KONČAR GROUP – ELECTRICAL INDUSTRY

Annual report for 2013 including Independent Auditor's report

Content

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Independent Auditor's report on the annual report

To the Management Board and the Shareholders of Končar – Electrical Industry Inc.

We have audited the consolidated financial statements of Končar – Electrical Industry Inc. Zagreb (hereinafter: the Company) and its dependent companies (hereinafter; the Group) on 31st December 2013 for the year 2013 and we have issued auditor's opinion regarding those financial reports on 21st March 2014.

The Group's Management Board prepared the annual report presented on pages 2 -24 in accordance with the Accounting Act.

Management Board's responsibilities for the annual report

The Management Board is liable for the preparation, content and accuracy of the Group's annual report in accordance with the Accounting Act for the year that ended on 31st December 2013.

Auditor's responsibilities

It is our liability to express the opinion on the compliance of the annual report with the revised consolidated financial reports based on our control procedure.

The control procedure was carried out in accordance with the International Standards on Auditing and those standards require that we plan and execute the control procedures in order to obtain reasonable assurance on whether the accounting information included in the annual report is in accordance with the revised annual financial reports within all significant guidelines. Our audit was limited to the control of the annual report in the stated range and did not include the review of the information other that the ones arising from the Group's revised accounting records.

We believe that the control procedures which we have executed offer reasonable basis for expressing our opinion.

Opinion

In our opinion the accounting information presented in the Group's annual report as of 31st December 2013 are in accordance with the revised annual financial reports for 2013 in all significant guidelines.

Grant Thornton revizija d.o.o.
Ivana Lučića 2a, 10000 Zagreb
Ivica Smiljan, Certified Auditor, Director

Reconsult d.o.o., revizija i konzalting
Trg hrvatskih velikana 4/1, 10000 Zagreb
Marija Zupančić, Certified Auditor, Board member

Zagreb, 28th March 2014

2 MANAGEMENT BOARD'S REPORT ON KONČAR GROUP'S ACTIVITIES IN 2013

2.1 INTRODUCTION

In 2013 the Končar Group achieved good business results despite demanding business environment and the crisis both in Croatia and worldwide which have had direct impact on the investments in the power and transport sectors which form the core business of the Group. The consolidated income from the sales of products and services has increased 2.8% from the one in the previous year. With the aim of decreasing the negative impact of economic and financial crisis, ensuring stable business operations and maintaining and strengthening market position, the companies in Končar Group have undertaken several measures. First and foremost, the efforts in finding new markets as well as offering products and services have been intensified, measures for stronger synergy have been carried out within the system and the measures for decreasing business costs have also been taken. All these resulted in the continuation of Group’s profitable operations and financial stability.

The Končar Group achieved positive financial results for the year 2013. The Group’s consolidated profit before taxation was HRK 179.3m which was 2.5% more than planned for 2013 and 10.3% less than the results achieved in 2012. Profit tax amounted to HRK 15.6m and the profit after taxation was HRK 163.7m to which HRK 28.6m goes to the non-controlling interest and HRK 135.1m to the shareholders of the Group’s parent company or 14.7% more than planned and 10.2% less than what had been achieved in 2012. In 2013 the income from the sales of products and services amounted to HRK 2,509.1m which is 2.8% more than what had been achieved in 2012. On the domestic market the income from the sales of products and services amounted to HRK 1,248.8m which was 1.8% more than achieved in 2012. The income from the sales of products and services on the foreign market amounted to HRK 1,225.4m which is on the same level as the income of the year before. The correction of income for deferred income is positive and amounts to HRK 34.9m. As far as domestic market is concerned, the most significant project was the termination of the first phase in replacements and rehabilitation in the Hydro Power Plant Zakučac, the largest hydro power plant in Croatia with the installed power of 486 MW. The mere fact that Končar is the main contractor in the revitalization of the plant which was built fifty years ago with Končar’s equipment demonstrates the continuity of business operations and the ability to execute the most complex works on the area of electrical energy. In 2013 the wind farm Pometeno brdo started with the commercial production and it is important to state that the wind farm is the result of Group’s own development and domestic production. The income from the sales of products and services in import amounted to HRK 1,225.4m and make up 49% of total income from the sales of product and services. A number of facilities were completed on the demanding market of the European Union and the neighbouring countries, and there was a significant level of import to the counties of Africa and Asia.

The Group has a stable balance sheet. The balance of total consolidated funds and source funds on 31st December 2013 was HRK 3,467.1m. In the structure of source funds, registered capital, reserves, retained earnings, the profit in current year and non-controlling interest amounted to HRK 2,175.5m which is HRK 107.6m higher than in relation to 31st December 2012 and makes up 62.7% of total sources.

In 2013 new projects in the total value of HRK 2,677.2m were contracted. At the end of 2013 the contracted projects (open contracts) amounted to HRK 2,370m which is 8% higher than at the beginning of the year.

Good business results were obtained and are based on the Group's own development of products and own production, while the research projects are Končar's permanent distinction and are being continued in the following period by innovations and development which should result in new products and the expansion of business activities.

As far as the development projects are concerned, in 2013 there was a significant development of power voltage transformer, the development of 123 kV circuit breakers and a number of projects on small hydro power plants. In the area of Advanced Networks in 2013 there were developments in a number of directions, e.g., the concept of digital substation, remote managements systems, systems of monitoring primary electric power equipment, advanced measuring systems etc. On the area of the electric power production, the analysis of the system with changeable rotational speed in reversible hydro power plants was initiated. Company Končar – Distribution and Special Transformers started manufacturing production facilities for middle power transformers and high-voltage laboratory which is indispensable for future production and sales activities. After the testing period, the wind farm Pometeno brdo started with regular operations which opened the possibilities of placing wind aggregate on other markets, primarily neighbouring ones.

The abovementioned good business results were primarily achieved through the efforts invested by all employees. Although due to the process of restructuring in the companies which had operational losses (Končar – Household Appliances, Končar – Tools, Končar – Catering Equipment) the number of employees was reduced, at the same time new, young and educated, 170 people were employed in the companies whose main activities are Group's core activities. The newly employed include one Doctor of Science, five masters of Science, three Professional Specialists, 51 Professional Masters and 25 employees with high professional qualifications.

The Končar group systematically supports and encourages the system of values in which the culture of work, creation and excellence has increasingly significant importance in all of our companies. Corporate responsibility in KONČAR is a part of regular, day-to-day work processes in all operational segments and it relies on its human potential as the bearer of the company's development. Alongside the responsibility towards the environment in which it operates, Končar identified environmental management as one of its operating priorities whose result is visible in the satisfaction of clients as well as the increasing number of certificates proving the compliance with the most relevant norms. Therefore, besides the ISO 9001, OHSAS 18001 and many other certificates and specialized certifications, as many as seventeen Končar Group companies hold the ISO 14001 certificate.

Owing to relatively high number of contracts, additional efforts placed in finding new markets and the announcement of larger investments in Croatia, it is expected that the Končar Group companies will achieve set business plans for 2014 and continue with positive business trends.

2.2 THE MOST SIGNIFICANT BUSINESS INDICATORS FOR 2010 – 2013

In 000 HRK	2010	2011	2012	Plan 2013	2013	Index 5/4	Index 5/3
Total revenues	2,826,292	2,762,963	2,895,319	2,933,622	2,850,979	97	98
Sales revenue							
Croatia	1,119,872	1,080,298	1,226,524	1,410,732	1,248,777	89	102
Exports	1,305,220	1,289,837	1,227,910	1,301,025	1,225,380	94	100
Correction of revenues	39,636	-22,707	-12,876	18,305	34,942	191	
Total	**2,464,728**	**2,347,428**	**2,441,558**	**2,730,062**	**2,509,099**	**92**	**103**
Contracted works							
Croatia	812,489	1,142,492	1,197,471	2,185,004	1,141,925	52	95
Exports	1,287,723	1,338,428	1,237,956	1,552,535	1,535,259	101	124
Total	**2,100,212**	**2,480,920**	**2,435,427**	**3,707,539**	**2,677,184**	**72**	**110**
Contracted works status at year-end							
Croatia	900,027	970,154	1,004,298	1,785,305	858,993	48	86
Exports	1,198,922	1,247,513	1,201,458	1,338,114	1,511,337	113	126
Total	**2,098,949**	**2,217,667**	**2,205,756**	**2,123,419**	**2,370,330**	**76**	**108**
No. of empoloyees on 31 December	**3,938**	**3,956**	**3,898**	**3,626**	**3,780**	**104**	**97**
Sales per employee	**625,9**	**593,4**	**626,4**	**752,9**	**663,8**	**88**	**106**
Group's profit	186,036	192,238	178,352	152,232	163,696	108	92
Minority stakes	31,060	29,796	27,815	34,472	28,584	83	103
Profit belonging to parent's shareholders	**154,976**	**162,442**	**150,537**	**117,760**	**135,112**	**115**	**90**
Non-current assets	1,186,101	1,343,732	1,500,271	1,506,618	1,491,729	99	99
Current assets	2,107,047	2,142,844	2,025,161	2,318,795	1,969,401	85	97
Accrued costs	3,002	9,159	5,828	2,192	6,000		
Total assets	**3,296,150**	**3,495,735**	**3,531,260**	**3,827,542**	**3,467,130**	**91**	**98**
Subscribed capital	1,028,848	1,028,848	1,028,848	1,028,848	1,028,848	100	100
Reserves, reatined earnings, current year's profit	550,940	683,884	804,485	871,820	903,430	104	112
Total capital	**1,579,788**	**1,712,732**	**1,833,333**	**1,900,668**	**1,932,278**	**102**	**105**
Non-controlling interest	214,388	224,477	234,610	258,757	243,230	94	104
Long-term reservations	578,644	509,286	417,453	426,259	338,862	79	81
Long-term liabilities	81,299	120,208	246,081	230,350	206,519	90	84
Short-term liabilities	775,540	832,473	708,446	942,234	658,141	70	93
Short term accrued income	66,491	96,559	91,337	69,274	88,100	127	96
Total liabilities	**3,296,150**	**3,495,735**	**3,531,260**	**3,827,542**	**3,467,130**	**91**	**98**
EBIT	**218,944**	**230,379**	**213,420**	**194,140**	**193,905**	**100**	**91**
Parent's return of capital	**9.8%**	**9.5%**	**8.2%**	**6.2%**	**7.0%**	**113**	**85**
Return on sales	**6.3%**	**6.9%**	**6.2%**	**4.3%**	**5.4%**	**125**	**87**
Earning per share	**60.25**	**63.15**	**58.23**	**45.78**	**52.52**	**115**	**90**

2.3 ORGANIZATION AND MANAGEMENT

The activities of Končar Group consist of the following business areas:

- Power and Transport: designing and constructing plants and equipment for the production, transport and distribution of electrical energy, thyristor locomotives, electromotor locomotives, trams and electrical equipment for stable electric traction facilities;

- Industry: electromotor drives, medium and low voltage electric equipment and catering equipment;

- Trade: electric household appliances, mass products and low voltage electric devices;

- Special activities: product research and development and infrastructural services

The KONČAR Group consists of KONČAR - Electrical Industry Inc. as the parent company and 20 dependent companies in which the parent company exercises predominant influence (more than 50% of votes at the General Assembly). Some of the companies have preferred shares subscribed in addition to the common shares issued. In addition, the parent company exercises minority management influence (49% of votes at the General Assembly) in one (affiliated) company.

The Group's companies are legally autonomous entities, while the parent company has a supervising role; it provides strategic direction and supports them through companies' Supervisory Boards pursuant to the Companies Act, the Statute of KONČAR - Electrical Industry Inc. and the statutes of individual companies. Furthermore, the parent company manages a part of assets which is not invested in its companies but is directly and indirectly in the function of the financial support of placement, products and equipment of dependent companies as a credit /guarantee potential.

As the parent company, KONČAR – ELECTRICAL INDUSTRY Inc. invoices the dependent companies for the following services:

- Fees for using the corporate name, brand and trade mark,
- A part of the costs incurred for the joint presentation on fairs,
- A part of the costs for the agencies abroad,
- A part of joint costs for marketing activities,
- Seminars for managers and quality and environment management systems.

An overview including basic information of dependent companies and affiliated companies is shown in the continuation.

	in HRK	in HRK		
DEPENDENT COMPANIES	**SUBSCRIBED CAPITAL TOTAL**	**PARENT'S SUBSCRIBED CAPITAL**	**% management OF THE PARENT 31 Dec 2013**	**% ownership OF THE PARENT 31 Dec 2013**
POWER PLANT AND ELECTRIC TRACTION ENGINEERING	50,577,000	50,577,000	100.00	100.00
GENERATORS AND MOTORS	64,756,620	64,756,620	100.00	100.00
HIGH VOLTAGE SWITCHGEAR	30,835,140	30,060,030	98.23	97.49
MEDIUM VOLTAGE APPARATUS	19,679,700	8,220,000	69.87	41.77
SWITCHGEAR	29,018,600	20,321,470	81.70	70.03
DISTRIBUTION AND SPECIAL TRANSFORMERS	76,684,800	39,655,200	67.80	51.71
INSTRUMENT TRANSFORMERS	18,989,100	8,747,100	72.35	46.06
ELECTRONICS AND INFORMATICS	37,126,800	27,857,700	75.03	75.03
METAL STRUCTURES	24,645,600	18,486,600	75.01	75.01
ELECTRIC VEHICLES	47,026,800	35,288,700	75.04	75.04
RENEWABLE SOURCES	103,379,400	103,379,400	100.00	100.00
PLANT INSTALLATION AND COMMISSIONING	11,827,500	5,288,100	79.05	44.71
SMALL ELECTRIC MACHINES	41,641,800	41,641,800	100.00	100.00
TOOLS	1,572,100	1,572,100	100.00	100.00
CATERING EQUIPMENT	25,447,800	25,447,800	100.00	100.00
HOUSEHOLD APPLIANCES	63,938,900	63,938,900	100.00	100.00
LV SWITCHES AND CIRCUIT BREAKERS	60,499,300	60,499,300	100.00	100.00
ELECTRICAL ENGINEERING INSTITUTE	40,763,520	40,763,520	100.00	100.00
INFRASTRUCTURE AND SERVICES	49,891,600	49,891,600	100.00	100.00
KONES AG	3,115,879	3,115,879	100.00	100.00

AFFILIATED COMPANY

POWER TRANSFORMERS	72,764,000	35,654,400	49.00	49.00

Management Board

The Supervisory Board appoints and recalls the Chairman of the Board and Board members. The mandate of the Chairman of the Board and Board members is five years with an option of reappointment. Pursuant to the Companies Act and the Company Statute, the Management Board runs business operations under their personal responsibility. In doing so, they are obliged and authorised to take any actions and decisions deemed necessary to manage the Company successfully. Supervisory Board's consent is required to make certain decisions defined by the Statute.

On 19th December 2013 the Supervisory Board of Končar – Electrical Industry Inc. held the session at which the present Management Board was re-elected. In accordance with the company's Statute which defines that the Management Board of Končar – Electrical Industry Inc. consists of five to seven members, alongside the existing Board members, Tomi Dužević was appointed as a new member with the mandate running from 1st January 2014.

During 2013, Končar – Electrical Industry Inc. was managed by the Management Board consisting of:

Darinko Bago	Chairman of the Board
Marina Kralj Miliša	Board member in charge of Legal, General and HR matters
Jozo Miloloža	Board member in charge of Finances
Davor Mladina	Board member in charge of Industry and Trade
Miroslav Poljak	Board member in charge of Corporate Development and ICT

Supervisory Board

Pursuant to the provisions of the Companies Act and the Statute of KONČAR – ELECTRICAL INDUSTRY Inc. the General Assembly reaches decision on the appointment and recall of the Supervisory Board. The Supervisory Board is responsible for appointing and recalling members of the Management Board and for supervising the Company's operations. The execution of some considerable transactions (the amount of such transactions is defined by the Regulations of the Supervisory Board) and more significant business decisions require Supervisory Board's consent.

The Supervisory Board consists of 9 members:

Nenad Filipović	Chairman of the Supervisory Board
Jasminka Belačić	Deputy Chairwoman of the Supervisory Board
Boris Draženović	Member of the Supervisory Board
Kristina Čelić	Member of the Supervisory Board
Ivan Rujnić	Member of the Supervisory Board
Vicko Ferić	Member of the Supervisory Board
Tomislav Radoš	Member of the Supervisory Board
Petar Vlaić	Member of the Supervisory Board
Dragan Marčinko	Member of the Supervisory Board

Pursuant to the Audit Act (Article 28) and the Corporate Governance Code, the Supervisory Board has established the Audit Committee. In accordance with the provisions laid down in the Audit Act and the Corporate Governance Code, the Audit Committee is in charge of monitoring the financial reporting procedure, it monitors the efficiency of the system of control, supervises the conducting of annual financial statements audits, monitors auditors' independence, makes recommendations to the Supervisory Board concerning the selection and to the General Assembly concerning the appointment of an audit firm.

The Audit Committee consists of 4 members:

Jasminka Belačić - Chairwoman of the Audit Committee

Boris Draženović – Member

Ivan Rujnić – Member

Vicko Ferić – Member

At its session held on 28 September 2012, the Supervisory Board established the Strategic Development Committee. The Supervisory Board confers assignments to the Strategic Development Committee for the purpose of tackling subjects and the activities falling under the remit of the Supervisory Board with a specific emphasis on the long-term viability, risk assessment, Group's strategic priorities, restructuring needs and the development of strategic human resource within the KONČAR Group.

The Strategic Development Committee consists of 4 members:

Nenad Filipović – Chairman of the Strategic Development Committee

Kristina Čelić - Member

Tomislav Radoš – Member

Petar Vlaić – Member

Dragan Marčinko - Member

2.4 CORPORATE GOVERNANCE PRINCIPLES APPLICATION

Corporate governance principles in Končar are based on positive regulations of the Republic of Croatia and the adopted international standards. These principles have been publicly disclosed on company's web pages (www.koncar.hr) and at the official website of the Zagreb Stock-Exchange (www.zse.hr).

The questionnaire which includes the Zagreb Stock-Exchange Code provisions which the Company applies is available at the official web pages of the Zagreb Stock-Exchange.

The adopted Corporate Governance Principles are based on responsible management; they define corporate governance procedures based on the adopted recognised international standards and the supervision of the operations. The underlying purpose is to establish high corporate governance standards and the transparency of operations as the foundation for protecting the shareholders, investors and other stakeholders, as well as care for the employees, sustainable development and environmental protection.

2.5 MARKET POSITION

The production programme of the Končar Group companies is oriented towards the core business activity of electrical power and transport. The production capacities are being continuously upgraded through investments into modern production technologies and it is important to mention that individual products are designed to meet clients' demands ("tailor made") constituting the Group's strategic distinction.

In 2013, the Group contracted new projects worth a total of HRK 2,677.2m, of which HRK 1,141.9m for the domestic market (43 %) and HRK 1,535.3m for export (57 %). The status of contracted projects (open contracts) at the end of 2013 amounted to HRK 2,370m which is 7% higher than at the beginning of the year.

The consolidated income from the sales of products and services amounted to HRK 2,509.1m which is HRK 67.5m or 2.8% higher compared to 2012. The income from sales on the domestic market amounted to HRK 1,248.8m (50%) or 1.8% more compared to the previous year. The income from the export sales of products and services amounted to HRK 1,225.4m (49% of total sales) which is on the same level of export as in 2012. The correction for deferred income in 2013 is positive and amounts to HRK 34.9m. The correction of deferred income refers to the facilities on the domestic market in the amount of HRK 14.8m and for export in the amount of HRK 20.1m.

In the structure of the income from the sales of products and services at the domestic market, the income from the sales of products and services to the Croatian Electricity Company (HEP) amounted to HRK 550.9m which makes 44% of all income generated on the domestic market.

Trading companies were supplied with the products in the amount of HRK 191.5m (15% of the total income from the sales of product and services on the domestic market), whereas the companies from the sector of industry and shipbuilding were sold the goods in the amount of HRK 160.8m or 13% of total income from the sales of products in Croatia, to INA, THT, Plinacro HRK 89.7m, to HŽ HRK 96.5m, to ZET HRK 71.7m, whereas the remaining amount of HRK 87.7m pertained to the State and local administrations and buyers from the sector of construction and others.

In the period from January to December 2013 the income from the sales of products and services on the foreign market amounted to HRK 1,225.4m and match the amounts achieved in 2013. The most significant export was the export to Germany in the amount of HRK 128.1m, then to Bosnia and Herzegovina in the amount of HRK 108.5m, to Sweden in the amount HRK 89.8m, to the Czech Republic in the amount of HRK 80.7m, Austria HRK 66.6m and Slovenia HRK 42.8m.

Together with good financial results in 2013 a number of facilities in Croatia and abroad was also realized and contracted.

The most significant facilities and products:

Export:

- After successful testing and train run, the Hydro Power Plant Bhavani Kattalai Barrage 3 in the Indian state Tamil Nadu started with commercial work (previously, the equipment had been delivered for HPP Bhavani Kattalai Barrage 1 and 2).
- Completed works and delivered equipment for the HPP Pahkakoski in Finland which concluded the cycle of hydro power plants renovations on the river Iijoki. Out of four plants whose generators were revitalized between 2006 and 2013 the company KONČAR – Generators and Motors won the tenders for the three of them (HPP Haapakoski, HPP Maalismaa and HPP Pahkakoski).
- As part of the project of developing new distribution network in northern Kuwait, 549 distribution transformers of 50 kVA have been delivered. That was the first project which included the distribution transformers of that size and importance for Kuwait.
- Delivered electrical equipment for the revitalization of the HPP Rama in Bosnia and Herzegovina and projects completed on the area of protection and management systems, primarily on the construction of dispatcher centres.
- Transformers worth HRK 20.7m exported to the United Arab Emirates in 2013.
- The delivery of the last, fourth generator for HPP Binga on the Philippines. The contract value was over USD 13m.
- Equipment delivered to Norway for 11 small hydro power plants, while the production of equipment for additional four hydro power plants is ongoing. Delivery of a synchronous

generator of 4900 kVA for the small hydro power plant Langdalselva which is situated within the polar circle.

- 12 transformers of the total value of 429.5 MVA contracted for five different regional distributers and for an industrial facility of a paper factory.
- 159 instrument power and voltage transformers delivered to Canada.
- Completed reconstruction of switchyards for HPP Vau I Dejes, HPP Koman and HPP Fierza in Albania. The contract was worth over EUR 9m and the aim was to separate the transport network of the Albanian transport system operator (OST) from the production of electric energy (KESH).
- HPP Toro 3 in Costa Rica put into operation. The contract was worth EUR 8.3m and it was the third hydro power plant in Costa Rica to which KONČAR delivered the equipment.
- Six static excitation systems delivered to Turkish power supplier - EÜAŞ for the Thermal Power Plant Soma.
- In Macedonia the reconstruction of the management and protection systems (SCADA) for 19 fields of 110 kV in the substation 220/110/35 kV Skopje 1 completed and the construction of a small HPP Ratevo in Berovo also completed.
- First delivery of ATEX motors with the protection against explosions and the power range of 75 kW for the refineries in Iraq.

