

**MANAGING BOARD REPORT ON BUSINESS OPERATIONS OF THE
KONČAR GROUP
FOR THE TIME PERIOD FROM JANUARY TO SEPTEMBER 2012**

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

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

As of 30th September, 2012, the potential liability of Končar – Electrical Industry Inc. for the total issued warranties amounted to HRK 661,3 million out of which amount HRK 422.5 million refers to guarantees (bid bonds, advance payment guarantees, good performance guarantees and warranty period guarantees).

The Company has formed reserves in the amount of HRK 120.1 million for potential liabilities from those guarantees.

The KONČAR Group business activities are divided into business areas:

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

Managing Board

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

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

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

Supervisory Board

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

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

JANUARY – SEPTEMBER 2012 BUSINESS RESULTS OF THE KONČAR GROUP

The Končar Group generated a positive financial result for the period January-September 2012. The total consolidated incomes amount to HRK 1,915.4 million or 5% higher than the previous year result. The unconsolidated incomes (data including incomes generated among associated companies as well) amount to HRK 2,323.6 million or 7% higher than the previous year result. A part of works and assets not included into consolidated incomes was invested among associated companies for generation of potentials for improvement of the technical and the technological level of the Group as a whole that will be reflected into the consolidated business results in the future.

The total consolidated revenues amount to HRK 1,793,5 million or 5% higher than the previous year. The Group consolidated profits before tax amount to HRK 121,9 million or 4,6% higher than the achievement for the same period in 2011. The profit tax advance amounts to HRK 13.5 million resulting in the profits after tax in the amount of HRK 108,4 million, out of which HRK 19 million belongs to the uncontrolled interest and HRK 89,46 million belongs to the Mother Company shareholders or 10% higher than achieved for the same period in 2011.

A share in the profits of the associated companies is generated in the amount of HRK 42,2 million making HRK 23 million less compared to the share achieved during the same time period of the previous year.

The financial incomes are generated in the amount of HRK 38.5 million and they are made of interests in the amount of HRK 18.2 million, exchange rate differences in the amount of HRK 18.2 million and other financial incomes in the amount of HRK 2.1 million. The financial revenues are generated in the amount of HRK 31.9 million and they are made of negative exchange rate differences in the amount of HRK 23,8 million, interests and other financial revenues in the amount of HRK 8.1 million. The positive difference between the financial incomes and the financial revenues amounts to HRK 6.6 million.

Profits from sales of products and services in the amount of HRK 73.1 million, a share of the profits of the associated companies in the amount of HRK 42.2 million and the positive difference between the financial incomes and revenues in the amount of HRK 6.6 million generate the consolidated profits before tax in the amount of HRK 121.9 million.

Out of 21 Končar Group Companies, 16 companies have positive business results, while five companies express a loss in the total amount of HRK 25.6 million.

Consolidated incomes from sales of products and services are generated in the amount of HRK 1,694.9 million that is higher than the result for the same period of the previous year by 3%. On the domestic market, products and services have been sold in the amount of HRK 812.4 million (48% out of the total generated incomes from sales of products and services) or 18.6% more than in the same period of the previous year,

while HRK 882.5 million has been generated in export (52 % out of the total generated incomes from sales of products and services) or 7.8 % less compared to the export generated during the first half year of 2011. Incomes from the export of products and services are smaller compared to the achievement of the same period of the previous year due to unevenly contracted dynamics of delivery throughout the quarters. It is expected that the level of incomes from sales of goods and services abroad will achieve the planned values.

Out of the consolidated incomes from sales of products and services, companies belonging to the Energy and Transport business area have generated sales in the amount of HRK 1.419,3 million or 84 % out of the total sales of the Group, companies of the Trade business area generated sales in the amount of HRK 125.8 million of 7 per cent, companies of the Industry business area HRK 85.8 million or 5 per cent and three companies belonging to the Special Business Activities HRK 64 million or 4 per cent of the total sales of the Group.

Regarding 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 400.4 million or 49 per cent of the total amount generated on the domestic market, to the companies from the area of industry and shipping industry amount to HRK 118.3 million, to trading companies products and services in the amount of HRK 120.5 million were delivered, to Zagreb Holding (Zagreb Electric Tram) HRK 54.9 million were delivered, to Croatian Railways HRK 28.4 million and the rest of HRK 89.9 million were delivered to Croatian Motorways, state and local government bodies and public companies.

