

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT**  
**January – March 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 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 31/03/2018 amounts to HRK 362.3 million representing a decrease by HRK 77.2 million compared to 31/12/2017.

Out of total warranties and joint and severe securities HRK 240.1 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 provisions 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) require 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, 2018**

The Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 536 million for the time period from January to March, 2018 that is lower by 4.6 % compared to the achievement for the same time period of 2017.

Operating incomes were generated in the amount of HRK 576.4 million making them lower by 1 % then the achieved for January to March of 2017. Within business incomes, incomes from sales of products and services amount to HRK 536 million or 93 % of the total business incomes.

Operating expenses were generated in the amount of HRK 557.4 million and they were lower by 0.8 % than the achievement of the same time period of 2017.

The difference between the operating incomes and the operating expenses gives the profit of operating activities in the amount of HKR 19 million.

The share of profits of associated entrepreneurs amounts to HRK 6 million making it lower by HRK 8.8 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 7.1 million.

The profits from operating activities in the amount of HRK 19 million, the share in the profit of the associated entrepreneurs in the amount of HRK 6 million and the negative difference between financial incomes and expenses in the amount of HRK 7.1 million make the consolidated profit before tax in the amount of HRK 17.9 million. The profit tax advance payment amounts to HRK 4.2 million, while the profit after tax amounts to HRK 13.7 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 4.6 million and to the Group Mother Company shareholders HRK 9.1 million.

Out of 16 Končar Group Companies, 13 Companies generated a positive financial result, while three companies expressed a loss in the total amount of HRK 2.4 that is completely attributable to the Mother Company shareholders.

On the domestic market the income is generated in the amount of HRK 225.2 making it lower by 8.8 % than the achievement of the first quarter of 2017.

In the structure of incomes from sales of products and services on the domestic market that amount to HRK 225.2 million and that are lower by 33.5 % compared to the achievement of the same time period of 2017, incomes from sales of products and services to companies within the Croatian Power Authority (HEP) (HEP – Generation, HEP – ODS – Distribution System Operator, HOPS – Croatian Transmission System Operator) are generated in the amount of HRK 67.2 million (29.9 % of the total generated incomes from sales of products and services in the domestic market). Out of more important clients in the market of Croatia, the income from sales of products and services to Končar – Power Transformers are generated in the amount of HRK 21.8 million (9.7 % of total incomes on the domestic market) and to Zagreb Holding – Zagreb Electric Tramcar (ZET) in the amount of HRK 15.4 million or 6.9 % of the total generated incomes on the domestic market.

Incomes from sales of products and services on the foreign market are generated in the amount of HRK 310.8 million that was lower than the achievement for the same time period of the previous year by 1.3 %.

The share of the export amounts to 58 % of the total incomes from sales of products and services. The most significant export is performed to Sweden in the amount of HRK 52.2 million or 16.8 % of the total export (Končar – Distributive and Special Transformers and Končar – Generators and Motors). In the market of Germany, the export in the amount of HRK 41.6 million or 13.4 % of the total generated export is achieved (Končar – Distributive and Special Transformers and Končar – Metal Structures). Goods and services in the amount of HRK 19.8 million are exported to Austria, HRK 18.6 million to Italy and HRK 11.5 million to Bosnia and Herzegovina.

Compared to the same time period of the previous year, a significant increase of incomes from sales of goods and services in export is generated by the export to the markets of: Sweden (HRK 17.7 million more), Italy (HRK 6.8 million more) and France (HRK 6.8 million more).

During the time period January to March, 2018, Končar Group Companies contracted new projects in the amount of HRK 651.4 million. Out of the total contracted new projects the amount of HRK 194.1 million (29.8 % of the total contracted projects) refers to the domestic market, and the amount of HRK 457.3 million (70.2 % of the total contracted projects) refers to contracts for export.

Out of projects contracted for the domestic market during the time period January – March, 2018, the majority refers to companies within the HEP (Croatian Power Authority) Group (HEP - Generation, HEP – Distribution System Operator, HOPS – Croatian Transmission System Operator) in the amount of HRK 38.2 million or 19.7 % of the total contracted projects on the domestic market and newly contracted jobs for Đuro Đaković in the amount of HRK 19.8 million.

During the time period January to March, 2018, the majority of contracted projects for the foreign market (16.8 %) refers to the market of Sweden in the amount of HRK 76.7 million (contracts of the company Končar – Distributive and Special Transformers). For the market of Germany, new projects are contracted in the amount of HRK 75.3 million (Končar – Distributive and Special Transformers and Končar – Metal Structures), and for the market of the UAE HRK 42.5 million.

