

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT
JANUARY – MARCH, 2014**

The KONČAR Group consists of KONČAR – ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) as a Mother Company and 20 Daughter Companies in which the Mother Company has the prevailing interest (more than 50 % of votes at the Annual / Extraordinary General Meeting). Privileged shares are registered in a part of companies in addition to ordinary shares. Besides, the Mother Company has a minority managing interest (49% votes at the Annual / Extraordinary General Meeting) in one company (the Associated Company).

Companies belonging to the Group are legally independent companies supervised and strategically directed by the Mother Company through company supervisory boards in accordance with the Law on Trading Companies, Statutes of KONČAR - ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) and Statutes of Group Companies. The Mother Company also manages a part of assets that are not invested into companies, but they offer a direct or indirect financial support to the marketing and sales of products and equipment of associated companies as a credit and warranty potential.

The potential liability of Končar - Elektroindustrija d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) for the total issued warranties as of 31/12/2013 amount to HRK 545.5 million representing a decrease by HRK 80.2 million compared to 31/12/2012, out of which HRK 335.3 million belongs to good performance guarantees.

The Končar Group business activities are divided into business areas:

- Generation, transmission and distribution of Electrical Power and Transport: designing and construction of plants for generation, transmission and distribution of electric energy and belonging equipment, thyristor locomotives, Electric Multiple Units, tramcars and side-line electric traction equipment;
- Industry: electric motor drives, middle voltage and low voltage electric equipment and catering equipment;
- Trade: electrical household appliances, serial products and low voltage electrical apparatuses;
- Special activities: research and development of products and infrastructural services.

Managing Board

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

On 19th December, 2013 a Supervisory Board Meeting of the Company Končar – Elektroindustrija d.d. (Končar – Electrical Industry Inc.) was held and reappointed the current Management Board for another term of office. In accordance with the Statues of the Company foreseeing five to seven members of the Managing Board of the Company Končar – Elektroindustrija (Končar – Electrical Industry Inc.), Tomi Dužević is appointed to be a Managing Board Member in addition to the current Board Members.

Company Končar – Elektroindustrija d.d. (Končar – Electrical Industry Inc.) is managed by the Managing Board comprising the following members:

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

Supervisory Board

Pursuant provision of the Trading Company Act, the Statutes of KONČAR – ELECTRICAL INDUSTRY Inc. the Annual (Extraordinary) General Meeting makes decision on nomination and recalling of the Supervisory Board. The Supervisory Board is responsible for appointment and recall of Managing Board Members and supervision over management of business activities of the Company. Any more significant transactions and business decisions (the level of transactions is defined by the Statutes of the Company) requires the Supervisory Board consent.

The Supervisory Board has 9 members as follows:

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

Končar Group Business Results for January – December, 2013 (Non-Audited Financial Statement)

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 2,513 million for the time period from January to December, 2013 and they are higher by 2.9% compared to the achievements during the same time period in 2012.

On the domestic market the income from sales was generated in the amount of HRK 1,251.2 million, making it by 2 % higher in the comparison with the same time period of the previous year. The incomes from sales of products and services that were exported amount to HRK 1,226.1 million and they are at the level of 2012 achievements. The correction of incomes by deferred incomes is positive and amounts to HRK 35.7 million.

The operating incomes were generated in the amount of HRK 2,733.5 million, the amount that is at the level of the generated business incomes from January to December, 2012. Within the business incomes, incomes from sales of products and services amount to HRK 2,513 million or 91.9 % of the total business incomes. Incomes from cancelling of reserves amount to HRK 168.1 million. Other operating incomes were generated in the amount of HRK 52.4 million.

Operating revenues were generated in the amount of HRK 2,620.6 million and they are 1.1% lower than 2012 achievement. Within the business revenues, material expenses were generated in the amount of HRK 1,663.7 million making them by 3 % lower compared to the achievement during the time period January – December, 2012. The majority part of material expenses refer to the costs of used raw materials and consumable materials in the amount of HRK 1,267.8 and that are by 5.4 % compared to the achievement of the same time period in 2012.

The total personnel costs were generated in the amount of HRK 563.7 million.

The difference between the operating incomes and the operating revenues gives the profit of operating activities in the amount of HRK 112.9 million making it higher by 20.2 % compared to the achievement for the time period January – December, 2012.

