

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT
JANUARY – DECEMBER, 2013 (Non-audited Financial Statements)**

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 Statues 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 HRK 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:

1.1.2013

to

31.12.2013

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.hr**Internet address: **www.koncar.hr**Code and name of comune/town **133** **ZAGREB**Code and county name **21** **GRAD ZAGREB**Number of employees **3.780**

(at quarter end)

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

Subsidiaries subject to consolidation (according to IFRS

in appendix

Registration number:

Končar - Energetika i usluge d.o.o	Zagreb	1343068
Končar - Institut za elektrotehniku d.d.	Zagreb	3645363
Končar - Elektronika i informatika d.d.	Zagreb	3282899
Končar - Mali električni strojevi d.d.	Zagreb	3282678
Končar - Generatori i motori d.d.	Zagreb	1356216
Končar - Obnovljivi izvori d.o.o.	Zagreb	2435071
Končar - Mjerni transformatori d.d.	Zagreb	3654656
Končar - Distributivni i specijalni transform. d.d.	Zagreb	3654664
Končar - Električni aparati srednjeg napona d.d.	Zagreb	3641287
Končar - Električna vozila d.d.	Zagreb	3282660
Končar - Sklopna postrojenja d.d.	Sesvetski Kraljevec	3641279
Končar - Kućanski aparati d.o.o.	Zagreb	1403222
Končar - Električni visokonaponski aparati d.d.	Zagreb	3641252
Končar - Niskonaponske sklopke i prekidači d.o.o.	Zagreb	3228398
Končar - Ugostiteljska oprema d.d.	Zagreb	3788717
Končar - Alati d.d.	Zagreb	3672468
Končar - Montažni inženjering d.d.	Zagreb	3654362
Končar - Inženjering za energetiku i transport d.d.	Zagreb	3654354
Končar - Metalne konstrukcije d.d.	Zagreb	1114328
Kones AG	Zurich, Switzerland	

Book keeping service:

Contact person: **BRANKA VELKOVSKI**

(fill in only surname and name of contact person)

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

(authorised person for representation)

Disclosure documents:

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

M.P.

(signed by authorised person for representation)

Balance Sheet
as of 31.12.2013.

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	1.478.441.134	1.475.990.085
I. INTANGIBLE ASSETS (004 do 009)	003	33.926.181	36.473.548
1. Expenditure for development	004	7.640.875	13.001.854
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	5.041.108	6.677.419
3. Goodwill	006	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	8.796.798
6. Other intangible assets	009	387.016	350.859
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.157.484.397	1.151.527.581
1. Land	011	158.130.608	163.137.622
2. Buildings	012	351.183.758	396.947.119
3. Plant and equipment	013	221.163.585	391.896.532
4. Tools, working inventory and transportation assets	014	74.386.781	75.522.390
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	7.570.446	14.571.143
7. Tangible assets in progress	017	251.691.275	16.088.173
8. Other tangible assets	018	690.173	1.441.064
9. Investment in real-estate	019	92.667.771	91.923.538
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	260.282.408	265.339.052
1. Share in related parties	021	293.704	289.396
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	811.316	811.316
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	4.201.213	4.444.443
6. Loans, deposits, etc.	026	1.421.275	992.500
7. Other non-current financial assets	027	0	537.318
8. Equity-accounted investments	028	253.554.900	258.264.079
IV. RECEIVABLES (030 do 032)	029	26.748.148	22.649.904
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	4.843.696	3.245.960
3. Other receivables	032	21.904.452	19.403.944
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	2.046.990.313	1.982.905.789
I. INVENTORIES (036 do 042)	035	490.649.906	483.372.275
1. Raw materials and supplies	036	263.182.329	232.689.566
2. Production in progress	037	119.290.512	145.359.230
3. Finished products	038	74.443.322	52.002.919
4. Merchandise	039	11.124.204	10.978.029
5. Advances for inventories	040	8.395.612	36.382.531
6. Long term assets held for sale	041	14.213.927	5.960.000
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	948.121.448	748.559.736
1. Receivables from related parties	044	14.454.628	64.650.324
2. Receivables from end-customers	045	822.939.856	618.571.629
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	1.161.560	1.786.926
5. Receivables from government and other institutions	048	31.671.151	31.615.561
6. Other receivables	049	77.894.253	31.935.296
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	196.551.197	302.041.342
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	301.072.531
7. Other financial assets	057	0	968.811
IV. CASH AND CASH EQUIVALENTS	058	411.667.762	448.932.436
D) PREPAYMENTS AND ACCRUED INCOME	059	5.828.902	8.161.746
E) TOTAL ASSETS (001+002+034+059)	060	3.531.260.349	3.467.057.620
F) OFF BALANCE SHEET ITEMS	061	2.330.786.248	2.152.544.638

