

Appendix 1

Reporting period:

1.1.2011.

to

30.6.2011.

Quarterly financial report of entrepreneur -TFI-PODRegistration 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.hrInternet adresa: www.koncar.hrCode and name of comune/to **133 Zagreb**Code and county name **21 Zagreb City**Number of employees **49**Consolidated statement **No**(at quarter end)
NKD/NWC code: **2711**

Subsidiaries subject to consolidation (according to IFRS):

in appendix

Registration number:

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.hrSurname 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 30.06.2011.

Company: Končar - Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.149.126.978	1.156.857.884
I. INTANGIBLE ASSETS (004 do 009)	003	244.953	163.302
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005		
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008		
6. Other intangible assets	009	244.953	163.302
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	321.186.838	318.865.064
1. Land	011	72.487.276	72.531.259
2. Buildings	012	123.735.036	121.521.009
3. Plant and equipment	013	13.086.148	12.189.320
4. Tools, working inventory and transportation assets	014	404.447	1.056.777
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	1.703.296	1.450.097
7. Tangible assets in progress	017	15.857.649	16.266.989
8. Other tangible assets	018	63.376	
9. Investment in real-estate	019	93.849.610	93.849.613
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	793.378.482	803.945.840
1. Share in related parties	021	791.005.849	801.572.768
2. Loans to related parties	022		
3. Participating interests (shares)	023		
4. Loans to companies with participating interest	024		
5. Investments in securities	025	2.372.633	2.373.072
6. Loans, deposits, etc.	026		
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 do 032)	029	34.316.705	33.883.678
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031	34.316.705	33.883.678
3. Other receivables	032		
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	398.308.258	387.638.543
I. INVENTORIES (036 do 042)	035	6.091	56.867
1. Raw materials and supplies	036		
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039		
5. Advances for inventories	040	6.091	56.867
6. Long term assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	119.395.087	54.205.420
1. Receivables from related parties	044	103.492.189	42.876.867
2. Receivables from end-customers	045	597.490	563.916
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	35.103	92.849
5. Receivables from government and other institutions	048	5.325	
6. Other receivables	049	15.264.980	10.671.788
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	115.581.504	117.373.383
1. Share in related parties	051		
2. Loans to related parties	052	31.400.000	32.000.000
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056	84.181.504	85.373.383
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	163.325.576	216.002.873
D) PREPAYMENTS AND ACCRUED INCOME	059	733.263	867.713
E) TOTAL ASSETS (001+002+034+059)	060	1.548.168.499	1.545.364.140
F) OFF BALANCE SHEET ITEMS	061	658.114.155	658.147.072

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	1.256.631.736	1.258.003.653
I. SUBSCRIBED SHARE CAPITAL	063	1.028.847.600	1.028.847.600
II. CAPITAL RESERVES	064	719.579	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	134.314.547	165.109.233
1. Legal reserves	066	11.389.054	14.464.809
2. Reserve for own shares	067		
3. Treasury shares and shares (deductible items)	068		
4. Statutory reserves	069	75.489.055	84.276.008
5. Other reserves	070	47.436.438	66.368.416
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	31.234.921	31.234.921
1. Retained earnings	073	31.234.921	31.234.921
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	61.515.089	32.092.320
1. Net profit for the period	076	61.515.089	32.092.320
2. Net loss for the period	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	282.274.972	281.911.125
1. Provisions for pensions, severance pay and similar liabilities	080	1.291.160	1.291.160
2. Provisions for tax liabilities	081		
3. Other provisions	082	280.983.812	280.619.965
C) NON-CURRENT LIABILITIES (084 do 092)	083	510.000	510.000
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085	510.000	510.000
3. Liabilities to banks and other financial institutions	086		
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		
9. Deferred tax liabilities	092		
D) CURRENT LIABILITIES (094 do 105)	093	8.559.115	4.939.362
1. Liabilities to related parties	094	899.906	1.087.770
2. Liabilities for loans, deposits, etc.	095	340.000	170.000
3. Liabilities to banks and other financial institutions	096		
4. Liabilities for advances	097		
5. Trade payables	098	1.174.806	1.117.625
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	2.128.977	604.467
9. Taxes, contributions and similar liabilities	102	3.669.995	1.602.432
10. Liabilities arising from share in the result	103	127.658	127.658
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	217.773	229.410
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	192.676	
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1.548.168.499	1.545.364.140
G) OFF BALANCE SHEET ITEMS	108	658.114.155	658.147.072
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110		

Income statement
period 01.01.2011. to 30.06.2011.