Domestic market:

- The first phase of replacement and reconstruction completed in HPP Zakučac, the largest hydro power facility in Croatia with the installed power of 486 MW.
- Project ISEV (the replacement of electric traction system on the railway Moravice – Rijeka – Šapjane and Škrljevo-Bakar) completed.
- Contracted work on the HPP Ozalj 1, one of the oldest hydro power plants in Croatia, built in 1908 for the needs of street lights in Karlovac, completed.
- The project of complete automation of medium voltage network at the Airport Split tested and commissioned. The project was carried out within the electric energy network supplying the airport.
- Completed works and the commissioning of the substation 35/20 kV Čaglin, completed reconstruction of the substation 35/10(20) Brod 1.
- System for managing natural gas delivered to and implemented at Zagreb City Gasworks – Supplies.
- Small hydro power plant Pleternica built near Slavonska Požega.

New projects contracted during 2013:

- United Arab Emirates – signed contract for the delivery of 642 switchgear assemblies for the project of construction and upgrade of substations.
- Contracted renovation and upgrade in power of two pipe aggregates for HPP Klosterfoss (Norway). After the reconstruction the new aggregates will have the total installed power of 15.6 MVA, while another 12 transformers were contracted for the Norwegian market with the total value of 429.5 MVA for five various regional distributions and the industrial facility of a paper factory.
- 23 transformers with the total power of 634 MVA contracted in Sweden.
- The contract for the upgrade of the substation 400/110/20 kV Zemblak in Albania worth EUR 4.3m.

GROUP'S BUSINESS RESULTS AND FINANCIAL POSITION (BALANCE SHEET)

For the period between January and December of 2013 the Končar Group companies achieved the consolidated income from the sales of products and services in the amount of HRK 2,509.1m which is 2.8% higher compared to the results in the same period of 2012.

On the domestic market the income from the sales of products and services amounted to HRK 1,248.8m which is 1.8% higher compared to the results in 2012. The income from the sales of products and services on the foreign market amounted to HRK 1,225.4m which is the same as the results for the previous year. The correction of income for deferred income was positive and in the amount of HRK 34.9m. The correction of income for deferred income refers to the facilities on the domestic market in the amount of HRK 14.8m and in export in the amount of HRK 20.1m.

Business income amounted to HRK 2,735.7m which matches the results for the period January – December 2012. In business income, the income from the sales of products and services amounted to HRK 2,509.1m or 91.7% of total business income.

Income from cancelling reservations amounted to HRK 168.1m. Other business income amounted to HRK 58.5m.

Operating expenses amounted to HRK 2,619.5m and 1.1% less than the results in 2012. In operating expenses the material costs amounted to HRK 1,731.8m which is 3.2% less compared to the period January – December 2012. In the material costs the largest share are the costs of raw materials and materials which amounted to HRK 1,268m and are lower 5.4% compared to the same period in 2012.

Total personnel costs amounted to HRK 497.2m.

The difference between operating incomes and operating costs resulted with the profit from operating activities in the amount of HRK 116.1m, which is 21.9 % higher than the period from January – December 2012

Share of profit from dependent companies amounted to HRK 47.5m, a decrease of HRK 32.3m compared to the period from January – December 2012.

The positive difference between financial income and costs amounted to HRK 15.7m.

Total revenue in 2013 amounted to HRK 2,851m, which is 1.5 % less than in the same period of 2012. Total expenditures in the same period amounted to HRK 2,671.6m.

Profit from operating activities amounted to HRK 116.1m, the share of profit from dependent companies was in the amount of HRK 47.5m, and the positive difference between the financial income and costs was in the amount of HRK 15.7m making the consolidated profit before tax of HRK 179.3m. Corporate income tax was HRK 15.6m, profit after taxation amounted to HRK 163.7m in which the non-controlling interest (minority interest) was HRK 28.6m and the shareholders of the parent company HRK 135.1m.

Of 21 Končar Group companies, 16 companies had positive business results while five companies reported a loss totalling HRK 53.5m.

The amount of total consolidated assets and resources as of 31st December 2012 was HRK 3,467.1m compared to 31st December 2012, which is a decrease of HRK 64.2m or 1.8%

In the structure of assets compared to 31st December 2012 there was a decrease of non-current assets in the amount of HRK 8.5m and current assets for HRK 55.8m. Prepaid expenses and accrued receivables (deferred expenses) increased by HRK 0.1m.

In the structure of non-current assets compared to 31st December 2012, intangible assets increased for the amount of HRK 2.9m, tangible assets decreased by HRK 13.5m, financial assets increased by HRK 2.4m and accounts receivable decreased by HRK 5.2m.

Significant changes regarding tangible non-current assets compared to 31st December 2012 occurred in the positions of plant and equipment which increased by HRK 178.5m and the position of buildings which increased by the amount of HRK 38.7m compared to the previous year. These positions changed significantly in companies Končar - Distribution and Special Transformers Inc. (final stage of the investment "HV laboratory" was put into operation) and the company Končar – Renewable Sources Ltd. (in 2013 the wind aggregates were activated on the location Pometeno brdo, which began with its commercial production).

On 31st December 2013 current assets were decreased by HRK 55.8m compared to 31st December 2012 which caused the following changes:

- Total inventories were reduced by the amount of HRK 31.4m
- Total current receivables decreased by HRK167.7m
- Financial assets (deposits, money and money equivalents) increased by HRK 143.3m with the deposits increased by HRK 93.6m, and the amount money and money equivalents increased by HRK 54.3m, while the other financial assets decreased by HRK 4.6m

In the fund resources on 31st December 2013 the following changes occurred:

- Capital, reserves, retained earnings and the profit for the year amounted to HRK 1,932.3m which is by HRK 98.9m or 5.4% more compared to 31st December 2012
- Non-controlling (minority interest) amounted to HRK 243.2m, an increase of HRK 8.6m or 3.7 % compared to 31st December 2012
- Long-term reservations amounted to HRK 338.8m and decreased by HRK 78.6m

The most significant part of the reduction in long-term reservations (HRK 80.8m) relates to the dissolution of reservations of the parent company related to previously formed reservations for contingent liabilities from guarantees for contracts concluded before in 1990.

Long-term liabilities amounted to HRK 206.5m, of which the loan liabilities amounted to HRK 206.4m. Long-term liabilities decreased by HRK 39.5m compared to 31st December 2012.

Current liabilities amounted to HRK 658.1m and decreased by HRK 50.4m or 7% compared to 31st December 2012. In the structure of short-term liabilities there were significant changes in the position of advances, that are higher by HRK 10.3m, and borrowings, that are lower by HRK 8m, and liabilities for taxes and contributions that are lower by HRK 18.1m.

In the structure of funding sources, the subscribed capital, reserves, retained earnings, profit for the year and the equity belonging to the non-controlling interest amounted to HRK 2,175.5m which is HRK 107.6m more than compared to 31st December 2012 constituting 62.7% of total resources. Long-term reservations amounted to HRK 338.8m and are lower for HRK 78.6m compared to 31st December 2012 making 9.8% of the total resources. Long-term and short-term liabilities amounted to HRK 865m which was HRK 89.8m less than at the end of 2012 and constitute 24.9% of total resources. In the short-term liabilities, accounts payables amounted to HRK 307.8m (HRK 42.1m less compared to the end of 2012) and make up 8.9% of total sources. Total loans (long-and short-term) amounted to HRK 300.7m, a decrease of 47.5 million compared to 31st December 2012. They constitute 8.6% of total sources.

Long-term funding sources (equity, long-term reservations and long-term liabilities) are higher by HRK 786.5m than non-current assets and average inventories, which indicates a good maturity structure of funding sources. Current assets compared to current liabilities increased 3 times, indicating good liquidity. The consolidated balance sheet shows the financial soundness of the Končar Group.

Overwiew of the business result for the year 2013. by companies of KONČAR Group (HRK)

	Number of employees	TOTAL INCOME			Index	Index	TOTAL EXPENSES			Index	Index
		Realized	Plan	Realized	4/2	4/3	Realized	Plan	Realized	9/7	9/8
	31.12.2013.	1-12.2013.	2013.	1-12.2013.			1-12.2013.	2013.	1-12.2013.		
	1	2	3	4	5	6	7	8	9	10	11
POWER PLANT AND EL.TRACTION ENGINE	274	745.109.050	705.715.979	676.232.134	90,8	95,8	730.529.877	696.715.979	661.255.225	90,5	94,9
GENERATORS AND MOTORS	504	302.856.072	323.255.504	331.396.189	109,4	102,5	288.628.982	313.883.217	307.005.855	106,4	97,8
HIGH VOLTAGE SWITCHGEAR	128	61.457.656	63.949.040	59.187.310	96,3	92,6	80.344.468	60.851.593	58.880.507	73,3	96,8
MEDIUM VOLTAGE APPARATUS	80	61.535.611	60.790.000	66.721.712	108,4	109,8	52.659.166	52.620.000	57.819.471	109,8	109,9
SWITCHGEAR	127	46.972.815	70.250.000	56.819.379	121,0	80,9	52.789.106	69.650.000	56.770.494	107,5	81,5
DISTRIBUTION AND SPECIAL TRANSFORME	466	699.210.841	710.800.000	665.018.465	95,1	93,6	663.566.209	673.800.000	632.542.791	95,3	93,9
INSTRUMENT TRANSFORMERS	242	198.390.276	198.920.000	184.120.684	92,8	92,6	177.150.049	173.920.000	169.038.068	95,4	97,2
ELECTRONICS AND INFORMATICS	262	150.983.004	155.020.000	159.846.270	105,9	103,1	148.949.744	152.065.000	156.116.378	104,8	102,7
METAL STRUCTURES	254	186.577.385	175.550.000	186.908.653	100,2	106,5	180.854.493	169.705.000	185.805.951	102,7	109,5
ELECTRIC VEHICLES	235	194.627.952	134.460.000	91.765.905	47,1	68,2	190.401.990	130.150.449	87.838.674	46,1	67,5
RENEWABLE SOURCES	5	5.030.059	24.180.000	18.778.309	373,3	77,7	4.738.868	22.888.460	22.916.762	483,6	100,1
ENG. FOR PLANT INSTALLATION & COMMI	120	86.030.442	82.415.000	81.990.562	95,3	99,5	85.489.172	80.835.000	81.544.051	95,4	100,9
SMALL ELECTRICAL MACHINES	184	81.160.036	82.000.000	83.748.438	103,2	102,1	74.174.878	76.417.000	75.978.117	102,4	99,4
TOOLS	72	25.228.838	30.407.500	21.950.852	87,0	72,2	25.085.746	29.022.000	25.038.060	99,8	86,3
CATERING EQUIPMENT	66	16.608.433	20.694.508	18.519.273	111,5	89,5	20.551.605	20.658.500	24.051.737	117,0	116,4
HOUSEHOLD APPLIANCES	192	120.992.666	130.482.000	111.314.746	92,0	85,3	158.344.002	130.382.000	147.722.650	93,3	113,3
LOW VOLTAGE SWITCH. AND CIRCUIT BRE	204	58.258.173	55.904.000	52.470.388	90,1	93,9	57.785.896	54.667.000	56.833.340	98,4	104,0
ELECTRICAL ENGINEERING INSTITUTE	162	84.700.255	83.279.000	68.119.424	80,4	81,8	78.820.701	79.065.150	67.967.805	86,2	86,0
INFRASTRUCTURE AND SERVICES	152	59.945.115	58.897.034	60.281.139	100,6	102,4	57.385.549	57.212.460	56.237.086	98,0	98,3
KONES AG	1	30.087.819	19.499.900	22.525.830	74,9	115,5	29.678.249	19.219.550	22.313.690	75,2	116,1
TOTAL DEPENDENT COMPANIES	**3.730**	**3.215.762.498**	**3.186.469.465**	**3.017.715.662**	**93,8**	**94,7**	**3.157.928.750**	**3.063.728.358**	**2.953.676.712**	**93,5**	**96,4**
KONČAR - Electrical Industry Inc.	53	251.657.579	160.752.000	241.814.828	96,1	150,4	137.414.195	83.792.000	99.988.030	72,8	119,3
TOTAL PARENT COMPANY AND DEPENDENT COMPANIES	**3.783**	**3.467.420.077**	**3.347.221.465**	**3.259.530.490**	94,0	97,4	**3.295.342.945**	**3.147.520.358**	**3.053.664.742**	**92,7**	97,0

deduction for the part of income of dependent companies and Končar - Electrical Industry Inc. which are generated from the internal relations

POWER TRANSFORMERS*	519	1.036.128.314	1.155.502.400	834.850.723	80,6	72,3	839.806.655	996.648.500	719.699.762	85,7	72,2
Elkakon d.o.o.(D&ST 50% of share capital)											
TBEA**(Instrument trans. 27% of share capital)											

KONČAR Group's net profit

** Remark: Result 1.10.2012. - 30.09.2013.*

*** Capital is calculated according to the middle exchange rate of the euro 31.12.2013.*

Overwiew of the business result for the year 2013. by companies of KONČAR Group (HRK)

	PROFIT / LOSS BEFORE TAXES	CORPORATE INCOME TAX	PROFIT / LOSS FOR THE PERIOD Realized 1-12.2013.	Plan 2013.	Realized 1-12.2013.	Index 16/14	Index 16/15	SUBSCRIBED CAPITAL TOTAL	PARENT'S SUBSCRIBED CAPITAL	% OWNERSHIP OF THE PARENT 31.12.2012.	Part of the PROFIT/LOSS that belongs to the shareholders of the Parent
	12	13	14	15	16	17	18	19	20	21	22
POWER PLANT AND EL.TRACTION ENGINE	14.976.909	3.564.379	14.579.173	6.700.000	11.412.530	78,3	170,3	50.577.000	50.577.000	100,0000	11.412.530
GENERATORS AND MOTORS	24.390.334	1.411.428	10.605.707	7.497.830	22.978.906	216,7	306,5	64.756.620	64.756.620	100,0000	22.978.906
HIGH VOLTAGE SWITCHGEAR	306.803		-18.886.812	3.097.447	306.803		9,9	30.835.140	30.060.030	97,4863	299.091
MEDIUM VOLTAGE APPARATUS	8.902.241	1.666.578	7.048.046	6.500.000	7.235.663	102,7	111,3	19.679.700	8.220.000	41,7689	3.022.259
SWITCHGEAR	48.885		-5.816.291	600.000	48.885	-0,8	8,1	29.018.600	20.321.470	70,0291	34.234
DISTRIBUTION AND SPECIAL TRANSFORME	32.475.674	2.111.623	33.291.160	29.600.000	30.364.051	91,2	102,6	76.684.800	39.655.200	51,7119	15.701.841
INSTRUMENT TRANSFORMERS	15.082.616	2.949.434	16.776.968	20.000.000	12.133.182	72,3	60,7	18.989.100	8.747.100	46,0638	5.589.004
ELECTRONICS AND INFORMATICS	3.729.892	201.352	2.033.260	2.855.000	3.528.540	173,5	123,6	37.126.800	27.857.700	75,0339	2.647.603
METAL STRUCTURES	1.102.702	239.757	4.531.547	4.676.000	862.945	19,0	18,5	24.645.600	18.486.600	75,0097	647.293
ELECTRIC VEHICLES	3.927.231	887.923	3.624.535	3.173.641	3.039.308	83,9	95,8	47.026.800	35.288.700	75,0396	2.280.683
RENEWABLE SOURCES	-4.138.453		291.191	1.291.540	-4.138.453			103.379.400	103.379.400	100,0000	-4.138.453
ENG. FOR PLANT INSTALLATION & COMMI	446.511	215.196	230.341	1.232.400	231.315	100,4	18,8	11.827.500	5.288.100	44,7102	103.421
SMALL ELECTRICAL MACHINES	7.770.321	1.594.988	5.390.826	4.233.000	6.175.333	114,6	145,9	41.641.800	41.641.800	100,0000	6.175.333
TOOLS	-3.087.208		143.092	1.385.500	-3.087.208			1.572.100	1.572.100	100,0000	-3.087.208
CATERING EQUIPMENT	-5.532.464		-3.943.172	36.008	-5.532.464	140,3		25.447.800	25.447.800	100,0000	-5.532.464
HOUSEHOLD APPLIANCES	-36.407.904		-37.351.336	100.000	-36.407.904	97,5		63.938.900	63.938.900	100,0000	-36.407.904
LOW VOLTAGE SWITCH. AND CIRCUIT BRE	-4.362.952		472.277	1.237.000	-4.362.952	-923,8	-352,7	60.499.300	60.499.300	100,0000	-4.362.952
ELECTRICAL ENGINEERING INSTITUTE	151.619		5.879.554	4.213.850	151.619	2,6	3,6	40.763.520	40.763.520	100,0000	151.619
INFRASTRUCTURE AND SERVICES	4.044.053	804.664	1.944.682	1.312.103	3.239.389	166,6	246,9	49.891.600	49.891.600	100,0000	3.239.389
KONES AG	212.140		409.570	280.350	212.140	51,8	75,7	3.115.879	3.115.879	100,0000	212.140
TOTAL DEPENDENT COMPANIES	**64.038.950**	**15.647.322**	**41.254.318**	**100.021.669**	**48.391.628**	**117,3**	**48,4**	**801.417.959**	**699.508.819**		**20.966.364**
KONČAR - Electrical Industry Inc.	141.826.798		109.155.582	76.960.000	141.826.798	129,9	184,3	1.028.847.600		100,0000	141.826.798
TOTAL PARENT COMPANY AND DEPENDENT COMPANIES	**205.865.748**	**15.647.322**	**150.409.900**	**176.981.669**	**190.218.426**	**126,5**	**107,5**	**1.830.265.559**	**699.508.819**		**162.793.162**
	deduction for the part of income of dependent companies and Končar - Electrical Industry Inc. which are generated from the internal relations										-72.764.399
POWER TRANSFORMERS*	115.150.961	23.143.520	156.983.250	126.878.500	92.007.441	58,6	72,5	72.764.000	35.654.400	49,00005	**45.083.697**
Elkakon d.o.o.(D&ST 50% of share capital)								3.092.000	799.466	25,85559	**255.936**
TBEA**(Instrument trans. 27% of share capital)								40.869.289	4.803.199	11,75250	**2.155.085**
KONČAR Group's net profit											**135.112.460**

** Remark: Result 1.10.2012. - 30.09.2013.*

*** Capital is calculated according to the middle exchange rate of the euro 31.12.2013.*

2.6 RISK EXPOSURE

The Group is exposed to various market and financial operating conditions. The business environment risk is determined by political, economic and social conditions existing in the markets of companies' operations. Financial risks are associated with foreign exchange, interest, credit and liquidity risks. The Group monitors the above stated risks and takes measures for mitigating their potential impact on financial stability.

All Group companies regularly monitor and manage their balance sheets, liquidity and capital adequacy as well as set measures focused on illiquidity causes prevention or elimination, take measures focused on companies sufficient long-term funding sources in view of the scope and type of their business activity and regularly monitor the capital adequacy achievement.

At the Group level, long-term funding sources (capital, long-term provisions and long-term liabilities) exceed its non-current assets and an average inventory balance which indicates a sound funding maturity structure. In relation to short-term liabilities, current assets are 3.3 times higher, which indicates a sound liquidity of the system. The structure of consolidated balance sheet indicates financial soundness of the Končar Group.

The Group manages and controls the financial risk that might impact the Group's business operations by means of internal risk reports analysing risk exposure based on its degree and significance. This risk includes market risk (including foreign exchange risk, interest rate fair value risk and price increase risk), credit risk, liquidity risk and interest rate risk.

- Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The Group manages capital and makes appropriate adjustments for the purpose of proper capital structure in accordance with market present economic conditions. The Group can make a decision if the retained earnings should be distributed to shareholders, if the equity needs increase or decrease, if the assets should be sold in order to decrease liabilities and similar.

- *Market Risk*

Market risk emerges as a consequence of potential losses stemming from less-than-favourable economic conditions and a decline in market demand. The Group companies operate domestically and internationally. The Group's core activity relates to energy and transport connected equipment and products. The production scope heavily depends on such investments. Under the influence of the global crisis and recession, there is a risk of closing certain markets down and providing stimulus in order to assign works to domicile enterprises. Furthermore, competitiveness of our companies' products and services has been impacted by the Group's and our customers changed operating conditions. Management Boards of individual companies price their products independently.

The official currency of the Group is the Croatian Kuna. However, some transactions executed in foreign exchange are being converted to Croatian Kuna, applying the exchange rate in effect at the balance sheet date. The resulting exchange gains and losses are being credited or debited against Profit and Loss Account.

The companies hedge against the F/X risk by continuous planning and monitoring of its cash flow, contracting sales and procurement in the same currency where possible, adjusting the receipt and outlay dynamism, as well as term F/X purchases in accordance with the cash receipt and outlay plan. A smaller portion of the companies employ financial derivatives to hedge against the financial risk exposure.

The Group is exposed to interest risk since some loans received are agreed at variable interest rate while most assets do not bear interests. Certain companies within the Group hedge against the risk of interest rates payable in foreign currencies.

No significant changes as regards the Group’s exposure to market risk occured or any changes with regard to market risk measuring and management.

- *Credit Risk*

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties thus mitigating the risk of financial loss form defaults. The Group uses data and opinions gathered from rating agencies, the Chamber of Commerce as well as other publicly available financial information on companies' financial status and uses its own data base to rate its major customers. The Group’s risk exposure and the credit ratings of its counterparties are continuously monitored. As a principle, contracts are entered into only with creditworthy counterparties when appropriate payment insurance instruments are obtained.

The Group’s exposure to credit risk is influenced mainly by individual characteristics of each customer. The Group has established a credit policy under which each new customer is analysed individually in terms of its creditworthiness before standard payment and delivery terms and conditions are set. The Group establishes an allowance for impairment as an estimation of incurred losses in respect of expected losses from receivables and investments.

- *Liquidity Risk*

Liquidity risk is the risk of the Group not being able to meet its financial obligations as they fall due. Risk management is the responsibility of the Management Board. The Group manages this risk by continuous monitoring of estimated and actual cash flow. As a whole, there was no significant exposure of the Group to liquidity risk. Some Group companies face the liquidity issue and resolve it within the Group's potential.

2.7 SHARES

The shares of KONČAR - Electrical Industry Inc. have been quoted in the Official Market of the Zagreb Stock-Exchange. The shares are recognisable under their KOEI-R-A ticker. In keeping with the positive regulations, the Company ensures regular access to information on its operations and activities as well as information on facts and circumstances that may bear influence to the share price (price sensitive information).