A share in profits belonging to associated entrepreneurs amounts to HRK 47.6 million and it is lower by HRK 32.2 million compared to the time period January – December, 2012.

The positive difference between financial incomes and financial revenues amounts to HRK 17.2 million.

In 2013 the total incomes were generated in the amount of HRK 2,848.8 million making them lower by 1.6 % compared to the generated during the same time period in 2012. The total revenues for the same period were generated in the amount of HRK 2,671.1 million.

The profits from the operating activities in the amount of HRK 112.9 million, the share in the profit of the associated entrepreneurs in the amount of HRK 47.6 million and the positive difference between the operating incomes and operating revenues in the amount of HRK 17.2 make the consolidated profit before tax in the amount of HRK 177.7 million. The profit tax advance payment amounts to HRK 15.6 million, while the profit after tax amounts to HRK 162.1 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 28.6 million and to the Group Mother Company shareholders HRK 133.5 million.

Out of 21 Končar Group Companies, 15 Companies generated a positive financial result, while six companies expressed a loss in the total amount of HRK 51.5 million.

Within the structure of incomes from sales of products and services on the domestic market, incomes from sales of products and services to the Croatian Power Authority (HEP) amount to HRK 550.9 million or 43 % out of the total generated amount on the domestic market.

To trading companies the Group delivered products in the amount of HRK 191.5 million (15 % out of the total generated amount on the domestic market), to companies belonging to industry and shipbuilding sector the Group delivered products and services in the amount of HRK 198.9 million or 15 % out of the total amount generated in Croatia, to INA, THT, Plinacro HRK 89.7 million, to Croatian Railways (HŽ) HRK 96.5 million to Zagreb Electric Tram (ZET) HRK 71.7 million and the rest amount of HRK 87.7 million refer to State and Local Government, buyers from the civil engineering field and non-distributed buyers.

During the time period from January to December, 2013 in the foreign market the Group generated incomes from sales of products and services in the amount of HRK 1,226 million. The most important exported goods and services went to Germany in the amount of HRK 128.1 million), Bosnia and Herzegovina in the amount of HRK 108.5 million, Sweden in the amount of HRK 89.8 million, the Check Republic in the amount of HRK 80.7 million), Austria in the amount of HRK 66.6 million and Slovenia in the amount of HRK 42.8 million.

During the time period from January to December, 2013, the Group imported goods in the amount of HRK 613.7 million. Raw materials and materials were imported in the amount of HRK 592.2 million, while the investment purchases from abroad amounted to HRK 21.5 million. The generated incomes from sales of goods and services in export during the same time period of the last year amounted to HRK 1,226 million. The export import coverage coefficient is 2.

During the time period January to December, 2013, Končar Group Companies contracted new projects in the amount of HRK 2,677.2 million that is HRK 241.7 million or 9.9 % higher than the contracted new projects during the same time period of 2013. Out of the total contracted new projects HRK 43 % is contracted for the domestic market and 57 % for the foreign market. The contracted new projects in the amount of HRK 1,265.6 million will be performed in 2014, while the contracted project to be performed during following years amount to HRK 1,411.5 million.

At the end of December, 2013, the contracted project status (receivables due) amounted to HKR 2,370 million that was by 7 % higher than the contracted project status at the beginning of 2013.

The level of the total consolidated assets as of 31st December, 2013 amounted to HRK 3,467 million.

Within the structure of asset sources, the registered capital, reserves, retained profits, profits of the current year and not controlling interest amounted to HRK 2,175.9 million that was HRK 108 million more compared to the level on 31st December, 2012 and they made 62.8 % of the total sources.

Long term asset sources (capital, long term reservations and long term liabilities) were higher by HRK 557 million compared to the long term assets and the average level of stocks pointing at a good term structure of asset sources. Current assets were 3.3 times higher than the current liabilities pointing at good liquidity of the system. The consolidated balance sheet structure showed a good financial stability of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

14th February, 2014

**STATEMENT OF PERSONS RESPONSIBLE FOR COMPILATION OF THE KONČAR GROUP
CONSOLIDATED FINANCIAL REPORTS**

This Statement of the Končar – Electrical Industry Inc., Zagreb, Managing Board is given regarding compilation and publishing of the Končar Group Consolidated Financial Reports for the time period January – December 2013.

