

**BOARD'S REPORT ON MANAGEMENT OF KONČAR GROUP
FOR THE PERIOD JANUARY-JUNE 2017**

Končar Group consists of KONČAR – ELECTRICAL INDUSTRY Inc. as the parent company and 17 related companies in which the parent has a controlling interest (more than 50% of the votes in the General Assembly). Apart from common shares, preferred shares of some Končar Group companies have also been subscribed. In addition, the parent company exercises a minority controlling interest (49% of the votes in the General Assembly) in one (associated) company.

Companies within the Group are legally autonomous companies supervised by the parent as well as strategically directed and supported through the work of companies' supervisory boards and assemblies pursuant to the Companies Act, the Articles of Association of KONČAR-ELECTRICAL INDUSTRY Inc., and the Articles of Association of individual companies. The parent also manages the portion of the assets not invested in the companies, but directly and indirectly used for providing financial support to sales, products and equipment of the related companies as a credit-guarantee potential.

Potential liabilities of KONČAR-Electrical Industry Inc. for the overall issued guarantees as of 30 June 2017 amounted to HRK 465.8 million, a decrease by HRK 85.6 million compared to 31 December 2016.

Said decrease is primarily connected to the expired performance guarantees of Končar-Power Plant and Electric Traction Engineering Inc. in the amount of HRK 26.9 million, to HRK 50.3 m guarantees of Končar-Generators and Motors Inc., and to the reduced amount of loans taken by Končar-Instrument Transformers Inc. and Končar-Renewable Sources Ltd of HRK 9.4 million.

Performance guarantees account for HRK 340.9 million of the overall and joint and several guarantees.

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

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

Management Board

The President and members of the Management Board are appointed and recalled by the Supervisory Board. The term of office of the Board President and members is 5 years, after which they can be reappointed. Pursuant to the Companies Act and the Articles of Association, the Management Board assumes full responsibility for business affairs of the company while being obliged and authorized for taking any actions and making decisions it deems necessary for the successful management of the Company. Certain decisions set under the Articles of Association require the consent of the Supervisory Board.

Končar – Electrical Industry Inc. is managed by the Board consisting of:

Darinko Bago	President of the Management Board
Miki Huljić	Board member responsible for finance
Marina Kralj Miliša	Board member responsible for legal, HR and general affairs
Davor Mladina	Board member responsible for electricity transmission and distribution, industry and trade

Miroslav Poljak

Board member responsible for electricity production, corporate development and ICT

Supervisory Board

Pursuant to the Companies Act and the Articles of Association of KONČAR – Electrical Industry Inc., the General Assembly adopts decisions on the appointment and recall of the Supervisory Board members. The Supervisory Board appoints and recalls the Management Board members and supervises Company operations. More significant transactions and business decisions (the transaction amount is set under the Rules of Procedure of the SB and the Articles of Association of related companies) require the consent of the Supervisory Board.

Petar Vlaić	Chairman of the Supervisory Board
Josip Lasić	Vice Chairman of the Supervisory Board
Nikola Anić	Member
Jasminka Belačić	Member
Vicko Ferić	Member
Branko Lampl	Member
Joško Miliša	Member
Vladimir Plečko	Member

Business operations of Končar Group in the period January-June 2017

Končar Group companies earned consolidated income from the sale of products and services of HRK 1,242.7 million in the period January-June 2017, retaining the income level reported in the same period 2016.

The first half 2017 was characterized by the growth of income from the export of products and services compared to the same period 2016. Export sales increased by HRK 121.9 million or by 20.6%. Compared to January-June 2016, income from domestic sales decreased by HRK 125.4 million or by 19.2%.

Operating income was HRK 1,332.2 million, a 2.1% increase compared to January-June 2016. Income from the sale of products and services accounts for 93.3% of the overall operating income.

Operating expenses amounted to HRK 1,300.5 million i.e. a 3.7% increase compared to the same period 2016.

The spread of operating income and expenses resulted in profit from business operations of HRK 31.7 million.

The share of profit from the associates accounted for HRK 25.8 million, which is by HRK 1.9 million more compared to the reported in the same period the year before.

The spread of financial income and expenses was negative and amounted to HRK 10.8 million.