During the time period January – September, 2012 incomes from sales of goods and services in export amount to HRK 882.5 million. The most important export was realised in Germany in the amount of HRK 101.2 million, Sweden HRK 80.6 million, Finland HRK 49.8 million, Bosnia and Herzegovina HRK 47.1, Austria HRK 40.7 million and Russia HRK 35.9 million.

During the same period the Group companies imported the investment equipment, raw and other materials in the amount of HRK 520.7 million. The import is completely covered by the export and the coverage coefficient amounts to 1.7.

In the period January – September of 2012, Končar Group companies contracted new projects in the amount of HRK 1,656.5 million. The contracted project position (unsettled liabilities) at the end of September, 2012 amounted to HRK 2,179,3 million making less than the contracted project position at the beginning of the year by 2 %.

Out of total business activities, 508 % is contracted for the domestic market and 50 % for the international market. HRK 1,149,31 million on new projects was contracted for execution in 2012, and HRK 507.2 million was contracted for execution in 2013 and subsequent years.

The position of the total consolidated assets of the Končar Group as of 30th September, 2012 amounts to HRK 3,496,3 million representing an increase of HRK 0,5 million compared to the position as of 31st December, 2011.

Within the structure of the assets, the registered capital, provisions/reserves, retained profits, current year profits, uncontrolled interest amount to HRK 1,999.6 million making 62,4 million more than on the 31st December, 2011 and representing 57 % of the total sources.

Long term financial sources (capital, long term provisions / reserves and long term liabilities) are higher by HRK 623.3 million from the long term assets and average stock status indicating a good time structure of the asset sources. Current assets are 2.8 times higher than the current liabilities indicating a good liquidity of the system. The consolidated balance structure indicates a good financial stability of the Končar Group.

It is estimated that the consolidated incomes from sales of products and services will amount to HRK 2,440 million during the time period January –December, 2012 or 3 % higher than incomes generated during the same period of 2011. It is estimated for the same time period that a part of profits belonging to the Mother Company shareholder will amount to approximately HRK 138 million.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

29th October, 2012

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

This Statement of the Končar – Electrical Industry Inc., Zagreb is given regarding compilation and publishing of the Končar Group Consolidated Financial Reports for the time period January – September 2012.

Financial Reports are compiled in accordance with the Croatian Accounting Act valid on the day of publishing of these financial reports as well as with the International Financial Reporting Standards.

According to our best consideration, consolidated financial reports express a complete and true reflection of the balance sheet, the profit and loss account, the cash flow and the report on changes of the caption of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

29th September, 2012

- Note:

Consolidated Financial Reports are 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:

1.1.2012

to

30.9.2012

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 **3.922**

(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 - Ugoditeljska oprema d.d.	Zagreb	3788717
Končar - Alati d.d.	Zagreb	3672468
Končar - Montažni inženjering d.d.	Zagreb	3654362
Končar - Inženjering za energetiku i transport d.d.	Zagreb	3654354
Končar - Metalne konstrukcije d.d.	Zagreb	1114328
Kones AG	Zurich, Switzerland	

Book keeping service:

Contact person: **BRANKA VELKOVSKI**

(fill in only surname and name of contact person)

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

(authorised person for representation)

Disclosure documents:

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

M.P.

(signed by authorised person for representation)

Balance Sheet
as of 30.09.2012.

