

annual report ▶ 2003



power of knowledge



KONČAR

KONČAR - ELECTRICAL INDUSTRIES GROUP



annual report ▶ 2003



power of knowledge



BASIC INDICATORS

	in HRK '000	2003	2002	2001
Operating revenues		1,890,600	1,561,171	1,410,604
Sales of goods and services		1,824,606	1,512,195	1,349,566
Group's profit before tax		34,592	34,124	28,764
Corporate income tax		9,787	10,085	8,620
Group's profit		24,805	24,039	20,144
Minority interests		18,214	17,629	15,977
Net profit of KONČAR, Inc.		6,591	6,410	4,167
Total assets		2,161,675	2,088,031	1,987,271
Total capital and reserves		1,031,946	1,022,346	1,013,073
Current assets		1,140,648	1,055,418	913,215
Current liabilities		551,857	534,475	480,529
Number of employees as at December 31		4,096	3,989	4,032
Sales per employee		445	379	335

EUR 1 (average for 2003) = 7.563

EUR 1 (as at Dec. 31, 2003) = 7.647



TABLE OF CONTENTS

Foreword by the CEO	4
Supervisory Board Report	5
Basic Features of Operations in 2003	6
Financial and Operating Indicators	6
Sales	6
Contracting New Works	8
Marketing	9
Human Potentials	9
Research and Development	9
Restructuring and Privatization	10
Listing Companies on the Public Joint-Stock Companies Quotation	10
Organization, Ownership Structure and Management	11
Social Accountability	13
Consolidated Financial Report for KONČAR ELECTRICAL INDUSTRIES Group	14
Audited Financial Report for KONČAR - ELECTRICAL INDUSTRIES Inc.	36
Address Book	40

ABBREVIATIONS AND ACRONYMS USED IN THE TEXT

Group	KONČAR-Electrical Industries Inc., subsidiaries and associated companies
Končar Concern	KONČAR- Electrical Industries Inc. and subsidiaries
KONČAR Inc.	KONČAR- Electrical Industries Inc.
Parent Company	KONČAR- Electrical Industries Inc.
ZET	Zagreb Electric Tram Company
INA	Croatian Oil Industry
HAC	Croatian Motorway Company
SS	substation
HPP	Hydropower plant
TPP	Thermo power plant
CPF	Croatian Privatization Fund





FOREWORD BY THE CEO



The year of 2003 was the third consecutive year in which the KONČAR Group achieved growth in sales. The growth in sales accounting for 21 percent was generated mainly due to an increased level of investment in Croatia. Substantial investments in road transportation infrastructure, and to a lesser degree in railroad infrastructure, coupled with investment in the renewal and development of the power system in Croatia, resulted in signing contracts for the delivery of equipment and provision of services by all companies within the KONČAR Group. Growth in exports was achieved as a consequence of increased efforts in sales.

The completion of the 400 kV Ernestinovo substation and signing contracts for 70 low floor trams for the City of Zagreb are things that will make the year of 2003 the one to remember in KONČAR. Ernestinovo has been completed within the term of 18 months, as a result of synchronized work of 10 companies within the KONČAR Concern, with Energy and Transport Engineering Company on the

lead. Synergy of the KONČAR system was presented in the best light. In addition to creating a new reference in respect of doing a 400 kV substation, a new generation of engineers also emerged, dealing with new products and technologies installed in the facility. A new generation of high-voltage switchgear was applied (circuit breakers with spring mechanism and the use of arc energy), as well as new technologies having to do with communication on the substation and silicone insulators. Own product development and methods used in project implementation on this substation represent a new roadmap for KONČAR's future.

The contract for the manufacture of 70 low floor trams with deliveries scheduled for 2005 and 2006 represents a tremendous recognition for KONČAR and investor's trust in KONČAR's capabilities and stability. With its consortium partners, and as the fifth company in the world, KONČAR will develop and manufacture a state-of-the-art technology vehicle with great potentials for sales abroad. Technologically, financially, organizationally and in terms of human resource, this is a large project. It is also a large obligation and a new challenge in front of the creative and professional pool of knowledge existing in KONČAR.

In terms of exports, special efforts were put in achieving a greater presence on the markets of Croatia's neighboring countries, Russia and the Middle East. Employing our comparative advantages for the appearance in those countries and through our ongoing efforts, we are increasing our permanent presence on those markets, as well as our importance. We keep increasing our efforts aimed at making our presence on those markets greater also by applying higher forms of business cooperation (investment, commercial, technical and technological links).

A continuous, multi-annual growth in sales has also resulted in a great increase in production. After 1990, which was the beginning of the creation of a new KONČAR, investments were for the first time made for the purpose of increasing the production capacities in order to be able to respond to greater number of orders. Investments are being made for the production of key product parts. The largest part of this increase in production is being covered by greater utilization of the existing production capacities with the introduction of the second and third shifts, as well as by outsourcing.

Restructuring of the KONČAR Group was continued during 2003. The remaining stakes in KONČAR Rotating Machines from Rijeka and KONČAR HEW were sold, as well as majority stake (74 percent) in KONČAR PEX. This was also the case with a 100 percent stake in KONČAR Magnetic Cores. Along with the increase in investment for the development of products and production of the core business companies, their share in the overall Concern's sales grew to 78 percent. The restructuring efforts are being carried out with the notion of retaining the number of employees beyond 4,000 and a continuous growth in revenue per employee, which currently amounts to HRK 445,000, representing a growth of 33 percent over 2001. The complexity of Company's products constantly increases, whereas there is an ever present orientation towards tailor-made products and the development of facilities.

The said Concern's development directions are founded upon an increased level of applied know-how, and they have been expressed through the 2004 Concern's business motto, which reads - "The Power of Knowledge".

Chairman of the Management Board

Darinko Bago



SUPERVISORY BOARD REPORT



This report encompasses the period from January 1, 2003 to December 31, 2003.

During 2003, the Supervisory Board held a total of five sessions in which it discussed and decided on issues falling within the Supervisory Board's scope of jurisdiction, in keeping with the provisions of Article 263 of the Companies Act, the companies Articles of Incorporation and the Supervisory Board Procedural Rules, as well as of decisions of the General Assembly, providing the necessary consents and guidelines to the Board of Management of the Company.

During the period from January 1, 2003 to August 1, 2003 the Supervisory Board worked in the following composition:

Supervisory Board Chairman:	Neven Mimica
Supervisory Board Deputy Chairman:	Roman Nota
Supervisory Board Members:	Jasminka Belačić
	Georg Eltz
	Ruder Friganović
	Goran Krmpotić
	Ivan Rujnić
	Gavin Michael Susman
	Dubravka Vukmanović

Ms. Dubravka Vukmanović resigned from the Supervisory Board, the resignation being effective as of August 1, 2003, resulting in the the Supervisory Board having the following composition from the date:

Supervisory Board Chairman:	Neven Mimica
Supervisory Board Deputy Chairman:	Roman Nota
Supervisory Board Members:	Jasminka Belačić
	Georg Eltz
	Ruder Friganović
	Goran Krmpotić
	Ivan Rujnić
	Gavin Michael Susman

The Supervisory Board affirms that the financial reports are in keeping with the status indicated in the accounts of the Company and accurately represent the Company's status in terms of assets and operations.

On the basis of control carried out of the way the Company is operated and in accordance with the legal powers vested in the Supervisory Board, the Supervisory Board has determined that the Company operates in accordance with the law, the General Assembly's decisions and instruments of the Company.

Zagreb, April 2004
KONČAR-ELECTRICAL INDUSTRIES Inc.
Supervisory Board Chairman
Neven Mimica, MA





BASIC FEATURES OF OPERATIONS IN 2003

► Financial and Operating Indicators

The consolidated data for the companies within the KONČAR Group in 2003 indicates that the operations in 2003 were stable and in line with the adopted plans. Amount outstanding and obligations toward buyers, suppliers, employees, the Government, banks and other contractual parties were met regularly. Thanks to well contracted works during the previous and the current year, the Company the company's performance was extremely considerable.

The overall consolidated earnings amounted to HRK 1,998 million, a result that is 21 percent greater than total earnings generated in the previous year and 6 percent greater than what was planned for 2003. The non-consolidated earnings (data include sales among associated companies) reached a level of HRK 2,419 million, which is 26 percent greater than the total of the previous year.

Profit before tax totals HRK 34.5 million, in the structure of which the amount of HRK 9.7 million went for tax. Thus profit after tax came to HRK 24.8 million, of this HRK 6.5 million belonging to the parent company.

In the structure of the overall consolidated earnings, the greatest part refers to earnings from sales of goods and services (91 percent), which generated HRK 1,891 million, or 21 percent more than generated in the previous year and four percent more than the planned values.

The consolidated data balance sheet shows the financial stability of the system. Assets were increased by HRK 73.6 million and are 3.5 percent greater than on the same date of the previous year. Long-term source of funds (capital, long-term provisions and long-term liabilities) are greater than fixed assets and the average volume of reserves, which indicates a good age structure of sources of funds. Current assets account for twice the volume of current liabilities, thus underlining the liquidity of the system.

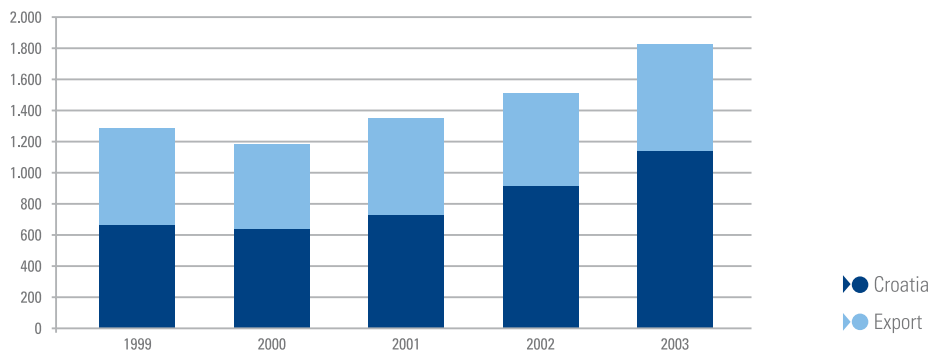
Planned investments in equipment and plant during 2004 in the amount of HRK 84 million, which is HRK 24 million greater than the overall value of annual depreciation, will increase the otherwise unfavorable structure of fixed material assets (property constitutes 80 percent of the fixed material assets structure).

The company has a positive ratio between imports and exports. The value of exports of goods and services amounted to HRK 684 million, while the import of raw and primary materials came to HRK 348 million. As a result, the import/export coverage coefficient stands at 1.97.

► Sales

The 2003 sales of the KONČAR Concern totaled HRK 1,891 million (EUR 240 million), which represents a 21 percent increase over the previous year. Sales of goods and services have been constantly on the increase for three consecutive years.

in HRK million



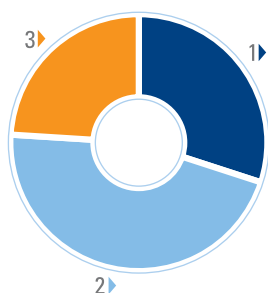
Graph 1: Concern sales during period 1999 - 2003

Exports amounting to HRK 684 million represent an increase of 15.5 percent over the year 2002. Almost one third of the overall export revenue was generated from the countries of ex Yugoslavia (Slovenia, Serbia and Montenegro, Bosnia-Herzegovina and Macedonia), and one half from EU countries. Since capital equipment forms the basis of the Concern's sales, the share of individual countries in the overall structure of the Concern's exports changes from one year to another.



BASIC FEATURES OF OPERATIONS IN 2003

Hence, exports to India grew in 2003. Exports to the United Arab Emirates are continuously on the rise as a result of constant efforts being put into attracting and keeping this demanding market. From the standpoint of the Concern's business policy, the continuous increase of exports to the Russian market represents a significant feature.



