

KONČAR GROUP MANAGING BOARD BUSINESS REPORT
January – March 2017

The KONČAR Group consists of KONČAR – ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) as the Mother Company and 17 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 annual general / extraordinary 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 31/03/2017 amounts to HRK 524.6 million representing a decrease by HRK 26.8 million compared to 31/12/2016.

The majority part of the decrease refers to performance guarantees of Company Končar-Inženjering za energetiku i transport d.d. (Končar – Power Plant and Electric Traction Engineering Inc.) in the amount of HRK 13.4 million and Company Končar- Generatori i motori d.d. (Končar – Generators and Motors Inc.) in the amount of HRK 6.8 million.

Out of total warranties and joint and severe securities HRK 391.9 million belongs to performance guarantees.

The Končar Group business activities are divided into 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.

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, 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 Supervisory Board Activity Rule Book and Statues of independent 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 March, 2017

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 561.7 million for the time period from January to March, 2017 that is lower by 9.2 % compared to the achievement for the same time period of 2016.

The first quarter of 2017 was marked with an increase of incomes from sales of products and services in export compared to the same time period of 2016. Sales in export were higher by the amount of HRK 62.5 million or 24.8 %. On the domestic market, incomes from sales of products and services were lower by the amount of HRK 119.6 million or 32.6 % compared to the achievement of January to March of 2016.

Operating incomes were generated in the amount of HRK 582 million making them lower by 9.6 % than the achieved for January to March of 2016. Within business incomes, incomes from sales of products and services amount to 96.5 % of the total business incomes.

Operating expenses were generated in the amount of HRK 562.1 million and they were lower by 7.9 % than the achievement of the same time period of 2016.

The difference between the operating incomes and the operating expenses gives the profit of operating activities in the amount of HKR 20 million.

The share of profits of associated entrepreneurs amounts to HRK 14.8 million making it higher by HRK 6.5 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 8.1 million.

The profits from operating activities in the amount of HRK 20 million, the share in the profit of the associated entrepreneurs in the amount of HRK 14.8 million and the negative difference between financial incomes and expenses in the amount of HRK 8.1 million make the consolidated profit before tax in the amount of HRK 26.7 million. The profit tax advance payment amounts to HRK 4.5 million, while the profit after tax amounts to HRK 22.2 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 5 million and to the Group Mother Company shareholders HRK 17.2 million.

Out of 18 Končar Group Companies, 16 Companies generated a positive financial result, while two companies expressed a loss in the total amount of HRK 5.2 million out of which HRK 5.1 million is attributable to the Mother Company shareholders.

On the domestic market the income from sales of products and services to companies with the Croatian Power Authority (HEP) (HEP – Generation, HEP – ODS – Distribution System Operator, HOPS – Croatian Transmission System Operator) was generated in the amount of HRK 97.6 million (39.5 % of the total generated incomes from sales of products and services in the domestic market). Compared to the previous year, sales of products and services to the Croatian Power Authority (HEP) were higher by 28.2 %.

Out of more important clients in the market of Croatia, the income from sales of products and services to Končar – Power Transformers in the amount of HRK 23.3 million (9.4 % of total incomes on the domestic market) and to Zagreb Holding – Zagreb Electric Tramcar (ZET) in the amount of HRK 14.4 million or 5.8 % of the total generated incomes on the domestic market.

The income from sales of products and services on the foreign market was generated in the amount of HRK 314.8 million that was higher than the achievement for the same time period of the previous year by 24.8 %. The share of the export amounts to 56 % of the total incomes from sales of products and services. The most significant export was performed to Germany in the amount of HRK 49.7 million or 15.8 % of the total export (Končar – Distributive and Special Transformers and Končar – Metal Structures). In the market of Sweden the export in the amount of HRK 34.5 million or 11 % of the total generated export was achieved (Končar – Distributive and Special Transformers and Končar – Generators and Motors). Goods and services in the amount of HRK 17.6 million were exported to Austria, HRK 16.2 million to Slovenia and HRK 15.5 million to Saudi Arabia.

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 by the export to the markets of Germany (HRK 24.8 million more), Sweden (HRK 14 million more) and Austria (HRK 11.4 million more).