The company's shareholders' equity amounts to HRK 1,028,847,600.00 and comprises a total of 2,572,119 ordinary shares with par value of HRK 400.00 each.

The Company applies the same conditions to all of its shareholders and treats them equally regardless of the number of shares in their possession, their country of origin and other properties. The voting rights encompass all of the Company's shareholders in that the number of votes they are entitled to at the General Assembly equals the number of shares they have in their possession.

During the course of 2013, the Končar- Electrical Industry share price followed the overall market trend. The highest price was achieved in March 2013 (HRK 794.99), and the lowest one was recorded in early January (HRK 642.10) to arrive at an average of HRK 660.41 at the end of 2013.

The overall volume generated from trading KONČAR shares amounted to HRK 120.2 million, a 1.1% increase compared to the volume traded in 2012. In total, 161,810 shares constituted the traded volume in 2012 (21.8% more compared to 2012).

Compared to 2013, the ownership structure of first ten shareholders changed. The share of HYPO ALPE-ADRIA-BANK DD/PBZ CROATIA OSIGURANJE OBVEZNI MIROVINSKI FOND increased by 3.59%, while the share of LINTEUM SAVJETOVANJE d.o.o. decreased by 3.88%.

The dependent companies KONČAR – Distribution and Special Transformers and KONČAR – Switchgear have been included in the Zagreb Stock-Exchange Regular Market quotation. The average price of regular shares of KONČAR – Distribution and Special Transformers ranged between HRK 970 and HRK 1,289.99. The average price of preferred shares traded during 2013 ranged between HRK 872.13 and HRK 1,155.08.

Shares of KONČAR – Switchgear were not traded in 2013. Shares of KONČAR – Instrument Transformers Inc. and KONČAR – Medium Voltage Appartus were quoted on the Zagreb Stock-Exchange's Multilateral Trade Platform (MTP). During the course of 2013, the price of preferred shares of KONČAR – Instrument Transformers traded ranged from HRK 1,200 to HRK 1,500.

The price of regular shares of KONČAR-Medium Voltage Apparatus traded on the Zagreb Stock-Exchange's Multilateral Trade Platform ranged from HRK 911.11 to HRK 1,050.

During the course of 2013, the Company made 15,611 treasury stock worth buy-ins. During 2013, the Company issued 11,179 treasury stocks for the purpose of effecting the exercised option right to the purchase of CEO's and Board members' shares on the grounds of the Rights, Duties and Wage Contract as well as accompanying annexes, recommendations and conclusions from 4th and 5th session of the Supervisory Board of KONČAR-ELECTRICAL INDUSTRY Inc., Fallerovo šetalište 22, Zagreb from 15 December 2009 and 29 March 2010, Zagreb.

As at 31 December 2013, the Company had 4,500 treasury stocks i.e. 0.17% of company's equity.

Company's ownership structure is as follows:

Shareholder	31 December 2013		31 December 2012	
	No.of shares	Ownership stake	No.of shares	Ownership stake
1.HPB d.d. (Kapitalni fond d.d.)	724,515	28.17	724,515	28.17
2.GAMA/CPII	384,628	14.95	384,628	14.95
3.GAMA/Republic of Croatia	260,280	10.12	260,280	10.12
4.Hypo-Alpe-Adria-Bank d.d./PBZ Croatia Osiguranje	257,117	10.00	164,777	6.41
5.Societe Generale-Splitska banka d.d./Erste Plavi obvezni mirovinski fond	184,189	7.16	184,189	7.16
6.Societe Generale-Splitska banka d.d./AZ Obvezni mirovinski fond	106,438	4.14	106,438	4.14
7.Floričić Kristijan	60,714	2.36	85,714	3.33
8.Linteum savjetovanje	39,791	1.55	139,791	5.43
9.PBZ d.d./custodian account	69,731	2.71	32,124	1.25
10.Hypo-Alpe-Adria-Bank d.d./RBA OMF	33,213	1.29	35,250	1.37
11.Other shareholders	447,003	17.38	453,749	17.64
12.Končar d.d./treasury stock	4,500	0.17	664	0.03
TOTAL	**2,575,119**	**100.00**	**2,572,119**	**100.00**

2.8 PRODUCTS AND PRODUCTION DEVELOPMENT

The most important projects completed in 2013 were the following:

- 123 kV high voltage switch,
- The feasibility study for the system of variable spinning speed in pumped-storage hydropower plants,
- Power voltage transformer, an innovative solution for ensuring home power supply i.e. substation secondary equipment power supply,
- Several Smart Grid projects (digital substation, remote control, monitoring and advanced measuring),
- 'Black Box for Electrical Machines' awarded at the ARCA 2013 International Innovation Exhibition,
- Expert systems for monitoring and failure detection in rotating machine coils,
- New photovoltaic switch adjusted to RES market requirements.

2.9 EMPLOYEES

The starting point in KONČAR's strategic thinking of business direction is that the employees constitute the company's core asset. That coupled with the fact that the entire operations depend on the involvement of each and every employee made KONČAR decide to found its competitiveness upon the experience, knowhow and innovativeness of the staff.

KONČAR closed the year of 2013 with a total of 3,780 employees, of whom 1017 with univesity degrees, including approximately 70 per cent of technical professionals, 18 per cent of bachelor degree holders in economics and law, and the remaining 10 per cent of other professions.

In 2013, KONČAR had 25 PhD/ScDs and 62 MSc/MBA degree holders. The average age of KONČAR employees stood at 45 in 2013. The average age of the newly employed in 2013 was 30, as in 2012. Highly educated younger workers who graduated from the Faculty of Electrical Engineering and Computing have been predominantly recruited.

KONČAR has been traditionally securing its highly educated staff by providing scholarships to students enrolled in various faculties (the Faculty of Electrical Engineering and Computing, the Faculty of Mechanical Engineering and Naval Architecture). A total of 53 highly educated staff is undergoing their doctoral studies. Postgraduate studies to obtain their master's degrees are attended by 14 highly educated employees, and a total of 35 workers are undergoing university specialist studies.

Since lifelong learning stands as a guarantee of business success, permanent investment into knowledge of its employees stands as one of KONČAR's priorities. This is precisely the reason why there is a pronounced growth in the number of staff taking part in various types of training. At the same time, there is an increase in total average investments made for training purposes.

KONČAR pays special attention to the selection of its managers, i.e. to a timely recognition of their managerial potentials and investments into their development and creating space for further advancement.

The year 2013 saw the continuation in delivering training programmes following the unique 4th Educational Cycle comprising a total of 13 modules. Training programmes in KONČAR are essentially 'tailor made' ones. In addition to delivering training for acquiring professional know-how, these also cover development of general and managerial competencies, language courses, upgrade of IT skills as well as some soft skills, such as motivating the staff, leading, teamwork, communication skills and ethical values.

During 2013, KONČAR has continued its successful collaboration with a series of scientific and educational institutions. This enabled the recognition, definition and implementation of a number of projects with stakeholders taking part as equal partners by introducing their expertise and fostering cooperation between the scientific/educational and business sectors.

2.10 QUALITY AND ENVIRONMENT

An integral part of KONČAR's business policy includes reaching client satisfaction through delivery of high quality and reliable products, environmental protection and health and safety of the employees. This policy is being achieved in all of the Group's Companies via the application and certification of their management systems as per the international ISO

9001 Quality Management System requirements, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System.

A total of 17 companies have had their quality management systems ISO 9001 certified. The core purpose of the system has to do with management of key processes that affect the quality of products or services with a view to reaching client satisfaction. The ISO 9001 certificate, issued by authorised independent certification institutions, provides clients with a degree of assurance concerning the capacity of an organisation to meet their demands. More and more, and especially in prequalification process for contracting certain products, buyers audit their counterparties i.e. they carry out on-site verification of the quality of management system functions in order to be sure of the Company’s capacity to deliver on their requirements and expectations.

A total of 18 companies have had their environmental management systems ISO 14001 certified. By applying this system the companies continuously monitor and analyse various aspects of the environment while performing their business activities, carrying out their processes, looking into the environmental impact of products and services they delivered, and taking adequate measures to mitigate any adverse effects. The ISO 14001 certificate is issued by authorised independent certification institutions, which renders assurance to all stakeholders, ranging from central governments to local communities, of the Company's responsible behaviour towards the environment.

2.11 CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an integral part of the business policy and day-to-day activities in respect of all stakeholders and production activities, the position and protection of the employees, cooperation with the community and all others who are involved with the Group’s operations one way or the other.

Environmental protection in production facilities and on sites where the equipment and products are installed is one of KONČAR’s priorities. Given the fact that the majority of equipment is intended for power generation, transmission and distribution, industrial plants or transport of people and goods, reaching maximum safety and reducing the environmental impact constitute priorities throughout the entire production process: including quality control of input raw materials, components, production process, as well as finished goods and plants.

Knowledge, skills, experience and commitment of the employees make them the most important factor of success for company’s operations. In addition to reliable regular income and other legally prescribed obligations, a series of activities has been carried out aimed at training the employees and providing them with ongoing professional improvement opportunities, improvement of work conditions (especially in production facilities as well as other areas), preventive health care and medical examinations, recreation and leisure time.

For those who have ended their professional careers, the KONČAR Pensioners’ Club was established, gathering pensioners for cultural, recreational, educational, social and other events. The Homeland War Veterans Club gathers participants of the Croatian Homeland War. Joint activities are organized including the Christmas Futsal Tournament which in 2013 gathered 27 teams from 17 KONČAR Group subsidiaries, alpine excursions, skiing trips and for the first time the bike marathon which managed to gather seventeen recreational cyclists despite bad weather.

Creativity, education, sports and leisure focusing primarily on children and the young, as well as socially oriented and charitable support to those who are in need of such assistance the most, constitute the cooperation core with the community. Within the framework of celebrating the KONČAR Day, KONČAR traditionally donated funds for charitable purposes – in 2013, to the Centre for Education Dubrava in Zagreb for educating and housing young disabled people from entire Croatia.

On the occasion of KONČAR Day, the best students of the Zagreb Polytechnic School are awarded. KONČAR and the School have been cooperating for a number of years. In 2013, 4 students from Electro-Technical Department, 2 students of the Computing Studies and 2 students of the IT Studies were awarded. KONČAR cooperates with the academic community as well, in particular with the Faculty of Electrical Engineering and Computing in Zagreb by, amongst others, annually awarding the best doctoral thesis with industrial application.

Sponsorship continued in the field of sport as well by donating to clubs and activities of young people in archery, canoe, handball, volleyball, skiing and chess. Various cultural events and creativity exhibitions of the young are encouraged and supported. Volunteering project involving the employed was initiated in the cooperation with the Croatian Paraplegic and Tetraplegic Association. The meeting was organized and the employees from 3 Group's companies volunteered to teach members of the Association computer programme and marketing skills.

KONČAR is a part of the Global Compact Network (UN Global Treaty), the largest world initiative in the field of corporate social responsibility. KONČAR has been producing its Corporate Social Responsibility Report following the Global Compact (GC) principles and the Global Reporting Initiative (GRI 3) guidelines. With this report, KONČAR positioned itself amongst a small group of Croatian companies producing such reports.

World reporting trends have continued including the implementation and gradual application of G4 guidelines published by GRI. The Corporate Social Responsibility Reports were published at the official websites of the Global Reporting Initiative and the Global Compact, thus confirming success of efforts the Group invests in this area of operation as well as proving KONČAR's socially responsible attitude in line with globally defined criteria.

2.12 2014 BUSINESS PLAN

According to the adopted 2014 Business Plan, the consolidated Group's profit before tax is planned to reach HRK 155.7m; corporate profits tax is planned at HRK 18.2m; profits after tax at HRK 137.5m; minority stakes portion at HRK 26.2m, while the portion of the parent company's share in Group's profits is planned at HRK 111.3m.

Consolidated revenues from sales of products and services are planned at HRK 2.7 billion, which is a 6.9% increase compared to 2013. The plan for the domestic market sales was set at HRK 1.3 billion and at HRK 1.4 billion for exports.

The plan for 2014 is to contract new products and services in the amount of HRK 4.7 billion. This plan includes the Agreement for delivering 32 electric multiple units and 12 diesel electric trains for HŽ-Passenger Transport. The Contract value is estimated at HRK 1.6 billion.

2.13 FUTURE DEVELOPMENT STRATEGY

Companies belonging to KONČAR Group are following an ongoing orientation towards research, development and innovation of products in order to penetrate new markets with new products and be capable of resisting the very insecure and volatile market conditions. An important progress in this direction was made in recent years through development and production of the low-floor tramcar and a low-floor electric multiple unit prototype, as well as through investment in renewable energy sources.

The aim has been set and a decision made to keep operating in compliance with the rules of the profession and globally recognised standards as well as to ensure company’s position in both domestic and global markets.

KONČAR - Electrical Industry Inc. Management Board made a decision on a development management concept in the strategic areas of KONČAR Group, defined the strategic areas and appointed the Strategic Development Council, as well as companies in charge of coordination activities and individual area coordinators. All adopted decisions comply with the long-term development objectives of KONČAR Group, the need for developing Group's new products, techniques and technologies and available resources.

The following strategic development areas have been identified:

- Substations
- Power generation
- Renewable energy sources
- Advanced networks and computer communications
- Rail vehicles
- IT

Closing remarks:

- At the proposal of the Company's Management Board, the Supervisory Board adopted the decision to increase Company's capital from its own funds (reinvested profit). In 2013, Končar-Electrical Industry Inc. recorded profit in the amount of HRK 141.8m. Following allocations into legal reserves (HRK 7.1m) and statutory reserves (HRK 24.5m), the remaining profit amounted to HRK 110.2m. Company's equity increase will be carried out from the remaining portion of the current year profit in the amount of HRK 110.2mn and from the remaining reserves formed during previous years of HRK 69.8m, in total HRK 180m.

- At the proposal of the Company's Management Board, the Supervisory Board adopted the decision on the capital increase of KONČAR-Renewable Sources Ltd. in the amount of HRK 26.1mn for adding an additional 2.5MW (VA17) wind turbine at Pometeno brdo. Investment justification evaluation was carried out by Energy Institute Hrvoje Požar (EIHP), which developed the 'Reconstruction of Pometeno Windfarm Study – Investment Study for Adding a 2.5 MW (VA 17) Wind Turbine'. The Study concluded that the project is profitable i.e. the project's material basis increases by considering the entire project life span. The capital increase was carried out in January 2014. Following its capital increase, the equity of KONČAR-Renewable Sources Ltd. amounted to HRK 129,514,400.

- In January 2014, KONČAR- Electric Vehicles concluded the agreement with HŽ Passenger Transport d.d. on purchasing 44 electric multiply units with total value of HRK 1.63 billion. The Agreement includes delivery of 32 electric multiple units, 16 of which for city/suburban and 16 for regional transport as well as 12 diesel electric motor trains for regional transportation. Several subsidiaries of the Group will take part in Agreement execution.

- Activities regarding company liquidation were conducted in KONČAR Tools, the company which had been continuously recording operating losses. The Subsidiary's Management Board and the Management Board of KONČAR Electric Industry Inc. have been conducting activities and taking measures focusing on preserving workplaces. There are ongoing activities with Kralj Metala Alati d.o.o., the company established by the German KoenigMetall GmbH (a long-standing partner of KONČAR Tools). At their own request, on 15 February 2014, 65 out of total 71 employees of KONČAR Tools terminated their working relationship with KONČAR Tools by agreement and transferred to Kralj Metala Alati d.o.o. Apart from taking over these employees, the company will continue to operate on the premises of KONČAR Tools in the following period as well as use machinery, technology and infrastructure under concluded required agreements. As KONČAR Tools has ceased to have any staffing and technological assumptions for further operations following the above stated activities, this company liquidation procedure is planned.

Apart from the above, from the reporting date until the date of adopting financial statements, there were no events which might have significantly impacted Company's 2013 financial reports, which publication would be required as a consequence.

Zagreb, 21st March 2014

Chairman of Management Board
Končar – Electrical industry Inc.
Darinko Bago, B.Sc.

KONČAR – ELECTRICAL INDUSTRY GROUP

Consolidated financial statements as at 31 December 2013
together with the Independent Auditor's report

Content

Responsibility for the consolidated financial statements

Pursuant to the Croatian Accounting Law (Official Gazette 109/07), the Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards endorsed for use in the European Union which give a true and fair view of the financial position and results of Končar – Electrical Industry Group for that period.

The Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the consolidated financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- appropriate accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and must also ensure that the financial statements comply with the Croatian Accounting Law (Official Gazette 109/07). The Management Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on a behalf of Management Board:

Darinko Bago, President of the Management Board

Končar – Electrical Industry Inc., Zagreb
Fallerovo šetalište 22,
10 000 Zagreb

»KONČAR« d.d. ZAGREB
FALLEROVO ŠETALIŠTE 22
3

21 March 2014

Independent Auditor's report

To the Management Board and Shareholders of Končar-Electrical Industry Inc.

We have audited the accompanying consolidated financial statements of Končar – Electrical Industry Inc. Zagreb (herein below: the Company) and its subsidiaries (herein below: Group) which comprise the consolidated statement of financial position as of 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as presented on pages 4 to 64.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards endorsed for use in the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the Group's financial position as of 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards endorsed for use in the European Union.

Grant Thornton revizija d.o.o.
Ivana Lučića 2A, 10000 Zagreb
Ivica Smiljan
Certified auditor, Director

Zagreb, 21 March 2014

GRANT THORNTON
revizija d.o.o.
ZAGREB

Reconsult d.o.o., revizija i konzalting
Trg hrvatskih velikana 4/1, 10000 Zagreb
Marija Zupančić
Certified auditor, Board Member

RECONSULT, d.o.o.
REVIZIJA I KONZALTING
ZAGREB

Consolidated statement of comprehensive income

	Notes	2013 HRK	2012 HRK
Sales	3	2,509,098,949	2,441,558,354
Other operating income	4	226,592,393	302,380,197
Operating revenues		**2,735,691,342**	**2,743,938,551**
Changes in inventories (work in progress and finished goods)		(10,800,947)	34,073,424
Cost of materials and energy	5	(1,267,980,212)	(1,339,875,585)
Cost of goods sold		(103,830,903)	(117,298,012)
Cost of services	6	(360,055,504)	(329,333,951)
Personnel costs	7	(497,177,985)	(473,601,605)
Depreciation and amortization	8	(82,584,800)	(70,115,355)
Other costs	9	(140,379,017)	(131,659,483)
Value adjustments	10	(38,274,598)	(139,517,768)
Provisions	11	(105,018,393)	(60,434,523)
Other operating expenses	12	(13,471,935)	(21,309,654)
Operating expenses		**(2,619,574,294)**	**(2,649,072,512)**
Operating profit		**116,117,048**	**94,866,039**
Share in profit of associates	13	47,494,718	79,806,388
Financial income	14	67,792,536	71,574,277
Financial expenses	15	(52,061,601)	(46,227,983)
Financial result		**63,225,653**	**105,152,682**
Profit before taxation		**179,342,701**	**200,018,721**
Corporate income tax	16	(15,647,324)	(21,667,232)
PROFIT FOR THE YEAR		**163,695,377**	**178,351,489**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		(14,870)	71,263
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**163,680,507**	**178,422,752**
Profit for the year attributable to:			
Owners of the parent		135,112,460	150,536,186
Non-controlling interest		28,582,917	27,815,303
Total comprehensive income for the year attributable to:			
Owners of the parent		135,097,590	150,607,449
Non-controlling interest		28,582,917	27,815,303
Earnings per share			
Basic and diluted earnings per share in HRK	17	52.62	58.54

Notes are an integral part of the Consolidated statement of comprehensive income

Consolidated statement of financial position

	Notes	31/12/2013 HRK	31/12/2012 HRK
ASSETS			
Goodwill	18	7,646,618	7,500,898
Intangible assets	19	29,371,686	26,425,283
Property, plant and equipment	20	1,051,559,331	1,064,816,626
Investment property	21	100,366,943	92,667,771
Investments accounted for using the equity method	22	258,254,309	253,554,900
Financial assets	23	9,130,152	6,727,508
Receivables	24	29,147,877	34,363,957
Non-current assets		**1,485,476,916**	**1,486,056,943**
Inventories	25	445,041,616	476,435,979
Receivables from related companies	26	64,650,324	14,454,628
Trade accounts receivable	27	591,402,077	822,864,660
Receivable for corporate income tax		10,030,084	6,088,801
Gross amounts due from customers	28	36,399,313	4,301,725
Other receivables	29	70,287,369	92,795,825
Financial assets	30	305,358,260	196,551,197
Cash and cash equivalents	31	446,232,436	411,667,762
Current assets		**1,969,401,479**	**2,025,160,577**
Prepaid costs and accrued income	32	5,999,951	5,828,902
Non-current assets held for sale and discontinued operation	33	6,251,807	14,213,927
TOTAL ASSETS		**3,467,130,153**	**3,531,260,349**
Off-balance sheet items		**2,115,371,922**	**2,330,786,248**
EQUITY AND LIABILITIES			
Share capital	34	**1,028,847,600**	**1,028,847,600**
Capital reserves		**719,579**	**719,579**
Legal reserves		32,472,690	22,449,226
Statutory reserves		244,177,137	185,426,451
Other reserves		140,492,130	96,349,490
Reserves from earnings		**417,141,957**	**304,225,167**
Retained earnings		**350,456,478**	**349,004,034**
Profit for the current year		**135,112,460**	**150,536,186**
Non-controlling interest		**243,230,261**	**234,610,125**
TOTAL EQUITY		**2,175,508,335**	**2,067,942,691**
Provisions for warranty costs		250,335,816	329,945,204
Other provisions		88,526,472	87,507,847
Provisions	35	**338,862,288**	**417,453,051**
Liabilities for loans, deposits and similar		170,000	510,000
Liabilities toward banks and other fin. institutions		206,349,645	245,571,105
Non-current liabilities	36	**206,519,645**	**246,081,105**
Liabilities toward related companies	37	2,981,260	439,126
Liabilities for loans, deposits and similar	38	340,000	510,000
Liabilities toward banks and other fin. institutions	39	93,865,601	101,666,247
Trade accounts payable	40	304,782,880	349,504,869
Gross amounts due to customers for construction contracts	41	41,677,970	31,273,817
Liabilities for corporate income tax		474,442	10,961,308
Liabilities for advances received	42	141,868,566	131,632,451
Other liabilities	43	72,149,154	82,458,645
Current liabilities		**658,139,873**	**708,446,463**
Accrued expenses and deferred income	44	**88,100,012**	**91,337,039**
TOTAL EQUITY AND LIABILITIES		**3,467,130,153**	**3,531,260,349**
Off-balance sheet items		**2,115,371,922**	**2,330,786,248**

