

**KONČAR GROUP MANAGING BOARD BUSINESS REPORT**

January – December 2018

/UNAUDITED/

The KONČAR Group consists of KONČAR – ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) as the Mother Company and 15 Daughter Companies in which the Mother Company has the prevailing interest (more than 50 % of votes at the Annual / Extraordinary General Meeting). Privileged shares are registered in a part of companies in addition to ordinary shares. Besides, the Mother Company has a minority managing interest (49% votes at the Annual / Extraordinary General Meeting) in one company (the Associated Company).

Companies belonging to the Group are legally independent companies supervised, strategically directed and supported by the Mother Company through company supervisory boards and annual general / extraordinary meetings in accordance with the Law on Trading Companies, Statutes of KONČAR - ELEKTROINDUSTRIJA d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) and Statutes of Group Companies. The Mother Company also manages a part of assets that are not invested into companies, but they offer a direct or indirect financial support to the marketing and sales of products and equipment of associated companies as a credit and warranty potential.

The potential liability of Končar - Elektroindustrija d.d. (KONČAR – ELECTRICAL INDUSTRY Inc.) for the total issued warranties as of 31/12/2018 amounts to HRK 315.1 million representing a decrease by HRK 124.4 million compared to 31/12/2017.

Out of total warranties and joint and severe securities HRK 204.2 million belongs to performance guarantees.

The Končar Group business activities are divided into business areas:

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

On 31st December, 2018 the KONČAR Group employed 3,508 workers.

On 31st December, 2018 share capital of Končar – Electrical Industry Inc. amounted to HRK 1,208,895,930 divided into 2,572,119 shares with a nominal value of HRK 470.00.

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.

Managing Board:

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
Ivan Tomšić	Deputy Member of Managing Board

Note:

On 15th January, 2019 the General Meeting of the Company was held where, voted by the majority, the provisions of Articles 44, paragraph 3 of the Statute of Končar - ELECTRICAL INDUSTRY Inc. were modified according to which the Management Board of the company is appointed for a term of up to 5 years.

At the session of the Supervisory Board held on 18th January, a decision was made to appoint Darinko Bago for the one-year term as the President of the Management Board, Gordan Kolak as the Deputy Managing Director and Management Board Member, Marina Kralj Miliša, Miki Huljić and Miroslav Poljak were appointed as the members of the Management Board and Ivan Tomšić as Deputy.

Supervisory Board

Pursuant provisions of the Trading Company Act, the Statutes of KONČAR – ELECTRICAL INDUSTRY Inc. the Annual (Extraordinary) General Meeting makes decision on nomination and recalling of the Supervisory Board. The Supervisory Board is responsible for appointment and recall of Managing Board Members and supervision over management of business activities of the Company. Any more significant transactions and business decisions (the level of transactions is defined by the Supervisory Board Activity Rule Book and Statues of independent companies) require 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 December, 2018

The Končar Group Companies generated consolidated incomes in the amount of HRK 2,956.1 million. In total revenues, sales of products and services amounted to HRK 2,681.5 million.

In 2018, exports amounted to 1,475.4. The share of exports in total realized sales revenue is 55 percent. In the domestic market, revenues from sales of products and services amounted to HRK 1,206.1 million.

Profit from operating activities amounted to HRK 98.7 million. The share of profits of associated entrepreneurs amounts to HRK 46.4 million making it lower by HRK 25.8 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 3.4 million.

The realized profit before tax is generated in the amount of HRK 141.7 million making it higher by 13.8% compared to 2017. Income tax amounted to HRK 13.4 million. The realized net profit amounted to HRK 128.3 million and was 18.7% higher than the previous year.

Profit attributable to share holders of the parent company amounts to HRK 102.9 million and the profit attributable to the minority interest amounts to HRK 25.4 million.

