

**BOARD'S REPORT ON MANAGEMENT OF KONČAR GROUP
FOR THE PERIOD JANUARY-JUNE 2016**

Končar Group consists of KONČAR - ELECTRICAL INDUSTRY Inc. as the parent company and 17 related companies in which the parent company has a controlling influence (more than 50% of the votes in the General Assembly). In part of the companies, apart from common shares, regular shares were also subscribed. In addition, the parent company exercises minority managerial influence (49% of the votes in the General Assembly) in an (associated) company.

Companies within the Group are legally independent companies and the parent company supervises them, directs them strategically and supports them through supervisory boards and companies' assemblies in accordance with the Companies Act, the Statutes of KONČAR - ELECTRICAL INDUSTRY Inc. and the statutes of the companies. The parent company also manages part of the assets not invested in the companies, but is directly or indirectly in function of financial support of sales, products and equipment of associated companies as a credit - guarantee potential.

Potential liabilities of KONČAR - Electrical Industry Inc. for the total issued guarantees on the date 30 June 2016 amounted to 581.8 million HRK, which is a decrease in the amount of 117.2 million HRK compared to 31 December 2015.

The reduction applies to payment and performance guarantees of the company KONČAR - Electric Vehicles Inc. in the amount of 165.4 million HRK, and the reduction of guarantees for loans of associated companies in the amount of 28.1 million HRK with an increase in performance guarantees of KONČAR - Power Plant and Electric Traction Engineering Inc. in the amount of HRK 68.8 million HRK and other companies in the amount of 7.5 million HRK.

The share of performance guarantees in the total guarantees and joint and several guarantees amounts to 432.8 million HRK.

The activity of Končar Group is divided into the following business areas:

- **Energy and Transport:** designing and construction of plants and equipment for the generation, transmission and distribution of electricity, electric locomotives, electric trains, trams and electric equipment for stable electric traction plants.
- **Manufacturing:** electric motors, low voltage electrical equipment.
- **Trade:** electric household appliances, serial products and low voltage electric apparatus.
- **Special activities:** research and development of products and infrastructure services.

Changes in ownership structure

In May 2016 Restructuring and Sale Centre published an invitation for expression of interest and submission of binding offers for the purchase of 526,926 shares of Končar - Electrical Industries Inc property of the Republic of Croatia and the Croatian Pension Insurance Institute. The shares constitute 20.49% of the share capital of the Company.

After the sale of shares there have been significant changes in the ownership structure of the Company. Share ownership of Addiko bank d.d. / PBZ CO OMF - category B increased from 9.95% to 16.37%, the share ownership of Societe Generale - Splitska Banka dd / AZ OMF-category B increased from 6,84% to 14.50%, the share ownership of Societe Generale - Splitska Banka dd / Erste plavi OMF-category B increased from 7.86% to 13.97%. Valmar Riviera d.d. left the group of ten largest shaerholders and Addiko banks d.d./OMF-category B (1.88%) and Zagrebacka Banka d.d./AZ Profit Voluntary Pension Fund (1.12%) entered that group. The share ownership of the State Administrative Office for State Property Management / Republic of Croatia was reduced from 4.58% to 2.33%.

After the sale of shares, the ownership structure of the company is as follows:

| Account holder | Number of shares | Ownership share (%) |
|---|-------------------------|----------------------------|
| HPB d.d. (Kapitalni fond d.d.) | 724,515 | 28.17 |
| ADDIKO Bank d.d./ PBZ Croatia Osiguranje – Mandatory pension fund | 420,928 | 16.37 |
| Societe Generale - Splitska banka d.d./ AZ Mandatory pension fund | 372,911 | 14.50 |
| Societe Generale - Splitska banka d.d./ Erste Plavi mandatory pension fund | 359,239 | 13.97 |
| State Administrative Office for State Property Management/Republic of Croatia | 60,000 | 2.33 |
| Restructuring and Sale Centre/Republic of Croatia | 57,982 | 2.25 |
| Floričić Kristijan | 50,714 | 1.97 |
| ADDIKO d.d./ Raiffeisen - Mandatory pension fund | 48,291 | 1.88 |
| PBZ d.d. / skrbnički račun | 30,435 | 1.18 |
| Zagrebačka banka d.d./ AZ Profit Voluntary pension fund | 28,928 | 1.12 |
| Other shareholders | 412,315 | 16.03 |
| Končar d.d. / treasury shares / | 5,861 | 0.23 |
| TOTAL | 2,572,119 | 100.00 |

