

KONČAR GROUP MANAGING BOARD BUSINESS REPORT
January – March 2016

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 31/03/2016 amounts to HRK 590.9 million representing a decrease by HRK 108.1 million compared to 31/12/2015,

The decrease refers to payment and performance guarantees of the Company Končar- Električna vozila d.d. (Končar – Electrical Vehicles Inc.) in the amount of HRK 167.6 million and of other companies in the amount of HRK 9.5 million alongside an increase of performance guarantees of the Company Končar-Inženjering za energetiku i transport d.d. (Končar – Power Plant and Electric Traction Engineering Inc.) in the amount of HRK 69.0 million.

Out of total warranties and joint and severe securities HRK 424.2 million belongs to performance guarantees.

The Končar Group business activities are divided into business areas:

- Generation, transmission and distribution of Electrical Power and Transport: designing and construction of plants and equipment for generation, transmission and distribution of electric energy, electric locomotives, Electric Multiple Units, tramcars and side-line electric traction equipment;
- Industry: electric motor drives, low voltage electric equipment;
- Trade: electrical household appliances, serial products and low voltage electrical apparatuses;
- Special activities: research and development of products and infrastructural services.

Managing Board

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

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

Darinko Bago	The President of the Managing Board
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, 2016

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 618.9 million for the time period from January to March, 2016.

Operating incomes were generated in the amount of HRK 643.6 million. Within business incomes, incomes from sales of products and services amount to 96.2 % of the total business incomes.

Operating expenses were generated in the amount of HRK 610.3 million.

The difference between the operating incomes and the operating expenses gives the profit of operating activities in the amount of HRK 33.3 million making it higher by HRK 7.7 million or 29.9 % compared to the achievement for the time period January – March, 2015.

The profits from operating activities in the amount of HRK 33.3 million, the share in the profit of the associated entrepreneurs in the amount of HRK 8.3 million and the negative difference between financial

incomes and expenses in the amount of HRK 4 million make the consolidated profit before tax in the amount of HRK 37.6 million. The profit tax advance payment amounts to HRK 8.2 million, while the profit after tax amounts to HRK 29.4 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 5.6 million and to the Group Mother Company shareholders HRK 23.8 million.

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 4.1 million out of which HRK 3.2 million is attributable to the Mother Company shareholders.

On the domestic market the income from sales of products and services was generated in the amount of HRK 366.5 million. Incomes from sales of products and services that were exported amounted to HRK 252.4 million. The share of the export amounts to 40.7 % of the total incomes from sales of products and services. The most significant export was performed to Germany in the amount of HRK 24.9 million or 9.9 % of the total performed export, to Italy in the amount of HRK 23.3 million, Sweden in the amount of HRK 20.5 million, Slovenia HRK 14.7 million, the Netherlands in the amount of HRK 12.5 million. Compared to the previous year, a significant increase of incomes from sales of goods and services in export was generated by the export to the markets of Sweden (HRK 13.7 million more), Slovenia (HRK 12.9 million more), Italy (HRK 12.5 million more) and Ireland (HRK 10.9 million more).

During the first quarter of 2016, Končar Group Companies contracted new projects in the amount of HRK 708.9 million. Out of the total contracted new projects HRK 489.1 million refer to the domestic market, and HRK 219.8 million refer to newly contracted projects abroad. The contracted new projects in the amount of HRK 350.5 million will be performed in 2016, while the contracted projects to be performed during 2017 and following years amount to HRK 358.4 million.

At the end of March, 2016, the contracted project status (receivables due) amounted to HRK 3,720.2 million that was by 2 % higher 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, 2016 amounted to HRK 3,601.9 million making a decrease by HRK 48.1 million or 1.3 % compared to 31st March, 2015.

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 2,345.2 million that was HRK 23.7 million more compared to the level on 31st December, 2015 and they made 65 % of the total sources.

