

Appendix 1

Reporting period:

01.01.2011.

to

31.12.2011.

Quarterly financial report of entrepreneur -TFI-POD

Registration number (MB) 03282635

Identification number of subject (MRS) 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.hr

Code and name of comune/town 133 ZAGREB

Code and county name 21 GRAD ZAGREB

Number of employees (at quarter end) 49

Consolidated statement NO

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

Facsimile: 01 3667 177

E-mail address: vesna.ilic@koncar.hr

Surname 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 31.12.2011.

| 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 | 1.096.193.736 |
| I. INTANGIBLE ASSETS (004 do 009) | 003 | 244.953 | 81.651 |
| 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 | 81.651 |
| II. PROPERTY, PLANT AND EQUIPMENT (011 do 019) | 010 | 321.186.838 | 325.148.986 |
| 1. Land | 011 | 72.487.276 | 73.320.124 |
| 2. Buildings | 012 | 123.735.036 | 134.055.610 |
| 3. Plant and equipment | 013 | 13.086.148 | 13.758.931 |
| 4. Tools, working inventory and transportation assets | 014 | 404.447 | 1.508.563 |
| 5. Biological assets | 015 | | |
| 6. Advances for purchase of tangible assets | 016 | 1.703.296 | 43.567 |
| 7. Tangible assets in progress | 017 | 15.857.649 | 8.549.202 |
| 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 | 742.719.498 |
| 1. Share in related parties | 021 | 791.005.849 | 737.354.549 |
| 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 | 5.364.949 |
| 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 | 28.243.601 |
| 1. Receivables from related parties | 030 | | |
| 2. Receivables arising from sales on credit | 031 | 28.571.347 | 22.569.135 |
| 3. Other receivables | 032 | 5.745.358 | 5.674.466 |
| V. DEFERRED TAX ASSET | 033 | | |
| C) CURRENT ASSETS (035+043+050+058) | 034 | 398.308.258 | 409.358.966 |
| I. INVENTORIES (036 do 042) | 035 | 6.091 | 92.901 |
| 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 | 92.901 |
| 6. Long term assets held for sale | 041 | | |
| 7. Biological assets | 042 | | |
| II. RECEIVABLES (044 do 049) | 043 | 119.395.087 | 48.903.851 |
| 1. Receivables from related parties | 044 | 103.492.189 | 29.439.914 |
| 2. Receivables from end-customers | 045 | 597.490 | 635.482 |
| 3. Receivables from participating parties | 046 | | |
| 4. Receivables from employees and members of the company | 047 | 35.103 | 38.204 |
| 5. Receivables from government and other institutions | 048 | 5.325 | 602.381 |
| 6. Other receivables | 049 | 15.264.980 | 18.187.870 |
| III. CURRENT FINANCIAL ASSETS (051 do 057) | 050 | 115.581.504 | 317.823.242 |
| 1. Share in related parties | 051 | | |
| 2. Loans to related parties | 052 | 31.400.000 | 53.915.000 |
| 3. Participating interests (shares) | 053 | | |
| 4. Loans to companies with participating interest | 054 | | |
| 5. Investments in securities | 055 | | |
| 6. Loans, deposits, etc. | 056 | | |
| 7. Other financial assets | 057 | 84.181.504 | 263.908.242 |
| IV. CASH AND CASH EQUIVALENTS | 058 | 163.325.576 | 42.538.972 |
| D) PREPAYMENTS AND ACCRUED INCOME | 059 | 733.263 | 1.176.935 |
| E) TOTAL ASSETS (001+002+034+059) | 060 | 1.548.168.499 | 1.506.729.637 |
| F) OFF BALANCE SHEET ITEMS | 061 | 658.114.155 | 802.661.405 |

