



MANAGEMENT BOARD REPORT ON THE BUSINESS ACTIVITY OF THE KONČAR GROUP FOR THE PERIOD JANUARY – SEPTEMBER 2011

The KONČAR Group consists of KONČAR - Electrical Industry Inc., as the parent company, and twenty subsidiaries in which the parent company exercises a predominant managerial influence (more than 50 per cent of the votes at the General Assembly). Along with preference shares, common stock shares were subscribed in just a few of the companies. In addition to this, the parent company exercises a minority managerial influence (49 per cent of the votes at the General Assembly) in one company (affiliated company).

All of the companies pertaining to the group are legally independent companies, under the control and strategic guidance of the parent company by the respective supervisory boards of the companies and in accordance with the Companies Act, the KONČAR – Electrical Industry Inc. Charter and the Charters of the individual companies. The parent company also manages the portion of the assets which have not been invested into companies, but are in direct or indirect function of financial support of sales, products and equipment of the subsidiaries as credit-guarantee potential.

The parent company has issued joint and several guarantees in the total amount of HRK 569.8 million, of which HRK 417.3 million corresponds to performance guarantees (bid bonds, advanced payment guarantees, performance guarantees and warranty guarantees). For probable guarantee obligations the Group has established long-term provisions in the amount of HRK 115 million.

Business activities of the KONČAR Group are structured as follows:

- Energy and transport: Designing and building of electrical energy production, transmission and distribution plants and the manufacture of accompanying equipment; electric vehicles and electric equipment for vehicles and electric traction plants
- Industry: Electromotor drives, medium and low-voltage electric equipment and catering equipment;
- Trade: Electrical household appliances, serial production goods and low-voltage electrical goods.
- Special activities: product research and development and infrastructure services

The Management Board

The Supervisory Board appoints and relieves the President of the Management Board and the Members of the Management Board. The terms of office of the President of the Management Board and the Board Members' terms last for five years, with an option of reappointment. Pursuant to the Companies Act and the Company Charter, the Management Board is responsible for running the operations. In doing so, it is obliged and authorised to take any action and make any decision it deems necessary for the successful management of the Company. The consent of the Supervisory Board is required in making certain decisions stipulated by the KONČAR – Electrical Industry Inc. Charter.

KONČAR – Electrical Industry Inc. is managed by the Management Board consisting of:

| | |
|---------------------|---|
| Darinko Bago | President of the Management Board |
| Marina Kralj Miliša | Board member responsible for legal activities, general administrative services and human resources |
| Jozo Miloloža | Board member responsible for finance |
| Davor Mladina | Board member responsible for transmission and distribution of electrical energy, industry and trade |
| Miroslav Poljak | Board member responsible for electrical energy production, corporate development and ICT |

The Supervisory Board

Pursuant to the provisions contained in the Companies Act and the KONČAR – Electrical Industry Inc. Charter, the General Assembly makes the decisions of appointing and relieving the Supervisory Board. The Supervisory Board is responsible for appointing and dismissing the members of the Management Board, as well as for supervising the operations of the Company. More significant transactions and business decisions (the amount of transactions has been stipulated by the Company Charter) require the approval of the Supervisory Board.

On 28 July 2011 a constituent assembly of the Supervisory Board of Končar - Electrical Industries Inc. was held. Pursuant to the decisions of the General Assembly the following members of the Supervisory Board were relieved of their duties: Igor Lučić, Đuro Perica, Nenad Matić, Zdenka Matković, Ante Babić and Kristijan Floričić. The following new Supervisory Board members were appointed: Božidar Piller, Đuro Perica, Elvis Kovačević, Kristijan Floričić and Vicko Ferić. Supervisory Board member appointed by the State Property Management Agency is Ratko Žabčić. Ivan Rujnić was appointed member on behalf of the minority shareholders, while the appointed member on behalf of the workers was Jasminka Belačić. Ervin Filipčić was appointed secretary of the Supervisory Board.

At the constituent assembly of the Supervisory Board Božidar Piller was unanimously elected President of the Supervisory Board, while Jasminka Belačić was elected Deputy of the President of the Supervisory Board.

The Končar Group business activity for the period January to September of the year 2011

For the period January to September of the year 2011 the Končar Group achieved overall revenues in the amount of HRK 1,822.4 million, during the same period total expenses amounted to HRK 1,705.9 million and the Group's consolidated profit before tax amounted to HRK 116.5 million. Advance income tax totalled HRK 15.4 million; therefore the profits after tax amounted to HRK 101.1 million, of which the portion of the minority stakes in the profits structure amounted to HRK 20 million, while the portion of the parent company's shareholders amounted to HRK 81.1 million.

Operating income totalled HRK 1,699.8 million, of which sales revenues amounted to HRK 1,642.4 million or 96.6 per cent of overall operating income. Of the total operating income (corrected according to change in stock value) 64 per cent referred to the coverage of material expenses, 22 per cent to gross amounts due to employees, 3.3 per cent to depreciation and

amortisation, 0.2 per cent to values adjustment, 2.6 per cent to provision for risks and charges while 7.9 per cent referred to other operating expenses.

Financial income was generated in the amount of HRK 122.7 million and it was composed of income from relations with related companies in the amount of HRK 65.2 million, interest in the amount of HRK 19.5 million, income from positive foreign exchange differences in the amount of HRK 35.4 million and other financial incomes in the amount of HRK 2.6 million. Financial expenses totalled HRK 43.2 million and were composed of negative exchange differences in the amount of HRK 30.3 million, interest rates and other financial expenses in the amount of 12.9 million. The positive difference between financial income and expenses amounted to HRK 79.5 million.

Operating income in the amount of HRK 37 million along with the positive difference between financial income and expenses in the amount of HRK 79.5 million represent the consolidated profit before taxation in the amount of HRK 116.5 million.

Of the 21 companies comprising the KONČAR Group, fourteen companies performed with a profit, while seven companies performed with a loss in the total amount of HRK 21.8 million.

Consolidated revenues from the sales of goods and services totalled HRK 1,642.4 million and on the domestic market sales revenues amounted to HRK 685.3 million (42 per cent) or 15.3 per cent less in comparison to the previous year or 14.6 per cent less than previously planned. In the structure of the domestic market sales of goods and services revenues, revenues from the sales of goods and services to the Croatian Electricity Company (Hrvatska Elektroprivreda or HEP) account for HRK 241.4 million or 35 per cent of the total domestic market revenue, the companies in the industry and shipbuilding industry categories were supplied with goods and services totalling HRK 164.2 million or 24 per cent of the total revenues of the sales of goods in Croatia, trading companies were supplied with HRK 107.4 million, the construction companies with HRK 66.2 million, the Croatian Railways Company (Hrvatske željeznice) with HRK 39 million worth of products, Zagreb Electric Tram Company (Zagrebački električni tramvaj) with HRK 42.1 million, whereas the remainder worth HRK 29.1 million pertains to the Croatian Motorways Company (Hrvatske autoceste), the state and local administrations and public enterprises.