Regarding the delivery dynamics, contracted new projects in the amount of HRK 568.6 million will be performed in 2018, while contracted projects to be performed during 2019 and following years amount to HRK 82.8 million.

On 31<sup>st</sup> March, 2018, the contracted project status amounted to HRK 3,146.6 million that was higher by 4 % than the contracted project status at the beginning of the year. The status of due receivables on the domestic market was lower by 2 % and in export higher by 10 % then at the beginning of 2018.

For the time period January – March of 2018 the import is generated in the amount of HRK 162.5 million. The import of raw materials and consumables amounts to HRK 156.4 million and the investment purchases amount to HRK 6.1 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 310.8 million. The export import coverage coefficient amounts to 2.

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 amount to HRK 2,498 million that is HRK 13.1 million more compared to the level on 31<sup>st</sup> December, 2017 and they make 68.4 % of the total sources. Long term reservations amount to HRK 219.8 million and they make 6 % of the total sources. Long term and current liabilities amount to HRK 816 million making them lower by HRK 36.7 million then the status at the end of 2017 and they make 22.3 % of the total sources. Within the current liabilities, liabilities towards suppliers amounted to HRK 316.4 million and make 8.7 % of the total sources within current liabilities. Total loans (long term and current) amount to HRK 183.2 million and they are lower by HRK 1.4 million compared to the status as of 31<sup>st</sup> December, 2017 and they make 5 % of the total sources.

Long term asset sources (capital, long term reservations and long term liabilities) are higher by HRK 851 million compared to the long term assets and the average level of stocks. Current assets are 3.2 times higher than the current liabilities. The consolidated balance sheet structure shows a good adjustment of asset sources and investments as well as a good financial stability of the Končar Group.

Signed in the name of the Managing Board

Končar – Electrical Industry Inc.  
Managing Board President

Darinko Bago

26<sup>th</sup> April, 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 from January to March 2018.

Financial Reports are made in accordance with International Standards 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

26<sup>th</sup> April, 2018

- 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](mailto:ervin.filipcic@koncar.hr)

Marina Markušić, Accounting Expert, [marina.markusic@koncar.hr](mailto:marina.markusic@koncar.hr)

Vesna Ilić, Accounting Department Head, [vesna.ilic@koncar.hr](mailto:vesna.ilic@koncar.hr)

## Appendix 1

Reporting period:

1.1.2018

to

31.3.2018

## 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.hr

Internet address: www.koncar.hr

Code and name of comune/town 133 ZAGREB

Code and county name 21 GRAD ZAGREB

Number of employees 3.588  
(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 - Aparati i postrojenja d.d.	Zagreb	3641287
Končar - Električna vozila d.d.	Zagreb	3282660
Končar - Kućanski aparati d.o.o.	Zagreb	1403222
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 31.3.2018