Management Board

The President and Board members are appointed and removed by the Supervisory Board. The term of office of the President and Board members is 5 years, after which they can be reappointed. According to the Companies Act and the Articles of Association the Management Board manages affairs on its own responsibility, and it is obliged and authorized to take all actions and decisions it deems necessary for the successful management of the Company. For certain decisions, as prescribed by the Articles of Association the consent of the Supervisory Board is required.

The Company Končar - Electrical Industries Inc. is managed by the Board consisting of:

| | |
|---------------------|---|
| Darinko Bago | President of the Management Board |
| Marina Kralj Miliša | Board member responsible for legal activities, general administrative services and human resources |
| Jozo Miloloža | Board member responsible for finance |
| Davor Mladina | Board member responsible for transmission and distribution of electrical energy, industry and trade |
| Miroslav Poljak | Board member responsible for electrical energy production, corporate development and ICT |

Note: At the Supervisory Board meeting held on 20 July 2016 at the proposal of the Chairman of the Board, former deputy member of the Board Miki Huljić was appointed a member of the Board of Končar - Electrical Industry Inc.

Supervisory Board

Pursuant to the provisions of the Companies Act and the Articles of Association of KONČAR - Electrical Industry Inc, the General Assembly makes the decisions on election and recall of the Supervisory Board. The Supervisory Board is responsible for appointing and removing members of the Management Board and for supervising the operations of the Company. Significant transactions and business decisions (the amount of transactions determined by the Rules of Procedure of the Supervisory Board and the Articles of Association of associated companies) require the consent of the Supervisory Board.

Until the expiration of the mandate of the Supervisory Board members Vicko Ferić, Nenad Filipović, Petar Mišura, Dragan Marčinko and Nikola Plavec on 3 July 2016, the Supervisory Board was composed of:

| | |
|------------------|--|
| Nenad Filipović | Chairman of the Supervisory Board |
| Jasminka Belačić | Vice Chairman of the Supervisory Board |
| Boris Draženović | Member |
| Vicko Ferić | Member |
| Dragan Marčinko | Member |
| Petar Mišura | Member |
| Nikola Plavec | Member |
| Ivan Rujnić | Member |
| Petar Vlaić | Member |

General Assembly held on 12 July 2016 adopted a decision on the election of the Supervisory Board members. The elected members of the Supervisory Board are the following: Vicko Ferić, Branko Lampl, Petar Vlaić, Josip Lasić, Josko Miliša and Nikola Anić. The Supervisory Board members were elected for a term of four years which starts on 12 July 2016. The association of small shareholders appointed Vladimir Withers as their representative in the Supervisory Board. The member of the Supervisory Board appointed by the workers is Jasminka Belačić.

Members of the Supervisory Board accepted the proposal to elect Petar Vlaić for the Chairman of the Supervisory Board, and Josip Lasić for the Vice Chairman of the Supervisory Board.

KONČAR GROUP BUSINESS ACTIVITY January – June 2016

Končar Group companies achieved for the period of January – June 2016 consolidated income from the sales of products and services in the amount of 1246.2 million HRK. Operating income amounted to 1,305.2 million HRK. As part of the operating income, the income from sales of goods and services amounted to 1,246.2 million or 95.4% of total operating income.

Operating expenses were in the amount of 1,253.6 million HRK.

The difference between operating income and expenses is the income from operations in the amount of 51.6 million HRK, which is 1.6 million HRK or 3.1% higher than achieved in the period January – June 2015.

Profit from operating activities in the amount of 51.6 million HRK, share of profit from associates in the amount of 23.9 million HRK and a negative spread of financial income and expenses in the amount of 3.4 million HRK results in consolidated profit before tax of 72.1 million HRK. Advance payment of income tax is 14.4 million HRK, profit after tax amounts to 57.7 million HRK in which 14 million HRK belong to non-controlling interests (minority interest) and 43.7 million HRK belong to the owners of shares of the parent company.