Export revenues from the sales of goods and services totalled HRK 957.2 million (58 per cent of total sales). Sales revenues from foreign markets decreased by 5.4 per cent compared to the amount achieved during the same period of the previous year and are 4.5 less than the previously planned amounts.

The most significant export undertakings were performed in the markets of Germany; totalling HRK 128.5 million, Nigeria; totalling HRK 71 million, Bosnia and Herzegovina; totalling HRK 71.7 million, Sweden; totalling HRK 67.5 million, Cyprus; totalling HRK 45 million, Finland; totalling HRK 43.7 million and Slovenia; totalling HRK 34.2 million. According to the market segments, the largest portion of revenue came from foreign market sales of goods and services on the markets of the European Union in the amount of HRK 498.1 million or 52 per cent of total exports, on the markets of neighbouring countries (Bosnia and Herzegovina, Serbia, Macedonia, Kosovo, Albania) the value of exported goods amounted to HRK 164 million or 17 per cent, while exports to the Middle Eastern countries totalled HRK 46.6 million or 5 per cent.

The consolidated sales revenues were generated in the amount of HRK 1,367.9 million or 83 per cent of the overall sales structure of the Group by companies from the business area of Energy and transport, companies from the business area of Trade generated sales in the amount of HRK 135.5 million or 8 per cent, sales of the companies from the business area of Industry amounted to HRK 84 million or 5 per cent, and three of the Special activities companies generated sales in the amount of HRK 59 million or 4 per cent of the overall sales structure of the Group.

During the same accounting period, investment equipment, raw and primary materials in the amount of HRK 491.6 million were imported. The import was completely covered by the exports and the coverage coefficient amounts to 1.95.

The investment in long term tangible and intangible assets for the period January to September of the year 2011 amounts to HRK 152.5 million. The most considerable part of the abovementioned amount was invested in the following: the continuation of investment in the wind power plant project Pometeno brdo, the equipping of the hall A for the integration and testing of the wind power generator gondola, the construction of the new testing station in the company Končar – Distribution and Special transformers Inc., the development of the new generation of 123kV switchgear, the development of an autonomous hybrid renewable energy source (Končar - Electrical Engineering Institute), as well as equipment replacement on the existing electrical substations in Sesevetski Kraljevec.

For the period January to September of the year 2011 the Končar Group companies contracted a HRK 1,812.8 million worth of new works. Of the overall works contracted 51 per cent was contracted on the domestic market and 49 per cent on the foreign market. New works in the value of HRK 1,142.7 million have been contracted for implementation for the year 2012, while a HRK 670.1 million new works have been contracted for implementation for subsequent years. The status of the works contracted (active liabilities) at the end of September of the year 2011 totals HRK 2,270.5 million which is an 8 per cent increase as compared to the works contracted at the beginning of the year.

In the period January to September of the year 2011 the KONČAR Group business activities were conducted under complex and demanding circumstances which primarily resulted in a slump of investment in infrastructure projects, mainly on the domestic market. The income decline on the domestic market has partially been covered by an increase in activity on foreign markets which amounted to 58 per cent of total revenues from the sales of goods and services in the first three quarters of the year 2011. Positive results for the period January to September of the year 2011 can mostly be attributed to companies from the business area of Energy which tend to be oriented towards exports, while in the business areas of Transport and Switchgear there is still a negative business trend.

Throughout the Group there has been an increase of overall works contracted (active liabilities) as compared to the situation at the beginning of the year (8 per cent and more).

Signed on behalf of the Board:

KONČAR – Electrical Industry Inc.

President of the Management Board

Darinko Bago

On 28 October 2011

**RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS OF THE
KONČAR GROUP**

This statement by the Management Board of KONČAR – Electrical Industry Inc. is issued in relation to the preparation and publishing of the consolidated financial statements for the KONČAR Group for the period January to September of the year 2011.

The financial statements have been prepared in accordance with the Croatian Accounting Law valid on the day of publishing of these financial statements, as well as being with the International Financial Reporting Standards.

These consolidated financial statements, to the best of our knowledge, provide a true and fair view of the balance sheet, income statement, cash flow statement and statements of changes in equity of the KONČAR Group.

Signed on behalf of the Board:

KONČAR – Electrical Industry Inc.
President of the Management Board
Darinko Bago

On 28 October 2011

• Note:

The consolidated financial statements have been prepared by Končar – Electrical Industry Inc. expert departments.

Persons to contact:

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Branka Velkovski, Accounting Specialist, branka.velkovski@koncar.hr

Ilić Vesna, Accounting Department Manager, vesna.ilic@koncar.hr

Appendix 1

Reporting period:

1.1.2011

to

30.9.2011

Quarterly financial report of entrepreneur -TFI-PODRegistration number (MB) **03282635**Identification number of subject (MBS) **080040936**Personal identification number (OIB) **45050126417**Issueer 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/town **133** **ZAGREB**Code and county name **21** **GRAD ZAGREB**Number of employees **3.974**

(at quarter end)

Consolidated statement **DA**NKD/NWC code: **2711**

Subsidiaries subject to consolidation (according to IFRS):

in appendix

Registration number:

| | | |
|---|---------------------|---------|
| Končar - Energetika i usluge d.o.o. | Zagreb | 1343068 |
| Končar - Institut za elektrotehniku d.d. | Zagreb | 3645363 |
| Končar - Elektronika i informatika d.d. | Zagreb | 3282899 |
| Končar - Mali električni strojevi d.d. | Zagreb | 3282678 |
| Končar - Generatori i motori d.d. | Zagreb | 1356216 |
| Končar - Obnovljivi izvori d.o.o. | Zagreb | 2435071 |
| Končar - Mjerni transformatori d.d. | Zagreb | 3654656 |
| Končar - Distributivni i specijalni transform. d.d. | Zagreb | 3654664 |
| Končar - Električni aparati srednjeg napona d.d. | Zagreb | 3641287 |
| Končar - Električna vozila d.d. | Zagreb | 3282660 |
| Končar - Sklopna postrojenja d.d. | Sesvetski Kraljevec | 3641279 |
| Končar - Kućanski aparati d.o.o. | Zagreb | 1403222 |
| Končar - Električni visokonaponski aparati d.d. | Zagreb | 3641252 |
| Končar - Niskonaponske sklopke i prekidači d.o.o. | Zagreb | 3228398 |
| Končar - Ugošteljska oprema d.d. | Zagreb | 3788717 |
| Končar - Alati d.d. | Zagreb | 3672468 |
| Končar - Montažni inženjering d.d. | Zagreb | 3654362 |
| Končar - Inženjering za energetiku i transport d.d. | Zagreb | 3654354 |
| Končar - Metalne konstrukcije d.d. | Zagreb | 1114328 |
| Kones AG | Zurich, Švicarska | |

Book keeping service:

Contact person: **BRANKA VELKOVSKI**

(fill in only surname and name of contact person)

Phone number: **01 3667175**Fascimile: **01 3655377**E-mail address: branka.velkovski@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. Report of the Management Board on position of the Company
3. Statement of responsible persons for preparation of financial statements

M.P.