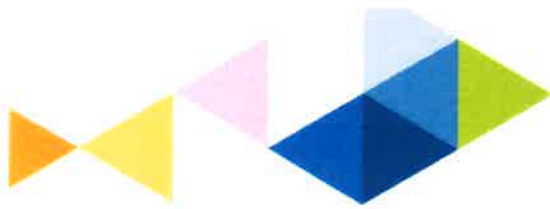
Out of 16 Končar Group Companies, 15 Companies generated a positive financial result, while one company (Končar - Low Voltage Switches And Circuit Breakers Ltd.) expressed a loss in the total amount of HRK 1.1 million attributable to the Mother Company shareholders.

In the structure of incomes from sales of products and services on the domestic market incomes from sales of products and services to companies within the Croatian Power Authority (HEP) (HEP – Generation, HEP – ODS – Distribution System Operator, HOPS – Croatian Transmission System Operator) are generated 34.9 % of the total generated incomes from sales of products and services in Croatia. Compared to the achievement of the same time period of 2017, sales of products and services to companies within the Croatian Power Authority (HEP) are lower by 14.5%.

Out of more important clients in the market of Croatia, the income from sales of products and services to Croatian Railways (Hrvatske Željeznice) Cargo Transport, Passenger transport, Infrastructure and Technical services rolling) 7 % of total incomes on the domestic market and to Zagreb Holding 6% of the total generated incomes on the domestic market.

Incomes from sales of products and services on the foreign market are generated in the amount of HRK 1,475.4 million.

The share of the export amounts to 55% of the total incomes from sales of products and services. Out of the total realized exports, the most significant part relates to EU countries, amounting to HRK 939.4 million or 64% of total exports of products and services.



The most significant export is performed to Sweden in the amount of HRK 237.4 million or 16.1% of the total export. (Končar-Distribution & Special Transformers and Končar- Generators and Motors)

In the market of Germany, the export in the amount of HRK 185.4 million or 12.6% of the total generated export is achieved (Končar-Distribution & Special Transformers and Končar-Metal Constructions). Products and services in the amount of HRK 73.4 million are exported to Austria and HRK 66.4 million to Bosnia and Herzegovina.

Compared to the same time period of the previous year, a significant increase of incomes from sales of goods and services in export is generated by the export to the markets of: Norway (HRK 31.4 million more), Sweden (HRK 26.7 million more and the UAE (HRK 25.6 million more).

During the time period January to December, 2018, Končar Group Companies contracted new projects in the amount of HRK 3,026.4 million. Compared to the contracted projects for the same time period of the previous year there are more new projects in the amount of HRK 466.8 million.

Out of the total contracted new projects the amount of HRK 1,200.9 million (40 % of the total contracted projects) refers to the domestic market, and the amount of HRK 1,825.5 million (60 % of the total contracted projects) refers to contracts for export.

Out of projects contracted for the domestic market the majority refers to companies within the HEP (Croatian Power Authority) in the amount of HRK 409 million or 34% the total contracted projects for the domestic market.

During the time period January to December 2018, the majority of contracted projects for the foreign market (14 %) refer to the market of Germany in the amount of HRK 253.8 million (the majority refers to contracted projects for delivery of distribution and special transformers and metal constructions. For the market of Bosnia and Herzegovina, new projects are contracted in the amount of HRK 226 million, for the market of Sweden HRK 189.3 million mainly for the delivery of distribution and special transformers.

Regarding the delivery dynamics, contracted new projects in the amount of HRK 1,422.2 million for performing in 2018, while contracted projects to be performed during 2019 and following years amount to HRK 1,604.2 million.

On 31st December, 2018, the contracted project status (due receivables) amounted to HRK 3,824.1 million. The status of due receivables showed HRK 1,952.9 million to be realised in 2019.

During the time period January to December 2018, incomes from import were generated in the amount of HRK 667.4 million. The import of raw materials and consumables amounts to HRK 650.6 million and the investment purchases amount to HRK 16.8 million. In the same period this year, incomes from sales of products and services in export were realized in the amount of HRK 1,475.4 million. The export import coverage coefficient amounts to 2.2.

