

JANUARY – JUNE 2013 MANAGING BOARD REPORT

The KONČAR Group consists of KONČAR – ELECTRICAL INDUSTRY Inc. as the Mother Company and 20 dependent companies in which the Mother Company has a prevailing influence (more than 50 % of votes at the Annual General Meeting). In addition to ordinary shares, preferred shares are also registered for a part of companies. Besides, the Mother Company has a minority managing influence (49 % of votes at the Annual General Meeting) in a company (the associated company).

Within the frames of the Group, Companies are independent from the legal point of view, while the Mother Company supervises and directs them strategically through company supervisory boards in accordance with the Company Law and the Statutes of KONČAR – ELECTRICAL INDUSTRY Inc. and Statutes of each individual Company. The Mother Company manages a part of the assets not invested into Group Companies, but nevertheless engaged directly or indirectly having the function of a financial support to sales of products and equipment of connected companies as the credit, guarantee or warranty potential.

The potential liability of Končar – Electrical Industry Inc. visible in the total issued warranties on 30st June, 2013 amounted to HRK 624,8 million representing an increase compared to 31st December, 2012 in the amount of HRK 0,9 million. The amount of HRK 401,1 million represents good performance guarantees.

The Company has formed noncurrent reservations in the amount of HRK 80.5 million for the potential guaranty and warranty liability.

The Končar Group business activities are divided into following business areas:

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

Managing Board

The Supervisory Board appoints and recalls the president and members of the Managing Board. The term of office of the president and members of the Managing Board is 5 years. After expiry of the term of office, they can be reappointed. Pursuant the Company Law and the Statutes of the Company, the Managing Board manages the Company at its own responsibility and it is obliged and authorised to perform all the activities and to reach all the decisions it considers necessary for a successful managing of the Company. The Supervisory Board consent is required for certain decisions prescribed by the Statutes.

The following Managing Board manages the Company Končar – Electrical Industry Inc.:

Darinko Bago	Managing Board President
Marina Kralj Miliša	Managing Board Member in charge of general, legal and personnel affairs
Jozo Miloloža	Managing Board Member in charge of finances
Davor Mladina	Managing Board Member in charge of transmission and distribution of electric power, industry and trade
Miroslav Poljak	Managing Board Member in charge of generation of electric power, corporative development and ICT

Supervisory Board

Pursuant provisions of the Company Law and the Statutes of KONČAR – Electrical Industry Inc., the Annual General Meeting reaches the decisions on appointment and recall of the Supervisory Board. The Supervisory Board is responsible for appointment and recall of Management Board members and for the supervision of

Končar - Elektroindustrija d.d., Fallerovo šetalište 22, 10000 Zagreb, Hrvatska, www.koncar.hr

management of the Company. The Supervisory Board consent is required for more significant transactions and business decisions (the amount of the transaction is defined in the Supervisory Board Rules of Procedure and Statutes of dependant companies).

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

January – June 2013 Končar Group Business Report

During the period January - June of 2013, the Končar Group Companies generated the total consolidated incomes in the amount of HRK 1.294,3 million making them higher by 7.2% than the achievement of the same time period of the previous year. The total expenditures for the same time period were made in the amount of HRK 1.226,4 million. The Group consolidated profits before tax were generated in the amount of HRK 67.9 million. The profit tax advance was calculated in the amount of HRK 9.4 million and the profits after tax amount to HRK 58.5 million. Out of the stated amount HRK 13.8 million belong to the non-controlling interest (minority interest), while HRK 44.7 million belong to the Group Mother Company shareholders.

Operating incomes were achieved in the amount of HRK 1.255,3 million, out of which amount HRK 1.211,2 million or 96.4 % of the total operating incomes belongs to the sales of products and services, HRK 16.7 million belongs to the provisions credited to income statements and HRK 27.4 million to other operating incomes.

