

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT
JANUARY – DECEMBER, 2015 (Non-Audited Financial Statements)**

The KONČAR Group consists of KONČAR – ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) as a 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 and strategically directed and supported 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 31/12/2015 amount to HRK 713.2 million representing an decrease by HRK 308,1 million compared to 31/12/2014. The majority of the decrease refers to warranties of the company Končar – Electrical Vehicles Inc. in the amount of HRK 223.6 million, the company Končar – Generators and Motors Inc. in the amount of HRK 41.7 million and the company Končar – Switchgear Inc. in the amount of HRK 26.3 million.

Out of total guarantees and joint and severe warranties, the amount of HRK 450.3 million refers 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 for generation, transmission and distribution of electric energy, electrical locomotives, Electric Multiple Units, tramcars and side-line electric traction equipment;
- Industry: electric motor drives, middle voltage and low voltage electric equipment;
- Trade: electrical household appliances, manufacture of 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

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

Board comprising the following members:

Darinko Bago	The President of the Managing Board
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 provisions of the Trading Company Act and 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 Rules of Procedure and Statutes of Daughter 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
Nikola Plavec	Member
Petar Mišura	Member
Ivan Rujnić	Member
Petar Vlaić	Member

Končar Group Business Results for January – December, 2015

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 3.049,2 million for the time period from January to December, 2015 and they are higher by 15.1 % compared to the achievements during the same time period in 2014.

On the domestic market the income from sales of goods and services was generated in the amount of HRK 1.742,5 million making it by 29 % higher than the achievement for the time period from January to December, 2014. The incomes from sales of products and services that were exported are generated in the amount of HRK 1,306.6 million making it by 0.7 % higher in the comparison with the achievement of the same time period of the previous year. Incomes from sales of products and services abroad make 43 % of the total generated consolidated incomes from sales of goods and services.

Operating incomes were generated in the amount of HRK 3.174,7 million and they are higher by HRK 12.1 % compared to the achievement of the time period from January to December, 2014. The share of the income from sales of products and services in operating incomes amounts to 96 % of the total operating incomes. Operating expenses were generated in the amount of HRK 3,051.1 million and they are 11.9 % higher than the achievement of the time period January to December, 2014.

The share of material expenses within the operating incomes (corrected by the change of the stock of unfinished products and finished products) amounts to 66.7 % showing the increase of 1.9 % compared to the same time period of the previous year.

The share of personnel costs in the operating income (corrected by the change of the stock of unfinished products and finished products) amounts to 18 % making it lower by 1.4% compared to the previous year.

Depreciation amounts to HRK 89.5 million making it at the level of the achievement of the previous year.

The difference between the operating incomes and the operating revenues gives the profit of operating activities in the amount of HRK 123.6 million making it higher by HRK 19.6 million or 18.9 % compared to the achievement for the time period January – December, 2014.

A share in profits belonging to associated entrepreneurs amounts to HRK 48.8 million and it is lower by 22.1 % or by HRK 13.8 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 6.4 million.

During the time period from January to December, 2015, the total incomes were generated in the amount of HRK 3,287.9 million making them higher by 11.6 % 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 3,121.9 million and they were higher by 12.6 % compared to the time period from January to December of 2014.

The profits from the operating activities in the amount of HRK 123.6 million, the share in the profit of the associated entrepreneurs in the amount of HRK 48.8 million and the negative difference between the financial incomes and financial expenses in the amount of HRK 6.4 make the consolidated profit before tax in the amount of HRK 166 million. The profit tax amounts to HRK 17.5 million, while the profit after tax amounts to HRK 148.5 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 23.1 million and to the Group Mother Company shareholders HRK 125.4 million. Profits are added to Mother Company Shareholders, they are lower by 3 % than profits generated for the time period from January to December of 2014 and they are higher by 15.4 % from the 2015 Business Plan.

Out of 18 Končar Group Companies, 15 Companies generated a positive financial result, while three companies expressed a loss in the total amount of HRK 31.9 million out of which HRK 26.3 million belong to 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 Railways (HŽ) amount to HRK 639.7 million (36.7 % of the total generated incomes from sales of products and services in the domestic market). In 2015 sixteen trains were delivered to the Croatian Railways (HŽ) Passenger Traffic out of which 10 regional trains and 6 urban and suburban trains.