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.067.942.691	2.175.988.065
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	265.600	3.237.716
3. Treasury shares and shares (deductible items)	068	265.600	3.237.716
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
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	349.004.034	352.517.362
1. Retained earnings	073	349.004.034	352.517.362
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	150.536.186	133.526.532
1. Net profit for the period	076	150.536.186	133.526.532
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	234.610.125	243.235.035
B) PROVISIONS (080 do 082)	079	417.453.051	341.297.176
1. Provisions for pensions, severance pay and similar liabilities	080	24.519.744	24.225.337
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	392.933.307	317.071.839
C) NON-CURRENT LIABILITIES (084 do 092)	083	246.081.105	205.994.831
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	510.000	184.308
3. Liabilities to banks and other financial institutions	086	245.571.105	205.716.080
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	94.443
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	708.446.463	615.590.999
1. Liabilities to related parties	094	439.126	2.981.266
2. Liabilities for loans, deposits, etc.	095	510.000	340.000
3. Liabilities to banks and other financial institutions	096	101.666.247	94.320.256
4. Liabilities for advances	097	131.632.451	141.928.975
5. Trade payables	098	349.504.869	304.885.430
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	31.245.182	31.942.892
9. Taxes, contributions and similar liabilities	102	55.406.556	33.003.928
10. Liabilities arising from share in the result	103	226.041	474.678
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	37.815.991	5.713.574
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	91.337.039	128.186.549
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.531.260.349	3.467.057.620
G) OFF BALANCE SHEET ITEMS	108	2.330.786.248	2.152.544.638
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.833.332.566	1.932.753.030
2. Attributable to minority interest	110	234.610.125	243.235.035

Income statement
period 1.1.2013. to 31.12.2013.