Company: Končar - Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	<b>001</b>		
B) NON-CURRENT ASSETS (003+010+020+029+033)	<b>002</b>	1.436.401.680	1.439.814.736
I. INTANGIBLE ASSETS (004 do 009)	<b>003</b>	48.635.976	48.277.956
1. Expenditure for development	<b>004</b>	26.436.078	24.879.804
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	<b>005</b>	7.742.495	7.257.445
3. Goodwill	<b>006</b>	7.342.331	7.342.331
4. Advances for purchase of intangible assets	<b>007</b>	0	0
5. Intangible assets in progress	<b>008</b>	6.902.929	8.292.704
6. Other intangible assets	<b>009</b>	212.143	505.672
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	<b>010</b>	1.101.401.089	1.093.851.583
1. Land	<b>011</b>	150.227.351	150.183.220
2. Buildings	<b>012</b>	346.741.531	340.806.640
3. Plant and equipment	<b>013</b>	364.677.407	363.591.651
4. Tools, working inventory and transportation assets	<b>014</b>	66.046.769	64.785.985
5. Biological assets	<b>015</b>	0	0
6. Advances for purchase of tangible assets	<b>016</b>	9.531.929	7.656.136
7. Tangible assets in progress	<b>017</b>	25.371.451	27.675.557
8. Other tangible assets	<b>018</b>	1.031.516	1.381.710
9. Investment in real-estate	<b>019</b>	137.773.135	137.770.684
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	<b>020</b>	275.225.424	286.643.815
1. Share in related parties	<b>021</b>	290.067	289.396
2. Loans to related parties	<b>022</b>	0	0
3. Participating interests (shares)	<b>023</b>	3.527.783	2.795.328
4. Loans to companies with participating interest	<b>024</b>	0	0
5. Investments in securities	<b>025</b>	1.265.593	1.676.484
6. Loans, deposits, etc.	<b>026</b>	7.567.423	12.643.307
7. Other non-current financial assets	<b>027</b>	57.782	748.046
8. Equity-accounted investments	<b>028</b>	262.516.776	268.491.254
IV. RECEIVABLES (030 do 032)	<b>029</b>	10.874.967	10.777.826
1. Receivables from related parties	<b>030</b>	0	0
2. Receivables arising from sales on credit	<b>031</b>	6.573.825	6.407.412
3. Other receivables	<b>032</b>	4.301.142	4.370.414
V. DEFERRED TAX ASSET	<b>033</b>	264.224	263.556
C) CURRENT ASSETS (035+043+050+058)	<b>034</b>	2.264.787.369	2.192.244.584
I. INVENTORIES (036 do 042)	<b>035</b>	461.997.111	554.500.963
1. Raw materials and supplies	<b>036</b>	223.313.705	225.835.252
2. Production in progress	<b>037</b>	149.156.841	197.857.035
3. Finished products	<b>038</b>	56.157.754	79.468.882
4. Merchandise	<b>039</b>	24.910.880	24.045.388
5. Advances for inventories	<b>040</b>	8.457.931	27.294.406
6. Long term assets held for sale	<b>041</b>	0	0
7. Biological assets	<b>042</b>	0	0
II. RECEIVABLES (044 do 049)	<b>043</b>	1.008.993.030	793.983.964
1. Receivables from related parties	<b>044</b>	33.338.230	39.859.870
2. Receivables from end-customers	<b>045</b>	877.855.448	696.600.321
3. Receivables from participating parties	<b>046</b>	0	0
4. Receivables from employees and members of the company	<b>047</b>	1.315.878	2.474.062
5. Receivables from government and other institutions	<b>048</b>	54.887.353	31.014.273
6. Other receivables	<b>049</b>	41.596.121	24.035.438
III. CURRENT FINANCIAL ASSETS (051 do 057)	<b>050</b>	273.100.411	146.525.010
1. Share in related parties	<b>051</b>	0	0
2. Loans to related parties	<b>052</b>	0	0
3. Participating interests (shares)	<b>053</b>	0	0
4. Loans to companies with participating interest	<b>054</b>	0	0
5. Investments in securities	<b>055</b>	0	0
6. Loans, deposits, etc.	<b>056</b>	272.212.320	145.943.602
7. Other financial assets	<b>057</b>	888.091	581.408
IV. CASH AND CASH EQUIVALENTS	<b>058</b>	520.696.817	697.234.647
D) PREPAYMENTS AND ACCRUED INCOME	<b>059</b>	7.842.804	18.625.786
E) TOTAL ASSETS (001+002+034+059)	<b>060</b>	3.709.031.853	3.650.685.106
F) OFF BALANCE SHEET ITEMS	<b>061</b>	1.900.003.310	1.772.204.873