Of the 18 Končar Group companies, 17 companies operated positively and one company reported a loss in the amount of 5 million HRK, of which HRK 4.9 million HRK belongs to owners of shares of the parent company.

On the national market, revenues from sales of products and services amounted to 653.2 million HRK. Sales of goods and services to foreign markets amounted to 593 million HRK. The share of export in the total sales of products and services is 48%.

The most important export was realised on the markets of the EU countries in the amount of 331.9 million HRK or 56% of total export. Goods and services in the amount of 52 million HRK or 9% of total export were exported to the neighboring countries (Bosnia and Herzegovina, Serbia, Macedonia, Montenegro, Albania). Exports worth 47.3 million HRK or 8% of total exports were destined to Asian countries. In the first half of this year Končar Group companies exported goods and services to 77 countries around the world.

The most important export was realized in Sweden in the amount of 68.4 million HRK or 11.5% of total exports, in Germany 56.1 million HRK, in Slovenia 41.7 million HRK, Italy 39.6 million HRK, Austria 29.8 million HRK, and the Netherlands 26 million HRK.

Compared to the same period last year a significant increase in revenue from sales of goods and services exports was recorded for the markets of Slovenia (33.8 million HRK more), Sweden (15.9 million HRK more), Serbia (12.5 million HRK more) and Zambia (12.3 million HRK more).

During the period January – June 2016 Končar Group companies signed new contracts worth 1462.2 million HRK. Of the total amount of contracted projects, 699.5 million HRK (48% of total contracted projects) is for the national market and 762.7 million HRK (52% of total contracted projects) relates to contracts in exporting.

The largest part of the contracts on the national market for the period January – June 2016 refers to companies within the HEP Group (HEP Generation, HEP - Distribution System Operator, HOPS) in the amount of 253.4 million HRK or 36% of the new contracted jobs on the national market. Among other buyers on the national market, the important contracts are with Zagreb Holding (ZET) in the amount of 60.6 million HRK, Brodamerkur in the amount of 41.7 million HRK, Croatian Waters 27.3 million HRK and Elektro Merkur in the amount of 19.1 million HRK.

The largest part of the contracted projects (13.5%) on the international market for the period January – June 2016 refers to the German market and amounts to 102.8 million HRK (contracts of the companies Končar - Končar-Distribution and Special Transformers, Steel Structures, Small Electrical Machines). 94 million HRK worth of contracts was signed for the Swedish market (Končar - Distribution and Special Transformers and Končar - Generators and motors), El Salvador (contract for HPP Chaparral, the companies involved are Končar Power Plant and Electric Traction Engineering and Končar - Generators and motors). 48 million HRK worth of contracts was signed for the market of Finland (Končar - Generators and motors and Distribution and special transformers). The worth of new contracts for the Austrian market for the period January – June 2016 is 42.4 million HRK (for the most part related to Končar - Distribution and Special Transformers and KONČAR - Steel Structures). Considering other countries, significant contracts were signed for the market of Italy (36.1 million HRK), Netherlands (27.2 million HRK), Bosnia and Herzegovina (24.2 million HRK) and Algeria (20.5 million HRK).

According to the dynamics of delivery, 828.9 million HRK worth new projects were contracted to be implemented in 2017 and 633.5 million HRK worth new projects was contracted for implementation in subsequent years.

The status of contracted projects (active liabilities) at the end of June 2016 amounted to 3,675.6 million HRK which is 6% more than the status of contracts at the beginning of the year.

In the structure of funding sources, subscribed capital, reserves, retained income, profit for the year and equity attributable to non-controlling interests amounts to 2,359.7 million HRK, which is 38.2 million HRK more compared to the state as of 31 December 2015 and makes 64.2% of total sources.

Long-term sources of funds (capital, long-term reservations and long-term liabilities) are larger by 622.2 million HRK compared to fixed assets and average stock. Current assets are 2.8 times larger in relation to short-term liabilities. The consolidated balance sheet indicates the equilibrium of funds and investments.

