

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT
FOR JANUARY – SEPTEMBER, 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 general / extraordinary annual 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 30/09/2016 amounts to HRK 580.7 million representing a decrease by HRK 118.3 million compared to 31/12/2015.

The decrease refers to payment and good performance warranties of the Company Končar – Električna vozila d.d. (Končar – Electrical Vehicles Inc.) in the amount of HRK 165.4 million and a decrease of warranties for loans of associated companies in the amount of HRK 28.1 million together with an increase of good performance guarantees of the Company Končar – Power Plant and Electric Traction Engineering Inc. in the amount 68.8 million and other companies in the amount of HRK 6.4 million.

Out of the total guarantees and joint warranties the amount of HRK 425.6 million refers to good performance guarantees

The Končar Group business activities are divided into business areas

- Generation, transmission and distribution of Electrical Power and Transport: designing and construction of plants 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.

Ownership Structure changes

The Restructuring and Sales Centre published an Invitation for Showing Interest for acquisition of 526.926 stocks of Končar - Elektroindustrija d.d. (Končar – Electrical Industry Inc.) owned by the Republic of Croatia and the Croatian Retirement Fund in May, 2016. Stated stocks made 20.49 % of the Company share capital. After announced sales of stocks the ownership structure of the Company significantly changed. The ownership share of Addiko bank d.d. (former Hypo Alpe Adria Bank) / PBZ CO OMF – of B category increased from 9.95 to 16.37 %, the ownership share of Societe Generale - Splitska Banka d.d. / AZ OMF - of B

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

category increased from 6.84 to 14.50 %, the ownership share of Societe Generale - Splitska Banka d.d. / Erste plavi OMF - of B category increased from 7.86 to 13.97 %. Valmar riviera d.d. left the group of ten biggest shareholders while Addiko bank d.d. / Raiffeisen OMF – of B category (1.88 %) and Zagrebačka banka d.d. / AZ Profit Voluntary Pension Fund (1.12 %) entered it. The share of the Government Office for State Property Government / the Republic of Croatia decreased from 4.58 to 2.33 %.

The Company ownership structure as of 30/09/2016 is as follows:

Account owner	Number of stocks	Ownership share (%)
HPB d.d. (Kapitalni fond d.d.)	724.515	28,17
ADDIKO Bank d.d./ PBZ Croatia Osiguranje – Obligatory Pension Fund	420.928	16,37
Societe Generale - Splitska banka d.d./ AZ Obligatory Pension Fund	374.816	14,57
Societe Generale - Splitska banka d.d./ Erste Plavi Obligatory Pension Fund	359.239	13,97
The Government Office for State Property Government / Republic of Croatia	60.000	2,33
CERP/ Republic of Croatia	57.982	2,25
Floričić Kristijan	50.714	1,97
ADDIKO d.d./ Raiffeisen - Obligatory Pension Fund	48.291	1,88
PBZ d.d. / Safe Custody Account	30.406	1,18
Zagrebačka banka d.d./ AZ Profit Voluntary Pension Fund	28.928	1,12
Other shareholders	410.439	15,96
Končar d.d. /treasure stocks/	5.861	0,23
TOTAL	2.572.119	100,00

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

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

Miki Huljić	A Member of the Managing Board in Charge of integration and optimisation of the Končar Group
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 Finance
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 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 associated companies) requires the Supervisory Board consent.

Petar Vlaić	Supervisory Board President
Josip Lasić	Supervisory Board Deputy President
Nikola Anić	Member
Jasminka Belačić	Member
Vicko Ferić	Member
Branko Lampl	Member
Joško Miliša	Member
Vladimir Plečko	Member

Končar Group Business Results for January to September, 2016

Končar Group Companies generated operating incomes in the amount of HRK 2,014.4 million for the time period from January to September, 2016. Within operating incomes, incomes from sales of products and services amount to HRK 1,929.9 million or 95.8 % of the total business incomes. Incomes from sales of products and services are lower by 13.1 % compared to the achievements during the same time period of 2015. Planned incomes for the delivery of trains to the Croatian Railways Passenger Transport are missing from incomes from sales.

