



KONČAR GROUP MANAGING BOARD BUSINESS REPORT FOR JANUARY – JUNE, 2018

The KONČAR Group consists of KONČAR – ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) as the Mother Company and 15 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, strategically directed and supported by the Mother Company through company supervisory boards and general / extraordinary annual meetings 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 30/06/2018 amounts to HRK 280.9 million representing a decrease by HRK 158,6 million compared to 31/12/2017.

Out of the total guarantees and joint warranties the amount of HRK 163.2 million refers to good performance guarantees.

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

- Generation, transmission and distribution of Electrical Power and Transport: designing and construction of plants and equipment for generation, transmission and distribution of electric energy, electric locomotives, Electric Multiple Units, tramcars and side-line electric traction equipment;
- Industry: electric motor drives, low voltage electric equipment;
- Trade: 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.

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



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
Miki Huljić	A Member of the Managing Board in Charge of Finances
Marina Kralj Miliša	A Member of the Managing Board in Charge of Legal, Common and Personnel Affairs
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 and the Statutes of KONČAR – Electrical Industry Inc. the Annual (Extraordinary) General Meeting makes the 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 Supervisory Board Rules of Procedure and Statutes of associated companies) requires the Supervisory Board consent.

Petar Vlaić	Supervisory Board President
Josip Lasić	Supervisory Board Deputy President
Nikola Anić	Member
Jasminka Belačić	Member
Vicko Ferić	Member
Branko Lampl	Member
Joško Miliša	Member
Vladimir Plečko	Member

Končar Group Business Results for January to June, 2018

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of 1.203,9 million for the time period from January to June, 2018 that is lower 3.1 % compared to the achievements during the same time period of 2017.

Operating incomes were generated in the amount of HRK 1.292 million and they are 3 % lower than the achievement of the time period from January to June of 2017. The share of incomes from sales of products and services in the operating incomes amounts to HRK 1.203,9 million or 93.2 % of the total operating incomes.

Operating expenses were achieved in the amount of HRK 1.247,8 million and they are lower by 4 % than the achievement for the same time period of 2017.

The difference between operating incomes and operating expenses gives the profit of operating activities in the amount of HRK 44.1 million that is higher by HRK 12.4 million or 39.3 % than the achievement for the time period January – June, 2017.



The share in the profit of the associated entrepreneurs amounts to HRK 13 million that is lower by HRK 12.8 million compared to the achievement during the same time period of the previous year.

The difference between financial incomes and expenses is negative and it amounts to HRK 11.5 million.

The profit of operating activities in the amount of HRK 44.1 million, the share in the profit of the associated entrepreneurs in the amount of HRK 13 million and the negative difference between financial incomes and expenses in the amount of HRK 11.5 million make the consolidated profit before tax in the amount of HRK 45.6 million. The profit tax advance payment amounts to HRK 9.7 million, while the profit after tax amounts to HRK 35.9 million out of which the amount of HRK 9.4 million belongs to the non-controlling interest (the minority interest) and the amount of HRK 26.5 million to the Group Mother Company shareholders.

Out of 16 Končar Group Companies, 14 Companies generated a positive financial result, while two companies expressed a loss in the total amount of HRK 5.6 million out of which HRK 4.4 million belongs to the Mother Company shareholders.

In the domestic market the income in the amount of HRK 502.4 million was generated and that was lower by 4.8 % compared to the achievement of the first half year of 2017 and lower by 25.8 % than 2018 6/12 Plan.

Within the structure of incomes from sales of products and services in the domestic market, the income from sales of products and services to companies belonging to HEP - the Croatian Power Authority (HEP – Generation, HEP – Distribution System Operator, HOPS – Croatian Transmission System Operator) was generated in the amount of HRK 146 million (29.1 % out of the total achieved income from sales of products and services in the domestic market). Compared to the previous year, the sales of products and services to HEP – the Croatian Power Authority was lower by HRK 57.2 million or 28.1 %.

Out of more significant buyers in the Croatian market, the income was achieved from sales of products and services to Končar – Power Transformers in the amount of HRK 44.3 million (8.8 % of the total incomes in the domestic market) and to Zagreb Holding – ZET Zagreb Electric Tram in the amount of HRK 33.2 million or 6.6 % of the total achieved incomes in the domestic market.

