

**Appendix 1**

Reporting period:

1.1.2011.

to

31.3.2011.

**Quarterly financial report of entrepreneur -TFI-POD**Registration number (MB) | **03282635** |Identification number of subject  
(MBS) | **080040936** |Personal identification  
number (OIB) | **45050126417** |Issuer company: **KONČAR - ELECTRICAL INDUSTRY Inc.** |Postal code and place | **10000** |**ZAGREB** |Street and number | **FALLEROVO ŠETALIŠTE 22** |E-mail address: [koncar.finance@koncar.hr](mailto:koncar.finance@koncar.hr) |Internet adresa: [www.koncar.hr](http://www.koncar.hr) |Code and name of comune/to | **133** | **Zagreb** |Code and county name | **21** | **Zagreb City** |Number of employees | **49** |

(at quarter end)

Consolidated statement | **No** |NKD/NWC code: | **2711** |

Subsidiaries subject to consolidation (according to IFRS):

in appendix

Registration number:


Book keeping service: | |

Contact person: **VESNA ILIĆ** |

(fill in only surname and name of contact person)

Phone number: **01 3667175** |Fascimile: **01 3655377** |E-mail address: [vesna.ilic@koncar.hr](mailto:vesna.ilic@koncar.hr) |Surname and name | **DARINKO BAGO** |

(authorised person for representation)

Disclosure documents:

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

M.P.

(signed by authorised person for representation)

**Balance Sheet**  
as of 31.03.2011.

<b>Company: Končar - Electrical Industry Inc.</b>			
<b>Position</b>	<b>AOP</b>	<b>Previous period</b>	<b>Current period</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	1.149.126.978	1.156.206.590
I. INTANGIBLE ASSETS (004 do 009)	<b>003</b>	244.953	204.127
1. Expenditure for development	<b>004</b>		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	<b>005</b>		
3. Goodwill	<b>006</b>		
4. Advances for purchase of intangible assets	<b>007</b>		
5. Intangible assets in progress	<b>008</b>		
6. Other intangible assets	<b>009</b>	244.953	204.127
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	<b>010</b>	321.186.838	320.104.406
1. Land	<b>011</b>	72.487.276	72.487.275
2. Buildings	<b>012</b>	123.735.036	122.422.946
3. Plant and equipment	<b>013</b>	13.086.148	12.624.832
4. Tools, working inventory and transportation assets	<b>014</b>	404.447	958.042
5. Biological assets	<b>015</b>		
6. Advances for purchase of tangible assets	<b>016</b>	1.703.296	1.417.772
7. Tangible assets in progress	<b>017</b>	15.857.649	16.280.554
8. Other tangible assets	<b>018</b>	63.376	63.375
9. Investment in real-estate	<b>019</b>	93.849.610	93.849.610
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	<b>020</b>	793.378.482	801.792.453
1. Share in related parties	<b>021</b>	791.005.849	799.419.381
2. Loans to related parties	<b>022</b>		
3. Participating interests (shares)	<b>023</b>		
4. Loans to companies with participating interest	<b>024</b>		
5. Investments in securities	<b>025</b>	2.372.633	2.373.072
6. Loans, deposits, etc.	<b>026</b>		
7. Other non-current financial assets	<b>027</b>		
8. Equity-accounted investments	<b>028</b>		
IV. RECEIVABLES (030 do 032)	<b>029</b>	34.316.705	34.105.604
1. Receivables from related parties	<b>030</b>		
2. Receivables arising from sales on credit	<b>031</b>		
3. Other receivables	<b>032</b>	34.316.705	34.105.604
V. DEFERRED TAX ASSET	<b>033</b>		
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	398.308.258	418.410.400
I. INVENTORIES (036 do 042)	<b>035</b>	6.091	157.585
1. Raw materials and supplies	<b>036</b>		
2. Production in progress	<b>037</b>		
3. Finished products	<b>038</b>		
4. Merchandise	<b>039</b>		
5. Advances for inventories	<b>040</b>	6.091	157.585
6. Long term assets held for sale	<b>041</b>		
7. Biological assets	<b>042</b>		
II. RECEIVABLES (044 do 049)	<b>043</b>	119.395.087	75.824.656
1. Receivables from related parties	<b>044</b>	103.492.189	59.341.934
2. Receivables from end-customers	<b>045</b>	597.490	606.333
3. Receivables from participating parties	<b>046</b>		
4. Receivables from employees and members of the company	<b>047</b>	35.103	601.193
5. Receivables from government and other institutions	<b>048</b>	5.325	
6. Other receivables	<b>049</b>	15.264.980	15.275.196
III. CURRENT FINANCIAL ASSETS (051 do 057)	<b>050</b>	115.581.504	118.570.350
1. Share in related parties	<b>051</b>		
2. Loans to related parties	<b>052</b>	31.400.000	32.931.859
3. Participating interests (shares)	<b>053</b>		
4. Loans to companies with participating interest	<b>054</b>		
5. Investments in securities	<b>055</b>		
6. Loans, deposits, etc.	<b>056</b>		
7. Other financial assets	<b>057</b>	84.181.504	85.638.491
IV. CASH AND CASH EQUIVALENTS	<b>058</b>	163.325.576	223.857.809
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	733.263	2.061.228
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.548.168.499	1.576.678.218
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	658.114.155	658.419.873