Incomes from sales of products and services to the Croatian Power Authority (HEP) for the time period from January to December, 2015, amount to HRK 563.7 million that is lower by 3.4 % than the achievement for the same time period of the year 2014. A share of incomes from sales of goods and services to the Croatian Power Authority (HEP) amounts to 32.3 % of the total generated amount in the market of the Republic of Croatia.

Incomes from sales of products and services to trading companies amount to HRK 265 million, to companies belonging to industry and shipbuilding sector HRK 105.4 million, Zagreb Electric Tram (ZET) HRK 58.3 million, to INA, THT, Plinacro HRK 36.7 million, the State and Local Government HRK 58.3 million and the rest

amount of HRK 15.4 million refers to buyers from the civil engineering field, Croatian Motorways (HAC) and Croatian Roads (HC). The correction for deferred incomes on the domestic market is negative and it amounts to HRK 64.4 million.

During the time period from January to December, 2015 in the foreign market the Group generated incomes from sales of products and services in the amount of HRK 1,306.6 million or 0.7 % more compared to the achievement for the same time period of the previous year. The share of export amounts to 43 % of the total incomes from sales of goods and services. The most important exported goods and services went to Germany in the amount of HRK 142.2 million, the U.A.E. in the amount of HRK 140 million, Sweden in the amount of HRK 114 million, Finland in the amount of HRK 78.8 million, Norway in the amount of HRK 54.9 million, Bosnia and Herzegovina in the amount of HRK 52 million, and the Netherlands in the amount of HRK 48 million. A more significant increase of incomes from sales products and services abroad, compared to the previous year, is achieved in Germany to which the export is increased by the amount of HRK 60.5 million compared to the same time period of the previous year. The majority of it refers to the export of the company Končar – Distributive and Special Transformers and Končar – Metal Structures. A more significant increase of the export compared to the previous year was achieved in the market of United Arab Emirates (an increase by HRK 59 million). The increase of the export to the U.A.E. resulted from the increase of the export of the companies Končar – Distributive and Special Transformers and Končar – Switchgear. The export to the market of Sweden increased by HRK 36 million (Končar – Distributive and Special Transformers), the export to the market of Latvia is higher by HRK 34.8 million compared to the achievement in 2014 (Končar – Generators and Motors and Končar – Končar – Distributive and Special Transformers).

During the time period January to December, 2015, Končar Group Companies contracted new projects in the amount of HRK 3,021.6 million. Out of the total contracted new projects, the amount of HRK 1,548.4 million refers to contracts in the foreign market (51 % of the total consolidated contracted projects). Contracted new projects in the amount of HRK 1,198.6 million will be performed in 2015, while the contracted projects to be performed during 2016 and following years amount to HRK 1,814 million. At the end of December, 2015, the contracted project status (receivables due) amounted to HRK 3,681 million that was by 1 % lower than the contracted project status at the beginning of the year.

The level of the total consolidated assets as of 31st December, 2015 amounted to HRK 3,683.3 million representing a decrease by HRK 235.2 million or 6 % compared to the level as of 31st December, 2014.

Within the structure of asset sources, the registered capital, reserves, retained profits, profits of the current year and not controlling interest amounts to HRK 2,352.1 million that was HRK 67.1 million more compared to the level on 31st December, 2014 and they make 63.9 % of the total sources. Long term reserves amount to HRK 310.6 million and they are higher by HRK 7 million compared to the level as of 31st December, 2014 and they make 8.4 % of the total asset sources. Long term and current liabilities amount to HRK 878.6 million making them lower by HRK 346 million than the level at the end of 2014 and 23.8 % of the total sources. Within current liabilities, liabilities towards suppliers amount to HRK 367.6 million (HRK 43.7 million less compared to the level at the end of 2014) and they make 10 % of the total sources. The total loans (long term and current) amount to HRK 230.8 million and they are lower by HRK 78 million compared to the level as of 31st December, 2014 making 6.2 % of total sources.