Operating expenses were generated in the amount of HRK 1,943.7 million and they are 12.1 % lower than the achievement of the same time period in 2015. Operating expenses were achieved in accordance with the level of achieved operating incomes applying corresponding activities and measures.

The difference between operating incomes and operating expenses gives the profit of operating activities in the amount of HRK 70.7 million.

The profit of operating activities in the amount of HRK 70.7 million, the share in the profit of the associated entrepreneurs in the amount of HRK 42.7 million and the negative difference between financial incomes and expenses in the amount of HRK 6.2 million make the consolidated profit before tax in the amount of HRK 107.2 million. The profit tax advance payment amounts to HRK 19.5 million, while the profit after tax

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amounts to HRK 87.7 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 18.6 million and to the Group Mother Company shareholders HRK 69.1 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 8.8 million out of which HRK 8.7 million belongs to the Mother Company shareholders.

On the domestic market the income from sales of products and services was generated in the amount of HRK 938.4 million, making it 23.5 % lower in the comparison with the same time period January- September, 2015. Incomes from sales of products and services that were exported were generated in the amount of HRK 991.5 million and they were at the level of the achievement of the same time period of the previous year. The share of the export in the total incomes from sales of products and services amounted to 51.4 %.

The most important export of goods and services was achieved in the markets of the European Union Member States in the amount of HRK 608 million or 61.3 % of the total export. HRK 117 million of 11.8 % of the total export went to Asian countries. Goods and services in the amount of HRK 75.5 million of 7.6 % of the total export went to neighbouring countries (Bosnia and Herzegovina, Macedonia, Montenegro, Albania). The Končar Group Companies exported goods and serviced to 86 countries worldwide.

The most important export was achieved in Sweden in the amount of HRK 150 million or 15.1 % of the total achieved export, in Germany in the amount of HRK 96.3 million, Slovenia in the HRK 63.3 million, Italy in the amount of HRK 53.7 million, Finland HRK 40.7 million and the United Arab Emirates HRK 40.1 million.

Compared to the same time period of the previous year, a significant increase of incomes from sales of goods and services in export was generated in the markets of Sweden (increase of HRK 61.7), Slovenia (increase of HRK 49.3 million), Zambia (increase of HRK 17.1 million) and Iceland (increase of HRK 13 million).

The export was realised in the amount of HRK 563.8 million for the time period January to September, 2016. The import of raw materials and materials amounted to HRK 547.9 million, while investment acquisitions amounted to HRK 15.9 million. During the same time period of his year, incomes from sales of products and services in export were achieved in the amount of HRK 991.5 million. The export import coverage coefficient amounted to 1.76.

During the time period January – September, 2016, the Končar Group Companies contracted new projects in the amount of HRK 2,156.2 million. Out of the total contracted new projects HRK 986.7 million (45.8 % of the total of contracted new projects) referred to the domestic market and HRK 1,169.5 million (55.2 % of the total of contracted new projects) referred to exporting contracts.

Out of new projects contracted during the time period January to September, 2016, for the domestic market, the majority referred to companies within the HEP Group – Croatian Power Authority (HEP – Generation, HEP – Distribution System Operator, HOPS – Croatian Transmission System Operator) in the amount of HRK 389.2 million of 39.4 % of the total newly contracted project in the domestic market. Out of other buyers in the domestic market more significant contracts were concluded with Zagreb Town Holding (Zagreb City Tram) in the amount of HRK 61 million, Brodomerkur in the amount of HRK 52.9 million, Croatian Water Management in the amount of HRK 25.9 million and Pevec in the amount of HRK 22.6 million.

