

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT
FOR JANUARY – SEPTEMBER, 2015**

The KONČAR Group consists of KONČAR – ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) as the Mother Company and 17 Daughter Companies in which the Mother Company has the prevailing interest (more than 50 % of votes at the Annual / Extraordinary General Meeting). Privileged shares are registered in a part of companies in addition to ordinary shares. Besides, the Mother Company has a minority managing interest (49% votes at the Annual / Extraordinary General Meeting) in one company (the Associated Company).

Companies belonging to the Group are legally independent companies supervised, strategically directed and supported by the Mother Company through company supervisory boards and company annual/extraordinary general 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 30/09/2015 amount to HRK 816.3 million representing a decrease by HRK 205 million compared to 31/12/2014. The decrease refers generally to the decrease of the advance payment guarantee of the company Končar – Električna vozila (Končar – Electrical Vehicles) in the amount of HRK 145.5 million and the company Končar – Generatori i motori (Končar – Generators and Motors) in the amount of HRK 28.7 million.

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 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 Statues of the Company) 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 September, 2015

Končar Group Companies generated consolidated incomes from sales of products and services in the amount of HRK 2,221.8 million for the time period from January to September, 2015 and they are higher by 24.3 % compared to the achievements during the same time period of 2014.

On the domestic market the income from sales of products and services was generated in the amount of HRK 1,249.6 million, making it by 48.4 % higher in the comparison with the period from January to September of 2014. Incomes from sales of products and services on the foreign market were generated in the amount of HRK 972.2 million and they were by 2.9 % higher than the achievement of the same time period of the previous year. The export share in the total consolidated incomes from sales of products and services amounts to 44 %.

Operating incomes were generated in the amount of HRK 2,293.4 million making them higher by 20.1 % than the achieved from January to September, 2014. Within business incomes, incomes from sales of products and services amount to 96.8 % of the total business incomes. Operating expenses were generated in the

amount of HRK 2,211.4 million and they are by 19.8 % higher than the achievement from January to September of 2014.

The share of material expenses in business revenues (corrected by the change in stocks) amounts to 67.7 % making it higher by 3 % compared to the same time period of the previous year.

The share of personnel costs in business revenues (corrected by the change in stocks) amounts to 18 % and they are lower by 2.7 % compared to the previous year.

Amortization amounts to HRK 65.9 million making it higher by 2 % compared to the same time period of the previous year.

The difference between the operating incomes and the operating expenses gives the profit of operating activities in the amount of HRK 82 million making it higher by HRK 18.8 million or 29.8 % compared to the achievement for the time period January – September, 2014.

A share in profits belonging to associated entrepreneurs amounts to HRK 36.3 million and it is higher by 8.6 % or by HRK 2.9 million compared to the same time period of the previous year.

The difference between financial incomes and financial expenses is negative and it amounts to HRK 12.9 million.

In the time period January – September 2015 the total incomes were generated in the amount of HRK 2,375.8 million making them higher by 20.5 % compared to the generated incomes during the same time period in 2014. The total expenses for the same time period were generated in the amount of HRK 2,270.4 million and they were higher by 20.9 % comparing them with the time period from January to September, 2014.

The profits from the operating activities in the amount of HRK 82 million, the share in the profit of the associated entrepreneurs in the amount of HRK 36.3 million and the negative difference between financial incomes and expenses in the amount of HRK 12.9 million make the consolidated profit before tax in the amount of HRK 105.3 million. The profit tax advance payment amounts to HRK 17.6 million, while the profit after tax amounts to HRK 87.7 million distributed to the non-controlling interest (the minority interest) in the amount of HRK 13.8 million and to the Group Mother Company shareholders HRK 73.9 million. The profits allocated to the Group Mother Company shareholders are higher by 19.1 % compared to the achievement for the first half-year of 2014.

Out of 18 Končar Group Companies, 14 Companies generated a positive financial result, while four companies expressed a loss in the total amount of HRK 28.5 million out of which HRK 23.8 million belongs to the Mother Company shareholders.