Incomes from sales of products and services that were exported were generated in the amount of HRK 701.5 million that were lower by 1.9 % than the achievement of the same time period of the previous year and lower by 17.9 % than 2018 6/12 Plan.

The share of the export in the total incomes from sales of products and services amounted to 58.3 %. The most important export of goods and services was achieved in the market of Sweden in the amount of HRK 125 million or 17.8 % of the total export (Končar – Distributive and Special Transformers and Končar – Generators and Motors). The export to the market of Germany was performed in the amount of HRK 84.3 million or 12 % of the total export (Končar – Distributive and Special Transformers and Končar – Metal Structures). Goods and services in the amount of HRK 39.4 million were exported to Austria, 33.6 to the Check Republic and HRK 31.7 million to Italy.

Compared to the same time period of the previous year, a significant increase of incomes from sales of goods and services in export was generated in the markets of: Norway (HRK 19.4 million more), the Check Republic (HRK 16.1 million), Albania (HRK 13.9 million more) and Sweden (HRK 12.5 million more).



During the time period January – June, 2018, the Končar Group Companies contracted new projects in the amount of HRK 1,551.2 million. Out of the total contracted new projects HRK 540.2 million (34.8 % of the total of contracted new projects) referred to the domestic market and HRK 1.011.6 million (65.2 % of the total of contracted new projects) referred to exporting contracts. More new projects in the amount of HRK 434.9 million was contracted compared to the contracted projects during the same time period of the previous year.

Out of projects contracted for the domestic market during the time period January – June, 2018, the majority refers to the HEP Group (Croatian Power Authority) Companies (HEP - Generation, HEP – Distribution System Operator, HOPS- Croatian Transmission System Operator) in the amount of HRK 83.4 million or 15.4 % of the totally newly contracted project in the domestic market, Zagreb Town Holding in the amount of HRK 60.4 million (11.2 %) and newly contracted project for Đuro Đaković in the amount of HRK 20 million.

Out of projects contracted for the export market during the time period January – June, 2018, the majority (21.1 %) refers to Bosnia and Herzegovina in the amount of HRK 214.1 million. New projects in the amount of HRK 132.4 million were contracted for the market of Germany (Končar – Distributive and Special Transformers and Končar Metal Structures), HRK 117.5 million for the market of Sweden and HRK 115.2 million for Bulgaria.

On the basis of the dynamics of the delivery, newly contracted projects in the amount of HRK 895 million will be performed in 2018, while contracted projects to be performed during 2019 and following years amount to HRK 656.8 million.

The status of the contracted projects as of 30th June, 2018, amounted to HRK 3,376.1 making it 11 % higher than the status at the beginning of the year; the status of opened liabilities in the domestic market was higher by 2 % and in the export higher by 22 % than the status at the beginning of 2018.

The import in the amount of HRK 354 million was performed during the time period from January to June, 2018. The import of raw materials and materials amounted to HRK 344.1 million, while investment acquisitions amounted to HRK 9.9 million. During the same time period of this year, incomes from sales of products and services in export were achieved in the amount of HRK 701.5 million. The export import coverage coefficient amounted to 2.

Within the structure of asset sources, the registered capital, reserves, retained profits, profits of the current year and not controlling interest capital amounted to HRK 2,456.7 million that was HRK 28.2 million less compared to the level on 31st December, 2017 and they made 68.6 % of the total sources. Long term reserves amounted to HRK 215.5 million and made 6 % of the total sources. Long term and current liabilities amounted to HRK 814.6 million making them lower by HRK 38.1 million than the situation at the end of 2017 and they made 22.8 % of total sources. Within the current liabilities, payables to suppliers amounted to HRK 333.9 million and they made 9.3 % of the total sources. Total loans (long term and current) amounted to HRK 176.7 million and they were lower by HRK 7.9 million compared to the situation as of 31st December, 2017 and they made 4.9 % of the total sources.

