

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT
FOR THE TIME PERIOD FROM JANUARY TO DECEMBER 2012
(Non-audited Report)**

The KONČAR Group consists of KONČAR – ELECTRICAL INDUSTRY Inc. as the Mother Company and 20 dependant companies in which the mother company has a prevailing influence (more than 50 % of votes at the AGM/EGM). In a smaller part of companies, besides ordinary shares, preferred shares have been registered as well. In addition, the Mother Company has a minority managing impact (49 % of votes at the AGM/EGM) in one company (associated company).

Companies within the Group are legally independent companies and the Mother Company supervises and directs them through Company Supervisory Boards in accordance with the Trading Company Act, the Statutes of KONČAR – ELECTRICAL INDUSTRY Inc and the Statues of each individual company. The Mother Company also manages a part of the assets that are not invested into companies, but, directly or indirectly, has the function of a financial support to marketing and sales, products and equipment of associated companies as credit and guarantee potential.

As of 31th December, 2012, the potential liability of Končar – Electrical Industry Inc. for the total issued warranties amounted to HRK 625,7 million out of which amount HRK 387,9 million refers to guarantees (bid bonds, advance payment guarantees, good performance guarantees and warranty period guarantees).

The Company has formed reserves in the amount of HRK 80,5 million for potential liabilities from those guarantees.

The KONČAR Group business activities are divided into business areas:

- Energy and transport: designing and construction of plants for generation, transmission and distribution of electric energy with belonging equipment, thyristor locomotives, electrical multiple units, tram cars, and electrical line side equipment;
- Industry: electric motor drives, middle voltage and low voltage electric equipment and catering equipment;
- Trade: electric household appliances, serial products and low voltage electric apparatus.
- Special business activities: research and development of products and infrastructural services.

Managing Board

The President and Members of the Managing Board are appointed and recalled by the Supervisory Board. The term of office of the President and Members of the Managing Board lasts 5 years; after expiry of their term of office, they can be reappointed. Pursuant the Trading Company Act and the Statutes of the Company, the Managing Board manages business activities at its own responsibility; it is obliged and authorised to perform all possible actions and make decisions it considers necessary for a successful managing of the Company. Some decisions, prescribed by the Statues, require consent of the Supervisory Board.

The Company Končar – Electrical Industry Inc. is managed by the Managing Board consisting of:

Darinko Bago	The President of the Managing Board
Marina Kralj Miliša	A Member of the Managing Board in charge of Legal, Common and Personnel Affairs
Jozo Miloloža	A Member of the Managing Board in charge of Finances
Davor Mladina	A Member of the Managing Board in charge of Transmission and Distribution of Electric Energy, Industry and Trade
Miroslav Poljak	A Member of the Managing Board in charge of Generation of Electric Energy, Corporate Development and ICT

Supervisory Board

Pursuant to the provisions contained in the Companies Act and the KONČAR – Electrical Industry Inc. Charter, the General Assembly makes the decisions on 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. The Supervisory Board consists of the following eight members:

Nenad Filipović	Chairman of the Supervisory Board
Jasminka Belačić	Vice-chairwoman of the Supervisory Board
Boris Draženović	Member of the Supervisory Board
Kristina Čelić	Member of the Supervisory Board
Vicko Ferić	Member of the Supervisory Board
Tomislav Radoš	Member of the Supervisory Board
Ivan Rujnić	Member of the Supervisory Board
Petar Vlaić	Member of the Supervisory Board

Končar Group 2012 Business Results (Non-Audited Financial Statement)

Končar Group has achieved a positive financial result for the time period from 1st January to 31st December, 2012.

Končar Group Companies generated the total consolidated incomes in the amount of HRK 2,893.1 million and it is higher by 4.7% compared to the achievements during the same time period in 2011. Nonconsolidated incomes (including incomes generated among associated companies as well) amount to HRK 3,470 million being higher by 5.2% than the achievements of the previous year. A significant part of incomes from internal relationships not included into the consolidated incomes and revenues refers to investments into improvement of the technical and technological level of the Group as a whole and they will be reflected in the increased total consolidated business results in coming years.