Within the structure of incomes from sales of products and services in the domestic market, incomes from sales of products and services to the Croatian Railways amount to HRK 479.5 million (38.4 % of the total achieved incomes from sales of products and services in the domestic market). Incomes from sales of products and services to the Croatian Power Authority (HEP) from January to September, 2015 amount to 358.4 million making them higher by 13.1 % of the achieved incomes for the same time period of 2014 and lower by 21.8 % of the 9/12 of the Plan for 2015. The share of incomes from sales of products and services to the Croatian Power Authority (HEP) amount to 28.7 % of the total achieved incomes in the market of Croatia.

To trading companies the Group delivered products in the amount of HRK 201 million, to companies belonging to industry and shipbuilding sector the Group delivered products and services in the amount of HRK 117 million, to Zagreb Electric Trams (ZET) HRK 43.3 million, to INA, THT, Plinacro, HRK 23.3 million, to State and Local Government HRK 35.8 million and the rest amount of HRK 11.2 million refers to buyers from the civil engineering field, Croatian Motor Ways (HAC) and Croatian Roads (HC) and non-distributed buyers. The correction for the deferred incomes in the domestic market is negative and it amounts to HRK 19.9 million.

During the time period from January to September, 2015 in the foreign market the Group generated incomes from sales of products and services in the amount of HRK 972.2 million or 2.9 % more than the same time period of the previous year. The export share in the total incomes from sales of products and services amounts to 44 %. The most significant export was realised in the U.A.E. in the amount of HRK 133 million, Germany HRK 92.6 million, Sweden HRK 88.3 million, Finland HRK 57 million, Norway HRK 48.1 million and Iraq HRK 44.5 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 U.A.E. where the export was increased by the amount of HRK 120.6 million compared to the same time period of 2014 and it referred in the first line to the export of Distributive and Special Transformers and Končar - Switchgear. Compared to the previous year, the export was significantly increased in the markets of Germany (an increase of HRK 35.5 million). The increase of the export to Germany resulted from the increased export of several Group Companies (Končar - Distributive and Special Transformers, Končar – Metal Structures and Končar – Small Electrical machines).

During the time period January – September, 2015, Končar Group Companies contracted new projects in the amount of HRK 1,657 million. Out of the total contracted new projects HRK 923.3 million refer to new contracts contracted abroad (56 % of the total consolidated contracted projects). The contracted new projects in the amount of HRK 1,002.6 million will be performed in 2015, while the contracted project to be performed during 2016 and following years amount to HRK 654.4 million.

At the end of September, 2015, the contracted project status (receivables due) amounted to HRK 3,152.7 million that was by 15 % lower than the contracted project status at the beginning of the year.

The level of the total consolidated assets and asset sources as of 30th September, 2015 amounted to HRK 3,663.2 million making a decrease by HRK 255.3 million or 6.5 % compared to 31st December, 2014.

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 2,306.2 million that was HRK 21.2 million more compared to the level on 31st December, 2014 and they made 63 % of the total sources. Long term reserves amounted to HRK 317.2 million and they were higher by HRK 13.5 million compared to the situation as of 31st December, 2014 and they made 8.7 % of the total sources. Long term and current liabilities amounted to HRK 901.4 million making them lower by HRK 323.1 million compared to the position at the end of 2014 and made 24.6 % of the total assets. Within the frames of current liabilities, trade payables amounted to HRK 328.5 million (HRK 82.8 million less compared to the position as of the end of 2014) and they made 9 % of the total assets. The total loans (both, long term and current) amounted to HRK 243.9 million and they were lower by HRK 64.9 million compared to the total loans as of 31st December, 2014 and they made 6.7 % of the total assets.

Long term asset sources (capital, long term reserves and long term liabilities) were higher by HRK 710.6 million from the long term assets and the average level of stocks pointing at a good term structure of asset sources. Current assets were 2.8 times higher than the current liabilities pointing at good liquidity of the system. The consolidated balance sheet structure showed a good financial stability of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
Managing Board President
Darinko Bago

30th October, 2015

STATEMENT OF PERSONS RESPONSIBLE FOR COMPILATION OF THE KONČAR GROUP CONSOLIDATED FINANCIAL REPORTS

This Statement of the Končar – Electrical Industry Inc., Zagreb, Managing Board is given regarding compilation and publishing of the Končar Group Consolidated Financial Reports for the time period January – September, 2015.