Long term asset sources (capital, long term reserves and long term liabilities) were higher by HRK 779.8 million than the long-term assets and the average level of stocks. Current assets were 3.1 times higher than the current liabilities. The consolidated balance sheet structure showed a good adjustment between assets and investments as well as a good financial stability of the Končar Group.

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



KONČAR

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc

Managing Board President

Darinko Bago

27th July, 2018



**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, 2018.

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.
Managing Board President

Darinko Bago

27th July, 2018

- Note:

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

Contact persons:

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

Appendix 1

Reporting period:

1.1.2018

to

30.6.2018

Quarterly financial report of entrepreneur TFI-POD

Registration number (MB) | 03282635

Identification number of subject (MBS) | 080040936

Personal identification number (OIB) | 45050126417

Issuer company: KONČAR - ELECTRICAL INDUSTRY Inc.

Postal code and place | 10000

ZAGREB

Street and number: FALLEROVO ŠETALIŠTE 22

E-mail address: koncar.finance@koncar.hrInternet address: www.koncar.hr

Code and name of comune/town | 133 | ZAGREB

Code and county name | 21 | GRAD ZAGREB

Number of employees | 3.552

(at quarter end)

Consolidated statement | YES

NKD/NWC code: 2711

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

Končar - Energetika i usluge d.o.o.	Zagreb	1343068
Končar - Institut za elektrotehniku d.d.	Zagreb	3645363
Končar - Elektronika i informatika d.d.	Zagreb	3282899
Končar - Mali električni strojevi d.d.	Zagreb	3282678
Končar - Generatori i motori d.d.	Zagreb	1356216
Končar - Obnovljivi izvori d.o.o.	Zagreb	2435071
Končar - Mjerni transformatori d.d.	Zagreb	3654656
Končar - Distributivni i specijalni transform. d.d.	Zagreb	3654664
Končar - Električni aparati srednjeg napona d.d.	Zagreb	3641287
Končar - Električna vozila d.d.	Zagreb	3282660
Končar - Sklopna postrojenja d.d.	Sesvetski Kraljevec	3641279
Končar - Kućanski aparati d.o.o.	Zagreb	1403222
Končar - Električni visokonaponski aparati d.d.	Zagreb	3641252
Končar - Niskonaponske sklopke i prekidači d.o.o.	Zagreb	3228398
Končar - 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

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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 30.6.2018

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	1.436.401.680	1.444.952.669
I. INTANGIBLE ASSETS (004 do 009)	003	48.635.976	50.047.584
1. Expenditure for development	004	26.436.078	23.471.097
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	7.742.495	7.989.438
3. Goodwill	006	7.342.331	7.342.331
4. Advances for purchase of intangible assets	007	0	0
5. Intangible assets in progress	008	6.902.929	9.468.480
6. Other intangible assets	009	212.143	1.776.238
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.101.401.089	1.091.694.946
1. Land	011	150.227.351	151.329.671
2. Buildings	012	346.741.531	336.279.643
3. Plant and equipment	013	364.677.407	360.038.825
4. Tools, working inventory and transportation assets	014	66.046.769	64.029.095
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	9.531.929	3.446.876
7. Tangible assets in progress	017	25.371.451	36.826.421
8. Other tangible assets	018	1.031.516	1.267.381
9. Investment in real-estate	019	137.773.135	138.477.034
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	275.225.424	292.487.407
1. Share in related parties	021	290.067	289.837
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	3.527.783	2.795.328
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	1.265.593	1.879.256
6. Loans, deposits, etc.	026	7.567.423	11.367.803
7. Other non-current financial assets	027	57.782	678.656
8. Equity-accounted investments	028	262.516.776	275.476.527
IV. RECEIVABLES (030 do 032)	029	10.874.967	10.460.667
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	6.573.825	6.190.303
3. Other receivables	032	4.301.142	4.270.364
V. DEFERRED TAX ASSET	033	264.224	262.065
C) CURRENT ASSETS (035+043+050+058)	034	2.264.787.369	2.112.872.342
I. INVENTORIES (036 do 042)	035	461.997.111	573.662.730
1. Raw materials and supplies	036	223.313.705	250.024.465
2. Production in progress	037	149.156.841	203.161.666
3. Finished products	038	56.157.754	67.270.838
4. Merchandise	039	24.910.880	27.486.162
5. Advances for inventories	040	8.457.931	25.719.599
6. Long term assets held for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	1.008.993.030	758.628.527
1. Receivables from related parties	044	33.338.230	29.100.932
2. Receivables from end-customers	045	877.855.448	679.767.760
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	1.315.878	1.784.253
5. Receivables from government and other institutions	048	54.887.353	33.103.074
6. Other receivables	049	41.596.121	14.872.508
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	273.100.411	111.241.967
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	272.212.320	110.662.809
7. Other financial assets	057	888.091	579.158
IV. CASH AND CASH EQUIVALENTS	058	520.696.817	669.339.118
D) PREPAYMENTS AND ACCRUED INCOME	059	7.842.804	22.108.778
E) TOTAL ASSETS (001+002+034+059)	060	3.709.031.853	3.579.933.789
F) OFF BALANCE SHEET ITEMS	061	1.900.003.310	1.703.873.006

