

Pursuant the Trading Company Act, Article 277, Para 2 and 3 and the Statutes of KONČAR – ELECTRICAL INDUSTRY Inc., Zagreb, Fallerovo šetalište 22, Article 33, and on the basis of the Managing Board Decision of 7<sup>nd</sup> April, 2014 on convening of the AGM, we hereby announce convening of and invitation to the

## **ANNUAL GENERAL MEETING OF KONČAR – ELECTRICAL INDUSTRY Inc.**

To be held at the premises of KONČAR – ELECTRICAL INDUSTRY Inc., Fallerovo šetalište 22, Zagreb, Room 407-8, on the day of 22<sup>nd</sup> May, 2014, beginning at 12:00 p.m. with the following

Agenda:

1. Opening of the Annual General Meeting and verification of present shareholders
2. Managing Board 2013 Annual Report on the position of the Company and dependent Companies
3. 2013 Financial Reports and 2013 KONČAR – ELECTRICAL INDUSTRY Inc. Consolidated Financial Report including the Auditor Report as determined by the Managing and the Supervisory Boards of the Company
4. Supervisory Board Report on supervision of management of business operations of the Company in 2013
5. Decision on payment of dividends
6. Decision on relieve of Managing and Supervisory Board members from duty
  - a) Decision on relive of Managing Board members from duty for the year 2013
  - b) Decision on relive of Supervisory Board members from duty for the year 2013
7. Decision on the remuneration for activities performed in the Supervisory Board
8. Decision on appointment of the Auditor for the year of 2014
9. Decision on the increase of the share capital
10. Decision on amendments of the Statutes

### **General Annual Meeting Draft Decisions:**

The Managing and the Supervisory Boards commonly propose to the Annual General Meeting to pass the decisions expressed under items 5, 6, 7, 9 and 10, while the Supervisory Board proposes passing of the decisions expressed under item 8.

The Annual General Meeting does not pass the decisions expressed under Items 2, 3 and 4, but it takes the notice of them.

#### **Ad.2.**

The AGM takes the notice of the Managing Board 2013 Annual Report on the position of the Company and the dependent Companies.

#### **Ad.3.**

The AGM takes the notice of the information on 2013 KONČAR – ELECTRICAL INDUSTRY Inc. Financial Reports and 2013 KONČAR GROUP Consolidated Financial Reports as determined by the Managing and the Supervisory Boards including Auditor Reports on the performed audit of financial reports.

In 2013 the Company generated the following amounts expressed in thousands of Croatian kunas (HRK):

- Total revenues	– in the amount of:	241,815
- Total expenditures	- in the amount of:	99,988
- Profit before taxation	- in the amount of:	141,827
- Income tax	- in the amount of:	0
- Net profits	- in the amount of:	141,827
- Total assets of the Company:		1,549,991
- Capital, reserves and unallocated profits:		1,482,812

In 2013 the Končar Group generated the following amounts expressed in thousands of Croatian kunas (HRK):

- Total consolidated revenues	– in the amount of:	2.850.979
- Total consolidated expenditures	- in the amount:	2.671.636
- Profit before taxation	- in the amount of:	179.343
- Income tax	- in the amount of:	15.647
- Profits after taxation	- in the amount of:	163.696
- Total assets:		3.647.130
- Capital, reserves and unallocated profits:		2.175.508

#### **Ad.4.**

The AGM takes the notice of the Supervisory Board Report on supervision of management of business operations of the Company in 2013.

#### **Ad. 5.**

Decision on payment of dividends:

1. A dividend in the amount of HRK 30,811,428.00 will be paid to shareholders from the retained profits generated in previous business years amounting to HRK 12.00 per share (the total number of shares 2,572,119 reduced by 4,500 pieces of Company own shares equals to 2,567,919 shares;  $HRK\ 30,811,428.00 : 2,567,919 = HRK\ 12.00$  per share);
2. Dividends shall be paid to every shareholder that is registered in the Depository of the Central Clearing Depository Association (SKDD) as a holder of rights arising from the share on the date that falls 15 (fifteen) days after holding of the AGM. That is the date of acquisition of the right to payment of dividends.
3. The payment of any dividend shall be executed not later than 15 (fifteen) days from the date of acquisition of the claim to pay the dividend.

