

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT  
FOR JANUARY – SEPTEMBER, 2017**

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 30/09/2017 amounts to HRK 463.3 million representing a decrease by HRK 88.1 million compared to 31/12/2016.

The majority of the decrease refers to lapsed good performance warranties of the Company Končar – Inženjering za energetiku i transport d.d. (Končar – Power Plant and Electric Traction Engineering Inc.) in the amount of HRK 26.9 million, warranties of the Company Končar – Generatori i motori d.d. (Končar – Generators and Motors Inc.) in the amount 50.3 million and the decrease of the loan of companies Končar-Mjerni transformatori d.d. (Končar – Instrument Transformers Inc.) and Končar - Obnovljivi izvori d.o.o. (Končar – Renewable Sources Ltd.) in the amount of HRK 9.4 million.

Out of the total guarantees and joint warranties the amount of HRK 339.6 million refers to good performance guarantees.

The Končar Group business activities are divided into following 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.

During this report period, activities regarding merging of three companies from the Generation, Transmission and Distribution of Electrical Power and Transport Business Area have been initialled. All three Companies (Končar – Električni aparati srednjeg napona / Medium voltage Apparatus; Končar – Električni visokonaponski aparati / High Voltage Switchgear and Končar – Sklopna postrojenja / Switchgear) operate in

the field of middle and medium voltage and from the marketing point of view they are oriented towards common markets of distribution and transmission of electric energy.

Merger main objectives are increasing of synergic effects, better research, development and sales coordination, usage of the "excellence" approach where the excellence of one company is being transferred to other Companies, outsourcing of mechanical components, lower staff costs, lower indirect costs using less resources compared to resources used by those Companies nowadays and sales of not used property. All three Companies are 100 % owned by the Group Mother Company (Končar – Elektroindustrija d.d. / Electrical Industry Inc.).

### ***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
Miki Huljić	A Member of the Managing Board in Charge of Finances
Marina Kralj Miliša	A Member of the Managing Board in Charge of Legal, Common and Personnel Affairs
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 the 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 Statues 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, 2017**

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 1,925.2 million for the time period from January to September, 2017 that are at the same level of the achievements during the same time period of 2016.

Three 2017 quarters are marked with an increase of incomes from sales of products and services comparing them to the same time period of 2016. Export sales are higher by the amount of HRK 136.7 million or 13.9 %. On the domestic market, incomes from sales of products and services are lower by HRK 141.4 million or 15.1 % compared to the achievements of the time period from January to September, 2016.

Operating incomes were generated in the amount of HRK 2,045.7 million and they are 1.5 % higher than the achievement of the time period from January to September of 2016. The share of incomes from sales of products and services in the operating incomes amounts to 94.1 %.

Operating expenses were achieved in the amount of HRK 1,999.5 million and they are higher by 2.9 % than the achievement for the same time period of 2016.

The difference between operating incomes and operating expenses gives the profit of operating activities in the amount of HRK 45.7 million.

The share in the profit of the associated entrepreneurs amounts to HRK 42.2 million that is lower by HRK 0.6 million compared to the achievement during the same time period of the previous year.

The difference between financial incomes and expenses is negative and it amounts to HRK 4.1 million.

The profit of operating activities in the amount of HRK 45.7 million, the share in the profit of the associated entrepreneurs in the amount of HRK 42.2 million and the negative difference between financial incomes and expenses in the amount of HRK 4.1 million make the consolidated profit before tax in the amount of HRK 83.8 million. The profit tax advance payment amounts to HRK 14.6 million, while the profit after tax amounts to HRK 69.2 million out of which the amount of HRK 14.4 million belongs to the non-controlling interest (the minority interest) and the amount of HRK 54.8 million to the Group Mother Company shareholders.

Out of 18 Končar Group Companies, 14 Companies generated a positive financial result, while four companies expressed a loss in the total amount of HRK 18.2 million out of which HRK 18.1 million belongs to the Mother Company shareholders.

Within the structure of incomes from sales of products and services in the domestic market, the income from sales of products and services to companies belonging to HEP - the Croatian Power Authority (HEP – Generation, HEP – Distribution System Operator, HOPS – Croatian Transmission System Operator) was generated in the amount of HRK 292.5 million (36.7 % out of the total achieved income from sales of products and services in the domestic market). Compared to the previous year, the sales of products and services to HEP – the Croatian Power Authority was higher by 27 %.