- ▶ 1 Bosnia-Herzegovina, Serbia&Montenegro, Macedonia, Slovenia 30%
- ▶ 2 EU countries 46%
- ▶ 3 Other countries 24%

Graph 2a: Sales by countries (before dEU enlargement)

in HRK '000

	2002	2003
Bosnia-Herzegovina	98,887	116,047
France	29,194	57,327
Germany	38,757	47,055
Slovenia	68,342	41,172
India	0	39,080
UAE	11,568	33,312
Bulgaria	10,687	32,432
Serbia and Montenegro	33,080	29,130
Macedonia	29,428	23,354
Czech Republic	26,686	22,080
Greece	4,513	19,963
Italy	12,968	15,862
Norway	4,499	15,475
Russia	10,680	15,134
Slovakia	3,086	13,026
Other countries	308,409	163,362
Total	591,897	683,811

Sales in the domestic market accounted for HRK 1,141 million (a 25 percent increase over 2002).

The main buyers were:

in HRK '000

	2002	2003
Croatian Electricity Company	443,161	585,674
Trading sector	206,027	228,500
Public enterprises (ZET, INA, HAC)	36,645	84,946
Industry and Shipbuilding Industry	73,187	99,591
Croatian Railways	103,103	78,245
State administration	37,079	55,328
Construction industry	15,975	8,511
Total	915,177	1,140,795

BASIC FEATURES OF OPERATIONS IN 2003

Sales results broken down by business areas indicate a strengthening of the core business (Energy and Transport), which recorded a growth in sales by 26 percent in 2003. The growth in sales in other business areas was considerably smaller (Industry 7 percent, and Trade - Household Appliances 3 percent). The share of the Energy and Transport business area in the overall sales structure of the Concern grew from 69 percent in 1999 to 78 percent in 2003.

In respect of the Energy and Transport business area, it is important to mention that equipment delivery for the Ernestinovo Substation was completed in 2003, and the same is also expected soon for the second 400 kV Žerjavinec Substation. The aforesaid facilities were developed and manufactured on the basis of in-house development, design-construction and technical-technological solutions, in which the Electrical Engineering Institute represented the main and fundamental focal point in terms of the development and in terms of relations with development institutions in Croatia and abroad. The successful completion of the works on such significant facilities opens the possibility of winning new markets and increasing exports, which will represent the main factor in sustainability and progress in the future.



Ernestinovo Substation, 400/110 kV

Amongst the larger facilities for export purposes, deliveries were completed for Bhavani Kattalai Barage HPP in India, equipment for two HPPs on the Drava River in Slovenia, for Peć Mlini HPP in Bosnia-Herzegovina, for six HPPs in Macedonia, as well as equipment for the Ulza and Shkopeti HPPs in Albania.

In the industry business area, a contract was completed with the Croatian Motorways Company involving a power supply system for the Sveti Rok tunnel, a section of the Zagreb-Split motorway, a section of the Zagreb-Rijeka motorway (Kupjak-Vrbovsko section) and several significant contracts for the Croatian Oil Company, INA.

The trade business area achieved a significant growth in exports of household appliances to the markets of Bosnia-Herzegovina, Serbia and Montenegro and Macedonia.

▶ Contracting New Works

During 2003, new works in the amount of HRK 2,601 million were contracted, in the structure of which HRK 1,183 million worth of works were contracted for execution in 2003, while HRK 1,418 million worth of works were contracted for execution during 2004 and 2005. The status of contracted works on December 31, 2003 amounts to HRK 1,682 million, which amount is 86 percent greater than the status of contracted works at the end of 2002.

The most prominent amongst the newly contracted works are those involving a contract with the City of Zagreb for the manufacture of 70 low-floor trams worth EUR 113 million, a contract with the Croatian Railways Company for thyristorisation of locomotives, and in the export section, the contracts with railways of Bulgaria and Serbia and Montenegro.

It is important to point out that KONČAR won the works contracted during 2003 through international public tenders.



BASIC FEATURES OF OPERATIONS IN 2003

▶ Marketing

During 2003, KONČAR Concern was marketed under the slogan NATURE :: ENERGY :: KONČAR, coupled with the appropriate visual elements applied to all marketing materials and activities.

The updated web site (www.koncar.hr) was devised as an important instrument of KONČAR's communication with markets and with the purpose of providing fresh information to those who monitor the activities. Additionally, the intention was to attract potential buyers, provide relevant commercial and technical details, as well as to provide direct contacts with responsible and competent persons and departments. In keeping with the business strategy, the website was developed in English as the main business communication language, in Russian because of goals set for that market, as well as in Croatian.

During 2003, the BIS (Business Information System) intranet system was developed and applied, providing systematic market information from Serbia and Montenegro, as well as from Bosnia-Herzegovina where KONČAR has local offices. BIS enables KONČAR's companies insight into data collected from such markets.

KONČAR's production and other capacities were presented at 13 international fairs and eight trade conferences in Croatia and seven additional countries via joint appearance of interested KONČAR companies.

Traditionally, the attendance at the Hanover Fair is the most important such appearance internationally, while in Croatia it is the Autumn International Zagreb Trade Fair that occupies pride of place; the specialized exhibition on the theme of energy originated from KONČAR.

The HYDRO 2003 world conference (Cavtat-Dubrovnik) was the most significant professional assembly sponsored by KONČAR. The conference involved the participation of more than 400 experts from around the world specializing in hydropower plants. Končar's experts delivered lectures and presented recognized and internationally verified works, while exhibition and promotional activities were also organized.

The institutional promotion was directed towards strengthening the corporate identity both within the group and with respect to clients, individual target groups and the public in general. Special attention was paid to the permanent promotion of the KONČAR brand, as well as to elements which were not as represented in earlier activities (common elements of campaigns, standards, recognizable and synchronized promotional materials, common ground for advertising and communication with buyers, and similar). Most of the Group's companies accepted such an approach.

▶ Human Potentials

One of the most important determining factors in KONČAR's strategy is an orientation towards creating a knowledge-based corporation.

People, the foundation of any knowledge-based industry, are at the very core of KONČAR, which nowadays employs professional staff, including 7 employees with PhD/ScD, 47 with MA/MSc/MBA, 470 B.Sc., and 280 2-year post-secondary school engineering graduates. A total of 120 scholarship holders are currently undergoing education at faculties and universities. The ongoing professional and scientific training of staff is well organized. Cooperation with faculties, especially the Electrical Engineering and IT Faculty, coupled with a program for the development of staff potentials, creates the premises for the creation of a knowledge-based company, which is based on highly educated, creative and innovative staff.

The number of employees as of December 31, 2003 amounted to 4,096, 3 percent more than on the same date last year. Sales per employee totaled HRK 445,000, i.e. 26 percent than the previous year.

▶ Research and Development

KONČAR's survival and sustainability on the world market is founded upon having competitive products. The technological level of KONČAR's key products was maintained through a continuous policy of investing in the upgrading and diversification of its own products through developments on the shop floor, in the Electrical Engineering Institute and other scientific institutions.

During 2003, a new generation of high voltage circuit breakers based on a spring mechanism supported by arc energy was introduced to the market. The hydraulic operated circuit breaker thus received a more modern competitor.





BASIC FEATURES OF OPERATIONS IN 2003

In the field of instrument transformers, a new instrument transformer for a rated voltage of 750 kV was introduced for the Russian market. This product is also important because it is the first KONČAR product in the 750 kV voltage range, enabling KONČAR to join the community of the handful of world manufacturers with such a product. The trend will continue.

KONČAR's engineering activities acquired a significant new reference in the 400 kV Ernestinovo SS, while works are being completed on the 400 kV Žerjavinec SS. The significance of these references is to be found in the modernity of the approach, reflected primarily in the handling of safety, control and communications founded upon combining equipment from several renowned manufacturers, as well as in the time of completion: 18 months from signing the contract to commissioning.

▶ Restructuring and Privatization

The process of restructuring is a continuous one; the goal is to direct KONČAR's development towards the core business in the business areas of ENERGY AND TRANSPORT as well as in IT and communication technologies. In accordance with the goals designed, during 2003 the Company sold the remaining lot of shares held in KONČAR - Electric Rotating Machines Rijeka to its Italian strategic partner SINCRO. The strategic partner continues, renews and expands the production of this company. The entire stake in KONČAR Magnetic Cores from the Industry business area was sold to a private entrepreneur. The remaining stake in KONČAR - HEW was purchased by a partner/co-owner. A stake of 74 percent in KONČAR - PEX was sold to a company involved in the field of explosion-proof products, which is involved in a complementary activity.

Considerable investments in the development of production technologies were made in the plants of KONČAR Distribution and Special Transformers, KONČAR Instrument Transformers and KONČAR Power Transformers. These investments were made due to the need to increase and promote production capacities. After the restructuring of KONČAR in 1991, these were the first significant investments for the purpose of expanding production capacities.

Outsourcing is increasingly employed in KONČAR's companies, aimed at reducing the costs of the manufacture of semi-finished products and diminishing the need to invest in production capacities.

The Croatian Privatization Fund (CPF) and other shareholders directly or indirectly owned by the Government are responsible for managing the privatization process of KONČAR Electrical Industries Inc. During 2003, there were no significant shifts or changes in the ownership structure of KONČAR. A starting point in the sale of shares linked with the Government in terms of ownership is the fact that KONČAR is strategically important to the Government. KONČAR employs a staff of 4,000; it has a continuous growth and is an enterprise that works with a profit. Additionally, it is a large exporter with niches in the world markets and has products based on its own technology to be offered on the world market.

▶ Listing Companies on the Public Joint-Stock Companies Quotation

During 2003, KONČAR ELECTRICAL INDUSTRIES Inc. and two subsidiaries (KONČAR - Distribution and Special Transformers and KONČAR - Switchgear) met criteria and were listed on the public joint-stock companies quotation of the Zagreb Stock-Exchange, which entails the obligation to publish all information and facts that are important for proper assessments of the business and financial positions of the Company.



ORGANIZATION, OWNERSHIP STRUCTURE AND MANAGEMENT

► Organization of the KONČAR Group

At the beginning of 2003, the KONČAR Group comprised a parent company and 25 subsidiaries (majority stake with management rights) and five associated companies (minority management stake). At the end of the year and after the sale of a stake in KONČAR-PEX Inc. company (74%) and a full spin-off (100%) of KONČAR-Magnetic Cores Ltd., coupled with a full divestment of KONČAR-Electric Rotation Machines Inc. (49%) and KONČAR-HEW Ltd (30%), the Group consisted (as at December 31, 2003) of 23 subsidiaries distributed in four business areas:

Energy and transport

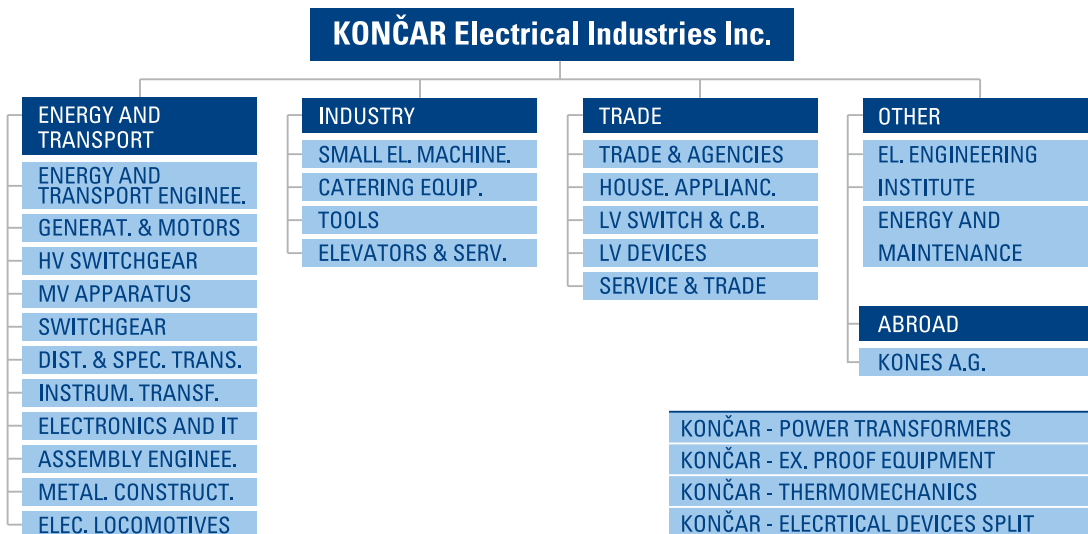
Industry

Trade

Special activities, and

four associated companies.

