
4. Labour costs as a share of net sales revenues	%	31.0
5. Sales revenues/assets	ratio	0.7
6. Sales revenues/capital	ratio	2.0
7. Share of equity in liabilities	%	37.0
8. Return on equity	%	5.0
9. Value added per employee	€	28,517
10. Labour costs per employee	€	20,510

OVERVIEW OF OPERATIONS OF MAJOR SUBSIDIARIES OF ISKRA

The performance of major subsidiaries of the Iskra group in 2009 is presented in tables below.

KEY ACHIEVEMENTS	Iskra Sistemi	Iskra MIS	Iskra Kondenzatorji	Iskra Tela	Iskra Invest
Net sales revenues	46,288,980	20,310,153	20,893,647	11,263,436	8,675,755
Net profit/loss	1,181,451	-495,763	-1,795,554	-437,629	291,559
Assets - liabilities	43,643,588	22,459,665	21,038,303	10,552,382	14,792,438
Share capital	12,678,033	11,247,526	5,802,634	5,303,408	4,849,023
Financial and operating liabilities (debts)	22,704,387	10,233,567	13,763,722	4,948,460	8,852,190
Number of employees	300.65	387.16	492	188.7	67.44
Return on equity (in %)	9%	-4%	-31%	-8%	6%
EBITDA margin (in %)	6%	7%	1%	3%	8%

KEY ACHIEVEMENTS	Iskra EMS	Iskra IP	Iskra Orodjarna	Tevis
Net sales revenues	1,906,529	1,911,313	1,835,252	1,215,364
Net profit/loss	-1,055,749	14,206	-122,035	61,577
Assets - liabilities	1,389,280	1,762,215	644,474	1,309,157
Share capital	329,112	678,182	-130,000	545,113
Financial and operating liabilities (debts)	885,579	230,516	427,706	267,834
Number of employees	49.73	93	47.81	20.22
Return on equity (in %)	-321%	2%	94%	11%
EBITDA margin (in %)	-43%	23%	0%	3%

Consolidated balance sheet

BALANCE SHEET	As at 31/12/2009	As at 31/12/2008
ASSETS	**152,442,696**	**154,406,501**
A. NON-CURRENT ASSETS	**66,078,611**	**65,866,841**
I. Intangible assets and long-term deferred items	**4,612,907**	**5,310,757**
1. Long-term deferred development costs	186,821	708,025
2. Long-term title rights	500,629	604,308
3. Goodwill	3,599,414	3,599,414
5. Other intangible assets	326,043	399,010
II. Property, plant and equipment	**43,400,883**	**44,276,663**
1. Land & buildings	24,404,894	25,239,983
a) Land	4,938,976	4,909,755
b) Buildings	19,465,917	20,330,228

2. Manufacturing plant and equipment	14,655,942	14,850,939
3. Other plant and equipment	2,564,969	2,851,779
4. Property, plant & equipment under construction or in process	1,600,872	867,208
5. Advance payments for acquisition of property, plant & equipment	174,206	466,754
III. Investment property	**9,459,334**	**7,118,087**
IV. Long-term investments	**7,494,517**	**8,028,845**
1. Long-term investments, except loans	7,241,500	7,836,023
b) Shares and stakes in associates	1,470,978	1,856,194
c) Other shares and stakes	1,004,047	1,000,000
b) Other long-term investments	4,766,475	4,979,829
2. Long-term loans	253,017	192,822
a) Long-term loans to others	245,929	192,822
b) Long-term unpaid called capital	7,088	0
V. Long-term operating receivables	**28,151**	**29,942**
VI. Deferred tax assets	**1,082,819**	**1,102,548**
B. CURRENT ASSETS	**81,524,652**	**86,604,870**
I. Assets (disposal groups) held for sale	**4,795,576**	**4,777,069**
II. Inventories	**21,882,271**	**26,756,930**
1. Material	7,822,905	10,646,050
2. Work-in-progress	10,249,480	11,115,677
3. Products and merchandise	3,209,859	4,711,200
4. Advances on inventories	600,026	284,003
III. Short-term investments	**10,647,493**	**15,852,613**
1. Short-term investments, excluding loans	4,493,882	10,411,925
a) Other shares and stakes	1,747,830	1,658,220
b) Other short-term investments	2,746,052	8,753,705
2. Short-term loans	6,153,611	5,440,688