The majority of projects (12.5 %) contracted during the time period January to September, 2016, for the export market referred to the market of Sweden in the amount of HRK 146.2 million (contracts of the

Company Končar – Distributive and Special Transformers and Končar – Generators and Motors). New projects in the amount of HRK 137.4 million were contracted for the market of Germany (Končar – Metal Structures HRK 55.1 million, Končar – Distributive and Special Transformers HRK 52.9 million, Končar – Small Electrical Machines HRK 23.8 million), El Salvador HRK 97.7 million (the contract for El Chaparral HPP of the Company Končar – Power Plant and Electric Traction Engineering and Končar – Generators and Motors). New projects in the market of Bosnia and Herzegovina were contracted in the amount of HRK 94.7 million (Končar – Generators and Motors, Končar – Power Plant and Electric Traction Engineering and Končar - Distributive and Special Transformers), new projects in the market of Finland contracted during the time period January to September, 2016 amounted to HRK 60.4 million (the majority of them refer to Končar – Distributive and Special Transformers and Končar – Generators and Motors). Out of other countries, the most significant projects were contracted for the market of Italy (HRK 49.8 million), the Netherlands (HRK 37.7 million), Kenya (HRK 31.6 million) and the Check Republic (HRK 25.9 million). On the basis of the dynamics of the delivery, the amount of HRK 1,079 million will be performed in 2016, while contracted projects to be performed during 2017 and following years amount to HRK 1,077.2 million.

The status of the contracted projects (receivables due) at the end of September, 2016, amounted to HRK 3,685.5 million that was 7 % higher than the contracted project status at the beginning of the year.

Within the structure of asset sources, the registered capital, reserves, retained profits, profits of the current year and not controlling interest capital amounted to HRK 2,359 million that was HRK 37.5 million more compared to the level on 31st December, 2015 and they made 64.1 % of the total sources.

Long term asset sources (capital, long term reserves and long term liabilities) were higher by HRK 686.7 million from the long-term assets and the average level of stocks. Current assets were 2.9 times higher than the current liabilities. The consolidated balance sheet structure showed a good adjustment between assets and investments.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President

Darinko Bago

28th October, 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 January – September, 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

28th October, 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, branka.velkovski@koncar.hr

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

Appendix 1

Reporting period:

1.1.2016

to

30.9.2016

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.hr**Internet address: **www.koncar.hr**Code and name of comune/town **133** **ZAGREB**Code and county name **21** **GRAD ZAGREB**Number of employees **3.633**

(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.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 30.9.2016

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	1.539.717.438
I. INTANGIBLE ASSETS (004 do 009)	003	61.269.128	53.199.173
1. Expenditure for development	004	41.142.345	32.442.119
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	6.240.755	6.640.795
3. Goodwill	006	7.980.446	7.980.446
4. Advances for purchase of intangible assets	007	0	0
5. Intangible assets in progress	008	5.500.867	5.750.855
6. Other intangible assets	009	404.715	384.958
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.148.361.935	1.147.808.323
1. Land	011	148.676.673	148.137.184
2. Buildings	012	339.602.117	334.644.778
3. Plant and equipment	013	389.848.707	405.774.808
4. Tools, working inventory and transportation assets	014	69.646.340	66.965.268
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	2.209.211	8.471.924
7. Tangible assets in progress	017	54.021.489	22.158.730
8. Other tangible assets	018	571.342	583.543
9. Investment in real-estate	019	143.786.056	161.072.088
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	276.130.123	322.638.059
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	1.510.592
6. Loans, deposits, etc.	026	5.421.451	8.867.574
7. Other non-current financial assets	027	1.110.535	2.165.546
8. Equity-accounted investments	028	263.737.081	306.280.408
IV. RECEIVABLES (030 do 032)	029	17.595.561	16.071.883
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	11.143.191	9.628.012
3. Other receivables	032	6.452.370	6.443.871
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	2.134.604.477	2.124.640.638
I. INVENTORIES (036 do 042)	035	508.629.833	583.425.520
1. Raw materials and supplies	036	279.934.355	271.480.325
2. Production in progress	037	132.820.941	165.710.093
3. Finished products	038	63.566.763	71.779.027
4. Merchandise	039	21.424.308	17.699.359
5. Advances for inventories	040	4.923.466	48.330.858
6. Long term assets held for sale	041	5.960.000	8.425.858
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	879.781.542	748.237.495
1. Receivables from related parties	044	85.012.340	54.865.438
2. Receivables from end-customers	045	720.175.786	637.370.445
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	2.116.894	2.363.074
5. Receivables from government and other institutions	048	29.742.785	31.926.563
6. Other receivables	049	42.733.737	21.711.975
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	399.573.719	381.843.579
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	381.674.512
7. Other financial assets	057	637.598	169.067
IV. CASH AND CASH EQUIVALENTS	058	346.619.383	411.134.044
D) PREPAYMENTS AND ACCRUED INCOME	059	12.077.169	10.848.875
E) TOTAL ASSETS (001+002+034+059)	060	3.650.038.393	3.675.206.951
F) OFF BALANCE SHEET ITEMS	061	2.091.669.212	2.002.183.171