The profit from operating activities of HRK 31.7 million, the share of profit from the associates of HRK 25.8 million, and a negative spread of financial income and expenses of HRK 10.8 million resulted in pre-tax consolidated profit of HRK 46.7 million. Advance payment towards corporate income tax amounted to HRK 9.1 million, and profit after tax to HRK 37.6 million, of which HRK 11.6 million was allocated to the non-controlling (minority) interest, and HRK 26 million to the owners of shares of the parent company.

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

From 18 Končar Group companies, 16 reported positive operating results, while two reported the overall loss of HRK 8.5 million, of which HRK 8.4 million allocated to the owners of shares of the parent company.

In the structure of income from the sale of products and services on the domestic market, income from the sale of products and services to HEP Group companies (HEP-Proizvodnja, HEP – Operator distribucijskog sustava, HOPS) accounts for HRK 203.2 million (38.5% of the overall earned income from the sale of products and services on the Croatian market). Compared to the year before, the sale of products and services to HEP increased by 25.5.

Major customers on the Croatian market responsible for income from the sale of products and services include Končar–Power Transformers with HRK 42.6 million (8.1% of the overall income on the domestic market) and Zagrebački holding–ZET with HRK 29.5 million or 5.6% of the overall reported income on the domestic market.

Income from the sale of products and services abroad amounted to HRK 714.9 million, which was by 20.6% more than in the same period last year.

Export accounted for 57.5% of the overall income from the sale of products and services. The biggest share of said export was to Sweden i.e. HRK 112.6 million or 15.7% of overall export (Končar-Distribution and Special Transformers and Končar-Generators and Motors). Export to Germany accounted for HRK 91 million or 12.7% of the overall export (Končar-Distribution and Special Transformers and Končar-Metal Structures). Export of goods and services to Finland, Austria and Bosnia and Herzegovina accounted for HRK 43.9 million, HRK 38.9 million and HRK 30.9 million, respectively.

Compared to the same period last year, income from the sale of products and services increased significantly on the following markets: Sweden (increase by HRK 44.1 million), Germany (increase by HRK 35 million), and Finland (increase by HRK 22.6 million). Končar-Instrument Transformers entered the new market of the Republic of the Union of Myanmar by delivering HRK 7.5 million worth transformers (the HRK 8.8 million contract signed in 2016 to be delivered during 2017).

In the period January-June 2017, Končar Group companies signed new contracts worth HRK 1,116.9 million, of which HRK 447.2 million (40% of overall contracts) domestically and HRK 669.7 million (60% of overall contracts) abroad.

The major share of domestic contracts concluded in the period January-June 2017 was signed with HEP Group companies (HEP-Proizvodnja, HEP–Operator distribucijskog sustava, HOPS). They accounted for HRK 136.5 million or 30.5% of the overall contracts signed on the domestic market. Other domestic customers included HŽ which accounted for HRK 23.5 million, of which the major share (HRK 22.3 million) was earned from HŽ – Cargo (locomotive repair).

The major share of contracts concluded on the international market in the period January-June 2017 was signed with Swedish companies (19%) in the amount of HRK 125.1 million (signed by Končar-Distribution and Special Transformers). New HRK 84.2 million worth contracts were signed with German companies, HRK 47.3 million on the market of Norway, and HRK 39 million with Austrian customers.

As per the rate of delivery in 2017, new contracts worth HRK 832.5 million were signed with a delivery date in 2018, while new HRK 284.4 million was contracted for the following period.

The balance of contracted projects as of 30 June 2017 amounted to HRK 3,166.2 million, which is by 4% less compared to the balance early this year, accounting for 5% and 3% less outstanding commitments domestically and abroad, respectively, compared to the balance in early 2017.

Import in the amount of HRK 331.2 million was recorded in the period January-June 2017. The import of raw and other materials accounted for HRK 317 million. Investments were made in the amount of HRK 14.2 million. In the same period this year, income from the sale of products and services abroad accounted for HRK 714.9 million. The export-import coverage ratio was 2.2.

In the structure of funding sources, the subscribed equity, reserves, retained profit, profit for the year and the equity attributable to the non-controlling interest amounted to HRK 2,436.7 million, which is by 11.6 million less compared to the balance on 31 Dec 2016, accounting for 65.8% of the overall sources. Long term provisions amounted to HRK 201.2 million, accounting for 5.4% of the overall sources. Long- and short-term liabilities were HRK 895.5 million, which was by 4.3 million less than in late 2016 accounting for 24.2% of overall sources. In the structure of current liabilities, trade liabilities of HRK 330.3 million accounted for 8.9% of the overall sources. Overall loans (long- and short-term) of HRK 195.2 million increased by HRK 11.2 million compared to the balance on 31 December 2016, accounting for 5.2% of the overall sources.