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.484.900.105	2.456.691.365
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	623.163.094	686.608.691
1. Legal reserves	066	57.920.857	62.447.455
2. Reserve for own shares	067	4.143.784	10.143.784
3. Treasury shares and shares (deductible items)	068	4.143.784	6.383.531
4. Statutory reserves	069	405.400.310	421.760.822
5. Other reserves	070	159.841.927	198.640.161
IV. REVALUATION RESERVES	071	129.445	-434.746
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	337.981.548	319.947.159
1. Retained earnings	073	337.981.548	319.947.159
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	83.625.614	26.440.251
1. Net profit for the period	076	83.625.614	26.440.251
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	230.384.895	214.514.501
B) PROVISIONS (080 do 082)	079	220.046.463	215.457.387
1. Provisions for pensions, severance pay and similar liabilities	080	48.661.974	48.071.310
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	171.384.489	167.386.077
C) NON-CURRENT LIABILITIES (084 do 092)	083	128.800.017	126.271.901
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	120.798.248	118.654.141
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	8.001.769	7.617.760
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	740.298.872	688.345.455
1. Liabilities to related parties	094	16.100.685	3.988.621
2. Liabilities for loans, deposits, etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	63.928.234	58.102.033
4. Liabilities for advances	097	177.190.153	183.063.121
5. Trade payables	098	364.550.205	329.913.279
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	37.509.409	39.693.257
9. Taxes, contributions and similar liabilities	102	56.276.759	33.189.660
10. Liabilities arising from share in the result	103	676.131	788.496
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	24.067.296	39.606.988
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	134.986.396	93.167.681
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.709.031.853	3.579.933.789
G) OFF BALANCE SHEET ITEMS	108	1.900.003.310	1.703.873.006
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	2.254.515.210	2.242.176.864
2. Attributable to minority interest	110	230.384.895	214.514.501