The attached financial reports (financial reports for Končar – Electrical Industry Inc. and consolidated financial reports) reveal quarter and cumulative non-audited data resulting in a possibility of discrepancies from the final Annual Report.

Financial Reports have been made in accordance of the International Standard for Financial Reporting applied in the European Union.

Pursuant our best knowledge, Financial Reports show a complete and true presentation of the balance sheet, profit and loss account, cash flow and the capital change report of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
President of the Managing Board

Darinko Bago

14th February, 2014

- Note:

Consolidated Financial Reports were compiled by expert services of Končar – Electrical Industry Inc.

Contract persons:

Ervin Filipčić, Managing Board Office Head, ervin.filipcic@koncar.hr

Branka Velkovski, accounting expert, branka.velkovski@koncar.hr

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

Appendix 1

Reporting period:

1.1.2014

to

31.3.2014

Quarterly financial report of entrepreneur TFI-PODRegistration number (MB) **03282635**Identification number of subject (MBS) **080040936**Personal identification number (OIB) **45050126417**Issueer company: **KONČAR - ELECTRICAL INDUSTRY Inc.**Postal code and place **10000****ZAGREB**Street and number: **FALLEROVO ŠETALIŠTE 22**E-mail address: koncar.finance@koncar.hrInternet address: www.koncar.hrCode and name of comune/town **133** **ZAGREB**Code and county name **21** **GRAD ZAGREB**Number of employees **3.578**

(at quarter end)

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

Subsidiaries subject to consolidation (according to IFRS)

in appendix

Registration number:

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

Book keeping service:

Contact person: **BRANKA VELKOVSKI**

(fill in only surname and name of contact person)

Phone number: **01 3667175**Fascimile: **01 3655377**E-mail address: branka.velkovski@koncar.hrSurname and name: **DARINKO BAGO**

(authorised person for representation)

Disclosure documents:

1. Financial statements (balance sheet, profit and loss account, cash flow statement, statement of changes in shareholders' equity and notes to the financial statements)
2. Report of the Management Board on position of the Company
3. Statement of responsible persons for preparation of financial statements

M.P.

(signed by authorised person for representation)

Balance Sheet
as of 31.3.2014.

Company: Končar - Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.485.476.916	1.470.886.007
I. INTANGIBLE ASSETS (004 do 009)	003	37.018.304	36.857.703
1. Expenditure for development	004	12.498.105	13.191.045
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	6.924.985	5.659.204
3. Goodwill	006	7.646.618	7.303.513
4. Advances for purchase of intangible assets	007	0	0
5. Intangible assets in progress	008	9.636.809	10.106.989
6. Other intangible assets	009	311.787	596.952
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.151.926.274	1.128.119.516
1. Land	011	160.269.850	159.813.370
2. Buildings	012	389.873.405	381.428.750
3. Plant and equipment	013	399.697.878	391.442.715
4. Tools, working inventory and transportation assets	014	74.297.246	67.645.206
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	14.613.042	6.744.104
7. Tangible assets in progress	017	12.101.276	10.613.500
8. Other tangible assets	018	706.634	2.325.951
9. Investment in real-estate	019	100.366.943	108.105.920
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	267.384.461	276.808.647
1. Share in related parties	021	290.067	289.394
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	2.049.216	2.061.188
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	3.379.260	3.144.571
6. Loans, deposits, etc.	026	2.605.489	2.294.427
7. Other non-current financial assets	027	806.120	1.374.378
8. Equity-accounted investments	028	258.254.309	267.644.689
IV. RECEIVABLES (030 do 032)	029	29.147.877	29.100.141
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	20.121.562	19.861.427
3. Other receivables	032	9.026.315	9.238.714
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	1.975.653.286	2.244.338.093
I. INVENTORIES (036 do 042)	035	451.293.423	560.694.418
1. Raw materials and supplies	036	230.613.891	255.515.341
2. Production in progress	037	131.192.027	166.460.367
3. Finished products	038	66.483.941	55.171.946
4. Merchandise	039	11.770.656	14.531.583
5. Advances for inventories	040	4.981.101	46.555.773
6. Long term assets held for sale	041	6.251.807	22.459.408
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	772.769.167	628.875.718
1. Receivables from related parties	044	64.650.324	16.289.275
2. Receivables from end-customers	045	591.402.077	548.277.919
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	1.069.714	3.186.162
5. Receivables from government and other institutions	048	33.657.170	36.045.232
6. Other receivables	049	81.989.882	25.077.130
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	305.358.260	529.918.448
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	302.405.387	527.999.860
7. Other financial assets	057	2.952.873	1.918.588
IV. CASH AND CASH EQUIVALENTS	058	446.232.436	524.849.509
D) PREPAYMENTS AND ACCRUED INCOME	059	5.999.951	11.582.542
E) TOTAL ASSETS (001+002+034+059)	060	3.467.130.153	3.726.806.642
F) OFF BALANCE SHEET ITEMS	061	2.115.371.922	2.113.892.245

