

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT
FOR JANUARY – SEPTEMBER, 2014**

The KONČAR Group consists of KONČAR – ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) as the Mother Company and 18 Daughter Companies in which the Mother Company has the prevailing interest (more than 50 % of votes at the Annual / Extraordinary General Meeting). Privileged shares are registered in a part of companies in addition to ordinary shares. Besides, the Mother Company has a minority managing interest (49% votes at the Annual / Extraordinary General Meeting) in one company (the Associated Company).

Companies belonging to the Group are legally independent companies supervised and strategically directed by the Mother Company through company supervisory boards in accordance with the Law on Trading Companies, Statutes of KONČAR - ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) and Statutes of Group Companies. The Mother Company also manages a part of assets that are not invested into companies, but they offer a direct or indirect financial support to the marketing and sales of products and equipment of associated companies as a credit and warranty potential.

The potential liability of Končar - Elektroindustrija d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) for the total issued warranties as of 30/09/2014 amount to HRK 989.5 million representing an increase by HRK 444 million compared to 31/12/2013. The increase refers generally to the joint warranties bound to bank guarantees for projects recently contracted by Končar – Električna vozila (Končar – Electrical Vehicles) for delivery of trains to HŽ – Croatian Railways - Passenger Transport. Out of the total guarantees and joint warranties the amount of HRK 685.9 million refers to good 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 for generation, transmission and distribution of electric energy and belonging equipment, thyristor locomotives, Electric Multiple Units, tramcars and side-line electric traction equipment;
- Industry: electric motor drives, middle voltage and low voltage electric equipment;
- Trade: manufacture of electrical household appliances, serial products and low voltage electrical apparatuses;
- Special activities: research and development of products and infrastructural services.

Managing Board

The President and Members of the Managing Board are appointed and recalled by the Supervisory Board. The term of office of the President and Members of the Managing Board lasts 5 years; after expiry of their term of office, they can be reappointed. Pursuant the Trading Company Act and the Statutes of the Company, the Managing Board manages business activities at its own responsibility; it is obliged and authorised to perform all possible actions and make decisions it considers necessary for a successful managing of the Company. Some decisions, prescribed by the Statues, require consent of the Supervisory Board.

Company Končar – Elektroindustrija d.d. (Končar – Electrical Industry Inc.) is managed by the Managing Board comprising the following members:

Darinko Bago	The President of the Managing Board
Tomi Dužević	A Member of the Managing Board in Charge of Export Markets
Marina Kralj Miliša	A Member of the Managing Board in Charge of Legal, Common and Personnel Affairs
Jozo Miloloža	A Member of the Managing Board in Charge of Finances
Davor Mladina	A Member of the Managing Board in charge of Transmission and Distribution of Electric Power, Industry and Trade
Miroslav Poljak	A Member of the Managing Board in Charge of Generation of Electric Power, Corporate Development and ICT

Supervisory Board

Pursuant provision of the Trading Company Act, the Statutes of KONČAR – ELECTRICAL INDUSTRY Inc. the Annual (Extraordinary) General Meeting makes decision on nomination and recalling of the Supervisory Board. The Supervisory Board is responsible for appointment and recall of Managing Board Members and supervision over management of business activities of the Company. Any more significant transactions and business decisions (the level of transactions is defined by the Statutes of the Company) requires the Supervisory Board consent.

The Supervisory Board has 8* members as follows:

Nenad Filipović	Supervisory Board President
Jasminka Belačić	Supervisory Board Deputy President
Boris Draženović	Member
Kristina Čelić	Member
Vicko Ferić	Member
Dragan Marčinko	Member
Ivan Rujnić	Member
Petar Vlaić	Member

*Note:

Tomislav Radoš resigned from the membership of the Supervisory Board in July, 2014, since he took over a new office. On the basis of a proposal of the Commission of the Republic of Croatia in charge of management of strategic trading companies, the Government of the Republic of Croatia made a decision and proposed to the AGM/EGM of the Company Končar – Electrical Industry Inc. to recall Kristina Čelić, a current Supervisory Board member from her duty and to elect Nikola Plavec and Petar Mišura for new Supervisory Board Members in September. Preparations for convening of an Extraordinary General Meeting are in due course. The Extraordinary General Meeting Agenda foresees an agenda item, i.e. recall and election of Supervisory Board members.