During the time period January to March, 2017, Končar Group Companies contracted new projects in the amount of HRK 528.6 million. Out of the total contracted new projects HRK 202.9 million (38.4 % of the total contracted projects) refer to the domestic market, and HRK 325.7 million (61.6 % of the total contracted projects) refer to newly contracted projects abroad.

Out of projects on the domestic market contracted during the time period January – March, 2017 the majority refers to companies with the Croatian Power Authority (HEP) Group (HEP - Generation, HEP – Distribution System Operator, HOPS – Croatian Transmission System Operator) in the amount of HRK 74 million or 36.4 % of the total contracted projects on the domestic market.

During the time period January to March, 2017, the majority of the contracted project on the foreign market (19 %) refers to the market of Sweden in the amount of HRK 62 million (Contracts of the company Končar – Distributive and Special Transformers). For the market of Germany, new projects were contracted in the amount of HRK 38.5 million, for the market of Finland in the amount of HRK 30.3 million and for the market of Austria HRK 28.1 million.

Regarding the dynamics of the delivery to be performed in 2017, the contracted new projects in the amount of HRK 447 million will be performed in 2018, while the contracted projects to be performed during following years amount to HRK 81.5 million.

On 31st March, 2017, the contracted project status amounted to HRK 3,258.9 million that was by 1 % lower than the contracted project status at the beginning of the year. The status of due receivables on the domestic market is lower by 3 % and in export higher by 1 % then at the beginning of 2017.

For the time period January – March of 2017 the import was generated in the amount of HRK 168.8 million. The import of raw materials and consumables amounted to HRK 159.2 million and the investment purchases amounted to HRK 9.6 million. During the same time period of this year, incomes from sales of goods and services in export were generated in the amount of HRK 314.8 million. The export import coverage coefficient amounts to 1.9.

Within the structure of asset sources, the registered capital, reserves, retained profits, profits of the current year and the capital belonging to the not controlling interest amounted to HRK 2,464.8 million that was HRK 16.4 million more compared to the level on 31st December, 2016 and they made 65.7 % of the total sources. Long term reservations amounted to HRK 233 million and they made 6.2 % of the total sources. Long term and current liabilities amounted to HRK 851.1 million making them lower by HRK 48.7 million then the status at the end of 2016 and they made 22.6 % of the total sources.

Liabilities towards the suppliers amounted to HRK 321 million and made 8.5 % of the total sources within current liabilities.

The total loans (long term and current) amounted to HRK 177.8 million and they were lower by HRK 6.2 million compared to the statuses as of 31st December, 2016 and they made 4.7 % of the total sources.

Long term asset sources (capital, long term reservations and long term liabilities) were higher by HRK 720.2 million compared to 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 of asset sources and investments.

Signed in the name of the Managing Board

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

28th April, 2017

**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 from January to March 2017.

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

28th April, 2017

- 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, marina.markusic@koncar.hr

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

Appendix 1

Reporting period:

1.1.2017

to

31.3.2017

Quarterly financial report of entrepreneur TFI-POD

Registration number (MB) 03282635

Identification number of subject (MBS) 080040936

Personal identification number (OIB) 45050126417

Issuer company: KONČAR - ELECTRICAL INDUSTRY Inc.

Postal code and place 10000

ZAGREB

Street and number: FALLEROVO ŠETALIŠTE 22

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

Internet address: www.koncar.hr

Code and name of comune/town 133 ZAGREB

Code and county name 21 GRAD ZAGREB

Number of employees 3.618

(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

Book keeping service:

Contact person: Marina Markušić

(fill in only surname and name of contact person)

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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 31.3.2017

