

KONČAR GROUP MANAGING BOARD BUSINESS REPORT
January – March 2015

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 31/03/2015 amount to HRK 1,014.8 million representing a decrease by HRK 6.5 million compared to 31/12/2014, Out of total warranties and joint and severe securities HRK 696.9 million belongs 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 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
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 Supervisory Board Activity Rule Book and Statutes of independent companies) requires the Supervisory Board consent.

The Supervisory Board has 9 members as follows:

Nenad Filipović	Supervisory Board President
Jasminka Belačić	Supervisory Board Deputy President
Boris Draženović	Member
Vicko Ferić	Member
Dragan Marčinko	Member
Petar Mišura	Member
Nikola Plavec	Member
Ivan Rujnić	Member
Petar Vlaić	Member

Končar Group Business Results for January to March, 2015

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 666.2 million for the time period from January to March, 2015 and they are higher by 41.3 % compared to the achievements during the same time period in 2014.

On the domestic market the income from sales of products and services was generated in the amount of HRK 296.6 million, making it by 34.4 % higher in the comparison with the time period from January to March, 2014. Incomes from sales of products and services that were exported amounted to HRK 369.6 million and they were higher by 47.4 % that the achievement of the same time period of the previous year.

Operating incomes were generated in the amount of HRK 691.6 million, the amount that is higher by 36 % than the achieved from January to March, 2014. Within business incomes, incomes from sales of products and services amount to 96.3 % of the total business incomes.

Operating expenses were generated in the amount of HRK 666 million and they are higher by 32.5 % higher than the achievement of the time period from January to March, 2014.

The share of material expenses within the business revenues (corrected by the change in stock) amounts to 67.2 % making an increase of 4.1 % compared to the same time period of the previous year. The most significant increase of material expenses refers to companies Končar – Electrical Vehicles (trains), Končar – Power Plant and Electric Traction Engineering and Končar – Distributive and Special Transformers.

The share of personnel costs within the business revenues (corrected by the change in stock) amounts to 18.3 % and they are lower by 5.4 % compared to the same time period of the previous year.

The difference between the operating incomes and the operating expenses gives the profit of operating activities in the amount of HRK 25.6 million making it higher by HRK 18 million compared to the achievement for the time period January – March, 2014.

A share in profits belonging to associated entrepreneurs amounts to HRK 13.8 million and it is higher by 46.6 % or by HRK 4.3 million compared to the same time period of the previous year.

The difference between financial incomes and financial expenses is negative and it amounts to HRK 2 million.

In the time period January – March 2015 the total incomes were generated in the amount of HRK 725.9 million making them higher by 37.8 % compared to the generated during the same time period in 2014. The total expenses for the same period were generated in the amount of HRK 688.5 million and they were higher by 35.2 % compared to the time period from January to March, 2014.

The profits from operating activities in the amount of HRK 25.6 million, the share in the profit of the associated entrepreneurs in the amount of HRK 13.8 million and the negative difference between financial incomes and expenses in the amount of HRK 2 million make the consolidated profit before tax in the amount of HRK 37.4 million. The profit tax advance payment amounts to HRK 5.3 million, while the profit after tax amounts to HRK 32.1 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 7.6 million and to the Group Mother Company shareholders HRK 24.5 million. The profits attributable to the Group Mother Company shareholders are three times higher compared to the profits generated during the first quarter of 2014.

Out of 18 Končar Group Companies, 14 Companies generated a positive financial result, while four companies expressed a loss in the total amount of HRK 7.1 million out of which HRK 5.6 million is attributable to the Mother Company shareholders.

Within the structure of incomes from sales of products and services on the domestic market, incomes from sales of products and services to the Croatian Power Authority (HEP) amount to HRK 104.9 million or HRK 44.9 million or 75 % higher than the achievement of the time period from January to March, 2014. Incomes from sales of products and services to the Croatian Power Authority (HEP) amount to 35.4 % of the total achieved incomes from sales of products and services for the time period from January to March, 2015.