Končar Group Business Results for January to September, 2014

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 1,786.7 million for the time period from January to September, 2014 and they are higher by 1.6 % compared to the achievements during the same time period of the previous year.

On the domestic market the income from sales of products and services was generated in the amount of HRK 841.6 million, making it 1.5 % lower in the comparison with the same time period of the previous year (47 % of the total generation of the income from sales of products and services). Incomes from sales of products and services that were exported amounted to HRK 945.1 million and they were 4.5 % higher than the achievement of the same time period of the previous year. (Incomes from sales of products and services abroad make 53 % of the total income generated from sales of products and services).

Other operating incomes were achieved in the amount of HRK 122.7 million and they are lower by HRK 39.3 million in the comparison with the achievement during the time period January – September 2013. Other operating incomes comprise incomes from cancellation of reserves in the amount of HRK 68.8 million (51.3 million less than the same period of the previous year). Other operating incomes (collection of written off receivables, collected penalties and collected damages from insurance companies, incomes of previous years and similar) were achieved in several companies in the amount of HRK 53.8 million and they are HRK 11.9 million higher than the same achievement for the first three quarters of the previous year.

Operating incomes were generated in the amount of HRK 1,909.4 million, the amount that is lower by 0.6 % than the achieved from January to September, 2013. Within business incomes, incomes from sales of products and services amount to 93.5 % of the total business incomes.

Operating revenues were generated in the amount of HRK 1,846.2 million and they are 0.6 % higher than the achievement of the time period January – September, 2013.

Within the operating incomes (corrected by the change in stocks), material expenses participated in the amount of 64.8 % making an increase of 4.2 % compared to the same time period of the previous year. The most significant increase of material expenses refers to companies Končar – Electrical Vehicles (trains) and Končar – Switchgear (a contract for the UAE).

Costs of sold goods amount to HRK 127.9 million and they are higher by HRK 57.8 million compared to the same time period of the previous year (the majority of the increase refers to costs of sold goods in Company Končar – Household Appliances).

The share of personnel costs in operating incomes (corrected by the change in stocks) amounts to 18.2 % and they are lower by 0.2 % compared to the same time period of the previous year.

The difference between operating incomes and operating revenues gives the profit of operating activities in the amount of HRK 63.2 million making it lower by HRK 23.2 million compared to the achievement for the time period January – September, 2013.

A share in profits belonging to associated entrepreneurs amounts to HRK 33.4 million and it is higher by 3.6 % or by HRK 1.1 million compared to the same time period of the previous year.

The difference between financial incomes and financial revenues is negative and it amounts to HRK 1.7 million.

In the time period January – September 2014, the total incomes were generated in the amount of HRK 1,972.2 million making them lower by 1.1 % compared to the generated during the same time period in 2013. The total revenues for the same period were generated in the amount of HRK 1,877.3 million and they were higher by 0.2 % comparing them with the time period from January to September, 2013.

Profits from operating activities in the amount of HRK 63.2 million, the share in the profit of the associated entrepreneurs in the amount of HRK 33.4 million and the negative difference between financial incomes and revenues in the amount of HRK 1.7 million make the consolidated profit before tax in the amount of HRK 94.9 million. The profit tax advance payment amounts to HRK 13.1 million, while the profit after tax amounts to HRK 81.8 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 19.7 million and to the Group Mother Company shareholders HRK 62.1 million.

Out of 19 Končar Group Companies, 16 Companies generated a positive financial result, while three companies expressed a loss in the total amount of HRK 10.5 million.

On the basis of made estimations it is expected that the Končar Group is going to achieve incomes somewhat higher than the achievement of the last year.

Within the structure of incomes from sales of products and services in the domestic market, incomes from sales of products and services to the Croatian Power Authority (HEP) amount to HRK 316.9 million or HRK 34.3 million or 9.8 % lower than the achievement of the time period January – September, 2013. Incomes from sales of products and services to the Croatian Power Authority (HEP) make 37.7 % of the total achieved incomes from sales of products and services in the domestic market during the time period from January to September of 2014.

The Group delivered products in the amount of HRK 162.9 million to trading companies, the Group delivered products and services in the amount of HRK 112.1 million to companies belonging to industry and shipbuilding sector, HRK 61.9 million to State and Local Government, HRK 43.2 million to Zagreb Electric Trams (ZET), HRK 33.5 million to the Croatian Railways (HŽ), HRK 25.8 million to INA (Croatian Oil Industry), THT (Croatian Telecom), Plinacro (Croatian Gas Company) and the rest amount of HRK 43.1

million refer to companies from the civil engineering field, HAC (Croatian Motorways) and HC (Croatian Roads) and non-distributed buyers. The correction for deferred incomes in the domestic market is positive and it amounts to HRK 42.2 million.