Long term asset sources (capital, long term reservations and long term liabilities) were higher by HRK 705.5 million compared to the long term assets and the average level of stocks. Current assets were 3.1 times higher than the current liabilities. The consolidated balance sheet structure showed a good adjustment of asset sources and investments.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

29th April, 2016

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 2016.

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

29th April, 2016

- 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:

1.1.2016

to

31.3.2016

Quarterly financial report of entrepreneur TFI-POD

Registration number (MB) | 03282635

Identification number of subject (MBS) | 080040936

Personal identification number (OIB) | 45050126417

Issuer company: KONČAR - ELECTRICAL INDUSTRY Inc.

Postal code and place | 10000

ZAGREB

Street and number | FALLEROVO ŠETALIŠTE 22

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

Internet address: www.koncar.hr

Code and name of comune/town | 133 | ZAGREB

Code and county name | 21 | GRAD ZAGREB

Number of employees | 3.647
(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 - Mjermi 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.hr

Surname and name | DARINKO BAGO

(authorised person for representation)

Disclosure documents:

1. Financial statements (balance sheet, profit and loss account, cash flow statement, statement of changes in shareholders' equity and notes to the financial statements)
2. Report of the Management Board on position of the Company
3. Statement of responsible persons for preparation of financial statements

M.P.

(signed by authorised person for representation)

Balance Sheet
as of 31.3.2016

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	1.503.356.747	1.500.820.714
I. INTANGIBLE ASSETS (004 do 009)	003	61.269.128	55.728.783
1. Expenditure for development	004	41.142.345	35.028.826
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	6.240.755	6.332.919
3. Goodwill	006	7.980.446	7.980.446
4. Advances for purchase of intangible assets	007	0	13.041
5. Intangible assets in progress	008	5.500.867	5.908.573
6. Other intangible assets	009	404.715	464.978
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.148.361.935	1.142.512.025
1. Land	011	148.676.673	149.188.201
2. Buildings	012	339.602.117	340.021.205
3. Plant and equipment	013	389.848.707	416.048.712
4. Tools, working inventory and transportation assets	014	69.646.340	69.079.493
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	2.209.211	1.719.932
7. Tangible assets in progress	017	54.021.489	22.114.559
8. Other tangible assets	018	571.342	556.318
9. Investment in real-estate	019	143.786.056	143.783.605
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	276.130.123	285.247.983
1. Share in related parties	021	290.067	289.395
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	3.525.043	3.524.544
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	2.045.946	1.460.575
6. Loans, deposits, etc.	026	5.421.451	5.837.997
7. Other non-current financial assets	027	1.110.535	2.090.176
8. Equity-accounted investments	028	263.737.081	272.045.296
IV. RECEIVABLES (030 do 032)	029	17.595.561	17.331.923
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	11.143.191	10.889.605
3. Other receivables	032	6.452.370	6.442.318
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	2.134.604.477	2.080.048.541
I. INVENTORIES (036 do 042)	035	508.629.833	576.661.305
1. Raw materials and supplies	036	279.934.355	268.143.336
2. Production in progress	037	132.820.941	174.816.462
3. Finished products	038	63.566.763	85.447.097
4. Merchandise	039	21.424.308	18.361.027
5. Advances for inventories	040	4.923.466	21.117.525
6. Long term assets held for sale	041	5.960.000	8.775.858
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	879.781.542	620.377.800
1. Receivables from related parties	044	85.012.340	50.712.287
2. Receivables from end-customers	045	720.175.786	497.132.875
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	2.116.894	2.194.003
5. Receivables from government and other institutions	048	29.742.785	35.770.781
6. Other receivables	049	42.733.737	34.567.854
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	399.573.719	437.891.459
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	398.936.121	437.281.984
7. Other financial assets	057	637.598	609.475
IV. CASH AND CASH EQUIVALENTS	058	346.619.383	445.117.977
D) PREPAYMENTS AND ACCRUED INCOME	059	12.077.169	21.090.035
E) TOTAL ASSETS (001+002+034+059)	060	3.650.038.393	3.601.959.290
F) OFF BALANCE SHEET ITEMS	061	2.091.669.212	1.917.366.531