Consolidated statement of cash flows

	Notes	2013 HRK	2012 HRK
Cash flow from operating activities			
Cash receipts from trade accounts receivable		3,002,048,393	2,649,989,202
Cash receipts from insurance compensations		18,730,475	73,910,039
Cash receipts from tax returns		131,336,421	209,001,795
Cash receipts from interests		35,312,417	30,373,629
Other cash receipts		39,140,817	38,177,359
Total cash receipts from operating activities		**3,226,568,523**	**3,001,452,024**
Cash payments to trade accounts payable		(2,020,830,339)	(2,146,503,883)
Cash payments to employees		(573,545,511)	(581,734,988)
Cash payments to insurance companies		(13,439,221)	(10,550,569)
Cash payments for interests		(16,502,158)	(15,810,989)
Cash payments for taxes		(165,590,093)	(199,846,182)
Other cash payments		(142,700,962)	(132,562,656)
Total cash payments for operating activities		**(2,932,608,284)**	**(3,087,009,267)**
Net cash flow from/(used in) operating activities		**293,960,239**	**(85,557,243)**
Cash flow from investing activities			
Receipts from the sale of non-current assets		4,319,667	5,293,893
Cash receipts from the sale of financial instruments		1,541,159	1,804,126
Receipts from dividends		1,681,790	73,601,566
Total cash inflow from investing activities		**7,542,616**	**80,699,585**
Purchase of non-current assets		(59,732,034)	(122,817,115)
Purchase of financial instruments		(2,578,120)	(583,000)
Other cash payments for investing activities		(1,150,271)	-
Total cash outflows for investing activities		**(63,460,425)**	**(123,400,115)**
Net cash from/(used in) investing activities		**(55,917,809)**	**(42,700,530)**
Cash flow from financing activities			
Cash receipts from loans and borrowings		75,599,326	187,133,090
Other cash receipts from financing activities		300,880,169	333,846,275
Total cash receipts from financing activities		**376,479,495**	**520,979,365**
Repayment of loans and borrowings		(69,122,509)	(97,430,134)
Dividends paid		(47,436,976)	(47,790,589)
Purchase of treasury shares		(11,869,090)	(3,418,557)
Other cash outflows for financing activities		(451,528,676)	(151,834,625)
Total cash outflow for financing activities		**(579,957,251)**	**(300,473,905)**
Net cash from/(used in) financing activities		**(203,477,756)**	**220,505,460**
Increase (decrease) in cash		**34,564,674**	**92,247,687**
Cash and cash equivalents at the beginning of the year	31	411,667,762	319,420,075
Cash and cash equivalents at the end for the year	31	**446,232,436**	**411,667,762**

Notes are an integral part of the Consolidated statement of cash flows

Consolidated statement of changes in equity

	Share capital	Capital reserves	Reserves from earnings	Reserves for treasury shares	Treasury shares	Retained earnings	Profit for the year	Non-controlling interest	Total
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
As at 1 January 2012	**1,028,847,600**	**719,579**	**243,156,817**	**3,845,600**	**(3,845,600)**	**277,566,082**	**162,441,709**	**224,477,040**	**1,937,208,827**
Transaction with owners:									
Correction of opening balances	-	-	-	-	-	387,697	(187,275)	(274,155)	**(73,733)**
Allocation of the profit for 2011	-	-	65,124,720	-	-	97,129,714	(162,254,434)	-	-
Dividends	-	-	-	-	-	(30,750,060)	-	(17,001,537)	**(47,751,597)**
Realisation of reserves	-	-	(435,351)	-	-	-	-	(406,526)	**(841,877)**
Formation of reserves for own shares from retained earnings	-	-	-	3,418,558	-	(3,418,558)	-	-	-
Share-based payments	-	-	(3,699,065)	(7,115,231)	7,115,231	8,095,942	-	-	**4,396,877**
Purchase of treasury shares	-	-	-	-	(3,418,558)	-	-	-	**(3,418,558)**
Profit for the year	-	-	-	-	-	-	150,536,186	27,815,303	**178,351,489**
Other comprehensive income	-	-							
Exchange differences on translating foreign operations	-	-	78,046	-	-	(6,783)	-	-	**71,263**
Total comprehensive income	*-*	*-*	*78,046*	*-*	*-*	*(6,783)*	*150,536,186*	*27,815,303*	*178,422,752*
As at 31 December 2012	**1,028,847,600**	**719,579**	**304,225,167**	**148,927**	**(148,927)**	**349,004,034**	**150,536,186**	**234,610,125**	**2,067,942,691**
Transaction with owners:									
Correction of opening balances	-	-	-	-	-	-	(160,248)	(23,239)	**(183,487)**
Allocation of the profit for 2012	-	-	97,227,287	-	-	53,148,651	(150,375,938)	-	-
Dividends	-	-	-	-	-	(30,857,460)	-	(16,646,728)	**(47,504,188)**
Loss covering from reserves	-	-	(3,941,016)	-	-	3,941,016	-	-	-
Transfer to reserves	-	-	21,747,504	-	-	(21,747,504)	-	-	-
Realisation of reserves	-	-	(238,653)	-	-	-	-	(222,852)	**(461,505)**
Formation of reserves for own shares from retained earnings	-	-	-	11,869,090	-	(11,869,090)	-	-	-
Share-based payments	-	-	(1,862,209)	(8,780,302)	8,780,302	8,780,302	-	-	**6,918,093**
Purchase of treasury shares	-	-	-	-	(11,869,090)	-	-	-	**(11,869,090)**
Change in ownership structure in subsidiaries	-	-	-	-	-	55,276	-	(3,069,962)	**(3,014,686)**
Profit for the year	-	-	-	-	-	-	135,112,460	28,582,917	**163,695,377**
Other comprehensive income									
Exchange differences on translating foreign operations	-	-	(16,123)	-	-	1,253	-	-	**(14,870)**
Total comprehensive income	-	-	(16,123)	-	-	1,253	135,112,460	28,582,917	*163,680,507*
As at 31 December 2013	**1,028,847,600**	**719,579**	**417,141,957**	**3,237,715**	**(3,237,715)**	**350,456,478**	**135,112,460**	**243,230,261**	**2,175,508,335**

Notes are an integral part of the Consolidated statement of changes in equity

1. General data on the Group

1.1. Activities

The main activities of the Končar – Electrical industry Group, Zagreb („the Group“) include production of electrical machinery and appliances, production of transportation vehicles, equipment and similar activities.

Main activities of the Group are divided in three main areas:

I. Industry: electromotive drivers, electrical equipment of low and high voltage and catering equipment;

II. Energetic and transportation: design and construction of plant for the production, transfer and distribution of electrical energy, and related equipment, locomotives, trams, and electrical equipment for stable electric traction plant and

III. Trade: electrical household appliances, serial products and electrical low voltage switchgears.

There are 17 subsidiaries within the Group involved in core business and 2 subsidiaries involved in activities related to research and development of products and infrastructural services, as well as one subsidiary registered abroad which acts as representative office or the distributor of Group's products and supplier for raw materials.

The Group has two domestic associates and one joint venture in China.

Parent company of the Group is Končar-Electrical industry Inc, Zagreb, Fallerovo šetalište 22 („the Company“). The Company is a holding company of all companies in the Group.

As at 31 December 2013 the Group had 3,783 employees, while as at 31 December 2012 the Group had 3,897 employees.

Members of the Supervisory Board:

Nenad Filipović	President
Jasminka Belačić	Deputy
Boris Draženović	Member
Kristina Čelić	Member
Ivan Rujnić	Member
Vicko Ferić	Member
Tomislav Radoš	Member
Petar Vlaić	Member
Dragan Marčinko	Member

Members of the Management Board

Darinko Bago	President
Marina Kralj Miliša	Member, in charge of legal, general and human resource activities
Jozo Miloloža	Member, in charge of finance
Davor Mladina	Member, in charge of IT and trade activities
Miroslav Poljak	Member, in charge of corporate development and ICT

Compensations to the members of the Management and Supervisory Board are presented in the notes 7 and 9.

The financial statements are denominated in Croatian Kuna (HRK). Stated amounts are rounded to the nearest HRK.

2. Summary of significant accounting policies

2.1 Basis for preparation

Statement of compliance

Consolidated financial statements of the Group are prepared in accordance with the applicable laws in the Republic of Croatia and with the International Financial Reporting Standards endorsed for use in the European Union.

The consolidated financial statements are prepared on the accrual basis (where the transactions are recognized in the period in which transaction effects occur) and on a going concern basis.

The accounting policies have been consistently applied. The financial statements have been prepared using the historical cost convention except for any financial assets and liabilities stated at fair value.

The consolidated financial statements are denominated in Croatian Kuna (HRK) as the functional and reporting currency of the Group. At 31 December 2013, the exchange rate for USD 1 and EUR 1 was HRK 5.55 and HRK 7.64, respectively (31 December 2012: HRK 5.73 and HRK 7.55 respectively).

Standards, Amendments and Interpretations issued by IASB, adopted by the European Union and effective

For the year ended 31 December 2013 the Group has adopted the following standards, amendments and interpretations which are or have become effective during the year, and in accordance with the requirements, presented comparative data. The application of new standards had no effect on the equity as at 1 January 2013:

- Changes in IAS 1 – Presentation of Financial statements – amendments effective for annual periods beginning on or after 1 July 2012 and amendments effective for annual periods beginning on or after 1 January 2013. As a result of „Presentation of other comprehensive income items“ as part of amendments of IAS 1, certain points have been amended, revised or deleted for the following standards: IAS 1, 12, 20, 21, 32, 33, 34 and IFRS 1, 5 and 7;
- IFRS 1 First time adoption of IFRS – replacement of fixed dates for certain exceptions – effective for annual periods beginning on or after 1 January 2013;
- IFRS 1 First time adoption of IFRS – additional exemptions for entities ceasing to suffer from severe hyperinflation – effective for annual periods beginning on or after 1 January 2013;
- IAS 12 Income taxes (revised) – limited scope amendments effective for annual periods beginning on or after 1 January 2013;
- IFRS 13 – Fair value measurement - new standard effective for annual periods beginning on or after 1 January 2013;
- IAS 19 Employee benefits (revised) – amendments effective for annual periods beginning on or after 1 January 2013. As a result of revised IAS 19 the following standards have been also amended: IAS 24, IFRS 1, IFRS 8, IFRS 13 and IFRIC 14;
- IFRS 7 Financial instruments: Disclosures – offsetting Financial Asset and Financial Liabilities – amendments effective for annual periods beginning on or after 1 January 2013;

- Amendments to IFRS 1 - Government Loans – effective for annual periods beginning on or after 1 January 2013;
- Annual Improvements to IFRSs 2009 - 2011 Cycle (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) – effective for annual periods beginning on or after 1 January 2013;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for annual periods beginning on or after 1 January 2013.

Standards, amendments and interpretations to existing standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2013:

- IFRS 10 Consolidated financial statements – new standard effective for annual periods beginning on or after 1 January 2014;
- IFRS 11 Joint arrangements – new standard effective for annual periods beginning on or after 1 January 2014;
- IFRS 12 Disclosure of interests in other entities – new standard effective for annual periods beginning on or after 1 January 2014;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance effective for the annual periods beginning on or after 1 January 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities effective for the annual periods beginning on or after 1 January 2014;
- IAS 27 and IAS 28 – consequential amendments due to above mentioned new consolidation standards - effective for annual periods beginning on or after 1 January 2014;
- IAS 32 – Financial instruments: Presentation – amendments to application guidance on the offsetting of financial assets and financial liabilities – effective for annual periods beginning on or after 1 January 2014;
- IFRS 7 Financial instruments: Disclosures – amendments requiring disclosures about the initial application of IFRS 9 for which mandatory effective date is deferred;
- IFRS 9 Financial Instruments – new standard for which mandatory effective date is deferred;
- Amendments to IAS 36 – Impairment of assets – amendments arising from recoverable amount disclosures for non-financial assets - effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 39 – Financial instruments: Recognition and Measurement – amendments for novations of derivatives - effective for annual periods beginning on or after 1 January 2014;
- Annual Improvements to IFRSs 2010 - 2012 Cycle (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) – effective for annual periods beginning on or after 1 July 2014 by IASB, not endorsed for use by EU yet;
- Annual Improvements to IFRSs 2011 - 2013 Cycle (IFRS 1, IFRS 3, IFRS 13 and IAS 40) – effective for annual periods beginning on or after 1 July 2014 by IASB, not endorsed for use by EU yet.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's financial statements for the first period beginning after the effective date of the pronouncement and its application should not have a material impact on the Group's financial statements.

Key estimates, judgements and uncertainties in the preparation of the financial statements

During the preparation of the consolidated financial statements, the Group's management used certain judgements, estimates and assumptions that affect the carrying amount of assets and liabilities, disclosures of contingent items at the balance sheet date and income and expenses for that period.

Estimations have been used, but are not limited on: calculation of depreciation and useful lives, residual value of property, plant and equipment and tangible assets, impairment losses estimation, value adjustment for inventories and doubtful receivables, provisions for employee benefits and legal cases. More details on the accounting policies for these estimations are presented in other parts of notes. Future events and their effects cannot be estimated with a certainty. Due to that accounting estimates require judgement, and estimates that are used in the preparation of the financial statements are subject to changes from future events, additional experience, new additional information and changes in environment in which the Group operates. Actual results can differ from estimated results.

Summary of significant accounting policies used for the preparation of the financial statements for the year is presented as follows.

2.2 Basis for the consolidation

Consolidated financial statements include financial statements of the parent company and financial statements of the companies controlled by the parent company (subsidiaries). The Company has a control over the companies in which it has power to govern financial and operating policies of those companies in which the parent company has invested in order to gain rewards from the operations of the subsidiary.

Results of the subsidiaries which are acquired or disposed during the year are included in profit and loss account from the acquisition, or up to disposal date.

Changes in the Parent's shares in a subsidiary, which do not result in loss of control are accounted as a transactions with owners. Carrying value of Company's share and non-controlling interest are adjusted in order to reflect the change in their relative shares in subsidiary. Every difference between the adjusted value of non-controlling interest and fair value of consideration paid or received is recognized directly in equity and it is attributable to the owners of the parent.

When the Company loses control over the subsidiary, gain or loss from the disposal is determined as a difference between:

- Total fair value of the consideration received and fair value of potentially retained share and
- Carrying value of assets (including goodwill) and liabilities of the subsidiary and non-controlling interest.

Fair value of the retained share in former subsidiary on the date when the control was lost is treated as, for the purpose of subsequent measurement in accordance with IAS 39 Financial instruments: recognition and measurement, cost during the initial recognition or, if applicable, as an initial cost for the investment into associate.

All significant inter-company transactions and balances between the Group companies are eliminated during the consolidation.

2.3 Investments in associates and joint ventures

Associated companies are companies in which the Group has between 20% and 50% of voting power and in which the Group has significant influence, but not control, by participation in policy-making processes of the associate. In the consolidated financial statements results, assets and liabilities of the associates are stated on the basis of equity method which means that the carrying value of investment in an associate is stated in the statement of financial position at cost adjusted for all changes of Group's share in profit or loss, and other comprehensive income of an associate after the acquisition date, and also for any impairments of the investment value.

If the Group's share in the loss incurred by an associate is higher than the carrying amount of the investment, Group ceases the recognition of its share in future losses. When the associate starts to incur profit, Group starts to include its share in those earnings after the reconciliation of its share in unrecognized losses.

When the Group has no longer significant influence over the associate this investment is accounted in accordance with IAS 39. The difference between fair value of retained investment and the proceeds from the disposal and carrying value of an investment at the date when the significant influence has been lost is recognized in the profit or loss.

In case when the Group losses significant influence over the associate, previously recognized profit or loss in other comprehensive income related to this investment is reclassified into the profit or loss. If the share in an associate decreases, but the significant influence remains, only the proportional amount of gain or loss previously recognized in other comprehensive income is reclassified into profit or loss.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic, financial and operating decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint venture are accounted for by using the equity method, a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. If a joint venturer's share of losses of joint venture equals or exceeds its interest in the joint venture, the joint venturer discontinues recognising its share of further losses. If joint venture subsequently reports profits, the joint venturer resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

2.4 Business combinations

Business combinations are accounted for by applying the acquisition method. Assets and liabilities are measured at fair value at the acquisition date which is the date when the Group has gained control over the acquired company. Non-controlling interest is measured in accordance with proposed share of non-controlling interest in the fair value of identifiable net assets of the acquired company.

Goodwill

Goodwill is determined as a difference between:

- the aggregate of the consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and
- net identifiable assets acquired.

Costs related to the acquisition (consulting costs) are recognized in the profit or loss in the period in which incurred.

Goodwill is recognized as an asset at the acquisition date. If the acquirer has made a gain from a bargain purchase the gain is recognized in profit or loss account.

Goodwill is subject to impairment test at each reporting date.

2.5 Revenue recognition

Revenues from sale of goods and services are recognized in the moment of the delivery of goods and at the time when services are rendered and in the moment of the ownership transfer. Income from interests is calculated on the basis of unsettled receivable and on the basis of applicable interest rates. Income from dividends and shares in profit are recognized in the moment when the rights on dividends and shares are established.

Revenues from the sale of goods and finished products are recognized when all of the following conditions have been met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transactions will flow to the Group; and
- the costs incurred or to be incurred in respect to the transaction can be measured reliably.

Income from services is recognized in the period when the services have been rendered by the stage of completion method. Stage of completion is determined on the basis of share of service costs incurred until certain date in the total estimated service costs.

2.6 Financial revenues and expenses

Financial revenues and expenses comprise of interests on loans granted calculated by using the effective interest rate method, interest receivables from funds invested, income from dividends, foreign exchange gains/losses, gains/losses from financial assets held at fair value through the profit and loss.

Interest revenues are recognized in the income statement on an accrual basis using the effective interest rate method.

Financial expenses are comprised from the interests calculated on loans, changes in the fair value of financial assets held at fair value through the profit and loss, losses on value adjustments (impairments) of financial assets and losses from exchange rate differences.

2.7 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses respectively by the reference to the stage of completion of the contract activity at the end of the reporting period, on the basis of the share of costs incurred to that date in total estimated contract costs. Variations in contract work, claims and incentive payments are included in contract revenue to the extent agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenues are recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expense in the period in which are incurred.
When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

2.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

2.9 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period indispensable for the finalization and preparation of the asset for its intended use or sale.

Other borrowing costs are recognized in the income statement using the effective interest rate method.

2.10 Transactions in foreign currency

Transactions in foreign currency are initially translated into Kuna's by using the spot rates at the transaction date. Cash, receivables and liabilities reported in foreign currencies are translated into Kuna's by using middle exchange rate at balance sheet date. Foreign exchange gains or losses are included in the profit and loss account as incurred.

During the consolidation, assets and liabilities of Group's foreign operations are translated into the Group presentation currency at the exchange rates ruling at the reporting date. Revenues and expenses are translated into at the foreign exchange rates ruling at the dates of the transactions and the exchange differences are recognized in other comprehensive income. All foreign exchange gains and losses are recognized in the profit or loss account in the period when the transaction occurred.

2.11 Taxation

The parent company as well as domestic subsidiaries within the Group state its taxation liabilities in accordance with Croatian law. Corporate income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.

Deferred tax reflects the net tax effect of the temporary differentials between the book values of the assets and the liabilities for the purpose of the financial reporting and the values used for the purpose of establishing profit tax. A deferred tax asset for the carry-forward of unused tax losses and unused tax credits is recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are calculated using the tax rate applicable to the taxable profit in the years in which these assets and liabilities are expected to be collected or paid.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity.

2.12 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, less potential shares based on share options.

2.13 Transactions with related parties

The Group, as well as the parent company, does not disclose within transactions with related parties thee relations with companies owned by the Government, pursuant to the exemption related to state-owned companies as stated in IAS 24.

2.14 Segment information

During the identification of business segments, the Management mostly follows sales of goods and provision of services within certain economic area. Every of these business segments are separately managed since they are determined on the basis of specific market needs.

Policies of valuation/measurement which the Group uses for the segment reporting are the same as those used during the preparation of the financial statements.

Furthermore, assets which cannot be directly attributable to certain business segments remain un-allocated.

There has not been any changes in the valuation methods used in the determination of profit or loss of business segment in comparison to previous periods.

2.15 Non-current intangible and tangible assets (property, plant and equipment)

Non-current intangible and tangible assets are initially recognized at cost which includes purchase price, import duties and non-refundable taxes after discounts and rebates, as well as all other costs directly linked to bringing the assets into working condition for intended use.

Item of intangible and tangible asset is recognized when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably, and when the cost is higher than HRK 3,500.

Subsequently after the initial recognition assets are stated at cost less accumulated depreciation and less impairment losses.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Where it is obvious that expenses incurred resulted in increase of expected future economic benefits to be derived from the use of an item of long-term intangible or tangible property in excess of the originally assessed standard performance of the asset, they are added to the carrying amount of the asset. Gains or losses on the retirement or disposal of long-term intangible and tangible asset are included in the Statement of comprehensive income in the period in which incurred.

Depreciation starts when the item of asset is available and ready for use, i.e. when it is appropriately located and in the right conditions needed for its intended use. Depreciation ceases when the assets is fully depreciated or when the asset is classified as the non-current asset held for sale. Depreciation is provided on a straight-line basis for each asset item over their useful economic life (except for land and assets under construction), as follows:

	Depreciation rates (from – to %)
Development expenditures	20%
Concessions, patents, licences, software etc	20%
Other intangible assets	20%
Buildings	1.2% - 7.7%
Plant and equipment	6.8% - 25%
Tools, inventory and transport vehicles	3.4% - 25%
Other assets	20%

In 2012 the subsidiary Končar – Distribution and Special Transformers Inc. made the decision on change in depreciation rates (since this company revised useful economic lives and assessed that the depreciation rates should be adjusted based on experienced data). Effect of the change in depreciation rates is lower depreciation charge by the amount of HRK 7,798 thousand.

Impairment of property, plant and equipment

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

During the determination of impairment losses or reversal of impairment loss for an item of property, plant and equipment the depreciation rate is not changed but the useful life of an item is changed.

Recoverable amounts are determined as follows:

- For land – price determined by the tax authorities in the determination of real estate tax is used;
- For buildings – market value of the same or similar buildings at the same location of the valuation by independent evaluators is used;
- For equipment - net selling price – market price less costs to sale, e.g. last transaction price.

If the recoverable amount an asset (or cash-generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized immediately in profit or loss.

At every reporting date the Group reviews if there are indicators that the previously recognized impairment loss no longer exist or it is decreased, and in that case the impairment loss is reversed fully or partially in the profit or loss account.

Increase of carrying value of an asset for the purpose of impairment loss reversal cannot be higher that the previously recognized impairment loss, decreased for the depreciation which would be calculated if the asset was not impaired.