Long-term funding sources (equity, long-term provisions and long-term liabilities) increased by HRK 708.7 million compared to fixed assets and average stock. Current assets increased by 2.9 times compared to current liabilities. The consolidated balance sheet structure shows the balance of funds and investments.

Signed on behalf of the Management Board:

Končar – Electrical Industry Inc.

President of the Management Board

Darinko Bago

27 July 2017

**STATEMENT OF ENTITIES RESPONSIBLE FOR THE PREPARATION OF CONSOLIDATED STATEMENTS
OF KONČAR GROUP**

This statement given by the Management Board of Končar-Electrical Industry Inc., Zagreb, pertains to the preparation and publication of the consolidated financial statements of Končar Group for the period January-June 2017.

The financial statements have been prepared according to the International Financial Reporting Standards implemented in the European Union.

To the best of our knowledge, the consolidated financial statements represent the integral and true view of the balance sheet, the income statement, the cash flow and the statement of changes in equity for Končar Group.

Signed on behalf of the Management Board:

Končar – Electrical Industry Inc.
President of the Management Board

Darinko Bago

27 July 2017

- Note:

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

Contact persons:

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

Marina Markušić, Accounting Specialist, marina.markusic@koncar.hr

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

Appendix 1

Reporting period:

1.1.2017

to

30.6.2017

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.hr**Internet address: **www.koncar.hr**Code and name of comune/town **133** **ZAGREB**Code and county name **21** **GRAD ZAGREB**Number of employees **3.696**
(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
Power Engineering Transformatory Sp. z o.o.	Czerwonaka, Poznan, Poljska	

Book keeping service: _____

Contact person: **Marina Markušić**

(fill in only surname and name of contact person)

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

(authorised person for representation)

Disclosure documents:

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

M.P.

(signed by authorised person for representation)

Balance Sheet
as of 30.6.2017

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	1.494.777.333	1.485.961.502
I. INTANGIBLE ASSETS (004 do 009)	003	52.009.689	47.680.445
1. Expenditure for development	004	32.014.082	27.691.656
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	7.666.909	6.520.408
3. Goodwill	006	7.980.446	7.980.446
4. Advances for purchase of intangible assets	007	0	0
5. Intangible assets in progress	008	4.006.864	5.206.814
6. Other intangible assets	009	341.388	281.121
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.149.201.502	1.119.138.774
1. Land	011	148.137.183	149.350.502
2. Buildings	012	343.994.618	343.341.520
3. Plant and equipment	013	406.004.433	406.727.411
4. Tools, working inventory and transportation assets	014	66.316.744	67.940.606
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	5.286.185	3.817.428
7. Tangible assets in progress	017	15.725.440	14.729.797
8. Other tangible assets	018	588.397	1.141.532
9. Investment in real-estate	019	163.148.502	132.089.978
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	279.060.241	304.821.608
1. Share in related parties	021	290.067	289.395
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	5.617.242	4.920.358
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	1.530.746	1.906.579
6. Loans, deposits, etc.	026	8.064.232	7.457.420
7. Other non-current financial assets	027	38.957	1.141.992
8. Equity-accounted investments	028	263.518.997	289.105.864
IV. RECEIVABLES (030 do 032)	029	14.178.830	13.932.765
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	8.991.459	8.630.711
3. Other receivables	032	5.187.371	5.302.054
V. DEFERRED TAX ASSET	033	327.071	387.910
C) CURRENT ASSETS (035+043+050+058)	034	2.298.557.467	2.201.779.477
I. INVENTORIES (036 do 042)	035	484.184.941	591.720.286
1. Raw materials and supplies	036	222.462.259	258.572.060
2. Production in progress	037	147.479.015	181.812.469
3. Finished products	038	82.119.109	78.534.064
4. Merchandise	039	23.791.097	17.915.755
5. Advances for inventories	040	4.194.790	50.885.938
6. Long term assets held for sale	041	4.138.671	4.000.000
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	998.059.831	751.295.147
1. Receivables from related parties	044	97.476.136	28.947.936
2. Receivables from end-customers	045	785.996.173	669.242.457
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	765.397	2.015.273
5. Receivables from government and other institutions	048	46.500.125	26.053.150
6. Other receivables	049	67.322.000	25.036.331
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	374.842.074	473.217.180
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	374.600.107	473.143.918
7. Other financial assets	057	241.967	73.262
IV. CASH AND CASH EQUIVALENTS	058	441.470.621	385.546.864
D) PREPAYMENTS AND ACCRUED INCOME	059	5.936.422	13.833.337
E) TOTAL ASSETS (001+002+034+059)	060	3.799.271.222	3.701.574.316
F) OFF BALANCE SHEET ITEMS	061	1.882.785.166	1.621.833.242