BALANCE SHEET	As at 31/12/2009	As at 31/12/2008
IV. Short-term operating receivables	**38,470,705**	**33,651,078**
b) Short-term operating receivables from associates	32,192	31,690
c) Short-term accounts receivable	32,466,162	30,754,322
d) Short-term operating receivables from others	5,948,336	2,842,671
e) Other operating receivables for other profit participations	24,015	22,395
V. Cash and cash equivalents	**5,728,607**	**5,567,179**
C. SHORT-TERM DEFERRED ITEMS	**4,839,433**	**1,934,790**
LIABILITIES	**152,442,696**	**154,406,501**
A. EQUITY	**52,673,279**	**53,976,200**
I. Called-up capital	28,242,522	28,242,522
1. Share capital	28,242,522	28,242,522
II. Capital reserves	19,020,128	19,020,128
IV. Fair value reserves in shareholders' equity	4,175,996	4,939,052
V. Net profit or loss brought forward	454,995	751,847
VI. Net profit/loss for the financial year	764,159	842,711
VIII. Minority interests	15,479	179,940
B. PROVISIONS AND LONG-TERM ACCRUED ITEMS	**6,571,267**	**6,871,749**
1. Provisions for pensions and similar obligations	3,683,155	3,683,094
2. Other provisions	858,336	954,073
3. Long-term accrued items	2,029,775	2,234,582
C. NON-CURRENT LIABILITIES	**24,943,153**	**27,139,153**
I. Long-term financial liabilities	**23,957,750**	**25,954,301**
2. Long-term financial liabilities to banks	23,866,902	25,903,954
3. Other long-term financial liabilities	90,849	50,347
II. Long-term operating liabilities	**544,385**	**491,986**
2. Long-term accounts payable	0	32,827
3. Other long-term operating liabilities	544,386	459,159
III. Deferred tax liabilities	**441,017**	**692,866**
E. CURRENT LIABILITIES	**60,410,421**	**62,358,569**
II. Short-term financial liabilities	**38,481,143**	**37,659,630**
2. Short-term financial liabilities to banks	38,465,843	37,657,608
3. Short-term financial liabilities to others	4,111	1,983
4. Other financial liabilities	11,189	39
III. Short-term operating liabilities	**21,929,279**	**24,698,939**
2. Short-term operating liabilities to associated companies	32,711	15,616
3. Short-term operating liabilities from advances	686,147	480,376
4. Short-term accounts payable	16,146,089	17,800,338
5. Other short-term operating liabilities	5,064,332	6,402,609
E. SHORT-TERM ACCRUED ITEMS	**7,844,576**	**4,060,830**
OFF-BALANCE SHEET ASSETS AND LIABILITIES	66,656,038	66,397,475