Out of more significant buyers in the Croatian market, the income was achieved from sales of products and services to Končar – Power Transformers in the amount of HRK 64 million (8 % of the total incomes in the domestic market) and to Zagreb Holding – ZET Zagreb Electric Tram in the amount of HRK 46.2 million or 5.8 % of the total achieved incomes in the domestic market.

Incomes from sales of products and services that were exported were generated in the amount of HRK 1,128.2 million that were higher by 13.8 % than 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 58.6 %. The most important export of goods and services was achieved in the market of Sweden in the amount of HRK 160.7 million or 14.2 % of the total export (Končar – Distributive and Special Transformers and Končar – Generators and Motors). The export to the market of Germany was performed in the amount of HRK 138.3 million or 12.3 % of the total export (Končar – Distributive and Special Transformers and Končar – Metal Structures). Goods and services in the amount of HRK 77.8 million were exported to Finland and in the amount of 58.4 million to Kenya (the initiation of the project of refurbishment of Kamburu HPP generators). Out of the rest of countries where goods and services were exported in more significant amounts were Bosnia and Herzegovina (HRK 53.9 million), Austria (HRK 50 million), Netherlands (HRK 34.8 million) and Slovenia (HRK 34.7 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 Kenya (increase of HRK 57.5 million), Germany (increase of HRK 42 million) and Finland (increase of HRK 37.1 million).

During the time period January – September, 2017, the Končar Group Companies contracted new projects in the amount of HRK 1,631 million. Out of the total contracted new projects HRK 709.4 million (43 % of the total of contracted new projects) referred to the domestic market and HRK 921.6 million (57 % of the total of contracted new projects) referred to exporting contracts.

The majority of projects (17 %) contracted during the time period January to September, 2017, for the export market referred to the market of Sweden in the amount of HRK 157.8 million (the majority refers to the contracts of the Company Končar – Distributive and Special Transformers). New projects in the amount of HRK 117.8 million were contracted for the market of Germany, HRK 54.1 million for the market of Austria and HRK 47.5 million for the market of Norway.

On the basis of the dynamics of the delivery, the amount of HRK 1,074.3 million of new projects will be performed in 2017, while contracted projects to be performed during 2018 and following years amount to HRK 556.7 million.

The status of the contracted projects as of 30<sup>th</sup> September, 2017, amounted to HRK 3,005.3.

The import in the amount of HRK 420.4 million was performed during the time period from January to September, 2017. The import of raw materials and materials amounted to HRK 403.4 million, while investment acquisitions amounted to HRK 17 million. During the same time period of this year, incomes from sales of products and services in export were achieved in the amount of HRK 1,128.2 million. The export import coverage coefficient amounted to 2.7.

The status of the total consolidated assets and asset sources as of 30<sup>th</sup> September, 2017 amounted to HRK 3,647.2 million representing a decrease by HRK 152.1 million or 4 % compared to 31<sup>st</sup> December, 2015.

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 2,455.1 million that was HRK 6.8 million more compared to the level on 31<sup>st</sup> December, 2016 and they made 67.3 % of the total sources. Long term reserves amounted to HRK 201.7 million and made 5.5 % of the total sources. Long term and current liabilities amounted to HRK 841.3 million making them lower by HRK 58.6 million than the situation at the end of 2016 and they made 23.1 % of total sources. Within the current liabilities, payables to suppliers amounted to HRK 325.1 million and they made 8.9 % of the total sources. Total loans (long term and current) amounted to HRK 189 million and they were higher by HRK 5 million compared to the situation as of 31<sup>st</sup> December, 2016 and they made 5.2 % of the total sources.