Long term asset sources (capital, long term reservations and long term liabilities) are higher by HRK 751.2 million compared to the long term assets and the average level of stocks pointing at a good term structure of asset sources. Current assets are 2.9 times higher than the current liabilities pointing at good liquidity of the system. The consolidated balance sheet structure shows a good financial stability of the Končar Group.

KONČAR

Končar - Elektroindustrija d.d

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

16th February, 2016

Appendix 1

Reporting period:

1.1.2015

to

31.12.2015

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 **3.667**

(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 31.12.2015

Company: Končar - Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001	0	0
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.500.640.621	1.533.272.065
I. INTANGIBLE ASSETS (004 do 009)	003	51.887.268	92.470.890
1. Expenditure for development	004	12.974.083	38.916.147
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	7.215.558	6.240.755
3. Goodwill	006	7.648.985	41.408.406
4. Advances for purchase of intangible assets	007	2.791.472	0
5. Intangible assets in progress	008	20.739.489	5.500.867
6. Other intangible assets	009	517.681	404.715
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.151.280.486	1.148.364.390
1. Land	011	157.551.669	148.676.673
2. Buildings	012	374.498.998	339.602.118
3. Plant and equipment	013	395.110.951	389.843.616
4. Tools, working inventory and transportation assets	014	73.039.556	69.653.884
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	5.167.701	2.209.212
7. Tangible assets in progress	017	40.667.212	54.021.489
8. Other tangible assets	018	695.156	571.342
9. Investment in real-estate	019	104.549.243	143.786.056
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	274.238.781	274.841.223
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	3.524.544
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	2.468.814	1.539.267
6. Loans, deposits, etc.	026	5.346.633	5.049.462
7. Other non-current financial assets	027	27.765	1.990.375
8. Equity-accounted investments	028	263.270.174	262.448.179
IV. RECEIVABLES (030 do 032)	029	23.234.086	17.595.562
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	15.006.304	11.115.689
3. Other receivables	032	8.227.782	6.479.873
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	2.401.922.985	2.137.974.366
I. INVENTORIES (036 do 042)	035	518.635.068	522.333.673
1. Raw materials and supplies	036	247.105.816	281.071.818
2. Production in progress	037	139.401.839	139.420.548
3. Finished products	038	78.550.983	57.579.628
4. Merchandise	039	18.872.725	19.624.971
5. Advances for inventories	040	28.743.705	18.676.708
6. Long term assets held for sale	041	5.960.000	5.960.000
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	1.051.904.986	869.434.792
1. Receivables from related parties	044	90.454.659	89.947.722
2. Receivables from end-customers	045	861.192.402	711.462.747
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	717.474	2.651.535
5. Receivables from government and other institutions	048	46.496.077	28.849.222
6. Other receivables	049	53.044.374	36.523.566
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	440.129.180	399.586.518
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	398.939.212
7. Other financial assets	057	299.841	647.306
IV. CASH AND CASH EQUIVALENTS	058	391.253.751	346.619.383
D) PREPAYMENTS AND ACCRUED INCOME	059	15.919.363	12.032.443
E) TOTAL ASSETS (001+002+034+059)	060	3.918.482.969	3.683.278.874
F) OFF BALANCE SHEET ITEMS	061	2.609.945.726	2.070.786.626