<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	1.256.631.736	1.282.780.982
I. SUBSCRIBED SHARE CAPITAL	<b>063</b>	1.028.847.600	1.028.847.600
II. CAPITAL RESERVES	<b>064</b>	719.579	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	134.314.547	164.779.740
1. Legal reserves	<b>066</b>	11.389.054	14.464.809
2. Reserve for own shares	<b>067</b>		
3. Treasury shares and shares (deductible items)	<b>068</b>		
4. Statutory reserves	<b>069</b>	75.489.055	84.276.008
5. Other reserves	<b>070</b>	47.436.438	66.038.923
IV. REVALUATION RESERVES	<b>071</b>		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	<b>072</b>	31.234.921	62.100.349
1. Retained earnings	<b>073</b>		
2. Loss carried forward	<b>074</b>		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	<b>075</b>	61.515.089	26.333.714
1. Net profit for the period	<b>076</b>	61.515.089	26.333.714
2. Net loss for the period	<b>077</b>		
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	282.274.972	282.076.492
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	1.291.160	1.291.160
2. Provisions for tax liabilities	<b>081</b>		
3. Other provisions	<b>082</b>	280.983.812	280.785.332
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	510.000	510.000
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits, etc.	<b>085</b>	510.000	510.000
3. Liabilities to banks and other financial institutions	<b>086</b>		
4. Liabilities for advances	<b>087</b>		
5. Trade payables	<b>088</b>		
6. Commitments on securities	<b>089</b>		
7. Liabilities to companies with participating interest	<b>090</b>		
8. Other non-current liabilities	<b>091</b>		
9. Deferred tax liabilities	<b>092</b>		
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	8.559.115	11.310.744
1. Liabilities to related parties	<b>094</b>	899.906	1.625.209
2. Liabilities for loans, deposits, etc.	<b>095</b>	340.000	340.000
3. Liabilities to banks and other financial institutions	<b>096</b>		
4. Liabilities for advances	<b>097</b>		
5. Trade payables	<b>098</b>	1.174.806	1.885.969
6. Commitments on securities	<b>099</b>		
7. Liabilities to companies with participating interest	<b>100</b>		
8. Liabilities to employees	<b>101</b>	2.128.977	2.840.538
9. Taxes, contributions and similar liabilities	<b>102</b>	3.669.995	4.395.260
10. Liabilities arising from share in the result	<b>103</b>	127.658	127.658
11. Liabilities arising from non-current assets held for sale	<b>104</b>		
12. Other current liabilities	<b>105</b>	217.773	96.110
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	192.676	
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.548.168.499	1.576.678.218
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	658.114.155	658.419.873
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	<b>109</b>		
2. Attributable to minority interest	<b>110</b>		

**Income statement**  
period 01.01.2011. to 31.03.2011.

Company: Končar -Electrical Industry Inc.