Signed on behalf of the Management Board:

Končar – Electrical Industry Inc.

President of the Management Board
Darinko Bago

27 July 2016

STATEMENT OF THE PERSONS RESPONSIBLE FOR THE PREPARATION OF CONSOLIDATED STATEMENTS OF KONČAR GROUP

This statement of the Management Board of Končar - Electrical Industries Inc., Zagreb is given related to the preparation and publication of the consolidated financial statements of the Končar Group January – June 2016.

Financial statements have been prepared in accordance with International Financial Reporting Standards applicable in the European Union.

According to our best knowledge, the consolidated financial statements, give a true and fair view of the balance sheet, income statement, cash flow and statement of changes to capital of the Končar Group.

Signed on behalf of the Management Board:

Končar – Electrical Industry Inc.
President of the Management Board
Darinko Bago

27 July 2016

- Note:

The consolidated financial statements have been prepared by Končar - Electrical Industries Inc.

Contact person:

Ervin Filipčić , head of Management Board Office, ervin.filipcic@koncar.hr

Marina Markušić, accounting specialist, marina.markusic@koncar.hr

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

Appendix 1

Reporting period:

1.1.2016

to

30.6.2016

Quarterly financial report of entrepreneur TFI-PODRegistration 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.hrInternet address: www.koncar.hrCode and name of comune/to **133** **ZAGREB**Code and county name **21** **GRAD ZAGREB**Number of employees **51**

(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**Fascimile: **01 3667 177**E-mail address: vesna.ilic@koncar.hrSurname 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 30.6.2016

| Company: Končar - Electrical Industry Inc. | | | |
|---|------------|-----------------|----------------|
| Position | AOP | Previous period | Current period |
| 1 | 2 | 3 | 4 |
| ASSETS | | | |
| A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL | 001 | | |
| B) NON-CURRENT ASSETS (003+010+020+029+033) | 002 | 1.233.449.881 | 1.285.041.509 |
| I. INTANGIBLE ASSETS (004 do 009) | 003 | 1.007.436 | 1.292.436 |
| 1. Expenditure for development | 004 | | |
| 2. Concessions, patents, licenses, trademarks, service marks, software and other rights | 005 | 1.007.436 | 1.292.436 |
| 3. Goodwill | 006 | | |
| 4. Advances for purchase of intangible assets | 007 | | |
| 5. Intangible assets in progress | 008 | | |
| 6. Other intangible assets | 009 | | |
| II. PROPERTY, PLANT AND EQUIPMENT (011 do 019) | 010 | 350.169.923 | 378.893.008 |
| 1. Land | 011 | 74.194.519 | 74.194.519 |
| 2. Buildings | 012 | 111.282.179 | 109.983.489 |
| 3. Plant and equipment | 013 | 11.706.078 | 11.841.757 |
