

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT  
FOR JANUARY – JUNE, 2014**

The KONČAR Group consists of KONČAR – ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) as the Mother Company and 18 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 30/06/2014 amount to HRK 847.2 million representing an increase by HRK 301.7 million compared to 31/12/2013, out of which HRK 660.2 million belongs to good performance guarantees. The increase refers generally to the joint warranties for projects recently contracted by Končar – Električna vozila (Končar – Electrical Vehicles) for delivery of trains to HŽ – Croatian Railways - Passenger Transport.

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: manufacture of 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.

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 to June, 2014**

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 1.126,5 million for the time period from January to June, 2014 and they are lower by 7 % compared to the achievements during the same time period of the previous year.

Incomes from sales of products and services for January to June, 2014 are lower compared to the plan due to low investment activities in the county as well as in neighbouring countries and due to an uneven dynamic of contracting and deliveries per quarters. Pursuant the assessment of companies generating more significant amounts of incomes from sales of products and services (Končar – Power Plant and Electric Traction Engineering, Končar – Distributive and Special Transformers, Končar – Generators and Motors, Končar – Electrical Vehicles) the expected incomes from sales of products and services are going to rise during the second half-year reaching the planned amounts.

On the domestic market the income from sales of products and services was generated in the amount of HRK 527,6 million, making it by 9.1 % lower in the comparison with the first half-year of 2013 (47 % of the total generation of the income from sales of products and services). Incomes from sales of products and services that were exported amounted to HRK 598.9 million and they were by 5 % lower that the achievement of the same time period of the previous year. Incomes from sales of products and services abroad make 53 % of the total income generated from sales of products and services.

The correction of incomes by deferred incomes is positive and it amounts to HRK 58.7 million. Compared to the achievement for January – June, 2013, the correction of incomes by deferred incomes is higher by HRK 43.8 million.

Operating incomes were generated in the amount of HRK 1.196,9 million, the amount that is lower by 4.7 % than the achieved from January to June, 2013. Within business incomes, incomes from sales of products and services amount to HRK 1,126.5 million or 94.1 % of the total business incomes.

Operating revenues were generated in the amount of HRK 1,155.8 million and they are by 3.6 % lower than the achievement of the 1<sup>st</sup> half-year of 2013. Within the business revenues, material expenses were generated in the amount of HRK 783.2 million making them by 3.5 % lower compared to the achievement during the time period January – June, 2013. The majority part of material expenses refer to the costs of used

raw materials and consumable materials in the amount of HRK 580.7 and that are lower by 8.7 % compared to the achievement of the same time period in 2013.

Costs of sold goods amount to HRK 74.4 million and they are higher by HRK 32 million compared to the same time period of the previous year (the majority of the increase refers to costs of sold goods in Company Končar – Household Appliances).

The total personnel costs were generated in the amount of HRK 276.7 million and they are lower by 0.7 % compared to the same time period of the previous year.

The difference between the operating incomes and the operating revenues gives the profit of operating activities in the amount of HRK 41.1 million making it lower by HRK 15.4 million compared to the achievement for the time period January – June, 2013.

A share in profits belonging to associated entrepreneurs amounts to HRK 20.7 million and it is higher by 11.9 % or by HRK 2.2 million compared to the same time period of the previous year.

The difference between financial incomes and financial revenues is negative and it amounts to HRK 3.3 million.

In the time period January – June 2014 the total incomes were generated in the amount of HRK 1,233.9 million making them lower by 4.7 % compared to the generated during the same time period in 2013. The total revenues for the same period were generated in the amount of HRK 1,175.4 million and they were lower by 4.2 % comparing them with the same time period of the previous year.

The profits from the operating activities in the amount of HRK 41.1 million, the share in the profit of the associated entrepreneurs in the amount of HRK 20,7 million and the negative difference between financial incomes and revenues in the amount of HRK 3.3 million make the consolidated profit before tax in the amount of HRK 58.5 million. The profit tax advance payment amounts to HRK 8 million, while the profit after tax amounts to HRK 50.5 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 12.4 million and to the Group Mother Company shareholders HRK 38.1 million.