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
I. OPERATING INCOME (112 do 113)	111	28.995.300	14.828.923	27.264.029	13.969.416
1. Rendering of services	112	26.780.164	13.490.180	25.820.611	12.886.326
2. Other operating income	113	2.215.136	1.338.743	1.443.418	1.083.090
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	41.680.689	20.443.582	33.933.911	16.485.876
1. Change in inventories of work in progress	115				
2. Material expenses (117 do 119)	116	10.985.128	5.894.305	12.764.953	6.130.033
a) Costs of raw materials	117	2.715.301	1.000.383	2.805.087	1.064.827
b) Cost of goods sold	118				
c) Other material expenses	119	8.269.827	4.893.922	9.959.866	5.065.206
3. Employee benefits expenses (121 do 123)	120	9.174.943	3.866.067	9.767.389	4.222.641
a) Net salaries	121	4.143.262	1.797.907	4.691.414	2.058.179
b) Tax and contributions from salary expenses	122	3.691.810	1.504.334	3.642.536	1.544.757
c) Contributions on salary	123	1.339.871	563.826	1.433.439	619.705
4. Depreciation and amortisation	124	3.456.028	1.741.072	3.992.600	2.007.215
5. Other expenses	125	7.541.494	4.467.812	7.407.747	4.125.987
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	10.467.490	4.439.490		
8. Other operating costs	130	55.606	34.836	1.222	
III. FINANCIAL INCOME (132 do 136)	131	35.855.503	8.285.198	43.411.823	9.565.540
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	25.627.446	870.155	32.925.743	476.707
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	10.228.057	7.415.043	10.486.080	9.088.833
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135				
5. Other financial income	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	2.352.362	1.891.677	4.649.621	1.290.473
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	2.352.362	1.891.677	4.649.621	1.290.473
3. Unrealised losses (expenses) from financial assets	140				
4. Other financial expenses	141				
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142				
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+144)	146	64.850.803	23.114.121	70.675.852	23.534.956
X. TOTAL EXPENSES (114+137+143+145)	147	44.033.051	22.335.259	38.583.532	17.776.349
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	20.817.752	778.862	32.092.320	5.758.607
1. Profit before taxes (146-147)	149	20.817.752	778.862	32.092.320	5.758.607
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151				
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	20.817.752	778.862	32.092.320	5.758.607
1. Profit for the period (149-151)	153	20.817.752	778.862	32.092.320	5.758.607
2. Loss for the period (151-148)	154	0	0	0	0
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	20.817.752	778.862	32.092.320	5.758.607
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	430.117	293.208	145.024	329.492
1. Exchange differences from international settlement	159	430.117	293.208	145.024	329.492
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				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	430.117	293.208	145.024	329.492
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	21.247.869	1.072.070	32.237.344	6.088.099
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

STATEMENT OF CASH FLOWS - Direct method
period 01.01.2011. to 30.06.2011.

Legal entity: Končar Electrical Industry INC.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash receipts from customers	001	43.333.918	25.972.624
2. Cash receipts from royalties, fees, commissions, etc.	002		
3. Cash receipts from insurance for damages compensation	003		
4. Cash receipts arising from tax refunds	004		
5. Other cash receipts	005	14.396.060	13.607.626
I. Total increase in cash flow from operating activities (001 do 005)	006	57.729.978	39.580.250
1. Cash paid to suppliers	007	23.260.509	23.520.266
2. Cash paid to employees	008	9.210.582	12.768.670
3. Cash outflows for insurance for damages compensation	009		
4. Interest paid	010	133.452	4.291
5. Tax paid	011	2.103.132	2.600.404
6. Other cash outflows	012	4.767.920	8.949.971
II. Total decrease in cash flow from operating activities (007 do 012)	013	39.475.595	47.843.602
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	014	18.254.383	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	015	0	8.263.352
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	016	1.571.097	1.694.543
2. Cash inflows from sale of equity and debt financial instruments	017		2.937.239
3. Interest receipts	018		
4. Dividend receipts	019	64.124.985	99.482.820
5. Other cash inflows from investing activities	020		
III. Total cash inflows from investing activities(015 do 019)	021	65.696.082	104.114.602
1. Cash outflows for purchase of long - term tangible and intangible assets	022	13.880.817	1.409.416
2. Cash outflows for purchase of equity and debt financial instruments	023	87.000	10.423.294
3. Other cash outflows from investing activities	024	3.200.000	
IV. Total cash inflows from investing activities (021 do 023)	025	17.167.817	11.832.710
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)	026	48.528.265	92.281.892
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)	027	0	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	028		
2. Cash inflows from loans, debentures, credits and other borrowings	029	19.700.000	4.400.000
3. Other cash inflows from financing activities	030	51.050.197	1.636.108
V. Total cash inflows from financing activities (027 do 029)	031	70.750.197	6.036.108
1. Cash outflows for repayment of loans and bonds	032	879.537	170.000
2. Dividends paid	033		30.865.428
3. Cash outflows for finance lease	034		
4. Cash outflows for purchase of own stocks	035		
5. Other cash outflows from financing activities	036	9.500.000	6.341.924
VI. Total cash inflows from financing activities (031 do 035)	037	10.379.537	37.377.352
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	038	60.370.660	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	039	0	31.341.244
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	040	127.153.308	52.677.296
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	041	0	0
Cash and cash equivalents at the beginning of period	042	108.862.227	163.325.576
Decrease in cash and cash equivalents	043	127.153.308	52.677.297
Increase in cash and cash equivalents	044		
Cash and cash equivalents at the end of period	045	236.015.535	216.002.873

STATEMENT OF CHANGES IN EQUITY

period 1.1.2011 to 30.6.2011.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.028.847.600	1.028.847.600
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	134.314.547	165.109.233
4. Retained earnings or loss carried forward	004	31.234.921	31.234.921
5. Net profit or loss for the period	005	61.515.089	32.092.320
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	010	1.256.631.736	1.258.003.653
11. Foreign exchange differences from foreign investments	011	825.532	145.024
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016	69.268.107	1.226.893
17. Total increase or decrease of equity (AOP 011 to 016)	017	70.093.639	1.371.917
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		