Company: Končar - Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001	0	0
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.343.866.876	1.519.731.755
I. INTANGIBLE ASSETS (004 do 009)	003	32.699.840	32.849.945
1. Expenditure for development	004	10.552.232	8.729.814
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	4.599.754	5.414.942
3. Goodwill	006	7.503.528	7.505.399
4. Advances for purchase of intangible assets	007	388.695	570.781
5. Intangible assets in progress	008	9.440.954	7.519.698
6. Other intangible assets	009	214.677	3.109.311
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.017.220.459	1.157.095.870
1. Land	011	155.724.709	155.777.747
2. Buildings	012	375.156.015	366.923.953
3. Plant and equipment	013	151.759.821	155.429.476
4. Tools, working inventory and transportation assets	014	82.425.019	86.807.110
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	7.182.957	4.074.684
7. Tangible assets in progress	017	149.478.516	293.522.335
8. Other tangible assets	018	889.771	710.952
9. Investment in real-estate	019	94.603.651	93.849.613
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	252.080.923	294.791.497
1. Share in related parties	021	293.704	293.015
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	811.316	870.317
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	4.755.707	4.462.017
6. Loans, deposits, etc.	026	1.461.593	992.500
7. Other non-current financial assets	027	2.191.352	2.893.215
8. Equity-accounted investments	028	242.567.251	285.280.433
IV. RECEIVABLES (030 do 032)	029	41.865.654	34.994.443
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	32.345.312	28.455.022
3. Other receivables	032	9.520.342	6.539.421
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	2.142.156.894	1.956.369.687
I. INVENTORIES (036 do 042)	035	512.835.195	606.856.817
1. Raw materials and supplies	036	276.781.099	253.073.444
2. Production in progress	037	134.863.472	209.329.327
3. Finished products	038	60.704.804	77.509.483
4. Merchandise	039	13.717.172	19.959.289
5. Advances for inventories	040	25.856.601	46.985.274
6. Long term assets held for sale	041	912.047	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	932.931.301	842.864.336
1. Receivables from related parties	044	19.467.234	6.703.129
2. Receivables from end-customers	045	816.588.398	781.567.428
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	1.321.053	1.666.351
5. Receivables from government and other institutions	048	43.757.812	23.317.675
6. Other receivables	049	51.796.804	29.609.753
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	376.970.323	252.623.956
1. Share in related parties	051	0	0
2. Loans to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to companies with participating interest	054	0	0
5. Investments in securities	055	0	0
6. Loans, deposits, etc.	056	376.970.323	252.588.241
7. Other financial assets	057	0	35.715
IV. CASH AND CASH EQUIVALENTS	058	319.420.075	254.024.578
D) PREPAYMENTS AND ACCRUED INCOME	059	9.711.305	20.192.104
E) TOTAL ASSETS (001+002+034+059)	060	3.495.735.075	3.496.293.546
F) OFF BALANCE SHEET ITEMS	061	2.212.151.466	2.074.059.355

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	1.937.208.827	1.999.543.277
I. SUBSCRIBED SHARE CAPITAL	063	1.028.847.600	1.028.847.600
II. CAPITAL RESERVES	064	719.579	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	243.156.817	307.840.476
1. Legal reserves	066	17.762.375	22.447.018
2. Reserve for own shares	067	3.845.600	4.129.200
3. Treasury shares and shares (deductible items)	068	3.845.600	4.129.200
4. Statutory reserves	069	146.257.985	185.426.458
5. Other reserves	070	79.136.457	99.967.000
IV. REVALUATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	277.566.082	346.250.994
1. Retained earnings	073	277.566.082	346.250.994
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	162.441.709	89.431.244
1. Net profit for the period	076	162.441.709	89.431.244
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	224.477.040	226.453.384
B) PROVISIONS (080 do 082)	079	508.233.506	460.862.716
1. Provisions for pensions, severance pay and similar liabilities	080	21.809.747	10.778.918
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	486.423.759	450.083.798
C) NON-CURRENT LIABILITIES (084 do 092)	083	120.208.139	242.513.348
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	1.020.000	1.020.000
3. Liabilities to banks and other financial institutions	086	119.188.139	241.175.886
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	317.462
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	832.473.375	699.774.147
1. Liabilities to related parties	094	6.899.329	5.753.967
2. Liabilities for loans, deposits, etc.	095	680.000	510.000
3. Liabilities to banks and other financial institutions	096	135.938.301	82.319.085
4. Liabilities for advances	097	202.109.680	159.639.589
5. Trade payables	098	403.671.321	368.524.015
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	30.874.515	29.578.876
9. Taxes, contributions and similar liabilities	102	42.141.361	26.654.217
10. Liabilities arising from share in the result	103	234.805	300.901
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	9.924.063	26.493.497
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	97.611.228	93.600.058
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.495.735.075	3.496.293.546
G) OFF BALANCE SHEET ITEMS	108	2.212.151.466	2.074.059.355
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.712.731.787	1.773.089.893
2. Attributable to minority interest	110	224.477.040	226.453.384

Income statement
period 1.1.2012. to 30.09.2012.