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.321.496.034	2.358.967.647
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	557.213.104
1. Legal reserves	066	47.810.318	52.743.738
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	391.309.536
5. Other reserves	070	75.384.519	113.159.830
IV. REVALUATION RESERVES	071	530.629	549.795
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	272.108.024	293.533.528
1. Retained earnings	073	272.108.024	293.533.528
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	127.651.294	69.132.947
1. Net profit for the period	076	127.651.294	69.132.947
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	228.414.785	228.922.764
B) PROVISIONS (080 do 082)	079	297.950.535	282.444.916
1. Provisions for pensions, severance pay and similar liabilities	080	26.165.515	25.514.050
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	271.785.020	256.930.866
C) NON-CURRENT LIABILITIES (084 do 092)	083	143.126.007	168.464.396
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	168.306.700
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	739.693.538
1. Liabilities to related parties	094	18.304.764	10.529.330
2. Liabilities for loans, deposits, etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	87.973.492	111.836.218
4. Liabilities for advances	097	182.349.546	234.774.295
5. Trade payables	098	349.049.822	284.576.986
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	32.485.251
9. Taxes, contributions and similar liabilities	102	54.914.602	35.021.480
10. Liabilities arising from share in the result	103	547.066	691.833
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	30.038.221	29.778.145
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	129.421.900	125.636.454
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.650.038.393	3.675.206.951
G) OFF BALANCE SHEET ITEMS	108	2.091.669.212	2.002.183.171
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	2.093.081.249	2.130.044.883
2. Attributable to minority interest	110	228.414.785	228.922.764