To trading companies the Group delivered products in the amount of HRK 67.7 million, to Croatian Railways (HŽ) HRK 47.1 million and to companies belonging to industry and shipbuilding sector the Group delivered products and services in the amount of HRK 33.4 million, to Zagreb Electric Trams (ZET) HRK 12.2 million, to INA, THT, Plinacro HRK 9.3 million, to State and Local Government HRK 8 million while the rest amount of HRK 3.7 million refers to companies from the civil engineering area, Croatian High Ways (HAC) and Croatian Motor Ways (HC) and to non-distributed buyers. The correction for the deferred incomes on the domestic market is positive and it amounts to HRK 10.3 million.

During the time period from January to March, 2015 in the foreign market the Group generated incomes from sales of products and services in the amount of HRK 369.6 million or 47.4 % more than the same time period of the previous year. The share of the export amounts to 55 % of the total incomes from sales of products and services. The most significant export refers to goods and services exported to the UAE in the amount of HRK 87.7, Iraq in the amount of HRK 37 million, Finland in the amount of HRK 33.5 million, Germany in the amount of HRK 18.7 million, the Netherlands in the amount of HRK 15.9 million and to the Saudi Arabia in the amount of HRK 13.6 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 the UAE where the export was increased by HRK 85.3 million and the majority of it refers to the export of Končar - Distributive and Special Transformers and Končar – Switchgear. Compared to the previous year, a significant increase of the export was generated in the market of Iraq (the export was higher by HRK 37 million in the company Končar – Power Plant and Electric Traction Engineering) and Finland (the increase of HRK 26 million). The increase of the export to Finland is a result of the increased export of the company Končar – Generators and Motors.

During the time period from January to March, 2015, Končar Group Companies contracted new projects in the amount of HRK 539.1 million. Out of the total contracted new projects HRK 339.1 million refer to the newly contracted projects abroad (63 % of the total consolidated contracted projects.).

The contracted new projects in the amount of HRK 450.8 million will be performed in 2015, while the contracted projects to be performed during 2016 and following years amount to HRK 88.3 million.

At the end of March, 2015, the contracted project status (receivables due) amounted to HRK 3,590.6 million that was by 3 % lower than the contracted project status at the beginning of the year.

The level of the total consolidated assets and asset sources as of 31st March, 2015 amounted to HRK 3,903.4 million making a decrease by HRK 15.1 million or 0.4 % compared to 31st March, 2014.

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 2,322.6 million that was HRK 37.6 million more compared to the level on 31st December, 2014 and they made 59.5 % of the total sources.

Long term asset sources (capital, long term reservations and long term liabilities) were higher by HRK 660.7 million compared to the long term assets and the average level of stocks pointing at a good term structure of asset sources. Current assets were 2.4 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

30th April, 2015

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 2015.

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

30th April, 2015

- 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:

1.1.2015

to

31.3.2015

Quarterly financial report of entrepreneur TFI-PODRegistration number (MB) **03282635**Identification number of subject (MBS) **080040936**Personal identification number (OIB) **45050126417**Issueer 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 **3.681**

(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)

Phone number: **01 3667175**Fascimile: **01 3655377**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 31.3.2015.