Total consolidated revenues were generated in the amount of HRK 2,692.6 million and they are higher by 5.5 % compared to the revenues generated during the same time period from January to December, 2011.

The consolidated Group profit before tax amounts to HRK 200.5 million and it is higher by 9 % compared to 2012 Business Plan and lower by 4.9 % compared to the achieved profit before tax during the same time period in 2011. The profit tax amounts to HRK 23.6 million and the profit after tax was generated in the amount of HRK 176.8 million out of which HRK 26.3 belongs to the non-controlling interest (the minority interest) and HRK 150.5 million or the amount higher by 12.4 % compared to the Plan and lower by 7.3 % compared to the achieved in the same period of 2011, belongs to Group Mother Company stockholders.

A share in profits belonging to associated entrepreneurs amounts to HRK 76.9 million and it is lower by HRK 56.3 million compared to the year of 2011.

Financial incomes were generated in the amount of HRK 71.6 million and they were made of interests in the amount of HRK 36.8 million, incomes arising from exchange rate differences in the amount of HRK 29.3 million and other financial incomes in the amount of HRK 5.5 million. Financial revenues were generated in the amount of HRK 45.1 million and they consisted of negative exchange rate differences in the amount of HRK 31.7 million, interests and other financial revenues in the amount of HRK 13.5. A positive difference between financial incomes and financial revenues amounts the HRK 26.5 million.

Profits from business activities in the amount of HRK 97.1 million, the share in profits belonging to associated entrepreneurs in the amount of 76.9 million and a positive difference between the financial incomes and revenues in the amount of HRK 26.5 million make consolidated profits before tax in the amount of HRK 200.5 million.

Out of 21 Končar Group Companies, 17 Companies achieved positive business results, while four companies expressed a loss in the total amount of HRK 62.7 million out of which HRK 56.6 million belong to Group Mother Company stockholders.

Consolidated incomes from sales of products and services were generated in the amount of HRK 2,443 million making them higher by 3.4 % compared to the amount generated during the same time period of the previous year. Sales of goods and services on the domestic market were generated in the amount of HRK 1,228 million (50 per cent of the total generated incomes from sales of goods and services) or they were by 12 % higher compared to the same period of the previous year, while in exports the Group generated HRK 1,228 million (50 % of the total generated incomes from sales of goods and services) or by 4.8 % lower compared to the export realised in the year of 2011. The negative correction of incomes by deferred incomes amounts to HRK 12.9 million.

Within the structure of incomes from sales of products and services on the domestic market, incomes from sales of products and services to the Croatian Power Authority (HEP) amount to HRK 655.3 million or 53 per cent out of the total generated amount on the domestic market, to trading companies the Group delivered products in the amount of HRK 182,8 million, to companies belonging to industry and shipbuilding sector the Group delivered products and services in the amount of HRK 167.8 million, to Zagrebački holding (Zagreb Electric Tram) HRK 74.6 million, to the Croatian Railways HRK 43.6 million, while the rest amount of HRK 103.9 million referred to the Croatian Motorways, State and Local Government and Public Companies.

In 2012 the Group generated incomes from sales of products and services in export in the amount of HRK 1,228 million making them lower by 4.8 % compared to exports performed in 2011.

The most important exported goods and services went to Germany (HRK 135.9 million), Sweden (HRK 107.2 million), the Czech Republic (HRK 100.4 million), Bosnia and Herzegovina (HRK 75.9 million), Finland (HRK 65.3 million) and Turkey (HRK 51.6 million).

During the same accounting period the Group imported capital equipment, raw materials and materials in the amount of HRK 649.2 million. The generated incomes from sales of goods and services in export were by 1.8 times higher than the performed import of equipment, raw materials and materials.

In 2012 Končar Group Companies contracted new projects in the amount of HRK 2,435.4 million out of which HRK 1,197.5 million on the domestic market (49 % of the total contracted projects) and HRK 1,237.9 million on the foreign market (51 of the total contracted projects).