The image below presents the organizational structure of the KONČAR Group as at December 31, 2003



Full names of companies and addresses are listed at the end of this report.

The core production program of the companies within the KONČAR Group consists of electrical equipment and plants for power generation, transmission and distribution, mass transit and electrical equipment for use in various activities of society (industry, household, motorways, traction, etc.). Detailed description of the production program can be found on the website at www.koncar.hr.



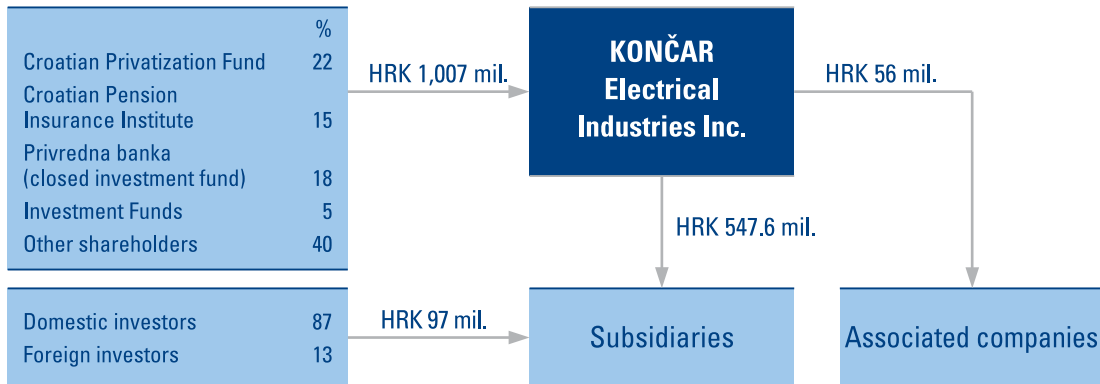


ORGANIZATION, OWNERSHIP STRUCTURE AND MANAGEMENT

► KONČAR Group - Ownership Structure

Shareholder equity in the parent company KONČAR Electrical Industries Inc. amounts to HRK 1,006,821,200 distributed in 2,517,053 shares with the nominal value of HRK 400 per share.

The shareholders are legal entities and individuals from Croatia and abroad. The figure below presents the ownership structure of KONČAR Inc. as at December 31, 2003.



► Management

The parent company is managed by the Board of Management consisting of:

Darinko Bago	CEO
Marina Kralj-Miliša	member
Jozo Miloloža	member
Davor Mladina	member
Božidar Piller	member
Vladimir Plečko	member

The work of the Board of Management is supervised by the Supervisory Board consisting of 9 members:

Neven Mimica	chairman
Jasminka Belačić	member
Ruđer Friganović	member
Ivan Rujnić	member
Dubravka Vukmanović	member (until August 1, 2003)
Roman Nota	member
Goran Krmpotić	member
Georg Eltz	member
Gavin Michel Susman	member

The General Assembly of Shareholders acts in accordance with the Company Act of the Republic of Croatia and the Articles of Association.

KONČAR Inc. is the sole owner of most of the subsidiaries. Several companies have a mixed ownership structure, with a combination of common and preferred shares. Details can be obtained from the Consolidated Financial Reports in the following sections.

Directors or Management Boards appointed in individual companies are responsible for managing respective subsidiaries. Each company has its own Supervisory Board consisting of three to five members, consisting of representatives of the owner, while KONČAR Inc. is represented in those Supervisory Boards by members of KONČAR Inc., the Board of Management or by representatives assigned by Board. Decisions provided for by the individual companies' Articles and the Company Act are made at the companies' AGMs.



SOCIAL ACCOUNTABILITY

Social accountability in the Concern brings together activities related to the preservation and protection of the environment following the principles of sustainable development, care for employees at work during work processes, and various forms of contribution to the broader social community in which it functions.

KONČAR sees fundamental principles of sustainable development (as a combination of economic objectives being achieved in optimal environmental conditions with constant technological progress, without ruining the unity between the production and life processes) as an integral part of its business policy and day-to-day activities, and especially through:

- saving natural energy sources and raw materials;
- reducing, and adequate disposal of, waste in factory and office premises;
- increased duration and use of products;
- recycling materials;
- landscaping and maintaining the factory surroundings and broader natural environment.

Continuing with activities from 2003, the most important was to set in motion ongoing actions for the preservation and protection of the environment, primarily through organizing production processes and accompanying activities in accordance with the highest environmental requirements and standards. As a result of these activities, the Concern meets the highest world standards in terms of the protection of the environment and activities defined within the system of international standards ISO 14001. By the end of 2003, the companies within the KONČAR Concern held a total of 12 ISO 14001 certificates as a proof that the activities comply with the requirements.

In addition to mandatory activities revolving around spending working hours at work places and in the work environment, attention is also paid to the overall wellbeing of employees. This is done through organizing medical checkups, public health campaigns, and through providing help to people with special needs in their everyday life. A series of activities encouraging sports and recreational activities, intergenerational understanding and cooperation between employees and their families have been organized.

Through a system of encouraging young people from the fields of science, sports, culture (sponsorships, donations, rewards, scholarships and other types of incentives), a contribution was made to the development of positive qualities and values, which place the emphasis on creativity, work, knowledge, recreation and other activities essential for the development and maintenance of a complete and multifaceted personality. These actions were focused on those who will eventually become participants in the production process (children, pupils, students, young experts), but also on current and former employees.

During 2003, help was provided to amateur sports clubs and individuals, primarily in those less commercial sports (rifle shooting, kayaking, canoeing, parachuting, badminton, marathon, etc.), sports activities of persons with special needs, and some amateur sports tournaments.

Cultural creativity in various segments (painting, music, theatre, folklore, publishing, professional improvement, preservation of the cultural heritage) represents a permanent segment of our social activities. The intention in these is to recognize quality and potentials, and to support their development following the principles of providing direct and indirect assistance and incentives.

Former employees of KONČAR - the retired - are provided with assistance for the purpose of cultivating the sense of corporate belonging, while many activities serve to encourage care and help as well as leisure activities (excursions, lectures, sports events, recreations, visits to cultural institutions, and similar).

Social accountability in the overall business policy is oriented towards the long-term development of the company through its everyday operations. The production process and its verification on the market represent the core activity, but more and more attention is also paid to satisfying the needs of those who participate in the process, as well as of the environment in which it operates. This is the only way to achieve a general endorsement of the company and to ensure conditions for its long-term development.





CONSOLIDATED FINANCIAL REPORT FOR KONČAR ELECTRICAL INDUSTRIES GROUP

Auditor's Report and consolidated financial statements for the year ended 31 December 2003

Introduction

We have audited the accompanying consolidated balance sheet of the Končar - Elektroindustrija Group, Zagreb ("the Group") as of 31 December 2003, and the related consolidated statements of income, cash flows and changes in equity. These consolidated financial statements are the responsibility of the management of the company Končar - Elektroindustrija d.d., Zagreb ("the Parent Company"). Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes the review of the consolidation process, examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the financial position of the Končar - Elektroindustrija Group as of 31 December 2003, and the results of its operations, cash flows and changes in equity for the year then ended and have been prepared in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte & Touche d.o.o.
Kačićeva 3b
ZAGREB

Zagreb, 26 March 2004





CONSOLIDATED BALANCE SHEET

As at 31 December 2003
All amounts in thousands of HRK

	Notes	2003	2002
ASSETS			
Non-current assets			
Property, plant and equipment	1	721,519	720,048
Assets held for sale or capital increase	2	108,469	111,982
Intangible assets	3	15,989	17,649
Long-term financial assets	4		
Investments in associates	4.1	79,010	76,463
Investments in foreign companies	4.2	778	828
Other long-term financial assets	4.3	30,822	30,728
Long-term receivables	5	64,440	74,915
Total non-current assets		1,021,027	1,032,613
Current assets			
Inventories	6	291,065	292,967
Trade receivables	7	544,083	504,533
Financial assets	8	187,160	172,746
Cash and balances with banks	9	118,340	85,172
Total current assets		1,140,648	1,055,418
TOTAL ASSETS		2,161,675	2,088,031
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shares	10	1,006,821	1,006,821
Share premium	10	(1,393)	(1,393)
Treasury shares	10	(1,877)	(1,877)
Reserves	11	21,824	13,385
Profit (retained earnings and profit for the year)		6,571	5,410
		1,031,946	1,022,346
Minority interest	12	139,576	138,320
Long-term provisions for risks and charges	14	267,746	228,993
Non-current liabilities	13	107,022	112,337
Current liabilities			
Trade and other payables	15	531,989	507,721
Loan liabilities	16	83,396	78,314
Total liabilities		722,407	698,372
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,161,675	2,088,031





CONSOLIDATED INCOME STATEMENT

For the years ended 31 December 2003 and 2002
All amounts in thousands of HRK

	Note	2003	2002
Sales revenue	17	1,824,606	1,512,195
Other operating income	18	65,994	48,976
TOTAL OPERATING INCOME		1,890,600	1,561,171
Change in inventory value		(4,275)	3,732
Cost of materials	19	1,195,153	934,121
Staff costs	20	399,619	354,802
Depreciation		59,334	56,960
Value adjustment of current assets	21	11,922	16,141
Other operating expenses	22	155,318	149,567
Provision for risks and charges		76,189	35,060
TOTAL OPERATING EXPENSES		1,893,260	1,550,383
GAIN/(LOSS) FROM OPERATIONS		(2,660)	10,788
FINANCIAL INCOME	23	77,031	66,711
FINANCIAL EXPENSE	24	55,165	56,932
INVESTMENT INCOME	25	30,302	27,500
INVESTMENT EXPENSE	26	14,916	13,943
TOTAL INCOME		1,997,933	1,655,382
TOTAL EXPENSE		1,963,341	1,621,258
POFIT before tax		34,592	34,124
Income tax	27	9,787	10,085
NET GROUP PROFIT		24,805	24,039
Minority interest		18,214	17,629
NET GROUP PROFIT		6,591	6,410
Earnings per share	28	2,62	2,55
Dividends per share			



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2003 and 2002
All amounts in thousands of HRK

	Notes	Share capital	Share premium	Reserves for treasury shares	Reserves	Retained earnings & profit for the year / accumulated losses & loss for the year)	Total
Balance at 31 December 2001	10,11	1,006,821	(1,393)	(1,877)	6,097	3,425	1,013,073
Transfer to legal reserves		-	-	-	221	(221)	-
Transfer to other reserves		-	-	-	4,204	(4,204)	-
Change in ownership structure		-	-	-	318	-	318
Foreign exchange differences		-	-	-	9	-	9
Reserves for one-off disposal of tangible assets		-	-	-	2,536	-	2,536
Profit for the year		-	-	-	-	6,410	6,410
Balance 31 December 2002	10,11	1,006,821	(1,393)	(1,877)	13,385	5,410	1,022,346
Transfer to legal reserve		-	-	-	271	(271)	-
Transfer to other reserves		-	-	-	5,159	(5,159)	-
Reserves correction		-	-	-	14	-	14
Foreign exchange differences		-	-	-	(205)	-	(205)
Reserves for one-off disposal of tangible assets		-	-	-	3,200	-	3,200
Profit for the year		-	-	-	-	6,591	6,591
Balance at 31 December 2003	10,11	1,006,821	(1,393)	(1,877)	21,824	6,571	1,031,946





CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003
All amounts in thousands of HRK

	2003	2002
Operating activities		
Cash received from customers	1,934,258	1,435,965
Received advances	144,164	203,537
Received interest	11,227	13,019
Paid interest	(7,039)	(8,798)
Payments to suppliers	(1,410,376)	(1,037,670)
Prepayments	(104,491)	(106,428)
Salaries paid	(397,078)	(352,200)
Other receipts/(disbursements), net	(109,256)	(103,532)
NET CASH FLOW FROM OPERATING ACTIVITIES	61,409	43,893
Investing activities		
Proceeds from sale of property, plant, equipment	17,978	19,938
Purchases of property, plant, equipment	(40,387)	(34,990)
Dividends received	1,037	540
Long-term investment sale	8,036	8,215
NET CASH FLOW FROM INVESTING ACTIVITIES	(13,336)	(6,297)
Financing activities		
Loans extended	(20,742)	(10,094)
Cash receipts from loans granted and deposits - long-term	16,170	16,655
- short-term	106,507	108,895
Cash receipts on repayment of loan	22,907	9,301
Cash receipts from sale of shares	752	5,301
Cash paid for purchase of shares	(639)	-
Cash disbursements for dividends	(17,663)	(16,118)
Repayment of borrowings - long-term	(23,432)	(24,094)
- short-term	(97,285)	(93,733)
NET CASH FROM FINANCING ACTIVITIES	(13,425)	(3,887)
INCREASE IN CASH AND CASH EQUIVALENTS	34,648	33,709
Cash and cash equivalents at beginning of year	212,641	178,932
Net cash flow	34,648	33,709
Cash and cash equivalents at end of year	247,289	212,641



ACCOUNTING POLICIES

For the year ended 31 December 2003

I ACTIVITIES OF KONČAR-ELEKTROINDUSTRIJA GROUP, ZAGREB

The Group Končar-Elektroindustrija, Zagreb ("the Group") primarily deals with the manufacturing of electrical machines and appliances, transportation vehicles, machinery construction, metal processing and management of Group companies.

The principal Group activities are divided into three core segments:

- Manufacturing: electric motors, medium and low voltage electric equipment, elevators and hospitality equipment;
- Power generation and supply: design and construction of manufacturing plants, transmission and distribution of electricity and corresponding equipment, locomotives, trams and electric equipment
- Trade: electric household appliances, serial products and low-voltage electric appliances.

The Group includes two companies specialized in product research and development, and business IT and infrastructure investments, as well as four entities registered abroad (two operating and two dormant), acting as representative offices or distributors of Group products, suppliers of raw materials, or financial intermediaries.

The Group has 4 associated companies (in 2002: 6). Two of them are registered abroad, of which one is dormant.

The parent company of the Group is Končar-Elektroindustrija d.d. ("the Company"), incorporated in the Republic of Croatia. The headquarters of the Company are in Zagreb, Fallerovo šetalište 22. The Company deals with management of its subsidiaries.

At 31 December 2003, the Group had 4,096 employees (2002: 3,989).

II ACCOUNTING POLICIES

▶ 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below:

▶ 1.1. Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are presented in Croatian Kuna in compliance with accounting and reporting requirements contained in the Standards issued by the International Accounting Standards Committee. The consolidated financial statements have been prepared using the historical cost convention, as modified by revaluation of certain property, plant and equipment.

▶ 1.2. Basis of consolidation

The consolidated financial statements incorporate all subsidiary undertakings, which are those in which the Group, directly or indirectly, possesses more than a half of voting rights, or has control over their operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intergroup transactions have been eliminated. Minority interests are separately disclosed.

▶ 1.3. Associates

Investments in associates are accounted for by the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Company has significant influence, but which it does not control.

Under the equity method, investments in associates are initially recorded at cost, and their carrying amounts increase or decrease to the extent of the Company's share in the profit or losses of associates.

▶ 1.4. Foreign currency translation

Foreign currency transactions included in the financial statements of certain Group companies and segments are translated into domestic currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into domestic currency using the mean Croatian National Bank exchange rate at year end. All resulting foreign exchange gains and losses are included in the income statement.





ACCOUNTING POLICIES

For the year ended 31 December 2003

▶ 1.5. Financial instruments

Financial instruments disclosed in the balance sheet include cash and balances on bank accounts, investments, receivables, trade payables, leases and loans. Specific methods of recognition applied are disclosed separately for each item.

▶ 1.6. Investments

Investments in Croatian Government Bonds and shares of companies outside the Group are disclosed at cost. Any reclassification or impairment of these investments is recognised as an expense when impairment is identified.

Gains or losses on disposal of investments are included in the income statement to the extent of the difference between the net proceeds on disposal and the carrying amount of an investment.

▶ 1.7. Property, plant and equipment

Property, plant and equipment are initially recorded at cost value.

Land and buildings are subsequently remeasured at fair value, based on the valuation of independent appraisers, less accumulated depreciation for buildings.

Machinery and equipment are recorded at cost less accumulated depreciation.

Additions during the year are recorded at cost. Cost comprises invoice value of purchased assets increased for all expenses relating to putting those assets into use.

Additional investments, which increase the capacity, improve the quality or change the use of tangible assets, are recorded as an increase in cost.

Depreciation is recorded beginning on the first day of the following month the assets were put into use, based on cost. Depreciation is calculated individually using the straight-line method to write down the cost or revalued amount of each asset to its residual value over its expected useful life as follows:

Buildings	15-83 years
Machinery and equipment	7-15 years
Equipment and motor vehicles	4-19 years

Land is not depreciated since it is assumed it has an unlimited useful life.

Construction in progress is not depreciated.

Where the carrying amount of an asset exceeds its recoverable amount, it is immediately written down to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined on the net book value and are recorded as extraordinary income.

Maintenance and repairs are charged to the income statement when incurred.

▶ 1.8. Assets held for sale or capitale increase

Assets held for sale are treated as long-term investments. They are comprised of property, plant and equipment out of use and disclosed at net book value, which does not significantly differ from market value. Investments in assets held for sale are not depreciated.

On disposal of investment properties, the difference between net proceeds and the carrying amount is credited or charged to the income statement.



ACCOUNTING POLICIES

For the year ended 31 December 2003

▶ 1.9. Intangible assets

Intangible assets are recorded at cost less accumulated amortization. Intangible assets consist of patents, trademarks, concessions and licenses for the use of assets, software, and of development costs, and are amortized using the straight-line method over 5 years.

▶ 1.10. Accounting for leases

Assets leased through operating leases are included in the balance sheet as property, plant and equipment and are depreciated over expected useful lives of similar categories of assets. Lease income is recognized on the straight-line basis over the lease term.

▶ 1.11. Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of work in progress and finished goods includes all costs directly attributable to production and a corresponding portion of overhead costs. Where the value of inventories is to be reduced to the net realisable value, any such adjustment is charged to the income statement.

Small inventories, packaging and tires are written-off when put in use.

▶ 1.12. Trade receivables and prepayments

Trade receivables are shown at nominal amounts. An allowance for bad and doubtful accounts is made based on the review of balances outstanding at each year end. A provision for doubtful accounts is made in the year in which they are identified as such.

▶ 1.13. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of cash, investments in cash funds and callable deposits with banks.

▶ 1.14. Long-term provisions

A provision is recognised only when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

▶ 1.15. Deferred taxes

Deferred income tax is the tax expected to be payable or recoverable in future periods as a result of taxable temporary differences or unused tax losses carried forward. Deferred tax balances are offset when there is a legal possibility of offsetting those balances. Deferred taxes are disclosed when such legal possibility arises.

▶ 1.16. Treasury shares

Treasury shares are own shares held by the Group at the balance sheet date and are initially recognised at cost of acquisition and eliminated at average price on disposal. These shares are treated as a deduction from the shareholders' equity. Gains and losses on sales of own shares are included in equity as capital gains or losses.

▶ 1.17. Revenue recognition

Sales revenues are recognised on delivery of goods to, and acceptance by the customer, or on completion of services, net of value added tax and discounts.

Other income earned by the Group is recorded on the following bases:

Interest income - as accrued (taking into account the actual yield), unless collection is doubtful;

Dividend income - when the shareholders' rights to receive payment have been established.





ACCOUNTING POLICIES

For the year ended 31 December 2003

▶ 2. SUMMARY OF SIGNIFICANT CONSOLIDATION POLICIES

▶ 2.1. Consolidated companies

The Company applies International Financial Reporting Standards for the preparation of the consolidated financial statements, as well as Articles 24 and 25 of the Croatian Accounting Law.

The following subsidiaries are included in the consolidation:

Company	Holding in % 2003	Control in % 2003	Holding in % 2002	Control in % 2002
Croatian subsidiaries				
Končar-Kučanski aparati d.o.o. Zagreb	100.00	100.00	100.00	100.00
Končar-Mali električni strojevi d.d., Zagreb	100.00	100.00	100.00	100.00
Končar-Električne lokomotive d.d. Zagreb	100.00	100.00	100.00	100.00
Končar-Metalne konstrukcije d.d. Zagreb	100.00	100.00	100.00	100.00
Končar-Inženjering za energetiku i transport d.d. Zagreb	100.00	100.00	100.00	100.00
Končar-Energetika i usluge d.o.o. Zagreb	100.00	100.00	100.00	100.00
Končar-Dizala i servis d.o.o. Zagreb	100.00	100.00	100.00	100.00
Končar-Institut za elektrotehniku d.d. Zagreb	100.00	100.00	100.00	100.00
Končar-Elektronika i informatika d.d. Zagreb	100.00	100.00	100.00	100.00
Končar-Magnetske jezgre d.o.o. Ivanec	100.00	100.00	100.00	100.00
Končar-Niskonaponski aparati d.d. Zlatar	99.92	100.00	99.92	100.00
Končar-Servis i prodaja d.d. Zagreb	98.77	100.00	98.77	100.00
Končar-Niskonaponske sklopke i prekidači d.d. Zagreb	98.85	100.00	98.85	100.00
Končar-Generatori i motori d.d. Zagreb	98.06	98.06	94.63	94.63
Končar-Alati d.d. Zagreb	97.52	100.00	97.21	100.00
Končar-Ugostiteljska oprema d.d. Zagreb	94.67	99.92	94.67	99.92
Končar-Trgovina i zastupstva d.d. Zagreb	44.55	89.09	44.55	89.09
Končar-Električni aparati srednjeg napona d.d. Zagreb	41.77	69.87	41.77	69.87
Končar-Sklopna postrojenja d.d. Sesvetski Kraljevec	42.03	65.59	42.03	65.59
Končar-Mjerni transformatori d.d. Zagreb	41.58	72.35	41.58	72.35
Končar-Električni visokonaponski aparati d.d. Zagreb	40.26	50.70	40.26	50.70
Končar-Distributivni i specijalni transformatori d.d. Zagreb	41.44	62.30	41.44	62.30
Končar-Montažni inženjering d.d. Zagreb	38.27	76.51	38.27	76.51
Končar-Protueksplzivni zaštićeni uređaji i sistemi d.d. Zagreb	-	-	90.30	99.87
Foreign subsidiaries				
Kones AG, Zurich, Switzerland	64.00	64.00	64.00	64.00



ACCOUNTING POLICIES

For the year ended 31 December 2003

The following companies are accounted for using the equity method as associated companies:

Company	Holding in % 2003	Holding in % 2002
Končar-Energertski transformatori d.o.o., Zagreb	49.00	49.00
Končar-Električni uređaji d.d., Split	33.73	33.73
Končar-Protueksplozivni zaštićeni uređaji i sistemi d.d. Zagreb	26.01	-
Končar-Termotehnika d.o.o., Sesvetski Kraljevec	26.00	26.00
Sincro-Končar d.d., Rijeka	-	49.00
Končar-HEW Elektromotorske komponente d.o.o., Ivanec	-	29.76

▶ 2.2. Equity consolidation

Subsidiaries

The value of investment of Končar-Elektroindustrija d.d. in subsidiaries and its equity share are eliminated. Minority interests in the net profit of consolidated subsidiaries is determined and separately disclosed in the consolidated financial statements of the Group.