Out of 19 Končar Group Companies, 15 Companies generated a positive financial result, while four companies expressed a loss in the total amount of HRK 6.4 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 173.2 million or HRK 55.4 million or 24.2 % lower than the achievement of the time period January – June, 2013. Incomes from sales of products and services to the Croatian Power Authority (HEP) amount to 34.7 % of the total achieved incomes from sales of products and services.

To trading companies the Group delivered products in the amount of HRK 106,8 million, to companies belonging to industry and shipbuilding sector the Group delivered products and services in the amount of HRK 76.1 million, to INA, THT, Plinacro HRK 12.8 million, to Zagreb Electric Trams (ZET) HRK 29.6 million, to Croatian Railways (HŽ) HRK 29.2 million and the rest amount of HRK 100 million refer to State and Local Government, buyers from the civil engineering field and non-distributed buyers.

During the time period from January to June, 2014 in the foreign market the Group generated incomes from sales of products and services in the amount of HRK 598.9 million or by 5 % lower than the same time period of the previous year. The most important exported goods and services went to Bosnia and Herzegovina in the amount of HRK 48.6 million), Sweden in the amount of HRK 45.3 million, Italy in the amount of HRK 31.8 million, the Netherlands in the amount of HRK 28.9 million, Germany in the amount of HRK 27.6 million and Austria in the amount of HRK 27.6 million. Compared to the previous year, a significant increase of incomes from sales of goods and services in export was generated by the export into Italy to which the export was increased by the amount of HRK 26.7 million and it referred in the first line to the export of Distributive and Special Transformers in the amount of HRK 27 million), Netherlands (export of Metal Structures in the amount of HRK 12.9 million) and Denmark (export of Distributive and Special Transformers in the amount of HRK 11 million). Compared to the previous year, the export was significantly increased in the markets of Belgium (the export was higher by HRK 20.9 million compared to the previous year) and

Poland (the export was higher by HRK 15.9 million). The increase of the export to Poland resulted from the export of Companies Instrument Transformers and High Voltage Switchgears.

During the time period January – June, 2014, Končar Group Companies contracted new projects in the amount of HRK 2,750.1 million. Out of the total contracted new projects HRK 1,631.3 million refer to the Contract for Delivery of Trains made by and between Končar – Electrical Vehicles and HŽ – Croatian Railways – Passenger Transport

The contracted new projects in the amount of HRK 816.2 million will be performed in 2014, while the contracted project to be performed during 2015 and following years amount to HRK 1,933.9 million.

At the end of June, 2014, the contracted project status (receivables due) amounted to HRK 3,916.9 million that was by 71 % higher than the contracted project status at the beginning of the year.

The level of the total consolidated assets and asset sources as of 30<sup>th</sup> June, 2014 amounted to HRK 3,707.6 million making an increased by HRK 240.4 million or 6.9 % compared to 31<sup>st</sup> December, 2013.

Within the structure of asset sources, the registered capital, reserves, retained profits, profits of the current year and not controlling interest amounted to HRK 2,183.3 million that was HRK 6.8 million less compared to the level on 31<sup>st</sup> December, 2013 and they made 58.9 % of the total sources.

Long term reserves amounted to HRK 308.9 million and they were lower by HRK 30.9 million compared to the situation as of 31<sup>st</sup> December, 2013 and they made 8.3 % of the total sources. Long term and current assets amounted to HRK 1,113.5 million making them higher by HRK 290.5 compared to the position at the end of 2013 and made 30 % of the total assets.

Within the frames of current liabilities, accounts payable amounted to HRK 354.7 million (HRK 46.8 million more compared to the position as of the end of 2013 and they made 9.6 % of the total assets). The advance payment liabilities amounted to HRK 408.8 million and they were higher by HRK 266.9 million compared to the situation as of at the end of the previous year. The majority of the increase refers to the received advances of Company Končar – Electrical Vehicles in the amount of HRK 242.2 million for the advanced payment on the basis of the Contract for the Delivery of Trains to the Croatian Railways (HŽ) for Passenger Transport.