Operating expenses were realised in the amount of HRK 1.198,8 million. Within the frames of operating expenses, material costs were realised in the amount of HRK 811.6 million. The majority part of the material costs belongs to the costs for raw materials and consumables that amount to HRK 635,9 million and they are lower by 3,7 % compared to the same time period of the previous year. Personnel costs were achieved in the amount of HRK 278.6 million, depreciation and non-current assets value adjustment amount to HRK 38.6 million.

The difference between the operating incomes and the operating expenses makes the profit from the operating activities in the amount of HRK 56.5 million.

The share in the profit of the associated entrepreneur amounts to HRK 18.5 million and it is lower by HRK 10.9 million compared to the achievement for the time period January – June 2012.

The financial incomes were achieved in the amount of HRK 20.5 million and financial expenses in the amount of HRK 27.6 million. The negative difference between financial incomes and expenses amounts to HRK 7.1 million.

The operating profit in the amount of HRK 56.5 million, the share in profits of the associated entrepreneur in the amount of HRK 18.5 million and the negative difference between the financial incomes and expenditures in the amount of HRK 7.1 million make the consolidated profit before tax in the amount of HRK 67.9 million.

Out of 21 Končar Group Companies, 17 companies achieved positive business results, while four companies expressed a loss in the total amount of HRK 11.3 million.

The consolidated sales of goods and services were achieved in the amount of HRK 1.211,2 million and they are higher by 9.5 % than the achieved in the same time period during the year of 2013. On the domestic market the sales of products and services were generated in the amount of HRK 588.4 million that is higher

by 7.7% than the achieved during the January - June 2012. The generated income of sales of products and services in export was HRK 622.8 million or 11.4% higher than the achievement of January – June, 2012.

The structure of sales of products and services on the domestic market shows that sales of products and services to the Croatian Power Authority (HEP) amount to HRK 228.6 million or 38.8 per cent of the total sales of products and services on the domestic market. Products in the amount of HRK 105 million were delivered to trading companies, in the amount of HRK 80.6 million or 13.7 per cent of the total sales of products in Croatia were delivered to companies belonging to the area of industry and ship building, in the amount of HRK 56 million were delivered to INA (Croatian Oil company), THT and Plinacro, HRK 35.7 million to ZET (Zagreb Electric Tram), HRK 42.7 million to HŽ (Croatian Railways) and the rest amount of HRK 39.8 million belong to the State and Local Administration, buyers from the area of civil engineering and not allocated buyers.

On the foreign market the income from sales of products and services for the time period January – June, 2013 amounted to HRK 622.8 million and they were higher by 11.4 % compared to the achievement of the same time period of the previous year. The most important export was made to Sweden in the amount of HRK 68.1 million, Bosnia and Herzegovina in the amount of HRK 58.9 million, Germany in the amount of HRK 54.8 million, Finland in the amount of HRK 41.2 million and Austria in the amount of 31.1 million.

During the time period January – June, 2013, the exports in the amount of HRK 336.1 million were generated. Raw materials and consumables were imported in the amount of HRK 330.5 million and the investment purchases amounted to HRK 5.6 million. For the same time period of this year, the incomes from sales of products and services in export amounted to HRK 622.8 million. The export import coverage coefficient is 1.9.

During the second quarter of 2013 the Končar Group Companies contracted new projects in the amount of HRK 1.247,2 million making it higher by HRK 84.4 million or by 7.3% compared to the value of the projects contracted during the same time period of the previous year. Out of the total contracted projects 48 % was contracted for the domestic market and 52 % for the foreign market. HRK 897.6 million of contracted projects will be performed in 2013 and HRK 349.6 million of contracted projects will be performed in 2014 and following years.

At the end of June, 2013, the status of contracted projects (open liabilities) amounted to HRK 2,241.8 million making it higher by 1.6 % than the contracted projects at the beginning of the year.

The total consolidated assets of the Končar Group as of 30st June, 2013 amount to HRK 3,480.9 million. Within the asset resource structure, registered capital, reserves, retained profits, profits of the current year and non-controlling interest amount to HRK 2,078.2 million or by HRK 10.3 million higher compared to the status on 31st December, 2012 and they make 59.7 % of the total resources.