At the end of 2012, the contracted project status amounted to HRK 2,232.4 that was at the level of the contracted project status at the beginning of the year.

In 2012 investments into tangible and intangible assets were realised in the amount of HRK 229.4 million. The majority of the stated amount was invested into: Pometeno Brdo Wind Power Plant, construction of a new Testing Station in the Company KONČAR – Distributive and Special Transformers Inc. and development of GIS apparatus and HV circuit breakers in the Company Končar – High Voltage Switchgears Inc.

The level of the total consolidated assets of the Končar Group on 31st December, 2012 amounted to HRK 3,531 million representing an increase by HRK 35.3 million compared to the level on 31st December, 2011.

Within the structure of asset sources, the registered capital, reserves, retained profits, profits of the current year and not controlling interest amounted to HRK 2,067 million that was HRK 129.8 million more compared to the level on 31st December, 2011 and they made 59 % of the total sources.

Long term asset sources (capital, long term reservations and long term liabilities) were higher by HRK 542.2 million compared to the long term assets and the average level of stocks pointing at a good term structure of asset sources. Current assets were 3 times higher than the current liabilities pointing at good liquidity of the system. The consolidated balance sheet structure showed a good financial stability of the Končar Group.

Signed on behalf of the Board:

KONČAR – Electrical Industry Inc.

President of the Management Board

Darinko Bago

On 14 February 2013

**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 December of the year 2012.

This set of financial statements (financial statements for KONČAR – Electrical Industry Inc. and consolidated financial statements) reports on the quarterly and cumulative unaudited information. Therefore, variations are possible with respect to the final annual report.

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 14 February 2013

- Note:

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

Persons to contact:

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

Appendix 1

Reporting period:

1.1.2012

to

31.12.2012

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 **3.889**

(at quarter end)

Consolidated statement **YES**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 - Ugostiteljska 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, Switzerland	

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 31.12.2012.

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	1.343.866.876	1.451.052.555
I. INTANGIBLE ASSETS (004 do 009)	003	32.699.840	40.947.540
1. Expenditure for development	004	10.552.232	8.011.493
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	4.599.754	5.016.153
3. Goodwill	006	7.503.528	7.500.898
4. Advances for purchase of intangible assets	007	388.695	482.409
5. Intangible assets in progress	008	9.440.954	10.990.800
6. Other intangible assets	009	214.677	8.945.787
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.017.220.459	1.125.401.785
1. Land	011	155.724.709	146.519.290
2. Buildings	012	375.156.015	330.201.033
3. Plant and equipment	013	151.759.821	210.295.695
4. Tools, working inventory and transportation assets	014	82.425.019	78.428.885
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	7.182.957	7.973.844
7. Tangible assets in progress	017	149.478.516	151.107.356
8. Other tangible assets	018	889.771	101.210.716
9. Investment in real-estate	019	94.603.651	99.664.966
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	252.080.923	257.959.451
1. Share in related parties	021	293.704	293.024
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	811.316	856.416
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	4.755.707	3.921.424
6. Loans, deposits, etc.	026	1.461.593	992.500
7. Other non-current financial assets	027	2.191.352	3.697.455
8. Equity-accounted investments	028	242.567.251	248.198.632
IV. RECEIVABLES (030 do 032)	029	41.865.654	26.743.779
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	32.345.312	23.554.434
3. Other receivables	032	9.520.342	3.189.345
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	2.142.156.894	2.074.170.641
I. INVENTORIES (036 do 042)	035	512.835.195	547.083.319
1. Raw materials and supplies	036	276.781.099	242.174.076
2. Production in progress	037	134.863.472	150.865.136
3. Finished products	038	60.704.804	63.855.016
4. Merchandise	039	13.717.172	11.289.427
5. Advances for inventories	040	25.856.601	39.298.095
6. Long term assets held for sale	041	912.047	39.601.569
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	932.931.301	918.905.750
1. Receivables from related parties	044	19.467.234	14.484.533
2. Receivables from end-customers	045	816.588.398	830.640.410
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	1.321.053	662.554
5. Receivables from government and other institutions	048	43.757.812	6.118.084
6. Other receivables	049	51.796.804	67.000.169
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	376.970.323	192.741.037
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	376.970.323	192.705.322
7. Other financial assets	057	0	35.715
IV. CASH AND CASH EQUIVALENTS	058	319.420.075	415.440.535
D) PREPAYMENTS AND ACCRUED INCOME	059	9.711.305	5.830.269
E) TOTAL ASSETS (001+002+034+059)	060	3.495.735.075	3.531.053.465
F) OFF BALANCE SHEET ITEMS	061	2.212.151.466	2.358.309.721