The total loans (both, long term and current) amounted to HRK 281.9 million and they were lower by HRK 18.7 million compared to the total loans as of 31<sup>st</sup> December, 2013 and they made 7.6 % of the total assets.

Long term asset sources (capital, long term reserves and long term liabilities) were higher by HRK 432.5 million from the long term assets and the average level of stocks pointing at a good term structure of asset sources. Current assets were 2.4 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

25<sup>th</sup> July, 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 – June, 2014.

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

Pursuant our best knowledge, Consolidated 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

25<sup>th</sup> July, 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](mailto:ervin.filipcic@koncar.hr)

Marina Markušić, accounting expert, [branka.velkovski@koncar.hr](mailto:branka.velkovski@koncar.hr)

Vesna Ilić, Accounting Department Head, [vesna.ilic@koncar.hr](mailto:vesna.ilic@koncar.hr)

**Appendix 1**

Reporting period:

01.01.2014.

to

30.06.2014.

**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](mailto:koncar.finance@koncar.hr)Internet address: [www.koncar.hr](http://www.koncar.hr)

Code and name of comune/town | 133 | ZAGREB |

Code and county name | 21 | GRAD ZAGREB |

Number of employees | 62 |

(at quarter end)

Consolidated statement | NO |

NKD/NWC code: | 2711 |

Subsidiaries subject to consolidation (according to IFRS): | in appendix | Registration number:

Book keeping service: | |

Contact person: ILIĆ VESNA  
(fill in only surname and name of contact person)

Phone number: 01 3667 183 |

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E-mail address: [vesna.ilic@koncar.hr](mailto:vesna.ilic@koncar.hr)Surname and name: BAGO DARINKO  
(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 30.06.2014.

Company: Končar - Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	1.137.376.544	1.187.522.890
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	250.000	257.436
1. Expenditure for development	<b>004</b>		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	<b>005</b>		
3. Goodwill	<b>006</b>		
4. Advances for purchase of intangible assets	<b>007</b>		
5. Intangible assets in progress	<b>008</b>	250.000	257.436
6. Other intangible assets	<b>009</b>		
<b>II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)</b>	<b>010</b>	349.872.420	351.497.025
1. Land	<b>011</b>	75.233.935	84.156.263
2. Buildings	<b>012</b>	122.657.828	136.906.270
3. Plant and equipment	<b>013</b>	20.877.208	19.181.348
4. Tools, working inventory and transportation assets	<b>014</b>	2.484.904	2.321.791
5. Biological assets	<b>015</b>		
6. Advances for purchase of tangible assets	<b>016</b>	20.657.025	
7. Tangible assets in progress	<b>017</b>	524.204	1.494.037
8. Other tangible assets	<b>018</b>	63.376	63.376
9. Investment in real-estate	<b>019</b>	107.373.940	107.373.940
<b>III. NON-CURRENT FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	762.145.117	811.158.160
1. Share in related parties	<b>021</b>	759.040.062	806.752.666
2. Loans to related parties	<b>022</b>		
3. Participating interests (shares)	<b>023</b>		
4. Loans to companies with participating interest	<b>024</b>		
5. Investments in securities	<b>025</b>	3.105.055	3.105.494
6. Loans, deposits, etc.	<b>026</b>		1.300.000
7. Other non-current financial assets	<b>027</b>		
8. Equity-accounted investments	<b>028</b>		
<b>IV. RECEIVABLES (030 do 032)</b>	<b>029</b>	25.109.007	24.610.269
1. Receivables from related parties	<b>030</b>		
2. Receivables arising from sales on credit	<b>031</b>	9.756.566	9.312.222
3. Other receivables	<b>032</b>	15.352.441	15.298.047
<b>V. DEFERRED TAX ASSET</b>	<b>033</b>		
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	411.443.191	352.333.595
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	33.435	43.938
1. Raw materials and supplies	<b>036</b>		
2. Production in progress	<b>037</b>		
3. Finished products	<b>038</b>		
4. Merchandise	<b>039</b>		
5. Advances for inventories	<b>040</b>	33.435	43.938
6. Long term assets held for sale	<b>041</b>		
7. Biological assets	<b>042</b>		
<b>II. RECEIVABLES (044 do 049)</b>	<b>043</b>	81.875.622	38.042.622
1. Receivables from related parties	<b>044</b>	63.354.921	19.287.182
2. Receivables from end-customers	<b>045</b>	553.984	3.309.215
3. Receivables from participating parties	<b>046</b>		
4. Receivables from employees and members of the company	<b>047</b>	47.627	77.542
5. Receivables from government and other institutions	<b>048</b>		
6. Other receivables	<b>049</b>	17.919.090	15.368.683
<b>III. CURRENT FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	214.321.972	246.364.704
1. Share in related parties	<b>051</b>		
2. Loans to related parties	<b>052</b>	56.604.644	4.077.000
3. Participating interests (shares)	<b>053</b>		
4. Loans to companies with participating interest	<b>054</b>		
5. Investments in securities	<b>055</b>		
6. Loans, deposits, etc.	<b>056</b>		
7. Other financial assets	<b>057</b>	157.717.328	242.287.704
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>058</b>	115.212.162	67.882.331
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	1.171.651	1.059.736
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.549.991.386	1.540.916.221
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	638.831.274	586.788.135

