

Končar Elektroindustrija d.d.
Fallerovo Šetalište 22, PIN: 45050126417
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COUNTERPROPOSAL
for the Agenda of the General Assembly meeting

Shareholder: **OTP banka d.d., Domovinskog rata 61, 21000 Split for and on behalf of Erste Plavi Mandatory Pension Fund Category B**

OTP banka d.d., Split, Domovinskog rata 61, PIN: 52508873833 (hereinafter: OTP banka) for and on behalf of Erste Plavi Mandatory Pension Fund Category B, PIN: 37688683890 (hereinafter: Fund), based on 393,972 (say: three hundred and ninety-three thousand nine hundred and seventy-two) ordinary shares of issuer KONČAR - ELEKTROINDUSTRIJA, d.d., Zagreb, Fallerovo Šetalište 22, PIN: 45050126417 (hereinafter: Company) (the Fund's account with the Central Depository and Clearing Company: 9677127), submits the following

COUNTERPROPOSAL

to the proposal of the decision under item 4 of the Agenda for the meeting of the General Assembly of Končar Elektroindustrija d.d. to be held on 1 June 2021, at 12:00 p.m. in Zagreb, Fallerovo šetalište 22, in the office tower of Končar – Elektroindustrija d.d., on the 11th floor, in the great hall. The counterproposal to the proposal of the decision under item 4 of the Agenda of the Company's General Assembly meeting reads as follows:

“Ad. 4. Pursuant to the provision of Article 220 of the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 111/12, 68/13, 110/15 and 40/19) and the provision of Article 11 of the Statute of Končar – Elektroindustrija d.d., on 1 June 2021, the General Assembly of Končar – Elektroindustrija d.d. adopts the following

Decision

on payment of dividend for 2020

I Payment of dividend to the Company's shareholders is determined in the amount of HRK 5.80 per share. Dividend shall be paid out of the available/remaining profit realised in 2020 and cumulated retained earnings of the previous years.

II Dividend shall be paid to the shareholders registered in the Non-materialised Securities Register of the Central Depository and Clearing Company (CDCC) as holders of rights arising from the shares as at 16 June 2021 (record date), which is also the date of acquiring the right to claim dividend payment (payment date).

III Dividend shall be paid within no more than 15 (fifteen) days from the date of acquiring the right to claim dividend payment (payment date), i.e., until (and including) 1 July 2021.

Explanation

The Management Board and the Supervisory Board of Končar – Elektroindustrija d.d. approved the Company's financial statements at the meeting of the Supervisory Board of 15 April 2020.

The net profit of Končar – Elektroindustrija d.d. realized in the business year 2020 amounts to HRK 6,812,306.70. Profit in the amount of HRK 6,812,306.70 is allocated as follows:

- To legal reserves (5%) - in the amount of: HRK 340,615.34
- To other reserves - in the amount of: HRK 340,615.34
-Total: HRK 681,230.68

The remaining net profit of Končar – Elektroindustrija d.d. for business year 2020, in the amount of HRK 6,131,076.02, and retained earnings in the amount of HRK 8,632,528.18, will be paid by the Company to the shareholders as dividend, in the amount of HRK 5.80 per share, as decided by the General Assembly in the dispositive part of this Decision.”

Explanation of the counterproposal:

The proponent believes that the proposal of the decision under item 4 of the Agenda, as indicated in the Invitation to the General Assembly meeting, does not provide value maximisation for the existing shareholders, especially where the structure of the Company’s balance sheet is taken into account as follows:

- As per the latest financial statement of 31 March 2021, the Company’s cash at hand and in bank amount to HRK 286,568,986, which is a significant amount.
- As at 31 March 2021, the Company’s total non-current liabilities amounted to HRK 0.00, and its total current liabilities amounted to HRK 35,966,616.
- Given the size and structure of the Company’s liabilities, in which capital and reserves account for more than 97%, the Company’s level of indebtedness is low. Therefore, future-period capital expenditures may be financed by cash flows generated in such periods or by taking out new loans, especially given the fact that interests on debt securities are at an all-time low, which would also result in reducing the average cost of capital for the Company. Considering the Q1 2021 financial reports, if payment of dividend were to take place, the share of the Company’s own capital and reserves in the Company’s liabilities would still be over 97%, which we believe to be acceptable.

In accordance with the above, we believe that dividend payment is more justified than allocation of the entire distributable profit to retained earnings, as proposed by the Company’s Management Board.

It is hereby proposed that this counterproposal be voted on prior to voting on the proposal of the Company’s Management and Supervisory Boards under item 4 of the Agenda for the General Assembly meeting, “Decision on allocation of distributable profit”.

Counterproposal is submitted for:

- 393,972 (say: three hundred and ninety-three thousand nine hundred and seventy-two) ordinary shares of issuer KONČAR - ELEKTROINDUSTRIJA, d.d., Zagreb, Fallerovo Šetalište 22, PIN: 45050126417 (Fund’s account with the CDCC: 9677127)

Shareholder: OTP banka d.d., Domovinskog rata 61, 21000 Split, PIN: 69326397242, depositary for and on behalf of the client Erste Plavi Mandatory Pension Fund Category B.

Zagreb, 5 May 2021

Martina Martek
Head of Securities Services Department