(signed by authorised person for representation)

Balance Sheet
as of 30.9.2011.

| Company: Končar - Electrical Industry Inc. | | | |
|---|------------|-----------------|----------------|
| Position | AOP | Previous period | Current period |
| 1 | 2 | 3 | 4 |
| ASSETS | | | |
| A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL | 001 | 0 | 0 |
| B) NON-CURRENT ASSETS (003+010+020+029+033) | 002 | 1.182.984.550 | 1.366.362.062 |
| I. INTANGIBLE ASSETS (004 do 009) | 003 | 25.535.991 | 48.354.245 |
| 1. Expenditure for development | 004 | 12.462.855 | 11.052.128 |
| 2. Concessions, patents, licenses, trademarks, service marks, software and other rights | 005 | 3.051.947 | 4.888.225 |
| 3. Goodwill | 006 | 7.040.919 | 7.591.700 |
| 4. Advances for purchase of intangible assets | 007 | 0 | 0 |
| 5. Intangible assets in progress | 008 | 2.726.213 | 5.501.205 |
| 6. Other intangible assets | 009 | 254.057 | 19.320.987 |
| II. PROPERTY, PLANT AND EQUIPMENT (011 do 019) | 010 | 887.958.621 | 963.761.613 |
| 1. Land | 011 | 156.023.708 | 156.722.943 |
| 2. Buildings | 012 | 379.674.182 | 365.798.233 |
| 3. Plant and equipment | 013 | 151.821.233 | 146.101.793 |
| 4. Tools, working inventory and transportation assets | 014 | 74.459.271 | 83.618.832 |
| 5. Biological assets | 015 | 0 | 0 |
| 6. Advances for purchase of tangible assets | 016 | 3.836.726 | 5.911.930 |
| 7. Tangible assets in progress | 017 | 27.593.153 | 93.472.791 |
| 8. Other tangible assets | 018 | 700.738 | 18.285.478 |
| 9. Investment in real-estate | 019 | 93.849.610 | 93.849.613 |
| III. NON-CURRENT FINANCIAL ASSETS (021 do 028) | 020 | 212.986.676 | 284.123.553 |
| 1. Share in related parties | 021 | 293.704 | 293.008 |
| 2. Loans to related parties | 022 | 0 | 0 |
| 3. Participating interests (shares) | 023 | 806.316 | 2.604.087 |
| 4. Loans to companies with participating interest | 024 | 0 | 0 |
| 5. Investments in securities | 025 | 2.686.761 | 5.873.082 |
| 6. Loans, deposits, etc. | 026 | 684.626 | 992.500 |
| 7. Other non-current financial assets | 027 | 0 | 743.305 |
| 8. Equity-accounted investments | 028 | 208.515.269 | 273.617.571 |
| IV. RECEIVABLES (030 do 032) | 029 | 56.503.262 | 70.122.651 |
| 1. Receivables from related parties | 030 | 0 | 0 |
| 2. Receivables arising from sales on credit | 031 | 47.262.055 | 33.718.577 |
| 3. Other receivables | 032 | 9.241.207 | 36.404.074 |
| V. DEFERRED TAX ASSET | 033 | 0 | 0 |
| C) CURRENT ASSETS (035+043+050+058) | 034 | 2.109.617.444 | 2.008.649.724 |
| I. INVENTORIES (036 do 042) | 035 | 485.999.118 | 599.664.328 |
| 1. Raw materials and supplies | 036 | 222.173.270 | 282.172.734 |
| 2. Production in progress | 037 | 142.256.010 | 184.255.265 |
| 3. Finished products | 038 | 85.428.778 | 62.535.830 |
| 4. Merchandise | 039 | 18.380.883 | 14.711.875 |
| 5. Advances for inventories | 040 | 13.889.218 | 55.988.624 |
| 6. Long term assets held for sale | 041 | 3.870.959 | 0 |
| 7. Biological assets | 042 | 0 | 0 |
| II. RECEIVABLES (044 do 049) | 043 | 886.053.481 | 750.133.013 |
| 1. Receivables from related parties | 044 | 111.046.846 | 31.021.024 |
| 2. Receivables from end-customers | 045 | 698.835.506 | 672.928.017 |
| 3. Receivables from participating parties | 046 | 0 | 0 |
| 4. Receivables from employees and members of the company | 047 | 1.563.937 | 1.573.033 |
| 5. Receivables from government and other institutions | 048 | 34.579.177 | 4.386.339 |
| 6. Other receivables | 049 | 40.028.015 | 40.224.600 |
| III. CURRENT FINANCIAL ASSETS (051 do 057) | 050 | 157.199.494 | 154.374.916 |
| 1. Share in related parties | 051 | 0 | 0 |
| 2. Loans to related parties | 052 | 0 | 0 |
| 3. Participating interests (shares) | 053 | 0 | 0 |
| 4. Loans to companies with participating interest | 054 | 0 | 0 |
| 5. Investments in securities | 055 | 0 | 0 |
| 6. Loans, deposits, etc. | 056 | 155.489.822 | 154.364.916 |
| 7. Other financial assets | 057 | 1.709.672 | 10.000 |
| IV. CASH AND CASH EQUIVALENTS | 058 | 580.365.351 | 504.477.467 |
| D) PREPAYMENTS AND ACCRUED INCOME | 059 | 3.547.985 | 10.541.822 |
| E) TOTAL ASSETS (001+002+034+059) | 060 | 3.296.149.979 | 3.385.553.608 |
| F) OFF BALANCE SHEET ITEMS | 061 | 2.009.430.712 | 2.250.596.484 |