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.285.004.838	2.352.135.380
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	483.175.793
1. Legal reserves	066	41.498.096	47.810.318
2. Reserve for own shares	067	1.338.982	4.143.784
3. Treasury shares and shares (deductible items)	068	1.338.982	4.143.784
4. Statutory reserves	069	288.059.873	359.980.956
5. Other reserves	070	72.981.244	75.384.519
IV. REVALUATION RESERVES	071	-2.448.221	549.795
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	288.659.683	305.535.984
1. Retained earnings	073	288.659.683	305.535.984
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	129.249.283	125.395.216
1. Net profit for the period	076	129.249.283	125.395.216
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	257.389.371	227.863.083
B) PROVISIONS (080 do 082)	079	303.662.836	310.651.037
1. Provisions for pensions, severance pay and similar liabilities	080	21.722.159	25.967.283
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	281.940.677	284.683.754
C) NON-CURRENT LIABILITIES (084 do 092)	083	161.907.630	144.061.550
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	142.988.557
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	935.544
9. Deferred tax liabilities	092	0	137.449
D) CURRENT LIABILITIES (094 do 105)	093	1.092.509.057	734.552.771
1. Liabilities to related parties	094	40.587.416	18.295.822
2. Liabilities for loans, deposits, etc.	095	170.000	152.774
3. Liabilities to banks and other financial institutions	096	143.274.866	87.859.500
4. Liabilities for advances	097	416.855.472	187.814.529
5. Trade payables	098	371.071.518	349.344.223
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	34.019.302
9. Taxes, contributions and similar liabilities	102	49.118.557	48.615.248
10. Liabilities arising from share in the result	103	515.804	621.521
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	36.672.375	7.829.852
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	75.398.608	141.878.136
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.918.482.969	3.683.278.874
G) OFF BALANCE SHEET ITEMS	108	2.609.945.726	2.070.786.626
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	2.027.615.467	2.124.272.297
2. Attributable to minority interest	110	257.389.371	227.863.083

Income statement
period 1.1.2015 to 31.12.2015

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	2.831.421.198	922.027.593	3.174.671.220	881.266.001
1. Rendering of services	112	2.648.756.225	861.398.933	3.049.180.151	827.336.456
2. Other operating income	113	182.664.973	60.628.660	125.491.069	53.929.545
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	2.727.454.678	881.266.209	3.051.106.364	839.750.131
1. Change in inventories of work in progress	115	-34.110.042	25.999.010	14.793.829	-3.317.871
2. Material expenses (117 do 119)	116	1.931.859.118	596.594.112	2.108.608.165	567.053.464
a) Costs of raw materials	117	1.393.472.795	444.561.849	1.640.728.267	438.417.478
b) Cost of goods sold	118	174.074.312	46.127.624	167.474.117	44.425.810
c) Other material expenses	119	364.312.011	105.904.639	300.405.781	84.210.176
3. Employee benefits expenses (121 do 123)	120	492.282.905	133.281.213	509.925.095	142.294.665
a) Net salaries	121	272.887.492	71.788.392	288.930.638	78.286.040
b) Tax and contributions from salary expenses	122	149.464.211	38.267.663	147.322.704	42.279.376
c) Contributions on salary	123	69.931.202	23.225.158	73.671.753	21.729.249
4. Depreciation and amortisation	124	89.495.937	24.898.053	89.517.593	23.642.265
5. Other expenses	125	167.771.897	45.509.805	205.223.756	55.304.008
6. Write down of assets (127+128)	126	13.848.429	12.227.316	32.602.193	24.576.468
a) non-current assets (except financial assets)	127	0	0	7.948.519	7.948.519
b) current assets (except financial assets)	128	13.848.429	12.227.316	24.653.674	16.627.949
7. Provisions	129	55.315.803	41.264.172	67.177.122	22.844.418
8. Other operating costs	130	10.990.631	1.492.528	23.258.611	7.352.714
III. FINANCIAL INCOME (132 do 136)	131	53.423.921	24.012.158	64.441.292	18.363.234
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	79.912	79.912	226.753	80.792
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	49.473.543	20.061.780	61.753.563	16.420.654
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	3.870.466	3.870.466	1.320.621	1.320.621
5. Other financial income	136	0	0	1.140.355	541.167
IV. FINANCIAL EXPENSES (138 do 141)	137	43.951.590	12.843.665	70.836.820	11.801.183
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	0	0	263.199	109.553
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	43.951.590	12.843.665	69.453.406	10.776.261
3. Unrealised losses (expenses) from financial assets	140	0	0	399.069	399.069
4. Other financial expenses	141	0	0	721.146	516.300
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	62.643.786	29.213.586	48.828.836	12.533.952
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	2.947.488.905	975.253.337	3.287.941.348	912.163.187
X. TOTAL EXPENSES (114+137+143+145)	147	2.771.406.268	894.109.874	3.121.943.184	851.551.314
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	176.082.637	81.143.463	165.998.164	60.611.873
1. Profit before taxes (146-147)	149	176.082.637	81.143.463	165.998.164	60.611.873
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	15.985.686	2.876.345	17.497.453	-147.789
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	160.096.951	78.267.118	148.500.711	60.759.662
1. Profit for the period (149-151)	153	160.096.951	78.267.118	148.500.711	60.759.662
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	129.249.283	67.154.882	125.395.216	51.446.751
2. Attributable to minority interest	156	30.847.668	11.112.230	23.105.495	9.312.911
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	160.096.951	78.267.112	148.500.711	60.759.662
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	-4.581.055	-4.676.656	5.421.588	687.244
1. Exchange differences from international settlement	159	153.289	57.688	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	687.244	687.244
4. Profit or loss from cash flow hedging	162	-4.734.344	-4.734.344	4.734.344	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	137.449	137.449
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	-4.581.055	-4.676.656	5.284.139	549.795
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	155.515.896	73.590.456	153.784.850	61.309.457
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	127.185.546	64.995.544	128.393.233	51.996.547
2. Attributable to minority interest	170	28.330.350	8.594.912	25.391.617	9.312.910