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	1.937.208.827	2.066.994.909
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	243.156.817	304.225.167
1. Legal reserves	066	17.762.375	22.449.226
2. Reserve for own shares	067	3.845.600	265.600
3. Treasury shares and shares (deductible items)	068	3.845.600	265.600
4. Statutory reserves	069	146.257.985	185.426.451
5. Other reserves	070	79.136.457	96.349.490
IV. REVALUATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	277.566.082	349.297.405
1. Retained earnings	073	277.566.082	349.297.405
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	162.441.709	150.540.708
1. Net profit for the period	076	162.441.709	150.540.708
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	224.477.040	233.364.450
B) PROVISIONS (080 do 082)	079	508.233.506	421.233.449
1. Provisions for pensions, severance pay and similar liabilities	080	21.809.747	11.139.709
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	486.423.759	410.093.740
C) NON-CURRENT LIABILITIES (084 do 092)	083	120.208.139	246.156.587
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	1.020.000	170.000
3. Liabilities to banks and other financial institutions	086	119.188.139	245.823.206
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	163.381
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	832.473.375	680.051.103
1. Liabilities to related parties	094	6.899.329	422.864
2. Liabilities for loans, deposits, etc.	095	680.000	850.000
3. Liabilities to banks and other financial institutions	096	135.938.301	100.546.413
4. Liabilities for advances	097	202.109.680	132.219.366
5. Trade payables	098	403.671.321	352.128.293
6. Commitments on securities	099	0	547.879
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	30.874.515	30.711.359
9. Taxes, contributions and similar liabilities	102	42.141.361	53.696.908
10. Liabilities arising from share in the result	103	234.805	300.496
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	9.924.063	8.627.525
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	97.611.228	116.617.417
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.495.735.075	3.531.053.465
G) OFF BALANCE SHEET ITEMS	108	2.212.151.466	2.358.309.721
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.712.731.787	1.833.630.459
2. Attributable to minority interest	110	224.477.040	233.364.450

Income statement
period 1.1.2012. to 31.12.2012.