<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	2.484.900.105	2.497.984.971
I. SUBSCRIBED SHARE CAPITAL	<b>063</b>	1.208.895.930	1.208.895.930
II. CAPITAL RESERVES	<b>064</b>	719.579	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	623.163.094	656.309.926
1. Legal reserves	<b>066</b>	57.920.857	61.374.579
2. Reserve for own shares	<b>067</b>	4.143.784	10.143.784
3. Treasury shares and shares (deductible items)	<b>068</b>	4.143.784	4.143.784
4. Statutory reserves	<b>069</b>	405.400.310	405.400.311
5. Other reserves	<b>070</b>	159.841.927	183.535.036
IV. REVALUATION RESERVES	<b>071</b>	129.445	-66.934
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	<b>072</b>	337.981.548	388.732.132
1. Retained earnings	<b>073</b>	337.981.548	388.732.132
2. Loss carried forward	<b>074</b>	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	<b>075</b>	83.625.614	9.105.539
1. Net profit for the period	<b>076</b>	83.625.614	9.105.539
2. Net loss for the period	<b>077</b>	0	0
VII. MINORITY INTEREST	<b>078</b>	230.384.895	234.288.799
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	220.046.463	219.804.987
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	48.661.974	48.913.571
2. Provisions for tax liabilities	<b>081</b>	0	0
3. Other provisions	<b>082</b>	171.384.489	170.891.416
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	128.800.017	127.544.093
1. Liabilities to related parties	<b>084</b>	0	0
2. Liabilities for loans, deposits, etc.	<b>085</b>	0	0
3. Liabilities to banks and other financial institutions	<b>086</b>	120.798.248	119.538.662
4. Liabilities for advances	<b>087</b>	0	0
5. Trade payables	<b>088</b>	0	0
6. Commitments on securities	<b>089</b>	0	0
7. Liabilities to companies with participating interest	<b>090</b>	0	0
8. Other non-current liabilities	<b>091</b>	8.001.769	8.005.431
9. Deferred tax liabilities	<b>092</b>	0	0
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	740.298.872	688.432.374
1. Liabilities to related parties	<b>094</b>	16.100.685	5.879.193
2. Liabilities for loans, deposits, etc.	<b>095</b>	0	0
3. Liabilities to banks and other financial institutions	<b>096</b>	63.928.234	63.703.812
4. Liabilities for advances	<b>097</b>	177.190.153	202.133.994
5. Trade payables	<b>098</b>	364.550.205	310.507.186
6. Commitments on securities	<b>099</b>	0	0
7. Liabilities to companies with participating interest	<b>100</b>	0	0
8. Liabilities to employees	<b>101</b>	37.509.409	40.218.399
9. Taxes, contributions and similar liabilities	<b>102</b>	56.276.759	37.812.513
10. Liabilities arising from share in the result	<b>103</b>	676.131	767.267
11. Liabilities arising from non-current assets held for sale	<b>104</b>	0	0
12. Other current liabilities	<b>105</b>	24.067.296	27.410.010
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	134.986.396	116.918.681
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	3.709.031.853	3.650.685.106
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	1.900.003.310	1.772.204.873
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	<b>109</b>	2.254.515.210	2.263.696.172
2. Attributable to minority interest	<b>110</b>	230.384.895	234.288.799



**Income statement**  
period 1.1.2018 to 31.3.2018

Company: Končar -Electrical Industry Inc.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112 do 113)</b>	<b>111</b>	582.046.754	582.046.754	576.411.532	576.411.532
1. Rendering of services	112	561.708.573	561.708.573	536.041.080	536.041.080
2. Other operating income	113	20.338.181	20.338.181	40.370.452	40.370.452
<b>II. OPERATING COSTS (115+116+120+124+125+126+129+130)</b>	<b>114</b>	562.050.633	562.050.633	557.434.627	557.434.627
1. Change in inventories of work in progress	115	-49.238.591	-49.238.591	-70.039.836	-70.039.836
2. Material expenses (117 do 119)	116	409.788.816	409.788.816	414.587.903	414.587.903
a) Costs of raw materials	117	294.422.629	294.422.629	299.689.492	299.689.492
b) Cost of goods sold	118	40.956.067	40.956.067	44.125.877	44.125.877
c) Other material expenses	119	74.410.120	74.410.120	70.772.534	70.772.534
3. Employee benefits expenses (121 do 123)	120	130.246.096	130.246.096	137.962.608	137.962.608
a) Net salaries	121	76.510.684	76.510.684	81.097.094	81.097.094
b) Tax and contributions from salary expenses	122	36.202.841	36.202.841	38.586.117	38.586.117
c) Contributions on salary	123	17.532.571	17.532.571	18.279.397	18.279.397
4. Depreciation and amortisation	124	23.133.773	23.133.773	22.910.192	22.910.192
5. Other expenses	125	45.312.338	45.312.338	48.268.021	48.268.021
6. Write down of assets (127+128)	126	744.936	744.936	307.970	307.970
a) non-current assets (except financial assets)	127	0	0	22.240	22.240
b) current assets (except financial assets)	128	744.936	744.936	285.730	285.730
7. Provisions	129	1.168.272	1.168.272	2.175.351	2.175.351
8. Other operating costs	130	894.993	894.993	1.262.418	1.262.418
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	10.427.697	10.427.697	10.380.038	10.380.038
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	577.776	577.776	901.887	901.887
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	9.535.849	9.535.849	9.407.102	9.407.102
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	314.072	314.072	71.049	71.049
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	18.537.235	18.537.235	17.429.350	17.429.350
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	545.662	545.662	873.705	873.705
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	17.988.270	17.988.270	16.527.254	16.527.254
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	3.303	3.303	28.391	28.391
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>	14.854.947	14.854.947	5.995.030	5.995.030
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>	0	0	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	0	0	0
<b>IX. TOTAL INCOME (111+131+144)</b>	<b>146</b>	607.329.398	607.329.398	592.786.600	592.786.600
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	580.587.868	580.587.868	574.863.977	574.863.977
<b>XI. PROFIT OR LOSS BEFORE TAXES (146-147)</b>	<b>148</b>	26.741.530	26.741.530	17.922.623	17.922.623
1. Profit before taxes (146-147)	149	26.741.530	26.741.530	17.922.623	17.922.623
2. Loss before taxes (147-146)	150	0	0	0	0
<b>XII. TAXATION</b>	<b>151</b>	4.498.977	4.498.977	4.186.355	4.186.355
<b>XII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	22.242.553	22.242.553	13.736.268	13.736.268
1. Profit for the period (149-151)	153	22.242.553	22.242.553	13.736.268	13.736.268
2. Loss for the period (151-148)	154	0	0	0	0
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	155	17.208.584	17.208.584	9.105.539	9.105.539
2. Attributable to minority interest	156	5.033.969	5.033.969	4.630.729	4.630.729
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	22.242.553	22.242.553	13.736.268	13.736.268
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 166)</b>	<b>158</b>	0	0	-372.424	-372.424
1. Exchange differences from international settlement	159			-372.424	-372.424
2. Changes in revaluation reserves of long-term tangible and intangible	160			0	0
3. Profit or loss from re-evaluation of financial assets held for sale	161			0	0
4. Profit or loss from cash flow hedging	162			0	0
5. Profit or loss from hedging of foreign investments	163			0	0
6. Share of other comprehensive income/loss from associated	164			0	0
7. Actuarial gains/losses from defined benefit plans	165			0	0
<b>III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>			0	0
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)</b>	<b>167</b>	0	0	-372.424	-372.424
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	22.242.553	22.242.553	13.363.844	13.363.844
<b>ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	169	17.208.584	17.208.584	8.909.159	8.909.159
2. Attributable to minority interest	170	5.033.969	5.033.969	4.454.685	4.454.685