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	1.506.001.822
I. INTANGIBLE ASSETS (004 do 009)	003	52.009.689	49.520.551
1. Expenditure for development	004	32.014.082	29.192.467
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	7.666.909	7.813.633
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	4.217.645
6. Other intangible assets	009	341.388	316.360
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.149.201.502	1.148.013.886
1. Land	011	148.137.183	148.137.183
2. Buildings	012	343.994.618	341.893.603
3. Plant and equipment	013	406.004.433	406.667.335
4. Tools, working inventory and transportation assets	014	66.316.744	67.174.682
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	5.286.185	5.497.452
7. Tangible assets in progress	017	15.725.440	14.916.468
8. Other tangible assets	018	588.397	581.111
9. Investment in real-estate	019	163.148.502	163.146.052
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	279.060.241	294.107.600
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	1.969.779
6. Loans, deposits, etc.	026	8.064.232	7.338.714
7. Other non-current financial assets	027	38.957	1.215.410
8. Equity-accounted investments	028	263.518.997	278.373.944
IV. RECEIVABLES (030 do 032)	029	14.178.830	14.032.714
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	8.991.459	8.785.346
3. Other receivables	032	5.187.371	5.247.368
V. DEFERRED TAX ASSET	033	327.071	327.071
C) CURRENT ASSETS (035+043+050+058)	034	2.298.557.467	2.235.752.822
I. INVENTORIES (036 do 042)	035	484.184.941	596.084.087
1. Raw materials and supplies	036	222.462.259	242.783.434
2. Production in progress	037	147.479.015	193.161.778
3. Finished products	038	82.119.109	85.495.371
4. Merchandise	039	23.791.097	21.370.618
5. Advances for inventories	040	4.194.790	49.272.886
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	700.429.479
1. Receivables from related parties	044	97.476.136	29.648.519
2. Receivables from end-customers	045	785.996.173	607.741.138
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	765.397	2.273.172
5. Receivables from government and other institutions	048	46.500.125	34.958.755
6. Other receivables	049	67.322.000	25.807.895
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	374.842.074	491.710.413
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	491.641.412
7. Other financial assets	057	241.967	69.001
IV. CASH AND CASH EQUIVALENTS	058	441.470.621	447.528.843
D) PREPAYMENTS AND ACCRUED INCOME	059	5.936.422	12.115.319
E) TOTAL ASSETS (001+002+034+059)	060	3.799.271.222	3.753.869.963
F) OFF BALANCE SHEET ITEMS	061	1.882.785.166	1.777.092.272

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.448.325.645	2.464.763.321
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	558.635.499
1. Legal reserves	066	52.743.738	52.879.204
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	392.596.465
5. Other reserves	070	113.159.830	113.159.830
IV. REVALUATION RESERVES	071	1.700.423	1.700.423
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	295.728.107	433.257.461
1. Retained earnings	073	295.728.107	433.257.461
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	143.282.972	17.208.584
1. Net profit for the period	076	143.282.972	17.208.584
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	240.785.531	244.345.845
B) PROVISIONS (080 do 082)	079	234.352.135	232.983.331
1. Provisions for pensions, severance pay and similar liabilities	080	37.502.225	37.571.528
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	196.849.910	195.411.803
C) NON-CURRENT LIABILITIES (084 do 092)	083	122.456.552	124.520.013
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	123.874.935
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	220.472
9. Deferred tax liabilities	092	424.606	424.606
D) CURRENT LIABILITIES (094 do 105)	093	788.139.165	726.590.267
1. Liabilities to related parties	094	23.633.329	6.749.300
2. Liabilities for loans, deposits, etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	61.888.252	53.877.422
4. Liabilities for advances	097	244.713.954	247.885.135
5. Trade payables	098	348.212.115	314.682.858
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	39.387.971
9. Taxes, contributions and similar liabilities	102	54.016.162	43.476.974
10. Liabilities arising from share in the result	103	683.776	5.673.711
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	17.735.947	14.856.896
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	205.997.725	205.013.031
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.799.271.222	3.753.869.963
G) OFF BALANCE SHEET ITEMS	108	1.882.785.166	1.777.092.272
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	2.207.540.114	2.220.417.476
2. Attributable to minority interest	110	240.785.531	244.345.845