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.321.496.034	2.345.160.075
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	483.175.793	515.310.191
1. Legal reserves	066	47.810.318	50.956.793
2. Reserve for own shares	067	4.143.784	4.143.784
3. Treasury shares and shares (deductible items)	068	4.143.784	4.143.784
4. Statutory reserves	069	359.980.956	360.451.227
5. Other reserves	070	75.384.519	103.902.171
IV. REVALUATION RESERVES	071	530.629	549.795
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	272.108.024	364.449.369
1. Retained earnings	073	272.108.024	364.449.369
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	127.651.294	23.778.130
1. Net profit for the period	076	127.651.294	23.778.130
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	228.414.785	231.457.081
B) PROVISIONS (080 do 082)	079	297.950.535	293.756.372
1. Provisions for pensions, severance pay and similar liabilities	080	26.165.515	26.021.571
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	271.785.020	267.734.801
C) NON-CURRENT LIABILITIES (084 do 092)	083	143.126.007	144.039.045
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	142.988.558	143.881.349
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	20.247
9. Deferred tax liabilities	092	137.449	137.449
D) CURRENT LIABILITIES (094 do 105)	093	758.043.917	667.029.266
1. Liabilities to related parties	094	18.304.764	7.050.971
2. Liabilities for loans, deposits, etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	87.973.492	81.590.437
4. Liabilities for advances	097	182.349.546	182.625.411
5. Trade payables	098	349.049.822	309.083.796
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	34.866.404	35.134.763
9. Taxes, contributions and similar liabilities	102	54.914.602	44.000.177
10. Liabilities arising from share in the result	103	547.066	617.084
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	30.038.221	6.926.627
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	129.421.900	151.974.532
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.650.038.393	3.601.959.290
G) OFF BALANCE SHEET ITEMS	108	2.091.669.212	1.917.366.531
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	2.093.081.249	2.113.702.994
2. Attributable to minority interest	110	228.414.785	231.457.081

