

**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 1st 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 30th June, 2014 amounted to HRK 3,707.6 million making an increased by HRK 240.4 million or 6.9 % compared to 31st 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 31st 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 31st 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 31st 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

25th 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

25th 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

Marina Markušić, accounting expert, branka.velkovski@koncar.hr

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

Appendix 1

Reporting period:

1.1.2014

to

30.6.2014

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/town **133 ZAGREB**Code and county name **21 GRAD ZAGREB**Number of employees **3.572**
(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 - Mjemi 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 - 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: **MARINA MARKUŠIĆ**

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(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 30.6.2014.

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	1.485.476.916	1.481.444.993
I. INTANGIBLE ASSETS (004 do 009)	003	37.018.304	38.040.422
1. Expenditure for development	004	12.498.105	12.858.844
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	6.924.985	6.000.566
3. Goodwill	006	7.646.618	7.646.874
4. Advances for purchase of intangible assets	007	0	
5. Intangible assets in progress	008	9.636.809	11.267.679
6. Other intangible assets	009	311.787	266.459
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.151.926.274	1.116.395.051
1. Land	011	160.269.850	157.797.447
2. Buildings	012	389.873.405	372.358.714
3. Plant and equipment	013	399.697.878	388.393.229
4. Tools, working inventory and transportation assets	014	74.297.246	66.482.865
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	14.613.042	6.544.587
7. Tangible assets in progress	017	12.101.276	16.034.099
8. Other tangible assets	018	706.634	680.641
9. Investment in real-estate	019	100.366.943	108.103.469
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	267.384.461	298.227.950
1. Share in related parties	021	290.067	8.173.726
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	2.049.216	2.061.188
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	3.379.260	4.041.371
6. Loans, deposits, etc.	026	2.605.489	3.579.633
7. Other non-current financial assets	027	806.120	1.445.042
8. Equity-accounted investments	028	258.254.309	278.926.990
IV. RECEIVABLES (030 do 032)	029	29.147.877	28.781.570
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	20.121.562	19.605.560
3. Other receivables	032	9.026.315	9.176.010
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	1.975.653.286	2.219.059.165
I. INVENTORIES (036 do 042)	035	451.293.423	585.797.835
1. Raw materials and supplies	036	230.613.891	274.251.169
2. Production in progress	037	131.192.027	180.040.441
3. Finished products	038	66.483.941	50.566.396
4. Merchandise	039	11.770.656	12.728.453
5. Advances for inventories	040	4.981.101	45.751.968
6. Long term assets held for sale	041	6.251.807	22.459.408
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	772.769.167	750.609.247
1. Receivables from related parties	044	64.650.324	24.786.249
2. Receivables from end-customers	045	591.402.077	663.151.649
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	1.069.714	2.713.920
5. Receivables from government and other institutions	048	33.657.170	37.045.364
6. Other receivables	049	81.989.882	22.912.065
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	305.358.260	405.514.258
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	302.405.387	404.021.724
7. Other financial assets	057	2.952.873	1.492.534
IV. CASH AND CASH EQUIVALENTS	058	446.232.436	477.137.825
D) PREPAYMENTS AND ACCRUED INCOME	059	5.999.951	7.050.883
E) TOTAL ASSETS (001+002+034+059)	060	3.467.130.153	3.707.555.041
F) OFF BALANCE SHEET ITEMS	061	2.115.371.922	2.335.591.404