Non-current asset resources (capital, non-current reserves and non-current liabilities) are higher by HRK 464.6 million than the non-current assets and the average status of the inventories showing a good term structure of asset resources. Current assets are 3.2 times higher than the current liabilities showing a good liquidity of the system. The consolidated balance sheet structure shows good financial stability of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

25th July, 2013

**STATEMENT OF PERSONS IN CHARGE OF
KONČAR CONSOLIDATED FINANCIAL REPORT COMPILATION**

This Statement of the Managing Board of Končar – Electrical Industry Inc., Zagreb is made regarding compilation and publication of consolidated financial reports of the Končar Group for the time period January – June, 2013.

Financial reports are made in accordance with the Croatian Accounting Law in force on the date of publishing of those financial reports and in accordance of International Financial Reporting standards.

Pursuant our best knowledge, these Consolidated Financial Reports give a whole and true reflection of the Balance Sheet, Profit and Loss Account, Cash Flow and Capital Change Report of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

25th June, 2013

- Note:

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

Contact persons:

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Appendix 1			
Reporting period:	1.1.2013	to	30.6.2013
Quarterly financial report of entrepreneur TFI-POD			
Registration number (MB)	03282635		
Identification number of subject (MBS)	080040936		
Personal identification number (OIB)	45050126417		
Issuer company:	KONČAR - ELECTRICAL INDUSTRY Inc.		
Postal code and place	10000	ZAGREB	
Street and number	FALLEROVO ŠETALIŠTE 22		
E-mail address:	koncar.finance@koncar.hr		
Internet address:	www.koncar.hr		
Code and name of comune/town	133	ZAGREB	
Code and county name	21	GRAD ZAGREB	Number of employees
			3.829
			(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 30.6.2013.			
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	1.504.710.746
I. INTANGIBLE ASSETS (004 do 009)	003	33.926.181	36.368.482
1. Expenditure for development	004	7.640.875	15.653.612
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	5.041.108	5.705.131
3. Goodwill	006	7.500.898	7.430.528
4. Advances for purchase of intangible assets	007	477.797	19.044
5. Intangible assets in progress	008	12.878.487	7.171.813
6. Other intangible assets	009	387.016	388.354
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.157.484.397	1.162.773.379
1. Land	011	158.130.608	158.394.188
2. Buildings	012	351.183.758	393.029.407
3. Plant and equipment	013	221.163.585	244.720.661
4. Tools, working inventory and transportation assets	014	74.386.781	84.452.467
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	7.570.446	12.305.084
7. Tangible assets in progress	017	251.691.275	176.058.349
8. Other tangible assets	018	690.173	1.889.685
9. Investment in real-estate	019	92.667.771	91.923.538
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	260.282.408	278.793.120
1. Share in related parties	021	293.704	289.395
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	811.316	868.388
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	4.201.213	3.921.424
6. Loans, deposits, etc.	026	1.421.275	992.500
7. Other non-current financial assets	027	0	683.761
8. Equity-accounted investments	028	253.554.900	272.037.652
IV. RECEIVABLES (030 do 032)	029	26.748.148	26.775.765
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	17.673.567	17.354.179
3. Other receivables	032	9.074.581	9.421.586
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	2.046.990.313	1.962.970.028
I. INVENTORIES (036 do 042)	035	490.649.906	567.802.142
1. Raw materials and supplies	036	263.182.329	260.080.073
2. Production in progress	037	119.290.512	160.689.737
3. Finished products	038	74.443.322	79.974.881
4. Merchandise	039	11.124.204	18.021.582
5. Advances for inventories	040	8.395.612	34.821.942
6. Long term assets held for sale	041	14.213.927	14.213.927
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	948.121.448	798.003.340
1. Receivables from related parties	044	14.454.628	16.456.577
2. Receivables from end-customers	045	822.939.856	707.020.822
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	1.161.560	1.638.641
5. Receivables from government and other institutions	048	31.671.151	27.673.886
6. Other receivables	049	77.894.253	45.213.414
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	196.551.197	302.707.308
1. Share in related parties	051	0	0
2. Loans to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to companies with participating interest	054	0	0
5. Investments in securities	055	0	0
6. Loans, deposits, etc.	056	196.551.197	302.279.962
7. Other financial assets	057	0	427.346
IV. CASH AND CASH EQUIVALENTS	058	411.667.762	294.457.238
D) PREPAYMENTS AND ACCRUED INCOME	059	5.828.902	13.201.573
E) TOTAL ASSETS (001+002+034+059)	060	3.531.260.349	3.480.882.347
F) OFF BALANCE SHEET ITEMS	061	2.330.786.248	2.298.384.985