During the time period from January to September, 2014 in the foreign market the Group generated incomes from sales of products and services in the amount of HRK 945.2 million or 4.5 % higher than the achievement of the same time period of the previous year. The export share in the total incomes of sales of products and services amounts to 53 %. The most important exported goods and services went to Bosnia and Herzegovina in the amount of HRK 69.5 million, Sweden in the amount of HRK 58.6 million, Germany in the amount of HRK 57.2 million, the Check Republic in the HRK 48.4 million, Austria in the amount of HRK 42.2 million and to the Netherlands in the amount of HRK 41.8 million.

Compared to the previous year, a significant increase of incomes from sales of goods and services in export was generated by the export into Italy to which the export was increased by the amount of HRK 29 million compared to the same time period of 2013 and it referred in the first line to the export of the Company Distributive and Special Transformers in the amount of HRK 27 million. Compared to the previous year, the export was significantly increased in the markets of Belgium (the export was higher by HRK 27 million compared to the previous year) and Albania (the export was higher by HRK 22 million). The increase of the export to Albania resulted from the export of the Company Končar – Power Plant and Electric Traction Engineering.

During the time period January – September, 2014, Končar Group Companies contracted new projects in the amount of HRK 3,344.9 million. Out of the total contracted new projects HRK 1,631.3 million refer to the Contract for Delivery of Trains made by and between Končar – Electrical Vehicles and HŽ – Croatian Railways – Passenger Transport

Contracted new projects in the amount of HRK 1,131.3 million will be performed in 2014, while contracted projects to be performed during 2015 and following years amount to HRK 2,213.5 million.

At the end of September, 2014, the contracted project status (receivables due) amounted to HRK 3,851.6 million that was 68 % higher than the contracted project status at the beginning of the year.

The level of the total consolidated assets and asset sources as of 30th September, 2014 amounted to HRK 3,801.6 million making an increase by HRK 334.5 million or 9.6 % compared to 31st December, 2013.

Within the structure of asset sources, the registered capital, reserves, retained profits, profits of the current year and not controlling interest capital amounted to HRK 2,213.8 million that was HRK 38.3 million more compared to the level on 31st December, 2013 and they made 58.2 % of the total sources. Long term reserves amounted to HRK 287.6 million and they were lower by HRK 52.3 million compared to the situation as of 31st December, 2013 and they made 7.6 % of the total sources. Non-current liabilities and current liabilities amounted to HRK 1,173.9 million making them higher by HRK 350.9 compared to the position at the end of 2013 and made 31 % of the total sources.

Within the frames of current liabilities, accounts payable amounted to HRK 408 million (HRK 100.2 million more compared to the position as of the end of 2013) and they made 10.7 % of the total sources. The advance payment liabilities amounted to HRK 397.7 million and they were higher by HRK 255.8 million compared to the situation as of at the end of the previous year. The majority of the increase refers to the received advances of Company Končar – Electrical Vehicles in the amount of HRK 242.2 million for the advanced payment on the basis of the Contract for the Delivery of Trains to the Croatian Railways (HŽ) for Passenger Transport.

The total loans (both, long term and current) amounted to HRK 300.8 million and they were higher by HRK 0.3 million compared to the total loans as of 31st December, 2013 and they made 7.9 % of the total sources.

Long term asset sources (capital, long term reserves and long term liabilities) were higher by HRK 408.2 million from the long term assets and the average level of stocks pointing at a good term structure of asset sources. Current assets were 2.3 times higher than the current liabilities pointing at good liquidity of the system. The consolidated balance sheet structure showed a good financial stability of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

31th October, 2014

**STATEMENT OF PERSONS RESPONSIBLE FOR COMPILATION OF THE KONČAR GROUP
CONSOLIDATED FINANCIAL REPORTS**

This Statement of the Končar – Electrical Industry Inc., Zagreb, Managing Board is given regarding compilation and publishing of the Končar Group Consolidated Financial Reports for the time period January – September, 2014.