Long term asset sources (capital, long term reserves and long term liabilities) were higher by HRK 746.9 million than the long-term assets and the average level of stocks indicating a good term structure of the asset source. Current assets were 3.1 times higher than the current liabilities indicating a good liquidity of the system. The consolidated balance sheet structure showed a good adjustment between assets and investments as well as a good financial stability of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.  
Managing Board President

30<sup>th</sup> October, 2017

**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, 2017.

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

30<sup>th</sup> September, 2017

- Note:

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

Contact persons:

Ervin Filipčić, Managing Board Office Head, [ervin.filipcic@koncar.hr](mailto:ervin.filipcic@koncar.hr)

Marina Markušić, accounting expert, [branka.velkovski@koncar.hr](mailto:branka.velkovski@koncar.hr)

Vesna Ilić, Accounting Department Head, [vesna.ilic@koncar.hr](mailto:vesna.ilic@koncar.hr)

**Appendix 1**

Reporting period:

1.1.2017

to

30.9.2017

**Quarterly financial report of entrepreneur TFI-POD**Registration number (MB) **03282635**Identification number of subject (MBS) **080040936**Personal identification number (OIB) **45050126417**Issueer company: **KONČAR - ELECTRICAL INDUSTRY Inc.**Postal code and place **10000****ZAGREB**Street and number: **FALLEROVO ŠETALIŠTE 22**E-mail address: [koncar.finance@koncar.hr](mailto:koncar.finance@koncar.hr)Internet address: [www.koncar.hr](http://www.koncar.hr)Code and name of comune/town **133** **ZAGREB**Code and county name **21** **GRAD ZAGREB**Number of employees **3.666**

(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
Power Engineering Transformatory Sp. z o.o.	Czerwonaka, Poznan, Poljska	

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](mailto: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 30.9.2017

<b>Company: Končar - Electrical Industry Inc.</b>			
Position	AOP	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	1.494.777.333	1.494.193.706
I. INTANGIBLE ASSETS (004 do 009)	<b>003</b>	52.009.689	47.660.255
1. Expenditure for development	<b>004</b>	32.014.082	26.131.142
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	<b>005</b>	7.666.909	6.860.458
3. Goodwill	<b>006</b>	7.980.446	7.980.446
4. Advances for purchase of intangible assets	<b>007</b>	0	750.301
5. Intangible assets in progress	<b>008</b>	4.006.864	5.691.276
6. Other intangible assets	<b>009</b>	341.388	246.632
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	<b>010</b>	1.149.201.502	1.113.081.863
1. Land	<b>011</b>	148.137.183	149.339.811
2. Buildings	<b>012</b>	343.994.618	338.901.886
3. Plant and equipment	<b>013</b>	406.004.433	403.371.380
4. Tools, working inventory and transportation assets	<b>014</b>	66.316.744	69.412.523
5. Biological assets	<b>015</b>	0	0
6. Advances for purchase of tangible assets	<b>016</b>	5.286.185	6.049.621
7. Tangible assets in progress	<b>017</b>	15.725.440	11.869.167
8. Other tangible assets	<b>018</b>	588.397	1.077.413
9. Investment in real-estate	<b>019</b>	163.148.502	133.060.062
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	<b>020</b>	279.060.241	319.172.880
1. Share in related parties	<b>021</b>	290.067	289.767
2. Loans to related parties	<b>022</b>	0	0
3. Participating interests (shares)	<b>023</b>	5.617.242	2.795.328
4. Loans to companies with participating interest	<b>024</b>	0	0
5. Investments in securities	<b>025</b>	1.530.746	1.870.683
6. Loans, deposits, etc.	<b>026</b>	8.064.232	7.656.286
7. Other non-current financial assets	<b>027</b>	38.957	1.077.305
8. Equity-accounted investments	<b>028</b>	263.518.997	305.483.511
IV. RECEIVABLES (030 do 032)	<b>029</b>	14.178.830	13.891.110
1. Receivables from related parties	<b>030</b>	0	0
2. Receivables arising from sales on credit	<b>031</b>	8.991.459	8.513.858
3. Other receivables	<b>032</b>	5.187.371	5.377.252
V. DEFERRED TAX ASSET	<b>033</b>	327.071	387.598
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	2.298.557.467	2.141.147.429
I. INVENTORIES (036 do 042)	<b>035</b>	484.184.941	564.645.680
1. Raw materials and supplies	<b>036</b>	222.462.259	256.128.234
2. Production in progress	<b>037</b>	147.479.015	161.952.626
3. Finished products	<b>038</b>	82.119.109	71.455.786
4. Merchandise	<b>039</b>	23.791.097	20.119.528
5. Advances for inventories	<b>040</b>	4.194.790	50.989.506
6. Long term assets held for sale	<b>041</b>	4.138.671	4.000.000
7. Biological assets	<b>042</b>	0	0
II. RECEIVABLES (044 do 049)	<b>043</b>	998.059.831	806.775.378
1. Receivables from related parties	<b>044</b>	97.476.136	28.933.482
2. Receivables from end-customers	<b>045</b>	785.996.173	711.225.545
3. Receivables from participating parties	<b>046</b>	0	0
4. Receivables from employees and members of the company	<b>047</b>	765.397	2.472.514
5. Receivables from government and other institutions	<b>048</b>	46.500.125	33.632.931
6. Other receivables	<b>049</b>	67.322.000	30.510.906
III. CURRENT FINANCIAL ASSETS (051 do 057)	<b>050</b>	374.842.074	462.530.724
1. Share in related parties	<b>051</b>	0	0
2. Loans to related parties	<b>052</b>	0	0
3. Participating interests (shares)	<b>053</b>	0	0
4. Loans to companies with participating interest	<b>054</b>	0	0
5. Investments in securities	<b>055</b>	0	0
6. Loans, deposits, etc.	<b>056</b>	374.600.107	462.503.544
7. Other financial assets	<b>057</b>	241.967	27.180
IV. CASH AND CASH EQUIVALENTS	<b>058</b>	441.470.621	307.195.647
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	5.936.422	11.813.523
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	3.799.271.222	3.647.154.658
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	1.882.785.166	1.660.347.208