| 4. Tools, working inventory and transportation assets | 014 | 853.972 | 1.086.255 |
| 5. Biological assets | 015 | | |
| 6. Advances for purchase of tangible assets | 016 | | |
| 7. Tangible assets in progress | 017 | 9.061.945 | 21.422.374 |
| 8. Other tangible assets | 018 | | |
| 9. Investment in real-estate | 019 | 143.071.230 | 160.364.614 |
| III. NON-CURRENT FINANCIAL ASSETS (021 do 028) | 020 | 867.103.815 | 891.090.697 |
| 1. Share in related parties | 021 | 798.122.323 | 804.992.749 |
| 2. Loans to related parties | 022 | | 15.940.456 |
| 3. Participating interests (shares) | 023 | 67.722.257 | 67.722.257 |
| 4. Loans to companies with participating interest | 024 | | |
| 5. Investments in securities | 025 | 1.259.235 | 1.259.235 |
| 6. Loans, deposits, etc. | 026 | | 1.176.000 |
| 7. Other non-current financial assets | 027 | | |
| 8. Equity-accounted investments | 028 | | |
| IV. RECEIVABLES (030 do 032) | 029 | 15.168.707 | 13.765.368 |
| 1. Receivables from related parties | 030 | | |
| 2. Receivables arising from sales on credit | 031 | 7.684.576 | 7.270.150 |
| 3. Other receivables | 032 | 7.484.131 | 6.495.218 |
| V. DEFERRED TAX ASSET | 033 | | |
| C) CURRENT ASSETS (035+043+050+058) | 034 | 384.944.922 | 374.308.948 |
| I. INVENTORIES (036 do 042) | 035 | 140.110 | 43.693 |
| 1. Raw materials and supplies | 036 | | |
| 2. Production in progress | 037 | | |
| 3. Finished products | 038 | | |
| 4. Merchandise | 039 | | |
| 5. Advances for inventories | 040 | 140.110 | 43.693 |
| 6. Long term assets held for sale | 041 | | |
| 7. Biological assets | 042 | | |
| II. RECEIVABLES (044 do 049) | 043 | 105.030.029 | 43.923.279 |
| 1. Receivables from related parties | 044 | 63.903.712 | 17.273.708 |
| 2. Receivables from end-customers | 045 | 1.099.930 | 3.310.209 |
| 3. Receivables from participating parties | 046 | | |
| 4. Receivables from employees and members of the company | 047 | 47.811 | 78.571 |
| 5. Receivables from government and other institutions | 048 | 7.357.346 | 4.898.210 |
| 6. Other receivables | 049 | 32.621.230 | 18.362.581 |
| III. CURRENT FINANCIAL ASSETS (051 do 057) | 050 | 271.342.941 | 253.431.489 |
| 1. Share in related parties | 051 | | |
| 2. Loans to related parties | 052 | 30.075.456 | 16.029.000 |
| 3. Participating interests (shares) | 053 | | |
| 4. Loans to companies with participating interest | 054 | | |
| 5. Investments in securities | 055 | | |
| 6. Loans, deposits, etc. | 056 | 241.267.485 | 237.402.489 |
| 7. Other financial assets | 057 | | |
| IV. CASH AND CASH EQUIVALENTS | 058 | 8.431.842 | 76.910.487 |
| D) PREPAYMENTS AND ACCRUED INCOME | 059 | 7.972.320 | 1.560.573 |
| E) TOTAL ASSETS (001+002+034+059) | 060 | 1.626.367.123 | 1.660.911.030 |
| F) OFF BALANCE SHEET ITEMS | 061 | 752.770.701 | 639.679.496 |