Financial Reports have been made in accordance of the International Standard for Financial Reporting applied in the European Union.

Pursuant our best knowledge, Consolidated Financial Reports show a complete and true presentation of the balance sheet, profit and loss account, cash flow and the capital change report of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
President of the Managing Board

Darinko Bago

31st October, 2014

- Note:

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

Contract persons:

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

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

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

Appendix 1

Reporting period:

1.1.2014

to

30.9.2014

Quarterly financial report of entrepreneur TFI-PODRegistration number (MB) **03282635**Identification number of subject (MBS) **080040936**Personal identification number (OIB) **45050126417**Issuer company: **KONČAR - ELECTRICAL INDUSTRY Inc.**Postal code and place **10000****ZAGREB**Street and number: **FALLEROVO ŠETALIŠTE 22**E-mail address: koncar.finance@koncar.hrInternet address: www.koncar.hrCode and name of comune/town **133** **ZAGREB**Code and county name **21** **GRAD ZAGREB**Number of employees **3.606**

(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
Kones AG	Zurich, Switzerland	

Book keeping service:

Contact person: **MARINA MARKUŠIĆ**

(fill in only surname and name of contact person)

Phone number: **01 3666474**Fascimile: **01 3667461**E-mail address: marina.markusic@koncar.hrSurname 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 30.9.2014.

Company: Končar - Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.485.476.916	1.515.004.270
I. INTANGIBLE ASSETS (004 do 009)	003	37.018.304	38.519.466
1. Expenditure for development	004	12.498.105	12.166.852
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	6.924.985	6.453.361
3. Goodwill	006	7.646.618	7.642.092
4. Advances for purchase of intangible assets	007	0	0
5. Intangible assets in progress	008	9.636.809	11.262.511
6. Other intangible assets	009	311.787	994.650
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.151.926.274	1.137.187.572
1. Land	011	160.269.850	157.797.447
2. Buildings	012	389.873.405	371.432.590
3. Plant and equipment	013	399.697.878	385.654.252
4. Tools, working inventory and transportation assets	014	74.297.246	67.628.752
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	14.613.042	5.759.407
7. Tangible assets in progress	017	12.101.276	40.231.008
8. Other tangible assets	018	706.634	583.098
9. Investment in real-estate	019	100.366.943	108.101.018
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	267.384.461	310.608.885
1. Share in related parties	021	290.067	8.173.726
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	2.049.216	2.835.328
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	3.379.260	2.420.341
6. Loans, deposits, etc.	026	2.605.489	4.041.202
7. Other non-current financial assets	027	806.120	1.462.214
8. Equity-accounted investments	028	258.254.309	291.676.074
IV. RECEIVABLES (030 do 032)	029	29.147.877	28.688.347
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	20.121.562	19.469.798
3. Other receivables	032	9.026.315	9.218.549
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	1.975.653.286	2.271.659.107
I. INVENTORIES (036 do 042)	035	451.293.423	598.717.653
1. Raw materials and supplies	036	230.613.891	256.446.974
2. Production in progress	037	131.192.027	191.587.411
3. Finished products	038	66.483.941	59.540.064
4. Merchandise	039	11.770.656	16.429.814
5. Advances for inventories	040	4.981.101	52.253.982
6. Long term assets held for sale	041	6.251.807	22.459.408
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	772.769.167	818.728.659
1. Receivables from related parties	044	64.650.324	17.119.631
2. Receivables from end-customers	045	591.402.077	717.790.461
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	1.069.714	2.351.051
5. Receivables from government and other institutions	048	33.657.170	43.429.945
6. Other receivables	049	81.989.882	38.037.571
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	305.358.260	415.503.293
1. Share in related parties	051	0	0
2. Loans to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to companies with participating interest	054	0	0
5. Investments in securities	055	0	0
6. Loans, deposits, etc.	056	302.405.387	414.821.881
7. Other financial assets	057	2.952.873	681.412
IV. CASH AND CASH EQUIVALENTS	058	446.232.436	438.709.502
D) PREPAYMENTS AND ACCRUED INCOME	059	5.999.951	14.922.907
E) TOTAL ASSETS (001+002+034+059)	060	3.467.130.153	3.801.586.284
F) OFF BALANCE SHEET ITEMS	061	2.115.371.922	2.719.877.962