Income statement
period 1.1.2017 to 31.3.2017

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	643.632.951	643.632.951	582.046.754	582.046.754
1. Rendering of services	112	618.907.843	618.907.843	561.708.573	561.708.573
2. Other operating income	113	24.725.108	24.725.108	20.338.181	20.338.181
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	610.315.279	610.315.279	562.050.633	562.050.633
1. Change in inventories of work in progress	115	-63.401.068	-63.401.068	-49.238.591	-49.238.591
2. Material expenses (117 do 119)	116	451.300.053	451.300.053	409.788.816	409.788.816
a) Costs of raw materials	117	328.424.245	328.424.245	294.422.629	294.422.629
b) Cost of goods sold	118	57.411.905	57.411.905	40.956.067	40.956.067
c) Other material expenses	119	65.463.903	65.463.903	74.410.120	74.410.120
3. Employee benefits expenses (121 do 123)	120	125.659.331	125.659.331	130.246.096	130.246.096
a) Net salaries	121	72.521.583	72.521.583	76.510.684	76.510.684
b) Tax and contributions from salary expenses	122	35.471.076	35.471.076	36.202.841	36.202.841
c) Contributions on salary	123	17.666.672	17.666.672	17.532.571	17.532.571
4. Depreciation and amortisation	124	25.036.169	25.036.169	23.133.773	23.133.773
5. Other expenses	125	47.541.817	47.541.817	45.312.338	45.312.338
6. Write down of assets (127+128)	126	1.763.757	1.763.757	744.936	744.936
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	1.763.757	1.763.757	744.936	744.936
7. Provisions	129	20.556.533	20.556.533	1.168.272	1.168.272
8. Other operating costs	130	1.858.687	1.858.687	894.993	894.993
III. FINANCIAL INCOME (132 do 136)	131	11.782.616	11.782.616	10.427.697	10.427.697
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	135.197	135.197	577.776	577.776
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	11.593.295	11.593.295	9.535.849	9.535.849
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	54.124	54.124	314.072	314.072
IV. FINANCIAL EXPENSES (138 do 141)	137	15.816.116	15.816.116	18.537.235	18.537.235
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	200.147	200.147	545.662	545.662
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	15.608.798	15.608.798	17.988.270	17.988.270
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	7.171	7.171	3.303	3.303
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	8.277.167	8.277.167	14.854.947	14.854.947
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	663.692.734	663.692.734	607.329.398	607.329.398
X. TOTAL EXPENSES (114+137+143+145)	147	626.131.395	626.131.395	580.587.868	580.587.868
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	37.561.339	37.561.339	26.741.530	26.741.530
1. Profit before taxes (146-147)	149	37.561.339	37.561.339	26.741.530	26.741.530
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	8.200.362	8.200.362	4.498.977	4.498.977
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	29.360.977	29.360.977	22.242.553	22.242.553
1. Profit for the period (149-151)	153	29.360.977	29.360.977	22.242.553	22.242.553
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	23.778.130	23.778.130	17.208.584	17.208.584
2. Attributable to minority interest	156	5.582.847	5.582.847	5.033.969	5.033.969
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	29.360.977	29.360.977	22.242.553	22.242.553
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 167)	158	31.048	31.048	0	0
1. Exchange differences from international settlement	159	31.048	31.048	0	0
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 (158 TO 167)	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 167)	167	31.048	31.048	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	29.392.025	29.392.025	22.242.553	22.242.553
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	23.797.296	23.797.296	17.208.584	17.208.584
2. Attributable to minority interest	170	5.594.729	5.594.729	5.033.969	5.033.969