<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	2.448.325.645	2.455.121.745
I. SUBSCRIBED SHARE CAPITAL	<b>063</b>	1.208.895.930	1.208.895.930
II. CAPITAL RESERVES	<b>064</b>	719.579	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	557.213.103	625.500.537
1. Legal reserves	<b>066</b>	52.743.738	57.980.867
2. Reserve for own shares	<b>067</b>	4.143.784	4.143.784
3. Treasury shares and shares (deductible items)	<b>068</b>	4.143.784	4.143.784
4. Statutory reserves	<b>069</b>	391.309.535	407.677.743
5. Other reserves	<b>070</b>	113.159.830	159.841.927
IV. REVALUATION RESERVES	<b>071</b>	1.700.423	-168.069
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	<b>072</b>	295.728.107	334.552.712
1. Retained earnings	<b>073</b>	295.728.107	334.552.712
2. Loss carried forward	<b>074</b>	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	<b>075</b>	143.282.972	54.790.493
1. Net profit for the period	<b>076</b>	143.282.972	54.790.493
2. Net loss for the period	<b>077</b>	0	0
VII. MINORITY INTEREST	<b>078</b>	240.785.531	230.830.563
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	234.352.135	201.736.791
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	37.502.225	38.133.997
2. Provisions for tax liabilities	<b>081</b>	0	0
3. Other provisions	<b>082</b>	196.849.910	163.602.794
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	122.456.552	148.885.588
1. Liabilities to related parties	<b>084</b>	0	0
2. Liabilities for loans, deposits, etc.	<b>085</b>	0	0
3. Liabilities to banks and other financial institutions	<b>086</b>	122.031.946	148.684.438
4. Liabilities for advances	<b>087</b>	0	0
5. Trade payables	<b>088</b>	0	0
6. Commitments on securities	<b>089</b>	0	0
7. Liabilities to companies with participating interest	<b>090</b>	0	0
8. Other non-current liabilities	<b>091</b>	0	201.150
9. Deferred tax liabilities	<b>092</b>	424.606	0
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	788.139.165	692.398.411
1. Liabilities to related parties	<b>094</b>	23.633.329	2.409.768
2. Liabilities for loans, deposits, etc.	<b>095</b>	0	1.043.731
3. Liabilities to banks and other financial institutions	<b>096</b>	61.888.252	40.304.186
4. Liabilities for advances	<b>097</b>	244.713.954	213.341.674
5. Trade payables	<b>098</b>	348.212.115	322.693.870
6. Commitments on securities	<b>099</b>	0	0
7. Liabilities to companies with participating interest	<b>100</b>	0	0
8. Liabilities to employees	<b>101</b>	37.255.630	36.032.949
9. Taxes, contributions and similar liabilities	<b>102</b>	54.016.162	33.965.490
10. Liabilities arising from share in the result	<b>103</b>	683.776	683.896
11. Liabilities arising from non-current assets held for sale	<b>104</b>	0	0
12. Other current liabilities	<b>105</b>	17.735.947	41.922.847
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	205.997.725	149.012.123
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	3.799.271.222	3.647.154.658
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	1.882.785.166	1.660.347.208
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	<b>109</b>	2.207.540.114	2.224.291.182
2. Attributable to minority interest	<b>110</b>	240.785.531	230.830.563