2.16 Investment property

Investment property which are in Group's ownership are held for the purpose of earning rentals or as a potential for issuing solidarity guarantees for subsidiaries, and also for the future capital appreciations for the purpose of future sale. Investment property is recognised as a long-term investment, unless it is intended for sale within the next year and the customer is identified, in which case the investment property is recognised as a current asset. Investment property is initially measured at cost less accumulated depreciation. The Group at least annually reviews residual value and useful life of the property. The residual value is an estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Since the Group has estimated that the residual value of the property exceeds its carrying value, depreciation is not charged until the residual value is reduced to the amount below the carrying value.

2.17 Non-current assets (disposal group) held for sale and discontinued activity

Non-current assets classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Non-current assets or disposal groups are classified as held for sale when its carrying value will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied only if the sale is highly probable and the asset is ready for sale in its current condition. Assets which are once classified as held for sale are no longer depreciated. Disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

a) represents a separate major line of business or geographical area of operations,
b) part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
c) is a subsidiary acquired exclusively with a view to resale.

Organizational units represent activities and cash flows that can be clearly distinguished, by activity and for financial reporting purposes, from other organizational units, which is possible when:

- operating assets and liabilities are directly attributable
- revenues are directly attributable
- the majority of the operating costs can be directly attributed.

The assets, liabilities, revenues and expenses are considered to be directly attributable to the organizational unit if they would be eliminated if the organizational units are sold, abandoned or otherwise disposed. Interest and other financial expenses are attributable to the organizational unit if the associated loan debt is also connected to the same organizational unit.

The subsidiary Končar-Household appliances Ltd. has discontinued its production of household appliances in 2013 and the activities related to this discontinued operation are presented in note 33 (revenues and expenses and the result). Since this discontinued operation of the subsidiary does not represent separate major line of business on Končar Group' level, it is not disclosed as discontinued in the consolidated statement of comprehensive income for the year ended 31 December 2013.

2.18 Financial assets and financial liabilities

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following categories:

- At fair value through profit or loss (RVTPL) – Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss.
- Held to maturity – bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.
- Available for sale – is non-derivative financial assets determined as such or financial assets which cannot be included within above determined categories. AFS is stated at fair value, gains and losses arising from changes in fair value are recognized directly in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the other comprehensive income is included in profit or loss for the period.
- Loans and receivables – Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows or the investment have been impacted.

For unlisted shares classified as AFS a significant or prolonged decline in the fair value of the shares below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and reward ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

When Group derecognises a financial asset in its entirety, the difference between the carrying amount and sum of consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that provides evidence to a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Share capital

Ordinary shares

Share capital represents the nominal value of shares issued.

Capital reserves includes share premium arising from the share issue. Incremental costs directly attributable to equity transaction (issue of ordinary shares) are accounted for as a deduction from equity.

Reserves are stated at nominal amounts representing appropriations of retained earnings, especially legal reserves, statutory reserves and other reserves.

Share repurchase (treasury shares)

The amount paid for the reacquisition of the Group's own shares, including direct costs related to the repurchase, is deducted from equity. Repurchased shares are classified as own shares and represent a deduction from equity. Purchase of treasury shares is recorded at cost, and sale of treasury shares at negotiated prices. Consideration paid or received is recognized directly in equity.

<u>Financial guarantee of a contractual obligation</u>

Financial guarantee of a contractual obligation is initially measured at its fair value and subsequently measured at the higher of:

- the contractual amount of liability determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies (dividend and interest revenue).

Financial liabilities at fair value through profit and loss - Financial liabilities are classified as financial liabilities at fair value through profit and loss when they are either intended to be traded or are classified as such by the Group. They are measured at their fair value, while the gains/losses relating to them are recognized in the profit and loss account. The net gain/loss recognized in the profit and loss account includes any interest paid in the name of the financial liability.

Other financial liabilities – including loans and borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.19 Inventories

Inventories are measured at the lower of cost or net realizable value. Costs of inventories comprise all purchase costs, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories is calculated on the basis of weighted average cost method.

Net realizable value is estimated selling price in an ordinary course of the business decreased by estimated completion costs and estimated selling costs.

In the cases when it is necessary to bring the inventory value at its net selling price the Group makes inventory value adjustments recognized as an expense in the profit and loss for the current year.

Small inventory is depreciated by 100% when put into use.

2.20 Receivables

Receivables are initially measured at fair value. At the balance sheet date, receivables, whose collection is expected in the period longer than one year, are stated at amortized cost by using the effective interest rate method decreased for impairment loss. Current receivables are stated at initially recognized nominal amount decreased for appropriate value adjustment for estimated uncollectible amounts and impairment losses.

Value of the receivables is decreased and impairment losses are incurred if and only if there is objective evidence on the impairment as a result of one or more events which happened after the initial recognition when this event influences the estimated future cash flows for the receivables which can be reliably estimated. At every balance sheet date the Group estimates if there is objective evidence on the impairment of certain receivable. If the objective evidence on the impairment exists, impairment loss is measured as a difference between carrying value and estimated future cash flows. Carrying value of receivables is decreased directly or by the usage of separate value adjustment account. Impairment loss is recognized as an expense in the profit and loss account for the current year.

2.21 Cash and cash equivalents

Cash and cash equivalents consist of deposits, cash at banks and similar institutions and cash on hand, shares in cash funds on demand or collectible within 3 months.

2.22 Received loans

Interest-bearing bank loans and overdrafts are recorded on the basis of received amount decreased by direct cost needed for their approval. Financial costs, including premium paid on the settlement or withdrawals are recorded on accrual basis and added to the carrying value of the instrument, only for the un-settled amount in period in which they occurred.

2.23 Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will meet all requirements defined in the subsidy contract and that the grant will be received.

Government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets, are recognized as deferred income in the balance sheet and released in the income statement on a systematic and appropriate basis in accordance with the useful life of that asset. Government grants are recognized as income during the period to match related costs on a systematic basis.

Government grants received as compensation for expenses or losses already incurred, or for the purpose of immediate financial support to the Group without further related costs, are recognized in the income statement in the period when received.

2.24 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are re-evaluated at every balance sheet date and adjusted according to the newest best estimates.

Provisions are determined for costs of repairs within warranty periods, awards to employees for long term employment and retirement (jubilee awards and severance payments).

Provisions for awards to employees for long term employment and retirement (regular jubilee awards and severance payments) are determined as the present value of future cash outflows using the government bond yield as the discount rate.

2.25 Employee benefits

Defined pension fund contributions - are recognised as an expense in the income statement when incurred.

Bonus plans - liability for employee benefits is recognized as provisions based on the Group's formal plan and when past practice has created a valid expectation by the Management Board/key employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements. For liability for bonuses it is expected that it will be settled within 12 months from reporting date, and the liability is recognized in the amount expected to be paid.

Share based payments – The parent Company operates an equity-settled, share-based compensation plans. The total amount to be expensed over the vesting period and the amount that is credited to the equity is determined by the reference to the fair value of the options granted. The fair value of the equity accounted instruments is measured at the grant date. At each reporting date, the parent Company revises its estimates of the number of options that are expected to vest.

2.26 Contingent assets and liabilities

Contingent liabilities are not recognised in financial statements, but only disclosed in the notes to the financial statements.

Contingent assets are not recognized in the financial statements except when the inflow of economic benefits is virtually certain.

2.27 Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

2.28 Comparatives and reclassifications

Where necessary, comparative figures have been adjusted to conform with the presentation in the current year.

2.29 Subsidiaries

	31 December 2013		31 December 2012	
	Ownership share (%)	Voting rights share (%)	Ownership share (%)	Voting rights share (%)
Consolidated subsidiaries registered in Croatia:				
Končar – Household Appliances Ltd, Zagreb	100.00	100.00	100.00	100.00
Končar – Small Electrical Machines Inc, Zagreb	100.00	100.00	100.00	100.00
Končar – Power Plant and Electric Traction Engineering Inc, Zagreb	100.00	100.00	100.00	100.00
Končar – Infrastructure and Services Ltd, Zagreb	100.00	100.00	100.00	100.00
Končar – Electrical Engineering Institute Inc, Zagreb	100.00	100.00	100.00	100.00
Končar – Low Voltage Switches and Circuit Breakers Ltd, Zagreb	100.00	100.00	100.00	100.00
Končar – Generators and Motors Ltd, Zagreb	100.00	100.00	100.00	100.00
Končar – Tools Inc, Zagreb	100.00	100.00	100.00	100.00
Končar – Catering Equipment Inc, Zagreb	100.00	100.00	100.00	100.00
Končar – Renewable Sources Ltd, Zagreb	100.00	100.00	100.00	100.00
Direct ownership	*81.43*	*81.42*	*80.52*	*80.52*
Indirect ownership	*18.57*	*18.57*	*19.48*	*19.48*
Končar – Electrical Vehicles Inc, Zagreb	75.04	75.04	75.04	75.04
Končar – Steel Structures Inc., Zagreb	75.01	75.01	75.01	75.01
Končar – Electronics and Informatics Inc, Zagreb	75.03	75.03	75.03	75.03
Končar – Switchgear Inc, Sesvetski Kraljevec	70.03	81.70	45.71	66.85
Končar – Medium Voltage Apparatus Inc, Zagreb	41.77	69.87	41.77	69.87
Končar – Instrument Transformers Inc, Zagreb	46.06	72.35	43.53	72.35
Končar – Distribution and Special Transformers Inc, Zagreb	51.71	67.80	51.71	67.80
Končar – High Voltage Switchgear Inc, Zagreb	97.49	98.25	84.42	88.02
Končar – Engineering for Plant Installation & Commissioning Inc, Zagreb	44.71	79.05	38.49	76.51
Consolidated subsidiary registered abroad:				
Kones AG, Zurich, Switzerland	100.00	100.00	100.00	100.00
Non-consolidated subsidiaries:				
Konell Ltd., Sofia, Bulgaria*	85.00	85.00	85.00	85.00
Končar-Inženjering d.d., Zagreb*	100.00	100.00	100.00	100.00
Mjerenja Ltd., Beograd*, Serbia*	-	-	100.00	100.00

Non-consolidated subsidiaries are not consolidated since are insignificant on the Group level.

*companies in indirect ownership by the Company (company Mjerenja, Beograd is no longer owned from 2013).

Associates and joint venture:

	31 December 2013	**31 December 2012**
	Share in ownership (%)	Share in ownership (%)
Associates accounted for by using equity method:		
Končar – Power Transformers Ltd, Zagreb	49.00	49.00
Elkakon Ltd., Zagreb*	50.00	50.00
Joint venture accounted for by using equity method:		
TBEA Končar Instrument Transformers lth, China*	27.00	27.00

* company in indirect ownership by the Company

3. Sales

	2013 HRK	2012 HRK
Domestic sales of goods	1,216,650,896	1,131,346,000
Foreign sales of goods	1,225,380,252	1,227,909,892
Sales to related parties	67,067,801	82,302,462
	2,509,098,949	**2,441,558,354**

4. Other operating income

	2013 HRK	2012 HRK
Income from the release of provisions (note 35)	148,077,838	133,760,386
Income from insurance claims	4,962,371	99,263,144
Income from the release of accrued expenses	20,032,796	10,923,876
Collected receivables previously written off	2,942,741	10,259,259
Income from sale of materials	5,405,888	7,209,033
Income from the sale of non-current tangible assets	7,564,235	3,362,529
Income from subsequent rebates, bonuses and similar	3,024,301	3,281,535
Inventory surpluses	935,104	3,118,192
Rent income	1,594,344	1,909,433
Income from government grants and similar	819,454	1,051,731
Income from previous years	1,667,383	963,954
Debt written-off	142,576	66,899
Other income	29,423,362	27,210,226
	226,592,393	**302,380,197**

5. Costs of materials and energy

	2013 HRK	2012 HRK
Raw and other materials	1,200,737,267	1,273,889,994
Spare parts	1,196,945	606,718
Small inventory	13,112,923	11,314,683
Energy costs	52,933,077	54,064,190
	1,267,980,212	**1,339,875,585**

6. Cost of services

	2013 HRK	2012 HRK
External products design and selling services	142,547,249	149,321,021
Costs of telephone, post and transportation	34,609,423	37,283,785
Maintenance	34,324,923	33,420,284
Intellectual and similar services	20,516,859	19,339,010
Entertainment costs	14,663,946	15,151,559
Utilities costs	10,790,592	11,652,072
Costs of research and development	10,425,071	9,150,121
Rent	6,917,814	5,763,584
Advertising services and trade fairs	5,659,276	5,566,233
Education services	5,023,559	4,291,163
Other costs of services	74,576,792	38,395,119
	360,055,504	**329,333,951**

7. Personnel costs

	2013 HRK	2012 HRK
Net wages and salaries	278,738,103	266,155,947
Taxes and contributions	150,834,040	142,244,327
Contributions on salaries	64,709,926	63,906,871
Share-based payment options	2,895,916	1,294,460
	497,177,985	**473,601,605**

Net wages and salaries in the amount of HRK 278,738,103 (2012: HRK 266,155,947) include compensations to the Company' Management Board and other related companies in the amount of HRK 13,674,227 (2012: HRK 13,101,402) and accrued bonuses for the Management Board in the amount of HRK 5,775,424 (2012: HRK 5,475,627), and are an integral part of the personnel costs.

8. Depreciation and amortization

	2013 HRK	2012 HRK
Depreciation of property, plant and equipment	75,514,012	64,552,471
Amortization of intangible assets	7,060,985	5,562,884
Depreciation of investment property	9,803	-
	82,584,800	**70,115,355**

9. Other costs

	2013 HRK	2012 HRK
Travelling costs and per diems	48,073,600	47,727,377
Compensations to employees	28,474,299	27,296,933
Bank charges	15,386,317	17,481,371
Insurance premiums	15,444,566	14,388,184
Compensations to members of the Supervisory Board	6,171,891	5,905,998
Taxes and contributions and similar costs	2,897,322	4,715,447
Taxes non-dependable on the income and fees	3,001,648	1,635,830
Sponsorships	621,571	1,779,965
Share-based payment options (unrealized share options)	-	1,029,447
Other	20,307,803	9,698,931
	140,379,017	**131,659,483**

10. Value adjustments

	2013 HRK	2012 HRK
Value adjustment of long term tangible assets	17,107,475	13,348,116
Value adjustment of long term intangible assets	2,762,705	2,005,306
	19,870,180	**15,353,422**
Value adjustment of current receivables	7,962,272	107,926,888
Value adjustment of inventories	10,442,146	16,237,458
	18,404,418	**124,166,193**
	38,274,598	**139,517,768**

11. Provisions

	2013	2012
	HRK	HRK
Provisions for servicing costs within warranty periods – non-current	55,536,590	32,508,683
Provisions for servicing costs within warranty periods - current	32,457,114	-
Provisions for retirement and jubilee awards	12,755,976	9,761,634
Provisions for court cases	1,079,206	608,772
Other provisions	3,189,507	17,555,434
	105,018,393	**60,434,523**

Movement in non-current provisions is presented in note 35.

12. Other operating expenses

	2013	2012
	HRK	HRK
Penalties, compensations and similar	6,563,068	12,241,001
Subsequent expenses	1,652,691	2,743,009
Inventory shortages	1,921,197	2,540,164
Inventory write-off	657,401	635,436
Loss from the sale of property, plant and equipment	298,967	423,110
Receivables write-off	800,533	388,991
Rebates, discounts and similar	55,430	188,721
Other operating expenses	1,522,648	2,149,222
	13,471,935	**21,309,654**

13. Share of the profit of equity accounted investments

Share of the profit of equity accounted investments in the amount of HRK 47,494,718 (2012: HRK 79,806,388) relates to share of profit of an associate Končar – Power Transformers Ltd. in which the Group owns share of 49% in the amount of HRK 45,083,698, share of profit of an associate Elkakon Ltd. in which the Group indirectly owns 50% share in the amount of HRK 255,935 and to share of profit of a joint venture Tbea Končar Instrument Transformers ltd, China in the amount of HRK 2,155,085 (2012: HRK 2,221,068).

The above mentioned companies have realized total net profit in 2013 as follows:

- Power Transformers Ltd. HRK 92,007,546 (2012: HRK 156,983,265)
- Elkakon Ltd. HRK 511,871 (2012: HRK 1,326,883)
- Tbea Končar Instrument transformers ltd. HRK 7,981,795 (2012.: HRK 8,194,430).

14. Financial revenues

	2013 HRK	2012 HRK
From the relations with related parties		
Dividend income	-	6,558
	-	*6,558*
From the relations with un-related parties		
Interest income	25,351,749	36,818,597
Foreign exchange gains	33,144,547	29,279,870
Dividend income	1,416,084	1,739,648
Other financial income	2,040,743	3,200,604
	61,953,123	*71,038,719*
Unrealised gains	*5,839,413*	*529,000*
	67,792,536	**71,574,277**

15. Financial expenses

	2013 HRK	2012 HRK
From the relations with related parties		
Interest expenses	-	37,828
	-	*37,828*
From the relations with unrelated parties		
Interest expenses	14,562,071	12,784,731
Foreign exchange losses	34,882,795	31,726,560
Other financial expenses	731,347	677,017
	50,176,213	*45,188,308*
Unrealised losses		
Value adjustment of current financial assets	835,456	1,847
Value adjustment of long term financial assets	1,049,932	1,000,000
	1,885,388	*1,001,847*
	52,061,601	**45,227,983**

16. Corporate income tax

Calculation of corporate income tax liability for the year ended 31 December 2013 was as follows:

	2013 HRK	2012 HRK
Consolidated profit before tax	179,342,701	200,018,721
Corporate income tax at rate of 20%	**35,868,540**	**40,003,744**
Consolidation adjustments	(12,498,843)	2,849,581
Increases in taxable basis	11,944,039	19,190,150
Decreases in taxable basis	(10,347,946)	(30,114,469)
Used tax assets	(1,162,595)	(5,768,594)
Tax liability	**23,803,195**	**26,160,412**
Tax incentives	(8,155,871)	(4,493,180)
Adjusted tax liability	**15,647,324**	**21,667,232**
Un-recognized tax asset on tax losses to be carried forward	**42,312,640**	**36,540,037**

The applicable corporate income tax rate for 2013 and 2012 was 20%.

The Group can carry forward tax losses for companies which incurred losses in 2013 and which had no tax liability and from subsidiaries who realized profit in 2013 but had tax losses from previous periods. These tax losses can be carried forward for maximum period of 5 years. As at 31 December 2013 unrecognized tax asset on tax losses carried forward amounts to HRK 42,312,640 and can be utilised as follows:

	31 December 2013 HRK	31 December 2013 HRK
31 December 2013	-	6,292,724
31 December 2014	6,188,094	6,190,137
31 December 2015	7,878,745	8,018,502
31 December 2016	5,440,070	5,482,495
31 December 2017	9,393,583	10,556,179
31 December 2018	13,412,148	-
	42,312,640	**36,540,037**

Deferred tax asset on the basis of tax losses carried forward has not been recognized in the financial statements due to uncertainty of their usage in future periods.

The Management Board of subsidiary Končar – Generators and Motors Inc made the decision to propose that part of realized profit amounting to HRK 21,585,540 is reinvested, ie that the share capital is increased by the same amount by increasing share value from HRK 60 to HRK 80. Also, the parent Company made the decision to propose that part of realised profit amounting to HRK 110,200,000 is reinvested, ie that the share capital is increased by this amount. Accordingly, the parent Company and the subsidiary used the tax relief for the year 2013 in the amount of reinvested profit in accordance with

Corporate Income Tax Act. These companies are obliged to submit to the Tax authority the Certificate of the registration of the increased share capital, within six months from the date of submission of the Tax Return, otherwise they shall correct the submitted Tax Returns.

17. Earnings per share

Basic and diluted earnings per share

	2013 HRK	2012 HRK
Net profit attributable to owners of the parent	135,112,460	150,536,186
Weighted average number of shares (decreased by treasury shares)	2,567,619	2,571,455
Earnings per share in HRK	**52.62**	**58.54**

Diluted earnings per share for 2013 and 2012 are the same as basic since the Group had no convertible instruments or options during both periods.

18. Goodwill

Goodwill amounting to HRK 7,646,618 relates to goodwill recognized in business combinations when the companies Končar - Instrument Transformers Inc, Končar - Distribution and Special Transformers Inc and Končar - Engineering for Plant Installation & Commissioning Inc have been acquired. Movement in goodwill during the year was as follows:

	Goodwill HRK
As at 1 January 2012	**7,503,528**
Decrease (foreign exchange differences and similar)	(2,630)
As at 31 December 2012	**7,500,898**
Increase (foreign exchange differences and similar)	145,720
At 31 December 2013	**7,646,618**

19. Non-current intangible assets

	Development expenditure	Concessions, patents, software and other rights	Other	Intangible assets under construction	Advance payments	Total
Cost	HRK	HRK	HRK	HRK	HRK	HRK
As at 1 January 2012	**67,868,969**	**19,457,208**	**835,687**	**9,440,954**	**388,695**	**97,991,513**
Corrections and reclassifications	-	(134,653)	81,180	-	-	**(53,473)**
Transfer to tangible assets	-	-	-	(1,551,164)	-	**(1,551,164)**
Transfers	-	755,669	289,300	(1,044,969)	-	-
Additions	3,174,181	1,430,527	-	6,033,666	659,883	**11,298,257**
Disposals	(1,235,840)	(318,907)	(39,906)	-	(570,781)	**(2,165,434)**
As at 31 December 2012	**69,807,310**	**21,189,844**	**1,166,261**	**12,878,487**	**477,797**	**105,519,699**
Transfer to tangible assets	-	-	-	(1,553,564)	-	**(1,553,564)**
Transfer from tangible assets	-	-	-	2,054,932	-	**2,054,932**
Transfers	7,309,305	2,291,845	-	(9,601,150)	-	-
Additions	5,092,161	1,912,805	9,950	6,741,360	451,598	**14,207,874**
Disposals	-	(539,974)	-	(883,256)	(929,395)	**(2,352,625)**
As at 31 December 2013	**82,208,776**	**24,854,520**	**1,176,211**	**9,636,809**	-	**117,876,316**
Accumulated amortization						
As at 1 January 2012	**57,316,737**	**14,857,454**	**621,010**	-	-	**72,795,201**
Corrections and reclassifications	3	-	81,180	-	-	**81,183**
Amortization for the year	4,080,230	1,365,694	116,960	-	-	**5,562,884**
Impairment	2,005,306	-	-	-	-	**2,005,306**
Disposals	(1,235,841)	(74,412)	(39,905)	-	-	**(1,350,158)**
As at 31 December 2012	**62,166,435**	**16,148,736**	**779,245**	-	-	**79,094,416**
Amortization for the year	4,950,286	2,025,520	85,179	-	-	**7,060,985**
Transfer from tangible assets	126,499	-	-	-	-	**126,499**
Impairment	2,467,451	295,253	-	-	-	**2,762,704**
Disposals	-	(539,974)	-	-	-	**(539,974)**
As at 31 December 2013	**69,710,671**	**17,929,535**	**864,424**	-	-	**88,504,630**
Net carrying value						
As at 31 December 2012	7,640,875	5,041,108	387,016	12,878,487	477,797	26,425,283
As at 31 December 2013	**12,498,105**	**6,924,985**	**311,787**	**9,636,809**	-	**29,371,686**

The gross carrying value of fully amortized intangible assets still in use as at 31 December 2013 amounts to HRK 16,288 thousand (31/12/2012: HRK 16,802 thousand).