**STATEMENT OF CASH FLOWS - Direct method**  
period 1.1.2018 to 31.3.2018

Legal entity: Končar Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Cash receipts from customers	<b>001</b>	741.020.323	746.484.909
2. Cash receipts from royalties, fees, commissions, etc.	<b>002</b>	0	0
3. Cash receipts from insurance for damages compensation	<b>003</b>	1.015.298	1.056.359
4. Cash receipts arising from tax refunds	<b>004</b>	38.209.375	37.157.193
5. Other cash receipts	<b>005</b>	9.985.397	14.364.180
<b>I. Total increase in cash flow from operating activities (001 to 005)</b>	<b>006</b>	790.230.393	799.062.641
1. Cash paid to suppliers	<b>007</b>	499.879.321	499.694.731
2. Cash paid to employees	<b>008</b>	142.746.981	147.164.758
3. Cash outflows for insurance for damages compensation	<b>009</b>	1.676.426	2.763.648
4. Interest paid	<b>010</b>	1.737.760	1.215.079
5. Tax paid	<b>011</b>	34.022.155	44.470.497
6. Other cash outflows	<b>012</b>	26.938.275	31.547.949
<b>II. Total decrease in cash flow from operating activities (007 to 012)</b>	<b>013</b>	707.000.918	726.856.662
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	83.229.475	72.205.979
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>015</b>	0	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	<b>016</b>	1.208.539	771.401
2. Cash inflows from sale of equity and debt financial instruments	<b>017</b>	67.734	0
3. Interest receipts	<b>018</b>	0	0
4. Dividend receipts	<b>019</b>	65.277.916	0
5. Other cash inflows from investing activities	<b>020</b>	0	0
<b>III. Total cash inflows from investing activities(016 to 020)</b>	<b>021</b>	66.554.189	771.401
1. Cash outflows for purchase of long - term tangible and intangible assets	<b>022</b>	18.245.304	15.683.674
2. Cash outflows for purchase of equity and debt financial instruments	<b>023</b>	216.806	0
3. Other cash outflows from investing activities	<b>024</b>	0	0
<b>IV. Total cash outflows from investing activities (022 to 024)</b>	<b>025</b>	18.462.110	15.683.674
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	48.092.079	0
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>027</b>	0	14.912.273
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	<b>028</b>	0	0
2. Cash inflows from loans, debentures, credits and other borrowings	<b>029</b>	3.826.293	9.843.381
3. Other cash inflows from financing activities	<b>030</b>	111.437.309	184.039.863
<b>V. Total cash inflows from financing activities (028 to 030)</b>	<b>031</b>	115.263.602	193.883.244
1. Cash outflows for repayment of loans and bonds	<b>032</b>	7.723.914	7.419.958
2. Dividends paid	<b>033</b>	42.920	2.230
3. Cash outflows for finance lease	<b>034</b>	0	169.565
4. Cash outflows for purchase of own stocks	<b>035</b>	0	0
5. Other cash outflows from financing activities	<b>036</b>	232.760.100	67.047.367
<b>VI. Total cash outflows from financing activities (032 to 036)</b>	<b>037</b>	240.526.934	74.639.120
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>038</b>	0	119.244.124
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>039</b>	125.263.332	0
<b>Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)</b>	<b>040</b>	6.058.222	176.537.830
<b>Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)</b>	<b>041</b>	0	0
<b>Cash and cash equivalents at the beginning of period</b>	<b>042</b>	441.470.621	520.696.817
<b>Decrease in cash and cash equivalents</b>	<b>043</b>	6.058.222	176.537.830
<b>Increase in cash and cash equivalents</b>	<b>044</b>	0	0
<b>Cash and cash equivalents at the end of period</b>	<b>045</b>	447.528.843	697.234.647