Income statement
period 1.1.2018 to 30.6.2018

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	1.332.173.219	750.126.465	1.291.976.664	715.565.132
1. Rendering of services	112	1.242.684.921	680.976.348	1.203.910.238	667.869.158
2. Other operating income	113	89.488.298	69.150.117	88.066.426	47.695.974
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	1.300.471.649	738.421.016	1.247.831.409	690.396.782
1. Change in inventories of work in progress	115	-31.587.993	17.650.598	-62.682.215	7.357.621
2. Material expenses (117 do 119)	116	873.147.748	463.358.932	870.462.333	455.874.430
a) Costs of raw materials	117	630.187.124	335.764.495	625.555.626	325.866.134
b) Cost of goods sold	118	87.267.610	46.311.543	93.945.172	49.819.295
c) Other material expenses	119	155.693.014	81.282.894	150.961.535	80.189.001
3. Employee benefits expenses (121 do 123)	120	268.297.299	138.051.203	280.438.416	142.475.808
a) Net salaries	121	157.558.553	81.047.869	163.335.089	82.237.995
b) Tax and contributions from salary expenses	122	74.299.423	38.096.582	79.529.276	40.943.159
c) Contributions on salary	123	36.439.323	18.906.752	37.574.051	19.294.654
4. Depreciation and amortisation	124	46.803.295	23.669.522	44.946.242	22.036.050
5. Other expenses	125	102.673.003	57.360.665	101.451.479	53.183.458
6. Write down of assets (127+128)	126	1.564.144	819.208	693.463	385.493
a) non-current assets (except financial assets)	127	0	0	21.976	0
b) current assets (except financial assets)	128	1.564.144	819.208	671.487	385.493
7. Provisions	129	6.391.528	5.223.256	9.098.204	6.922.853
8. Other operating costs	130	33.182.625	32.287.632	3.423.487	2.161.069
III. FINANCIAL INCOME (132 do 136)	131	22.451.583	12.023.886	17.936.916	7.556.878
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	793.124	215.348	1.298.757	396.870
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	19.417.243	9.881.394	16.311.194	6.904.092
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	0	0	183.872	183.872
5. Other financial income	136	2.241.216	1.927.144	143.093	72.044
IV. FINANCIAL EXPENSES (138 do 141)	137	33.244.931	14.707.696	29.446.573	12.017.223
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	788.829	243.167	1.236.808	363.103
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	32.452.030	14.463.760	27.413.493	10.886.239
3. Unrealised losses (expenses) from financial assets	140	0	0	752.390	752.390
4. Other financial expenses	141	4.072	769	43.882	15.491
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	25.792.779	10.937.832	12.980.303	6.985.273
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	1.380.417.581	773.088.183	1.322.893.883	730.107.283
X. TOTAL EXPENSES (114+137+143+145)	147	1.333.716.580	753.128.712	1.277.277.982	702.414.005
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	46.701.001	19.959.471	45.615.901	27.693.278
1. Profit before taxes (146-147)	149	46.701.001	19.959.471	45.615.901	27.693.278
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	9.097.791	4.598.814	9.747.412	5.561.057
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	37.603.210	15.360.657	35.868.489	22.132.221
1. Profit for the period (149-151)	153	37.603.210	15.360.657	35.868.489	22.132.221
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	25.975.185	8.766.601	26.440.251	17.334.712
2. Attributable to minority interest	156	11.628.025	6.594.056	9.428.238	4.797.509
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	37.603.210	15.360.657	35.868.489	22.132.221
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	-214.115	-214.115	-1.069.962	-697.538
1. Exchange differences from international settlement	159	-214.115	-214.115	-1.069.962	-697.538
2. Changes in revaluation reserves of long-term tangible and intangible	160				0
3. Profit or loss from re-evaluation of financial assets held for sale	161				0
4. Profit or loss from cash flow hedging	162				0
5. Profit or loss from hedging of foreign investments	163				0
6. Share of other comprehensive income/loss from associated	164				0
7. Actuarial gains/losses from defined benefit plans	165				0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	-214.115	-214.115	-1.069.962	-697.538
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	37.389.095	15.146.542	34.798.527	21.434.683
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	25.762.571	8.553.987	25.876.060	19.966.901
2. Attributable to minority interest	170	11.626.524	6.592.555	8.922.467	4.467.782