Business results of subsidiaries accounted for using the equity method are recorded as financial income or financial expense of the Company in the year in which they arise.

Associated companies

Investments in associated companies are accounted for using the equity method in the consolidated financial statements.

Under the equity method, investments in associated companies are initially recorded at cost and subsequently adjusted to the extent of recognised share of the Company in the profits or losses of associates in the year in which they have arisen.

▶ 2.3. Elimination of assets and liabilities

As the consolidated statements of the Company and its subsidiaries are prepared as a single entity's financial statements, all material transactions between group companies are eliminated in the consolidated balance sheet.

▶ 2.4. Elimination of income and expenses

All material transactions between group companies are eliminated in the consolidated income statements.

▶ 2.5. Translation of foreign subsidiary financial statements

All monetary assets and liabilities of foreign subsidiaries are translated into domestic currency at year-end exchange rates, while income and expenses are translated using the average exchange rate for the year.

Foreign exchange differences arising upon recalculation of the net investment in foreign subsidiaries and associated companies are included as reserves in the shareholders' equity. In case of liquidation or write-off of investments in a foreign subsidiary, foreign exchange differences are recorded within retained earnings or accumulated losses.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

▶ 1 Property, plant and equipment

	Land & buildings	Machinery & Equipment	Construction in progress	Total
Year ended 31 December 2002				
Opening net book value	603,432	132,975	13,989	750,396
Correction of opening net book value	2	-	-	2
Transfer from associates	-	475	483	958
Transfers to associates, sub-associates, liquidations	(16,597)	(2,386)	(129)	(19,112)
Transfers (from)/to	(263)	263	-	-
Acquisitions	754	5,259	39,301	45,314
Assets put in use	1,545	36,097	(41,066)	(3,424)
Disposals and retirements	(4,516)	(1,268)	(211)	(5,995)
Depreciation	(17,707)	(30,384)	-	(48,091)
Closing net book value	566,650	141,031	12,367	720,048
Balance at 31 December 2002				
Cost or valuation	924,386	776,990	12,367	1,713,743
Accumulated depreciation	357,736	635,959	-	993,695
Net book value	566,650	141,031	12,367	720,048
Year ended 31 December 2003				
Opening net book value	566,650	141,031	12,367	720,048
Correction of opening net book value	245	(245)	-	-
Transfer from associates	(1,174)	(353)	-	(1,527)
Assets put in use	4,427	6,247	45,568	56,242
Acquisitions	6,466	41,431	(46,396)	1,501
Disposals and retirements	(2,060)	(1,675)	(1,746)	(5,481)
Depreciation	(17,704)	(31,560)	-	(49,264)
Closing net book value	556,850	154,876	9,793	721,519
Balance at 31 December 2003				
Cost or valuation	932,737	808,035	9,793	1,750,565
Accumulated depreciation	375,887	653,159	-	1,029,046
Net book value	556,850	154,876	9,793	721,519

Loans and guarantees from banks relating to the Group are secured by lien on properties.

▶ 2 Assets held for sale or capital increase

	31 December 2003	31 December 2002
Opening net book value	111,982	109,680
Purchase of investment property for capital appreciation	201	2,547
Capital appreciation	(2,547)	-
Real-estate selling	(1,167)	-
Disposals	-	(245)
TOTAL	108,469	111,982

Property held for sale is stated at carrying amounts, which do not differ significantly from fair values.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

▶ 3 Intangible fixed assets

	31 December 2003	31 December 2002
Opening net book value	17,649	17,897
Correction of opening net book value	-	(2)
Transfers to associates	(25)	(16)
Transfers from associates	-	7
Additions	4,455	5,476
Amortisation	(6,065)	(5,678)
Disposals and retirements	(25)	(35)
Closing net book value	15,989	17,649
Balance at 31 December		
Cost	47,834	43,444
Accumulated amortisation	31,845	25,795
Net book value	15,989	17,649

▶ 4 Long-term financial assets

▶ 4.1. Investments in associates

	31 December 2003	31 December 2002
Opening net book value	76,463	60,763
Transfers to subsidiaries	-	65
Transfers from subsidiaries	1,911	23,552
Current year profit share	12,051	5,474
Current year share in losses	-	(1,494)
Share capital decrease	(11,392)	(13,294)
Elimination of losses	-	1,282
Transfer to dividend receivable	(23)	(18)
Other	-	133
TOTAL	79,010	76,463

▶ 4.2. Investments in foreign subsidiaries

	31 December 2003	31 December 2002
Opening net book value	828	681
Exchange differences	(50)	147
TOTAL	778	828

The following are Group entities registered abroad:

	Country of incorporation	Holding in %
Kones AG, Zurich	Switzerland	64.00
Končar-Intertrade Sdn, Bhd, Kuala Lumpur (dormant)	Malaysia	58.41
Končar-BiH, Sarajevo (under liquidation)	Bosnia&Herzegovina	40.00
Končar-MORAVIA, spol.s.r.o. Brno	Czech Republic	45.00
KONEL GmbH (under liquidation)	Germany	100.00





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

▶ 4.3. Other long-term financial assets

	31 December 2003	31 December 2002
Croatian Government Bonds	21,856	24,965
Transfer of investment from associated companies to non-affiliated	(219)	(907)
Shares and investments in other enterprises and banks	4,440	1,568
Housing loans	3,126	3,230
Deposits	1,238	925
Other	381	947
TOTAL	30,822	30,728

Investments in Croatian Government Bonds represent a right of the Company based on sold apartments, which were included in state capital since the privatization. A portion of these apartments was sold for convertible foreign currencies paid into the Government budget. Simultaneously, the sellers of those apartments were entitled to Croatian Government Bonds equal to 35 % of paid convertible foreign currencies receivable through bonds in the period of five years with an interest rate of 5%. Subsequent changes in the legislation increased the rights of the Company to higher value of bonds and reduced the interest rate. Based on the above-mentioned changes the Company is entitled to receive bonds in the amount of 100 % of paid foreign currencies while the interest rate is reduced to 1 % per annum.

The Company has, according to changes in the legislation and a written interpretation of the legislation issued by the Ministry of Finance, confirming the balance of paid in convertible foreign currency, increased the total value of bonds it holds. Also, the Company recorded interest income in 2003 and 2002, by applying the 1% interest rate on the principal.

During 2003, the Company decreased its investments in Croatian Government Bonds by HRK 3,272 thousand (in 2002 14,191 thousands), by offsetting them against its liabilities for apartments sold.

▶ 5 Long-term receivables

	31 December 2003	31 December 2002
Receivables from associates	321	266
Receivables for sold assets	2,935	4,442
Receivables for apartments sold	33,435	36,210
Receivables for sales abroad (KfW)	6,832	6,882
Receivables for sold shares and equities	4,456	5,279
Receivables under bank guarantees	13,748	17,785
Other loans extended	1,068	1,186
Other	29	139
TOTAL	62,824	72,189
Advances for property, plant & equipment	1,616	2,726
GRAND TOTAL	64,440	74,915



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

Sale of shares and equity interests was performed on one of the following alternative ways:

a) Group ordinary shares were sold under the following terms and conditions:

- at nominal value;
- repayment period: 30 days from contract signing up to 5 years thereafter;
- interest rate: discount rate + 2 % over the repayment period;
- on signing the contract, the purchaser is granted the shareholder status and the right to participate in management and share of profits.

b) Group preferred shares were sold to citizens under the following terms and conditions:

- at a discount of 50% of the nominal value and a 5% cash payment upon signing the contract;
- payment in installments in the period of 10 years;
- interest rate in the amount of discount rate during the repayment period;
- dividends are paid so that the annual repayment for shares is deducted from dividends;
- participation in management is not granted.

e) Equity interests in Group companies were sold under the following terms and conditions:

- contracted price is equal to the value in the privatisation valuation report;
- 10-20% of the contracted price is paid post contract signing;
- the remaining balance is repayable in 8 - 10 semi-annual installments;
- interest rate of 11% or the discount rate of the Croatian National Bank.

Receivables from sales of assets relate to sales of property. These receivables are secured by blank bills of exchange and the customer cannot claim ownership of assets until full repayment.

▶ 6 Inventories

	31 December 2003	31 December 2002
Raw materials and supplies	134,304	134,009
Work in progress	98,393	88,282
Merchandise	18,811	22,279
Finished goods	39,557	48,397
TOTAL	291,065	292,967

▶ 7 Trade receivables

	31 December 2003	31 December 2002
Trade accounts receivable	475,959	430,037
Advances	26,587	46,740
Receivables from associates	6,393	8,127
Prepayments	2,891	1,546
Receivables from government institutions	29,409	13,899
Receivables from employees	1,479	783
Other	1,365	3,401
TOTAL	544,083	504,533





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

▶ 8 Short-term financial assets

	31 December 2003	31 December 2002
Deposits	160,933	151,629
Loans	22,981	15,254
Securities	779	2,503
Other	2,467	3,360
TOTAL	187,160	172,746

▶ 9 Cash and balances with banks

	31 December 2003	31 December 2002
Giro accounts	44,673	44,889
Cash on hand	192	4,565
Foreign currency accounts	70,353	34,068
Other	3,122	1,650
TOTAL	118,340	85,172

▶ 10 Ordinary shares, share premium and treasury shares

	Issued Shares	Ordinary shares	Share premium	Treasury shares	Total
At 31 December 2001	2,517,053	1,006,821	(1,393)	(1,877)	1,003,551
Treasury shares	(12,132)	-	-	-	-
At 31 December 2002	2,517,053	1,006,821	(1,393)	(1,877)	1,003,551
Treasury shares	(12,132)	-	-	-	-
At 31 December 2003	2,517,053	1,006,821	(1,393)	(1,877)	1,003,551
Treasury shares	(12,132)	-	-	-	-

Shareholders with a shareholding of more than 5% are as follows:

	31 December 2003	31 December 2002
1. Croatian Privatization Fund	21.59%	21.58%
2. Privredna banka Zagreb d.d. (Kapitalni fond d.d., closed end investment fund)	18.45%	18.51%
3. Croatian Pension Insurance Institute	15.27%	15.27%
4. Nova banka d.d. (Istarska banka d.d), Pula	6.75%	8.70%
5. Dom-Holding d.d.	7.54%	7.54%
6. PROFICIO d.d.	5.95%	5.95%
7. Small shareholders (less than 5%)	24.45%	22.45%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

▶ 11 Reserves

	Statutory reserves	Other reserves	Translation reserves	Total
At 31 December 2001	3,122	3,461	(486)	6,097
2001 profit distribution	221	4,204	-	4,425
Exchange difference from translation of investments in foreign subsidiaries	-	-	9	9
Change in shareholding structure	-	318	-	318
Reserves for one-off write-off of tangible fixed assets	-	2,536	-	2,536
At 31 December 2002	3,343	10,519	(477)	13,385
2002 profit distribution	271	5,159	-	5,430
Exchange difference from translation of investments in foreign subsidiaries	-	-	(205)	(205)
Correction of reserves	-	14	-	14
Reserves on one-off write-off of tangible fixed assets	-	3,200	-	3,200
At 31 December 2003	3,614	18,892	(682)	21,824

▶ 12 Minority interest

	31 December 2003	31 December 2002
Opening balance	138,320	134,674
Change in minority interest	(16,958)	(13,983)
Minority interest in current year profit	18,214	17,629
TOTAL	139,576	138,320

▶ 13 Non-current borrowings and other liabilities

	31 December 2003	31 December 2002
Domestic borrowings	29,582	16,777
Foreign borrowings	74,395	92,682
Other liabilities	3,045	2,878
TOTAL	107,022	112,337





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

▶ 14 Provisions for liabilities and charges

	Guarantees	Debt co-signing	Other	Total
At 31 December 2001	159,698	31,617	33,674	224,989
Credited to Income Statement	-	-	(17,599)	(17,599)
Charged to Income Statement	2,265	-	32,795	35,060
Amounts utilised	-	-	(13,457)	(13,457)
At 31 December 2002	161,963	31,617	35,413	228,993
Credited to Income Statement	-	-	(29,384)	(29,384)
Charged to Income Statement	50,617	-	25,572	76,189
Amounts utilised	-	-	(8,052)	(8,052)
At 31 December 2003	212,580	31,617	23,549	267,746

▶ 14.1. Guarantees

Provisions for guarantees in the amount of HRK 212,580 thousand (2002: HRK 161,963 thousand) relate to guarantees of Zagrebačka Banka issued prior to 1990 for the activities of the Group in Iraq and Syria in the amount of HRK 161,963 thousand, and other guarantees of the Group companies in the amount of HRK 50,617 thousand.