| EQUITY AND LIABILITIES | | | |
|---|------------|---------------|---------------|
| A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078) | 062 | 1.572.404.764 | 1.615.966.889 |
| I. SUBSCRIBED SHARE CAPITAL | 063 | 1.208.895.930 | 1.208.895.930 |
| II. CAPITAL RESERVES | 064 | 719.579 | 719.579 |
| III. RESERVES FROM PROFIT (066+067-068+069+070) | 065 | 294.106.743 | 325.746.118 |
| 1. Legal reserves | 066 | 35.025.950 | 38.147.673 |
| 2. Reserve for own shares | 067 | 4.143.784 | 4.143.784 |
| 3. Treasury shares and shares (deductible items) | 068 | 4.143.784 | 4.143.784 |
| 4. Statutory reserves | 069 | 217.684.029 | 217.684.029 |
| 5. Other reserves | 070 | 41.396.764 | 69.914.416 |
| IV. REVALUATION RESERVES | 071 | | |
| V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074) | 072 | 6.248.041 | 37.043.137 |
| 1. Retained earnings | 073 | 6.248.041 | 37.043.137 |
| 2. Loss carried forward | 074 | | |
| VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077) | 075 | 62.434.471 | 43.562.125 |
| 1. Net profit for the period | 076 | 62.434.471 | 43.562.125 |
| 2. Net loss for the period | 077 | | |
| VII. MINORITY INTEREST | 078 | | |
| B) PROVISIONS (080 do 082) | 079 | 34.941.981 | 34.915.496 |
| 1. Provisions for pensions, severance pay and similar liabilities | 080 | 2.841.981 | 2.841.981 |
| 2. Provisions for tax liabilities | 081 | | |
| 3. Other provisions | 082 | 32.100.000 | 32.073.515 |
| C) NON-CURRENT LIABILITIES (084 do 092) | 083 | 0 | 0 |
| 1. Liabilities to related parties | 084 | | |
| 2. Liabilities for loans, deposits, etc. | 085 | | |
| 3. Liabilities to banks and other financial institutions | 086 | | |
| 4. Liabilities for advances | 087 | | |
| 5. Trade payables | 088 | | |
| 6. Commitments on securities | 089 | | |
| 7. Liabilities to companies with participating interest | 090 | | |
| 8. Other non-current liabilities | 091 | | |
| 9. Deferred tax liabilities | 092 | | |
| D) CURRENT LIABILITIES (094 do 105) | 093 | 19.020.378 | 10.028.645 |
| 1. Liabilities to related parties | 094 | 12.356.500 | 5.684.171 |
| 2. Liabilities for loans, deposits, etc. | 095 | | |
| 3. Liabilities to banks and other financial institutions | 096 | | |
| 4. Liabilities for advances | 097 | | |
| 5. Trade payables | 098 | 903.616 | 881.099 |
| 6. Commitments on securities | 099 | | |
| 7. Liabilities to companies with participating interest | 100 | | |
| 8. Liabilities to employees | 101 | 2.265.039 | 997.472 |
| 9. Taxes, contributions and similar liabilities | 102 | 2.908.698 | 1.932.286 |
| 10. Liabilities arising from share in the result | 103 | 429.642 | 423.822 |
| 11. Liabilities arising from non-current assets held for sale | 104 | | |
| 12. Other current liabilities | 105 | 156.883 | 109.795 |
| E) ACCRUED EXPENSES AND DEFERRED INCOME | 106 | | |
| F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106) | 107 | 1.626.367.123 | 1.660.911.030 |
| G) OFF BALANCE SHEET ITEMS | 108 | 752.770.701 | 639.679.496 |
| ADDITION TO BALANCE SHEET (only for consolidated financial statements) | | | |
| ISSUED CAPITAL AND RESERVES | | | |
| 1. Attributable to majority owners | 109 | | |
| 2. Attributable to minority interest | 110 | | |