The total consolidated funds and funds sources on 31st December, 2018 amounted to HRK 3,824.1 million or HRK 115 million or 3.1% higher as compared to 31st December, 2017.

Within the structure of asset sources, the registered capital, reserves, retained profits, profits of the current year and the capital belonging to the not controlling interest amount to HRK 2,538 million



that is HRK 53.1 million higher compared to the level on 31st December, 2017 and they make 66.4% of the total sources. Long term reservations amount to HRK 205.2 million and they make 5.4 % of the total sources. Long term and current liabilities amount to HRK 924.4 million making them higher by HRK 71.7 million then the status at the end of 2017 and they make 24.2 % of the total sources. Within the current liabilities, liabilities towards suppliers amounted to HRK 432.1 million and make 11.3 % of the total sources within current liabilities. Total loans (long term and current) amount to HRK 174.1 million and they are lower by HRK 10.6 million compared to the status as of 31st December, 2017 and they make 4.6 % of the total sources.

Long term asset sources (capital, long term reservations and long term liabilities) are higher by HRK 762.8 million compared to the long term assets and the average level of stocks. Current assets are 2,8 times higher than the current liabilities. The consolidated balance sheet structure shows a good adjustment of asset sources 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

Darinko Bago

28th February, 2019



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

This Statement of the Končar – Electrical Industry Inc. Zagreb Managing Board is given regarding compilation and publishing of the Končar Group Consolidated Financial Reports for the time period from January to December 2018.

The attached financial statements (financial statements for Končar – Electrical Industry Inc. and consolidated financial statements) show quarterly and cumulative unaudited data and possible deviations from the final annual report are possible.

Financial Reports are made in accordance with International Standards 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 February, 2019

- Note:

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

Contract persons

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

Marina Markušić, Accounting Expert, marina.markusic@koncar.hr

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

Appendix 1

Reporting period:

1.1.2018

to

31.12.2018

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 **3.508**

(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 - Aparati i postrojenja d.d.	Zagreb	3641287
Končar - Električna vozila d.d.	Zagreb	3282660
Končar - Kućanski aparati d.o.o.	Zagreb	1403222
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**Surname and name: **DARINKO BAGO**

(authorised person for representation)

Disclosure documents:

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

M.P.

(signed by authorised person for representation)

Balance Sheet
as of 31.12.2018

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	1.436.401.680	1.493.122.711
I. INTANGIBLE ASSETS (004 do 009)	003	48.635.976	46.001.537
1. Expenditure for development	004	26.436.078	15.443.629
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	7.742.495	9.503.537
3. Goodwill	006	7.342.331	7.342.331
4. Advances for purchase of intangible assets	007	0	0
5. Intangible assets in progress	008	6.902.929	12.486.390
6. Other intangible assets	009	212.143	1.225.650
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	1.101.401.089	1.131.834.359
1. Land	011	150.227.351	149.853.928
2. Buildings	012	346.741.531	342.223.853
3. Plant and equipment	013	364.677.407	354.079.612
4. Tools, working inventory and transportation assets	014	66.046.769	62.199.525
5. Biological assets	015	0	0
6. Advances for purchase of tangible assets	016	9.531.929	31.035.194
7. Tangible assets in progress	017	25.371.451	52.003.523
8. Other tangible assets	018	1.031.516	1.504.461
9. Investment in real-estate	019	137.773.135	136.934.263
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	275.225.424	299.158.680
1. Share in related parties	021	290.067	330.527
2. Loans to related parties	022	0	0
3. Participating interests (shares)	023	3.527.783	2.795.328
4. Loans to companies with participating interest	024	0	0
5. Investments in securities	025	1.265.593	1.697.854
6. Loans, deposits, etc.	026	7.567.423	9.340.322
7. Other non-current financial assets	027	57.782	607.660
8. Equity-accounted investments	028	262.516.776	284.386.989
IV. RECEIVABLES (030 do 032)	029	10.874.967	15.302.621
1. Receivables from related parties	030	0	0
2. Receivables arising from sales on credit	031	6.573.825	3.809.814
3. Other receivables	032	4.301.142	11.492.807
V. DEFERRED TAX ASSET	033	264.224	825.514
C) CURRENT ASSETS (035+043+050+058)	034	2.264.787.369	2.311.613.327
I. INVENTORIES (036 do 042)	035	461.997.111	584.434.780
1. Raw materials and supplies	036	223.313.705	252.328.611
2. Production in progress	037	149.156.841	190.803.382
3. Finished products	038	56.157.754	69.502.264
4. Merchandise	039	24.910.880	31.681.694
5. Advances for inventories	040	8.457.931	40.118.829
6. Long term assets held for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	1.008.993.029	1.040.614.417
1. Receivables from related parties	044	33.338.230	78.058.564
2. Receivables from end-customers	045	877.855.447	927.779.649
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of the company	047	1.315.878	1.256.689
5. Receivables from government and other institutions	048	54.887.353	27.575.889
6. Other receivables	049	41.596.121	5.943.626
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	273.100.411	69.935.553
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	272.212.320	69.635.822
7. Other financial assets	057	888.091	299.731
IV. CASH AND CASH EQUIVALENTS	058	520.696.818	616.628.577
D) PREPAYMENTS AND ACCRUED INCOME	059	7.842.804	19.350.240
E) TOTAL ASSETS (001+002+034+059)	060	3.709.031.853	3.824.086.278
F) OFF BALANCE SHEET ITEMS	061	1.900.003.310	1.827.478.294