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.175.508.335	2.194.332.705
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	417.141.957	417.201.535
1. Legal reserves	066	32.472.690	32.473.976
2. Reserve for own shares	067	3.237.715	1.338.982
3. Treasury shares and shares (deductible items)	068	3.237.715	1.338.982
4. Statutory reserves	069	244.177.137	244.177.110
5. Other reserves	070	140.492.130	140.550.449
IV. REVALUATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	350.456.478	490.949.678
1. Retained earnings	073	350.456.478	490.949.678
2. Loss carried forward	074		0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	135.112.460	8.267.897
1. Net profit for the period	076	135.112.460	8.267.897
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	243.230.261	248.346.416
B) PROVISIONS (080 do 082)	079	338.862.288	321.970.364
1. Provisions for pensions, severance pay and similar liabilities	080	28.161.589	23.023.501
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	310.700.699	298.946.863
C) NON-CURRENT LIABILITIES (084 do 092)	083	206.519.645	203.973.284
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	170.000	170.000
3. Liabilities to banks and other financial institutions	086	206.349.645	203.559.161
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	244.123
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	658.139.873	902.582.320
1. Liabilities to related parties	094	2.981.260	1.545.990
2. Liabilities for loans, deposits, etc.	095	340.000	340.000
3. Liabilities to banks and other financial institutions	096	93.865.601	80.052.191
4. Liabilities for advances	097	141.868.566	440.237.449
5. Trade payables	098	304.782.880	303.377.372
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	31.058.526	34.821.971
9. Taxes, contributions and similar liabilities	102	37.233.349	38.171.508
10. Liabilities arising from share in the result	103	474.678	461.098
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	45.535.013	3.574.741
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	88.100.012	103.947.969
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.467.130.153	3.726.806.642
G) OFF BALANCE SHEET ITEMS	108	2.115.371.922	2.113.892.245
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.932.278.074	1.945.986.289
2. Attributable to minority interest	110	243.230.261	248.346.416

Income statement
period 1.1.2014. to 31.3.2014.