Income statement
period 1.1.2016 to 30.9.2016

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	2.293.405.219	737.937.608	2.014.420.555	709.235.501
1. Rendering of services	112	2.221.843.695	708.748.855	1.929.942.818	663.751.108
2. Other operating income	113	71.561.524	29.188.753	84.477.737	25.484.393
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	2.211.356.233	705.937.322	1.943.722.505	690.144.783
1. Change in inventories of work in progress	115	18.111.700	9.795.880	-41.150.704	49.096.165
2. Material expenses (117 do 119)	116	1.541.554.701	497.833.263	1.344.459.241	428.659.232
a) Costs of raw materials	117	1.202.310.789	386.807.889	971.420.346	306.095.494
b) Cost of goods sold	118	123.048.307	43.351.930	155.434.607	42.634.020
c) Other material expenses	119	216.195.605	67.673.444	217.604.288	79.929.718
3. Employee benefits expenses (121 do 123)	120	367.630.430	123.412.810	387.919.463	130.325.179
a) Net salaries	121	210.644.598	70.313.770	221.749.081	74.573.500
b) Tax and contributions from salary expenses	122	105.043.328	35.156.975	111.347.155	36.666.529
c) Contributions on salary	123	51.942.504	17.942.065	54.823.227	19.085.150
4. Depreciation and amortisation	124	65.875.328	21.964.863	70.850.568	23.013.411
5. Other expenses	125	149.919.748	46.674.497	144.468.183	48.976.777
6. Write down of assets (127+128)	126	8.025.725	1.988.894	5.907.129	1.547.800
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	8.025.725	1.988.894	5.907.129	1.547.800
7. Provisions	129	44.332.704	1.985.622	24.950.075	6.684.708
8. Other operating costs	130	15.905.897	2.281.493	6.318.550	1.841.491
III. FINANCIAL INCOME (132 do 136)	131	46.078.058	16.065.050	30.764.023	8.224.408
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	145.961	79.100	384.619	137.228
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	45.332.909	15.700.812	29.262.875	8.069.661
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	599.188	285.138	1.116.529	17.519
IV. FINANCIAL EXPENSES (138 do 141)	137	59.035.637	17.199.831	36.959.346	10.989.145
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	153.646	70.818	447.437	105.727
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	58.677.145	17.121.877	36.338.150	10.882.770
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	204.846	7.136	173.759	648
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	36.294.884	13.388.372	42.726.167	18.821.496
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	2.375.778.161	767.391.030	2.087.910.745	736.281.405
X. TOTAL EXPENSES (114+137+143+145)	147	2.270.391.870	723.137.153	1.980.681.851	701.133.928
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	105.386.291	44.253.877	107.228.894	35.147.477
1. Profit before taxes (146-147)	149	105.386.291	44.253.877	107.228.894	35.147.477
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	17.645.242	5.944.665	19.478.258	5.050.820
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	87.741.049	38.309.212	87.750.636	30.096.657
1. Profit for the period (149-151)	153	87.741.049	38.309.212	87.750.636	30.096.657
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	73.948.465	36.856.570	69.132.947	25.505.989
2. Attributable to minority interest	156	13.792.584	1.452.642	18.617.689	4.590.668
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	87.741.049	38.309.212	87.750.636	30.096.657
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	4.734.344	0	31.048	0
1. Exchange differences from international settlement	159	0	0	31.048	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	4.734.344	0	0	0
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD (166)	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	4.734.344	0	31.048	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	92.475.393	38.309.212	87.781.684	30.096.657
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	76.396.686	36.856.570	69.152.113	25.505.989
2. Attributable to minority interest	170	16.078.707	1.452.642	18.629.571	4.590.668

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2016 to 30.9.2016

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	2.427.263.901	2.196.239.830
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	6.866.690	15.441.959
4. Cash receipts arising from tax refunds	004	63.290.705	79.577.571
5. Other cash receipts	005	30.796.142	41.958.667
I. Total increase in cash flow from operating activities (001 to 005)	006	2.528.217.438	2.333.218.027
1. Cash paid to suppliers	007	1.814.300.123	1.615.261.514
2. Cash paid to employees	008	436.997.799	439.933.508
3. Cash outflows for insurance for damages compensation	009	16.563.653	6.743.073
4. Interest paid	010	8.501.125	7.536.443
5. Tax paid	011	94.005.493	121.620.031
6. Other cash outflows	012	94.661.561	89.425.117
II. Total decrease in cash flow from operating activities (007 to 012)	013	2.465.029.754	2.280.519.666
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	63.187.684	52.698.341
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	10.353.268	5.300.768
2. Cash inflows from sale of equity and debt financial instruments	017	4.692.126	6.710.723
3. Interest receipts	018	0	0
4. Dividend receipts	019	62.505.524	49.879.895
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	77.550.918	61.891.386
1. Cash outflows for purchase of long - term tangible and intangible assets	022	57.323.059	62.814.105
2. Cash outflows for purchase of equity and debt financial instruments	023	52.244.989	3.156.068
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	109.568.048	65.970.173
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	32.017.130	4.078.787
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	028	6.690	0
2. Cash inflows from loans, debentures, credits and other borrowings	029	40.409.241	146.387.447
3. Other cash inflows from financing activities	030	372.328.336	287.239.260
V. Total cash inflows from financing activities (028 to 030)	031	412.744.267	433.626.707
1. Cash outflows for repayment of loans and bonds	032	100.425.570	92.801.737
2. Dividends paid	033	49.416.107	47.164.161
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	302.102.783	277.765.702
VI. Total cash outflows from financing activities (032 to 036)	037	451.944.460	417.731.600
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	15.895.107
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	39.200.193	0
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	0	64.514.661
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	8.029.639	0
Cash and cash equivalents at the beginning of period	042	391.253.751	346.619.383
Decrease in cash and cash equivalents	043	0	64.514.661
Increase in cash and cash equivalents	044	8.029.639	0
Cash and cash equivalents at the end of period	045	383 224 112	411 134 044

STATEMENT OF CHANGES IN EQUITY

period 1.1.2016 to 30.9.2016

Legal entity: Končar Electrical Industry Inc.