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	2.545.016.115	845.246.352	2.744.617.692	909.966.160
1. Rendering of services	112	2.362.201.504	719.068.529	2.443.596.391	747.996.836
2. Other operating income	113	182.814.611	126.177.823	301.021.301	161.969.324
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	2.493.624.593	830.849.290	2.646.479.761	884.923.696
1. Change in inventories of work in progress	115	25.609.518	42.398.144	-29.530.073	65.487.711
2. Material expenses (117 do 119)	116	1.609.281.023	517.687.885	1.715.190.767	492.078.902
a) Costs of raw materials	117	1.178.145.329	342.136.951	1.339.988.315	366.412.981
b) Cost of goods sold	118	108.707.565	26.960.962	117.298.012	37.513.078
c) Other material expenses	119	322.428.129	148.589.972	257.904.440	88.152.843
3. Employee benefits expenses (121 do 123)	120	474.922.770	140.088.489	472.307.144	137.722.241
a) Net salaries	121	271.448.604	80.453.443	266.155.946	75.425.563
b) Tax and contributions from salary expenses	122	135.522.088	34.023.814	141.901.150	41.516.516
c) Contributions on salary	123	67.952.078	25.611.232	64.250.048	20.780.162
4. Depreciation and amortisation	124	75.770.261	18.779.836	69.982.277	17.799.181
5. Other expenses	125	203.963.467	59.307.553	199.449.712	55.719.298
6. Write down of assets (127+128)	126	22.475.107	19.182.314	134.248.843	69.817.401
a) non-current assets (except financial assets)	127	0	0	15.414.460	15.414.460
b) current assets (except financial assets)	128	22.475.107	19.182.314	118.834.383	54.402.941
7. Provisions	129	70.672.386	26.773.102	58.193.444	37.018.306
8. Other operating costs	130	10.930.061	6.631.967	26.637.647	9.280.656
III. FINANCIAL INCOME (132 do 136)	131	84.276.570	26.782.595	71.572.328	33.032.397
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	29.456	29.456	2.122.581	1.446.371
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	83.318.889	25.824.914	64.050.778	28.177.853
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	928.225	928.225	212.665	90.948
5. Other financial income	136	0	0	5.186.304	3.317.225
IV. FINANCIAL EXPENSES (138 do 141)	137	58.519.071	15.351.951	46.159.540	14.180.442
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	33.766	1.693	1.175.683	480.788
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	57.562.383	14.822.787	43.895.879	12.614.176
3. Unrealised losses (expenses) from financial assets	140	922.922	527.471	1.000.000	1.000.000
4. Other financial expenses	141	0	0	87.978	85.478
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	133.670.740	68.478.251	76.921.878	34.704.858
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	2.762.963.425	940.507.198	2.893.111.898	977.703.415
X. TOTAL EXPENSES (114+137+143+145)	147	2.552.143.664	846.201.241	2.692.639.301	899.104.138
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	210.819.761	94.305.957	200.472.597	78.599.277
1. Profit before taxes (146-147)	149				
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	18.582.074	3.155.582	23.630.685	10.172.221
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	192.237.687	91.150.375	176.841.912	68.427.056
1. Profit for the period (149-151)	153	192.237.687	91.150.375	176.841.912	68.427.056
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	162.441.709	81.317.290	150.540.708	61.109.464
2. Attributable to minority interest	156	29.795.978	9.833.085	26.301.204	7.317.592
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	192.237.687	91.150.375	176.841.912	68.427.056
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	199.297	125.676	71.263	90.979
1. Exchange differences from international settlement	159	199.297	125.676	71.263	90.979
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 (158 TO 167)	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 167)	167	199.297	125.676	71.263	90.979
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	192.436.984	91.276.051	176.913.175	68.518.035
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	162.641.006	81.442.966	150.611.971	61.200.443
2. Attributable to minority interest	170	29.795.978	9.833.085	26.301.204	7.317.592

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2012. to 31.12.2012.

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	2.602.460.347	2.648.417.236
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	11.825.977	73.944.899
4. Cash receipts arising from tax refunds	004	170.852.614	209.001.795
5. Other cash receipts	005	80.532.909	72.125.373
I. Total increase in cash flow from operating activities (001 to 005)	006	2.865.671.847	3.003.489.303
1. Cash paid to suppliers	007	1.985.748.787	2.151.075.652
2. Cash paid to employees	008	576.378.659	581.734.988
3. Cash outflows for insurance for damages compensation	009	11.048.500	9.889.958
4. Interest paid	010	12.222.808	15.810.989
5. Tax paid	011	159.142.278	200.607.663
6. Other cash outflows	012	198.408.928	127.890.017
II. Total decrease in cash flow from operating activities (007 to 012)	013	2.942.949.960	3.087.009.267
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	015	77.278.113	83.519.964
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	016	3.501.658	5.293.893
2. Cash inflows from sale of equity and debt financial instruments	017	3.576.020	1.804.126
3. Interest receipts	018	0	0
4. Dividend receipts	019	177.720.400	73.601.566
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	184.798.078	80.699.585
1. Cash outflows for purchase of long - term tangible and intangible assets	022	69.605.475	122.817.115
2. Cash outflows for purchase of equity and debt financial instruments	023	5.598.423	583.000
3. Other cash outflows from investing activities	024	1.675.552	0
IV. Total cash outflows from investing activities (022 to 024)	025	76.879.450	123.400.115
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	107.918.628	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	0	42.700.530
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	104.897.529	185.095.772
3. Other cash inflows from financing activities	030	179.257.808	333.846.275
V. Total cash inflows from financing activities (028 to 030)	031	284.155.337	518.942.047
1. Cash outflows for repayment of loans and bonds	032	79.731.208	97.260.134
2. Dividends paid	033	40.616.324	47.790.589
3. Cash outflows for finance lease	034	0	0
4. Cash outflows for purchase of own stocks	035	687.701	3.418.557
5. Other cash outflows from financing activities	036	454.705.895	148.231.813
VI. Total cash outflows from financing activities (032 to 036)	037	575.741.128	296.701.093
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	222.240.954
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	291.585.791	0
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	0	96.020.460
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	260.945.276	0
Cash and cash equivalents at the beginning of period	042	580.365.351	319.420.075
Decrease in cash and cash equivalents	043	0	96.020.460
Increase in cash and cash equivalents	044	260.945.276	
Cash and cash equivalents at the end of period	045	319.420.075	415.440.535