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	1.500.640.621	1.496.048.184
I. INTANGIBLE ASSETS (004 do 009)	003	51.887.268	48.434.598
1. Expenditure for development	004	12.974.083	16.665.459
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	7.215.558	6.762.171
3. Goodwill	006	7.648.985	7.980.446
4. Advances for purchase of intangible assets	007	2.791.472	0
5. Intangible assets in progress	008	20.739.489	16.545.381
6. Other intangible assets	009	517.681	481.141
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.151.280.486	1.135.896.009
1. Land	011	157.551.669	156.595.219
2. Buildings	012	374.498.998	372.464.186
3. Plant and equipment	013	395.110.951	387.452.520
4. Tools, working inventory and transportation assets	014	73.039.556	70.517.553
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	5.167.701	4.583.986
7. Tangible assets in progress	017	40.667.212	37.368.316
8. Other tangible assets	018	695.156	577.416
9. Investment in real-estate	019	104.549.243	106.336.813
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	274.238.781	287.384.693
1. Share in related parties	021	290.067	289.396
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	2.835.328	2.847.300
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	2.468.814	1.921.152
6. Loans, deposits, etc.	026	5.346.633	4.371.780
7. Other non-current financial assets	027	27.765	932.853
8. Equity-accounted investments	028	263.270.174	277.022.212
IV. RECEIVABLES (030 do 032)	029	23.234.086	24.332.884
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	15.006.304	14.732.946
3. Other receivables	032	8.227.782	9.599.938
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	2.401.922.985	2.380.867.794
I. INVENTORIES (036 do 042)	035	518.635.068	635.335.115
1. Raw materials and supplies	036	247.105.816	298.720.364
2. Production in progress	037	139.401.839	188.684.533
3. Finished products	038	78.550.983	63.502.117
4. Merchandise	039	18.872.725	19.381.341
5. Advances for inventories	040	28.743.705	43.107.667
6. Long term assets held for sale	041	5.960.000	21.939.093
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	1.051.904.986	917.775.791
1. Receivables from related parties	044	90.454.659	40.372.516
2. Receivables from end-customers	045	861.192.402	771.871.444
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	717.474	2.627.762
5. Receivables from government and other institutions	048	46.496.077	55.138.431
6. Other receivables	049	53.044.374	47.765.638
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	440.129.180	375.158.451
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	439.829.339	374.853.291
7. Other financial assets	057	299.841	305.160
IV. CASH AND CASH EQUIVALENTS	058	391.253.751	452.598.437
D) PREPAYMENTS AND ACCRUED INCOME	059	15.919.363	26.442.339
E) TOTAL ASSETS (001+002+034+059)	060	3.918.482.969	3.903.358.317
F) OFF BALANCE SHEET ITEMS	061	2.609.945.726	2.633.107.093

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.285.004.838	2.322.585.741
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	402.539.213	461.125.318
1. Legal reserves	066	41.498.096	45.814.683
2. Reserve for own shares	067	1.338.982	1.338.982
3. Treasury shares and shares (deductible items)	068	1.338.982	1.338.982
4. Statutory reserves	069	288.059.873	342.329.391
5. Other reserves	070	72.981.244	72.981.244
IV. REVALUATION RESERVES	071	-2.448.221	-658.714
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	288.659.683	361.307.114
1. Retained earnings	073	288.659.683	361.307.114
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	129.249.283	24.530.971
1. Net profit for the period	076	129.249.283	24.530.971
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	257.389.371	266.665.543
B) PROVISIONS (080 do 082)	079	303.662.836	306.553.500
1. Provisions for pensions, severance pay and similar liabilities	080	21.722.159	20.920.831
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	281.940.677	285.632.669
C) NON-CURRENT LIABILITIES (084 do 092)	083	161.907.630	162.910.519
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	161.907.630	161.903.554
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	1.006.965
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	1.092.509.057	1.012.778.882
1. Liabilities to related parties	094	40.587.416	30.565.173
2. Liabilities for loans, deposits, etc.	095	170.000	170.000
3. Liabilities to banks and other financial institutions	096	143.274.866	101.959.624
4. Liabilities for advances	097	416.855.472	392.578.500
5. Trade payables	098	371.071.518	387.567.167
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	34.243.049	38.312.228
9. Taxes, contributions and similar liabilities	102	49.118.557	48.249.914
10. Liabilities arising from share in the result	103	515.804	511.728
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	36.672.375	12.864.548
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	75.398.608	98.529.675
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.918.482.969	3.903.358.317
G) OFF BALANCE SHEET ITEMS	108	2.609.945.726	2.633.107.093
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	2.027.615.467	2.055.920.198
2. Attributable to minority interest	110	257.389.371	266.665.543

Income statement
period 1.1.2014. to 31.3.2015.