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2015 to 31.12.2015

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	2.969.856.248	3.284.811.636
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	10.421.474	8.624.665
4. Cash receipts arising from tax refunds	004	95.258.051	95.553.924
5. Other cash receipts	005	80.638.517	44.971.924
I. Total increase in cash flow from operating activities (001 to 005)	006	3.156.174.290	3.433.962.149
1. Cash paid to suppliers	007	2.139.060.318	2.435.630.605
2. Cash paid to employees	008	563.116.563	592.715.109
3. Cash outflows for insurance for damages compensation	009	8.259.572	22.123.377
4. Interest paid	010	12.844.527	10.608.690
5. Tax paid	011	145.390.711	140.498.545
6. Other cash outflows	012	166.918.977	121.660.300
II. Total decrease in cash flow from operating activities (007 to 012)	013	3.035.590.668	3.323.236.626
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	120.583.622	110.725.523
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	3.428.752	10.915.895
2. Cash inflows from sale of equity and debt financial instruments	017	3.368.778	4.695.685
3. Interest receipts	018	0	0
4. Dividend receipts	019	47.746.396	63.011.096
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	54.543.926	78.622.676
1. Cash outflows for purchase of long - term tangible and intangible assets	022	52.132.404	78.153.809
2. Cash outflows for purchase of equity and debt financial instruments	023	64.974	72.024.815
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	52.197.378	150.178.624
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	2.346.548	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	0	71.555.948
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	028	0	6.690
2. Cash inflows from loans, debentures, credits and other borrowings	029	100.526.072	48.575.088
3. Other cash inflows from financing activities	030	603.925.768	593.513.079
V. Total cash inflows from financing activities (028 to 030)	031	704.451.840	642.094.857
1. Cash outflows for repayment of loans and bonds	032	95.429.212	120.329.002
2. Dividends paid	033	45.286.601	49.352.292
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	741.644.882	556.217.506
VI. Total cash outflows from financing activities (032 to 036)	037	882.360.695	725.898.800
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	177.908.855	83.803.943
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	54.978.685	44.634.368
Cash and cash equivalents at the beginning of period	042	446.232.436	391.253.751
Decrease in cash and cash equivalents	043	0	0
Increase in cash and cash equivalents	044	54.978.685	44.634.368
Cash and cash equivalents at the end of period	045	391.253.751	346.619.383

STATEMENT OF CHANGES IN EQUITY

period 1.1.2015 to 31.12.2015

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	1.297.613.140
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	512.659.011	587.584.439
4. Retained earnings or loss carried forward	004	305.473.271	317.167.716
5. Net profit or loss for the period	005	160.096.951	148.500.711
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	549.795
9. Other revaluation	009	-4.734.344	0
10. Total equity and reserves (AOP 001 to 009)	010	2.285.004.838	2.352.135.380
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	4.734.344
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	63.396.198
17. Total increase or decrease of equity (AOP 011 to 016)	017	109.496.503	68.130.542
17 a. Attributable to majority owners	018	95.337.393	97.656.830
17 b. Attributable to minority interest	019	14.159.110	-29.526.288

Notes to Consolidated Financial Statement

Applicant: KONČAR GROUP - ELECTRICAL INDUSTRY

1. Allocation of shares

There were no allocation of shares.