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.448.325.645	2.436.723.676
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	557.213.103	625.500.538
1. Legal reserves	066	52.743.738	57.980.867
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	391.309.535	407.677.744
5. Other reserves	070	113.159.830	159.841.927
IV. REVALUATION RESERVES	071	1.700.423	1.487.810
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	295.728.107	337.739.192
1. Retained earnings	073	295.728.107	337.739.192
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	143.282.972	25.975.185
1. Net profit for the period	076	143.282.972	25.975.185
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	240.785.531	236.405.442
B) PROVISIONS (080 do 082)	079	234.352.135	201.214.499
1. Provisions for pensions, severance pay and similar liabilities	080	37.502.225	37.387.760
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	196.849.910	163.826.739
C) NON-CURRENT LIABILITIES (084 do 092)	083	122.456.552	148.467.030
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	0	0
3. Liabilities to banks and other financial institutions	086	122.031.946	147.821.952
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	645.078
9. Deferred tax liabilities	092	424.606	0
D) CURRENT LIABILITIES (094 do 105)	093	788.139.165	747.025.845
1. Liabilities to related parties	094	23.633.329	5.441.612
2. Liabilities for loans, deposits, etc.	095	0	1.049.100
3. Liabilities to banks and other financial institutions	096	61.888.252	47.404.501
4. Liabilities for advances	097	244.713.954	231.553.185
5. Trade payables	098	348.212.115	325.009.256
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	37.255.630	37.791.284
9. Taxes, contributions and similar liabilities	102	54.016.162	32.049.930
10. Liabilities arising from share in the result	103	683.776	32.227.531
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	17.735.947	34.499.446
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	205.997.725	168.143.266
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.799.271.222	3.701.574.316
G) OFF BALANCE SHEET ITEMS	108	1.882.785.166	1.621.833.242
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	2.207.540.114	2.200.318.234
2. Attributable to minority interest	110	240.785.531	236.405.442