Consolidated income statement

INCOME STATEMENT	Year 2009	Year 2008
1. Net sales revenues	**109,320,346**	**120,204,526**
2. Change in inventories and work in progress	**-3,055,922**	**854,017**
3. Capitalised own products and services	**1,571,282**	**1,585,327**
4. Other operating revenues	**3,460,900**	**3,654,803**
5. Cost of goods, material and services	**65,916,307**	**77,767,917**
a) Cost of goods and materials sold	7,569,403	9,636,279
b) Used material costs	33,026,678	37,437,315
b) Cost of services	25,320,226	30,694,323
6. Labour costs	**34,731,413**	**38,535,993**
a) Wages and salaries	24,792,671	28,081,285
b) Cost of social insurance	2,047,933	2,450,047
c) Pension insurance costs	2,307,580	2,603,153
d) Other labour costs	5,583,229	5,401,508
7. Depreciation and amortisation	**7,976,073**	**8,252,736**
a) Depreciation and amortisation	5,821,161	5,856,577
b) Restatement operating expenses in intangible assets	495,685	117,294
c) Restatement operating expenses in current assets	1,659,228	2,278,865
8. Other operating expenses	**1,742,678**	**1,298,450**
9. Finance income from participations	**1,267,182**	**1,924,892**
a) Finance income from intra-group participations	0	0
b) Finance income from stakes in associates	30,053	8,444
c) Finance income from shares and stakes in other enterprises	1,040,891	1,884,293
d) Finance income from other investments	196,237	32,155
10. Finance income from loans granted	**308,948**	**368,126**
c) to others	308,948	368,126
11. Finance income from operating receivables	**306,642**	**843,023**
b) to associated companies	0	0
c) to others	306,642	843,023
12. Finance expenses from impairment and write downs of financial investments	**2,067,341**	**385,018**
b) to associated companies	481,356	116,036
c) to others	1,585,985	268,982
13. Finance expenses for financial liabilities	**2,526,656**	**4,793,227**
b) Finance expenses from bank loans	2,525,113	4,044,208
c) other finance expenses	1,543	749,019

INCOME STATEMENT	Year 2009	Year 2008
14. Finance expenses from operating liabilities	**367,136**	**791,456**
b) from accounts payable and bills of exchange	147,863	320,630
c) from other operating liabilities	219,272	470,826
15. Net profit/loss from ordinary activities	**-2,148,226**	**-2,390,083**
16. Other revenues	3,135,619	3,240,995
17. Other expenses	423,510	144,888
19. Corporation tax	6,570	90,004
20. Deferred tax	-205,758	-392,216
21. Net profit or loss for the period	**763,071**	**1,008,236**
- Net profit or loss of the majority shareholder	764,159	842,721
- Net profit or loss of minority shareholders	1,089	165,525

CONSOLIDATED CASH FLOW STATEMENT

	CASH FLOW STATEMENT	Year 2009	Year 2008
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
a)	**Income statement items**	**7,488,201**	**11,519,156**
	Operating revenue (except for restatement) and finance income from operating receivables	115,214,145	127,943,347
	Operating expenses excluding depreciation (except for restatement) and finance expenses from operating liabilities	-107,925,134	-116,726,403
	Income taxes and other taxes not included in operating expenses	199,190	302,212
b)	**Changes in working capital (and deferred and accrued items, provisions and deferred tax assets and liabilities) of operating items in the balance sheet**	**-2,332,444**	**-5,737,949**
	Opening less closing operating receivables	-4,817,836	-3,133,158
	Opening less closing deferred expenses and accrued revenues	-2,904,643	-574,831
	Opening less closing deferred tax assets	19,729	-146,445
	Opening less closing assets (of the disposal group) held for sale	-18,507	-1,867,732
	Opening less closing inventories	4,874,659	-1,961,234
	Closing less opening operating liabilities	-2,717,261	2,176,324
	Closing less opening accrued items and provisions	3,483,264	42,874
	Closing less opening deferred tax liabilities	-251,849	-273,747
c)	**Net disbursements from operating activities (a + b)**	**5,155,757**	**5,781,207**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
a)	**Receipts from investing activities**	**16,461,490**	**11,327,145**
	Interest and dividends received from investing activities	1,576,129	327,332
	Receipts from disposal of intangible assets	3,750	2,091
	Receipts from disposal of tangible assets	154,265	2,136,116
	Receipts from disposal of investment property	0	51,053
	Receipts from disposal of long-term investments	87,487	361
	Receipts from disposal of short-term investments	14,639,859	8,810,192
b)	**Disbursements for investing activities**	**-15,780,400**	**-20,189,174**
	Disbursements for acquisition of intangible assets	-83,997	-603,953
	Disbursements for acquisitions of property, plant & equipment	-4,641,164	-7,577,957
	Disbursements for acquisition of investment property	0	-451,258
	Disbursements for acquisition of long-term investments	-1,620,500	-49,331
	Disbursements for acquisitions of short-term investments	-9,434,739	-11,506,675
c)	**Surplus receipts from investing activities (a + b)**	**681,090**	**-8,862,029**