**Income statement**  
period 1.1.2017 to 30.9.2017

Company: Končar -Electrical Industry Inc.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112 do 113)</b>	<b>111</b>	2.014.420.555	709.235.501	2.045.192.732	713.019.513
1. Rendering of services	112	1.929.942.818	683.751.108	1.925.200.868	682.515.947
2. Other operating income	113	84.477.737	25.484.393	119.991.864	30.503.566
<b>II. OPERATING COSTS (115+116+120+124+125+126+129+130)</b>	<b>114</b>	1.943.722.505	690.144.783	1.999.477.078	699.005.427
1. Change in inventories of work in progress	115	-41.150.704	49.096.185	-4.950.661	26.637.332
2. Material expenses (117 do 119)	116	1.344.459.241	428.659.232	1.328.586.417	455.438.667
a) Costs of raw materials	117	971.420.346	306.095.494	958.064.925	327.877.799
b) Cost of goods sold	118	155.434.607	42.634.020	134.789.492	47.521.882
c) Other material expenses	119	217.604.288	79.929.718	235.732.000	80.038.986
3. Employee benefits expenses (121 do 123)	120	387.919.463	130.325.179	406.581.995	138.284.696
a) Net salaries	121	221.749.081	74.573.500	238.434.198	80.875.645
b) Tax and contributions from salary expenses	122	111.347.155	36.666.529	112.124.161	37.824.738
c) Contributions on salary	123	54.823.227	19.085.150	56.023.636	19.584.313
4. Depreciation and amortisation	124	70.850.568	23.013.411	70.203.954	23.400.659
5. Other expenses	125	144.468.183	48.976.777	148.736.656	46.063.653
6. Write down of assets (127+128)	126	5.907.129	1.547.800	3.489.411	1.925.267
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	5.907.129	1.547.800	3.489.411	1.925.267
7. Provisions	129	24.950.075	6.684.708	12.133.598	5.742.070
8. Other operating costs	130	6.318.550	1.841.491	34.695.708	1.513.083
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	30.764.023	8.224.408	36.607.746	14.156.163
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	384.619	137.228	1.022.638	229.514
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	29.262.875	8.069.661	33.466.708	14.049.465
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	1.116.529	17.519	2.118.400	-122.816
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	36.959.346	10.989.145	40.732.323	7.487.392
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	447.437	105.727	921.578	132.749
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	36.338.150	10.882.770	39.805.018	7.352.988
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	173.759	648	5.727	1.655
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>	42.726.167	18.821.496	42.170.926	16.378.147
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>	0	0	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	0	0	0
<b>IX. TOTAL INCOME (111+131+144)</b>	<b>146</b>	2.087.910.745	736.281.405	2.123.971.404	743.553.823
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	1.980.681.851	701.133.928	2.040.209.401	706.492.819
<b>XI. PROFIT OR LOSS BEFORE TAXES (146-147)</b>	<b>148</b>	107.228.894	35.147.477	83.762.003	37.061.004
1. Profit before taxes (146-147)	149	107.228.894	35.147.477	83.762.003	37.061.004
2. Loss before taxes (147-146)	150	0	0	0	0
<b>XII. TAXATION</b>	<b>151</b>	19.478.258	5.050.820	14.584.396	5.486.605
<b>XII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	87.750.636	30.096.657	69.177.607	31.574.399
1. Profit for the period (149-151)	153	87.750.636	30.096.657	69.177.607	31.574.399
2. Loss for the period (151-148)	154	0	0	0	0
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	155	69.132.947	25.505.989	54.790.493	28.815.310
2. Attributable to minority interest	156	18.617.689	4.590.668	14.387.114	2.759.089
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	87.750.636	30.096.657	69.177.607	31.574.399
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)</b>	<b>158</b>	31.048	0	-2.435.010	-2.220.895
1. Exchange differences from international settlement	159	31.048		-309.980	-95.865
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	-2.125.030	-2.125.030
4. Profit or loss from cash flow hedging	162			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
<b>III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>	0	0	-424.607	-424.607
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)</b>	<b>167</b>	31.048	0	-2.010.403	-1.796.288
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	87.781.684	30.096.657	67.167.204	29.778.111
<b>ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	169	69.152.113	25.505.989	54.925.014	29.162.445
2. Attributable to minority interest	170	18.629.571	4.590.668	12.242.190	615.666