Financial Reports have been made in accordance of the International Standard for Financial Reporting applied in the European Union.

Pursuant our best knowledge, Consolidated Financial Reports show a complete and true presentation of the balance sheet, profit and loss account, cash flow and the capital change report of the Končar Group.

Signed in the name of the Managing Board:

Končar – Electrical Industry Inc.
President of the Managing Board

Darinko Bago

30th October, 2015

- Note:

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

Contract persons:

Ervin Filipčić, Managing Board Office Head, ervin.filipcic@koncar.hr

Marina Markušić, accounting expert, branka.velkovski@koncar.hr

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

Appendix 1

Reporting period:

1.1.2015

to

30.9.2015

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.hrInternet address: www.koncar.hr

Code and name of comune/town | 133 | ZAGREB

Code and county name | 21 | GRAD ZAGREB

Number of employees | 3.664

(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

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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 30.9.2015.

Company: Group Končar - Electrical Industry Inc.			
Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001	0	0
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.500.640.621	1.551.157.419
I. INTANGIBLE ASSETS (004 do 009)	003	51.887.268	83.308.019
1. Expenditure for development	004	12.974.083	15.664.958
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	7.215.558	6.538.900
3. Goodwill	006	7.648.985	35.881.794
4. Advances for purchase of intangible assets	007	2.791.472	532.500
5. Intangible assets in progress	008	20.739.489	24.246.865
6. Other intangible assets	009	517.681	443.002
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.151.280.486	1.135.618.209
1. Land	011	157.551.669	158.665.299
2. Buildings	012	374.498.998	365.455.435
3. Plant and equipment	013	395.110.951	374.284.328
4. Tools, working inventory and transportation assets	014	73.039.556	70.673.968
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	5.167.701	6.196.646
7. Tangible assets in progress	017	40.667.212	49.074.751
8. Other tangible assets	018	695.156	572.737
9. Investment in real-estate	019	104.549.243	110.695.045
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	274.238.781	309.334.390
1. Share in related parties	021	290.067	289.397
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	2.835.328	2.837.300
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	2.468.814	1.861.941
6. Loans, deposits, etc.	026	5.346.633	5.056.325
7. Other non-current financial assets	027	27.765	885.704
8. Equity-accounted investments	028	263.270.174	298.403.723
IV. RECEIVABLES (030 do 032)	029	23.234.086	22.896.801
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	15.006.304	14.362.370
3. Other receivables	032	8.227.782	8.534.431
V. DEFERRED TAX ASSET	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	2.401.922.985	2.083.971.309
I. INVENTORIES (036 do 042)	035	518.635.068	526.694.972
1. Raw materials and supplies	036	247.105.816	267.714.701
2. Production in progress	037	139.401.839	159.480.771
3. Finished products	038	78.550.983	38.247.242
4. Merchandise	039	18.872.725	18.480.242
5. Advances for inventories	040	28.743.705	28.767.672
6. Long term assets held for sale	041	5.960.000	14.004.344
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	1.051.904.986	814.783.520
1. Receivables from related parties	044	90.454.659	45.605.959
2. Receivables from end-customers	045	861.192.402	693.299.950
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	717.474	1.693.927
5. Receivables from government and other institutions	048	46.496.077	37.340.074
6. Other receivables	049	53.044.374	36.843.610
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	440.129.180	359.268.705
1. Share in related parties	051	0	0
2. Loans to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to companies with participating interest	054	0	0
5. Investments in securities	055	0	0
6. Loans, deposits, etc.	056	439.829.339	359.256.485
7. Other financial assets	057	299.841	12.220
IV. CASH AND CASH EQUIVALENTS	058	391.253.751	383.224.112
D) PREPAYMENTS AND ACCRUED INCOME	059	15.919.363	28.045.797
E) TOTAL ASSETS (001+002+034+059)	060	3.918.482.969	3.663.174.525
F) OFF BALANCE SHEET ITEMS	061	2.609.945.726	2.279.351.575