C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
a)	**Receipts from financing activities**	**37,804,967**	**40,628,805**
	Receipts from paid-in capital	0	0
	Receipts from increase in short-term financial liabilities	32,934,571	36,235,041
	Receipts from increase in long-term financial liabilities	4,870,396	4,393,764

	CASH FLOW STATEMENT	Year 2009	Year 2008
b)	**Disbursements for financing activities**	**-43,480,386**	**-36,175,517**
	Disbursements for interest expenses related to financing	-2,526,656	-4,044,208
	Disbursements for repayment of equity capital	0	0
	Disbursements for repayment of long-term financial liabilities	-6,866,947	-2,660,279
	Disbursements for repayment of short-term financial liabilities	-32,056,373	-27,752,814
	Disbursements for dividends and other profit participations	-2,030,410	-1,718,216
c)	**Surplus receipts from financing activities (a + b)**	**-5,675,419**	**4,453,288**
D.	**Closing balance of cash and cash equivalents (x + y)**	**5,728,607**	**5,567,179**
x)	**Cash flow for the period (total surpluses Ac, Bc and Cc)**	**161,428**	**1,372,466**
	+		
y)	**Opening balance of cash and cash equivalents**	**5,567,179**	**4,194,713**

Independent Auditor's Report

To the shareholders of Iskra

We have audited the enclosed consolidated financial statements of the company Iskra and its subsidiaries (Iskra Group) which include the consolidated balance sheet as at 31 December 2009, 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 the management for the consolidated financial statements

The management is responsible for compilation and fair presentation of these consolidated financial statements in accordance with the Slovenian Accounting Standards. The responsibility includes establishing, operating and maintaining internal controls related to compilation and fair presentation of the 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 on 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 consolidated 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 presents 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 2009 and of the consolidated profit & loss 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 the 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, 28 May 2010

Balance sheet

BALANCE SHEET	As at 31/12/2009	As at 31/12/2008
ASSETS	**78,594,422**	**80,158,708**
A. NON-CURRENT ASSETS	**63,165,491**	**60,682,071**
II. Property, plant and equipment	**622,241**	**662,817**
1. Land & buildings	473,140	488,973
a) Land	20,447	20,447
b) Buildings	452,693	468,526
4. Other plant and equipment	149,101	173,844
III. Investment property	**9,666,803**	**9,876,315**
IV. Long-term investments	**52,863,892**	**50,117,967**
1. Long-term investments, except loans	**52,247,868**	**49,429,164**
a) Shares and stakes in the Group	49,771,298	46,471,239
b) Shares and stakes in associates	1,440,925	1,922,281
d) Other long-term investments	1,035,644	1,035,644
2. Long-term loans	**616,024**	**688,803**
VI. Deferred tax assets	**12,555**	**24,972**
B. CURRENT ASSETS	**15,414,781**	**19,436,514**
I. Assets (disposal groups) held for sale	**0**	**2,569,311**
III. Short-term investments	**13,704,507**	**14,462,929**
1. Short-term investments, excluding loans	2,716,633	2,630,804
c) Other short-term investments	2,716,633	2,630,804
2. Short-term loans	10,987,874	11,832,125
a) Short-term loans to Group members	10,849,595	11,494,254
c) Short-term loans to others	138,279	337,871
IV. Short-term operating receivables	**1,633,201**	**2,319,229**
a) Short-term operating receivables from Group members	1,093,190	2,243,976
c) Short-term accounts receivable	48,571	29,739
d) Short-term operating receivables from others	491,440	45,514
V. Cash and cash equivalents	**77,072**	**85,045**
C. SHORT-TERM DEFERRED ITEMS	**14,150**	**40,123**