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2018 to 30.6.2018

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	1.323.108.261	1.436.176.106
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	3.291.264	9.290.692
4. Cash receipts arising from tax refunds	004	79.532.625	61.651.631
5. Other cash receipts	005	16.271.284	22.975.237
I. Total increase in cash flow from operating activities (001 to 005)	006	1.422.203.434	1.530.093.666
1. Cash paid to suppliers	007	959.801.451	980.417.211
2. Cash paid to employees	008	302.702.505	304.513.326
3. Cash outflows for insurance for damages compensation	009	4.344.098	5.560.673
4. Interest paid	010	3.848.443	2.987.627
5. Tax paid	011	65.293.314	74.683.447
6. Other cash outflows	012	65.764.438	81.647.077
II. Total decrease in cash flow from operating activities (007 to 012)	013	1.401.754.249	1.449.809.361
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	20.449.185	80.284.305
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	2.333.465	2.239.411
2. Cash inflows from sale of equity and debt financial instruments	017	2.344.769	8.219
3. Interest receipts	018	0	0
4. Dividend receipts	019	66.390.861	555.948
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	71.069.095	2.803.578
1. Cash outflows for purchase of long - term tangible and intangible assets	022	30.823.632	34.199.445
2. Cash outflows for purchase of equity and debt financial instruments	023	8.944.646	0
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	39.768.278	34.199.445
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	31.300.817	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	0	31.395.867
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	27.920.793	14.860.841
3. Other cash inflows from financing activities	030	183.857.088	241.108.541
V. Total cash inflows from financing activities (028 to 030)	031	211.777.881	255.969.382
1. Cash outflows for repayment of loans and bonds	032	15.157.588	17.585.038
2. Dividends paid	033	15.619.791	51.064.042
3. Cash outflows for finance lease	034	249.585	334.573
4. Cash outflows for purchase of own stocks	035	0	716.434
5. Other cash outflows from financing activities	036	288.424.676	86.515.433
VI. Total cash outflows from financing activities (032 to 036)	037	319.451.640	156.215.520
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	99.753.862
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	107.673.759	0
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	0	148.642.300
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	55.923.757	0
Cash and cash equivalents at the beginning of period	042	441.470.621	520.696.818
Decrease in cash and cash equivalents	043	0	148.642.300
Increase in cash and cash equivalents	044	55.923.757	0
Cash and cash equivalents at the end of period	045	385.546.864	669.339.118

STATEMENT OF CHANGES IN EQUITY

period 1.1.2018 to 30.6.2018

Legal entity: Končar Electrical Industry Inc.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.282.382.190	1.275.823.010
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	745.109.078	817.117.448
4. Retained earnings or loss carried forward	004	348.339.859	327.987.314
5. Net profit or loss for the period	005	108.103.912	35.868.489
6. Revaluation of tangible assets	006	0	
7. Revaluation of intangible assets	007	0	
8. Revaluation of available for sale assets	008	0	
9. Other revaluation	009	245.487	-824.475
10. Total equity and reserves (AOP 001 to 009)	010	2.484.900.105	2.456.691.365
11. Foreign exchange differences from foreign investments	011	245.487	-1.069.962
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	0	0
16. Other changes	016	36.328.973	-27.138.778
17. Total increase or decrease of equity (AOP 011 to 016)	017	36.574.460	-28.208.740
17 a. Attributable to majority owners	018	46.975.096	-12.338.346
17 b. Attributable to minority interest	019	-10.400.636	-15.870.394

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 2018 are HRK 10.32 and are higher than earnings per share during the same period of the previous year by HRK 0.20.

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 2018, as opposed to the same period of the previous year, sales revenues (which make up for 91.0 per cent of the total revenues) decreased by 3.1 per cent, operational revenues (which make up for 97.7 per cent of the total revenues) decreased by 3.0 per cent. Total revenues decreased by 4.2 per cent. 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 97.7 per cent of the total expenses, decreased by 4.0 per cent. Income from investment into affiliated companies decreased by 49.7 per cent compared to the same period of last year. Financial incomes (which make up for 1.4 per cent of the total revenues) decreased by 20.1 per cent and financial expenses (which make up for 2.3 per cent of the total expenses) decreased by 11.4 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 2018, in comparison with the same period of last year, the share of material expenses in the operational revenue increased by 0.2 percentage points, employees expenses increased by 1.0 percentage point, the share of costs of value adjustment increased by 0.2 percentage points. The share of depreciation and amortisation decreased by 0.1 percentage point, the costs of provisions decreased by 0,1 percentage point and the share of other expenses decreased by 2.3 percentage points.

9. Profit or loss

The profit of the Group after tax is HRK 35.87 million which is a decrease of HRK 1.73 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 2018 amounts to HRK 26.44 million, which is an increase of HRK 0.47 million compared to the same period of the previous year.

Net profit subscribed to the minority interest amounts to HRK 9.43 million, which is a decrease of HRK 2.20 million compared to the same period of the previous year. Of the 16 companies comprising the Končar Group, two companies declared a loss in the amount of HRK 5.60 million, of which HRK 4.38 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the first half of the year 2018, as opposed to the beginning of the year, increased by HRK 148.64 million.

11. Other notes