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.175.508.335	2.213.809.606
I. SUBSCRIBED SHARE CAPITAL	063	1.028.847.600	1.208.895.930
II. CAPITAL RESERVES	064	719.579	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	417.141.957	402.456.039
1. Legal reserves	066	32.472.690	41.496.782
2. Reserve for own shares	067	3.237.715	1.338.982
3. Treasury shares and shares (deductible items)	068	3.237.715	1.338.982
4. Statutory reserves	069	244.177.137	288.037.524
5. Other reserves	070	140.492.130	72.921.733
IV. REVALUATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	350.456.478	291.017.427
1. Retained earnings	073	350.456.478	291.017.427
2. Loss carried forward	074		0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	135.112.460	62.094.401
1. Net profit for the period	076	135.112.460	62.094.401
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	243.230.261	248.626.230
B) PROVISIONS (080 do 082)	079	338.862.288	287.558.413
1. Provisions for pensions, severance pay and similar liabilities	080	28.161.589	21.517.841
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	310.700.699	266.040.572
C) NON-CURRENT LIABILITIES (084 do 092)	083	206.519.645	198.204.191
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	170.000	0
3. Liabilities to banks and other financial institutions	086	206.349.645	197.960.068
4. Liabilities for advances	087	0	0
5. Trade payables	088	0	0
6. Commitments on securities	089	0	0
7. Liabilities to companies with participating interest	090	0	0
8. Other non-current liabilities	091	0	244.123
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	658.139.873	975.672.365
1. Liabilities to related parties	094	2.981.260	12.406.857
2. Liabilities for loans, deposits, etc.	095	340.000	340.000
3. Liabilities to banks and other financial institutions	096	93.865.601	102.559.657
4. Liabilities for advances	097	141.868.566	397.403.067
5. Trade payables	098	304.782.880	395.904.913
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	31.058.526	29.140.599
9. Taxes, contributions and similar liabilities	102	37.233.349	31.488.522
10. Liabilities arising from share in the result	103	474.678	416.515
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	45.535.013	6.012.235
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	88.100.012	126.341.709
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.467.130.153	3.801.586.284
G) OFF BALANCE SHEET ITEMS	108	2.115.371.922	2.719.877.962
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.932.278.074	1.965.183.376
2. Attributable to minority interest	110	243.230.261	248.626.230

Income statement
period 1.1.2014. to 30.9.2014.

Company: Končar -Electrical Industry Inc.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	1.921.312.927	666.014.930	1.909.393.605	712.514.856
1. Rendering of services	112	1.759.913.877	548.309.066	1.787.357.292	660.433.713
2. Other operating income	113	161.399.050	117.705.864	122.036.313	52.081.143
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	1.834.857.449	636.098.222	1.846.188.463	690.399.283
1. Change in inventories of work in progress	115	-16.079.837	11.914.063	-60.109.052	-20.489.405
2. Material expenses (117 do 119)	116	1.174.755.932	363.144.204	1.279.146.880	495.899.927
a) Costs of raw materials	117	897.838.046	261.948.031	948.910.946	368.205.864
b) Cost of goods sold	118	70.161.374	27.770.394	127.946.688	53.560.038
c) Other material expenses	119	206.756.512	73.425.779	202.289.246	74.134.025
3. Employee benefits expenses (121 do 123)	120	356.824.222	114.562.616	359.001.692	116.422.726
a) Net salaries	121	204.079.565	64.416.008	201.099.100	64.655.260
b) Tax and contributions from salary expenses	122	109.813.728	38.017.369	111.196.548	35.276.307
c) Contributions on salary	123	42.930.929	12.129.239	46.706.044	16.491.159
4. Depreciation and amortisation	124	60.352.120	21.710.250	64.597.884	21.825.980
5. Other expenses	125	153.425.346	46.790.395	151.048.932	38.064.279
6. Write down of assets (127+128)	126	26.974.943	23.953.163	1.621.113	584.695
a) non-current assets (except financial assets)	127	19.574.927	19.574.927	0	0
b) current assets (except financial assets)	128	7.400.016	4.378.236	1.621.113	584.695
7. Provisions	129	67.692.243	53.025.823	14.051.631	3.362.478
8. Other operating costs	130	10.912.480	997.708	36.829.383	34.728.603
III. FINANCIAL INCOME (132 do 136)	131	40.684.696	20.146.916	29.411.763	13.036.944
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	1.014.007	411.281	562.439	311.355
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	38.132.672	19.410.679	28.634.254	12.638.800
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	182.663	58.717	0	0
5. Other financial income	136	1.355.354	266.239	215.070	86.789
IV. FINANCIAL EXPENSES (138 do 141)	137	39.151.621	11.507.279	31.107.925	11.459.247
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	911.430	319.362	576.420	266.791
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	38.086.823	11.187.917	30.472.292	11.161.346
3. Unrealised losses (expenses) from financial assets	140	31.758	0	0	0
4. Other financial expenses	141	121.610	0	59.213	31.110
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	32.270.966	13.788.214	33.430.200	12.749.084
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	1.994.268.589	699.950.060	1.972.235.568	738.300.884
X. TOTAL EXPENSES (114+137+143+145)	147	1.874.009.070	647.605.501	1.877.296.388	701.858.530
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	120.259.519	52.344.559	94.939.180	36.442.354
1. Profit before taxes (146-147)	149			94.939.180	36.442.354
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	14.856.559	5.492.603	13.109.341	5.077.826
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	105.402.960	46.851.956	81.829.839	31.364.528
1. Profit for the period (149-151)	153	105.402.960	46.851.956	81.829.839	31.364.528
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	85.818.261	41.123.915	62.094.401	24.002.459
2. Attributable to minority interest	156	19.584.699	5.728.041	19.735.438	7.362.069
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	105.402.960	52.344.559	81.829.839	31.364.528
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 167)	158	-38.137	191.646	95.601	103.287
1. Exchange differences from international settlement	159	-38.137	191.646	95.601	103.287
2. Changes in revaluation reserves of long-term tangible and intangible	160	0	0	0	0
3. Profit or loss from re-evaluation of financial assets held for sale	161	0	0	0	0
4. Profit or loss from cash flow hedging	162	0	0	0	0
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 167)	167	-38.137	191.646	95.601	103.287
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	105.364.823	52.536.205	81.925.440	31.467.815
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	85.780.124	46.808.164	62.190.002	21.105.746
2. Attributable to minority interest	170	19.584.699	5.728.041	19.735.438	7.362.069