BALANCE SHEET	As at 31/12/2009	As at 31/12/2008
LIABILITIES	**78,594,422**	**80,158,708**
A. EQUITY	**51,072,634**	**50,899,015**
I. Called-up capital	**28,242,522**	**28,242,522**
1. Share capital	28,242,522	28,242,522
II. Capital reserves	**19,020,128**	**19,020,128**
V. Net profit or loss brought forward	**1,605,955**	**926,275**
VI. Net profit/loss for the financial year	**2,204,030**	**2,710,090**
B. PROVISIONS AND LONG-TERM ACCRUED ITEMS	**125,553**	**297,407**
1. Provision for pensions and similar obligations	125,553	124,861
2. Other provisions	0	119,539
3. Long-term accrued items	0	53,007
C. NON-CURRENT LIABILITIES	**11,419,884**	**14,496,175**
I. Long-term financial liabilities	**11,415,495**	**14,489,494**
2. Long-term financial liabilities to banks	11,415,495	14,489,494
II. Long-term operating liabilities	**4,389**	**6,681**
1. Other long-term operating liabilities	4,389	6,681
D. CURRENT LIABILITIES	**15,891,688**	**14,396,830**
II. Short-term financial liabilities	**15,299,010**	**12,404,668**
1. Short-term financial liabilities to group members	1,933,504	2,405,244
2. Short-term financial liabilities to banks	13,365,506	9,999,424
III. Short-term operating liabilities	**592,678**	**1,992,162**
1. Short-term operating liabilities to group members	38,764	1,482,557
4. Short-term accounts payable	57,861	64,838
5. Other short-term operating liabilities	496,053	444,767
E. SHORT-TERM ACCRUED ITEMS	84,663	69,281
OFF-BALANCE SHEET ASSETS AND LIABILITIES	16,580,869	11,938,957

Income statement

INCOME STATEMENT	Year 2009	Year 2008
1. Net sales revenues	**3,823,690**	**3,253,089**
a) Net sales revenues generated on the domestic market	3,823,690	3,253,089
4. Other operating revenues	**17,557**	**401,786**
GROSS PROFIT FROM SALES	**3,841,248**	**3,654,875**
5. Cost of goods, material and services	**898,423**	**1,585,809**
b) Used material costs	46,985	47,477
c) Cost of services	851,438	1,538,332
6. Labour costs	**592,893**	**948,384**
a) Wages and salaries	481,156	715,016
b) Pension insurance costs	52,572	81,457
c) Social insurance costs	34,736	54,022
d) Other labour costs	24,429	97,889
7. Depreciation and amortisation	**280,539**	**245,949**
1. Depreciation	250,160	238,408
2. Restatement operating expenses	30,379	7,541
b) Restatement operating expenses related to property & equipment and intangible fixed assets	39	3,245
b) Restatement operating expenses associated with current assets	30,340	4,295
8. Other operating expenses	**44,831**	**60,160**
OPERATING PROFIT	**2,024,562**	**814,573**
9. Finance income from participations	**2,630,360**	**3,023,470**
a) Finance income from intra-group participations	2,057,325	2,925,964
c) Finance income from shares and stakes in other enterprises	420,305	77,917
d) Finance income from other investments	152,729	19,589
10. Finance income from loans granted	**586,502**	**513,460**
a) Finance income from loans given to Group members	559,385	451,855
b) Finance income from loans given to others	27,117	
11. Finance income from operating receivables	**323**	**5,350**
12. Finance expenses from impairment and write downs of investments	**1,935,237**	**208,236**

INCOME STATEMENT	Year 2009	Year 2008
13. Finance expenses for financial liabilities	**1,199,107**	**1,629,606**
a) Finance expenses for loans, received from Group members	155,867	159,514
b) Finance expenses from bank loans	1,042,494	1,214,488
c) Finance expenses from other financial liabilities	746	255,604
NET OPERATING PROFIT OR LOSS FROM ORDINARY ACTIVITY	**2,107,402**	**2,519,011**
16. Other revenues	152,334	213,800
17. Other expenses	43,290	20,550
TOTAL PROFIT	**2,216,446**	**2,712,261**
20. Deferred tax	12,417	2,171
21. Net profit or loss for the period	**2,204,029**	**2,710,090**