| EQUITY AND LIABILITIES | | | |
|---|------------|---------------|---------------|
| A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078) | 062 | 1.794.175.361 | 1.841.992.643 |
| 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 | 201.140.508 | 238.340.477 |
| 1. Legal reserves | 066 | 13.150.803 | 17.760.907 |
| 2. Reserve for own shares | 067 | 0 | 5.350.534 |
| 3. Treasury shares and shares (deductible items) | 068 | 0 | 5.350.534 |
| 4. Statutory reserves | 069 | 121.706.437 | 146.270.201 |
| 5. Other reserves | 070 | 66.283.268 | 74.309.369 |
| IV. REVALUATION RESERVES | 071 | 0 | 0 |
| V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074) | 072 | 194.104.351 | 277.848.863 |
| 1. Retained earnings | 073 | 194.104.351 | 277.848.863 |
| 2. Loss carried forward | 074 | 0 | 0 |
| VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077) | 075 | 154.975.583 | 81.124.419 |
| 1. Net profit for the period | 076 | 154.975.583 | 81.124.419 |
| 2. Net loss for the period | 077 | 0 | 0 |
| VII. MINORITY INTEREST | 078 | 214.387.740 | 215.111.705 |
| B) PROVISIONS (080 do 082) | 079 | 578.643.690 | 563.644.135 |
| 1. Provisions for pensions, severance pay and similar liabilities | 080 | 21.899.686 | 9.699.130 |
| 2. Provisions for tax liabilities | 081 | 0 | 0 |
| 3. Other provisions | 082 | 556.744.004 | 553.945.005 |
| C) NON-CURRENT LIABILITIES (084 do 092) | 083 | 81.299.423 | 112.760.747 |
| 1. Liabilities to related parties | 084 | 0 | 0 |
| 2. Liabilities for loans, deposits, etc. | 085 | 1.615.000 | 1.615.000 |
| 3. Liabilities to banks and other financial institutions | 086 | 79.684.423 | 110.922.495 |
| 4. Liabilities for advances | 087 | 0 | 0 |
| 5. Trade payables | 088 | 0 | 0 |
| 6. Commitments on securities | 089 | 0 | 0 |
| 7. Liabilities to companies with participating interest | 090 | 0 | 0 |
| 8. Other non-current liabilities | 091 | 0 | 223.252 |
| 9. Deferred tax liabilities | 092 | 0 | 0 |
| D) CURRENT LIABILITIES (094 do 105) | 093 | 775.540.242 | 748.304.048 |
| 1. Liabilities to related parties | 094 | 13.175.194 | 587.156 |
| 2. Liabilities for loans, deposits, etc. | 095 | 765.000 | 1.416.180 |
| 3. Liabilities to banks and other financial institutions | 096 | 148.028.224 | 88.321.848 |
| 4. Liabilities for advances | 097 | 180.197.510 | 209.091.990 |
| 5. Trade payables | 098 | 358.020.213 | 346.633.149 |
| 6. Commitments on securities | 099 | 0 | 0 |
| 7. Liabilities to companies with participating interest | 100 | 0 | 0 |
| 8. Liabilities to employees | 101 | 28.123.735 | 24.097.189 |
| 9. Taxes, contributions and similar liabilities | 102 | 37.826.449 | 25.051.814 |
| 10. Liabilities arising from share in the result | 103 | 0 | 213.379 |
| 11. Liabilities arising from non-current assets held for sale | 104 | 0 | 0 |
| 12. Other current liabilities | 105 | 9.403.917 | 52.891.343 |
| E) ACCRUED EXPENSES AND DEFERRED INCOME | 106 | 66.491.263 | 118.852.035 |
| F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106) | 107 | 3.296.149.979 | 3.385.553.608 |
| G) OFF BALANCE SHEET ITEMS | 108 | 2.009.430.712 | 2.250.596.484 |
| ADDITION TO BALANCE SHEET (only for consolidated financial statements) | | | |
| ISSUED CAPITAL AND RESERVES | | | |
| 1. Attributable to majority owners | 109 | 1.579.787.621 | 1.626.880.938 |
| 2. Attributable to minority interest | 110 | 214.387.740 | 215.111.705 |

Income statement
period 1.1.2011. to 30.9.2011.

Company: Končar -Electrical Industry Inc.