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.285.004.838	2.306.214.103
I. SUBSCRIBED SHARE CAPITAL	063	1.208.895.930	1.208.895.930
II. CAPITAL RESERVES	064	719.579	719.579
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	402.539.213	483.175.790
1. Legal reserves	066	41.498.096	47.810.318
2. Reserve for own shares	067	1.338.982	4.143.784
3. Treasury shares and shares (deductible items)	068	1.338.982	4.143.784
4. Statutory reserves	069	288.059.873	359.980.953
5. Other reserves	070	72.981.244	75.384.519
IV. REVALUATION RESERVES	071	-2.448.221	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	288.659.683	305.837.455
1. Retained earnings	073	288.659.683	305.837.455
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	129.249.283	73.948.465
1. Net profit for the period	076	129.249.283	73.948.465
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	257.389.371	233.636.884
B) PROVISIONS (080 do 082)	079	303.662.836	317.188.891
1. Provisions for pensions, severance pay and similar liabilities	080	21.722.159	20.708.497
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	281.940.677	296.480.394
C) NON-CURRENT LIABILITIES (084 do 092)	083	161.907.630	165.055.172
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits, etc.	085	0	0
3. Liabilities to banks and other financial institutions	086	161.907.630	164.048.207
4. Liabilities for advances	087	0	0
5. Trade payables	088	0	0
6. Commitments on securities	089	0	0
7. Liabilities to companies with participating interest	090	0	0
8. Other non-current liabilities	091	0	1.006.965
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	1.092.509.057	736.376.236
1. Liabilities to related parties	094	40.587.416	9.315.008
2. Liabilities for loans, deposits, etc.	095	170.000	0
3. Liabilities to banks and other financial institutions	096	143.274.866	79.880.994
4. Liabilities for advances	097	416.855.472	237.710.897
5. Trade payables	098	371.071.518	319.221.542
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	34.243.049	31.815.709
9. Taxes, contributions and similar liabilities	102	49.118.557	38.356.128
10. Liabilities arising from share in the result	103	515.804	550.704
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	36.672.375	19.525.254
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	75.398.608	138.340.123
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.918.482.969	3.663.174.525
G) OFF BALANCE SHEET ITEMS	108	2.609.945.726	2.279.351.575
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	2.027.615.467	2.072.577.219
2. Attributable to minority interest	110	257.389.371	233.636.884

Income statement
period 1.1.2015. to 30.9.2015.