Income statement
period 1.1.2016 to 30.6.2016

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 | 28.397.850 | 14.591.220 | 27.053.460 | 13.335.923 |
| 1. Rendering of services | 112 | 27.846.589 | 14.203.943 | 26.621.734 | 13.115.752 |
| 2. Other operating income | 113 | 551.261 | 387.277 | 431.726 | 220.171 |
| II. OPERATING COSTS (115+116+120+124+125+126+129+130) | 114 | 38.754.412 | 18.233.600 | 37.063.832 | 18.386.734 |
| 1. Change in inventories of work in progress | 115 | | | | |
| 2. Material expenses (117 do 119) | 116 | 12.744.885 | 6.209.694 | 14.110.016 | 7.376.422 |
| a) Costs of raw materials | 117 | 3.234.877 | 1.217.165 | 3.410.865 | 1.295.884 |
| b) Cost of goods sold | 118 | | | | |
| c) Other material expenses | 119 | 9.510.008 | 4.992.529 | 10.699.151 | 6.080.538 |
| 3. Employee benefits expenses (121 do 123) | 120 | 12.116.117 | 4.798.025 | 12.100.150 | 5.633.361 |
| a) Net salaries | 121 | 5.776.702 | 2.330.845 | 5.824.114 | 2.736.137 |
| b) Tax and contributions from salary expenses | 122 | 4.660.460 | 1.760.897 | 4.509.189 | 2.077.434 |
| c) Contributions on salary | 123 | 1.678.955 | 706.283 | 1.766.847 | 819.790 |
| 4. Depreciation and amortisation | 124 | 4.912.180 | 2.447.555 | 4.061.360 | 2.053.772 |
| 5. Other expenses | 125 | 8.946.960 | 4.752.307 | 6.742.767 | 3.315.758 |
| 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 | 34.270 | 26.019 | 49.539 | 7.421 |
| III. FINANCIAL INCOME (132 do 136) | 131 | 71.510.108 | 26.977.924 | 59.186.418 | 9.902.546 |
| 1. Interest, foreign exchange differences, dividends and similar income from related parties | 132 | 64.588.907 | 25.456.527 | 54.407.953 | 5.475.999 |
| 2. Interest, foreign exchange differences, dividends and similar income from third parties | 133 | 6.921.201 | 1.521.397 | 3.755.438 | 3.403.520 |
| 3. Income from investments in associates and joint ventures | 134 | | | | |
| 4. Unrealised gains (Income) from financial assets | 135 | | | | |
| 5. Other financial income | 136 | | | 1.023.027 | 1.023.027 |
| IV. FINANCIAL EXPENSES (138 do 141) | 137 | 4.662.214 | 2.930.698 | 5.613.921 | 1.809.343 |
| 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 | 4.662.214 | 2.930.698 | 5.457.688 | 1.653.110 |
| 3. Unrealised losses (expenses) from financial assets | 140 | | | | |
| 4. Other financial expenses | 141 | | | 156.233 | 156.233 |
| V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES | 142 | | | | |
| VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES | 143 | | | | |
| VII. EXTRAORDINARY - OTHER INCOME | 144 | | | | |
| VIII. EXTRAORDINARY - OTHER EXPENSES | 145 | | | | |
| IX. TOTAL INCOME (111+131+144) | 146 | 99.907.958 | 41.569.144 | 86.239.876 | 23.238.469 |
| X. TOTAL EXPENSES (114+137+143+145) | 147 | 43.416.626 | 21.164.298 | 42.677.753 | 20.196.077 |
| XI. PROFIT OR LOSS BEFORE TAXES (146-147) | 148 | 56.491.332 | 20.404.846 | 43.562.125 | 3.042.392 |
| 1. Profit before taxes (146-147) | 149 | 56.491.332 | 20.404.846 | 43.562.125 | 3.042.392 |
| 2. Loss before taxes (147-146) | 150 | 0 | 0 | | |
| XII. TAXATION | 151 | | | | |
| XII. PROFIT OR LOSS FOR THE PERIOD (148-151) | 152 | 56.491.332 | 20.404.846 | 43.562.125 | 3.042.392 |
| 1. Profit for the period (149-151) | 153 | 56.491.332 | 20.404.846 | 43.562.125 | 3.042.392 |
| 2. Loss for the period (151-148) | 154 | | | | |
| ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements) | | | | | |
| XIV. PROFIT OR LOSS FOR THE PERIOD | | | | | |
| 1. Attributable to majority owners | 155 | | | | |
| 2. Attributable to minority interest | 156 | | | | |
| STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters) | | | | | |
| I. PROFIT OR LOSS FOR THE PERIOD (=152) | 157 | 56.491.332 | 20.404.846 | 43.562.125 | 3.042.392 |
| II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165) | 158 | | | | |
| 1. Exchange differences from international settlement | 159 | | | | |
| 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 | | | | |
| III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD | 166 | | | | |
| IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166) | 167 | 0 | 0 | 0 | 0 |
| V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167) | 168 | 56.491.332 | 20.404.846 | 43.562.125 | 3.042.392 |
| 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 | | | | |
| 2. Attributable to minority interest | 170 | | | | |