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.067.942.691	2.078.200.517
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	395.744.782
1. Legal reserves	066	22.449.226	28.138.034
2. Reserve for own shares	067	265.600	0
3. Treasury shares and shares (deductible items)	068	265.600	0
4. Statutory reserves	069	185.426.451	234.561.361
5. Other reserves	070	96.349.490	133.045.387
IV. REVALUATION RESERVES	071		0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	349.004.034	377.138.628
1. Retained earnings	073	349.004.034	377.138.628
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	150.536.186	44.694.346
1. Net profit for the period	076	150.536.186	44.694.346
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	234.610.125	231.055.582
B) PROVISIONS (080 do 082)	079	417.453.051	417.601.488
1. Provisions for pensions, severance pay and similar liabilities	080	24.519.744	11.164.611
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	392.933.307	406.436.877
C) NON-CURRENT LIABILITIES (084 do 092)	083	246.081.105	239.517.689
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	510.000	340.000
3. Liabilities to banks and other financial institutions	086	245.571.105	239.014.308
4. Liabilities for advances	087	0	0
5. Trade payables	088	0	0
6. Commitments on securities	089	0	0
7. Liabilities to companies with participating interest	090	0	0
8. Other non-current liabilities	091	0	163.381
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	708.446.463	630.589.030
1. Liabilities to related parties	094	439.126	0
2. Liabilities for loans, deposits, etc.	095	510.000	340.000
3. Liabilities to banks and other financial institutions	096	101.666.247	79.911.500
4. Liabilities for advances	097	131.632.451	135.029.471
5. Trade payables	098	349.504.869	337.904.488
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	34.236.730
9. Taxes, contributions and similar liabilities	102	55.406.556	29.716.140
10. Liabilities arising from share in the result	103	226.041	1.644.601
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	37.815.991	11.806.100
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	91.337.039	114.973.623
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.531.260.349	3.480.882.347
G) OFF BALANCE SHEET ITEMS	108	2.330.786.248	2.298.384.985
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.833.332.566	1.847.144.935
2. Attributable to minority interest	110	234.610.125	231.055.582