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.175.508.335	2.182.341.789
I. SUBSCRIBED SHARE CAPITAL	063	1.028.847.600	1.208.895.930
II. CAPITAL RESERVES	064	719.579	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	417.141.957	402.347.055
1. Legal reserves	066	32.472.690	41.494.430
2. Reserve for own shares	067	3.237.715	1.338.982
3. Treasury shares and shares (deductible items)	068	3.237.715	1.338.982
4. Statutory reserves	069	244.177.137	288.037.569
5. Other reserves	070	140.492.130	72.815.056
IV. REVALUATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	350.456.478	291.027.165
1. Retained earnings	073	350.456.478	291.027.165
2. Loss carried forward	074		0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	135.112.460	38.091.942
1. Net profit for the period	076	135.112.460	38.091.942
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	243.230.261	241.260.118
B) PROVISIONS (080 do 082)	079	338.862.288	308.888.051
1. Provisions for pensions, severance pay and similar liabilities	080	28.161.589	20.577.562
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	310.700.699	288.310.489
C) NON-CURRENT LIABILITIES (084 do 092)	083	206.519.645	200.807.962
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	170.000	0
3. Liabilities to banks and other financial institutions	086	206.349.645	200.563.839
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	244.123
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	658.139.873	912.713.885
1. Liabilities to related parties	094	2.981.260	457.409
2. Liabilities for loans, deposits, etc.	095	340.000	340.000
3. Liabilities to banks and other financial institutions	096	93.865.601	80.964.347
4. Liabilities for advances	097	141.868.566	408.549.507
5. Trade payables	098	304.782.880	354.524.109
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	31.058.526	31.457.262
9. Taxes, contributions and similar liabilities	102	37.233.349	31.364.665
10. Liabilities arising from share in the result	103	474.678	599.764
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	45.535.013	4.456.822
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	88.100.012	102.803.354
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.467.130.153	3.707.555.041
G) OFF BALANCE SHEET ITEMS	108	2.115.371.922	2.335.591.404
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.932.278.074	1.941.081.671
2. Attributable to minority interest	110	243.230.261	241.260.118

Income statement
period 1.1.2014. to 30.6.2014.

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	1.255.297.997	693.409.629	1.196.878.749	686.626.381
1. Rendering of services	112	1.211.604.811	667.937.831	1.126.923.579	655.481.797
2. Other operating income	113	43.693.186	25.471.798	69.955.170	31.144.584
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	1.198.759.227	649.709.909	1.155.789.180	653.165.282
1. Change in inventories of work in progress	115	-27.993.900	11.261.588	-39.619.647	-11.853.827
2. Material expenses (117 do 119)	116	811.611.728	419.497.236	783.246.953	444.613.637
a) Costs of raw materials	117	635.890.015	320.808.810	580.705.082	327.713.958
b) Cost of goods sold	118	42.390.980	24.603.226	74.386.650	45.254.265
c) Other material expenses	119	133.330.733	74.085.200	128.155.221	71.645.414
3. Employee benefits expenses (121 do 123)	120	242.261.606	123.638.172	242.758.966	125.210.778
a) Net salaries	121	139.663.557	70.510.256	136.443.840	69.514.368
b) Tax and contributions from salary expenses	122	71.796.359	36.747.767	75.920.241	40.322.211
c) Contributions on salary	123	30.801.690	16.380.149	30.214.885	15.374.199
4. Depreciation and amortisation	124	38.641.870	19.577.454	42.771.904	21.201.287
5. Other expenses	125	106.634.951	55.802.249	112.984.653	62.740.219
6. Write down of assets (127+128)	126	3.021.780	2.085.271	1.036.418	673.219
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	3.021.780	2.085.271	1.036.418	673.219
7. Provisions	129	14.666.420	12.174.340	10.689.153	9.935.227
8. Other operating costs	130	9.914.772	5.673.599	2.100.780	644.742
III. FINANCIAL INCOME (132 do 136)	131	20.537.780	12.300.244	16.374.819	9.120.392
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	602.726	266.427	251.084	43.764
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	18.721.993	11.471.521	15.995.454	8.996.885
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	123.946	0	0	0
5. Other financial income	136	1.089.115	562.296	128.281	79.743
IV. FINANCIAL EXPENSES (138 do 141)	137	27.644.342	20.283.470	19.648.678	12.910.457
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	592.068	268.608	309.629	100.185
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	26.898.906	19.983.104	19.310.946	12.806.059
3. Unrealised losses (expenses) from financial assets	140	31.758	31.758	0	0
4. Other financial expenses	141	121.610	0	28.103	4.213
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	18.482.752	4.907.142	20.681.116	11.282.301
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	1.294.318.529	710.617.015	1.233.934.684	707.029.074
X. TOTAL EXPENSES (114+137+143+145)	147	1.226.403.569	669.993.379	1.175.437.858	666.075.739
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	67.914.960	40.623.636	58.496.826	40.953.335
1. Profit before taxes (146-147)	149	0	0	58.496.826	40.953.335
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	9.363.956	5.052.541	8.031.515	3.876.147
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	58.551.004	35.571.095	50.465.311	37.077.188
1. Profit for the period (149-151)	153	58.551.004	35.571.095	50.465.311	37.077.188
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	44.694.346	29.378.254	38.091.942	29.824.045
2. Attributable to minority interest	156	13.856.658	6.192.841	12.373.369	7.253.143
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	58.551.004	35.571.095	50.465.311	37.077.188
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 167)	158	-229.783	-217.883	-7.686	-64.382
1. Exchange differences from international settlement	159	-229.783	-217.883	-7.686	-64.382
2. Changes in revaluation reserves of long-term tangible and intangible	160	0	0	0	0
3. Profit or loss from re-valuation of financial assets held for sale	161	0	0	0	0
4. Profit or loss from cash flow hedging	162	0	0	0	0
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 167)	167	-229.783	-217.883	-7.686	-64.382
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	58.321.221	35.353.212	50.457.625	37.012.806
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	44.464.563	29.160.371	38.084.256	29.759.663
2. Attributable to minority interest	170	13.856.658	6.192.841	12.373.369	7.253.143