| EQUITY AND LIABILITIES | | | |
|---|------------|---------------|---------------|
| A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078) | 062 | 1.256.631.736 | 1.297.603.916 |
| 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 | 155.178.637 |
| 1. Legal reserves | 066 | 11.389.054 | 14.464.809 |
| 2. Reserve for own shares | 067 | | 4.826.311 |
| 3. Treasury shares and shares (deductible items) | 068 | | 4.826.311 |
| 4. Statutory reserves | 069 | 75.489.055 | 84.276.008 |
| 5. Other reserves | 070 | 47.436.438 | 56.437.820 |
| IV. REVALUATION RESERVES | 071 | | |
| V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074) | 072 | 31.234.921 | 39.456.525 |
| 1. Retained earnings | 073 | 31.234.921 | 39.456.525 |
| 2. Loss carried forward | 074 | | |
| VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077) | 075 | 61.515.089 | 73.401.575 |
| 1. Net profit for the period | 076 | 61.515.089 | 73.401.575 |
| 2. Net loss for the period | 077 | | |
| VII. MINORITY INTEREST | 078 | | |
| B) PROVISIONS (080 do 082) | 079 | 282.274.972 | 201.387.887 |
| 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 | 200.096.727 |
| C) NON-CURRENT LIABILITIES (084 do 092) | 083 | 510.000 | 170.000 |
| 1. Liabilities to related parties | 084 | | |
| 2. Liabilities for loans, deposits, etc. | 085 | 510.000 | 170.000 |
| 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 | 7.567.834 |
| 1. Liabilities to related parties | 094 | 899.906 | 974.776 |
| 2. Liabilities for loans, deposits, etc. | 095 | 340.000 | 340.000 |
| 3. Liabilities to banks and other financial institutions | 096 | | |
| 4. Liabilities for advances | 097 | | |
| 5. Trade payables | 098 | 1.174.806 | 1.018.832 |
| 6. Commitments on securities | 099 | | |
| 7. Liabilities to companies with participating interest | 100 | | |
| 8. Liabilities to employees | 101 | 2.128.977 | 2.305.606 |
| 9. Taxes, contributions and similar liabilities | 102 | 3.669.995 | 2.702.538 |
| 10. Liabilities arising from share in the result | 103 | 127.658 | 114.360 |
| 11. Liabilities arising from non-current assets held for sale | 104 | | |
| 12. Other current liabilities | 105 | 217.773 | 111.722 |
| E) ACCRUED EXPENSES AND DEFERRED INCOME | 106 | 192.676 | |
| F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106) | 107 | 1.548.168.499 | 1.506.729.637 |
| G) OFF BALANCE SHEET ITEMS | 108 | 658.114.155 | 802.661.405 |
| 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 31.12.2011.