Income statement
period 1.1.2017 to 30.6.2017

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	1.305.185.054	661.552.103	1.332.173.219	750.126.465
1. Rendering of services	112	1.246.191.710	627.283.867	1.242.684.921	680.976.348
2. Other operating income	113	58.993.344	34.268.236	89.488.298	69.150.117
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	1.253.577.722	643.262.443	1.300.471.649	738.421.016
1. Change in inventories of work in progress	115	-90.246.889	-26.845.821	-31.587.993	17.650.598
2. Material expenses (117 do 119)	116	915.800.009	464.499.956	873.147.748	463.358.932
a) Costs of raw materials	117	665.324.852	336.900.607	630.187.124	335.764.495
b) Cost of goods sold	118	112.800.587	55.388.682	87.267.610	46.311.543
c) Other material expenses	119	137.674.570	72.210.667	155.693.014	81.282.894
3. Employee benefits expenses (121 do 123)	120	257.594.284	131.934.953	268.297.299	138.051.203
a) Net salaries	121	147.175.581	74.653.998	157.558.553	81.047.869
b) Tax and contributions from salary expenses	122	74.680.626	39.209.550	74.299.423	38.096.582
c) Contributions on salary	123	35.738.077	18.071.405	36.439.323	18.906.752
4. Depreciation and amortisation	124	47.837.157	22.800.988	46.803.295	23.669.522
5. Other expenses	125	95.491.406	47.949.589	102.673.003	57.360.665
6. Write down of assets (127+128)	126	4.359.329	2.595.572	1.564.144	819.208
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	4.359.329	2.595.572	1.564.144	819.208
7. Provisions	129	18.265.367	-2.291.166	6.391.528	5.223.256
8. Other operating costs	130	4.477.059	2.618.372	33.182.625	32.287.632
III. FINANCIAL INCOME (132 do 136)	131	22.539.615	10.756.999	22.451.583	12.023.866
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	247.391	112.194	793.124	215.348
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	21.193.214	9.599.919	19.417.243	9.881.394
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (Income) from financial assets	135	0	0	0	0
5. Other financial income	136	1.099.010	1.044.886	2.241.216	1.927.144
IV. FINANCIAL EXPENSES (138 do 141)	137	25.970.201	10.154.085	33.244.931	14.707.696
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	341.710	141.563	788.829	243.167
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	25.455.380	9.846.582	32.452.030	14.463.760
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	173.111	165.940	4.072	769
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	23.904.671	15.627.504	25.792.779	10.937.832
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	1.351.629.340	687.936.606	1.380.417.581	773.088.183
X. TOTAL EXPENSES (114+137+143+145)	147	1.279.547.923	653.416.528	1.333.716.580	753.128.712
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	72.081.417	34.520.078	46.701.001	19.959.471
1. Profit before taxes (146-147)	149	72.081.417	34.520.078	46.701.001	19.959.471
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	14.427.438	6.227.076	9.097.791	4.598.814
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	57.653.979	28.293.002	37.603.210	15.360.657
1. Profit for the period (149-151)	153	57.653.979	28.293.002	37.603.210	15.360.657
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	43.626.958	19.848.828	25.975.185	8.766.601
2. Attributable to minority interest	156	14.027.021	8.444.174	11.628.025	6.594.056
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	57.653.979	28.293.002	37.603.210	15.360.657
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	31.048	0	-214.115	-214.115
1. Exchange differences from international settlement	159	31.048	0	-214.115	-214.115
2. Changes in revaluation reserves of long-term tangible and intangible	160	0	0	0	0
3. Profit or loss from re-evaluation of financial assets held for sale	161	0	0	0	0
4. Profit or loss from cash flow hedging	162	0	0	0	0
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	31.048	0	-214.115	-214.115
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	57.685.027	28.293.002	37.389.095	15.146.542
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	43.646.124	19.848.828	25.762.571	8.553.987
2. Attributable to minority interest	170	14.038.903	8.444.174	11.626.524	6.592.555

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2017 to 30.6.2017

Legal entity: Končar Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash receipts from customers	001	1.516.868.870	1.416.325.454
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	3.825.736	3.313.062
4. Cash receipts arising from tax refunds	004	41.871.551	81.445.822
5. Other cash receipts	005	32.253.001	16.674.742
I. Total increase in cash flow from operating activities (001 to 005)	006	1.594.819.158	1.517.759.080
1. Cash paid to suppliers	007	1.101.987.243	1.053.356.616
2. Cash paid to employees	008	289.967.181	302.702.505
3. Cash outflows for insurance for damages compensation	009	4.380.098	4.365.896
4. Interest paid	010	4.656.859	3.848.443
5. Tax paid	011	93.494.040	67.216.511
6. Other cash outflows	012	62.854.786	65.837.893
II. Total decrease in cash flow from operating activities (007 to 012)	013	1.557.340.207	1.497.327.864
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	37.478.951	20.431.216
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	015	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	016	4.743.263	2.401.840
2. Cash inflows from sale of equity and debt financial instruments	017	6.653.423	2.344.769
3. Interest receipts	018	0	0
4. Dividend receipts	019	49.366.923	66.390.861
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	60.763.609	71.137.470
1. Cash outflows for purchase of long - term tangible and intangible assets	022	48.046.883	30.874.038
2. Cash outflows for purchase of equity and debt financial instruments	023	3.156.068	8.944.646
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	51.202.951	39.818.684
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	9.560.658	31.318.786
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	0	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	028	0	0
2. Cash inflows from loans, debentures, credits and other borrowings	029	65.129.772	27.920.793
3. Other cash inflows from financing activities	030	119.344.929	183.857.088
V. Total cash inflows from financing activities (028 to 030)	031	184.474.701	211.777.881
1. Cash outflows for repayment of loans and bonds	032	36.954.871	15.157.588
2. Dividends paid	033	16.291.608	15.619.791
3. Cash outflows for finance lease	034	0	249.585
4. Cash outflows for purchase of own stocks	035	0	0
5. Other cash outflows from financing activities	036	133.324.059	288.424.676
VI. Total cash outflows from financing activities (032 to 036)	037	186.570.538	319.451.640
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	2.095.837	107.673.759
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	44.943.772	0
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	0	55.923.757
Cash and cash equivalents at the beginning of period	042	346.619.383	441.470.621
Decrease in cash and cash equivalents	043	44.943.772	0
Increase in cash and cash equivalents	044	0	55.923.757
Cash and cash equivalents at the end of period	045	391.563.155	385.546.864