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	2.484.900.105	2.537.958.330
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	623.163.094	682.914.310
1. Legal reserves	066	57.920.857	62.447.461
2. Reserve for own shares	067	4.143.784	10.092.356
3. Treasury shares and shares (deductible items)	068	4.143.784	10.092.356
4. Statutory reserves	069	405.400.310	421.760.812
5. Other reserves	070	159.841.927	198.706.037
IV. REVALUATION RESERVES	071	129.445	-223.143
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	337.981.548	312.608.789
1. Retained earnings	073	337.981.548	312.608.789
2. Loss carried forward	074	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	83.625.614	102.874.042
1. Net profit for the period	076	83.625.614	102.874.042
2. Net loss for the period	077	0	0
VII. MINORITY INTEREST	078	230.384.895	230.168.823
B) PROVISIONS (080 do 082)	079	220.046.463	205.208.878
1. Provisions for pensions, severance pay and similar liabilities	080	48.661.974	48.661.343
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	171.384.489	156.547.535
C) NON-CURRENT LIABILITIES (084 do 092)	083	128.800.017	97.168.107
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	120.798.248	89.029.043
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	8.001.769	8.139.064
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	740.298.872	827.194.484
1. Liabilities to related parties	094	16.100.685	13.039.341
2. Liabilities for loans, deposits, etc.	095	0	442.953
3. Liabilities to banks and other financial institutions	096	63.928.234	85.035.723
4. Liabilities for advances	097	177.190.153	236.795.298
5. Trade payables	098	364.550.205	419.093.316
6. Commitments on securities	099	0	0
7. Liabilities to companies with participating interest	100	0	0
8. Liabilities to employees	101	37.509.409	33.468.840
9. Taxes, contributions and similar liabilities	102	56.276.759	33.005.847
10. Liabilities arising from share in the result	103	676.131	796.986
11. Liabilities arising from non-current assets held for sale	104	0	0
12. Other current liabilities	105	24.067.296	5.516.180
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	134.986.396	156.556.479
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	3.709.031.853	3.824.086.278
G) OFF BALANCE SHEET ITEMS	108	1.900.003.310	1.827.478.294
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	2.254.515.210	2.307.789.507
2. Attributable to minority interest	110	230.384.895	230.168.823