Income statement					
period 1.1.2013. to 30.6.2013.					
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	1.155.647.644	621.320.825	1.255.297.997	693.409.629
1. Rendering of services	112	1.106.143.009	588.073.795	1.211.604.811	667.937.831
2. Other operating income	113	49.504.635	33.247.030	43.693.186	25.471.798
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	1.112.142.144	601.470.877	1.198.759.227	649.709.909
1. Change in inventories of work in progress	115	-93.939.795	283.608	-27.993.900	11.261.588
2. Material expenses (117 do 119)	116	812.858.539	400.640.834	811.611.728	419.497.236
a) Costs of raw materials	117	661.483.340	316.252.539	635.890.015	320.808.810
b) Cost of goods sold	118	45.778.369	27.518.066	42.390.980	24.603.226
c) Other material expenses	119	105.596.830	56.870.229	133.330.733	74.085.200
3. Employee benefits expenses (121 do 123)	120	223.999.975	111.597.380	242.261.606	123.638.172
a) Net salaries	121	127.086.869	63.135.707	139.663.557	70.510.256
b) Tax and contributions from salary expenses	122	67.872.203	34.768.852	71.796.359	36.747.767
c) Contributions on salary	123	29.040.903	13.692.821	30.801.690	16.380.149
4. Depreciation and amortisation	124	34.757.819	17.113.911	38.641.870	19.577.454
5. Other expenses	125	97.175.383	52.982.696	106.634.951	55.802.249
6. Write down of assets (127+128)	126	9.342.022	1.771.459	3.021.780	2.085.271
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	9.342.022	1.771.459	3.021.780	2.085.271
7. Provisions	129	13.301.048	5.097.732	14.666.420	12.174.340
8. Other operating costs	130	14.647.153	11.983.257	9.914.772	5.673.599
III. FINANCIAL INCOME (132 do 136)	131	22.365.334	11.578.972	20.537.780	12.300.244
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	379.784	-93.708	602.726	266.427
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	20.569.010	11.318.706	18.721.993	11.471.521
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	57.236	21.846	123.946	0
5. Other financial income	136	1.359.304	332.128	1.089.115	562.296
IV. FINANCIAL EXPENSES (138 do 141)	137	20.126.067	7.846.830	27.644.342	20.283.470
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	369.422	-381.520	592.068	268.608
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	19.754.145	8.225.850	26.898.906	19.983.104
3. Unrealised losses (expenses) from financial assets	140	0	0	31.758	31.758
4. Other financial expenses	141	2.500	2.500	121.610	0
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	29.387.724	10.617.194	18.482.752	4.907.142
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	1.207.400.702	643.516.991	1.294.318.529	710.617.015
X. TOTAL EXPENSES (114+137+143+145)	147	1.132.268.211	609.317.707	1.226.403.569	669.993.379
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	75.132.491	34.199.284	67.914.960	40.623.636
1. Profit before taxes (146-147)	149	0	34.199.284	0	0
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	10.530.991	5.894.262	9.363.956	5.052.541
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	64.601.500	28.305.022	58.551.004	35.571.095
1. Profit for the period (149-151)	153	64.601.500	28.305.022	58.551.004	35.571.095
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	49.551.923	20.050.507	44.694.346	29.378.254
2. Attributable to minority interest	156	15.049.577	8.254.515	13.856.658	6.192.841
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	64.601.500	28.305.022	58.551.004	35.571.095
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	77.344	20.349	-229.783	-217.883
1. Exchange differences from international settlement	159	77.344	20.349	-229.783	-217.883
2. Changes in revaluation reserves of long-term tangible and intangible assets	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 companies	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	77.344	20.349	-229.783	-217.883
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	64.678.844	28.325.371	58.321.221	35.353.212
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	49.629.267	20.070.856	44.464.563	29.160.371
2. Attributable to minority interest	170	15.049.577	8.254.515	13.856.658	6.192.841

STATEMENT OF CASH FLOWS - Direct method			
period 1.1.2013. to 30.6.2013.			
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	1.291.365.918	1.507.821.609
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	4.259.077	13.693.154
4. Cash receipts arising from tax refunds	004	102.602.352	71.294.224
5. Other cash receipts	005	28.066.076	30.558.790
I. Total increase in cash flow from operating activities (001 to 005)	006	1.426.293.423	1.623.367.777
1. Cash paid to suppliers	007	1.071.521.755	1.040.509.705
2. Cash paid to employees	008	286.579.964	282.231.388
3. Cash outflows for insurance for damages compensation	009	3.541.032	6.826.334
4. Interest paid	010	8.384.485	7.158.116
5. Tax paid	011	95.941.643	110.117.617
6. Other cash outflows	012	65.731.397	68.738.347
II. Total decrease in cash flow from operating activities (007 to 012)	013	1.531.700.276	1.515.581.507
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	107.786.270
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	015	105.406.853	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	016	1.024.104	2.203.029
2. Cash inflows from sale of equity and debt financial instruments	017	0	234.630
3. Interest receipts	018	0	0
4. Dividend receipts	019	1.055.037	715.571
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	2.079.141	3.153.230
1. Cash outflows for purchase of long - term tangible and intangible assets	022	42.923.988	35.708.955
2. Cash outflows for purchase of equity and debt financial instruments	023	0	100.170
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	42.923.988	35.809.125
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	40.844.847	32.655.895
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	87.359.282	6.496.092
3. Other cash inflows from financing activities	030	208.132.130	86.569.302
V. Total cash inflows from financing activities (028 to 030)	031	295.491.412	93.065.394
1. Cash outflows for repayment of loans and bonds	032	40.511.048	31.825.215
2. Dividends paid	033	12.523	46.267.428
3. Cash outflows for finance lease	034	0	0
4. Cash outflows for purchase of own stocks	035	0	8.411.090
5. Other cash outflows from financing activities	036	87.877.190	198.902.560
VI. Total cash outflows from financing activities (032 to 036)	037	128.400.761	285.406.293
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	167.090.651	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	0	192.340.899
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	20.838.951	0
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	0	117.210.524
Cash and cash equivalents at the beginning of period	042	319.420.075	411.667.762
Decrease in cash and cash equivalents	043	20.838.951	0
Increase in cash and cash equivalents	044	0	117.210.524
Cash and cash equivalents at the end of period	045	340.259.026	294.457.238