STATEMENT OF CHANGES IN EQUITY

period 1.1.2012 to 31.12.2012

Legal entity: Končar Electrical Industry INC.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.150.319.400	1.150.319.400
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	315.045.708	390.596.965
4. Retained earnings or loss carried forward	004	278.886.453	348.517.053
5. Net profit or loss for the period	005	192.237.687	176.841.912
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	1.937.208.827	2.066.994.909
11. Foreign exchange differences from foreign investments	011	199.297	71.263
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	1.437.178	0
16. Other changes	016	141.396.991	129.714.819
17. Total increase or decrease of equity (AOP 011 to 016)	017	143.033.466	129.786.082
17 a. Attributable to majority owners	018	132.944.166	120.827.409
17 b. Attributable to minority interest	019	10.089.300	8.887.410

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 - December 2012 are HRK 60.78 and are lower than earnings per share during the same period of the previous year by HRK 4.62.

3. Changes in ownership structure

The top ten shareholders remained the same as in the last trimester, but the share of Linteum savjetovanje Ltd. dropped by 1.97 percentage points, while the share of Hypo-Alpe-Adria bank Inc. /PBZ Croatia insurance mandatory pension fund/ rose by 2.12 percentage points.

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 - December 2012, as opposed to the same period of the previous year, revenues increased by 4.78 per cent, while operational revenues, which make up for 94.9 per cent of the total revenues, increased by 7.8 per cent. Total expenses increased by 5.5 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 98.3 per cent of the total expenses, increased by 6.1 per cent. Financial income and income from investment into affiliated companies decreased by 31.9 per cent compared to the same period of last year. Financial expenses decreased by 21.1 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 - December of the year 2012, in comparison with the same period of last year, the share of expenses in the total revenue decreased in: material expenses by 2.2 percentage points, employees expenses by 2.1 percentage points, depreciation and amortisation by 0.5 percentage points, cost of provisions by 0.7 percentage points and other expenses by 0.9 percentage points, while the share of expenses of values adjustment rose by 4.0 percentage points and the share of other operating expenses increased by 0.5 percentage points.

9. Profit or loss

Consolidated Group profits after tax decreased by 8 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 - December of the year 2012 amounts to HRK 150.54 million, which is a decrease of HRK 11.90 million compared to the same period of the previous year. Of the 21 companies comprising the Končar Group, four companies declared a loss in the amount of HRK 62.68 million, of which HRK 56.58 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the fourth trimester of 2012, as opposed to the beginning of the year, increased by HRK 96.02 million. The mentioned increase is mostly the result of an increase of cash flow from financing activities. Decrease of cash flow from operating activities is the result of a significant cash outflow for the settlement of accounts payable compared to receipts from customers.

11. Other notes

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