Company: Končar -Electrical Industry Inc.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	561.888.368	561.888.368	510.252.368	510.252.368
1. Rendering of services	112	543.666.980	543.666.980	471.441.782	471.441.782
2. Other operating income	113	18.221.388	18.221.388	38.810.586	38.810.586
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	549.049.318	549.049.318	502.623.898	502.623.898
1. Change in inventories of work in progress	115	-39.255.488	-39.255.488	-27.765.820	-27.765.820
2. Material expenses (117 do 119)	116	392.114.492	392.114.492	338.633.316	338.633.316
a) Costs of raw materials	117	315.081.205	315.081.205	252.991.124	252.991.124
b) Cost of goods sold	118	17.787.754	17.787.754	29.132.385	29.132.385
c) Other material expenses	119	59.245.533	59.245.533	56.509.807	56.509.807
3. Employee benefits expenses (121 do 123)	120	118.623.434	118.623.434	117.368.188	117.368.188
a) Net salaries	121	69.153.301	69.153.301	66.929.472	66.929.472
b) Tax and contributions from salary expenses	122	35.048.592	35.048.592	35.598.030	35.598.030
c) Contributions on salary	123	14.421.541	14.421.541	14.840.686	14.840.686
4. Depreciation and amortisation	124	19.064.416	19.064.416	21.570.617	21.570.617
5. Other expenses	125	50.832.702	50.832.702	50.244.434	50.244.434
6. Write down of assets (127+128)	126	936.509	936.509	363.199	363.199
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	936.509	936.509	363.199	363.199
7. Provisions	129	2.492.080	2.492.080	753.926	753.926
8. Other operating costs	130	4.241.173	4.241.173	1.456.038	1.456.038
III. FINANCIAL INCOME (132 do 136)	131	8.237.536	8.237.536	7.254.427	7.254.427
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	336.299	336.299	207.320	207.320
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	7.250.472	7.250.472	6.998.569	6.998.569
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	123.946	123.946	0	0
5. Other financial income	136	526.819	526.819	48.538	48.538
IV. FINANCIAL EXPENSES (138 do 141)	137	7.360.872	7.360.872	6.738.221	6.738.221
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	323.460	323.460	209.444	209.444
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	6.913.837	6.913.837	6.504.887	6.504.887
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	123.575	123.575	23.890	23.890
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	13.575.610	13.575.610	9.398.815	9.398.815
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+144)	146	583.701.514	583.701.514	526.905.610	526.905.610
X. TOTAL EXPENSES (114+137+143+145)	147	556.410.190	556.410.190	509.362.119	509.362.119
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	27.291.324	27.291.324	17.543.491	17.543.491
1. Profit before taxes (146-147)	149	27.291.324	27.291.324	17.543.491	17.543.491
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	4.311.415	4.311.415	4.155.368	4.155.368
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	22.979.909	22.979.909	13.388.123	13.388.123
1. Profit for the period (149-151)	153	22.979.909	22.979.909	13.388.123	13.388.123
2. Loss for the period (151-148)	154	0	0	0	0
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155	15.316.092	15.316.092	8.267.897	8.267.897
2. Attributable to minority interest	156	7.663.817	7.663.817	5.120.226	5.120.226
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	22.979.909	22.979.909	13.388.123	13.388.123
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	-11.900	-11.900	56.696	56.696
1. Exchange differences from international settlement	159	-11.900	-11.900	56.696	56.696
2. Changes in revaluation reserves of long-term tangible and intangible	160	0	0	0	0
3. Profit or loss from re-evaluation of financial assets held for sale	161	0	0	0	0
4. Profit or loss from cash flow hedging	162	0	0	0	0
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	-11.900	-11.900	56.696	56.696
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	22.968.009	22.968.009	13.444.819	13.444.819
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	15.304.192	15.304.192	8.324.593	8.324.593
2. Attributable to minority interest	170	7.663.817	7.663.817	5.120.226	5.120.226

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2014. to 31.3.2014.

Legal entity: Končar Electrical Industry INC.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash receipts from customers	001	856.237.934	928.328.258
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	9.611.996	1.130.487
4. Cash receipts arising from tax refunds	004	28.545.171	22.657.339
5. Other cash receipts	005	13.545.282	11.315.930
I. Total increase in cash flow from operating activities (001 to 005)	006	907.940.383	963.432.014
1. Cash paid to suppliers	007	534.808.008	443.453.943
2. Cash paid to employees	008	136.266.588	127.169.580
3. Cash outflows for insurance for damages compensation	009	2.220.580	1.559.441
4. Interest paid	010	5.077.876	3.066.286
5. Tax paid	011	52.356.728	82.142.318
6. Other cash outflows	012	33.184.840	26.759.498
II. Total decrease in cash flow from operating activities (007 to 012)	013	763.914.620	684.151.066
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	144.025.763	279.280.948
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	015	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	016	1.179.889	162.016
2. Cash inflows from sale of equity and debt financial instruments	017	1.470	7.062
3. Interest receipts	018	0	0
4. Dividend receipts	019	378.580	45.083.698
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	1.559.939	45.252.776
1. Cash outflows for purchase of long - term tangible and intangible assets	022	14.341.402	5.897.371
2. Cash outflows for purchase of equity and debt financial instruments	023	100.170	0
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	14.441.572	5.897.371
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	0	39.355.405
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	12.881.633	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	028	0	0
2. Cash inflows from loans, debentures, credits and other borrowings	029	6.455.945	6.600
3. Other cash inflows from financing activities	030	6.756.059	82.504.087
V. Total cash inflows from financing activities (028 to 030)	031	13.212.004	82.510.687
1. Cash outflows for repayment of loans and bonds	032	21.065.690	15.589.048
2. Dividends paid	033	7.582	13.579
3. Cash outflows for finance lease	034	0	0
4. Cash outflows for purchase of own stocks	035	0	0
5. Other cash outflows from financing activities	036	152.022.062	306.927.340
VI. Total cash outflows from financing activities (032 to 036)	037	173.095.334	322.529.967
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	159.883.330	240.019.280
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	0	78.617.073
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	28.739.200	0
Cash and cash equivalents at the beginning of period	042	411.667.762	446.232.436
Decrease in cash and cash equivalents	043	0	78.617.073
Increase in cash and cash equivalents	044	28.739.200	0
Cash and cash equivalents at the end of period	045	382.928.562	524.849.509