| Position | AOP | Previous period | | Current period | |
|---|------------|-----------------|-------------|----------------|-------------|
| | | Cumulative | Quarter | Cumulative | Quarter |
| 1 | 2 | 3 | 4 | 5 | 6 |
| I. OPERATING INCOME (112 do 113) | 111 | 1.898.955.103 | 554.529.927 | 1.699.769.763 | 568.678.479 |
| 1. Rendering of services | 112 | 1.835.428.446 | 523.325.754 | 1.643.132.975 | 548.276.351 |
| 2. Other operating income | 113 | 63.526.657 | 31.204.173 | 56.636.788 | 20.402.128 |
| II. OPERATING COSTS (115+116+120+124+125+126+129+130) | 114 | 1.852.466.970 | 543.896.999 | 1.662.775.303 | 559.026.009 |
| 1. Change in inventories of work in progress | 115 | 46.261.798 | 9.501.555 | -16.788.626 | 12.631.124 |
| 2. Material expenses (117 do 119) | 116 | 1.151.189.033 | 328.142.780 | 1.091.593.138 | 366.220.605 |
| a) Costs of raw materials | 117 | 867.637.841 | 234.440.449 | 836.008.378 | 274.520.800 |
| b) Cost of goods sold | 118 | 77.152.246 | 32.501.247 | 81.746.603 | 29.736.501 |
| c) Other material expenses | 119 | 206.398.946 | 61.201.084 | 173.838.157 | 61.963.304 |
| 3. Employee benefits expenses (121 do 123) | 120 | 350.132.457 | 112.092.020 | 334.834.281 | 102.891.463 |
| a) Net salaries | 121 | 196.646.708 | 63.386.526 | 190.995.161 | 58.299.141 |
| b) Tax and contributions from salary expenses | 122 | 105.879.987 | 30.762.378 | 101.498.274 | 30.017.311 |
| c) Contributions on salary | 123 | 47.605.762 | 17.943.116 | 42.340.846 | 14.575.011 |
| 4. Depreciation and amortisation | 124 | 57.527.300 | 19.106.101 | 56.990.425 | 18.929.635 |
| 5. Other expenses | 125 | 145.721.159 | 53.310.416 | 144.655.914 | 50.645.775 |
| 6. Write down of assets (127+128) | 126 | 19.151.056 | 9.340.531 | 3.292.793 | 1.022.613 |
| a) non-current assets (except financial assets) | 127 | 0 | 0 | 0 | 0 |
| b) current assets (except financial assets) | 128 | 19.151.056 | 9.340.531 | 3.292.793 | 1.022.613 |
| 7. Provisions | 129 | 79.166.554 | 11.654.844 | 43.899.284 | 5.166.195 |
| 8. Other operating costs | 130 | 3.317.613 | 748.752 | 4.298.094 | 1.518.599 |
| III. FINANCIAL INCOME (132 do 136) | 131 | 39.225.235 | 15.259.355 | 57.493.975 | 21.978.063 |
| 1. Interest, foreign exchange differences, dividends and similar income from related parties | 132 | 1.237.412 | 268.876 | 1.322.412 | 369.898 |
| 2. Interest, foreign exchange differences, dividends and similar income from third parties | 133 | 37.418.427 | 14.990.479 | 53.515.959 | 19.755.477 |
| 3. Income from investments in associates and joint ventures | 134 | 0 | 0 | 0 | 0 |
| 4. Unrealised gains (income) from financial assets | 135 | 0 | 0 | 0 | 0 |
| 5. Other financial income | 136 | 569.396 | 0 | 2.655.604 | 1.852.688 |
| IV. FINANCIAL EXPENSES (138 do 141) | 137 | 33.184.598 | 9.852.599 | 43.167.120 | 14.398.921 |
| 1. Interest, foreign exchange differences, dividends and similar income from third parties | 138 | 1.869.490 | 704.415 | 1.325.837 | 361.692 |
| 2. Interest, foreign exchange differences, dividends and similar income from third parties | 139 | 31.170.349 | 9.033.468 | 41.244.255 | 13.985.662 |
| 3. Unrealised losses (expenses) from financial assets | 140 | 0 | 0 | 395.451 | 0 |
| 4. Other financial expenses | 141 | 144.759 | 114.716 | 201.577 | 51.567 |
| V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES | 142 | 60.196.790 | 24.676.249 | 65.192.489 | 17.083.580 |
| VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES | 143 | 0 | 0 | 0 | 0 |
| VII. EXTRAORDINARY - OTHER INCOME | 144 | 0 | 0 | 0 | 0 |
| VIII. EXTRAORDINARY - OTHER EXPENSES | 145 | 0 | 0 | 0 | 0 |
| IX. TOTAL INCOME (111+131+144) | 146 | 1.998.377.128 | 594.465.531 | 1.822.456.227 | 607.740.122 |
| X. TOTAL EXPENSES (114+137+143+145) | 147 | 1.885.651.568 | 553.749.598 | 1.705.942.423 | 573.424.930 |
| XI. PROFIT OR LOSS BEFORE TAXES (146-147) | 148 | 112.725.560 | 40.715.933 | 116.513.804 | 34.315.192 |
| 1. Profit before taxes (146-147) | 149 | 112.725.560 | 40.715.933 | 116.513.804 | 34.315.192 |
| 2. Loss before taxes (147-146) | 150 | 0 | 0 | 0 | 0 |
| XII. TAXATION | 151 | 15.600.649 | 5.892.969 | 15.426.492 | 5.578.052 |
| XII. PROFIT OR LOSS FOR THE PERIOD (148-151) | 152 | 97.124.911 | 34.822.964 | 101.087.312 | 28.737.140 |
| 1. Profit for the period (149-151) | 153 | 97.124.911 | 34.822.964 | 101.087.312 | 28.737.140 |
| 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 | 76.821.888 | 26.319.782 | 81.124.419 | 21.937.183 |
| 2. Attributable to minority interest | 156 | 20.303.023 | 8.503.182 | 19.962.893 | 6.799.957 |
| STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters) | | | | | |
| I. PROFIT OR LOSS FOR THE PERIOD (=152) | 157 | 97.124.911 | 34.822.964 | 101.087.312 | 28.737.140 |
| II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 167) | 158 | 274.158 | 32.184 | 73.621 | -38.276 |
| 1. Exchange differences from international settlement | 159 | 274.158 | 32.184 | 73.621 | -38.276 |
| 2. Changes in revaluation reserves of long-term tangible and intangible | 160 | 0 | 0 | 0 | 0 |
| 3. Profit or loss from re-valuation of financial assets held for sale | 161 | 0 | 0 | 0 | 0 |
| 4. Profit or loss from cash flow hedging | 162 | 0 | 0 | 0 | 0 |
| 5. Profit or loss from hedging of foreign investments | 163 | 0 | 0 | 0 | 0 |
| 6. Share of other comprehensive income/loss from associated | 164 | 0 | 0 | 0 | 0 |
| 7. Actuarial gains/losses from defined benefit plans | 165 | 0 | 0 | 0 | 0 |
| III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD | 166 | 0 | 0 | 0 | 0 |
| IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 167) | 167 | 274.158 | 32.184 | 73.621 | -38.276 |
| V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167) | 168 | 97.399.069 | 34.855.148 | 101.160.933 | 28.698.864 |
| 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 | 76.837.496 | 26.321.602 | 81.198.040 | 22.003.603 |
| 2. Attributable to minority interest | 170 | 20.561.573 | 8.533.546 | 19.962.893 | 6.695.261 |

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2011. to 30.9.2011.

| 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 | 2.095.568.772 | 1.903.670.019 |
| 2. Cash receipts from royalties, fees, commissions, etc. | 002 | 0 | 638.000 |
| 3. Cash receipts from insurance for damages compensation | 003 | 5.423.245 | 8.018.310 |
| 4. Cash receipts arising from tax refunds | 004 | 121.459.184 | 129.581.890 |
| 5. Other cash receipts | 005 | 44.890.950 | 57.530.149 |
| I. Total increase in cash flow from operating activities (001 do 005) | 006 | 2.267.342.151 | 2.099.438.368 |
| 1. Cash paid to suppliers | 007 | 1.396.400.040 | 1.428.152.475 |
| 2. Cash paid to employees | 008 | 415.645.019 | 421.156.165 |
| 3. Cash outflows for insurance for damages compensation | 009 | 8.097.955 | 5.317.265 |
| 4. Interest paid | 010 | 10.890.274 | 8.900.005 |
| 5. Tax paid | 011 | 138.137.070 | 114.811.562 |
| 6. Other cash outflows | 012 | 93.191.254 | 100.842.760 |
| II. Total decrease in cash flow from operating activities (007 do 012) | 013 | 2.062.361.612 | 2.079.180.232 |
| A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (006-013) | 014 | 204.980.539 | 20.258.136 |
| A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (013-006) | 015 | 0 | 0 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| 1. Cash flow from sale of long - term tangible and intangible assets | 016 | 2.369.572 | 2.510.228 |
| 2. Cash inflows from sale of equity and debt financial instruments | 017 | 5.123.343 | 3.572.891 |
| 3. Interest receipts | 018 | 0 | 0 |
| 4. Dividend receipts | 019 | 63.948.379 | 76.392.356 |
| 5. Other cash inflows from investing activities | 020 | 0 | 0 |
| III. Total cash inflows from investing activities(016 do 020) | 021 | 71.441.294 | 82.475.475 |
| 1. Cash outflows for purchase of long - term tangible and intangible assets | 022 | 40.987.974 | 49.575.010 |
| 2. Cash outflows for purchase of equity and debt financial instruments | 023 | 2.668.809 | 6.457.010 |
| 3. Other cash outflows from investing activities | 024 | 0 | 0 |
| IV. Total cash inflows from investing activities (022 do 024) | 025 | 43.656.783 | 56.032.020 |
| B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(021-025) | 026 | 27.784.511 | 26.443.455 |
| B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(025-021) | 027 | 0 | 0 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| 1. Cash receipts from issuance of equity and debt financial instruments | 028 | 0 | 0 |
| 2. Cash inflows from loans, debentures, credits and other borrowings | 029 | 55.335.436 | 36.344.893 |
| 3. Other cash inflows from financing activities | 030 | 99.535.494 | 131.637.539 |
| V. Total cash inflows from financing activities (028 do 030) | 031 | 154.870.930 | 167.982.432 |
| 1. Cash outflows for repayment of loans and bonds | 032 | 107.885.284 | 66.238.854 |
| 2. Dividends paid | 033 | 17.168.267 | 49.132.501 |
| 3. Cash outflows for finance lease | 034 | 0 | 0 |
| 4. Cash outflows for purchase of own stocks | 035 | 0 | 10.353.987 |
| 5. Other cash outflows from financing activities | 036 | 59.915.660 | 164.846.565 |
| VI. Total cash inflows from financing activities (032 do 036) | 037 | 184.969.211 | 290.571.907 |
| C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036) | 038 | 0 | 0 |
| C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030) | 039 | 30.098.281 | 122.589.475 |
| Total increases of cash flows (014 – 015 + 026– 027 + 0378 – 039) | 040 | 202.666.769 | 0 |
| Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038) | 041 | 0 | 75.887.884 |
| Cash and cash equivalents at the beginning of period | 042 | 310.321.360 | 580.365.351 |
| Decrease in cash and cash equivalents | 043 | 202.666.769 | 0 |
| Increase in cash and cash equivalents | 044 | 0 | 75.887.884 |
| Cash and cash equivalents at the end of period | 045 | 512.988.129 | 504.477.467 |