<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	1.482.812.078	1.488.678.599
I. SUBSCRIBED SHARE CAPITAL	<b>063</b>	1.028.847.600	1.208.895.930
II. CAPITAL RESERVES	<b>064</b>	719.579	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	273.420.895	235.191.427
1. Legal reserves	<b>066</b>	23.454.999	30.546.339
2. Reserve for own shares	<b>067</b>	3.237.716	1.338.982
3. Treasury shares and shares (deductible items)	<b>068</b>	3.237.716	1.338.982
4. Statutory reserves	<b>069</b>	138.879.053	163.414.511
5. Other reserves	<b>070</b>	111.086.843	41.230.577
IV. REVALUATION RESERVES	<b>071</b>		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	<b>072</b>	37.997.206	9.052.844
1. Retained earnings	<b>073</b>	37.997.206	9.052.844
2. Loss carried forward	<b>074</b>		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	<b>075</b>	141.826.798	34.818.819
1. Net profit for the period	<b>076</b>	141.826.798	34.818.819
2. Net loss for the period	<b>077</b>		
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	57.068.690	46.710.172
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	1.723.731	1.723.731
2. Provisions for tax liabilities	<b>081</b>		
3. Other provisions	<b>082</b>	55.344.959	44.986.441
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	0	0
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits, etc.	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>		
4. Liabilities for advances	<b>087</b>		
5. Trade payables	<b>088</b>		
6. Commitments on securities	<b>089</b>		
7. Liabilities to companies with participating interest	<b>090</b>		
8. Other non-current liabilities	<b>091</b>		
9. Deferred tax liabilities	<b>092</b>		
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	10.110.618	5.527.450
1. Liabilities to related parties	<b>094</b>	3.391.942	996.122
2. Liabilities for loans, deposits, etc.	<b>095</b>		
3. Liabilities to banks and other financial institutions	<b>096</b>		
4. Liabilities for advances	<b>097</b>		
5. Trade payables	<b>098</b>	2.195.066	902.651
6. Commitments on securities	<b>099</b>		
7. Liabilities to companies with participating interest	<b>100</b>		
8. Liabilities to employees	<b>101</b>	1.742.003	929.515
9. Taxes, contributions and similar liabilities	<b>102</b>	2.503.327	2.452.600
10. Liabilities arising from share in the result	<b>103</b>	271.568	246.562
11. Liabilities arising from non-current assets held for sale	<b>104</b>		
12. Other current liabilities	<b>105</b>	6.712	
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>		
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.549.991.386	1.540.916.221
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	638.831.274	586.788.135
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	<b>109</b>		
2. Attributable to minority interest	<b>110</b>		