Company: Group 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	1.909.393.605	712.514.856	2.293.405.219	737.937.608
1. Rendering of services	112	1.787.357.292	660.433.713	2.221.843.695	708.748.855
2. Other operating income	113	122.036.313	52.081.143	71.561.524	29.188.753
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	1.846.188.463	690.399.283	2.211.356.233	705.937.322
1. Change in inventories of work in progress	115	-60.109.052	-20.489.405	18.111.700	9.795.880
2. Material expenses (117 do 119)	116	1.279.146.880	495.899.927	1.541.554.701	497.833.263
a) Costs of raw materials	117	948.910.946	368.205.864	1.202.310.789	386.807.889
b) Cost of goods sold	118	127.946.688	53.560.038	123.048.307	43.351.930
c) Other material expenses	119	202.289.246	74.134.025	216.195.605	67.673.444
3. Employee benefits expenses (121 do 123)	120	359.001.692	116.422.726	367.630.430	123.412.810
a) Net salaries	121	201.099.100	64.655.260	210.644.598	70.313.770
b) Tax and contributions from salary expenses	122	111.196.548	35.276.307	105.043.328	35.156.975
c) Contributions on salary	123	46.706.044	16.491.159	51.942.504	17.942.065
4. Depreciation and amortisation	124	64.597.884	21.825.980	65.875.328	21.964.863
5. Other expenses	125	151.048.932	38.064.279	149.919.748	46.674.497
6. Write down of assets (127+128)	126	1.621.113	584.695	8.025.725	1.988.894
a) non-current assets (except financial assets)	127	0	0	0	0
b) current assets (except financial assets)	128	1.621.113	584.695	8.025.725	1.988.894
7. Provisions	129	14.051.631	3.362.478	44.332.704	1.985.622
8. Other operating costs	130	36.829.383	34.728.603	15.905.897	2.281.493
III. FINANCIAL INCOME (132 do 136)	131	29.411.763	13.036.944	46.078.058	16.065.050
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	562.439	311.355	145.961	79.100
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	28.634.254	12.638.800	45.332.909	15.700.812
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	215.070	86.789	599.188	285.138
IV. FINANCIAL EXPENSES (138 do 141)	137	31.107.925	11.459.247	59.035.637	17.199.831
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	576.420	266.791	153.646	70.818
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	30.472.292	11.161.346	58.677.145	17.121.877
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	59.213	31.110	204.846	7.136
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	33.430.200	12.749.084	36.294.884	13.388.372
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	1.972.235.568	738.300.884	2.375.778.161	767.391.030
X. TOTAL EXPENSES (114+137+143+145)	147	1.877.296.388	701.858.530	2.270.391.870	723.137.153
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	94.939.180	36.442.354	105.386.291	44.253.877
1. Profit before taxes (146-147)	149	94.939.180	36.442.354	105.386.291	44.253.877
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	13.109.341	5.077.826	17.645.242	5.944.665
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	81.829.839	31.364.528	87.741.049	38.309.212
1. Profit for the period (149-151)	153	81.829.839	31.364.528	87.741.049	38.309.212
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	62.094.401	24.002.459	73.948.465	36.856.570
2. Attributable to minority interest	156	19.735.438	7.362.069	13.792.584	1.452.642
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	81.829.839	31.364.528	87.741.049	38.309.212
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	95.601	103.287	4.734.344	0
1. Exchange differences from international settlement	159	95.601	103.287	0	0
2. Changes in revaluation reserves of long-term tangible and intangible	160	0	0	0	0
3. Profit or loss from re-evaluation of financial assets held for sale	161	0	0	0	0
4. Profit or loss from cash flow hedging	162	0	0	4.734.344	0
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	95.601	103.287	4.734.344	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	81.925.440	31.467.815	92.475.393	38.309.212
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	62.190.002	21.105.746	76.396.686	36.856.570
2. Attributable to minority interest	170	19.735.438	7.362.069	16.078.707	1.452.642

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2015. to 30.9.2015.

Legal entity: Group 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	2.164.738.658	2.427.263.901
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	10.634.411	6.866.690
4. Cash receipts arising from tax refunds	004	82.406.198	63.290.705
5. Other cash receipts	005	48.878.762	30.796.142
I. Total increase in cash flow from operating activities (001 to 005)	006	2.306.658.029	2.528.217.438
1. Cash paid to suppliers	007	1.486.877.130	1.814.300.123
2. Cash paid to employees	008	409.558.944	436.997.799
3. Cash outflows for insurance for damages compensation	009	4.695.529	16.563.653
4. Interest paid	010	8.928.224	8.501.125
5. Tax paid	011	124.087.475	94.005.493
6. Other cash outflows	012	141.365.889	94.661.561
II. Total decrease in cash flow from operating activities (007 to 012)	013	2.175.513.191	2.465.029.754
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	131.144.838	63.187.684
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	2.778.747	10.353.268
2. Cash inflows from sale of equity and debt financial instruments	017	3.366.155	4.692.126
3. Interest receipts	018	0	0
4. Dividend receipts	019	46.401.605	62.505.524
5. Other cash inflows from investing activities	020	0	0
III. Total cash inflows from investing activities(016 to 020)	021	52.546.507	77.550.918
1. Cash outflows for purchase of long - term tangible and intangible assets	022	33.452.595	57.323.059
2. Cash outflows for purchase of equity and debt financial instruments	023	896.800	52.244.989
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	34.349.395	109.568.048
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	18.197.112	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	0	32.017.130
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	028	0	6.690
2. Cash inflows from loans, debentures, credits and other borrowings	029	55.724.077	40.409.241
3. Other cash inflows from financing activities	030	390.062.822	372.328.336
V. Total cash inflows from financing activities (028 to 030)	031	445.786.899	412.744.267
1. Cash outflows for repayment of loans and bonds	032	54.052.154	100.425.570
2. Dividends paid	033	45.280.729	49.416.107
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	503.318.900	302.102.783
VI. Total cash outflows from financing activities (032 to 036)	037	602.651.783	451.944.460
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	156.864.884	39.200.193
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	0	0
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	7.522.934	8.029.639
Cash and cash equivalents at the beginning of period	042	446.232.436	391.253.751
Decrease in cash and cash equivalents	043		
Increase in cash and cash equivalents	044	7.522.934	8.029.639
Cash and cash equivalents at the end of period	045	438.709.502	383.224.112