Company: Končar -Electrical Industry Inc.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	1.699.769.763	568.678.479	1.834.651.532	679.003.888
1. Rendering of services	112	1.643.132.975	548.276.351	1.695.599.555	589.456.546
2. Other operating income	113	56.636.788	20.402.128	139.051.977	89.547.342
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	1.662.775.303	559.026.009	1.761.556.065	649.413.921
1. Change in inventories of work in progress	115	-16.788.626	12.631.124	-95.017.784	-1.077.989
2. Material expenses (117 do 119)	116	1.091.593.138	366.220.605	1.223.111.865	410.253.326
a) Costs of raw materials	117	836.008.378	274.520.800	973.575.334	312.091.994
b) Cost of goods sold	118	81.746.603	29.736.501	79.784.934	34.006.565
c) Other material expenses	119	173.838.157	61.963.304	169.751.597	64.154.767
3. Employee benefits expenses (121 do 123)	120	334.834.281	102.891.463	334.584.903	110.584.928
a) Net salaries	121	190.995.161	58.299.141	190.730.383	63.643.514
b) Tax and contributions from salary expenses	122	101.498.274	30.017.311	100.384.634	32.512.431
c) Contributions on salary	123	42.340.846	14.575.011	43.469.886	14.428.983
4. Depreciation and amortisation	124	56.990.425	18.929.635	52.183.096	17.425.277
5. Other expenses	125	144.655.914	50.645.775	143.730.414	46.555.031
6. Write down of assets (127+128)	126	3.292.793	1.022.613	64.431.442	55.089.420
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	3.292.793	1.022.613	64.431.442	55.089.420
7. Provisions	129	43.899.284	5.166.195	21.175.138	7.874.090
8. Other operating costs	130	4.298.094	1.518.599	17.356.991	2.709.838
III. FINANCIAL INCOME (132 do 136)	131	57.493.975	21.978.063	38.539.931	16.174.597
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	1.322.412	369.898	676.210	296.426
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	53.515.959	19.755.477	35.872.925	15.303.915
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	0	0	121.717	64.481
5. Other financial income	136	2.655.604	1.852.688	1.869.079	509.775
IV. FINANCIAL EXPENSES (138 do 141)	137	43.167.120	14.398.921	31.979.098	11.853.031
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	1.325.837	361.692	694.895	325.473
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	41.244.255	13.985.662	31.281.703	11.527.558
3. Unrealised losses (expenses) from financial assets	140	395.451	0	0	0
4. Other financial expenses	141	201.577	51.567	2.500	0
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	65.192.489	17.083.580	42.217.020	12.829.296
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+144)	146	1.822.456.227	607.740.122	1.915.408.483	708.007.781
X. TOTAL EXPENSES (114+137+143+145)	147	1.705.942.423	573.424.930	1.793.535.163	661.266.952
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	116.513.804	34.315.192	121.873.320	46.740.829
1. Profit before taxes (146-147)	149	116.513.804	34.315.192	121.873.320	46.740.829
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	15.426.492	5.578.052	13.458.464	2.927.473
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	101.087.312	28.737.140	108.414.856	43.813.356
1. Profit for the period (149-151)	153	101.087.312	28.737.140	108.414.856	43.813.356
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	81.124.419	21.937.183	89.431.244	39.879.321
2. Attributable to minority interest	156	19.962.893	6.799.957	18.983.612	3.934.035
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	101.087.312	28.737.140	108.414.856	43.813.356
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO	158	73.621	-38.276	-19.716	-97.060
1. Exchange differences from international settlement	159	73.621	-38.276	-19.716	-97.060
2. Changes in revaluation reserves of long-term tangible and	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	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO	167	73.621	-38.276	-19.716	-97.060
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	101.160.933	28.698.864	108.395.140	43.716.296
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	81.198.040	22.003.603	89.411.528	39.782.261
2. Attributable to minority interest	170	19.962.893	6.695.261	18.983.612	3.934.035

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2012. to 30.09.2012.