Position	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112 do 113)</b>	<b>111</b>	14.166.377	14.166.377	13.294.613	13.294.613
1. Rendering of services	112	13.289.984	13.289.984	12.934.285	12.934.285
2. Other operating income	113	876.393	876.393	360.328	360.328
<b>II. OPERATING COSTS (115+116+120+124+125+126+129+130)</b>	<b>114</b>	21.237.107	21.237.107	17.448.034	17.448.034
1. Change in inventories of work in progress	115				
2. Material expenses (117 do 119)	116	5.090.823	5.090.823	6.634.920	6.634.920
a) Costs of raw materials	117	1.714.918	1.714.918	1.740.260	1.740.260
b) Cost of goods sold	118				
c) Other material expenses	119	3.375.905	3.375.905	4.894.660	4.894.660
3. Employee benefits expenses (121 do 123)	120	5.308.876	5.308.876	5.544.748	5.544.748
a) Net salaries	121	2.345.355	2.345.355	2.633.235	2.633.235
b) Tax and contributions from salary expenses	122	2.187.476	2.187.476	2.097.779	2.097.779
c) Contributions on salary	123	776.045	776.045	813.734	813.734
4. Depreciation and amortisation	124	1.714.956	1.714.956	1.985.385	1.985.385
5. Other expenses	125	20.770	20.770	1.221	1.221
6. Write down of assets (127+128)	126	0	0	0	0
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128				
7. Provisions	129	6.028.000	6.028.000		
8. Other operating costs	130	3.073.682	3.073.682	3.281.760	3.281.760
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	27.570.305	27.570.305	33.846.283	33.846.283
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	24.757.291	24.757.291	32.449.036	32.449.036
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	2.813.014	2.813.014	1.397.247	1.397.247
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135				
5. Other financial income	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	460.685	460.685	3.359.148	3.359.148
1. Interest, foreign exchange differences, dividends and similar income from related parties	138				
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	460.685	460.685	3.359.148	3.359.148
3. Unrealised losses (expenses) from financial assets	140				
4. Other financial expenses	141				
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+144)</b>	<b>146</b>	41.736.682	41.736.682	47.140.896	47.140.896
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	21.697.792	21.697.792	20.807.182	20.807.182
<b>XI. PROFIT OR LOSS BEFORE TAXES (146-147)</b>	<b>148</b>	20.038.890	20.038.890	26.333.714	26.333.714
1. Profit before taxes (146-147)	149	20.038.890	20.038.890	26.333.714	26.333.714
2. Loss before taxes (147-146)	150	0	0	0	0
<b>XII. TAXATION</b>	<b>151</b>				
<b>XII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	20.038.890	20.038.890	26.333.714	26.333.714
1. Profit for the period (149-151)	153	20.038.890	20.038.890	26.333.714	26.333.714
2. Loss for the period (151-148)	154	0	0	0	0
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	20.038.890	20.038.890	26.333.714	26.333.714
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)</b>	<b>158</b>	136.908	136.908	-184.468	-184.468
1. Exchange differences from international settlement	159	136.908	136.908	-184.468	-184.468
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161				
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
<b>III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)</b>	<b>167</b>	136.908	136.908	-184.468	-184.468
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	20.175.798	20.175.798	26.149.246	26.149.246
<b>ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