▶ 14.2. Debt co-signing

Provisions for co-signing in the amount of HRK 31,617 thousand (2002: HRK 31,617 thousand) relate to the Company's co-signing for debt based on the Agreement for guarantees for foreign currency loans of former Končar Group companies seated outside Croatia on the territory of the former Yugoslavia.

▶ 15 Trade payables

	31 December 2003	31 December 2002
Due to suppliers	268,233	271,663
Due to associates	32,289	15,569
Accrued expenses and deferred income	63,527	51,559
Advances received	98,353	108,026
Liabilities for taxes and contributions	21,665	18,702
Due to employees	20,732	18,060
Dividends payable	1,739	763
Interest payable	7,013	7,827
Liabilities for apartments sold	302	296
Other liabilities	18,136	15,256
TOTAL	531,989	507,721

▶ 16 Borrowings

	31 December 2003	31 December 2002
Domestic borrowings	66,848	60,822
Foreign borrowings	16,548	17,492
TOTAL	83,396	78,314



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

▶ 17 Sales

	2003	2002
Domestic sales	1,115,065	900,842
Foreign sales	683,811	593,259
Sales to associates	25,730	18,094
TOTAL	1,824,606	1,512,195

▶ 18 Other operating income

	2003	2002
Reversal of provisions	29,384	17,599
Other income	36,610	31,377
TOTAL	65,994	48,976

▶ 19 Cost of materials

	2003	2002
Raw materials	654,511	527,296
Cost of sales	402,056	302,268
Service expenses	138,586	104,557
TOTAL	1,195,153	934,121

▶ 20 Personnel expenses

	2003	2002
Net salaries	229,896	201,410
Contributions, taxes, surtaxes	169,723	153,392
TOTAL	399,619	354,802

▶ 21 Value adjustments of current assets

	2003	2002
Value adjustment of inventories	4,782	3,086
Provision for bad and doubtful debts	6,518	3,527
Other	622	9,528
TOTAL	11,922	16,141

▶ 22 Other operating expenses

	2003	2002
Employee cost reimbursement	53,799	44,797
Non-manufacturing services	37,229	36,706
Other	64,290	68,064
TOTAL	155,318	149,567





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

▶ 23 Financial income

	2003	2002
Income from relationship with associates	13,805	8,385
Foreign exchange gains	37,711	33,667
Interest and other	25,515	24,659
TOTAL	77,031	66,711

▶ 24 Financial expenses

	2003	2002
Expenses from relationship with associates	1,740	4,056
Foreign exchange losses	29,609	27,460
Interest and other	23,816	25,406
TOTAL	55,165	56,932

▶ 25 Extraordinary income

	2003	2002
Damage reimbursements	5,089	3,672
Liability write-off	11,431	6,567
Income from sale of assets	6,946	6,635
Surpluses	1,240	2,245
Collected provisioned debts	2,004	3,129
Income from prior years	2,656	1,756
Other	936	3,496
TOTAL	30,302	27,500

▶ 26 Extraordinary expenses

	2003	2002
Shortages	684	764
Expenses from prior years	1,494	872
Net book value of disposed assets	5,322	5,004
Cost of sold raw materials	399	514
Penalties, damages	2,250	1,876
Other	4,767	4,913
TOTAL	14,916	13,943



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

▶ 27 Income tax

	31 December 2003	31 December 2002
Tax liability		
- Company	-	-
- Subsidiaries	9,787	10,085
TOTAL	9,787	10,085

The Company and its subsidiaries are subject to taxation according to the regulations applicable in their respective countries of incorporation.

According to Croatian law, income tax base is determined as the difference between income and expenses, increased or decreased according to the Corporate Income Tax Law.

Deferred income tax based on tax losses carried forward is not disclosed in these financial statements.

Certain Group companies ended the year with a profit and the cumulative tax liability amounts to HRK 9,787 thousand.

▶ 28 Earnings per share

Basic earnings per share are calculated by dividing net profit with an average number of ordinary shares.

	31. prosinac 2003.	31. prosinac 2002.
Net profit	6,591	6,410
Weighted average number of shares	2,517,053	2,517,053
Earnings per share (in HRK per share)	2,62	2,55

▶ 29 Dividends payable

Dividends payable are not disclosed until dividend payment is approved by the General Assembly of each of the Group companies.

▶ 30 Contingent liabilities

Out of the total guarantees in the amount of HRK 510,745 thousand, consisting principally of performance bonds in the amount of HRK 464,722 thousand, the Group has allocated HRK 244,197 thousand as guarantee and warranty provision.

In addition, the Company has a potential liability in the amount of HRK 7,856 thousand as a result of the inspection report of the Tax Authorities of 16 December 1999, according to which the Company is to pay corporate income tax for the years 1996 and 1997, together with the corresponding penalty interest. The Company filed an appeal within the legal term and obtained postponement for the payment until the final decision is reached by the Administrative Court of the Republic of Croatia. No provision has been made by the Company for this potential liability.

The Company is defendant in several various legal proceedings. In the opinion of the management, based on the legal advice, no significant liabilities will eventuate on the final outcome of these proceedings.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

► 31 Segment reporting

2003	Industry	Energy and transport	Trade	Special activities	Končar Elektroindustrija, d.d.	Elimination	Group
External revenue	141,906	1,394,691	224,737	37,093	450		1,798,877
Income from associates	17,268	291,834	25,804	76,746	36,888	(422,811)	25,729
Other income	181	26,902	8,889	17,201	12,821		65,994
Total operating income	159,355	1,713,427	259,430	131,040	50,159	(422,811)	1,890,600
Total operating expenses	164,111	1,676,344	265,635	127,281	82,678	(422,789)	1,893,260
Profit/(loss) from operating activities	(4,756)	37,083	(6,205)	3,759	(32,519)	(22)	(2,660)
Difference between financial and extraordinary income/(expenses)	(790)	(4,848)	13,521	2,384	39,110	(12,125)	37,252
Profit/(loss) before tax	(5,546)	32,235	7,316	6,143	6,591	(12,147)	34,592
Income tax	2	8,571	1,167	47	-		9,787
Profit after tax	(5,548)	23,664	6,149	6,096	6,591	(12,147)	24,805
Minority interest							18,214
Profit of the Company							6,591
Non-current assets	62,081	323,260	136,946	44,264	1,079,412	(624,936)	1,021,027
Current assets	77,574	860,474	162,598	105,398	221,806	(287,202)	1,140,648
Total assets	139,655	1,183,734	299,544	149,662	1,301,218	(912,138)	2,161,675
Total liabilities	59,670	808,407	77,434	28,102	67,551	(318,757)	722,407

2002	Industry	Energy and transport	Trade	Special activities	Končar Elektroindustrija, d.d.	Elimination	Group
External revenue	133,270	1,105,134	218,461	30,534	-	-	1,487,399
Income from associates	21,426	139,779	26,963	75,787	34,619	(273,778)	24,796
Other income	399	20,778	8,145	16,436	3,218	-	48,976
Total operating income	155,095	1,265,691	253,569	122,757	37,837	(273,778)	1,561,171
Total operating expenses	156,398	1,225,411	254,306	120,381	67,645	(273,758)	1,550,383
Profit/(loss) from operating activities	(1,303)	40,280	(737)	2,376	(29,808)	(20)	10,788
Difference between financial and extraordinary income/(expenses)	1,219	(2,592)	11,425	2,341	35,239	(24,296)	23,336
Profit/(loss) before tax	(84)	37,688	10,688	4,717	5,431	(24,316)	34,124
Income tax	-	8,256	1,829	-	-	-	10,085
Profit after tax	(84)	29,432	8,859	4,717	5,431	(24,316)	24,039
Minority interest						-	17,629
Profit of the Company							6,410
Non-current assets	62,654	318,032	137,209	45,644	1,086,234	(617,159)	1,032,614
Current assets	84,275	724,816	171,080	99,625	194,975	(219,354)	1,055,417
Total assets	146,929	1,042,848	308,289	145,269	1,281,209	(836,513)	2,088,031
Total liabilities	64,578	709,693	90,097	28,135	70,399	(264,530)	698,372



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003
All amounts in thousands of HRK

Geographical analysis of sales

	2003	%	2002	%
Croatia	1,140,795	62,5	918,936	60,8
EU member countries	207,928	11,4	153,094	10,1
CEFTA member countries	122,496	6,7	120,198	7,9
Other European countries	220,591	12,1	211,121	14,0
Africa	52,609	2,9	72,809	4,8
Asia	51,007	2,8	7,146	0,5
North and South America	5,237	0,3	9,099	0,6
Other countries	23,943	1,3	19,792	1,3
Total exports	683,811	37,5	593,259	39,2
Total	1,824,606	100,0	1,512,195	100,0

The consolidated financial statements, set out on pages 16 to 35, were approved by Management on 22 March 2004.

Chief Executive Officer:

Darinko Bago





AUDITED FINANCIAL REPORT FOR KONČAR - ELECTRICAL INDUSTRIES Inc.

Auditors' report

Introduction

We have audited the accompanying balance sheet of Končar - Elektroindustrija d.d., Zagreb (the Company) as of 31 December 2003 and the related statements of income, cash flows and changes in equity. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects the financial position of the company as of 31 December 2003 and the results of its operations and its cash flows for the year then ended and have been prepared in accordance with International Financial Reporting Standards.