STATEMENT OF CHANGES IN EQUITY

period 1.1.2011 to 30.9.2011

Legal entity: Končar Electrical Industry INC.

| Position | AOP | Previous year | Current year |
|--|------------|---------------|---------------|
| 1 | 2 | 3 | 4 |
| 1. Subscribed share capital | 001 | 1.151.410.796 | 1.150.319.400 |
| 2. Capital reserves | 002 | 719.579 | 719.579 |
| 3. Reserves from profit | 003 | 261.601.518 | 310.697.118 |
| 4. Retained earnings or loss carried forward | 004 | 194.407.567 | 279.169.234 |
| 5. Net profit or loss for the period | 005 | 186.035.901 | 101.087.312 |
| 6. Revaluation of tangible assets | 006 | 0 | 0 |
| 7. Revaluation of intangible assets | 007 | 0 | 0 |
| 8. Revaluation of available for sale assets | 008 | 0 | 0 |
| 9. Other revaluation | 009 | 0 | 0 |
| 10. Total equity and reserves (AOP 001 to 009) | 010 | 1.794.175.361 | 1.841.992.643 |
| 11. Foreign exchange differences from foreign investments | 011 | 1.311.326 | 73.621 |
| 12. Current and deferred taxes | 012 | 0 | 0 |
| 13. Cash flow hedge | 013 | 0 | 0 |
| 14. Change of accounting policies | 014 | 0 | 0 |
| 15. Correction of significant mistakes of prior period | 015 | -441.292 | 0 |
| 16. Other changes | 016 | 175.642.047 | 47.743.661 |
| 17. Total increase or decrease of equity (AOP 011 to 016) | 017 | 176.512.081 | 47.817.282 |
| 17 a. Attributable to majority owners | 018 | 162.512.664 | 47.093.317 |
| 17 b. Attributable to minority interest | 019 | 13.999.417 | 723.965 |

Stavke koje umanjuju kapital upisuju se s negativnim predznakom

Podaci pod AOP oznakama 001 do 009 upisuju se kao stanje na datum bilance

Notes to the consolidated financial reports

Taxpayer: 03282635 Končar Electrical Industry INC.

1. Distribution of shares

There has been no distribution of shares.

2. Earnings per share

Earnings per share for the period January - September 2011 are HRK 31.54 and are higher than earnings per share during the same period of the previous year by HRK 1.67.

3. Changes in ownership structure

Compared to the previous trimestre, there have been no significant changes in the top ten shareholders. In the third quarter the Company acquired 17.500 pieces of own shares. In the same period the Company disposed 7.415 of own shares and now the Company owns 10.085 of own shares which comprise 0.392 per cent of the share capital.

4. Mergers and acquisitions

There have been no new mergers and acquisitions.

5. Uncertainty (description of cases in which exists the uncertainty of collection of outstanding debts or possible future expenses)

There have been no significant uncertainties in collection or future expenses.

6. Business results

During the period January - September 2011, as opposed to the same period of the previous year, revenues decreased by 8.8 per cent, while operational revenues, which make up for 93.3 per cent of the total revenues, decreased by 10.5 per cent. Total expenses decreased by 9.5 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 97.5 per cent of the total expenses, decreased by 10.2 per cent. Financial income and income from investment into affiliated companies increased by 46.6 per cent compared to the same period of last year. Financial expenses increased by 30.1 per cent in comparison with the same period of the previous year.

7. Products and services description

Production of electrical equipment for production, transmission and consumption of electrical energy, production of transport equipment and electric household appliances.

8. Operating and other costs

For the period January - September of the year 2011, in comparison with the same period of last year, the share of material expenses in the total revenue increased by 2.3 percentage point, amounts due to employees increased by 0.9 percentage points, depreciation and amortisation expenses rose by 0.2 percentage points, the share of other expenses increased by 0.6 percentage point, while the share of costs of provisions decreased by 1.6 percentage points and the expenses of values adjustment decreased by 0.8 percentage points.

9. Profit or loss

Consolidated Group profits after tax increased by 4.1 per cent compared to the same period of the previous year. The Group's net profit subscribed to the parent capital holders for the period January - September of the year 2011 amounts to HRK 81.12 million, which is an increase of HRK 4.30 million compared to the same period of the previous year. Of the 21 companies comprising the Končar Group, seven companies declared a loss in the amount of HRK 21.89 million, of which HRK 17.26 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the third quarter of 2011, as opposed to the beginning of the year, decreased by HRK 75.89 million. The mentioned decrease is the result of investments in non-current intangible and tangible assets.

11. Other notes

There have been no changes in accounting policies and procedures, and there are no new noteworthy lawsuits.

Appendix 1

Reporting period:

01.01.

to

30.09.2011.

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 address: www.koncar.hrCode and name of comune/town **133** **ZAGREB**Code and county name **21** **GRAD ZAGREB** Number of employees **49**
(at quarter end)Consolidated statement **NE** NKD/NWC code: **2711**

Subsidiaries subject to consolidation (according to IFRS) in appendix Registration number:

Book keeping service:

Contact person: **ILIĆ VESNA**
(fill in only surname and name of contact person)Phone number: **01 3667 183** Fascimile: **01 3667 177**E-mail address: vesna.ilic@koncar.hrSurname and name **BAGO DARINKO**
(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. Report of the Management Board on position of the Company
3. Statement of responsible persons for preparation of financial statements

M.P.