Income statement
period 1.1.2018 to 31.12.2018

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	2.963.313.805	918.121.073	2.866.747.984	897.312.482
1. Rendering of services	112	2.823.446.297	898.245.429	2.681.531.818	836.925.747
2. Other operating income	113	139.867.508	19.875.644	185.216.166	60.386.735
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	2.915.846.648	916.369.570	2.768.026.970	866.668.294
1. Change in inventories of work in progress	115	14.112.766	19.063.427	-43.158.289	3.601.776
2. Material expenses (117 do 119)	116	1.958.691.941	555.654.304	1.854.978.305	558.788.035
a) Costs of raw materials	117	1.359.741.442	401.676.517	1.349.546.718	425.921.429
b) Cost of goods sold	118	191.080.503	56.291.011	193.951.133	49.329.263
c) Other material expenses	119	407.869.996	97.686.776	311.480.454	83.537.343
3. Employee benefits expenses (121 do 123)	120	554.786.411	148.204.416	553.682.653	134.851.370
a) Net salaries	121	322.883.978	84.449.780	323.976.816	79.029.565
b) Tax and contributions from salary expenses	122	152.458.695	40.334.534	150.438.734	34.273.836
c) Contributions on salary	123	79.443.738	23.420.102	79.267.103	21.547.969
4. Depreciation and amortisation	124	93.773.042	23.569.088	90.839.526	22.756.179
5. Other expenses	125	138.792.954	40.943.921	219.219.135	70.162.177
6. Write down of assets (127+128)	126	53.263.816	49.774.405	20.326.617	18.506.681
a) non-current assets (except financial assets)	127	38.820.757	38.820.757	8.133.306	8.111.488
b) current assets (except financial assets)	128	14.443.059	10.953.648	12.193.311	10.395.193
7. Provisions	129	87.854.892	75.721.294	59.613.837	51.433.907
8. Other operating costs	130	14.570.826	3.438.715	12.525.186	6.568.169
III. FINANCIAL INCOME (132 do 136)	131	57.489.283	20.881.537	38.295.141	11.499.653
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	0	0	0	0
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	45.088.565	10.599.219	35.633.145	9.204.849
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	759.213	759.213	2.366.502	2.182.630
5. Other financial income	136	11.641.505	9.523.105	295.494	112.174
IV. FINANCIAL EXPENSES (138 do 141)	137	52.673.859	11.941.536	41.664.354	7.733.922
1. Interest, foreign exchange differences, dividends and similar income from third parties	138	0	0	0	0
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	52.571.387	11.844.791	40.979.791	7.106.233
3. Unrealised losses (expenses) from financial assets	140	30.257	30.257	99.840	99.840
4. Other financial expenses	141	72.215	66.488	584.723	527.849
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142	73.278.756	31.107.830	51.065.249	26.193.491
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143	1.101.361	1.101.361	4.738.563	4.738.563
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	3.094.081.844	970.110.440	2.956.108.374	935.005.626
X. TOTAL EXPENSES (114+137+143+145)	147	2.969.621.868	929.412.467	2.814.429.887	879.140.779
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	124.459.976	40.697.973	141.678.487	55.864.847
1. Profit before taxes (146-147)	149	124.459.976	40.697.973	141.678.487	55.864.847
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151	16.358.064	1.771.668	13.411.727	-842.513
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	108.103.912	38.926.305	128.266.760	56.707.360
1. Profit for the period (149-151)	153	108.103.912	38.926.305	128.266.760	56.707.360
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	83.625.614	28.835.121	102.874.042	47.653.371
2. Attributable to minority interest	156	24.478.298	10.091.184	25.392.718	9.053.989
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	108.103.912	38.926.305	128.266.760	56.707.360
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	-1.879.543	555.467	-668.668	-93.636
1. Exchange differences from international settlement	159	245.487	555.467	-668.668	-93.636
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	-2.125.030	0	0	0
4. Profit or loss from cash flow hedging	162	0	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	-424.607	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	-1.454.936	555.467	-668.668	-93.636
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	106.648.976	39.481.772	127.598.092	56.613.724
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	82.054.636	27.129.622	102.521.453	47.603.997
2. Attributable to minority interest	170	24.594.340	12.352.150	25.076.639	9.009.727