20. Property, plant and equipment

	Land	Buildings	Plant & equipment	Tools, fittings and transportation equipment	Other	Assets under construction	Advance payments	Total
Cost	**HRK**	**HRK**	**HRK**	**HRK**	**HRK**	**HRK**	**HRK**	**HRK**
As at 1 January 2012	**155,724,709**	**908,418,495**	**715,916,714**	**344,350,757**	**2,566,623**	**153,262,055**	**7,182,957**	**2,287,422,310**
Corrections and reclassifications	184,909	-	(1,380,830)	1	-	-	(2,418,061)	**(3,613,981)**
Transfer from intangible assets	-	-	1,551,164	-	-	-	-	**1,551,164**
Transfer to assets held for sale	(604,976)	(8,393,284)	-	-	-	-	-	**(8,998,260)**
Transfers	17,160	1,145,096	38,675,257	15,214,995	19,884	(55,072,392)	-	**-**
Additions	2,880,911	12,802,978	75,126,002	9,215,940	78,878	165,385,756	45,969,245	**311,459,710**
Disposals	(72,105)	(5,102,170)	(37,331,714)	(10,227,528)	-	(8,123,272)	(43,163,695)	**(104,020,484)**
As at 31 December 2012	**158,130,608**	**908,871,115**	**792,556,593**	**358,554,165**	**2,665,385**	**255,452,147**	**7,570,446**	**2,483,800,459**
Corrections and reclassifications	-	-	(188,651)	-	-	1,644,181	-	**1,455,530**
Transfer from intangible assets	-	-	1,553,564	-	-	-	-	**1,553,564**
Transfer to intangible assets	-	-	-	-	-	(2,054,932)	-	**(2,054,932)**
Transfer to assets held for sale	-	-	(21,156,807)	(5,823,081)	-	-	-	**(26,979,888)**
Transfers	3,106,342	59,574,823	231,303,869	15,567,084	-	(309,552,118)	-	**-**
Additions	268,210	1,075,423	790,100	9,063,569	51,527	74,066,507	31,180,490	**116,495,826**
Disposals	(1,235,310)	(2,712,434)	(26,374,458)	(15,927,086)	(2,286)	(3,693,637)	(24,137,894)	**(74,083,105)**
As at 31 December 2013	**160,269,850**	**966,808,927**	**978,484,210**	**361,434,651**	**2,714,626**	**15,862,148**	**14,613,042**	**2,500,187,454**
Accumulated depreciation								
As at 1 January 2012	-	**533,262,480**	**564,156,893**	**261,925,738**	**1,676,852**	**3,783,539**	-	**1,364,805,502**
Corrections and reclassifications	-	-	8,999	(9,001)	(1)	-	-	**(3)**
Transfer to assets held for sale	-	(1,656,379)	-	-	-	-	-	**(1,656,379)**
Impairment	-	-	309,307	13,434,482	-	-	-	**13,743,789**
Depreciation for the year	-	19,183,410	27,523,009	17,547,691	298,361	-	-	**64,552,471**
Other additions	-	-	1,052,346	-	-	-	-	**1,052,346**
Additions	-	7,463,970	10,589,923	54,945	-	-	-	**18,108,838**
Disposals	-	(566,124)	(32,247,469)	(8,786,471)	-	(22,667)	-	**(41,622,731)**
As at 31 December 2012	-	**557,687,357**	**571,393,008**	**284,167,384**	**1,975,212**	**3,760,872**	-	**1,418,983,833**
Corrections and reclassifications	-	-	(188,651)	(90,517)	-	-	-	**(279,168)**
Transfer to intangible assets	-	-	(126,498)	-	-	-	-	**(126,498)**
Transfer to assets held for sale	-	-	(21,132,602)	(5,555,480)	-	-	-	**(26,688,082)**
Impairment	-	-	10,526,294	6,581,181	-	-	-	**17,107,475**
Depreciation for the year	-	20,256,545	37,522,975	17,699,426	35,066	-	-	**75,514,012**
Other additions	-	-	615,605	-	-	-	-	**615,605**
Additions	-	679,867	1,883,540	-	-	-	-	**2,563,407**
Disposals	-	(1,688,247)	(21,707,339)	(15,664,589)	(2,286)	-	-	**(39,062,461)**
As at 31 December 2013	-	**576,935,522**	**578,786,332**	**287,137,405**	**2,007,992**	**3,760,872**	-	**1,448,628,123**
Net carrying value								
31 December 2012	158,130,608	351,183,758	221,163,585	74,386,781	690,173	251,691,275	7,570,446	1,064,816,626
31 December 2013	**160,269,850**	**389,873,405**	**399,697,878**	**74,297,246**	**706,634**	**12,101,276**	**14,613,042**	**1,051,559,331**

As a collateral for non-current loans (note 36) and current loans (note 39), mortgages have been registered over the real estates and movables of the Group in the amount of HRK 384.7 million and EUR 36.7 million.

The gross carrying value of property, plant and equipment which are fully depreciated and still in use as of 31 December 2013 amounts to HRK 643,980 thousand (31/12/2012: HRK 506,330 thousand).

As at 31 December 2013 the Group has contracted un-invoiced investments in the amount of HRK 78 thousand (31/12/2012: HRK 1.1 million).

Carrying value of Group's assets purchased on finance lease as at 31 December 2013 amounts to HRK 2.2 million (31/12/2012: HRK 2.8 million).

Effect of changes in depreciation rates in 2013 is lower depreciation charge by the amount of HRK 671 thousand.

In accordance with its restructuring plan, during 2013 the subsidiary Končar – Household Appliances Ltd. recognized impairment loss for non-current assets (note 10) which will no longer be used in the discontinued production process.

21. Investment property

Investment property in the amount of HRK 100,366,943 (2012: HRK 92,667,771) relates to the investments in real estates for the capital appreciation intended for future sale. Fair value of these investments estimated by independent evaluators is higher than its carrying value.

22. Investments in associates and joint venture accounted for using the equity method

	31 December 2013	31 December 2012
	HRK	HRK
Associates:		
Končar – Power Transformers Ltd, Zagreb	244,722,545	244,722,545
Other associates (indirect):		
Elkakon Ltd., Zagreb	3,567,965	3,577,735
Joint venture:		
Tbea Končar Instrument tranformers, China	9,963,799	5,254,620
	258,254,309	**253,554,900**

Summary information for associates are shown in the following table:

	Končar – Power Transformers Inc.		Elkakon Ltd.	
	2013	2012	2013	2012
	HRK'000	HRK'000	HRK'000	HRK'000
Revenues	834,851	1,036,128	56,841	79,765
Expenses	(719,700)	(839,807)	(56,201)	(78,106)
Profit before taxation	115,151	196,321	640	1,659
Corporate income tax	(23,144)	(39,338)	(128)	(332)
Net profit for the year	**92,007**	**156,983**	**512**	**1,327**
Non-current assets	224,676	253,049	5,675	6,336
Current assets	794,171	835,978	9,472	12,538
Total assets	**1,018,847**	**1,089,027**	**15,147**	**18,874**
Total liabilities	**427,375**	**443,090**	**8,011**	**10,964**

For associate Končar – Power Transformers Ltd. business year begins as at 1 October and ends as at 30 September.

Summary information for joint venture is shown in the following table:

	Tbea Končar Instrument transformers Ltd.	
	2013	2012
	HRK'000	HRK'000
Revenues	103,636	96,493
Expenses	(94,048)	(88,254)
Profit before taxation	9,588	8,239
Corporate income tax	(1,606)	(45)
Net profit for the year	**7,982**	**8,194**
Non-current assets	15,303	19,785
Current assets	110,096	86,141
Total assets	**125,399**	**105,926**
Total liabilities	**71,593**	**59,973**

23. Non-current financial assets

	31 December 2013 HRK	31 December 2012 HRK
Other subsidiaries		
Končar-Inženjering Inc., Zagreb	227,787	227,787
Konel Ltd. Bulgaria	62,280	62,280
Mjerenja Ltd., Beograd, Serbia	-	3,637
	290,067	**293,704**
Shares in capital up to 20%		
Novi Fermot Ltd, Donji Kraljevec	1,717,200	429,300
Ferokotao Ltd., Donji Kraljevec	262,016	262,016
Centar proizvodnog strojarstva i analitičarstva Ltd.	60,000	110,000
Bio plinifikacija	10,000	10,000
	2,049,216	**811,316**
Investments in shares:		
Shares	6,102,115	6,118,045
Value adjustment of shares	(2,722,855)	(1,916,832)
	3,379,260	**4,201,213**
Loans granted, deposits and similar	**2,605,489**	**1,421,275**
Derivative financial instruments	**806,120**	**-**
	9,130,152	**6,727,508**

24. Non-current receivables

	31 December 2013 HRK	31 December 2012 HRK
Receivables on the basis of credit sale		
Receivables for sold apartments	12,937,318	14,534,328
Value adjustment of receivables for sold apartments	(3,180,752)	(3,180,752)
Receivables for shares sold	13,724,452	17,155,556
Receivable from Railways of Bosnia and Herzegovina	-	8,847,953
Other loans granted	71,658	92,319
Current portion for sold shares (note 28)	(3,431,114)	(3,387,271)
Current portion of receivable toward RBH (note 27)	-	(8,847,953)
	20,121,562	**25,214,180**
Other receivables		
Receivables on the basis of foreign sales	5,362,474	5,658,715
Loans granted to employees	4,797,053	3,976,569
Other long-term receivables	194,749	824,547
Current portion of loans grated to employees (note 29)	(952,494)	(997,402)
Current portion of foreign receivable (note 27)	(375,467)	(312,652)
	9,026,315	**9,149,777**
	29,147,877	**34,363,957**

In accordance with the Law on Sale of apartments with Tenancy Rights, the flats owned by the Group were sold at an interest rate of 1% per annum with the average maturity of 28 years and indexed. According to this index, receivables are increased or decreased, if the exchange rate of EUR is changed for more than 5.1% compared to the rate that existed at the signing date of the Sale agreements. Amounts of unpaid annuities in DEM have been converted into EUR at fixed rate of 1 EUR =1.95583 DEM. As a collateral the mortgage has been registered over the sold apartments.

As at 31 December 2011 value adjustment of long term receivables for sold apartments has been calculated on the basis of net present value of estimated cash flows bearing the discount rate of 4.5%.

Receivables for sold shares relate to long term receivable for sold shares in subsidiaries Končar-Electronics and Informatics Inc, Končar - Electric Vehicles Inc and Končar – Steel Structures Inc. within the employee’s stock-ownership program and with instalment payments through 10 years bearing the fixed interest rate of 4.5% per annum.

Receivable on the basis of foreign sales relates to receivable for the sale in Bosnia and Herzegovina through the company TAKRAF from Germany, taken by KfW Bank, Berlin.

25. Inventories

	31 December 2013	31 December 2012
	HRK	HRK
Raw and other materials	281,822,309	290,380,801
Spare parts	90,908	97,286
Small inventory and packaging	3,139,077	2,807,359
Work in progress	115,557,883	110,880,854
Unfinished and semi-finished products	40,099,532	52,167,565
Finished goods	63,620,166	74,443,322
Merchandise	11,770,656	11,124,204
Stock from discontinued activity for disposal	2,863,775	-
Less: Value adjustment of raw materials, spare parts, and small inventory	(54,438,403)	(30,103,117)
Less: Value adjustment of work in progress, finished goods and merchandise	(24,465,388)	(43,757,907)
	440,060,515	**468,040,367**
Advances for inventories		
Domestic advances	2,526,616	2,866,834
Advances given to related parties	95,267	-
Value adjustment	(8,942)	(8,981)
	2,612,941	**2,857,853**
Foreign advances	2,531,304	5,537,759
Value adjustment of advances given	(163,144)	**-**
	2,368,160	**5,537,759**
Total advances for inventory	**4,981,101**	**8,395,612**
	445,041,616	**476,435,979**

Cost of goods sold recognized in the consolidated statement of comprehensive income in 2013 amounted to HRK 1,109,057 thousand (2012: HRK 1,129,659 thousand).

26. Current receivables from related parties

	31 December 2013	31 December 2012
	HRK	HRK
Končar – Power Transformers Ltd, Zagreb	64,650,324	14,454,628
	64,650,324	**14,454,628**

27. Current trade accounts receivable

	31 December 2013 HRK	31 December 2012 HRK
Domestic customers	377,182,657	562,189,180
Value adjustment	(58,777,367)	(53,881,903)
Total domestic customers	**318,405,290**	**508,307,277**
Foreign customers	374,527,508	407,660,411
Current portion (note 24)	375,467	312,652
Current portion (note 24)	-	8,847,953
Value adjustment	(101,906,188)	(102,263,633)
Total foreign customers	**272,996,787**	**314,557,383**
Total domestic and foreign customers	**591,402,077**	**822,864,660**

As at 31 December 2013 the ageing structure of trade accounts receivable was as follows:

	Total	**Undue and collectible**	**Due but collectible**				
			< 60 days	60-90 days	90-180 days	180-365 days	> 365 days
	HRK	HRK	HRK	HRK	HRK	HRK	HRK
2013	**591,402,077**	497,231,289	62,277,430	10,662,383	10,582,919	5,264,653	5,383,403
2012	**822,864,660**	613,256,714	109,037,331	33,172,874	35,433,009	16,528,049	15,436,683

Movement in the value adjustment account of trade receivables was as follows:

	2013 HRK	2012 HRK
Balance as at 1 January	**156,145,536**	**60,453,797**
Impaired in the year	7,962,272	107,926,888
Collected in the year	(2,942,741)	(10,506,708)
Written – off in the year	(1,805,449)	(1,733,648)
Foreign exchange gains/losses	1,323,937	5,207
Balance as at 31 December	**160,683,555**	**156,145,536**

28. Gross amounts due from customers

	31 December 2013 HRK	31 December 2012 HRK
Incurred costs plus recognized gains less recognized losses	87,011,405	31,208,461
Less invoiced amounts	(50,612,092)	(26,906,736)
	36,399,313	**4,301,725**

The amount of construction contract revenues, which are recognized as revenues in 2013, amount to HRK 131,550 thousand (2012: 69,651 thousand). The total amount of advances received for contracts which are not completed at the reporting date amounts to HRK 29,045 thousand (2012: 13,269 thousand), and total amount of retentions for construction contracts amounts to HRK 3,704 thousand (2012: HRK 8,887 thousand).

29. Other receivables

	31 December 2013 HRK	31 December 2012 HRK
Receivables from the state and other institutions		
Receivables for value added tax	22,943,427	24,471,882
Receivables from Croatian Health Fund	603,057	1,005,398
Other	80,602	105,070
	23,627,086	**25,582,350**
Other current receivables		
Receivables for sold apartments	1,554,535	1,711,294
Receivables for shares sold	8,472,208	5,586,027
Receivables for advances given for services	21,082,684	28,964,706
Receivables for loans granted to employees	22,302	9,259
Receivables for compensation claims	6,435,323	21,461,964
Other	3,639,909	3,933,992
Current portion of credit sale receivables (note 24)	3,431,114	3,387,271
Current portion of other receivables (note 24)	952,494	997,402
	45,590,569	**66,051,915**
Receivables from employees		
Receivables from employees	1,397,185	1,489,031
Value adjustment	(327,471)	(327,471)
	1,069,714	**1,161,560**
	70,287,369	**104,638,163**

30. Current financial assets

	31 December 2013 HRK	31 December 2012 HRK
Deposits over 3 months	302,405,387	196,551,197
Derivative financial instruments	1,913,754	-
Other financial assets	1,039,119	-
	305,358,260	**196,551,197**

Contractual interests on deposits over 3-month period are between 0.43% - 4.9% (2012: 1.6% - 4.9%).

31. Cash and cash equivalents

	31 December 2013 HRK	31 December 2012 HRK
Balance at gyro accounts	114,740,081	80,056,394
Balance at accounts in foreign currency	78,269,681	58,401,041
Petty cash	173,149	380,075
Cheques and similar	191,116	191,117
Deposits up to 3 months	251,424,291	263,633,058
Cash funds	1,619,110	9,191,069
Less: Value adjustment	(184,992)	(184,992)
	446,232,436	**411,667,762**

Contractual interests on deposits over 3-month period are between 0.4% - 3.75% (2012: 0.6% - 3.75%).

32. Prepaid expenses and accrued income

Prepaid expenses and accrued income amounting to HRK 5,999,951 (31 December 2012: HRK 5,828,902) relate to paid expenses related to future periods amounting to HRK 5,484,972 (31 December 2012: HRK 4,992,574) and accrued income in the amount of HRK 514,979 (31 December 2012: HRK 836,328).

33. Non-current assets (disposal group) held for sale and discontinued operations

I) Non-current assets (disposal group) held for sale

Non-current assets held for sale as at 31 December 2013 in the amount of HRK 6,251,807 relate to real estate owned by the subsidiary Končar- Distribution and Special Transformers Inc. acquired in exchange for unsettled receivable from the company Elektromaterijal Ltd. in bankrupcy amounting to HRK 5,960,000 and to real estate owned by the subsidiary Končar-Tools Ltd in the amount of HRK 291,807.

II) Loss from discontinued operation of the subsidiary Končar-Household appliances Ltd

Analysis of the results from discontinued operation which relate to discontinued production of household appliances of the subsidiary Končar – Household appliances Ltd. is presented in the following table:

	2013 HRK	2012 HRK
Sales revenue	60,597,251	80,262,792
Other operating income	2,970,000	912,424
Operating income	**63,567,251**	**81,175,216**
Change in value of inventories	(7,392,725)	1,927,639
Costs of materials and energy	(47,387,184)	(66,122,476)
Staff costs	(8,669,539)	(11,922,733)
Depreciation and amortization	(3,201,579)	(6,028,559)
Impairment of non-current assets	(19,574,926)	(15,316,422)
Impairment of current assets	(2,174,583)	(3,087,897)
Other costs	(4,196,205)	(3,678,782)
Provisions	(4,000,000)	(2,000,000)
Other operating expenses	(550,000)	(937,617)
Operating expenses	**(97,146,741)**	**(107,166,847)**
Financial income	**273,000**	**401,729**
Financial expenses	**(1,022,000)**	**(2,227,937)**
Loss before tax from discontinued operations	**(34,328,490)**	**(27,817,839)**
Corporate income tax	-	-
Loss after tax from discontinued operations	**(34,328,490)**	**(27,817,839)**

34. Share capital

Share capital is determined in the nominal value amounting to HRK 1,028,847,600 (31 December 2012: HRK 1,028,847,600) and consist of 2,572,119 shares at nominal value of HRK 400.

Ownership structure of the Group was as follows:

Shareholder	**31 December 2013**		**31 December 2012**	
	Number of shares	Ownership share %	Number of shares	Ownership share %
HPB Inc. (Capital fund Inc.)	724,515	28.17	724,515	28.17
State office for state property management /HZMO	384,628	14.95	384,628	14.95
State office for state property management /CRO	260,280	10.12	260,280	10.12
Societe Generale - Splitska bank/ Erste Blue mandatory pension fund	184,189	7.16	184,189	7.16
Hypo-Alpe-Adria-Bank/ PBZ Croatia insurance mandatory pension fund	257,117	10.00	164,777	6.41
Linteum savjetovanje Ltd.	39,791	1.55	139,791	5.43
Societe Generale - Splitska bank./AZ mandatory pension fund	106,438	4.14	106,438	4.14
Floričić Kristijan	60,714	2.36	85,714	3.33
Hypo-Alpe-Adria-Bank d.d./Raiffieisen pension company	33,213	1.29	35,250	1.37
PBZ d.d. (custodian account)	69,731	2.71	32,124	1.25
Other shareholders	447,003	17.38	453,749	17.64
Končar Inc. (treasury shares)	4,500	0.17	664	0.03
	2,572,119	**100.00**	**2,572,119**	**100.00**

The parent Company's General Assembly made the decision in 2013 on the payment of dividends to shareholders in the amount of HRK 30,857,460 which is HRK 12.00 per share.

Share-based payments

During 2013, the Group made share-based payments to members of the Management Board in accordance with the provisions of the Management Agreements in the amount of HRK 2,895,916 (2012: HRK 1,294,460).

35. Provisions

	Servicing during warranty periods	Court case provisions	Jubilee and retirement rewards	Other	**Total**
	HRK	HRK	HRK	HRK	HRK
1 January 2012	**399,299,269**	**84,652,496**	**21,809,747**	**2,471,994**	**508,233,506**
Additional provisions	32,508,683	608,772	9,761,634	213,300	43,092,389
Release of provisions	(101,862,748)	(24,846,001)	(7,051,637)	-	(133,760,386)
Other (exchange differences)	-	-	-	(112,458)	(112,458)
31 December 2012	**329,945,204**	**60,415,267**	**24,519,744**	**2,572,836**	**417,453,051**
Additional provisions	55,536,590	1,079,206	12,755,976	150,974	69,522,746
Release of provisions	(135,110,307)	(3,252,558)	(9,114,131)	(600,842)	(148,077,838)
Other (exchange differences)	(35,671)	-	-	-	(35,671)
31 December 2013	**250,335,816**	**58,241,915**	**28,161,589**	**2,122,968**	**338,862,288**

During 2013, the parent Company released the provisions for liabilities arising from issued guarantees for the return of the advance payment in the amount of HRK 80,511,279 related to the HRK counter value of advance payments in the amount of USD 14,058,700 paid to the companies of former Rade Končar, which went into bankruptcy. Advance payments were received on the basis of agreed projects before the year 1990. Release of provisions for guarantees is a result of changed business (commercial- financial) and technical-technological conditions, finalization of most projects with third parties, the passage of many years (statute of limitations) since the agreements were signed, hence the Management is of opinion, according to the opinion of law experts, that there are no longer any legal requirements for these projects to be continued.

Other provisions for guarantees relate to provisioned warranty costs of subsidiaries within the Group amounting to HRK 250,335,816 (31 December 2012: HRK 249,433,925).

Non-current provisions for court cases in the amount of HRK 58,241,915 (2012: HRK 60,415,267) relates to court cases in progress initiated against the companies within the Group and estimated costs of legal proceedings.

Provisions for jubilee and retirement rewards in the amount of HRK 28,161,589 (2012: HRK 24,519,744) relates to regular compensations to employees (regular retirement and jubilee rewards), and severance payments to the Management Board.