(signed by authorised person for representation)

Balance Sheet
as of 30.09.2011.

| 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 | 1.177.330.243 | |
| I. INTANGIBLE ASSETS (004 do 009) | 003 | 244.953 | 122.476 | |
| 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 | 122.476 | |
| II. PROPERTY, PLANT AND EQUIPMENT (011 do 019) | 010 | 321.186.838 | 320.176.223 | |
| 1. Land | 011 | 72.487.276 | 73.090.731 | |
| 2. Buildings | 012 | 123.735.036 | 120.229.034 | |
| 3. Plant and equipment | 013 | 13.086.148 | 11.597.516 | |
| 4. Tools, working inventory and transportation assets | 014 | 404.447 | 1.671.365 | |
| 5. Biological assets | 015 | | | |
| 6. Advances for purchase of tangible assets | 016 | 1.703.296 | 1.090.433 | |
| 7. Tangible assets in progress | 017 | 15.857.649 | 18.584.155 | |
| 8. Other tangible assets | 018 | 63.376 | 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 | 823.312.967 | |
| 1. Share in related parties | 021 | 791.005.849 | 817.439.885 | |
| 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 | 5.873.082 | |
| 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 | 33.718.577 | |
| 1. Receivables from related parties | 030 | | | |
| 2. Receivables arising from sales on credit | 031 | 34.316.705 | 33.718.577 | |
| 3. Other receivables | 032 | | | |
| V. DEFERRED TAX ASSET | 033 | | | |
| C) CURRENT ASSETS (035+043+050+058) | 034 | 398.308.258 | 376.642.920 | |
| I. INVENTORIES (036 do 042) | 035 | 6.091 | 162.300 | |
| 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 | 162.300 | |
| 6. Long term assets held for sale | 041 | | | |
| 7. Biological assets | 042 | | | |
| II. RECEIVABLES (044 do 049) | 043 | 119.395.087 | 47.417.893 | |
| 1. Receivables from related parties | 044 | 103.492.189 | 33.203.886 | |
| 2. Receivables from end-customers | 045 | 597.490 | 565.021 | |
| 3. Receivables from participating parties | 046 | | | |
| 4. Receivables from employees and members of the company | 047 | 35.103 | 62.903 | |
| 5. Receivables from government and other institutions | 048 | 5.325 | | |
| 6. Other receivables | 049 | 15.264.980 | 13.586.083 | |
| III. CURRENT FINANCIAL ASSETS (051 do 057) | 050 | 115.581.504 | 135.556.669 | |
| 1. Share in related parties | 051 | | | |
| 2. Loans to related parties | 052 | 31.400.000 | 47.900.000 | |
| 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 | 87.656.669 | |
| 7. Other financial assets | 057 | | | |
| IV. CASH AND CASH EQUIVALENTS | 058 | 163.325.576 | 193.506.058 | |
| D) PREPAYMENTS AND ACCRUED INCOME | 059 | 733.263 | 1.036.990 | |
| E) TOTAL ASSETS (001+002+034+059) | 060 | 1.548.168.499 | 1.555.010.153 | |
| F) OFF BALANCE SHEET ITEMS | 061 | 658.114.155 | 657.604.612 | |

| EQUITY AND LIABILITIES | | | |
|---|------------|---------------|---------------|
| A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078) | 062 | 1.256.631.736 | 1.269.217.329 |
| 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 | 155.415.010 |
| 1. Legal reserves | 066 | 11.389.054 | 14.464.809 |
| 2. Reserve for own shares | 067 | | 5.350.534 |
| 3. Treasury shares and shares (deductible items) | 068 | | 5.350.534 |
| 4. Statutory reserves | 069 | 75.489.055 | 84.276.008 |
| 5. Other reserves | 070 | 47.436.438 | 56.674.193 |
| IV. REVALUATION RESERVES | 071 | | |
| V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074) | 072 | 31.234.921 | 35.550.674 |
| 1. Retained earnings | 073 | 31.234.921 | 35.550.674 |
| 2. Loss carried forward | 074 | | |
| VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077) | 075 | 61.515.089 | 48.684.466 |
| 1. Net profit for the period | 076 | 61.515.089 | 48.684.466 |
| 2. Net loss for the period | 077 | | |
| VII. MINORITY INTEREST | 078 | | |
| B) PROVISIONS (080 do 082) | 079 | 282.274.972 | 278.757.730 |
| 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 | 277.466.570 |
| 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 | 3.894.899 |
| 1. Liabilities to related parties | 094 | 899.906 | 1.334.318 |
| 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 | 728.254 |
| 6. Commitments on securities | 099 | | |
| 7. Liabilities to companies with participating interest | 100 | | |
| 8. Liabilities to employees | 101 | 2.128.977 | 300.617 |
| 9. Taxes, contributions and similar liabilities | 102 | 3.669.995 | 1.253.120 |
| 10. Liabilities arising from share in the result | 103 | 127.658 | |
| 11. Liabilities arising from non-current assets held for sale | 104 | | |
| 12. Other current liabilities | 105 | 217.773 | 108.590 |
| E) ACCRUED EXPENSES AND DEFERRED INCOME | 106 | 192.676 | 2.630.195 |
| F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106) | 107 | 1.548.168.499 | 1.555.010.153 |
| G) OFF BALANCE SHEET ITEMS | 108 | 658.114.155 | 657.604.612 |
| 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 30.09.2011.

Company: Končar -Electrical Industry Inc.