Company: Končar -Electrical Industry Inc.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	2.743.938.551	909.287.019	2.733.505.569	812.192.642
1. Rendering of services	112	2.441.558.354	745.958.799	2.513.891.299	753.977.422
2. Other operating income	113	302.380.197	163.328.220	219.614.270	58.215.220
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	2.649.072.512	887.516.447	2.619.954.977	785.097.528
1. Change in inventories of work in progress	115	-34.073.424	60.944.360	10.492.985	26.572.822
2. Material expenses (117 do 119)	116	1.788.287.513	517.975.648	1.663.949.069	489.193.137
a) Costs of raw materials	117	1.339.875.585	366.300.251	1.267.801.121	369.963.075
b) Cost of goods sold	118	117.298.012	37.513.078	103.814.869	33.653.495
c) Other material expenses	119	331.113.916	114.162.319	292.333.079	85.576.567
3. Employee benefits expenses (121 do 123)	120	473.601.605	139.016.702	493.907.340	137.083.118
a) Net salaries	121	267.450.407	76.720.024	278.470.955	74.391.390
b) Tax and contributions from salary expenses	122	142.244.327	41.859.693	150.803.326	40.989.598
c) Contributions on salary	123	63.906.871	20.436.985	64.633.059	21.702.130
4. Depreciation and amortisation	124	70.115.355	17.932.259	82.584.800	22.232.680
5. Other expenses	125	129.879.518	33.349.104	210.048.753	56.623.407
6. Write down of assets (127+128)	126	139.517.768	75.086.326	38.427.481	11.452.538
a) non-current assets (except financial assets)	127	15.353.422	15.353.422	19.574.927	0
b) current assets (except financial assets)	128	124.164.346	59.732.904	18.852.554	11.452.538
7. Provisions	129	60.434.523	39.259.385	107.148.471	39.456.228
8. Other operating costs	130	21.309.654	3.952.663	13.396.078	2.483.598
III. FINANCIAL INCOME (132 do 136)	131	71.574.277	33.034.346	68.058.867	27.374.171
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	6.558	6.558	3.634.293	2.620.286
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	71.038.719	32.620.505	63.110.220	24.406.194
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	529.000	407.283	530.354	347.691
5. Other financial income	136	0	0	784.000	0
IV. FINANCIAL EXPENSES (138 do 141)	137	46.227.983	14.248.885	51.176.122	12.024.501
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	37.828	11.562	982.102	70.672
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	45.188.308	13.235.476	49.054.076	10.967.253
3. Unrealised losses (expenses) from financial assets	140	1.001.847	1.001.847	999.932	968.174
4. Other financial expenses	141	0	0	140.012	18.402
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	79.806.388	37.589.368	47.238.783	14.967.817
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+144)	146	2.895.319.216	979.910.733	2.848.803.219	854.534.630
X. TOTAL EXPENSES (114+137+143+145)	147	2.695.300.495	901.765.332	2.671.131.099	797.122.029
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	200.018.721	78.145.401	177.672.120	57.412.601
1. Profit before taxes (146-147)	149	200.018.721	78.145.401		
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	21.667.232	8.208.768	15.557.898	701.339
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	178.351.489	69.936.633	162.114.222	56.711.262
1. Profit for the period (149-151)	153	178.351.489	69.936.633	162.114.222	56.711.262
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	150.536.186	61.104.942	133.526.532	47.708.271
2. Attributable to minority interest	156	27.815.303	8.831.691	28.587.690	9.002.991
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	178.351.489	69.936.633	162.114.222	56.711.262
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 167)	158	71.263	90.979	-14.870	23.267
1. Exchange differences from international settlement	159	71.263	90.979	-14.870	23.267
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 167)	167	71.263	90.979	-14.870	23.267
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	178.422.752	70.027.612	162.099.352	56.734.529
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	61.195.921	133.511.662	47.731.538
2. Attributable to minority interest	170	27.815.303	8.831.691	28.587.690	9.002.991

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2013. to 31.12.2013.

Legal entity: Končar Electrical Industry INC.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash receipts from customers	001	2.649.989.202	3.000.314.831
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	73.910.039	18.835.618
4. Cash receipts arising from tax refunds	004	209.001.795	131.336.421
5. Other cash receipts	005	68.550.988	71.861.551
I. Total increase in cash flow from operating activities (001 to 005)	006	3.001.452.024	3.222.348.421
1. Cash paid to suppliers	007	2.146.503.883	2.024.343.247
2. Cash paid to employees	008	581.734.988	573.545.511
3. Cash outflows for insurance for damages compensation	009	10.550.569	13.120.575
4. Interest paid	010	15.810.989	16.505.575
5. Tax paid	011	199.846.182	166.799.702
6. Other cash outflows	012	132.562.656	133.037.642
II. Total decrease in cash flow from operating activities (007 to 012)	013	3.087.009.267	2.927.352.252
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	294.996.169
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	3.063.452
2. Cash inflows from sale of equity and debt financial instruments	017	1.804.126	1.541.159
3. Interest receipts	018	0	
4. Dividend receipts	019	73.601.566	1.681.790
5. Other cash inflows from investing activities	020		0
III. Total cash inflows from investing activities(016 to 020)	021	80.699.585	6.286.401
1. Cash outflows for purchase of long - term tangible and intangible assets	022	122.817.115	60.764.148
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	118.157
IV. Total cash outflows from investing activities (022 to 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	57.174.024
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	028	0	1.430
2. Cash inflows from loans, debentures, credits and other borrowings	029	187.133.090	24.372.971
3. Other cash inflows from financing activities	030	333.846.275	377.105.094
V. Total cash inflows from financing activities (028 to 030)	031	520.979.365	401.479.495
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	11.648.805
5. Other cash outflows from financing activities	036	151.834.625	473.828.676
VI. Total cash outflows from financing activities (032 to 036)	037	300.473.905	602.036.966
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	200.557.471
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	92.247.687	37.264.674
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	0	0
Cash and cash equivalents at the beginning of period	042	319.420.075	411.667.762
Decrease in cash and cash equivalents	043	92.247.687	37.264.674
Increase in cash and cash equivalents	044		
Cash and cash equivalents at the end of period	045	411.667.762	448.932.436