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	510.252.368	510.252.368	691.613.240	691.613.240
1. Rendering of services	112	471.441.782	471.441.782	666.188.273	666.188.273
2. Other operating income	113	38.810.586	38.810.586	25.424.967	25.424.967
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	502.623.898	502.623.898	665.956.032	665.956.032
1. Change in inventories of work in progress	115	-27.765.820	-27.765.820	-33.284.373	-33.284.373
2. Material expenses (117 do 119)	116	338.633.316	338.633.316	487.222.498	487.222.498
a) Costs of raw materials	117	252.991.124	252.991.124	377.765.665	377.765.665
b) Cost of goods sold	118	29.132.385	29.132.385	39.975.576	39.975.576
c) Other material expenses	119	56.509.807	56.509.807	69.481.257	69.481.257
3. Employee benefits expenses (121 do 123)	120	117.368.188	117.368.188	119.361.821	119.361.821
a) Net salaries	121	66.929.472	66.929.472	68.687.271	68.687.271
b) Tax and contributions from salary expenses	122	35.598.030	35.598.030	34.074.581	34.074.581
c) Contributions on salary	123	14.840.686	14.840.686	16.599.969	16.599.969
4. Depreciation and amortisation	124	21.570.617	21.570.617	22.136.155	22.136.155
5. Other expenses	125	50.244.434	50.244.434	48.634.228	48.634.228
6. Write down of assets (127+128)	126	363.199	363.199	1.888.803	1.888.803
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	363.199	363.199	1.888.803	1.888.803
7. Provisions	129	753.926	753.926	7.409.187	7.409.187
8. Other operating costs	130	1.456.038	1.456.038	12.587.713	12.587.713
III. FINANCIAL INCOME (132 do 136)	131	7.254.427	7.254.427	20.579.801	20.579.801
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	207.320	207.320	14.827	14.827
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	6.998.569	6.998.569	20.451.632	20.451.632
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	48.538	48.538	113.342	113.342
IV. FINANCIAL EXPENSES (138 do 141)	137	6.738.221	6.738.221	22.593.627	22.593.627
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	209.444	209.444	205.339	205.339
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	6.504.887	6.504.887	22.380.323	22.380.323
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	23.890	23.890	7.965	7.965
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	9.398.815	9.398.815	13.776.779	13.776.779
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	526.905.610	526.905.610	725.969.820	725.969.820
X. TOTAL EXPENSES (114+137+143+145)	147	509.362.119	509.362.119	688.549.659	688.549.659
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	17.543.491	17.543.491	37.420.161	37.420.161
1. Profit before taxes (146-147)	149	17.543.491	17.543.491	37.420.161	37.420.161
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	4.155.368	4.155.368	5.272.093	5.272.093
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	13.388.123	13.388.123	32.148.068	32.148.068
1. Profit for the period (149-151)	153	13.388.123	13.388.123	32.148.068	32.148.068
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	8.267.897	8.267.897	24.530.971	24.530.971
2. Attributable to minority interest	156	5.120.226	5.120.226	7.617.097	7.617.097
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	13.388.123	13.388.123	32.148.068	32.148.068
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	56.696	56.696	3.460.529	3.460.529
1. Exchange differences from international settlement	159	56.696	56.696	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	3.460.529	3.460.529
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	56.696	56.696	3.460.529	3.460.529
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	13.444.819	13.444.819	35.608.597	35.608.597
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	8.324.593	8.324.593	26.320.478	26.320.478
2. Attributable to minority interest	170	5.120.226	5.120.226	9.288.119	9.288.119

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2015. to 31.3.2015.