STATEMENT OF CHANGES IN EQUITY

period **1.1.2017** to **30.6.2017**

Legal entity: **Končar Electrical Industry Inc.**

	Position			
	1	2	3	4
	AOP	Previous year	Current year	
1. Subscribed share capital	001	1.298.064.820	1.301.377.520	
2. Capital reserves	002	719.579	1.403.837	
3. Reserves from profit	003	670.308.865	749.216.741	
4. Retained earnings or loss carried forward	004	303.743.498	345.636.061	
5. Net profit or loss for the period	005	173.788.460	37.603.209	
6. Revaluation of tangible assets	006	0		
7. Revaluation of intangible assets	007	0		
8. Revaluation of available for sale assets	008	1.700.423	1.486.308	
9. Other revaluation	009	0		
10. Total equity and reserves (AOP 001 to 009)	010	2.448.325.645	2.436.723.676	
11. Foreign exchange differences from foreign investments	011	31.058	-214.115	
12. Current and deferred taxes	012	0		
13. Cash flow hedge	013	0		
14. Change of accounting policies	014	0		
15. Correction of significant mistakes of prior period	015	0		
16. Other changes	016	126.798.553	-11.387.854	
17. Total increase or decrease of equity (AOP 011 to 016)	017	126.829.611	-11.601.969	
17 a. Attributable to majority owners	018	114.458.865	-7.221.880	
17 b. Attributable to minority interest	019	12.370.746	-4.380.089	

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 2017 are HRK 10.12 and are lower than earnings per share during the same period of the previous year by HRK 6.88.

3. Changes in ownership structure

Compared to the previous trimestre, there have been no significant changes in ownership structure.

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 2017, as opposed to the same period of the previous year, sales revenues (which make up for 90.0 per cent of the total revenues) decreased by 0.3 per cent, operational revenues (which make up for 96.5 per cent of the total revenues) increased by 2.1 per cent. Total revenues increased by 2.1 per cent. Total expenses increased by 4.2 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 97.5 per cent of the total expenses, increased by 3.7 per cent. Income from investment into affiliated companies increased by 7.9 per cent compared to the same period of last year. Financial incomes (which make up for 1.6 per cent of the total revenues) decreased by 0.4 per cent and financial expenses (which make up for 2.5 per cent of the total expenses) increased by 28.0 per cent compared to the same period last year.

7. Products and services description

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

8. Operating and other costs

For the period January - June of the year 2017, in comparison with the same period of last year, the share of material expenses in the operational revenue decreased by 1.4 percentage point, the share of costs of value adjustment decreased by 0.2 percentage points and the costs of provisions decreased by 0.9 percentage points, employees expenses increased by 1.3 percentage point, and the share of other expenses increased by 2.9 percentage points.

9. Profit or loss

The profit of the Group after tax is HRK 37.60 million which is a decrease of HRK 20.05 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 2017 amounts to HRK 25.98 million, which is a decrease of HRK 17.65 million compared to the same period of the previous year.

Net profit subscribed to the minority interest amounts to HRK 11.63 million, which is a decrease of HRK 2.40 million compared to the same period of the previous year. Of the 18 companies comprising the Končar Group, two companies declared a loss in the amount of HRK 8.55 million, of which HRK 8.43 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the second trimester of 2017, as opposed to the beginning of the year, decreased by HRK 55.92 million.

11. Other notes

In the first trimester of 2017 the Mother company bought from minority shareholders 0.23 per cent of shares of the company Končar- Instrument Transformers Inc.

In may 2017, company Končar-Distribution & Special Transformers Inc. gained a majority ownership (74 per cent stake) in the company Power Engineering Transformatory Sp. z o.o. from Czerwonaka, Poznan, Poland.

In June 2017, Mother company bought from minority shareholders 14.76 per cent of shares of the company Končar – Steel Structures Inc.