STATEMENT OF CASH FLOWS - Direct method
period 1.1.2018 to 31.12.2018

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	2.629.633.583	2.815.935.304
2. Cash receipts from royalties, fees, commissions, etc.	002	0	0
3. Cash receipts from insurance for damages compensation	003	6.305.832	32.966.359
4. Cash receipts arising from tax refunds	004	133.156.630	121.097.324
5. Other cash receipts	005	38.426.917	41.524.121
I. Total increase in cash flow from operating activities (001 to 005)	006	2.807.522.962	3.011.523.108
1. Cash paid to suppliers	007	1.953.626.275	1.983.345.877
2. Cash paid to employees	008	616.123.293	620.907.609
3. Cash outflows for insurance for damages compensation	009	8.542.956	9.653.116
4. Interest paid	010	6.773.432	5.581.558
5. Tax paid	011	119.496.275	135.937.563
6. Other cash outflows	012	127.371.173	160.361.816
II. Total decrease in cash flow from operating activities (007 to 012)	013	2.831.933.404	2.915.787.539
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	95.735.569
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	015	24.410.442	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	016	4.957.181	5.749.469
2. Cash inflows from sale of equity and debt financial instruments	017	2.627.731	8.219
3. Interest receipts	018	0	0
4. Dividend receipts	019	140.505.709	1.493.306
5. Other cash inflows from investing activities	020	301.485	0
III. Total cash inflows from investing activities(016 to 020)	021	148.392.106	7.250.994
1. Cash outflows for purchase of long - term tangible and intangible assets	022	76.560.512	101.425.976
2. Cash outflows for purchase of equity and debt financial instruments	023	22.896.999	37.094.110
3. Other cash outflows from investing activities	024	0	0
IV. Total cash outflows from investing activities (022 to 024)	025	99.457.511	138.520.086
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	48.934.595	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	027	0	131.269.092
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	028	0	0
2. Cash inflows from loans, debentures, credits and other borrowings	029	29.891.527	35.921.169
3. Other cash inflows from financing activities	030	452.691.475	286.217.484
V. Total cash inflows from financing activities (028 to 030)	031	482.583.002	322.138.653
1. Cash outflows for repayment of loans and bonds	032	31.332.454	43.531.405
2. Dividends paid	033	47.172.127	51.074.775
3. Cash outflows for finance lease	034	711.335	564.810
4. Cash outflows for purchase of own stocks	035	0	5.948.574
5. Other cash outflows from financing activities	036	348.665.043	89.553.807
VI. Total cash outflows from financing activities (032 to 036)	037	427.880.959	190.673.371
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	54.702.043	131.465.282
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	039	0	0
Total increases of cash flows (014 – 015 + 026– 027 + 038 – 039)	040	79.226.196	95.931.759
Total decreases of cash flows (015 – 014 + 027– 026 + 039 – 038)	041	0	0
Cash and cash equivalents at the beginning of period	042	441.470.621	520.696.818
Decrease in cash and cash equivalents	043	79.226.196	95.931.759
Increase in cash and cash equivalents	044	0	0
Cash and cash equivalents at the end of period	045	520.696.817	616.628.577