## STATEMENT OF CHANGES IN EQUITY

period **1.1.2018** to **31.3.2018**

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

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital		1.282.382.190	1.282.382.190
2. Capital reserves		719.579	719.579
3. Reserves from profit		745.109.078	778.255.910
4. Retained earnings or loss carried forward		348.339.859	423.017.961
5. Net profit or loss for the period		108.103.912	13.736.268
6. Revaluation of tangible assets		0	0
7. Revaluation of intangible assets		0	0
8. Revaluation of available for sale assets		0	0
9. Other revaluation		245.487	-126.937
<b>10. Total equity and reserves (AOP 001 to 009)</b>		2.484.900.105	2.497.984.971
11. Foreign exchange differences from foreign investments		245.487	-126.937
12. Current and deferred taxes		0	0
13. Cash flow hedge		0	0
14. Change of accounting policies		0	0
15. Correction of significant mistakes of prior period		0	0
16. Other changes		36.328.973	13.211.803
<b>17. Total increase or decrease of equity (AOP 011 to 016)</b>		36.574.460	13.084.866
17 a. Attributable to majority owners	<b>018</b>	46.975.096	9.180.962
17 b. Attributable to minority interest	<b>019</b>	-10.400.636	3.903.904

## 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 2018 are HRK 3.54 and are lower than earnings per share during the same period of the previous year by HRK 3.17.

### 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 - March 2018, as opposed to the same period of the previous year, sales revenues (which make up for 90.4 per cent of the total revenues) decreased by 4.6 per cent, operational revenues (which make up for 97.2 per cent of the total revenues) decreased by 1.0 per cent. Total revenues decreased by 2.4 per cent. Total expenses decreased by 1.0 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 97.0 per cent of the total expenses, decreased by 0.8 per cent. Income from investment into affiliated companies decreased by 59.6 per cent compared to the same period of last year. Financial incomes (which make up for 1.8 per cent of the total revenues) decreased by 0.5 per cent and financial expenses (which make up for 3.0 per cent of the total expenses) decreased by 6.0 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 - March of the year 2018, in comparison with the same period of last year, the share of material expenses in the operational revenue decreased by 0.9 percentage points, the share of depreciation and amortisation decreased by 0.1 percentage point and the share of costs of value adjustment decreased by 0.1 percentage point. The share of employees expenses increased by 0.7 percentage points, the costs of provisions increased by 0.2 percentage points and the share of other expenses increased by 0.3 percentage points.

### 9. Profit or loss

The profit of the Group after tax is HRK 13.74 million which is a decrease of HRK 8.50 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 2018 amounts to HRK 9.11 million, which is a decrease of HRK 8.10 million compared to the same period of the previous year.

Net profit subscribed to the minority interests amounts to HRK 4.63 million, which is a decrease of HRK 0.40 million compared to the same period of the previous year. Of the 16 companies comprising the Končar Group, three companies declared a loss in the amount of HRK 2.39 million, which in total is subscribed to the parent capital holders.

### 10. Solvency

Cash and cash equivalents by the end of the first trimester of 2018, as opposed to the beginning of the year, increased by HRK 176.54 million.

### 11. Other notes