**Income statement**  
period 01.01.2014. to 30.06.2014.

Company: Končar -Electrical Industry Inc.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112 do 113)</b>	<b>111</b>	26.920.248	13.451.182	37.308.701	23.974.767
1. Rendering of services	112	26.338.247	13.085.379	26.317.741	13.184.576
2. Other operating income	113	582.001	365.803	10.990.960	10.790.191
<b>II. OPERATING COSTS (115+116+120+124+125+126+129+130)</b>	<b>114</b>	42.682.505	24.260.621	50.647.188	30.115.365
1. Change in inventories of work in progress	115				
2. Material expenses (117 do 119)	116	12.061.550	5.927.222	11.689.875	5.636.678
a) Costs of raw materials	117	3.243.169	1.246.806	3.000.400	1.183.544
b) Cost of goods sold	118				
c) Other material expenses	119	8.818.381	4.680.416	8.689.475	4.453.134
3. Employee benefits expenses (121 do 123)	120	10.259.859	4.872.600	12.065.232	6.069.170
a) Net salaries	121	4.897.174	2.349.166	5.681.414	2.790.394
b) Tax and contributions from salary expenses	122	4.069.761	1.941.291	4.814.573	2.504.576
c) Contributions on salary	123	1.292.924	582.143	1.569.245	774.200
4. Depreciation and amortisation	124	5.444.612	2.710.108	5.830.174	2.945.387
5. Other expenses	125	14.864.635	10.699.202	21.011.068	15.413.291
6. Write down of assets (127+128)	126	0	0	0	0
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128				
7. Provisions	129				
8. Other operating costs	130	51.849	51.489	50.839	50.839
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	42.034.520	2.503.431	51.959.206	22.319.452
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	38.566.200	739.147	49.901.923	21.620.857
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	3.468.320	1.764.284	2.057.283	698.595
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135				
5. Other financial income	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	4.195.467	3.788.249	3.801.900	3.489.409
1. Interest, foreign exchange differences, dividends and similar income from related parties	138				
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	4.195.467	3.788.249	3.801.900	3.489.409
3. Unrealised losses (expenses) from financial assets	140				
4. Other financial expenses	141				
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+144)</b>	<b>146</b>	68.954.768	15.954.613	89.267.907	46.294.219
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	46.877.972	28.048.870	54.449.088	33.604.774
<b>XI. PROFIT OR LOSS BEFORE TAXES (146-147)</b>	<b>148</b>	22.076.796	-12.094.257	34.818.819	12.689.445
1. Profit before taxes (146-147)	149	22.076.796	0	34.818.819	12.689.445
2. Loss before taxes (147-146)	150	0	12.094.257		
<b>XII. TAXATION</b>	<b>151</b>	847.967	847.967		
<b>XII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	21.228.829	-12.942.224	34.818.819	12.689.445
1. Profit for the period (149-151)	153	21.228.829	0	34.818.819	12.689.445
2. Loss for the period (151-148)	154	0	12.942.224		
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	21.228.829	-12.942.224	34.818.819	12.689.445
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)</b>	<b>158</b>	-243.629	-231.009	-7.935	-66.254
1. Exchange differences from international settlement	159	-243.629	-231.009	-7.935	-66.254
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161				
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
<b>III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)</b>	<b>167</b>	-243.629	-231.009	-7.935	-66.254
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	20.985.200	-13.173.233	34.810.884	12.623.191
<b>ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