Explanation:

KONČAR – ELECTRICAL INDUSTRY Inc. Managing and Supervisory Boards determined the Company 2013 Financial Reports on 7<sup>th</sup> April, 2014.

The net profits of the Company KONČAR – ELECTRICAL INDUSTRY Inc. generated in the business year of 2013 amounts to HRK 141,826,798.02. The profits in the amount of HRK 141,826,798.02 are allocated to:

- Legal reserves (5 %)	- in the amount of	7,091,339.90 HRK
- Statutory reserves	- in the amount of	24,535,458.12 HRK
- Increase of the share capital /reinvested profits	- in the amount of	110,200,000.00 HRK
<b>Total</b>		<b>141,826,798.02 HRK</b>

The Managing and Supervisory Boards propose to KONČAR – ELECTRICAL INDUSTRY Inc. Annual General Meeting to pay the dividend from the retained profits generated during previous years to the Company shareholders.

**Ad.6.**

a)

The Company Managing Board members are relieved of duty to manage business operations of the Company in 2013.

b)

The Company Supervisory Board members are relieved of duty to supervise managing of business operations of the Company in 2013.

**Ad.7.**

The Company Supervisory Board members shall receive one-off remuneration for the achieved 2013 business result in the amount of 1/10 of the amount of remuneration of each Company Managing Board member, while the Supervisory Board Chairman and Deputy Chairman shall receive one-off remuneration in the amount of 1/10 of the remuneration of the Managing Board Chairman. The paid amounts shall be net amounts and the Company shall pay associated taxes, local taxes and contributions.

**Ad.8.**

Companies PricewaterhouseCoopers Ltd. from Zagreb, Kneza Ljudevita Posavskog Street No 31/VI and Reconsult Ltd. from Zagreb, Hrvatskih Velikana Square No 4/1 are commonly appointed auditors for KONČAR – ELECTRICAL INDUSTRY Inc. Financial Reports and the KONČAR Group Consolidated Financial Reports for the year of 2014.

**Ad.9.**

The Decision on the increase of the share capital

Article 1

The share capital of the Company amounts to HRK 1,028,847,600.00 and it is divided into 2,572,119 registered ordinary shares each one having the nominal value of HRK 400.00 and the identification KOEI-R-A.

The share capital is paid completely.

Article 2

The share capital of the Company is increased from the profits generated in the year of 2013 (the reinvested profits) in the amount of HRK 110,200,000.00 that is added to the share capital of the Company in accordance with the Trading Company Act, Art 220, Para 4, Item 3 and Art 328. The stated increase of the share capital is based on 2013 audited Annual Financial Reports. The share capital is increased by the amount of HRK 69,848,330.00 from other reserves created during previous years. The total amount of the increase of the share capital amounts to HRK 180,048,330.00.

The share capital is increased from the amount of HRK 1,028,847,600.00 by the amount of HRK 180,048,330.00 to the amount of HRK 1,208,895,930.00.

The increase of the share capital will be performed through the increase of the share nominal value by HRK 70.00 per share, i.e. from HRK 400.00 to HRK 470.00 per share.

### Article 3

The Share Register kept and maintained by the Central Clearing Depository Association (SKDD) shall be informed on the stated change.

### Article 4

After the stated increase of the share capital, the Company share capital amounts to HRK 1,208,895,930.00 and it is divided into 2,572,119 registered ordinary shares each one having the nominal value of HRK 470.00 and identification KOEI-R-A.

### Article 5

The AGM authorised the Managing Board of the Company to perform all legal activities to implement the stated increased of the share capital from the company assets.

### Article 6

The AGM charges the Managing Board of the Company to perform all necessary legal activities and to submit the application to the Commercial Court of Zagreb to register this Decision in to the Court Register.

The AGM charges the Managing Board of the Company to assure performance of the increase of the share capital in the Non-Materialised Security Register kept and maintained by the Central Clearing Depository Association (SKDD).