Deloitte & Touche

Zagreb, 26 March 2004

Deloitte & Touche d.o.o.
Kačićeva 3b
ZAGREB





BALANCE SHEET

As at 31 December 2003
All amounts in thousands of HRK

	Notes	2003	2002
ASSETS			
Non-current assets			
Intangible assets		138	80
Property, plant and equipment	6	182,017	185,228
Assets held for sale or capital increase	7	108,469	111,982
Investments in subsidiaries	8.1	589,899	568,469
Investments in associates	8.3	79,010	76,463
Investments in foreign companies	8.4	3,982	4,074
Loans to associates	9	30,456	42,375
Other investments	10	22,966	24,367
Long-term receivables	11	62,476	73,453
		1,079,413	1,086,491
Current assets			
Inventories and prepayments	12	105	63
Short-term receivables	13	35,220	36,477
Financial assets	14	81,821	50,850
Cash and cash equivalents	15	104,660	107,584
		221,806	194,974
TOTAL ASSETS		1,301,218	1,281,465
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shares	17	1,006,821	1,006,821
Share premium		(1,393)	(1,393)
Treasury shares		(1,621)	(1,621)
Reserves		16,087	10,849
Profit		6,593	5,431
		1,026,487	1,020,087
Long-term provisions for risks and charges	16	207,180	190,980
Non-current liabilities			
Long-term borrowings	18	31,888	39,994
Current liabilities			
Trade and other payables	19	35,663	30,404
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,301,218	1,281,465





INCOME STATEMENT

All amounts in thousands of HRK

		Notes	2003	2002
Sales revenue	20	37,338	34,054	
Other operating income	20	12,822	3,783	
TOTAL OPERATING INCOME		50,160	37,837	
Cost of materials	21	(18,744)	(18,866)	
Staff costs	22	(13,675)	(13,849)	
Depreciation	23	(5,686)	(5,645)	
Value adjustment of current assets	24	(235)	(4,719)	
Other operating expenses	24	(12,539)	(12,044)	
Provision for risks and charges	24	(31,800)	(12,522)	
TOTAL OPERATING EXPENSES		(82,679)	(67,645)	
LOSS FROM OPERATIONS		(32,519)	(29,808)	
Investment income	25	47,759	34,230	
Financial income	26	37,490	34,994	
TOTAL FINANCIAL INCOME		85,249	69,224	
Investment expenses	25	(23,900)	(5,253)	
Financial expenses	26	(23,097)	(26,215)	
TOTAL FINANCIAL EXPENSES		(46,997)	(31,468)	
FINANCIAL INCOME		38,252	37,756	
Extraordinary income	27	5,433	622	
Extraordinary expenses	28	(4,573)	(3,139)	
RESULT FROM OTHER ACTIVITIES		860	(2,517)	
TOTAL INCOME		140,842	107,683	
TOTAL EXPENSES		(134,249)	(102,252)	
PROFIT BEFORE TAX		6,593	5,431	
Income tax	5	-	-	
NET PROFIT		6,593	5,431	
Earnings per share	29	2,62	2,16	
Dividends per share	30	-	-	



CASH FLOW STATEMENT

As at 31 December 2003
All amounts in thousands of HRK

	2003	2002
Operating activities		
Cash received from customers	50,130	51,381
Interest received	13,218	15,140
Paid interest	(1,106)	(1,977)
Payments to suppliers	(32,139)	(32,035)
Prepayments	(2,728)	(3,705)
Salaries paid	(13,645)	(13,900)
Other receipts/(disbursements)	(9,526)	(14,146)
NET CASH FLOW FROM OPERATING ACTIVITIES	4,204	758
Investing activities		
Proceeds from sale of equity and debt instruments	9,349	8,879
Proceeds from sale of fixed assets	18,265	19,056
Purchases of property, plant, equipment and intangible assets	(3,333)	(7,630)
Dividends received	12,285	12,244
NET CASH FLOW FROM INVESTING ACTIVITIES	36,566	32,549
Financing activities		
Loans extended	(107,630)	(69,066)
Cash receipts from loans and deposits	91,694	75,151
Cash paid for purchase of shares	(22,500)	(2,467)
Cash disbursements for dividends	-	(5)
Repayment of long-term borrowings	(5,258)	(5,647)
NET CASH FROM FINANCING ACTIVITIES	(43,694)	(2,034)
INCREASE IN CASH AND CASH EQUIVALENTS	(2,924)	31,273
Cash and cash equivalents at beginning of year	107,584	76,311
Cash and cash equivalents at end of year	104,660	107,584





ADDRESS BOOK

▶ MANAGEMENT BOARD

▶ Darinko Bago, Chairman of Management Board

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3667 188, 3667 195, fax: +385 1 3667 196
e-mail: koncar.head@koncar.hr

▶ Marina Kralj Miliša, Member of Management Board in Legal Affairs and HR

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3667 169, fax: +385 1 3667 192
e-mail: kralj.dd@koncar.hr

▶ Jozo Miloloža, Member of Management Board in the Financial Affairs

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3667 606, fax: +385 1 3666 562
e-mail: koncar.finance@koncar.hr

▶ Davor Mladina, Member of Management Board for Business Area Industry and Trade

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3667 198, fax: +385 1 3667 601
e-mail: koncar.ind.trade@koncar.hr

▶ Božidar Piller, Member of Management Board for Business Area Energy and Transport

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3667 507, 3667 418, fax: +385 1 3667 194
e-mail: koncar.energy@koncar.hr

▶ Vladimir Plečko, Member of Management Board for Corporative Development and ICT

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3666 415, fax: +385 1 3667 179
e-mail: koncar.plecko@koncar.hr





ADDRESS BOOK

▶ BUSSINES AREA ENERGY AND TRANSPORT

▶ **KONČAR - Power Plant and Electric Traction Engineering Inc.**

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3667 512, fax: +385 1 3667 515, e-mail: info@koncar-ket.hr

▶ **KONČAR - Generators and Motors Inc.**

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3655 555, +385 1 3667 499, fax: +385 1 3666 564
e-mail: vkucinar@koncar-gim.hr, sales.generators@koncar-gim.hr, sales.motors@koncar-gim.hr

▶ **KONČAR - High Voltage Switchgears Inc.**

Borongajska bb, 10000 Zagreb, Croatia
phone: +385 1 2322 100, fax: +385 1 2318 590, e-mail: tafra@koncar-hvs.com

▶ **KONČAR - Medium Voltage Apparatus Inc.**

Borongajska bb, 10000 Zagreb, Croatia
phone: +385 1 2334 867, fax: +385 1 2331 058, e-mail: n.vukorepa.easn@koncar.htnet.hr

▶ **KONČAR - Switchgears Inc.**

Strojarska cesta 10, 10361 S. Kraljevec, Croatia
phone: +385 1 2030 500, fax: +385 1 2030 505, e-mail: uprava@koncarsp.hr, tomislav.miletic@koncarsp.hr

▶ **KONČAR - Distribution and Special Transformers Inc.**

Josipa Mokrovića 8, 10090 Zagreb, Croatia
phone: +385 1 3783 777, fax: +385 1 3794 051, e-mail: manage@koncar-dst.hr

▶ **KONČAR - Instrument Transformers Inc.**

Josipa Mokrovića 10, 10090 Zagreb, Croatia
phone: +385 1 3794 222, +385 1 3794 074, fax: +385 1 3794 040, e-mail: mjt@koncar.tel.hr

▶ **KONČAR - Electronics and Informatics Inc.**

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3655 555, +385 1 3655 900, fax: +385 1 3655 550, e-mail: inem@koncar-inem.hr

▶ **KONČAR - Metal Structures Inc.**

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3666 560, +385 1 3667 233, fax: +385 1 3667 235, e-mail: davor.horvat@koncar-mk.hr, kmk@koncar-mk.hr

▶ **KONČAR - Electric Locomotives Inc.**

Velimira Škorpika 7, 10090 Zagreb, Croatia
phone: +385 1 3496 959, +385 1 3496 957, fax: +385 1 3496 960, 3496 963
e-mail: uprava.ellok@koncar.htnet.hr, sales.ellok@koncar.htnet.hr

▶ **KONČAR - Engineering for Plant Installation & Commissioning Inc.**

Borongajska bb, 10000 Zagreb, Croatia
phone: +385 1 2355 111, fax: +385 1 2333 717, e-mail: montazni-inzenjering@koncar.hr





ADDRESS BOOK

▶ BUSINESS AREA INDUSTRY

▶ KONČAR - Small Electrical Machines Inc.

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3667 275, +385 1 3667 273, fax: +385 1 3667 622
e-mail: info@koncar-mes.hr

▶ KONČAR - Tools Inc.

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3670 999, fax: +385 1 3667 257
e-mail: alati@koncar-alati.hr

▶ KONČAR - Elevators and Services Ltd.

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3655 904, fax: +385 1 3655 515
e-mail: info@koncar-dizala.hr

▶ KONČAR - Catering Equipment Inc.

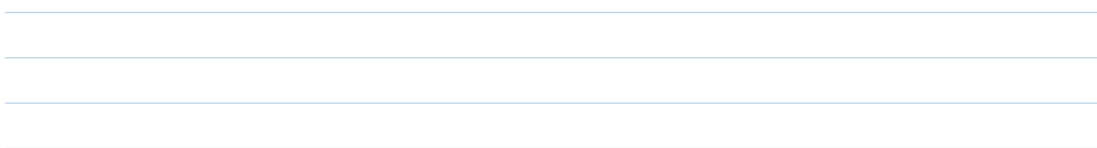
Žitnjak bb, 10000 Zagreb, Croatia
phone: +385 1 2404 884, +385 1 2404 339, 2409 945
fax: +385 1 2404 141, 2409 344
e-mail: dir.ugo@koncarplus.htnet.hr

▶ KONČAR - Explosion Protected Electrical Apparatus and Systems, Inc*

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3667 261, fax: +385 1 3667 263
e-mail: koncar-pex@zg.htnet.hr
* as of 2004 operates as an Associated company

▶ KONČAR - Magnetic Cores Ltd.*

Rudarska bb, 42240 Ivanec, Croatia
phone: +385 42 770 767, fax: +385 42 781 466
e-mail: koncar-magnetske-jezgre@vz.hinet.hr
* as of 9 December 2003, no longer within the Končar Group





ADDRESS BOOK

▶ BUSINESS AREA TRADE

▶ KONČAR - Trade and Agencies Inc.

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3688 800, fax: +385 1 3667 370
e-mail: komercijala@koncar-tiz.htnet.hr

▶ KONČAR - Household Appliances Ltd.

Žitnjak bb, 10000 Zagreb, Croatia
phone: +385 1 2404 555, +385 1 2404 608, fax: +385 1 2404 102
e-mail: kucanski@koncar-ka.hr

▶ KONČAR - Low Voltage Switches and Circuit Breakers Inc.

Borongajska bb, 10000 Zagreb, Croatia
phone: +385 1 2318 116, fax: +385 1 2318 918
e-mail: pom.dir.nsp@koncar.hr, export.nsp@koncar.hr

▶ KONČAR - Low Voltage Devices Inc.

Zagrebačka 31, 49250 Zlatar, Croatia
phone: +385 49 466 637, fax: +385 49 466 246
e-mail: direktor@koncar-nna.hr, prodaja@koncar-nna.hr

▶ KONČAR - Service and Trade Inc.

Prilaz V. Brajkovića 13, 10020 Zagreb, Croatia
phone: +385 1 6528 008, +385 1 6528 522, fax: +385 1 6520 319
e-mail: ksip@ksip.hr





ADDRESS BOOK

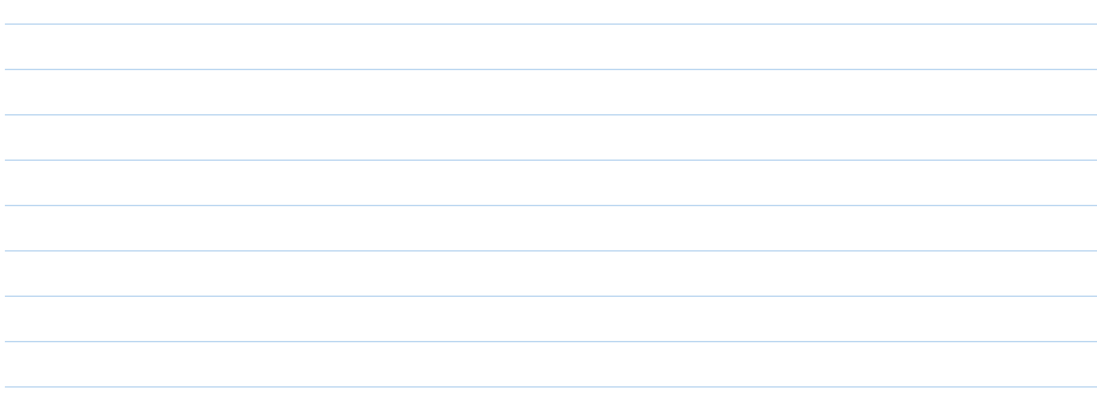
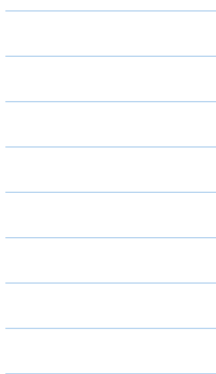
▶ SPECIAL ACTIVITIES

▶ KONČAR - Institute for Electrical Engineering Inc.