STATEMENT OF CHANGES IN EQUITY
 period **1.1.2014** to **30.6.2014**
 Legal entity: **Končar Electrical Industry INC.**

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.130.756.740	1.310.805.070
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	515.654.171	512.503.268
4. Retained earnings or loss carried forward	004	364.682.468	307.848.561
5. Net profit or loss for the period	005	163.695.377	50.465.311
6. Revaluation of tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of available for sale assets	008	0	0
9. Other revaluation	009	0	0
10. Total equity and reserves (AOP 001 to 009)	010	2.175.508.335	2.182.341.789
11. Foreign exchange differences from foreign investments	011	-14.870	-7.686
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	-183.487	0
16. Other changes	016	107.764.001	6.841.140
17. Total increase or decrease of equity (AOP 011 to 016)	017	107.565.644	6.833.454
17 a. Attributable to majority owners	018	98.945.508	8.803.597
17 b. Attributable to minority interest	019	8.620.136	-1.970.143

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 2014 are HRK 14.82 and are lower than earnings per share during the same period of the previous year by HRK 2.56

3. Changes in ownership structure

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

4. Mergers and acquisitions

There have been no new mergers and acquisitions.

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

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

6. Business results

During the period January - June 2014, as opposed to the same period of the previous year, sales revenues (which make up for 92.9 per cent of the total revenues) decreased by 7.0 per cent, operational revenues (which make up for 97.0 per cent of the total revenues) decreased by 4.7 per cent. Total revenues decreased by 4.7 per cent in comparison to the same period of last year. Total expenses decreased by 4.2 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 98.3 per cent of the total expenses, decreased by 3.6 per cent. Income from investment into affiliated companies increased by 11.9 per cent compared to the same period of last year while other financial income decreased by 20.3 per cent. Financial expenses decreased by 28.9 per cent in comparison with the same period of the previous year.

7. Products and services description

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

8. Operating and other costs

For the period January - June of the year 2014, in comparison with the same period of last year, the share of material expenses in the operational revenue increased by 0.1 percentage point, employees expenses increased by 0.7 percentage points, depreciation and amortisation by 0.4 percentage points and the share of other expenses increased by 0.3 percentage points, while the share of expenses of values adjustment decreased by 0.2 percentage points and the costs of provisions decreased by 0.3 percentage points.

9. Profit or loss

The profit of the Group after tax is HRK 50.46 million and is lower by HRK 8.09 million 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 2014 amounts to HRK 38.09 million, which is a decrease of HRK 6.60 million compared to the same period of the previous year. The net profit attributable to minority interest is HRK 12.37 million, which is a decrease of HRK 1.48 million compared to the same period of the previous year. Of the 19 companies comprising the Končar Group, four companies declared a loss in the amount of HRK 6.36 million, of which HRK 6.26 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the second trimester of 2014, as opposed to the beginning of the year, increased by HRK 30.91 million.

11. Other notes

The Mother Company increased the share capital by HRK 180.05 million by the reinvestment of the profit realised in the year 2013 into the share capital in the amount of HRK 110.20 million (reinvested earnings), and for the amount of HRK 69.85 million from other reserves formed in previous years.

The Mother Company paid of dividends to shareholders in the amount HRK 12.00 per share.

In the second trimester of the year 2014 the liquidation process of the company Končar - Ugoditeljska oprema d.o.o. / Catering Equipment Inc. was initiated.

In the company Končar - Kućanski aparati d.o.o. / Household Appliances Ltd. a simplified decrease of the capital was performed to cover transferred losses in the amount of HRK 36.39 million.