**STATEMENT OF CASH FLOWS - Direct method**  
**period 01.01.2011. to 31.03.2011.**

Legal entity: Končar Electrical Industry INC.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Cash receipts from customers	<b>001</b>	25.176.732	13.973.710
2. Cash receipts from royalties, fees, commissions, etc.	<b>002</b>		
3. Cash receipts from insurance for damages compensation	<b>003</b>		
4. Cash receipts arising from tax refunds	<b>004</b>		
5. Other cash receipts	<b>005</b>	5.533.907	2.747.064
<b>I. Total increase in cash flow from operating activities (001 do 005)</b>	<b>006</b>	30.710.639	16.720.774
1. Cash paid to suppliers	<b>007</b>	10.830.188	12.185.820
2. Cash paid to employees	<b>008</b>	5.825.527	3.979.002
3. Cash outflows for insurance for damages compensation	<b>009</b>		
4. Interest paid	<b>010</b>	132.763	4.291
5. Tax paid	<b>011</b>	591.186	1.377.558
6. Other cash outflows	<b>012</b>	1.137.547	4.626.701
<b>II. Total decrease in cash flow from operating activities (007 do 012)</b>	<b>013</b>	18.517.211	22.173.372
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>014</b>	12.193.428	0
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>015</b>	0	5.452.598
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	<b>016</b>	837.988	593.686
2. Cash inflows from sale of equity and debt financial instruments	<b>017</b>		7.074
3. Interest receipts	<b>018</b>		
4. Dividend receipts	<b>019</b>	63.324.227	75.177.608
5. Other cash inflows from investing activities	<b>020</b>		
<b>III. Total cash inflows from investing activities(015 do 019)</b>	<b>021</b>	64.162.215	75.778.368
1. Cash outflows for purchase of long - term tangible and intangible assets	<b>022</b>	7.767.409	617.429
2. Cash outflows for purchase of equity and debt financial instruments	<b>023</b>		8.599.399
3. Other cash outflows from investing activities	<b>024</b>		
<b>IV. Total cash inflows from investing activities (021 do 023)</b>	<b>025</b>	7.767.409	9.216.828
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)</b>	<b>026</b>	56.394.806	66.561.540
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)</b>	<b>027</b>	0	0
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	<b>028</b>		
2. Cash inflows from loans, debentures, credits and other borrowings	<b>029</b>	51.015.911	2.923.291
3. Other cash inflows from financing activities	<b>030</b>		
<b>V. Total cash inflows from financing activities (027 do 029)</b>	<b>031</b>	51.015.911	2.923.291
1. Cash outflows for repayment of loans and bonds	<b>032</b>	879.537	
2. Dividends paid	<b>033</b>		
3. Cash outflows for finance lease	<b>034</b>		
4. Cash outflows for purchase of own stocks	<b>035</b>		
5. Other cash outflows from financing activities	<b>036</b>	8.500.000	3.500.000
<b>VI. Total cash inflows from financing activities (031 do 035)</b>	<b>037</b>	9.379.537	3.500.000
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>038</b>	41.636.374	0
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)</b>	<b>039</b>	0	576.709
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	<b>040</b>	110.224.608	60.532.233
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	<b>041</b>	0	0
Cash and cash equivalents at the beginning of period	<b>042</b>	108.862.227	163.325.576
Decrease in cash and cash equivalents	<b>043</b>	110.224.608	60.532.233
Increase in cash and cash equivalents	<b>044</b>		
Cash and cash equivalents at the end of period	<b>045</b>	219.086.835	223.857.809

## STATEMENT OF CHANGES IN EQUITY

period 1.1.2011 to

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	<b>001</b>	1.028.847.600	1.028.847.600
2. Capital reserves	<b>002</b>	719.579	719.579
3. Reserves from profit	<b>003</b>	134.314.547	164.779.740
4. Retained earnings or loss carried forward	<b>004</b>	31.234.921	62.100.349
5. Net profit or loss for the period	<b>005</b>	61.515.089	26.333.714
6. Revaluation of tangible assets	<b>006</b>		
7. Revaluation of intangible assets	<b>007</b>		
8. Revaluation of available for sale assets	<b>008</b>		
9. Other revaluation	<b>009</b>		
<b>10. Total equity and reserves (AOP 001 to 009)</b>	<b>010</b>	1.256.631.736	1.282.780.982
11. Foreign exchange differences from foreign investments	<b>011</b>	825.532	-184.468
12. Current and deferred taxes	<b>012</b>		
13. Cash flow hedge	<b>013</b>		
14. Change of accounting policies	<b>014</b>		
15. Correction of significant mistakes of prior period	<b>015</b>		
16. Other changes	<b>016</b>	69.268.107	26.333.714
<b>17. Total increase or decrease of equity (AOP 011 to 016)</b>	<b>017</b>	70.093.639	26.149.246
17 a. Attributable to majority owners	<b>018</b>		
17 b. Attributable to minority interest	<b>019</b>		