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	928.328.258	773.662.161
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	1.130.487	1.497.336
4. Cash receipts arising from tax refunds	004	22.657.339	17.957.736
5. Other cash receipts	005	11.315.930	10.179.900
I. Total increase in cash flow from operating activities (001 to 005)	006	963.432.014	803.297.133
1. Cash paid to suppliers	007	443.453.943	598.496.012
2. Cash paid to employees	008	127.169.580	135.065.666
3. Cash outflows for insurance for damages compensation	009	1.559.441	11.714.318
4. Interest paid	010	3.066.286	3.388.896
5. Tax paid	011	82.142.318	25.720.673
6. Other cash outflows	012	26.759.498	27.153.170
II. Total decrease in cash flow from operating activities (007 to 012)	013	684.151.066	801.538.735
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	279.280.948	1.758.398
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	162.016	460.273
2. Cash inflows from sale of equity and debt financial instruments	017	7.062	981
3. Interest receipts	018	0	0
4. Dividend receipts	019	45.083.698	60.647.450
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	45.252.776	61.108.704
1. Cash outflows for purchase of long - term tangible and intangible assets	022	5.897.371	19.376.662
2. Cash outflows for purchase of equity and debt financial instruments	023	0	0
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	5.897.371	19.376.662
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	39.355.405	41.732.042
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	6.600	4.296.269
3. Other cash inflows from financing activities	030	82.504.087	150.714.218
V. Total cash inflows from financing activities (028 to 030)	031	82.510.687	155.010.487
1. Cash outflows for repayment of loans and bonds	032	15.589.048	45.754.459
2. Dividends paid	033	13.579	4.076
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	306.927.340	91.397.706
VI. Total cash outflows from financing activities (032 to 036)	037	322.529.967	137.156.241
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	17.854.246
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	240.019.280	0
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	78.617.073	61.344.686
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	0	0
Cash and cash equivalents at the beginning of period	042	446.232.436	391.253.751
Decrease in cash and cash equivalents	043	78.617.073	61.344.686
Increase in cash and cash equivalents	044	0	0
Cash and cash equivalents at the end of period	045	524.849.509	452.598.437

STATEMENT OF CHANGES IN EQUITY

period 1.1.2015 to 31.3.2015

Legal entity: Končar Electrical Industry INC.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.310.790.370	1.310.790.370
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	512.659.011	571.245.117
4. Retained earnings or loss carried forward	004	305.473.271	408.956.422
5. Net profit or loss for the period	005	160.096.951	32.148.068
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	-4.734.344	-1.273.815
10. Total equity and reserves (AOP 001 to 009)	010	2.285.004.838	2.322.585.741
11. Foreign exchange differences from foreign investments	011	153.289	0
12. Current and deferred taxes	012	0	0
13. Cash flow hedge	013	-4.734.344	3.460.529
14. Change of accounting policies	014	0	0
15. Correction of significant mistakes of prior period	015	0	0
16. Other changes	016	114.077.558	34.120.374
17. Total increase or decrease of equity (AOP 011 to 016)	017	109.496.503	37.580.903
17 a. Attributable to majority owners	018	95.337.393	28.304.731
17 b. Attributable to minority interest	019	14.159.110	9.276.172

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 2015 are HRK 9,54 and are higher than earnings per share during the same period of the previous year by HRK 6,32

3. Changes in ownership structure

Compared to the previous trimestre within the top ten shareholders there are not the share of Linteum savjetovanje , a new shareholders within the top ten are Valamar riviera d.d. (1,55%)

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 2015, as opposed to the same period of the previous year, sales revenues (which make up for 91,8 per cent of the total revenues) increased by 41,3 per cent, operational revenues (which make up for 95,3 per cent of the total revenues) increased by 35,5 per cent, while total revenues increased by 37,8 per cent. Total expenses decreased by 35,2 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 96,7 per cent of the total expenses, increased by 32,5 per cent. Income from investment into affiliated companies increased 46,6 per cent and financial income increased by 183,7 per cent compared to the same period of last year. Financial expenses increased by 235,3 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 and electric household appliances.

8. Operating and other costs

For the period January - March of the year 2015, in comparison with the same period of last year, the share of employees expenses in the total revenue decreased by 5,4 percentage points, depreciation and amortisation by 1 percentage points and share of other expenses decreased by 1,1 percentage point, while the share of material expenses increased by 4.1 percentage points, expenses of values adjustment increased by 0.2 percentage point and the costs of provisions increased by 0.9 percentage point.

9. Profit or loss

Consolidated Group profits after tax increased by 240 per cent 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 2015 amounts to HRK 24,5 million, which is a decrease of HRK 16,2 million compared to the same period of the previous year. Of the 18 companies comprising the Končar Group, four companies declared a loss in the amount of HRK 7.13 million, of which HRK 5,66 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the first trimester of 2015, as opposed to the beginning of the year, increased by HRK 61,34 million. from operating activities.

11. Other notes

In the first trimester of the year 2015 the liquidation process moved of the company Končar - Kones