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2016 to 30.6.2016

| 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 | 33.181.327 | 36.650.559 |
| 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 | 1.144.890 | 1.437.745 |
| 5. Other cash receipts | 005 | 4.039.741 | 18.060.109 |
| I. Total increase in cash flow from operating activities (001 to 005) | 006 | 38.365.958 | 56.148.413 |
| 1. Cash paid to suppliers | 007 | 28.686.561 | 33.813.386 |
| 2. Cash paid to employees | 008 | 15.756.753 | 15.024.117 |
| 3. Cash outflows for insurance for damages compensation | 009 | | |
| 4. Interest paid | 010 | 146 | |
| 5. Tax paid | 011 | 5.459.966 | 1.437.745 |
| 6. Other cash outflows | 012 | 5.552.633 | 3.014.684 |
| II. Total decrease in cash flow from operating activities (007 to 012) | 013 | 55.456.059 | 53.289.932 |
| A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES | 014 | | 2.858.481 |
| A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES | 015 | 17.090.101 | 0 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| 1. Cash flow from sale of long - term tangible and intangible assets | 016 | 1.001.552 | 965.898 |
| 2. Cash inflows from sale of equity and debt financial instruments | 017 | 4.581.840 | 6.653.423 |
| 3. Interest receipts | 018 | 3.560.862 | 957.460 |
| 4. Dividend receipts | 019 | 99.082.339 | 94.013.195 |
| 5. Other cash inflows from investing activities | 020 | | |
| III. Total cash inflows from investing activities(016 to 020) | 021 | 108.226.593 | 102.589.976 |
| 1. Cash outflows for purchase of long - term tangible and intangible assets | 022 | 1.773.328 | 32.268.498 |
| 2. Cash outflows for purchase of equity and debt financial instruments | 023 | 2.804.802 | 3.156.068 |
| 3. Other cash outflows from investing activities | 024 | | |
| IV. Total cash outflows from investing activities (022 to 024) | 025 | 4.578.130 | 35.424.566 |
| B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES | 026 | 103.648.463 | 67.165.410 |
| B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES | 027 | 0 | |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| 1. Cash receipts from issuance of equity and debt financial instruments | 028 | | |
| 2. Cash inflows from loans, debentures, credits and other borrowings | 029 | 660.645 | 9.260.574 |
| 3. Other cash inflows from financing activities | 030 | 99.839.593 | |
| V. Total cash inflows from financing activities (028 to 030) | 031 | 100.500.238 | 9.260.574 |
| 1. Cash outflows for repayment of loans and bonds | 032 | | |
| 2. Dividends paid | 033 | 30.799.887 | 5.820 |
| 3. Cash outflows for finance lease | 034 | | |
| 4. Cash outflows for purchase of own stocks | 035 | | |
| 5. Other cash outflows from financing activities | 036 | 16.990.456 | 10.800.000 |
| VI. Total cash outflows from financing activities (032 to 036) | 037 | 47.790.343 | 10.805.820 |
| C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES | 038 | 52.709.895 | |
| C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES | 039 | 0 | 1.545.246 |
| Total increases of cash flows (014 – 015 + 026 – 027 + 038 – 039) | 040 | 139.268.257 | 68.478.645 |
| Total decreases of cash flows (015 – 014 + 027 – 026 + 039 – 038) | 041 | 0 | 0 |
| Cash and cash equivalents at the beginning of period | 042 | 5.212.190 | 8.431.842 |
| Decrease in cash and cash equivalents | 043 | | |
| Increase in cash and cash equivalents | 044 | | |
| Cash and cash equivalents at the end of period | 045 | 144.480.447 | 76.910.487 |

STATEMENT OF CHANGES IN EQUITY

period 1.1.2016 to 30.6.2016

| | Position | AOP | Previous year | Current year |
|--|----------|------------|----------------------|----------------------|
| | 1 | 2 | 3 | 4 |
| 1. Subscribed share capital | | 001 | 1.208.895.930 | 1.208.895.930 |
| 2. Capital reserves | | 002 | 719.579 | 719.579 |
| 3. Reserves from profit | | 003 | 294.106.743 | 325.746.118 |
| 4. Retained earnings or loss carried forward | | 004 | 6.248.041 | 37.043.137 |
| 5. Net profit or loss for the period | | 005 | 62.434.471 | 43.562.125 |
| 6. Revaluation of tangible assets | | 006 | | |
| 7. Revaluation of intangible assets | | 007 | | |
| 8. Revaluation of available for sale assets | | 008 | | |
| 9. Other revaluation | | 009 | | |
| 10. Total equity and reserves (AOP 001 to 009) | | 010 | 1.572.404.764 | 1.615.966.889 |
| 11. Foreign exchange differences from foreign investments | | 011 | | |
| 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 | 28.786.573 | 43.562.125 |
| 17. Total increase or decrease of equity (AOP 011 to 016) | | 017 | 28.786.573 | 43.562.125 |
| 17 a. Attributable to majority owners | | 018 | | |
| 17 b. Attributable to minority interest | | 019 | | |