| Position | AOP | Previous period | | Current period | |
|---|------------|-----------------|------------|----------------|------------|
| | | Cummulative | Quarter | Cummulative | Quarter |
| 1 | 2 | 3 | 4 | 5 | 6 |
| I. OPERATING INCOME (112 do 113) | 111 | 54.608.417 | 25.613.117 | 43.868.054 | 16.604.025 |
| 1. Rendering of services | 112 | 39.732.151 | 12.951.987 | 39.051.024 | 13.230.413 |
| 2. Other operating income | 113 | 14.876.266 | 12.661.130 | 4.817.030 | 3.373.612 |
| II. OPERATING COSTS (115+116+120+124+125+126+129+130) | 114 | 67.290.827 | 25.610.138 | 53.818.937 | 19.885.026 |
| 1. Change in inventories of work in progress | 115 | | | | |
| 2. Material expenses (117 do 119) | 116 | 15.584.636 | 4.599.508 | 18.609.920 | 5.844.967 |
| a) Costs of raw materials | 117 | 3.705.777 | 990.476 | 3.963.612 | 1.158.525 |
| b) Cost of goods sold | 118 | | | | |
| c) Other material expenses | 119 | 11.878.859 | 3.609.032 | 14.646.308 | 4.686.442 |
| 3. Employee benefits expenses (121 do 123) | 120 | 12.509.368 | 3.334.426 | 13.163.819 | 3.396.430 |
| a) Net salaries | 121 | 5.702.717 | 1.559.455 | 6.347.874 | 1.656.460 |
| b) Tax and contributions from salary expenses | 122 | 4.615.849 | 1.174.553 | 4.575.916 | 933.380 |
| c) Contributions on salary | 123 | 2.190.802 | 600.418 | 2.240.029 | 806.590 |
| 4. Depreciation and amortisation | 124 | 5.372.762 | 1.916.734 | 6.013.468 | 2.020.868 |
| 5. Other expenses | 125 | 23.288.790 | 15.747.295 | 13.400.313 | 5.992.566 |
| 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 | | 2.630.195 | 2.630.195 |
| 8. Other operating costs | 130 | 67.781 | 12.175 | 1.222 | |
| III. FINANCIAL INCOME (132 do 136) | 131 | 42.783.815 | 6.928.312 | 68.233.631 | 24.821.808 |
| 1. Interest, foreign exchange differences, dividends and similar income from related parties | 132 | 25.745.473 | 118.027 | 49.560.159 | 16.634.416 |
| 2. Interest, foreign exchange differences, dividends and similar income from third parties | 133 | 17.038.342 | 6.810.285 | 18.642.819 | 8.156.739 |
| 3. Income from investments in associates and joint ventures | 134 | | | | |
| 4. Unrealised gains (income) from financial assets | 135 | | | | |
| 5. Other financial income | 136 | | | 30.653 | 30.653 |
| IV. FINANCIAL EXPENSES (138 do 141) | 137 | 4.339.392 | 1.987.030 | 9.598.282 | 4.948.661 |
| 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 | 4.339.392 | 1.987.030 | 9.598.282 | 4.948.661 |
| 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 | 97.392.232 | 32.541.429 | 112.101.685 | 41.425.833 |
| X. TOTAL EXPENSES (114+137+143+145) | 147 | 71.630.219 | 27.597.168 | 63.417.219 | 24.833.687 |
| XI. PROFIT OR LOSS BEFORE TAXES (146-147) | 148 | 25.762.013 | 4.944.261 | 48.684.466 | 16.592.146 |
| 1. Profit before taxes (146-147) | 149 | 25.762.013 | 4.944.261 | 48.684.466 | 16.592.146 |
| 2. Loss before taxes (147-146) | 150 | 0 | 0 | 0 | 0 |
| XII. TAXATION | 151 | | | | |
| XII. PROFIT OR LOSS FOR THE PERIOD (148-151) | 152 | 25.762.013 | 4.944.261 | 48.684.466 | 16.592.146 |
| 1. Profit for the period (149-151) | 153 | 25.762.013 | 4.944.261 | 48.684.466 | 16.592.146 |
| 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 | 25.762.013 | 4.944.261 | 48.684.466 | 16.592.146 |
| II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165) | 158 | 482.278 | 52.161 | 117.087 | -27.937 |
| 1. Exchange differences from international settlement | 159 | 482.278 | 52.161 | 117.087 | -27.937 |
| 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 | 482.278 | 52.161 | 117.087 | -27.937 |
| V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167) | 168 | 26.244.291 | 4.996.422 | 48.801.553 | 16.564.209 |
| 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 1.1.2011. to 30.09.2011.

| 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 | 56.645.306 | 40.305.548 |
| 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 | 18.723.905 | 20.363.689 |
| I. Total increase in cash flow from operating activities (001 do 005) | 006 | 75.369.211 | 60.669.237 |
| 1. Cash paid to suppliers | 007 | 32.481.528 | 35.320.255 |
| 2. Cash paid to employees | 008 | 16.607.474 | 16.745.714 |
| 3. Cash outflows for insurance for damages compensation | 009 | | |
| 4. Interest paid | 010 | 139.707 | 4.489 |
| 5. Tax paid | 011 | 3.251.222 | 4.007.422 |
| 6. Other cash outflows | 012 | 13.898.607 | 15.177.512 |
| II. Total decrease in cash flow from operating activities (007 do 012) | 013 | 66.378.538 | 71.255.392 |
| A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (006-013) | 014 | 8.990.673 | 0 |
| A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (013-006) | 015 | 0 | 10.586.155 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| 1. Cash flow from sale of long - term tangible and intangible assets | 016 | 2.122.764 | 2.365.530 |
| 2. Cash inflows from sale of equity and debt financial instruments | 017 | 4.023.343 | 3.572.891 |
| 3. Interest receipts | 018 | 6.407.229 | 4.748.620 |
| 4. Dividend receipts | 019 | 79.266.659 | 107.053.897 |
| 5. Other cash inflows from investing activities | 020 | | |
| III. Total cash inflows from investing activities(016 do 020) | 021 | 91.819.995 | 117.740.938 |
| 1. Cash outflows for purchase of long - term tangible and intangible assets | 022 | 18.877.460 | 2.772.796 |
| 2. Cash outflows for purchase of equity and debt financial instruments | 023 | 1.568.809 | 15.007.010 |
| 3. Other cash outflows from investing activities | 024 | | |
| IV. Total cash inflows from investing activities (022 do 024) | 025 | 20.446.269 | 17.779.806 |
| B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(021-025) | 026 | 71.373.726 | 99.961.132 |
| B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(025-021) | 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 | 25.787.021 | 4.400.000 |
| 3. Other cash inflows from financing activities | 030 | 51.513.370 | 1.641.896 |
| V. Total cash inflows from financing activities (028 do 030) | 031 | 77.300.391 | 6.041.896 |
| 1. Cash outflows for repayment of loans and bonds | 032 | 2.013.457 | 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 | 1.481.807 | 9.666.286 |
| 5. Other cash outflows from financing activities | 036 | 58.784.915 | 24.534.677 |
| VI. Total cash inflows from financing activities (032 do 036) | 037 | 62.280.179 | 65.236.391 |
| C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036) | 038 | 15.020.212 | 0 |
| C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030) | 039 | 0 | 59.194.495 |
| Total increases of cash flows (014 – 015 + 026 – 027 + 038 – 039) | 040 | 95.384.611 | 30.180.482 |
| Total decreases of cash flows (015 – 014 + 027 – 026 + 039 – 038) | 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 | 95.384.611 | 30.180.482 |
| Increase in cash and cash equivalents | 044 | | |
| Cash and cash equivalents at the end of period | 045 | 204.246.838 | 193.506.058 |

STATEMENT OF CHANGES IN EQUITY

period 1.1.2011 to 30.9.2011

| 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 | 155.415.010 |
| 4. Retained earnings or loss carried forward | 004 | 31.234.921 | 35.550.674 |
| 5. Net profit or loss for the period | 005 | 61.515.089 | 48.684.466 |
| 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 | 1.269.217.329 |
| 11. Foreign exchange differences from foreign investments | 011 | 825.532 | 117.087 |
| 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 | 12.468.506 |
| 17. Total increase or decrease of equity (AOP 011 to 016) | 017 | 70.093.639 | 12.585.593 |
| 17 a. Attributable to majority owners | 018 | | |
| 17 b. Attributable to minority interest | 019 | | |

Stavke koje umanjuju kapital upisuju se s negativnim predznakom

Podaci pod AOP oznakama 001 do 009 upisuju se kao stanje na datum bilance