Cash flow statement

	IZKAZ DENARNIH TOKOV	Year 2009	Year 2008
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
a)	**Income statement items**	**2,384,088**	**869,326**
	Operating revenue (except for restatement) and finance income from operating receivables	3,993,904	3,472,239
	Operating expenses excluding depreciation (except for restatement) and finance expenses from operating liabilities	-1,609,816	-2,602,913
	Income taxes and other taxes not included in operating expenses	0	0
b)	**Changes in working capital (and deferred and accrued items, provisions and deferred tax assets and liabilities) of operating items in the balance sheet**	**-330,823**	**1,072,876**
	Opening less closing operating receivables	1,136,028	1,066,805
	Opening less closing deferred expenses and accrued revenues	25,973	545,653
	Opening less closing deferred tax assets	12,417	203,391
	Opening less closing assets (of the disposal group) held for sale	53,007	2,171
	Opening less closing inventories	0	0
	Closing less opening operating liabilities	-1,401,776	875,247
	Closing less opening accrued items and provisions	-156,472	-1,620,391
	Closing less opening deferred tax liabilities	0	0
c)	**Net disbursements from operating activities (a + b)**	**2,053,265**	**1,942,202**
B.	**CASH FLOW FROM INVESTMENTS**		
a)	**Cash receipts from investing activities**	**14,713,433**	**10,188,377**
	Interest and dividends received from investing activities	2,779,233	1,378,929
	Receipts from disposal of intangible assets	0	0
	Receipts from disposal of property, plant & equipment	0	1,329,467
	Receipts from disposal of investment property	0	0
	Receipts from disposal of long-term investments	85,487	1,821,180
	Receipts from disposal of short-term investments	11,848,714	5,658,801
b)	**Cash disbursements from investing activities**	**-13,328,782**	**-21,153,035**
	Disbursements for acquisition of intangible assets	**0**	**0**
	Disbursements for acquisitions of property, plant & equipment	-718	-649,020
	Disbursements for acquisition of long-term investments	-1,272,435	-137,457
	Disbursements for acquisition of investment property	0	-5,790,825
	Disbursements for acquisitions of short-term investments	-12,055,629	-14,575,733
c)	**Surplus receipts from investing activities (a + b)**	**1,384,651**	**-10,964,658**

	CASH FLOW STATEMENT	Year 2009	Year 2008
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
a)	**Cash receipts from financing activities**	**19,615,459**	**29,991,893**
	Receipts from increase in long-term financial liabilities		11,193,703
	Receipts from increase in short-term financial liabilities	19,615,459	18,798,190
b)	**Cash disbursements for financing activities**	**-23,061,348**	**-20,902,052**
	Disbursements for interest expenses related to financing	-1,379,622	-789,606
	Disbursements for repayment of equity capital	0	0
	Disbursements for repayment of long-term financial liabilities	0	0
	Disbursements for repayment of short-term financial liabilities	-19,651,316	-18,394,230
	Disbursements for dividends and other profit participations	-2,030,410	-1,718,216
c)	**Surplus receipts from financing activities (a + b)**	**-3,445,889**	**9,089,841**
Č.	***Closing balance of cash and cash equivalents (x + y)***	**77,072**	**85,044**
x)	Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)	-7,972	67,385
	+		
y)	Opening balance of cash	85,044	17,659

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ISKRA

We have audited the enclosed financial statements of the company Iskra which include the balance sheet as at 31 December 2009, income statement, statement of changes in equity and cash flow statement for the underlying year and the summary of material accounting policies and other explanatory notes.

Responsibility of the management for the financial statements

The management is responsible for compilation and fair presentation of these financial statements in accordance with the Slovenian Accounting Standards. The 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 on 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 presents 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 as at 31 December 2009 and of the profit & loss 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 the business report are in line with the enclosed financial statements.

KPMG SLOVENIJA
podjetje za revidiranje d. o. o.
/lastnoročni podpis nečitljiv/
Marjan Mahnič, B.Sc.Econ.
Certified Auditor
Partner

Ljubljana, 28 May 2010