STATEMENT OF CHANGES IN EQUITY

period 1.1.2013 to 31.12.2013

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	1.130.756.740
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	390.596.965	515.654.172
4. Retained earnings or loss carried forward	004	347.955.258	366.743.352
5. Net profit or loss for the period	005	178.351.489	162.114.222
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	2.067.942.691	2.175.988.065
11. Foreign exchange differences from foreign investments	011	71.263	-14.870
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	-67.854	0
16. Other changes	016	130.730.455	108.060.244
17. Total increase or decrease of equity (AOP 011 to 016)	017	130.733.864	108.045.374
17 a. Attributable to majority owners	018	120.600.779	99.420.464
17 b. Attributable to minority interest	019	10.133.085	8.624.910

Notes to the consolidated financial reports

Taxpayer: 03282635 Končar Electrical Industry INC.

1. Distribution of shares

There was no awarding of shares.

2. Earnings per share

The achieved earning per share for the period January – December, 2013 amounts to HRK 51.91 and it is lower than the earning per share for the same time period of the previous year by HRK 6.62.

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

Incomes from sales (making 88.2 % of the total incomes) generated during the time period January – December, 2013 are higher by 3 %, operating incomes (making 96 % of the total incomes) are lower by 0.4 %, while the total incomes are lower by 1.6 % compared to the same time period of the previous year. The total revenues are lower by 0.9 % and the operating revenues, including stock changes and making 98.1 % of the total revenues, are lower by 1.1 % compared to the same time period of the previous year. Financial incomes and incomes from investments into associated companies are lower by 33.8 % compared to the same time period of the previous year. Financial revenues are higher by 10.7 % compared to the same time 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

The share of the costs for the personnel in the total income during the time period January to December, 2013 was increased by 1.1 per cent point, amortisation by 0.5 per cent points, the share of costs for provisions by 1.7 per cent points and the share of other costs and revenues by 2.7 per cent points, while the share of material costs was decreased by 3.1 per cent points and the costs of the value adjustment by 3.7 per cent points compared to the same time period of the previous year.

9. Profit or loss

The profit of the Group after tax is lower by 9.1 % compared to the achievement generated during the same time period of the previous year. The Group net profit belonging to the Mother Company shareholders for the time period January – December, 2013 amounts to HRK 133.53 million making it lower by 17,01 million compared to the same period of the previous year and Higher by 15.8 than planned. Out of 21 Končar Group Companies, five companies expressed losses in the amount of HKR 51.54 million that belong completely to the Mother Company shareholders.

10. Solvency

Cash and cash equivalents were higher by HRK 37.26 million at the end of the fourth quarter of 2013 compared to the beginning of the year. The stated increase resulted from the increased cash inflows from operating activities.

11. Other notes

During 2013 a simplified decrease of the capital was performed in six Končar Group Companies to cover transferred losses in the amount of HRK 241.39 million out of which HRK 223.05 million belonged to the Mother Company shareholders.

The Mother Company simultaneously injected fresh capital in the amount of HRK 40.44 million into two companies.

Within the restructuring plan of the Company Končar - Kućanski aparati d.o.o. (Končar – Household Appliances Ltd.)

the decision was reached to stop manufacturing of cooking stoves and water heaters.