	Position			
	1	2	3	4
AOP	Previous year	Current year		
1. Subscribed share capital	1.297.613.140	1.298.064.820		
2. Capital reserves	719.579	719.579		
3. Reserves from profit	587.584.450	670.308.864		
4. Retained earnings or loss carried forward	283.739.756	301.573.953		
5. Net profit or loss for the period	151.320.372	87.750.636		
6. Revaluation of tangible assets	0	0		
7. Revaluation of intangible assets	0	0		
8. Revaluation of available for sale assets	549.795	549.795		
9. Other revaluation	-31.058	0		
10. Total equity and reserves (AOP 001 to 009)	2.321.496.034	2.358.967.647		
11. Foreign exchange differences from foreign investments	-31.058	31.058		
12. Current and deferred taxes	0	0		
13. Cash flow hedge	4.734.344	0		
14. Change of accounting policies	0	0		
15. Correction of significant mistakes of prior period	0	0		
16. Other changes	31.787.910	37.440.555		
17. Total increase or decrease of equity (AOP 011 to 016)	36.491.196	37.471.613		
17 a. Attributable to majority owners	65.465.782	36.963.634		
17 b. Attributable to minority interest	-28.974.586	507.979		

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 - September 2016 are HRK 26.94 and are lower than earnings per share during the same period of the previous year by HRK 1.88.

3. Changes in ownership structure

Compared to the previous trimestre, there have been no significant changes in ownership structure.

4. Mergers and acquisitions

There have been no new mergers and acquisitions.

5. Uncertainty (description of cases in which exists the uncertainty of collection of outstanding debts or possible future expenses)

There have been no significant uncertainties in collection or future expenses.

6. Business results

During the period January - September 2016, as opposed to the same period of the previous year, sales revenues (which make up for 92.4 per cent of the total revenues) decreased by 13.1 per cent, operational revenues (which make up for 96.5 per cent of the total revenues) decreased by 12.2 per cent, while total revenues decreased by 12.1 per cent. Total expenses decreased by 12.8 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 98.1 per cent of the total expenses, decreased by 12.1 per cent. Income from investment into affiliated companies increased by 17.7 per cent compared to the same period of last year. Financial incomes (which make up for 1.5 per cent of the total revenues) decreased by 33.2 per cent and financial expenses (which make up for 1.9 per cent of the total expenses) decreased by 37.4 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 - September of the year 2016, in comparison with the same period of last year, the share of material expenses in the operational revenue decreased by 2.5 percentage points, the share of cost of provisions decreased by 0.7 percentage point, the share of costs of value adjustment decreased by 0.1 percentage point. The share of employees expenses (without remuneration of costs of employees) increased by 2.7 percentage points and the share of depreciation and amortisation increased by 0.5 percentage points. There have been no changes in share of other expenses and costs in the operational revenue.

9. Profit or loss

The profit of the Group after tax is HRK 87.75 million which is the same level compared to the same period of the previous year. The Group's net profit subscribed to the parent capital holders for the period January - September of the year 2016 amounts to HRK 69.13 million, which is a decrease of HRK 4.85 million compared to the same period of the previous year. Net profit subscribed to the minority interests amounts to HRK 18.62 million, which is an increase of HRK 4.83 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 8.82 million, of which HRK 8.73 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the third trimester of 2016, as opposed to the beginning of the year, increased by HRK 64.51 million.

11. Other notes

In the first quarter of 2016 the parent company bought 1.02 per cent of shares of Končar - Distribution and Special Transformers Inc. from minority shareholders. In the second quarter of 2016, Končar - Electronica and Informatics Inc. increased the share capital by reinvestment of earnings from 2015 in the amount of HRK 4,950,240. A simplified reduction of capital was carried out in Končar - Household Appliances Inc. in order to cover the loss in the amount of HRK 9,719,200.