STATEMENT OF CHANGES IN EQUITY

period 1.1.2018 to 31.12.2018

Legal entity: **Končar Electrical Industry Inc.**

	Position			
	1	2	3	4
AOP	Previous year	Current year		
1. Subscribed share capital	1.282.382.190	1.319.290.910		
2. Capital reserves	719.579	719.579		
3. Reserves from profit	745.109.078	777.177.667		
4. Retained earnings or loss carried forward	348.339.859	312.926.594		
5. Net profit or loss for the period	108.103.912	128.266.760		
6. Revaluation of tangible assets	0			
7. Revaluation of intangible assets	0			
8. Revaluation of available for sale assets	0			
9. Other revaluation	245.487	-423.180		
10. Total equity and reserves (AOP 001 to 009)	2.484.900.105	2.537.958.330		
11. Foreign exchange differences from foreign investments	245.487	-668.668		
12. Current and deferred taxes	0			
13. Cash flow hedge	0			
14. Change of accounting policies	0			
15. Correction of significant mistakes of prior period	0			
16. Other changes	36.328.973	53.726.893		
17. Total increase or decrease of equity (AOP 011 to 016)	36.574.460	53.058.225		
17 a. Attributable to majority owners	46.975.096	53.274.297		
17 b. Attributable to minority interest	-10.400.636	-216.072		

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 - December 2018 are HRK 40.21 and are higher than earnings per share during the same period of the previous year by HRK 18.33.

3. Changes in ownership structure

Compared to the previous trimester, 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 - December 2018, as opposed to the same period of the previous year, sales revenues (which make up for 90.7 per cent of the total revenues) decreased by 5.0 per cent, operational revenues (which make up for 97.0 per cent of the total revenues) decreased by 3.3 per cent. Total revenues decreased by 4.5 per cent. Total expenses decreased by 5.2 per cent in respect to the same period of last year, while operating expenses with changes in stock, which constitute 98.4 per cent of the total expenses, decreased by 5.1 per cent. Income from investment into affiliated companies decreased by 35.8 per cent compared to the same period of last year. Financial incomes (which make up for 1.3 per cent of the total revenues) decreased by 33.4 per cent and financial expenses (which make up for 1.5 per cent of the total expenses) decreased by 20.9 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 - December of the year 2018, in comparison with the same period of last year, the share of employees expenses increased by 0.2 percentage points and the share of other expenses and costs increased by 2.8 percentage points while the share of material expenses decreased by 2.8 percentage points, the share of depreciation and amortisation decreased by 0.1 percentage point, the share of costs of value adjustment decreased by 1.1 percentage point, the share of cost of provisions decreased by 0.9 percentage points.

9. Profit or loss

The profit of the Group after tax is HRK 128.26 million which is HRK 20.16 million higher compared to the same period of the previous year. The Group's net profit subscribed to the parent capital holders for the period January - December of the year 2018 amounts to HRK 102.87 million, which is an increase of HRK 19.25 million compared to the same period of the previous year.

Net profit subscribed to the minority interests amounts to HRK 25.39 million, which is an increase of HRK 0.91 million compared to the same period of the previous year. Of the 16 companies comprising the Končar Group, one company declared a loss in the amount of HRK 1.07 million, which is in total subscribed to the parent capital holders.

10. Solvency

Cash and cash equivalents by the end of the fourth quarter of 2018, as opposed to the beginning of the year, increased by HRK 95.93 million.

11. Other notes

During the year 2018, the parent company recapitalized the company Končar – Metal Structures Inc. in the amount of HRK 52.54 million. In the company Končar - Renewable Energy Sources Ltd., simplified capital reduction has been made in order to cover the losses in the amount of HRK 46.66 million, and the parent company recapitalized said company in the amount of HRK 29.07 million. In the company Končar - Instrument Transformers Inc. recapitalization has been made by converting retained earnings into share capital in the amount of HRK 18.99 million, while in the company Končar - Distribution and Special Transformers Inc. recapitalization has been made by converting statutory reserves into share capital in the amount of HRK 76.68 million.

Following the expiration date for the repayment under the Share Sale and Purchase Agreement in Installments, of the company Končar - Electronics and Informatics Inc. in the register of dematerialized securities of the Central Depository & Clearing Company Inc. (CDCC), the transfer of 17,261 of unpaid shares has been made from the buyers to the seller Končar - Electrical Industry Inc.

In December 2018, KONČAR – Electrical Industry and the Chinese group China XD Electric Co. signed the Articles of Association that marks the founding of KONČAR-XD High Voltage Switchgear, a joint-venture company with headquarters in Zagreb, and with each partner owning 50% of the company.