Other long-term provisions in the amount of HRK 2,122,968 (2012: HRK 2,572,836) relates to provisions for product testing in the amount of HRK 1,971,994 (2012: 2,471,994) and other provisions in the amount of HRK 150,974 (2012: HRK 100,842).

36. Non-current liabilities

	31 December 2013 HRK	31 December 2012 HRK
Liabilities for loans, deposits and similar	510,000	1,020,000
Less: Current portion (note 38)	(340,000)	(510,000)
	170,000	**510,000**
Liabilities toward banks	257,457,587	296,910,703
Less: Current portion (note 39)	(51,107,942)	(51,339,598)
	206,349,645	**245,571,105**
	206,519,645	**246,081,105**

Significant long-term arrangements between banks and the companies within Končar Group were as follows:

Notes to the consolidated financial statements (continued)

Name of the company	Creditor	Loan purpose	Loan amount	Interest rate	Maturity	Collateral for the loan
Končar - Distribution and Special Transformers Inc.	RBA & CBRD	Financing development and equipping laboratories production, warehouse and administrative facilities	EUR 6 million	4%	30/6/2022	Mortgage over that company's property
Končar - Distribution and Special Transformers Inc.	SG-SB & CBRD	Financing working capital	HRK 7.5 million + EUR 1,104,288	4%	30/9/2015	Mortgage over that company's property
Končar - Instrument Transformers Inc.	ZABA	Financing working capital	EUR 1,000,000	3-month EURIBOR + 4.91% per annum, variable	31/12/2015	Mortgage over property in Jankomir, land registry entries 1055, 1060 and 1063, co-borrower Končar - Electrical Industry Inc
Končar - Instrument Transformers Inc.	PBZ	Financing working capital: a) Trade payables; b) Liabilities toward banks and other financial institutions c) Other - salaries	HRK 4,125,000	2.80%	30/9/2016	2 blank accepted bills of exchange without recourse and 2 debentures per PBZ share
Končar - Instrument Transformers Inc.	PBZ	Financing working capital: a) Trade payables; b) Liabilities toward banks and other financial institutions c) Other - salaries	HRK 6,187,500	4.36% variable	30/9/2016	2 blank accepted bills of exchange without recourse and 2 debentures per PBZ share
Končar - Instrument Transformers Inc.	PBZ	Financing working capital: a) Trade payables; b) Liabilities toward banks and other financial institutions c) Other - salaries	HRK 2,500,000	1.8%	30/3/2016	2 blank accepted bills of exchange without recourse and 2 debentures per PBZ share
Končar - Instrument Transformers Inc.	PBZ	Financing working capital: a) Trade payables; b) Liabilities toward banks and other financial institutions c) Other - salaries	HRK 2,500,000	6.3% variable	30/3/2016	2 blank accepted bills of exchange without recourse and 2 debentures per PBZ share
Končar - Electric Vehicles Inc.	CBRD	Loan from credit programme for financing permanent working capital needs	Up to HRK 28 million	5.5 % variable	31/5/2019	Mortgage over that company's property in the amount of EUR 28 million, 16 blank accepted bills of exchange, 1 debenture
Končar - Household Appliances Ltd.	PBZ & CBRD	Financing working capital	HRK 15 million	Interest rate on PBZ share is equal to the rate of the Government treasury bills +3.3% per annum, and on CBRD share 2.8% per annum	30/09/2016	1 blank accepted bill of exchange of that company and Končar – Electrical Industry Inc. and 1 debenture of that company and Končar – Electrical Industry Inc, per share PBZ and CBCD separately
Končar - Renewable Sources Ltd.	CBRD	Financing "Wind power plant Pometeno brdo" project	EUR 13,544,162	4%	31/12/2022	Bills of exchange, debentures, endorsed insurance policies, mortgages, cessions, pledge agreement on project accounts
Končar - Renewable Sources Ltd.	ZABA	Financing "Wind power plant Pometeno brdo" project	EUR 2.7 million	3-month EURIBOR+ 4% per annum	31/12/2022	Bills of exchange, debentures, endorsed insurance policies, mortgages, cessions, pledge agreement on project accounts

Changes in liabilities for loans, deposits and similar during the year were as follows:

	31 December 2013	31 December 2012
	HRK	HRK
1 January	510,000	1,020,000
Less: current portion	(340,000)	(510,000)
31 December	**170,000**	**510,000**

Long-term liabilities for loans, deposits and similar mature as follows:

	31 December 2013	31 December 2012
	HRK	HRK
Within one year	340,000	510,000
From 1 to 2 years	170,000	340,000
From 2 to 5 years	-	170,000
Less: current portion	(340,000)	(510,000)
	170,000	**510,000**

Changes in liabilities toward banks and other financial institutions during the year were as follows:

	HRK
1 January 2012	**119,188,139**
New loans	177,419,092
Foreign exchange gains/losses	303,472
Less: current portion	(51,339,598)
31 December 2012	**245,571,105**
New loans	14,869,488
Repayment of loans	(3,818,938)
Foreign exchange gains/losses	835,932
Less: current portion	(51,107,942)
31 December 2013	**206,349,645**

Long-term liabilities toward banks and other financial institutions mature as follows:

	31 December 2013	31 December 2012
	HRK	HRK
Within one year	51,107,942	51,339,598
From 1 to 2 years	31,002,364	33,854,028
From 2 to 5 years	101,348,065	114,441,590
More than 5 years	73,999,216	97,275,487
Less: current portion	(51,107,942)	(51,339,598)
	206,349,645	**245,571,105**

37. Current liabilities toward related parties

	31 December 2013 HRK	31 December 2012 HRK
Končar-Power transformers ltd, Zagreb:		
Liabilities for advances received	2,981,260	14,058
Other liabilities	-	425,068
	2,981,260	**439,126**

38. Current liabilities for loans, deposits and similar

	31 December 2013 HRK	31 December 2012 HRK
Current portion of long-term loans	340,000	510,000
	340,000	**510,000**

39. Current liabilities toward banks and other financial institutions

	31 December 2013 HRK	31 December 2012 HRK
Liabilities toward banks and other financial institutions	42,757,659	50,326,649
Plus: Current portion (note 36)	51,107,942	51,339,598
	93,865,601	**101,666,247**

Changes in liabilities toward banks and other financial institutions during the year were as follows:

	HRK
1 January 2012	**135,938,301**
New loans	8,229,293
Repayment of loans	(87,911,020)
Transfer to long-term liabilities (reschedule)	(5,937,500)
Foreign currency gains/losses	7,575
Plus: current portion of long-term loans	51,339,598
31 December 2012	**101,666,247**
New loans	9,723,351
Repayment of loans	(68,692,022)
Foreign currency gains/losses	60,083
Plus: current portion of long-term loans	51,107,942
31 December 2013	**93,865,601**

Significant current agreements between banks and certain companies within Končar Group were as follows:

Name of the company	Creditor	Loan purpose	Loan amount	Interest rate	Maturity	Collateral for the loan
Končar - Instrument Transformers Inc.	Erste bank	Export/import purposes	HRK 10,000,000	4.10% per annum	15/2/2014	5 blank accepted bills of exchange without recourse
Končar - Instrument Transformers Inc.	ZABA	Export/import purposes	HRK 15,000,000	4.20% per annum	15/4/2014	Mortgage over property in Jankomir, land registry entries 1055, 1060 and 1063, co-borrower Končar - Electrical Industry Inc
Končar - Electric Vehicles Inc.	CBRD	Financing the Contract for the production and delivery of the four-part regional electromotor train for Bosnia and Herzegovina	HRK 7.9 million	4%, fixed	15/7/2014	Mortgage over that company's property, 3 blank accepted bills of exchange and 1 debenture
Končar - Household Appliances Ltd.	ZABA	Financing working capital	EUR 350 thousand	3-month EURIBOR+ 6.69% per annum, variable	30/12/2014	3 blank accepted bills of exchange and 1 debenture
Končar - Distribution and Special Transformers Inc.	RBA & CBRD	Purchase of equipment and production capacity expansion	HRK 15 million	4%	31/12/2014	Mortgage over that company's equipment
Končar - Distribution and Special Transformers Inc.	RBA & CBRD	Investment in production facilities - production hall development	EUR 1,025,233	4%	31/12/2014	Mortgage over that company's property in the amount of EUR 28.2 million
Končar - Power Plant and Electric Traction Engineering Inc.	CBRD & University Hospital Mostar	This company has undertaken loan on behalf of University Hospital Mostar Inc., and the ultimate debtor is Croatian Ministry of Health and Social Welfare	EUR 1,446,802	6-month EURIBOR + 2% margin per annum	January 2014	Bills of exchange and debentures

40. Current trade accounts payable

	31 December 2013	31 December 2012
	HRK	HRK
Domestic suppliers	223,448,352	254,155,708
Foreign suppliers	80,583,832	94,524,599
Liabilities for un-invoiced goods	750,696	824,562
	304,782,880	**349,504,869**

	Total	Undue	Due < 60 days	60-90 days	90-180 days	180-365 days	> 365 days
	HRK	HRK	HRK	HRK	HRK	HRK	HRK
2013	**304,782,880**	247,106,872	48,476,841	4,301,220	2,122,193	350,120	2,425,634
2012	**349,504,869**	275,063,142	55,619,494	4,915,350	6,883,093	3,390,738	3,633,052

41. The gross amount due to customers for construction contracts

	2013	2012
	HRK	HRK
Invoiced in the year, less	130,023,071	64,007,783
Costs incurred plus recognized profits less the sum of recognized losses	(88,345,101)	(32,733,966)
As at 31 December	**41,677,970**	**31,273,817**

42. Current liabilities for advances

	31 December 2013	31 December 2012
	HRK	HRK
From domestic customers	41,587,226	33,559,378
From foreign customers	100,281,340	98,073,073
	141,868,566	**131,632,451**

43. Other current liabilities

	31 December 2013 HRK	31 December 2012 HRK
Liabilities to the state and other institutions		
Liability for value added tax	7,634,676	13,717,605
Liabilities for contributions on and from salary and taxes and surtaxes	29,124,231	30,673,271
Other liabilities	-	54,372
	36,758,907	**44,445,248**
Current other liabilities		
Interests payable	2,719,419	4,736,860
Liabilities to shareholders	474,678	226,041
Other liabilities	1,137,624	1,805,314
	4,331,721	**6,768,215**
Current liabilities toward employees		
Net salaries	27,189,791	26,948,946
Liabilities for severance pay	27,500	37,000
Liabilities toward Management Board for bonuses	3,466,113	3,794,835
Other liabilities	375,122	464,401
	31,058,526	**31,245,182**
	72,149,154	**82,458,645**

44. Accrued expenses and deferred income

	31 December 2013 HRK	31 December 2012 HRK
Deferred income	41,908,189	55,695,330
Current provisions	39,488,092	23,213,312
Accrued expenses	1,082,439	12,428,397
Other provisions	5,621,292	-
	88,100,012	**91,337,039**

45. Risk management

The Group is exposed in its business to market (interest and foreign currency risk), credit risk and liquidity risk.

Certain companies within the Group use derivative financial instruments as a protection from these risks. The risk management policies relating to current and non-current financial assets, current and non-current receivables, cash management as well as debts and liabilities can be summed up as follows:

a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The Group manages capital and for the purpose of proper capital structure, in accordance with the economic conditions present on the market, is makes appropriate adjustments. The Group can make a decision if the retained earnings should be distributed to shareholders, if the capital needs increase or decrease, if the assets should be sold in order to decrease liabilities and similar. Goals, policies and processes have not been changed during the period ending 31 December 2013 nor for the period ending 31 December 2012.

	31 December 2013	31 December 2012
	HRK'000	HRK'000
Interest-bearing liabilities	300,725	348,257
Decrease for cash and cash equivalents (deposits)	(446,232)	(411,668)
Net debt	-	-

b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Accounting policies for financial instruments are applied on the following Balance Sheet items:

	Loans and receivables	At fair value through P&L	Available for sale	Held to maturity	Total assets classified per IAS 39
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 December 2013					
Long-term financial assets	2,629	3,626	2,875	-	**9,130**
Non-current receivables	29,148	-	-	-	**29,148**
Current financial assets	303,370	1,914	-	74	**305,358**
Trade and other receivables	736,370	-	-	-	**736,370**
Cash and cash equivalents	444,613	1,619	-	-	**446,232**
	1,516,130	**7,159**	**2,875**	**74**	**1,526,238**

	Loans and receivables	At fair value through P&L	Available for sale	Held to maturity	Total assets classified per IAS 39
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
31 December 2012					
Long-term financial assets	2,393	2,565	1,696	74	**6,728**
Non-current receivables	34,364	-	-	-	**34,364**
Current financial assets	196,519	-	-	32	**196,551**
Trade and other receivables	936,203	-	-	-	**936,203**
Cash and cash equivalents	406,977	4,691	-	-	**411,668**
	1,576,456	**7,256**	**1,696**	**106**	**1,585,514**

All of the Group's liabilities have been classified as „At amortized cost“. The Group does not have liabilities which are classified as Liabilities at „Fair value through Profit and Loss“.

Fair value of financial instruments

The following table presents financial assets and liabilities valuated in the Statement of financial position in accordance with fair value hierarchy. This hierarchy groups financial assets and liabilities into 3 levels in accordance with the observability of input variables used in the measurement of fair value of financial assets and liabilities. The fair value hierarchy has the following levels:

- level 1: quoted market prices for identical assets or liabilities traded on active markets
- level 2: input variables that do not represent the above stated prices from level 1 but are visible for assets or liabilities, be it directly (like prices) or indirectly (derived from prices for example)
- level 3: input variables for assets or liabilities which are not based on available market data

The level within which a financial asset/liability is classified is based on the lowest level of a significant input variable used I the fair value measurement. Financial assets and liabilities measured at fair value in the Statement of financial position are grouped within the hierarchy as follows:

31 December 2013

	Level 1	Level 2	Level 3	**Total**
	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets				
Listed securities	2,659	-	797	3,456
Fair value of the derivative financial instruments	-	2,708	-	2,708
Cash funds	1,619	-	-	1,619
Total	**4,278**	**2,708**	**797**	**7,783**

31 December 2012

	Level 1	Level 2	Level 3	**Total**
	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets				
Listed securities	2,604	-	1,597	4,201
Cash funds	4,691	-	-	4,691
Total	**7,295**	**-**	**1,597**	**8,892**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quote market price:
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices for observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The Group used the following methods and assumptions during its financial asset fair value estimation:

- Receivables and deposits at banks - for assets due within three months and cash funds, the accounting value is approximate to their fair value due to the shortness of the assets. For longer term assets, the contracted interest rates do not significantly deviate from the current market rates and their fair value is, therefore, approximate to their accounting value.

- Liabilities per loans received - current liability fair value is approximate to their accounting value due to the short maturities of these instruments. The Management Board believes that their fair value doesn't differ significantly from their accounting value.
- Other financial instruments - financial instruments of the Group that are not valued at fair value are trade receivables, other receivables, trade payables and other current liabilities. The historical accounting value of receivables and liabilities, including provisions, that are in line with the usual terms of business, is approximately equal to their fair value.

c) Financial risk

The Group's Management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

Market risk is the risk that the change in market prices, as change of foreign currencies and interest rates, would influence Group's result of the value of its financial instruments. Goal of the market risk management is managing and controlling the exposure to this risk within acceptable parameters, thus, optimizing returns.

The Group's activities expose it primarily to the financial risks of changes in materials' prices, foreign currency exchange rates and interest rates.

There have been no significant changes to the Group's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk management

The Group is exposed to this risk through sales, purchase and loans stated in foreign currency which is not the Group's functional currency. Foreign currencies to which the Group is mostly exposed are EUR and USD.

The Group exposes itself to foreign currency risk through sales, purchasing, loans and depositing of funds denominated in foreign currencies. Certain companies within the Group make agreements for the purpose of hedging this risk.

The Group's exposure to foreign currency risk is as follows:

31/12/2013	EUR	USD	Other currencies	Total foreign currencies	HRK	Total
	000' HRK	000' HRK	000' HRK	000' HRK	000' HRK	000' HRK
Trade receivables	259,327	9,552	21,240	290,119	365,933	656,052
Other receivables	26,782	144	1,106	28,032	52,285	80,317
Deposits over 3 months	283,424	-	7,130	290,554	14,804	305,358
Cash and cash equivalents	149,753	4,728	24,977	179,458	266,774	446,232
	719,286	**14,424**	**54,453**	**788,163**	**699,796**	**1,487,959**
Trade payables	(117,417)	(484)	(4,888)	(122,789)	(184,975)	(307,764)
Other liabilities	(97,331)	(61)	(1,527)	(98,919)	(115,573)	(214,492)
Loan liabilities	(204,849)	-	-	(204,849)	(95,876)	(300,725)
	(419,597)	**(545)**	**(6,415)**	**(426,557)**	**(396,424)**	**(822,981)**

31/12/2012	EUR	USD	Other currencies	Total foreign currencies	HRK	Total
	000' HRK	000' HRK	000' HRK	000' HRK	000' HRK	000' HRK
Trade receivables	266,371	4,659	30,990	302,020	535,299	837,319
Other receivables	27,552	223	4,126	31,901	66,984	98,885
Deposits up to 3 months	152,495	5,805	23,827	182,127	14,424	196,551
Cash and cash equivalents	56,505	3,793	17,833	78,131	333,537	411,668
	502,923	**14,480**	**76,776**	**594,179**	**950,244**	**1,544,423**
Trade payables	(88,298)	(219)	(5,271)	(93,788)	(256,156)	(349,944)
Other liabilities	(57,868)	(389)	(7,921)	(66,178)	(158,874)	(225,052)
Loan liabilities	(217,998)	-	-	(217,998)	(130,259)	(348,257)
	(364,164)	**(608)**	**(13,192)**	**(377,964)**	**(544,289)**	**(923,253)**

	Short-term exposure			Long-term exposure		
	EUR	USD	Other currencies	EUR	USD	Other currencies
	000' HRK	000' HRK	000' HRK	000' HRK	000' HRK	000' HRK
31/12/2013						
Financial assets	711,401	14,424	54,453	7,885	-	-
Financial liabilities	(257,161)	(545)	(6,415)	(162,436)	-	-
Total exposure	**454,240**	**13,879**	**48,038**	**(154,551)**	**-**	**-**
31/12/2012						
Financial assets	497,490	14,480	76,776	5,433	-	-
Financial liabilities	(176,573)	(608)	(13,192)	(187,627)	-	-
Total exposure	**320,953**	**13,872**	**63,584**	**(182,194)**	**-**	**-**

In the above tables, receivables for apartments sold are not included in the amounts in EUR because of a contractual clause on the increase/decrease in receivables if the change in EUR currency rate is more than 5.1% compared to the currency rate that existed at the time of concluding the contracts.

Sensitivity analysis

The weakening of the HRK in relation to the following currencies by the average changes in percentages at the reporting date would increase/(decrease) the profit before tax by the following amounts:

	2013	2012
	Effect on income before taxes	Effect on income before taxes
	HRK'000	HRK'000
EUR (1%)	3,655	1,680
USD (3%)	(431)	(222)
Other currencies	(3,149)	773

This analysis assumes that all other, variables, interest rates especially, remain unchanged.
A strengthening of HRK against the above currencies for the same average % at the reporting date would have had the equal but opposite effect on the profit before tax, on the basis that all other variables remain constant.

b) Interest rate risk

The Group is exposed to interest risk since the part of loans received are agreed at variable interest rate while the most of assets does not bear interests. Certain companies within Group contract hedge against interest rate risk stated in foreign currencies.

The following table shows sensitivity of changes in interest rates relating to Group's loans as of 31 December 2013 and 31 December 2012, with the assumptions that all other variables are constant, on income before taxes:

2013	**Increase/ decrease in percentage**	**Effect on income before taxes HRK'000**
HRK	+1%	(2,796)
HRK	-1%	2,796

2012	**Increase/ decrease in percentage**	**Effect on income before taxes HRK'000**
HRK	+1%	(2,487)
HRK	-1%	2,487

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss form defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transaction concluded is spread amongst approved counterparties.

Trade and other receivables - the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The ageing structure of trade receivables which are due but not impaired is stated in note 27.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Risk management is the responsibility of the Management Board which has built quality frame for the monitoring of current, middle and long-term financing and all depends related to liquidity risk. The Group manages this risk by constant monitoring of estimated and actual cash flow with the maturity of financial assets and liabilities.