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3667 315, fax: +385 1 3667 317
e-mail: scar@koncar-institut.hr

▶ KONČAR - Infrastructure and Services Ltd.

Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone: +385 1 3794 222, +385 1 3794 046, fax: +385 1 3794 149
e-mail: koncar-eu@zg.htnet.hr





ADDRESS BOOK

▶ ASSOCIATED COMPANIES

▶ KONČAR - Power Transformers Ltd.

Josipa Mokrovića 10, 10090 Zagreb, Croatia
phone: +385 1 3794 222, +385 1 3794 076, fax: +385 1 3794 045
e-mail: ivan.milcic@siemens.com
darko.juzbasic@siemens.com, kpt@siemens.com

▶ KONČAR - Termotechnics Inc.

Ive Politea 64, 10361 Sesvetski Kraljevec, Croatia
phone: +385 1 2046 755, fax: +385 1 2046 749
e-mail: koncar-termotehnika@zg.htnet.hr

▶ KONČAR - Electrical Devices Inc.

Težački put bb, 21000 Split, Croatia
phone: +385 21 374 290, +385 21 374 339, fax: +385 21 374 102, 374 108
e-mail: koncarel@st.htnet.hr, ljubomir.zubicic@st.htnet.hr

▶ KONČAR - HEW Electric Motors Components Ltd.*

Rudarska bb, 42240 Ivanec, Croatia
phone: +385 42 784 100, fax: +385 42 784 100
e-mail: koncar-hew@vz.hinet.hr

* as of 10 October 2003, no longer within the Končar Group

▶ SINCRO - KONČAR*

Rijeka -Industrijska zona Kukuljanovo, 51223 Škrljevo, Croatia
phone: +385 51 251 122, +385 51 251 805 , fax: +385 51 251 977, +385 51 251 607
e-mail: info@koncar-ers.hr

* as of 30 December 2003, no longer within the Končar Group





ADDRESS BOOK

▶ KONČAR ABROAD

▶ Companies

▶ KONES AG - SWITZERLAND

CH - 8034 Zürich, Muhlebachstrasse 174, Postfach 1136, Switzerland
phone: +41 1 383 5612, fax: +41 1 422 6609, e-mail: konesag@swissonline.ch

Office in Zagreb:

Fallerovo šetalište 22, 10000 Zagreb, HR
phone/fax: +385 1 3667 365, e-mail: koncar.kones@koncar.hr

▶ KONES AG - O.S., CZECH REPUBLIC

Korunni 89, 13000 Praha-3, Czech Republic
phone: +420 222 514 728, phone/fax: +420 222 512 961, e-mail: kones-koncar@volny.cz

▶ KONČAR - MORAVIA s.r.o., CZECH REPUBLIC

Smetanova 8, 60200 Brno, Czech Republic
phone: +420 5 4155 6106, 4155 6107, fax: +420 5 4155 6108
e-mail: koncar@sky.cz

▶ Representative offices

▶ KONČAR ELECTRICAL INDUSTRIES Inc. - REPRESENTATIVE OFFICE MOSCOW RUSSIAN FEDERATION

Kaphonenicheskaja nab. 1/15 Ap. 170, 109240 Moscow, Russian Federation
phone: +7 095 915 0224, fax: +7 095 915 4680, e-mail: s.nenadic@koncar.hr

Office in Zagreb:

Fallerovo šetalište 22, 10000 Zagreb, HR
phone: +385 1 3667 604, fax: +385 1 3655 755, 3667 602

▶ KONČAR ELECTRICAL INDUSTRIES Inc. - REPRESENTATIVE OFFICE MOSTAR BOSNIA AND HERZEGOVINA

Dr. Ante Starčevića bb, 88000 Mostar - BIH
phone: +387 36 327 721, fax: +387 36 327 724, e-mail: koncar-mostar@tel.net.ba, ciro.grubic@koncar.hr

Office in Zagreb:

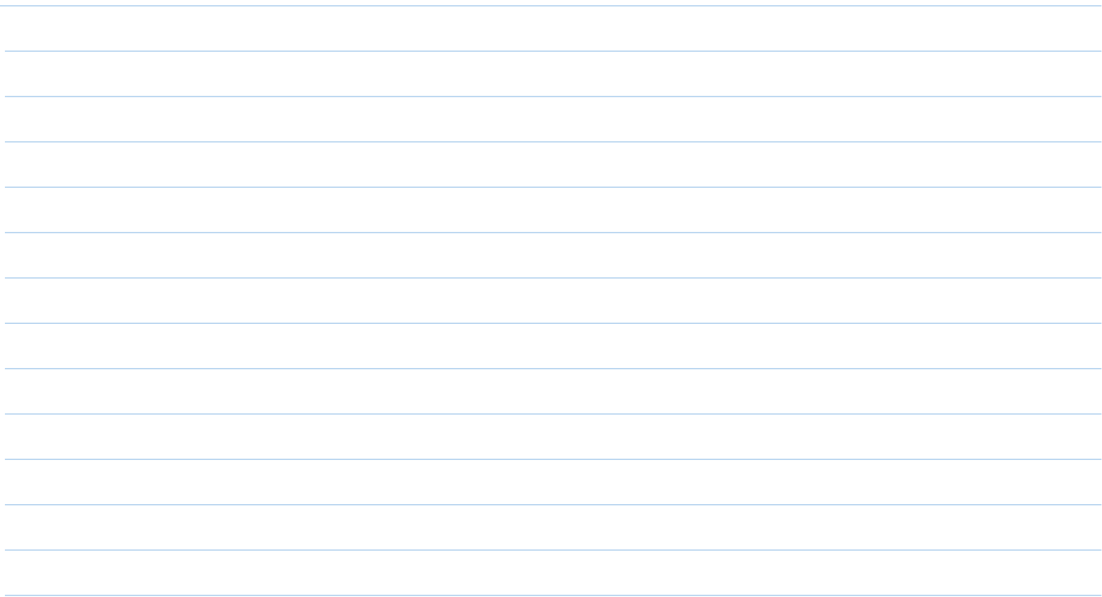
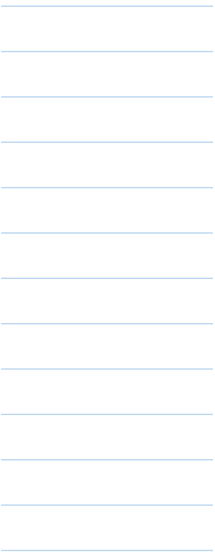
Fallerovo šetalište 22, 10000 Zagreb, HR
phone: +385 1 3655 984, fax: +385 1 3655 118

▶ KONČAR ELECTRICAL INDUSTRIES Inc. - REPRESENTATIVE OFFICE BELGRADE SERBIA AND MONTENEGRO

Bulevar Mihajla Pupina 10Ž/424
11070 Novi Beograd, Serbia and Montenegro
phone: +381 11 3017 321, 3017 322, fax: +381 11 2145 485, phone/fax: +381 11 134 956
e-mail: koncar.office@koncar.co.yu, koncar.unkovic@koncar.co.yu

Office in Zagreb:

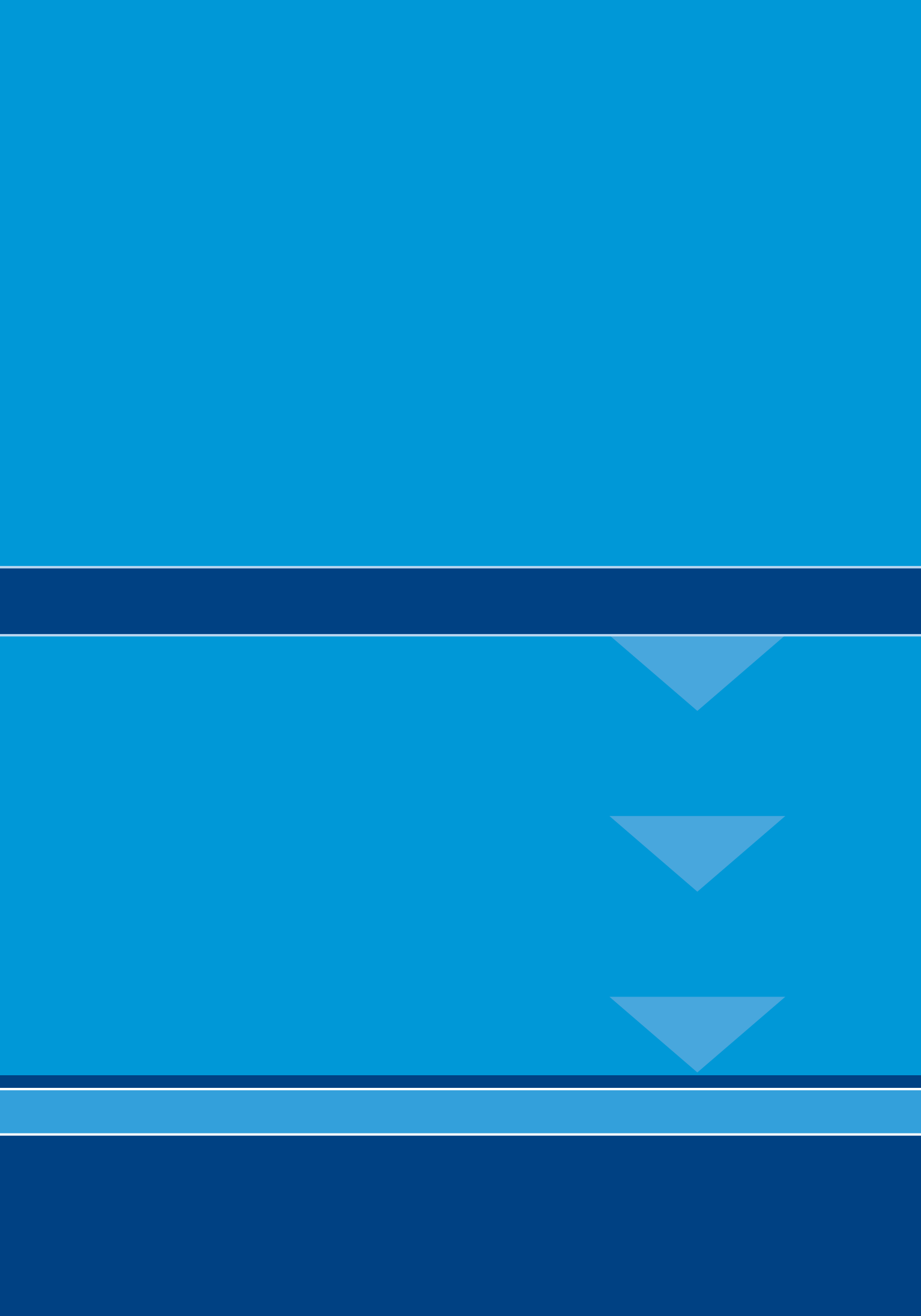
Fallerovo šetalište 22, 10000 Zagreb, HR
phone: +385 1 3655 610, fax: +385 1 3667 179



Publisher: Končar - Electrical Industries Inc.
Design and prepress: Studio Prodomo
Print: Kerschhoffset









KONČAR - ELECTRICAL INDUSTRIES Inc.
Fallerovo šetalište 22, 10000 Zagreb, Croatia
phone. ++385 1 3667 166
fax. ++385 1 3667 196
www.koncar.hr