### **Ad.10.**

Decision on Amendments of the Statutes

### Article 1

The Article 15, Para 1 and Para 2 are amended and now they read as follows:

“The Share Capital of the Company amounts to HRK 1,208,895,930.00 (in words: one billion two hundred and eight million eight hundred ninety-five thousand nine hundred thirty Croatian kunas).

The Share Capital is divided into 2.572.119 (in words: two million five hundred seventy-two thousand one hundred nineteen) registered ordinary shares identified as KOEI-R-A, each one having the nominal value of HRK 470.00 (in words: four hundred seventy Croatian kunas)”.

### Article 2

The Article 40, the third line, is amended and it now reads as follows:

“- entering into contracts with Managing Board Members and Managing Board Member Deputies that determine mutual rights and obligations, as well as salaries of Managing Board Members and Managing Board Member Deputies on the basis of a proposal given by the Managing Board President”.

### Article 3

A new Paragraph 3 is added to Article 44 that reads as follows:

“Managing Board Members can have deputies nominated and relieved of duty by the Supervisory Board. The Supervisory Board reaches the decision on the number of Managing Board Member Deputies and on the duration of their terms of office”.

#### Article 4

In Article 48, Para 1 words “and the Managing Board Member Deputy” are added after the words “Managing Board Member”.

In Article 48, Para 2 words “and the Managing Board Member Deputy” are added after the words “Managing Board Member”.

#### Article 5

All the other Articles of the Statues remain unchanged.

#### Article 6

Amendments of the Statues come into force on the date of their registration into the Court Register of the Commercial Court of Zagreb.

#### Article 7

The Managing Board of the Company is in charge to apply for registration of the amendments to the Commercial Court of Zagreb.

#### **Conditions for participation in the Annual General Meeting and usage of the right to vote:**

Every shareholder registered in the Depository of the Central Clearing Depository Association (Središnje klirinško depozitarno društvo - SKDD) shall have right to participate at the Annual General Meeting and use his/her right to vote personally or to be represented by his/her legal representative or proxy, if the shareholder announce his/her intent to participate at the AGM to the Company in written form to the address of the Company with the note “Announcement of participation at the AGM” not later than six (6) days prior to holding of the AGM. Shareholders or their proxies who do not announce participation shall not have an opportunity to participate in the Annual General Meeting.

Every shareholder can be represented by a proxy, a natural or a legal person, on the basis of a validly written power of attorney. Each power of attorney shall comprise the personal data of the shareholder who gives the power of attorney, the number of shares or votes he/she possesses, the power of attorney to the proxy to participate in the Annual General Meeting and to vote and the date of the power of attorney and the time of its validity. Every power of attorney given by a natural person shall be signed in front of a public notary or in the Company premises in front of the person authorised by the Company Managing Board.

Every power of attorney can be submitted by post or personally in the headquarters of the Company, Shareholders Office every working day by the beginning of the Annual General Meeting or immediately during identification at the AGM. A power of attorney sample is available at the Company web site [www.koncar.hr](http://www.koncar.hr).

Shareholders in the possession of shares in the amount of 5 % of the share capital can send their proposals of any subject to be listed in the Annual General Meeting Agenda to the Managing Board for publication. Any application for listing of a subject on the AGM Agenda shall be received at least 30 days prior to holding of the Annual General Meeting and shareholders shall give an explanation and a draft decision.

Shareholders and their proxies can have an insight into materials representing basic documents for passing of decisions whose drafts are published, in the headquarters of the Company, in the Shareholders Office every working day, except Saturdays, from 10:00 a.m. to 14:00 p.m. from the date of publishing of this Invitation in the Official Journal and at the Company web site.

All data bound to holding of the Annual General Meeting are published at the Company web site.

In case the Annual General Meeting cannot be held on the day of 22<sup>nd</sup> May, 2014 due to the lack of quorum defined by the Statutes, the Annual General Meeting will be held at the same place, on the day of 23<sup>rd</sup> May, 2014 beginning at 12:00.

Managing Board

KONČAR – ELECTRICAL INDUSTRY Inc.