**STATEMENT OF CASH FLOWS - Direct method**  
period 01.01.2014. to 30.06.2014.

Legal entity: Končar Electrical Industry INC.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Cash receipts from customers	001	28.965.866	31.452.462
2. Cash receipts from royalties, fees, commissions, etc.	002		
3. Cash receipts from insurance for damages compensation	003		
4. Cash receipts arising from tax refunds	004		
5. Other cash receipts	005	9.557.873	5.422.661
<b>I. Total increase in cash flow from operating activities (001 to 005)</b>	<b>006</b>	<b>38.523.739</b>	<b>36.875.123</b>
1. Cash paid to suppliers	007	24.941.605	26.903.165
2. Cash paid to employees	008	13.487.474	13.769.879
3. Cash outflows for insurance for damages compensation	009		
4. Interest paid	010	1.854	1.498
5. Tax paid	011	9.571.086	5.064.236
6. Other cash outflows	012	8.079.142	15.489.817
<b>II. Total decrease in cash flow from operating activities (007 to 012)</b>	<b>013</b>	<b>56.081.161</b>	<b>61.228.595</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	<b>0</b>	
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>015</b>	<b>17.557.422</b>	<b>24.353.472</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	016	1.141.422	1.447.248
2. Cash inflows from sale of equity and debt financial instruments	017	234.630	1.290.697
3. Interest receipts	018	4.396.211	2.040.244
4. Dividend receipts	019	14.486.097	72.719.174
5. Other cash inflows from investing activities	020		
<b>III. Total cash inflows from investing activities(016 to 020)</b>	<b>021</b>	<b>20.258.360</b>	<b>77.497.363</b>
1. Cash outflows for purchase of long - term tangible and intangible assets	022	2.213.366	7.868.079
2. Cash outflows for purchase of equity and debt financial instruments	023	25.960.170	26.135.000
3. Other cash outflows from investing activities	024		
<b>IV. Total cash outflows from investing activities (022 to 024)</b>	<b>025</b>	<b>28.173.536</b>	<b>34.003.079</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	<b>0</b>	<b>43.494.284</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>027</b>	<b>7.915.176</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	028		
2. Cash inflows from loans, debentures, credits and other borrowings	029	25.057.513	56.604.644
3. Other cash inflows from financing activities	030	20.011.574	13.396.318
<b>V. Total cash inflows from financing activities (028 to 030)</b>	<b>031</b>	<b>45.069.087</b>	<b>70.000.962</b>
1. Cash outflows for repayment of loans and bonds	032	170.000	
2. Dividends paid	033	30.875.538	30.868.102
3. Cash outflows for finance lease	034		
4. Cash outflows for purchase of own stocks	035	8.411.090	
5. Other cash outflows from financing activities	036	130.127.454	105.603.503
<b>VI. Total cash outflows from financing activities (032 to 036)</b>	<b>037</b>	<b>169.584.082</b>	<b>136.471.605</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>038</b>	<b>0</b>	
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>039</b>	<b>124.514.995</b>	<b>66.470.643</b>
<b>Total increases of cash flows (014 – 015 + 026 – 027 + 038 – 039)</b>	<b>040</b>	<b>0</b>	<b>0</b>
<b>Total decreases of cash flows (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	<b>149.987.593</b>	<b>47.329.831</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>042</b>	<b>198.922.237</b>	<b>115.212.162</b>
<b>Decrease in cash and cash equivalents</b>	<b>043</b>		
<b>Increase in cash and cash equivalents</b>	<b>044</b>	<b>149.987.593</b>	<b>47.329.831</b>
<b>Cash and cash equivalents at the end of period</b>	<b>045</b>	<b>48.934.644</b>	<b>67.882.331</b>

**STATEMENT OF CHANGES IN EQUITY**  
**period 01.01.2014. to 30.06.2014.**

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.028.847.600	1.208.895.930
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	273.420.895	235.191.427
4. Retained earnings or loss carried forward	004	37.997.206	9.052.844
5. Net profit or loss for the period	005	141.826.798	34.818.819
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaluation	009		
<b>10. Total equity and reserves (AOP 001 to 009)</b>	<b>010</b>	<b>1.482.812.078</b>	<b>1.488.678.599</b>
11. Foreign exchange differences from foreign investments	011	-15.767	-7.935
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016	106.018.341	5.874.457
<b>17. Total increase or decrease of equity (AOP 011 to 016)</b>	<b>017</b>	<b>106.002.574</b>	<b>5.866.522</b>
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		