Income statement
period 1.1.2016 to 31.3.2016

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	691.613.240	691.613.240	643.632.951	643.632.951
1. Rendering of services	112	666.188.273	666.188.273	618.907.843	618.907.843
2. Other operating income	113	25.424.967	25.424.967	24.725.108	24.725.108
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	665.956.032	665.956.032	610.315.279	610.315.279
1. Change in Inventories of work in progress	115	-33.284.373	-33.284.373	-63.401.068	-63.401.068
2. Material expenses (117 do 119)	116	487.222.498	487.222.498	451.300.053	451.300.053
a) Costs of raw materials	117	377.765.665	377.765.665	328.424.245	328.424.245
b) Cost of goods sold	118	39.975.576	39.975.576	57.411.905	57.411.905
c) Other material expenses	119	69.481.257	69.481.257	65.463.903	65.463.903
3. Employee benefits expenses (121 do 123)	120	119.361.821	119.361.821	125.659.331	125.659.331
a) Net salaries	121	68.687.271	68.687.271	72.521.583	72.521.583
b) Tax and contributions from salary expenses	122	34.074.581	34.074.581	35.471.076	35.471.076
c) Contributions on salary	123	16.599.969	16.599.969	17.666.672	17.666.672
4. Depreciation and amortisation	124	22.136.155	22.136.155	25.036.169	25.036.169
5. Other expenses	125	48.634.228	48.634.228	47.541.817	47.541.817
6. Write down of assets (127+128)	126	1.888.803	1.888.803	1.763.757	1.763.757
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	1.888.803	1.888.803	1.763.757	1.763.757
7. Provisions	129	7.409.187	7.409.187	20.556.533	20.556.533
8. Other operating costs	130	12.587.713	12.587.713	1.858.687	1.858.687
III. FINANCIAL INCOME (132 do 136)	131	20.579.801	20.579.801	11.782.616	11.782.616
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	14.827	14.827	135.197	135.197
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	20.451.632	20.451.632	11.593.295	11.593.295
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	113.342	113.342	54.124	54.124
IV. FINANCIAL EXPENSES (138 do 141)	137	22.593.627	22.593.627	15.816.116	15.816.116
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	205.339	205.339	200.147	200.147
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	22.380.323	22.380.323	15.608.798	15.608.798
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	7.965	7.965	7.171	7.171
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	13.776.779	13.776.779	8.277.167	8.277.167
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	725.969.820	725.969.820	663.692.734	663.692.734
X. TOTAL EXPENSES (114+137+143+145)	147	688.549.659	688.549.659	626.131.395	626.131.395
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	37.420.161	37.420.161	37.561.339	37.561.339
1. Profit before taxes (146-147)	149	37.420.161	37.420.161	37.561.339	37.561.339
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	5.272.093	5.272.093	8.200.362	8.200.362
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	32.148.068	32.148.068	29.360.977	29.360.977
1. Profit for the period (149-151)	153	32.148.068	32.148.068	29.360.977	29.360.977
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	24.530.971	24.530.971	23.778.130	23.778.130
2. Attributable to minority interest	156	7.617.097	7.617.097	5.582.847	5.582.847
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	32.148.068	32.148.068	29.360.977	29.360.977
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 167)	158	3.460.529	3.460.529	31.048	31.048
1. Exchange differences from international settlement	159	0	0	31.048	31.048
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	3.460.529	3.460.529	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
8. Taxation of other comprehensive income	166	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 167)	167	3.460.529	3.460.529	31.048	31.048
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 167)	167	3.460.529	3.460.529	31.048	31.048
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	35.608.597	35.608.597	29.392.025	29.392.025
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	26.320.478	26.320.478	23.797.296	23.797.296
2. Attributable to minority interest	170	9.288.119	9.288.119	5.594.729	5.594.729

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2016 to 31.3.2016

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	773.662.161	873.726.054
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	1.497.336	3.467.912
4. Cash receipts arising from tax refunds	004	17.957.736	14.440.278
5. Other cash receipts	005	10.179.900	10.510.126
I. Total increase in cash flow from operating activities (001 to 005)	006	803.297.133	902.144.370
1. Cash paid to suppliers	007	598.496.012	549.797.522
2. Cash paid to employees	008	135.065.666	139.335.363
3. Cash outflows for insurance for damages compensation	009	11.714.318	1.807.266
4. Interest paid	010	3.388.896	2.442.513
5. Tax paid	011	25.720.673	64.909.496
6. Other cash outflows	012	27.153.170	28.465.323
II. Total decrease in cash flow from operating activities (007 to 012)	013	801.538.735	786.757.483
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	1.758.398	115.386.887
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	460.273	537.572
2. Cash inflows from sale of equity and debt financial instruments	017	981	18.830
3. Interest receipts	018	0	0
4. Dividend receipts	019	60.647.450	49.026.306
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	61.108.704	49.582.708
1. Cash outflows for purchase of long - term tangible and intangible assets	022	19.376.662	17.073.359
2. Cash outflows for purchase of equity and debt financial instruments	023	0	3.156.068
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	19.376.662	20.229.427
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	41.732.042	29.353.281
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	4.296.269	10.855.018
3. Other cash inflows from financing activities	030	150.714.218	20.908.380
V. Total cash inflows from financing activities (028 to 030)	031	155.010.487	31.763.398
1. Cash outflows for repayment of loans and bonds	032	45.754.459	13.751.933
2. Dividends paid	033	4.076	4.437
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	91.397.706	64.248.602
VI. Total cash outflows from financing activities (032 to 036)	037	137.156.241	78.004.972
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	17.854.246	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	0	46.241.574
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	61.344.686	98.498.594
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	0	0
Cash and cash equivalents at the beginning of period	042	391.253.751	346.619.383
Decrease in cash and cash equivalents	043	61.344.686	98.498.594
Increase in cash and cash equivalents	044	0	0
Cash and cash equivalents at the end of period	045	452.598.437	445.117.977