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 | 79.806.652 | 25.198.235 | 137.893.493 | 94.025.439 |
| 1. Rendering of services | 112 | 52.382.226 | 12.650.075 | 52.359.890 | 13.308.866 |
| 2. Other operating income | 113 | 27.424.426 | 12.548.160 | 85.533.603 | 80.716.573 |
| II. OPERATING COSTS (115+116+120+124+125+126+129+130) | 114 | 162.079.789 | 94.788.962 | 225.605.123 | 171.786.186 |
| 1. Change in inventories of work in progress | 115 | | | | |
| 2. Material expenses (117 do 119) | 116 | 32.108.250 | 9.344.592 | 26.144.638 | 7.534.718 |
| a) Costs of raw materials | 117 | 5.229.385 | 1.523.608 | 5.354.319 | 1.390.707 |
| b) Cost of goods sold | 118 | | | | |
| c) Other material expenses | 119 | 26.878.865 | 7.820.984 | 20.790.319 | 6.144.011 |
| 3. Employee benefits expenses (121 do 123) | 120 | 20.720.668 | 8.211.300 | 21.286.579 | 8.122.760 |
| a) Net salaries | 121 | 9.292.368 | 3.589.651 | 10.152.663 | 3.804.789 |
| b) Tax and contributions from salary expenses | 122 | 8.396.025 | 3.780.176 | 8.646.144 | 4.070.228 |
| c) Contributions on salary | 123 | 3.032.275 | 841.473 | 2.487.772 | 247.743 |
| 4. Depreciation and amortisation | 124 | 7.336.036 | 1.963.274 | 8.085.545 | 2.072.077 |
| 5. Other expenses | 125 | 17.894.942 | 1.785.174 | 83.069.424 | 69.669.111 |
| 6. Write down of assets (127+128) | 126 | 57.925.456 | 57.925.456 | 80.800.000 | 80.800.000 |
| a) non-current assets (except financial assets) | 127 | 57.925.456 | 52.531.608 | 80.800.000 | 80.800.000 |
| b) current assets (except financial assets) | 128 | | | | |
| 7. Provisions | 129 | 25.802.155 | 15.334.665 | 6.202.883 | 3.572.688 |
| 8. Other operating costs | 130 | 292.282 | 224.501 | 16.054 | 14.832 |
| III. FINANCIAL INCOME (132 do 136) | 131 | 154.781.116 | 111.997.301 | 174.779.281 | 106.545.650 |
| 1. Interest, foreign exchange differences, dividends and similar income from related parties | 132 | 15.890.189 | 7.116.608 | 50.409.289 | 849.130 |
| 2. Interest, foreign exchange differences, dividends and similar income from third parties | 133 | 53.587.301 | 19.577.067 | 23.327.239 | 4.653.767 |
| 3. Income from investments in associates and joint ventures | 134 | 78.041.969 | 78.041.969 | 101.042.753 | 101.042.753 |
| 4. Unrealised gains (income) from financial assets | 135 | 7.261.657 | 7.261.657 | | |
| 5. Other financial income | 136 | | | | |
| IV. FINANCIAL EXPENSES (138 do 141) | 137 | 10.992.890 | 6.653.498 | 13.666.076 | 4.067.794 |
| 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 | 6.883.915 | 2.544.523 | 13.666.076 | 4.067.794 |
| 3. Unrealised losses (expenses) from financial assets | 140 | 4.108.975 | 4.108.975 | | |
| 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 | 234.587.768 | 137.195.536 | 312.672.774 | 200.571.089 |
| X. TOTAL EXPENSES (114+137+143+145) | 147 | 173.072.679 | 101.442.460 | 239.271.199 | 175.853.980 |
| XI. PROFIT OR LOSS BEFORE TAXES (146-147) | 148 | 61.515.089 | 35.753.076 | 73.401.575 | 24.717.109 |
| 1. Profit before taxes (146-147) | 149 | 61.515.089 | 35.753.076 | 73.401.575 | 24.717.109 |
| 2. Loss before taxes (147-146) | 150 | 0 | 0 | 0 | 0 |
| XII. TAXATION | 151 | | | | |
| XII. PROFIT OR LOSS FOR THE PERIOD (148-151) | 152 | 61.515.089 | 35.753.076 | 73.401.575 | 24.717.109 |
| 1. Profit for the period (149-151) | 153 | 61.515.089 | 35.753.076 | 73.401.575 | 24.717.109 |
| 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 | 61.515.089 | 35.753.076 | 73.401.575 | 24.717.109 |
| II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165) | 158 | 825.532 | 343.254 | 214.427 | 97.340 |
| 1. Exchange differences from international settlement | 159 | 825.532 | 343.254 | 214.427 | 97.340 |
| 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 | 825.532 | 343.254 | 214.427 | 97.340 |
| V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167) | 168 | 62.340.621 | 36.096.330 | 73.616.002 | 24.814.449 |
| 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 31.12.2011.