**STATEMENT OF CASH FLOWS - Direct method**  
**period 1.1.2017 to 30.9.2017**

Legal entity: Končar Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Cash receipts from customers	<b>001</b>	2.196.239.830	2.064.029.025
2. Cash receipts from royalties, fees, commissions, etc.	<b>002</b>	0	0
3. Cash receipts from insurance for damages compensation	<b>003</b>	15.441.959	3.501.081
4. Cash receipts arising from tax refunds	<b>004</b>	79.577.571	103.695.707
5. Other cash receipts	<b>005</b>	41.958.667	22.369.298
<b>I. Total increase in cash flow from operating activities (001 to 005)</b>	<b>006</b>	2.333.218.027	2.193.595.111
1. Cash paid to suppliers	<b>007</b>	1.615.261.514	1.559.923.676
2. Cash paid to employees	<b>008</b>	439.933.508	459.412.842
3. Cash outflows for insurance for damages compensation	<b>009</b>	6.743.073	5.607.902
4. Interest paid	<b>010</b>	7.536.443	4.952.012
5. Tax paid	<b>011</b>	121.620.031	89.252.056
6. Other cash outflows	<b>012</b>	89.425.117	87.395.721
<b>II. Total decrease in cash flow from operating activities (007 to 012)</b>	<b>013</b>	2.280.519.686	2.206.544.209
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	52.698.341	0
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>015</b>	0	12.949.098
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	<b>016</b>	5.300.768	3.808.024
2. Cash inflows from sale of equity and debt financial instruments	<b>017</b>	6.710.723	2.626.418
3. Interest receipts	<b>018</b>	0	0
4. Dividend receipts	<b>019</b>	49.879.895	66.961.433
5. Other cash inflows from investing activities	<b>020</b>	0	0
<b>III. Total cash inflows from investing activities(016 to 020)</b>	<b>021</b>	61.891.386	73.395.875
1. Cash outflows for purchase of long - term tangible and intangible assets	<b>022</b>	62.814.105	45.636.739
2. Cash outflows for purchase of equity and debt financial instruments	<b>023</b>	3.156.068	20.285.672
3. Other cash outflows from investing activities	<b>024</b>	0	0
<b>IV. Total cash outflows from investing activities (022 to 024)</b>	<b>025</b>	65.970.173	65.922.411
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	0	7.473.464
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>027</b>	4.078.787	0
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	<b>028</b>	0	0
2. Cash inflows from loans, debentures, credits and other borrowings	<b>029</b>	146.387.447	29.869.622
3. Other cash inflows from financing activities	<b>030</b>	287.239.260	230.017.125
<b>V. Total cash inflows from financing activities (028 to 030)</b>	<b>031</b>	433.626.707	259.886.747
1. Cash outflows for repayment of loans and bonds	<b>032</b>	92.801.737	23.352.993
2. Dividends paid	<b>033</b>	47.164.161	47.165.362
3. Cash outflows for finance lease	<b>034</b>	0	458.940
4. Cash outflows for purchase of own stocks	<b>035</b>	0	0
5. Other cash outflows from financing activities	<b>036</b>	277.765.702	317.708.792
<b>VI. Total cash outflows from financing activities (032 to 036)</b>	<b>037</b>	417.731.600	388.686.087
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>038</b>	15.895.107	0
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>039</b>	0	128.799.340
<b>Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)</b>	<b>040</b>	64.514.661	0
<b>Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)</b>	<b>041</b>	0	134.274.974
<b>Cash and cash equivalents at the beginning of period</b>	<b>042</b>	346.619.383	441.470.621
<b>Decrease in cash and cash equivalents</b>	<b>043</b>	64.514.661	0
<b>Increase in cash and cash equivalents</b>	<b>044</b>	0	134.274.974
<b>Cash and cash equivalents at the end of period</b>	<b>045</b>	411.134.044	307.195.647