The following table shows the maturity of financial liabilities of the Group at 31 December 2013 and 2012 according to the contracted non-discounted payments:

31 December 2013	Carrying value HRK'000	Contracted cash flows HRK'000	Less than 1 month HRK'000	1 – 3 months HRK'000	3 – 12 months HRK'000	1 – 5 years HRK'000
Current advances received	141,869	141,869	74,303	44,319	23,247	-
Trade creditors	307,764	307,764	204,345	102,238	1,181	-
Other current liabilities	72,624	72,624	68,655	3,704	265	-
Interest-bearing loans	300,726	324,082	28,696	76,025	162,273	57,088
	822,982	**842,339**	**375,999**	**226,286**	**186,966**	**57,088**

31 December 2012	Carrying value HRK'000	Contracted cash flows HRK'000	Less than 1 month HRK'000	1 – 3 months HRK'000	3 – 12 months HRK'000	1 – 5 years HRK'000
Current advances received	131,632	131,632	65,974	65,609	36	13
Trade creditors	349,944	349,944	315,177	34,360	407	-
Other current liabilities	93,420	93,420	79,548	13,872	-	-
Interest-bearing loans	348,257	360,708	68,721	64,871	165,796	61,320
	923,253	**935,704**	**529,420**	**178,712**	**166,239**	**61,333**

46. Segment reporting

2013	**Industry**	**Energetic and transport**	**Trade**	**Special activities**	**Company**	**Eliminations**	**Group**
	HRK	HRK	HRK	HRK	HRK	HRK	HRK
Sales	111,028,820	2,139,398,279	146,527,323	45,808,299	193,497	-	2,442,956,218
Sales to related companies	6,923,327	288,551,378	6,841,179	83,361,104	52,621,220	(371,210,394)	67,087,814
Other operating income	3,799,161	104,858,412	9,630,683	19,648,242	85,996,377	1,714,435	225,647,310
Total operating revenues	*121,751,308*	*2,532,808,069*	*162,999,185*	*148,817,645*	*138,811,094*	(369,495,959)	*2,735,691,342*
Total operating expenses	(124,115,016)	(2,432,366,984)	(202,370,275)	(144,264,866)	(84,603,057)	368,145,904	(2,619,574,294)
Operating profit/(loss)	*(2,363,708)*	*100,441,085*	*(39,371,090)*	*4,552,779*	*54,208,037*	*(1,350,055)*	*116,117,048*
Financial result	1,514,357	810,259	(1,399,766)	(144,967)	87,618,762	(25,172,992)	63,225,653
Profit/(loss) before taxation	**(849,351)**	**101,251,344**	**(40,770,856)**	**4,407,812**	**141,826,799**	**(26,523,047)**	**179,342,701**
Corporate income tax	(1,594,990)	(13,247,670)		(804,664)			(15,647,324)
Net profit/(loss) for the year	**(2,444,341)**	**88,003,674**	**(40,770,856)**	**3,603,148**	**141,826,799**	**(26,523,047)**	**163,695,377**
Non-controlling interest							28,582,917
Profit for the Group							135,112,460
Non-current assets	33,069,288	721,441,859	88,322,945	67,095,835	1,130,865,597	(555,318,608)	1,485,476,916
Current assets	80,194,001	1,432,469,822	78,638,012	143,986,631	419,125,789	(172,761,018)	1,981,653,237
Total assets	**113,263,289**	**2,153,911,681**	**166,960,957**	**211,082,466**	**1,549,991,386**	**(728,079,626)**	**3,467,130,153**
Total liabilities	**29,327,576**	**1,271,324,287**	**83,270,636**	**35,526,863**	**67,179,311**	**(195,006,855)**	**1,291,621,818**

2012	**Industry**	**Energetic and transport**	**Trade**	**Special activities**	**Company**	**Eliminations**	**Group**
	HRK	HRK	HRK	HRK	HRK	HRK	HRK
Sales	106,846,348	2,034,195,638	161,348,690	56,466,616	398,600	-	2,359,255,892
Sale to related companies	9,943,012	454,604,151	6,041,247	95,254,255	53,346,240	(536,886,443)	82,302,462
Other operating income	3,778,716	202,494,125	10,804,944	20,143,051	64,184,570	974,791	302,380,197
Total operating revenues	*120,568,076*	*2,691,293,914*	*178,194,881*	*171,863,922*	*117,929,410*	(535,911,652)	*2,743,938,551*
Total operating expenses	(118,677,551)	(2,617,475,277)	(211,209,489)	(164,377,195)	(132,671,491)	595,338,491	(2,649,072,512)
Operating profit/(loss)	*1,890,525*	*73,818,637*	*(33,014,608)*	*7,486,727*	*(14,742,081)*	*59,426,839*	*94,866,039*
Financial result	1,294,553	8,860,402	(3,864,451)	1,361,963	128,985,465	(31,485,250)	105,152,682
Profit/(loss) before taxation	**3,185,078**	**82,679,039**	**(36,879,059)**	**8,848,690**	**114,243,384**	**27,941,589**	**200,018,721**
Corporate income tax	(1,594,332)	(14,370,214)	**-**	(614,884)	(5,087,802)	-	(21,667,232)
Net profit/(loss) for the year	**1,590,746**	**68,308,825**	**(36,879,059)**	**8,233,806**	**109,155,582**	**27,941,589**	**178,351,489**
Non-controlling interest							27,815,303
Profit for the Group							150,536,186
Non-current assets	33,701,168	692,015,380	111,695,885	60,167,306	1,087,255,072	(498,777,868)	1,486,056,943
Current assets	85,168,842	1,497,516,268	116,125,242	153,773,114	441,743,990	(249,124,050)	2,045,203,406
Total assets	**118,870,010**	**2,189,531,648**	**227,821,127**	**213,940,420**	**1,528,999,062**	**(747,901,918)**	**3,531,260,349**
Total liabilities	**29,794,546**	**1,403,594,599**	**103,359,949**	**40,906,313**	**152,189,558**	**(266,527,307)**	**1,463,317,658**

Sales by the regions was as follows:

	2013		2012	
	HRK'000	%	HRK'000	%
Croatia	**1,283,719**	**51.3%**	**1,213,648**	**49.7%**
Countries in European Union	683,612	27.2%	713,832	29.2%
TOTAL	**1,967,331**	**78.5%**	**1,927,480**	**78.9%**
Bosnia and Herzegovina, Macedonia, Serbia and Montenegro	133,234	5.3%	158,044	6.5%
Other European countries	100,374	4.0%	134,327	5.5%
Asia	32,325	1.3%	46,846	1.9%
America and Australia	55,084	2.2%	51,326	2.1%
Other countries	220,751	8.7%	123,535	5.1%
Total export	**541,768**	**21.5%**	**514,078**	**21.1%**
Total	**2,509,099**	**100%**	**2,441,558**	**100%**

47. Off-balance sheet items

Off-balance sheet items of the Group amounting to HRK 2,115 million (2012: HRK 2,331 million) mostly relate to the issued collateral (guarantees, bills of exchange, debentures), solidarity guarantees, liabilities toward the state for apartments sold to employees (65%) and similar.

48. Contingent liabilities

Several court cases have been initiated against the subsidiaries (labour cases) and parent Company which are currently in process.

The most significant court cases are initiated against the parent Company in the amount of HRK 42,379 thousand, increased by legal penalty interests. As at 31 December 2013 the parent Company recognized the provision in the amount of HRK 52,877 thousand (principal plus interests) for these court cases

49. Contractual liabilities

Group's contractual liabilities on the basis of unfinished projects as at 31 December 2013 amount to HRK 2,370 million (31 December 2012: HRK 2,206 million).

50. Subsequent events

In 2014, the parent Company’s Management Board will submit a proposal to the General Assembly to increase the share capital of the parent Company (approved by the Supervisory Board in December 2013) pursuant to which the amount of HRK 180,048 thousand shall increase the parent Company’s share capital in 2014. The share capital will increase from the amount of HRK 1,028,848 thousand to the amount of HRK 1,208,896 thousand by the reinvestment of the profit realised in the current year into the share capital in the amount of HRK 110,200 thousand (reinvested earnings), and for the amount of HRK 69,848 thousand from other reserves formed in previous years. The increase in share capital will be carried out by increasing the nominal value of the shares by HRK 70 per share, from HRK 400 to HRK 470 respectively.

In January 2014, the parent Company increased the share capital in the company Končar - Renewable Sources Ltd. by payment in cash in the amount of HRK 26 million.

In March 2014 the Management Board of the subsidiary Končar – Generators and Motors Inc. submitted to the Supervisory Board the proposal for the allocation of profit for the year 2013 according to which the company' share capital shall be increased in 2014 by the profit amounting to HRK 21,586 thousand (reinvested profit).

At the beginning of the year 2014, the subsidiary Končar – Renewable sources Ltd. is in the negotiation process for the construction of wind turbine with nominal power of 2.5 MW for the purpose of expanding the Pometeno brdo wind power plant with the company Končar-Power Plant and Electric Traction Engineering Inc., for which the letter of intend has been issued.

The subsidiary Končar – Electric vehicles Inc. concluded in January 2014 the contract with HŽ Putnički prijevoz Inc. for the purchase of 44 electromotive trains in the total value of HRK 1.63 billion.

After the reporting date, activities have been initiated related to the liquidation process of the subsidiary Končar - Tools Lts since this subsidiary constantly incurred losses for several years.

Except for the above stated, after the reporting date and until the approval date of these consolidated financial statements there were no other events that would significantly influence the annual consolidated financial statements of the Group as at 31 December 2013.

51. Preparation and the approval of the consolidated financial statements

The consolidated financial statements presented on the pages above have been prepared and approved by the Group's Management Board as at 21 March 2014.

Signed on a behalf of the Group:

Darinko Bago,

President of the Management Board

»KONČAR« d.d. ZAGREB
FALLEROVO ŠETALIŠTE 22
3

Appendix 1

Reporting period: **1.1.2013** **to** **31.12.2013**

Annual financial report of entrepreneur GFI-POD

Registration 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.hr

Internet address: www.koncar.hr

ode and name of comune/town: **133** **ZAGREB**

Code and county name: **21** **GRAD ZAGREB**

Number of employees (at quarter end): **3.783**

Consolidated statement: **YES**

NKD/NWC code: **2711**

Subsidiaries subject to consolidation (according to IFRS) in appendix

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, 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.hr

Surname and name: **DARINKO BAGO**
(authorised person for representation)

Disclosure documents:

1. Revised Financial statements together with the auditor's report
2. Report of the Management Board on position of the Company
3. Statement of responsible persons for preparation of financial statements
4. The decision of the competent authority (the proposal) about the determining of the annual financial statements
5. The decision on the distribution of profits or covering the losses

M.P. (signed by authorised person for representation)

Balance Sheet
as of 31.12.2013.

Company: Končar - Electrical Industry Inc.

Position	AOP	Notes	Previous year	Current year
1	2	3	4	5
ASSETS				
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	001			
B) NON-CURRENT ASSETS (003+010+020+029+033)	002		1.486.056.943	1.485.476.916
I. INTANGIBLE ASSETS (004 do 009)	003	019	33.926.181	37.018.304
1. Expenditure for development	004		7.640.875	12.498.105
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005		5.041.108	6.924.985
3. Goodwill	006	018	7.500.898	7.646.618
4. Advances for purchase of intangible assets	007		477.797	0
5. Intangible assets in progress	008		12.878.487	9.636.809
6. Other intangible assets	009		387.016	311.787
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	020	1.157.484.397	1.151.926.274
1. Land	011		158.130.608	160.269.850
2. Buildings	012		351.183.758	389.873.405
3. Plant and equipement	013		221.163.585	399.697.878
4. Tools, working inventory and transportation assets	014		74.386.781	74.297.246
5. Biological assets	015		0	0
6. Advances for purchase of tangible assets	016		7.570.446	14.613.042
7. Tangible assets in progress	017		251.691.275	12.101.276
8. Other tangible assets	018		690.173	706.634
9. Investment in real-estate	019	021	92.667.771	100.366.943
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	023	260.282.408	267.384.461
1. Share in related parties	021		293.704	290.067
2. Loans to related parties	022		0	0
3. Participating interests (shares)	023		811.316	2.049.216
4. Loans to companies with participating interest	024		0	0
5. Investments in securities	025		4.201.213	3.379.260
6. Loans, deposits, etc.	026		1.421.275	2.605.489
7. Other non-current financial assets	027		0	806.120
8. Equity-accounted investments	028	022	253.554.900	258.254.309
IV. RECEIVABLES (030 do 032)	029	024	34.363.957	29.147.877
1. Receivables from related parties	030		0	
2. Receivables arising from sales on credit	031		25.214.180	20.121.562
3. Other receivables	032		9.149.777	9.026.315
V. DEFERRED TAX ASSET	033		0	0
C) CURRENT ASSETS (035+043+050+058)	034		2.039.374.504	1.975.653.286
I. INVENTORIES (036 do 042)	035	025	490.649.906	451.293.423
1. Raw materials and supplies	036		263.182.329	230.613.891
2. Production in progress	037		119.290.512	131.192.027
3. Finished products	038		74.443.322	66.483.941
4. Merchandise	039		11.124.204	11.770.656
5. Advances for inventories	040		8.395.612	4.981.101
6. Long term assets held for sale	041	033	14.213.927	6.251.807
7. Biological assets	042		0	0
II. RECEIVABLES (044 do 049)	043		940.505.639	772.769.167
1. Receivables from related parties	044	026	14.454.628	64.650.324
2. Receivables from end-customers	045	027	822.864.660	591.402.077
3. Receivables from participating parties	046		0	0
4. Receivables from employees and members of the company	047	029	1.161.560	1.069.714
5. Receivables from government and other institutions	048	029	31.671.151	33.657.170
6. Other receivables	049	028, 029	70.353.640	81.989.882
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	030	196.551.197	305.358.260
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		196.551.197	302.405.387
7. Other financial assets	057		0	2.952.873
IV. CASH AND CASH EQUIVALENTS	058	031	411.667.762	446.232.436
D) PREPAYMENTS AND ACCRUED INCOME	059	032	5.828.902	5.999.951
E) TOTAL ASSETS (001+002+034+059)	060		3.531.260.349	3.467.130.153
F) OFF BALANCE SHEET ITEMS	061	047	2.330.786.248	2.115.371.922

EQUITY AND LIABILITIES				
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	**034**	2.067.942.691	2.175.508.335
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**		304.225.167	417.141.957
1. Legal reserves	**066**		22.449.226	32.472.690
2. Reserve for own shares	**067**		148.927	3.237.715
3. Treasury shares and shares (deductible items)	**068**		148.927	3.237.715
4. Statutory reserves	**069**		185.426.451	244.177.137
5. Other reserves	**070**		96.349.490	140.492.130
IV. REVALUATION RESERVES	**071**		0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	**072**		349.004.034	350.456.478
1. Retained earnings	**073**		349.004.034	350.456.478
2. Loss carried forward	**074**		0	
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	**075**		150.536.186	135.112.460
1. Net profit for the period	**076**		150.536.186	135.112.460
2. Net loss for the period	**077**		0	0
VII. MINORITY INTEREST	**078**		234.610.125	243.230.261
B) PROVISIONS (080 do 082)	**079**	**035**	417.453.051	338.862.288
1. Provisions for pensions, severance pay and similar libabilities	**080**		24.519.744	28.161.589
2. Provisions for tax liabilities	**081**		0	0
3. Other provisions	**082**		392.933.307	310.700.699
C) NON-CURRENT LIABILITIES (084 do 092)	**083**	**036**	246.081.105	206.519.645
1. Liabilites to related parties	**084**		0	0
2. Liabilities for loans, deposits, etc.	**085**		510.000	170.000
3. Liabilities to banks and other financial institutions	**086**		245.571.105	206.349.645
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	0
9. Deferred tax liabilities	**092**		0	0
D) CURRENT LIABILITIES (094 do 105)	**093**		708.446.463	658.139.873
1. Liabilites to related parties	**094**	**037**	439.126	2.981.260
2. Liabilities for loans, deposits, etc.	**095**	**038**	510.000	340.000
3. Liabilities to banks and other financial institutions	**096**	**039**	101.666.247	93.865.601
4. Liabilities for advances	**097**	**042**	131.632.451	141.868.566
5. Trade payables	**098**	**040**	349.504.869	304.782.880
6. Commitments on securities	**099**		0	0
7. Liabilities to companies with participating interest	**100**		0	0
8. Liabilities to emloyees	**101**	**043**	31.245.182	31.058.526
9. Taxes, contributions and similar liabilities	**102**	**043**	55.406.556	37.233.349
10. Liabilities arising from share in the result	**103**	**043**	226.041	474.678
11. Liabilities arising from non-current assets held for sale	**104**		0	0
12. Other current liabilities	**105**	**041, 043**	37.815.991	45.535.013
E) ACCRUED EXPENSES AND DEFERRED INCOME	**106**	**044**	91.337.039	88.100.012
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	**107**		3.531.260.349	3.467.130.153
G) OFF BALANCE SHEET ITEMS	**108**	**047**	2.330.786.248	2.115.371.922
ADDITION TO BALANCE SHEET (only for consolidated financial statements)				
ISSUED CAPITAL AND RESERVES				
1. Attributable to majority owners	**109**		1.833.332.566	1.932.278.074
2. Attributable to minority interest	**110**		234.610.125	243.230.261

Income statement

period 1.1.2013. to 31.12.2013.

Company: Končar -Electrical Industry Inc.

Position	AOP	Notes	Previous year	Current year
1	2	3	4	5
I. OPERATING INCOME (112 do 113)	111		2.743.938.551	2.735.691.342
1. Rendering of services	112	003	2.441.558.354	2.509.098.949
2. Other operating income	113	004	302.380.197	226.592.393
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114		2.649.072.512	2.619.574.294
1. Change in inventories of work in progress	115		-34.073.424	10.800.947
2. Material expenses (117 do 119)	116		1.786.507.548	1.731.866.619
a) Costs of raw materials	117	005	1.339.875.585	1.267.980.212
b) Cost of goods sold	118		117.298.012	103.830.903
c) Other material expenses	119	006	329.333.951	360.055.504
3. Employee benefits expenses (121 do 123)	120	007	473.601.605	497.177.985
a) Net salaries	121		267.450.407	281.634.019
b) Tax and contributions from salary expenses	122		142.244.327	150.834.040
c) Contributions on salary	123		63.906.871	64.709.926
4. Depreciation and amortisation	124	008	70.115.355	82.584.800
5. Other expenses	125	009	131.659.483	140.379.017
6. Write down of assets (127+128)	126	010	139.517.768	38.274.598
a) non-current assets (except financial assets)	127		15.353.422	19.870.180
b) current assets (except financial assets)	128		124.164.346	18.404.418
7. Provisions	129	011	60.434.523	105.018.393
8. Other operating costs	130	012	21.309.654	13.471.935
III. FINANCIAL INCOME (132 do 136)	131	014	71.574.277	67.792.536
1. Interest, foreign exchange differences, dividens and similar income from related parties	132		6.558	0
2. Interest, foreign exchange differences, dividens and similar income from third parties	133		71.038.719	61.953.123
3. Income from investments in associates and joint ventures	134		0	0
4. Unrealised gains (income) from financial assets	135		529.000	5.839.413
5. Other financial income	136		0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	015	46.227.983	52.061.601
1. Interest, foreign exchange differences, dividens and similar	138		37.828	0
2. Interest, foreign exchange differences, dividens and similar income from third parties	139		45.188.308	50.176.213
3. Unrealised losses (expenses) from financial assets	140		1.001.847	1.885.388
4. Other financial expenses	141		0	
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	013	79.806.388	47.494.718
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143		0	
VII. EXTRAORDINARY - OTHER INCOME	144		0	
VIII. EXTRAORDINARY - OTHER EXPENSES	145		0	
IX. TOTAL INCOME (111+131+144)	146		2.895.319.216	2.850.978.596
X. TOTAL EXPENSES (114+137+143+145)	147		2.695.300.495	2.671.635.895
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148		200.018.721	179.342.701
1. Profit before taxes (146-147)	149		200.018.721	179.342.701
2. Loss before taxes (147-146)	150		0	0
XII. TAXATION	151	016	21.667.232	15.647.324
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152		178.351.489	163.695.377
1. Profit for the period (149-151)	153		178.351.489	163.695.377
2. Loss for the period (151-148)	154		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		150.536.186	135.112.460
2. Attributable to minority interest	156		27.815.303	28.582.917
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)				
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157		178.351.489	163.695.377
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO	158		71.263	-14.870
1. Exchange differences from international settlement	159		71.263	-14.870
2. Changes in revaluation reserves of long-term tangible and intangible	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 associatied	164			
7. Actuarial gains/losses from defined benefit plans	165			
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE	166			
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO	167		71.263	-14.870
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168		178.422.752	163.680.507
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		150.607.449	135.097.590
2. Attributable to minority interest	170		27.815.303	28.582.917

STATEMENT OF CASH FLOWS - Direct method

period 1.1.2013. to 31.12.2013.

Legal entity: Končar Electrical Industry INC.

Position	AOP	Notes	Previous year	Current year
1	2	3	4	5
CASH FLOW FROM OPERATING ACTIVITIES				
1. Cash receipts from customers	001		2.649.989.202	3.002.048.393
2. Cash receipts from royalities, fees, commissions, etc.	002		0	0
3. Cash receipts from insurance for damages compensation	003		73.910.039	18.730.475
4. Cash receipts arising from tax refunds	004		209.001.795	131.336.421
5. Other cash receipts	005		68.550.988	74.453.234
I. Total increase in cash flow from operating activities (001 do 005)	006		3.001.452.024	3.226.568.523
1. Cash paid to suppliers	007		2.146.503.883	2.020.830.339
2. Cash paid to employees	008		581.734.988	573.545.511
3. Cash outflows for insurance for damages compensation	009		10.550.569	13.439.221
4. Interest paid	010		15.810.989	16.502.158
5. Tax paid	011		199.846.182	165.590.093
6. Other cash outflows	012		132.562.656	142.700.962
II. Total decrease in cash flow from operating activities (007 do 012)	013		3.087.009.267	2.932.608.284
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014		0	293.960.239
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	015		85.557.243	0
CASH FLOW FROM INVESTING ACTIVITIES				
1. Cash flow from sale of long - term tangible and intangible assets	016		5.293.893	4.319.667
2. Cash inflows from sale of equity and debt financial instruments	017		1.804.126	1.541.159
3. Interest receipts	018		0	0
4. Dividend receipts	019		73.601.566	1.681.790
5. Other cash inflows from investing activities	020		0	0
III. Total cash inflows from investing activities(016 do 020)	021		80.699.585	7.542.616
1.Cash outflows for purchase of long - term tangible and intangible assets	022		122.817.115	59.732.034
2. Cash outflows for purchase of equity and debt financial instruments	023		583.000	2.578.120
3. Other cash outflows from investing activities	024		0	1.150.271
IV. Total cash outflows from investing activities (022 do 024)	025		123.400.115	63.460.425
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026		0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027		42.700.530	55.917.809
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		187.133.090	75.599.326
3. Other cash inflows from financing activities	030		333.846.275	300.880.169
V. Total cash inflows from financing activities (028 do 030)	031		520.979.365	376.479.495
1. Cash outflows for repayment of loans and bonds	032		97.430.134	69.122.509
2. Dividends paid	033		47.790.589	47.436.976
3. Cash outflows for finance lease	034		0	0
4. Cash outflows for purchase of own stocks	035		3.418.557	11.869.090
5. Other cash outflows from financing activities	036		151.834.625	451.528.676
VI. Total cash outflows from financing activities (032 do 036)	037		300.473.905	579.957.251
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038		220.505.460	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039		0	203.477.756
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040		92.247.687	34.564.674
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041		0	0
Cash and cash equivalents at the beginning of period	042	031	319.420.075	411.667.762
Decrease in cash and cash equivalents	043		92.247.687	34.564.674
Increase in cash and cash equivalents	044			
Cash and cash equivalents at the end of period	045	031	411.667.762	446.232.436

STATEMENT OF CHANGES IN EQUITY

period 1.1.2013 to 31.12.2013

Legal entity: Končar Electrical Industry INC.

Position	AOP	Notes	Previous year	Current year
1	2	3	4	5
1. Subscribed share capital	001	034	1.150.319.400	1.130.756.740
2. Capital reserves	002		719.579	719.579
3. Reserves from profit	003		390.596.965	515.654.171
4. Retained earnings or loss carried forward	004		347.955.258	364.682.468
5. Net profit or loss for the period	005		178.351.489	163.695.377
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 revaliuation	009		0	0
10. Total equity and reserves (AOP 001 to 009)	010		2.067.942.691	2.175.508.335
11. Foreign exchenge differences ffrom foreign investments	011		71.263	-14.870
12. Current and deferred taxes	012		0	
13. Cash flow hedge	013		0	
14. Change of accounting policies	014		0	
15. Correction of significant mistakes of prior period	015		-73.733	-183.487
16. Other changes	016		130.736.334	107.764.001
17.Total increase or decrease of equity (AOP 011 to 016)	017		130.733.864	107.565.644
17 a. Attributable to majority owners	018		120.600.779	98.945.508
17 b. Attributable to minority interest	019		10.133.085	8.620.136

Notes to the consolidated financial reports