STATEMENT OF CHANGES IN EQUITY

period 1.1.2016 to 31.3.2016

Legal entity: Končar Electrical Industry Inc.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.297.613.140	1.296.828.940
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	587.584.450	618.265.020
4. Retained earnings or loss carried forward	004	283.739.756	399.435.764
5. Net profit or loss for the period	005	151.320.372	29.360.977
6. Revaluation of tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of available for sale assets	008	549.795	549.795
9. Other revaluation	009	-31.058	
10. Total equity and reserves (AOP 001 to 009)	010	2.321.496.034	2.345.160.075
11. Foreign exchange differences from foreign investments	011	-31.058	31.058
12. Current and deferred taxes	012	0	0
13. Cash flow hedge	013	4.734.344	0
14. Change of accounting policies	014	0	0
15. Correction of significant mistakes of prior period	015	0	0
16. Other changes	016	31.787.910	23.632.983
17. Total increase or decrease of equity (AOP 011 to 016)	017	36.491.196	23.664.041
17 a. Attributable to majority owners	018	65.465.782	20.621.745
17 b. Attributable to minority interest	019	-28.974.586	3.042.296

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 2016 are HRK 9.27 and are lower than earnings per share during the same period of the previous year by HRK 0.27.

3. Changes in ownership structure

Compared to the previous trimestre, in the top ten shareholders, the share of Societe Generale - Splitska banka d.d. / AZ OMF rose by 0.58 percentage points, an the share of Floričić Kristijan dropped by 0.39 percentage points.

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 2016, as opposed to the same period of the previous year, sales revenues (which make up for 93.3 per cent of the total revenues) decreased by 7.1 per cent, operational revenues (which make up for 97.0 per cent of the total revenues) decreased by 6.9 per cent, while total revenues decreased by 8.6 per cent. Total expenses decreased by 9.1 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 97.5 per cent of the total expenses, decreased by 8.4 per cent. Income from investment into affiliated companies decreased 39.9 per cent compared to the same period of last year. Financial incomes (which make up for 1.8 per cent of the total revenues) decreased by 42.7 per cent and financial expenses (which make up for 2.5 per cent of the total expenses) decreased by 30.0 per cent compared to the same period last year.

7. Products and services description

Production of electrical equipment for production, transmission and consumption of electrical energy, production of transport equipment.

8. Operating and other costs

For the period January - March of the year 2016, in comparison with the same period of last year, the share of material expenses in the operational revenue decreased by 3.7 percentage points and the share of other expenses decreased by 1.6 percentage point. The share of employees expenses (without remuneration of costs of employees) increased by 1.2 percentage point, the share of depreciation and amortisation increased by 0.5 percentage points, and the costs of provisions increased by 2.1 percentage points.

9. Profit or loss

The profit of the Group after tax is HRK 29.36 million which is a decrease of HRK 2.78 million compared to the same period of the previous year. The Group's net profit subscribed to the parent capital holders for the period January - March of the year 2016 amounts to HRK 23.78 million, which is a decrease of HRK 753 thousand compared to the same period of the previous year.

Net profit subscribed to the minority interests amounts to HRK 5.58 million, which is a decrease of HRK 2.03 million compared to the same period of the previous year. Of the 18 companies comprising the Končar Group, three companies declared a loss in the amount of HRK 4.10 million, of which HRK 3.21 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the first trimester of 2016, as opposed to the beginning of the year, increased by HRK 98.50 million.

11. Other notes

In the first trimester of the year 2016 the Mother company bought 1.02 per cent of shares of the company Končar-Distribution & Special Transformers Inc.