Legal entity: Končar Electrical Industry INC.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash receipts from customers	001	1.903.670.019	1.864.032.575
2. Cash receipts from royalties, fees, commissions, etc.	002	638.000	0
3. Cash receipts from insurance for damages compensation	003	8.018.310	41.289.624
4. Cash receipts arising from tax refunds	004	129.581.890	165.660.096
5. Other cash receipts	005	57.530.149	41.702.936
I. Total increase in cash flow from operating activities (001 to 005)	006	2.099.438.368	2.112.685.231
1. Cash paid to suppliers	007	1.428.152.475	1.560.925.415
2. Cash paid to employees	008	421.156.165	428.907.395
3. Cash outflows for insurance for damages compensation	009	5.317.265	5.660.067
4. Interest paid	010	8.900.005	12.018.682
5. Tax paid	011	114.811.562	150.075.357
6. Other cash outflows	012	100.842.760	93.845.931
II. Total decrease in cash flow from operating activities (007 to 012)	013	2.079.180.232	2.251.432.847
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	20.258.136	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	015	0	138.747.616
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	016	2.510.228	4.686.123
2. Cash inflows from sale of equity and debt financial instruments	017	3.572.891	5.800.864
3. Interest receipts	018	0	0
4. Dividend receipts	019	76.392.356	1.529.617
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	82.475.475	12.016.604
1. Cash outflows for purchase of long - term tangible and intangible assets	022	49.575.010	79.859.396
2. Cash outflows for purchase of equity and debt financial instruments	023	6.457.010	4.000.000
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	56.032.020	83.859.396
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	26.443.455	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	0	71.842.792
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	36.344.893	138.096.250
3. Other cash inflows from financing activities	030	131.637.539	222.815.797
V. Total cash inflows from financing activities (028 to 030)	031	167.982.432	360.912.047
1. Cash outflows for repayment of loans and bonds	032	66.238.854	69.053.690
2. Dividends paid	033	49.132.501	47.790.184
3. Cash outflows for finance lease	034	0	0
4. Cash outflows for purchase of own stocks	035	10.353.987	416.521
5. Other cash outflows from financing activities	036	164.846.565	98.456.741
VI. Total cash outflows from financing activities (032 to 036)	037	290.571.907	215.717.136
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	145.194.911
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	122.589.475	0
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	0	0
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	75.887.884	65.395.497
Cash and cash equivalents at the beginning of period	042	580.365.351	319.420.075
Decrease in cash and cash equivalents	043	0	0
Increase in cash and cash equivalents	044	75.887.884	65.395.497
Cash and cash equivalents at the end of period	045	504.477.467	254.024.578

STATEMENT OF CHANGES IN EQUITY

period 1.1.2012 to 30.9.2012

Legal entity: Končar Electrical Industry INC.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.150.319.400	1.150.319.400
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	315.045.708	394.618.800
4. Retained earnings or loss carried forward	004	278.886.453	345.470.642
5. Net profit or loss for the period	005	192.237.687	108.414.856
6. Revaluation of tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of available for sale assets	008	0	0
9. Other revaluation	009	0	0
10. Total equity and reserves (AOP 001 to 009)	010	1.937.208.827	1.999.543.277
11. Foreign exchange differences from foreign investments	011	199.297	-19.716
12. Current and deferred taxes	012	0	0
13. Cash flow hedge	013	0	0
14. Change of accounting policies	014	0	0
15. Correction of significant mistakes of prior period	015	1.437.178	0
16. Other changes	016	141.396.991	62.354.166
17. Total increase or decrease of equity (AOP 011 to 016)	017	143.033.466	62.334.450
17 a. Attributable to majority owners	018	132.944.166	60.358.106
17 b. Attributable to minority interest	019	10.089.300	1.976.344

Notes to the consolidated financial reports

Taxpayer: 03282635 Končar Electrical Industry INC.

1. Distribution of shares

There has been no distribution of shares.

2. Earnings per share

Earnings per share for the period January - September 2012 are HRK 34.77 and are higher than earnings per share during the same period of the previous year by HRK 3.23.

3. Changes in ownership structure

Compared to the previous trimestre, there have been no significant changes in the top ten shareholders.

4. Mergers and acquisitions

There have been no new mergers and acquisitions.

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

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

6. Business results

During the period January - September 2012, as opposed to the same period of the previous year, revenues increased by 5.1 per cent, while operational revenues, which make up for 95.8 per cent of the total revenues, increased by 7.9 per cent. Total expenses increased by 5.1 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 98.2 per cent of the total expenses, increased by 5.9 per cent. Financial income and income from investment into affiliated companies decreased by 34.2 per cent compared to the same period of last year. Financial expenses decreased by 25.9 per cent in comparison with the same period of the previous year.

7. Products and services description

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

8. Operating and other costs

For the period January - September of the year 2012, in comparison with the same period of last year, the share of material expenses, depreciation and amortisation, cost of provisions and other expenses in the total revenue decreased by 1.0 percentage point, the share of employees expenses decreased by 2.0 percentage points, expenses of values adjustment rose by 3.0 percentage points, the share of other expenses increased by 1.0 percentage point.

9. Profit or loss

Consolidated Group profits after tax increased by 7.2 per cent compared to the same period of the previous year. The Group's net profit subscribed to the parent capital holders for the period January - September of the year 2012 amounts to HRK 89.43 million, which is an increase of HRK 8.31 million compared to the same period of the previous year. Of the 21 companies comprising the Končar Group, five companies declared a loss in the amount of HRK 25.74 million, of which HRK 22.6 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the third trimester of 2012, as opposed to the beginning of the year, decreased by HRK 65.40 million. The mentioned decrease is the result of investments in non-current tangible assets and dividends paid.

11. Other notes

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