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2014. to 30.9.2014.

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	2.272.924.231	2.164.738.658
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	17.548.761	10.634.411
4. Cash receipts arising from tax refunds	004	107.835.867	82.406.198
5. Other cash receipts	005	52.298.403	48.878.762
I. Total increase in cash flow from operating activities (001 to 005)	006	2.450.607.262	2.306.658.029
1. Cash paid to suppliers	007	1.541.964.330	1.486.877.130
2. Cash paid to employees	008	426.100.216	409.558.944
3. Cash outflows for insurance for damages compensation	009	6.756.424	4.695.529
4. Interest paid	010	10.360.252	8.928.224
5. Tax paid	011	139.320.135	124.087.475
6. Other cash outflows	012	96.227.033	141.365.889
II. Total decrease in cash flow from operating activities (007 to 012)	013	2.220.728.390	2.175.513.191
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	229.878.872	131.144.838
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	2.603.967	2.778.747
2. Cash inflows from sale of equity and debt financial instruments	017	1.530.259	3.366.155
3. Interest receipts	018	0	0
4. Dividend receipts	019	1.158.152	46.401.605
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	5.292.378	52.546.507
1. Cash outflows for purchase of long - term tangible and intangible assets	022	48.286.559	33.452.595
2. Cash outflows for purchase of equity and debt financial instruments	023	100.170	896.800
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	48.386.729	34.349.395
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	0	18.197.112
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	43.094.351	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	028	1.430	0
2. Cash inflows from loans, debentures, credits and other borrowings	029	14.535.827	55.724.077
3. Other cash inflows from financing activities	030	162.408.866	390.062.822
V. Total cash inflows from financing activities (028 to 030)	031	176.946.123	445.786.899
1. Cash outflows for repayment of loans and bonds	032	60.939.204	54.052.154
2. Dividends paid	033	47.527.469	45.280.729
3. Cash outflows for finance lease	034	0	0
4. Cash outflows for purchase of own stocks	035	11.648.805	0
5. Other cash outflows from financing activities	036	270.132.892	503.318.900
VI. Total cash outflows from financing activities (032 to 036)	037	390.248.370	602.651.783
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	213.302.247	156.864.884
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	0	0
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	26.517.726	7.522.934
Cash and cash equivalents at the beginning of period	042	411.667.762	446.232.436
Decrease in cash and cash equivalents	043	0	0
Increase in cash and cash equivalents	044	26.517.726	7.522.934
Cash and cash equivalents at the end of period	045	385.150.036	438.709.502