## STATEMENT OF CHANGES IN EQUITY

period 1.1.2017 to 30.9.2017

Legal entity: Končar Electrical Industry Inc.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	<b>001</b>	1.298.064.820	1.291.025.364
2. Capital reserves	<b>002</b>	719.579	1.400.335
3. Reserves from profit	<b>003</b>	670.308.865	747.962.605
4. Retained earnings or loss carried forward	<b>004</b>	303.743.498	345.865.814
5. Net profit or loss for the period	<b>005</b>	173.788.460	69.177.607
6. Revaluation of tangible assets	<b>006</b>	0	0
7. Revaluation of intangible assets	<b>007</b>	0	0
8. Revaluation of available for sale assets	<b>008</b>	1.700.423	-309.980
9. Other revaluation	<b>009</b>	0	0
<b>10. Total equity and reserves (AOP 001 to 009)</b>	<b>010</b>	2.448.325.645	2.455.121.745
11. Foreign exchange differences from foreign investments	<b>011</b>	31.058	-309.980
12. Current and deferred taxes	<b>012</b>	0	
13. Cash flow hedge	<b>013</b>	0	
14. Change of accounting policies	<b>014</b>	0	
15. Correction of significant mistakes of prior period	<b>015</b>	0	
16. Other changes	<b>016</b>	126.798.553	7.106.080
<b>17. Total increase or decrease of equity (AOP 011 to 016)</b>	<b>017</b>	126.829.611	6.796.100
17 a. Attributable to majority owners	<b>018</b>	114.458.865	16.751.068
17 b. Attributable to minority interest	<b>019</b>	12.370.746	-9.954.968

## 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 2017 are HRK 21.35 and are lower than earnings per share during the same period of the previous year by HRK 5.59.

### 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 2017, as opposed to the same period of the previous year, sales revenues (which make up for 90.6 per cent of the total revenues) decreased by 0.2 per cent, operational revenues (which make up for 94.9 per cent of the total revenues) increased by 1.5 per cent. Total revenues increased by 1.7 per cent. Total expenses increased by 3.0 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 98.0 per cent of the total expenses, increased by 2.9 per cent. Income from investment into affiliated companies decreased by 1.3 per cent compared to the same period of last year. Financial incomes (which make up for 1.7 per cent of the total revenues) increased by 19.0 per cent and financial expenses (which make up for 2.0 per cent of the total expenses) increased by 10.2 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 2017, in comparison with the same period of last year, the share of material expenses in the operational revenue decreased by 0.5 percentage points, the share of costs of value adjustment decreased by 0.1 percentage point and the costs of provisions decreased by 0.6 percentage points, employees expenses increased by 1.0 percentage point, and the share of other expenses increased by 1.6 percentage points.

### 9. Profit or loss

The profit of the Group after tax is HRK 69.18 million which is a decrease of HRK 18.57 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 - September of the year 2017 amounts to HRK 54.79 million, which is a decrease of HRK 14.34 million compared to the same period of the previous year.

Net profit subscribed to the minority interest amounts to HRK 14.39 million, which is a decrease of HRK 4.23 million compared to the same period of the previous year. Of the 18 companies comprising the Končar Group, four companies declared a loss in the amount of HRK 18.17 million, of which HRK 18.13 million is subscribed to the parent capital holders.

### 10. Solvency

Cash and cash equivalents by the end of the third trimester of 2017, as opposed to the beginning of the year, decreased by HRK 134.27 million.

### 11. Other notes

In the first trimester of 2017 the Mother company bought from minority shareholders 0.23 per cent of shares of the company Končar- Instrument Transformers Inc.

In May 2017, company Končar-Distribution & Special Transformers Inc. gained a majority ownership (74 per cent stake) in the company Power Engineering Transformatory Sp. z o.o. from Czerwonaka, Poznan, Poland.

In June 2017, Mother company bought from minority shareholders 14.76 per cent of shares of the company Končar – Steel Structures Inc.

During the third trimester Mother company bought from minority shareholders 7.19 per cent of shares of the company Končar – Steel Structures Inc., 16.96 per cent of shares of the Končar -Switchgear Inc. and 0.96 per cent of shares of the company Končar - High Voltage Switchgear Inc.