STATEMENT OF CHANGES IN EQUITY				
	period	1.1.2013	to	30.6.2013
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	1.142.956.710	
2. Capital reserves	002	719.579	719.579	
3. Reserves from profit	003	390.596.965	495.664.806	
4. Retained earnings or loss carried forward	004	347.955.258	380.308.418	
5. Net profit or loss for the period	005	178.351.489	58.551.004	
6. Revaluation of tangible assets	006	0		
7. Revaluation of intangible assets	007	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	2.078.200.517	
11. Foreign exchange differences from foreign investments	011	71.263	-229.783	
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	10.487.609	
17. Total increase or decrease of equity (AOP 011 to 016)	017	130.733.864	10.257.826	
17 a. Attributable to majority owners	018	120.600.779	13.812.369	
17 b. Attributable to minority interest	019	10.133.085	-3.554.543	

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 - June 2013 are HRK 17.38 and are lower than earnings per share during the same period of the previous year by HRK 1.89.

3. Changes in ownership structure

Compared to the previous trimester the share of Hypo-Alpe-Adria bank Inc./PBZ Croatia Insurance mandatory pension fund rose by 3.54 percentage points, the share of Linteum savjetovanje Ltd. dropped by 3.88 percentage points and the share of Floričić Kristijan dropped by 0.97 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 - June 2013, as opposed to the same period of the previous year, revenues increased by 7.2 per cent, while operational revenues, which make up for 97.0 per cent of the total revenues, increased by 8.6 per cent. Total expenses increased by 8.3 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 97.7 per cent of the total expenses, increased by 7.8 per cent. Financial income and income from investment into affiliated companies increased by 24.6 per cent compared to the same period of last year. Financial expenses increased by 37.4 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 - June of the year 2013, in comparison with the same period of last year, the share of employees expenses in the total revenue increased by 1.0 percentage point, depreciation and amortisation by 0.2 percentage points and the share of other expenses increased by 0.1 percentage point, while the share of material expenses decreased by 1.5 percentage point and the expenses of value adjustment decreased by 0.6 percentage points.

9. Profit or loss

Consolidated Group profits after tax decreased by 9.37 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 - June of the year 2013 amounts to HRK 44.69 million, which is a decrease of HRK 4.86 million compared to the same period of the previous year. Of the 21 companies comprising the Končar Group, four companies declared a loss in the amount of HRK 11.35 million, of which HRK 11.24 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the second trimester of 2013, as opposed to the beginning of the year, decreased by HRK 117.21 million. The mentioned decrease is the result of investments in current assets (inventories) and investment in deposits.

11. Other notes

In the second trimester of the year 2013 simplified decrease of issued capital has been carried out in three companies because of the coverage of loss carried forward in the amount of HRK 135.54 million out of which 128.57 million was subscribed to the parent capital holders. At the same time the mother company made the recapitalization of two companies in the amount of HRK 40.44 million.