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2017 to 31.3.2017

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	873.726.054	776.294.558
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	3.467.912	1.015.298
4. Cash receipts arising from tax refunds	004	14.440.278	39.400.468
5. Other cash receipts	005	10.510.126	10.274.421
I. Total increase in cash flow from operating activities (001 to 005)	006	902.144.370	826.984.745
1. Cash paid to suppliers	007	549.797.522	535.442.476
2. Cash paid to employees	008	139.335.363	142.746.981
3. Cash outflows for insurance for damages compensation	009	1.807.266	1.676.426
4. Interest paid	010	2.442.513	1.737.760
5. Tax paid	011	64.909.496	35.213.248
6. Other cash outflows	012	28.465.323	27.011.730
II. Total decrease in cash flow from operating activities (007 to 012)	013	786.757.483	743.828.621
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	115.386.887	83.156.124
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	537.572	1.364.171
2. Cash inflows from sale of equity and debt financial instruments	017	18.830	67.734
3. Interest receipts	018	0	0
4. Dividend receipts	019	49.026.306	65.277.916
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	49.582.708	66.709.821
1. Cash outflows for purchase of long - term tangible and intangible assets	022	17.073.359	18.327.585
2. Cash outflows for purchase of equity and debt financial instruments	023	3.156.068	216.806
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	20.229.427	18.544.391
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	29.353.281	48.165.430
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	10.855.018	3.826.293
3. Other cash inflows from financing activities	030	20.908.380	111.437.309
V. Total cash inflows from financing activities (028 to 030)	031	31.763.398	115.263.602
1. Cash outflows for repayment of loans and bonds	032	13.751.933	7.723.914
2. Dividends paid	033	4.437	42.920
3. Cash outflows for finance lease	034	0	0
4. Cash outflows for purchase of own stocks	035	0	0
5. Other cash outflows from financing activities	036	64.248.602	232.760.100
VI. Total cash outflows from financing activities (032 to 036)	037	78.004.972	240.526.934
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	46.241.574	125.263.332
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	98.498.594	6.058.222
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	0	0
Cash and cash equivalents at the beginning of period	042	346.619.383	441.470.621
Decrease in cash and cash equivalents	043	98.498.594	6.058.222
Increase in cash and cash equivalents	044	0	0
Cash and cash equivalents at the end of period	045	445.117.977	447.528.843

STATEMENT OF CHANGES IN EQUITY

period **1.1.2017** to **31.3.2017**

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

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.298.064.820	1.298.020.120
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	670.308.865	671.617.274
4. Retained earnings or loss carried forward	004	303.743.498	470.463.372
5. Net profit or loss for the period	005	173.788.460	22.242.553
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	1.700.423
9. Other revaluation	009	0	
10. Total equity and reserves (AOP 001 to 009)	010	2.448.325.645	2.464.763.321
11. Foreign exchange differences from foreign investments	011	31.058	
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	16.437.676
17. Total increase or decrease of equity (AOP 011 to 016)	017	126.829.611	16.437.676
17 a. Attributable to majority owners	018	114.458.865	12.877.362
17 b. Attributable to minority interest	019	12.370.746	3.560.314

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 - March 2017 are HRK 6.71 and are lower than earnings per share during the same period of the previous year by HRK 2.56.

3. Changes in ownership structure

A new shareholder within the top ten is Zec Branislav with the share ownership of 0.89 per cent. Ministry of State Property / Republic of Croatia transferred all shares to Restructuring and Sale Centre /Republic of Croatia and his share ownership was increased by 1.62 per cent.

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 - March 2017, as opposed to the same period of the previous year, sales revenues (which make up for 92.5 per cent of the total revenues) decreased by 9.2 per cent, operational revenues (which make up for 95.8 per cent of the total revenues) decreased by 9.6 per cent. Total revenues decreased by 8.5 per cent. Total expenses decreased by 7.3 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 96.8 per cent of the total expenses, decreased by 7.9 per cent. Income from investment into affiliated companies increased by 79.5 per cent compared to the same period of last year. Financial incomes (which make up for 1.7 per cent of the total revenues) decreased by 11.5 per cent and financial expenses (which make up for 3.2 per cent of the total expenses) increased by 17.2 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 - March of the year 2017, in comparison with the same period of last year, the share of material expenses in the operational revenue increased by 1.4 percentage point, the share of employees expenses (without remuneration of costs of employees) increased by 2.9 percentage points, the share of depreciation and amortisation increased by 0.1 percentage point and the share of other expenses increased by 0.4 percentage points. The share of costs of value adjustment decreased by 0.1 percentage point, and the costs of provisions decreased by 3.0 percentage points.

9. Profit or loss

The profit of the Group after tax is HRK 22.24 million which is a decrease of HRK 7.12 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 - March of the year 2017 amounts to HRK 17.21 million, which is a decrease of HRK 6.57 million compared to the same period of the previous year.

Net profit subscribed to the minority interests amounts to HRK 5.03 million, which is a decrease of HRK 0.55 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 5.18 million, of which HRK 5.12 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the first trimester of 2017, as opposed to the beginning of the year, increased by HRK 6.06 million.

11. Other notes

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