STATEMENT OF CHANGES IN EQUITY

period 1.1.2014 to 31.3.2014

Legal entity: Končar Electrical Industry INC.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.130.756.740	1.130.756.740
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	515.654.171	515.713.750
4. Retained earnings or loss carried forward	004	364.682.468	533.754.513
5. Net profit or loss for the period	005	163.695.377	13.388.123
6. Revaluation of tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of available for sale assets	008	0	0
9. Other revaluation	009	0	0
10. Total equity and reserves (AOP 001 to 009)	010	2.175.508.335	2.194.332.705
11. Foreign exchange differences from foreign investments	011	-14.870	56.696
12. Current and deferred taxes	012	0	0
13. Cash flow hedge	013	0	0
14. Change of accounting policies	014	0	0
15. Correction of significant mistakes of prior period	015	-183.487	0
16. Other changes	016	107.764.001	18.767.674
17. Total increase or decrease of equity (AOP 011 to 016)	017	107.565.644	18.824.370
17 a. Attributable to majority owners	018	98.945.508	13.708.215
17 b. Attributable to minority interest	019	8.620.136	5.116.155

Notes to the consolidated financial reports

Taxpayer: 03282635 Končar Electrical Industry INC.

1. Distribution of shares

There has been no distribution of shares.

2. Earnings per share

Earnings per share for the period January - March 2014 are HRK 3.22 and are lower than earnings per share during the same period of the previous year by HRK 2.74

3. Changes in ownership structure

Compared to the previous trimestre within the top ten shareholders the share of Societe generale - Splitska banka Inc./ Erste plavi mandatory pension fund rose by 0.68 percentage points and the share of Floričić Kristijan rose by 0.85 percentage points.

4. Mergers and acquisitions

There have been no new mergers and acquisitions.

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

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

6. Business results

During the period January - March 2014, as opposed to the same period of the previous year, sales revenues (which make up for 89.5 per cent of the total revenues) decreased by 13.3 per cent, operational revenues (which make up for 96.8 per cent of the total revenues) decreased by 9.2 per cent, while total revenues decreased by 9.7 per cent. Total expenses decreased by 8.5 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 98.7 per cent of the total expenses, decreased by 8.5 per cent. Financial income and income from investment into affiliated companies decreased by 33.7 per cent compared to the same period of last year. Financial expenses decreased by 8.5 per cent in comparison with the same period of the previous year.

7. Products and services description

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

8. Operating and other costs

For the period January - March of the year 2014, in comparison with the same period of last year, the share of employees expenses in the total revenue increased by 2.1 percentage points, depreciation and amortisation by 0.8 percentage points and share of other expenses increased by 0.3 percentage point, while the share of material expenses decreased by 2.2 percentage points, expenses of values adjustment decreased by 0.1 percentage point and the costs of provisions decreased by 0.3 percentage point.

9. Profit or loss

Consolidated Group profits after tax decreased by 41.74 per cent compared to the same period of the previous year. The Group's net profit subscribed to the parent capital holders for the period January - March of the year 2014 amounts to HRK 8.27 million, which is a decrease of HRK 7.05 million compared to the same period of the previous year. Of the 20 companies comprising the Končar Group, seven companies declared a loss in the amount of HRK 7.59 million, of which HRK 7.05 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the first trimester of 2014, as opposed to the beginning of the year, increased by HRK 78.62 million. The mentioned increase is the result of an increase of cash flow from operating activities.

11. Other notes

In the first trimester of the year 2014 the liquidation process of the company Končar - Alati d.o.o. / Tools Inc. was initiated and the parent company recapitalized one dependent company in the amount of HRK 26.14 million.