| 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 | 78.934.555 | 64.803.973 |
| 2. Cash receipts from royalties, fees, commissions, etc. | 002 | | |
| 3. Cash receipts from insurance for damages compensation | 003 | 49.900 | |
| 4. Cash receipts arising from tax refunds | 004 | | |
| 5. Other cash receipts | 005 | 27.684.798 | 22.773.679 |
| I. Total increase in cash flow from operating activities (001 to 005) | 006 | 106.669.253 | 87.577.652 |
| 1. Cash paid to suppliers | 007 | 45.896.338 | 56.399.515 |
| 2. Cash paid to employees | 008 | 20.348.621 | 20.506.649 |
| 3. Cash outflows for insurance for damages compensation | 009 | 514.028 | |
| 4. Interest paid | 010 | 141.159 | 10.149 |
| 5. Tax paid | 011 | 4.137.250 | 5.646.069 |
| 6. Other cash outflows | 012 | 17.944.020 | 83.138.408 |
| II. Total decrease in cash flow from operating activities (007 to 012) | 013 | 88.981.416 | 165.700.790 |
| A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (006-013) | 014 | 17.687.837 | 0 |
| A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (013-006) | 015 | 0 | 78.123.138 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| 1. Cash flow from sale of long - term tangible and intangible assets | 016 | 2.609.117 | 2.900.915 |
| 2. Cash inflows from sale of equity and debt financial instruments | 017 | 5.976.566 | 3.576.020 |
| 3. Interest receipts | 018 | 10.983.885 | 5.047.436 |
| 4. Dividend receipts | 019 | 86.791.144 | 208.096.650 |
| 5. Other cash inflows from investing activities | 020 | | |
| III. Total cash inflows from investing activities(016 to 020) | 021 | 106.360.712 | 219.621.021 |
| 1. Cash outflows for purchase of long - term tangible and intangible assets | 022 | 20.960.209 | 2.991.546 |
| 2. Cash outflows for purchase of equity and debt financial instruments | 023 | 69.158.109 | 14.799.627 |
| 3. Other cash outflows from investing activities | 024 | | |
| IV. Total cash outflows from investing activities (022 to 024) | 025 | 90.118.318 | 17.791.173 |
| B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(021-025) | 026 | 16.242.394 | 201.829.848 |
| 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 | | 2.026.374 |
| 2. Cash inflows from loans, debentures, credits and other borrowings | 029 | 63.982.939 | 8.286.617 |
| 3. Other cash inflows from financing activities | 030 | 51.519.155 | |
| V. Total cash inflows from financing activities (028 to 030) | 031 | 115.502.094 | 10.312.991 |
| 1. Cash outflows for repayment of loans and bonds | 032 | 2.183.457 | 340.000 |
| 2. Dividends paid | 033 | 72 | 30.751.068 |
| 3. Cash outflows for finance lease | 034 | | |
| 4. Cash outflows for purchase of own stocks | 035 | | 14.675.053 |
| 5. Other cash outflows from financing activities | 036 | 92.785.447 | 209.040.184 |
| VI. Total cash outflows from financing activities (032 to 036) | 037 | 94.968.976 | 254.806.305 |
| C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (031-037) | 038 | 20.533.118 | 0 |
| C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (037-031) | 039 | 0 | 244.493.314 |
| Total increases of cash flows (014 – 015 + 026 – 027 + 038 – 039) | 040 | 54.463.349 | 0 |
| Total decreases of cash flows (015 – 014 + 027 – 026 + 039 – 038) | 041 | 0 | 120.786.604 |
| Cash and cash equivalents at the beginning of period | 042 | 108.862.227 | 163.325.576 |
| Decrease in cash and cash equivalents | 043 | 54.463.349 | |
| Increase in cash and cash equivalents | 044 | | 120.786.604 |
| Cash and cash equivalents at the end of period | 045 | 163.325.576 | 42.538.972 |

STATEMENT OF CHANGES IN EQUITY

period 01.01.2011. to 31.12.2011. Eq

| 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 | 155.178.637 |
| 4. Retained earnings or loss carried forward | 004 | 31.234.921 | 39.456.525 |
| 5. Net profit or loss for the period | 005 | 61.515.089 | 73.401.575 |
| 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 | 1.297.603.916 |
| 11. Foreign exchange differences from foreign investments | 011 | 825.532 | 214.427 |
| 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 | 40.757.753 |
| 17. Total increase or decrease of equity (AOP 011 to 016) | 017 | 70.093.639 | 40.972.180 |
| 17 a. Attributable to majority owners | 018 | | |
| 17 b. Attributable to minority interest | 019 | | |