STATEMENT OF CHANGES IN EQUITY

period 1.1.2014 to 30.9.2014

Legal entity: Končar Electrical Industry INC.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.130.756.740	1.310.805.070
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	515.654.171	512.612.253
4. Retained earnings or loss carried forward	004	364.682.468	307.842.865
5. Net profit or loss for the period	005	163.695.377	81.826.839
6. Revaluation of tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of available for sale assets	008	0	0
9. Other revaluation	009	0	0
10. Total equity and reserves (AOP 001 to 009)	010	2.175.508.335	2.213.806.606
11. Foreign exchange differences from foreign investments	011	-14.870	95.601
12. Current and deferred taxes	012	0	0
13. Cash flow hedge	013	0	0
14. Change of accounting policies	014	0	0
15. Correction of significant mistakes of prior period	015	-183.487	0
16. Other changes	016	107.764.001	38.202.670
17. Total increase or decrease of equity (AOP 011 to 016)	017	107.565.644	38.298.271
17 a. Attributable to majority owners	018	98.945.508	32.902.302
17 b. Attributable to minority interest	019	8.620.136	5.395.969

Notes to Consolidated Financial Reports

Tax Payer: 03282635 KONČAR - ELECTRICAL INDUSTRY Inc.

1. Allocation of shares

There was no allocation of shares.

2. Earnings per share

The achieved earning per share for the time period from January to September, 2014 amounted to HRK 24.16 and it was lower than the earning for the same period of the previous year by HRK 9.26.

3. Changes in ownership structure

There were no more significant changes within ten biggest shareholders regarding the previous quarter.

4. Mergers and amalgamations

There were no mergers or amalgamations.

5. Bed debts (description of cases including uncertainty of collection of incomes or possible future costs)

There are no new more significant bed debts regarding collection of incomes or possible future costs.

6. Business results

Incomes from sales (making 90.6 % of total incomes) during the time period from January to September 2014 were higher by 1.6%, and operating incomes (making 96.8 % of total incomes) were lower by 0.6 %. Total incomes were also lower by 1.1 % compared to the same time period of the previous year. Total liabilities were higher by 0.2 % compared to the same time period of the previous year and operating liabilities including changes in stock making 98.3 % of total liabilities were higher by 0.6 %. Incomes from investment into associated companies were higher by 3.6 % compared to the same time period of the previous year, while other financial incomes were lower by 27.7 %. Financial liabilities were lower by 20.5 % compared to the same time period of the previous year.

7. Description of products and services

Manufacture of electric equipment for generation, transmission and distribution of electric power and manufacture of transport equipment.

8. Operating and other costs

During the time period from January to September, 2014 the share of material costs in operating incomes were increased compared to the same time period of the previous year by 4.2 per percentage points, depreciation by 0.2 percentage points and the share of other costs and liabilities by 1.3 percentage points, while the share of costs of the personnel was decreased by 0.2 percentage points, costs of value adjustments by 1.3 per percentage points and the share of costs of reservations by 2.8 percentage points.

9. Profit or loss

Profits of the Group after tax amounts to HRK 81.83 million making it HRK 23.57 million lower than the achievement of the same time period of the previous year. Net profits of the Group belonging to the Mother Company Shareholders amounts to HRK 62.09 million for the time period from January to September, 2014 and that is HRK 23.72 less compared to the same time period of the previous year. Net profits allocated to the minority interest amount to HRK 19.74 million or HRK 0.15 million more compared to the same time period of the previous year. Out of 19 companies belonging to the Končar Group, three companies expressed losses in the amount of HRK 10.49 million out of which HRK 10.37 million belong to the Mother Company Shareholders.

10. Liquidity

At the end of the third quarter of 2014, the level of the cash and cash equivalents was lower by HRK 7.52 million compared to the beginning of the year. Out of the stated amount the amount of HRK 4.38 million refer to companies Končar-Tools Ltd. and Končar-Catering Equipment Ltd. over which winding up procedures have been started and whose cash assets are set to their initial level.

11. Other notes

The Mother Company refinanced the Company Končar - Renewable Sources Ltd. during the third quarter of 2014 in the amount of HRK 798.000.