STATEMENT OF CHANGES IN EQUITY

period 1.1.2015 to 30.9.2015

Legal entity: Group Končar Electrical Industry INC.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	1.310.790.370	1.301.430.640
2. Capital reserves	002	719.579	719.579
3. Reserves from profit	003	512.659.011	595.680.411
4. Retained earnings or loss carried forward	004	305.473.271	320.642.424
5. Net profit or loss for the period	005	160.096.951	87.741.049
6. Revaluation of tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of available for sale assets	008	0	0
9. Other revaluation	009	-4.734.344	0
10. Total equity and reserves (AOP 001 to 009)	010	2.285.004.838	2.306.214.103
11. Foreign exchange differences from foreign investments	011	153.289	0
12. Current and deferred taxes	012	0	0
13. Cash flow hedge	013	-4.734.344	4.734.344
14. Change of accounting policies	014	0	0
15. Correction of significant mistakes of prior period	015	0	0
16. Other changes	016	114.077.558	16.474.921
17. Total increase or decrease of equity (AOP 011 to 016)	017	109.496.503	21.209.265
17 a. Attributable to majority owners	018	95.337.393	44.961.752
17 b. Attributable to minority interest	019	14.159.110	-23.752.487

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 2015 are HRK 28.82 and are higher than earnings per share during the same period of the previous year by HRK 4.66.

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 1.39 percentage points, an the share of Floričić Kristijan dropped by 0.85 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 - September 2015, as opposed to the same period of the previous year, sales revenues (which make up for 93.5 per cent of the total revenues) increased by 24.3 per cent, operational revenues (which make up for 96.5 per cent of the total revenues) increased by 20.1 per cent. Total revenues increased by 20.5 per cent in respect to the same period of last year. Total expenses increased by 20.9 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 97.4 per cent of the total expenses, increased by 19.8 per cent. Income from investment into affiliated companies increased by 8.6 per cent as opposed to the same period of the previous year. Financial incomes (which make up for 1.9 per cent of the total revenues) increased by 56.7 per cent and financial expenses (which make up for 2.6 per cent of the total expenses) increased by 89.8 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 and production of transport equipment.

8. Operating and other costs

For the period January - September of the year 2015, in comparison with the same period of last year, the share of material expenses in the operational revenue increased by 3.0 percentage points, expenses of values adjustment increased by 0.3 percentage point, the costs of provisions increased by 1.2 percentage points, the share of employees expenses (without remuneration of costs of employees) decreased by 2.0 percentage points, the share of depreciation and amortisation decreased by 0.4 percentage point and the share of other expenses decreased by 2.3 percentage points.

9. Profit or loss

The profit of the Group after tax is HRK 87.74 million which is an increase of HRK 5.91 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 2015 amounts to HRK 73.95 million, which is an increase of HRK 11.85 million compared to the same period of the previous year.

Net profit subscribed to the minority interests amounts to HRK 13.79 million, which is a decrease of HRK 5.94 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 28.52 million, of which HRK 23.84 million is subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the third trimester of 2015, as opposed to the beginning of the year, decreased by HRK 58.03 million.

11. Other notes

Data for the previous year comprise data on company Končar - Kones AG that has entered winding up procedure, and participated in the total income of the Group with 0.4 per cent and in the initial level of the cash with 1.0 per cent. During the first six months of 2015, two companies increased their issued capital by reinvesting the profit from 2014, Končar – Electronics and Informatics Inc. in the amount of HRK 4,950,240 and Končar – Generators and Motors Ltd. in the amount of HRK 21,585,540.

In the third trimester of 2015 parent company regained 53.87 percent of Končar – Medium Voltage Apparatus Inc. shares and recapitalized the company Končar – High Voltage Switchgear Inc. in the amount of HRK 25,493,310.