2. Earning per share

Obtained earning per share during the time period January to December 2015 amounts to HRK 48.86 and it is lower than the earning per share for the same time period of the previous year by HRK 1.43.

3. Change In ownership structure

In the ownership structure of ten biggest shareholders, the share of Societe Generale - Splitska banka d.d. / AZ OMF was increased by 0.73 % compared to the previous quarter.

4. Mergers and amalgamations

There were no mergers or amalgamations.

5. Bad debts (description of cases in which there is some uncertainty of collection of receivables or possible future costs)

There were no new significant bad debts regarding collection of receivables and future costs.

6. Operating sales results

During the time period from January to December, 2015, incomes from sales (making 92.7 % of total incomes) are higher by 15.1 %, and operating incomes (making 96.6 % of total incomes) are higher by 12.1 % compared to the previous year. Total incomes are also higher by 11.6 % compared to the same time period of the previous year. Total expenses are higher by 12.6 % compared to the same time period of the previous year, and operating expenses including changes in stock making 97.7 % of total expenses are higher by 11.9 %. Incomes from investment into associated companies are lower by 22.1 % compared to the same time period of the previous year. Financial incomes (with the share of 2.0 % in the total incomes) are higher by 20.6 %, while financial expenses (with the share of 2.3 % in the total expenses) are higher by 61.2 % compared to the same time period of the previous year.

7. Description of products and services

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

8. Operating and other expenses

During the time period January to December, 2015 the share of material costs in operating incomes decreased by 0.6 percentage points, costs of the personnel (without compensation of the costs of employees) by 1.0 percentage point, costs of depreciation by 0.3 percentage points, while the share of reservation costs increased by 0.2 percentage points, value adjustment costs by 0.5 percentage points and the share of other costs and expensed by 1.0 percentage point .

9. Profit or loss

The profit of the Group after tax amounts to HRK 148.50, million making it lower by HRK 11.60 million compared to the achievement during the same time period of the previous year and higher by HRK 11.00 million compared to the planned profit.

The net profit of the Group belonging to Mother Company Shareholders amount of HRK 125.40 million for the time period from January to December, 2015 making it lower by HRK 3.85 million compared to the same time period of the previous year and higher by HRK 16.75 million compared to the planned profit.

The net profit contributed to the minority interests amounts to HRK 23.11 million making it lower by HRK 7.74 million compared to the same time period of the previous year. Out of 18 companies making the Končar Group, three companies expressed losses in the amount of HRK 31.93 million out of which HRK 26.30 million belonging to the Mother Company Shareholders.

10. Liquidity

The level of the cash and cash equivalents is lower by HRK 44.63 million at the end of the end of 2015 compared to the beginning of the year.

11. Other notes

Data for the previous year comprise data on the company Kones AG over which the winding up procedure was initiated and completed and that participated in the total income of the Group with 0.4 % and in the initial cash flow level with 1.0 %.

Two companies increased their share capital reinvesting their 2014 profits during the first half-year of 2015: company Končar Electronics and Informatics Inc. in the amount of HRK 4,950,240 and the company Končar - Generators and Motors Inc. in the amount of HRK 21,585,540 financing investment into the equipment.

The share capital of the company Končar - High Voltage Switchgears Inc. was increased by the amount of HRK 25,493,310 in the third quarter of 2015. The capital increase was used for financing of product and production development. The Mother Company bought 53.87 % of shares of the company Končar - Medium Voltage Apparatuses Inc. in the fourth quarter of 2015.

The Mother Company bought the rest of 4.36 % of shares of the company Končar - Medium Voltage Apparatuses Inc. in the fourth quarter of 2015 becoming the 100 % owner of the Company. The Mother Company bought 15.59 % of shares of the company Končar - Instrument Transformers Inc.