

Pursuant Article 277 Para 2 and 3 of the Trading Company Act and Article 33 of the Statutes of the Company KONČAR - ELEKTROINDUSTRIJA d.d. (in English: KONČAR – ELECTRICAL INDUSTRY Inc.), Zagreb, Fallerovo šetalište 22 and the Decision of the Managing Board of the Company on convening of the AGM passed on 14th May, 2012, we hereby announce convening and the Invitation to the

**ANNUAL GENERAL MEETING OF
KONČAR - ELEKTROINDUSTRIJA d.d.**
(in English: **KONČAR – ELECTRICAL INDUSTRY Inc.**)

To be held on 3rd July, 2012 beginning at 12:00 p.m. in the premises of KONČAR - ELEKTROINDUSTRIJA d.d. (in English: KONČAR – ELECTRICAL INDUSTRY Inc.), Fallerovo šetalište 22, Zagreb, Office 407-8, with the following

Agenda:

1. Opening of the Annual General Meeting and verification of present shareholders
2. Managing Board 2011 Annual Report on the position of the Company and dependent Companies
3. 2011 Financial Reports and KONČAR – ELECTRICAL INDUSTRY Inc. 2011 Consolidated Financial Report including the Auditor's 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 2011
5. Decision on allocation of 2011 profits
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 2011
 - b) Decision on relive of Supervisory Board members from duty for the year 2011
7. Decision on the remuneration for activities performed in the Supervisory Board
8. Decision on appointment of the Auditor for the year of 2012
9. Decision on impeachment of the Supervisory Board members
10. Decision on appointment of the Supervisory Board members

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 and 7, while the Supervisory Board proposes passing of the decisions expressed under item 8, 9 and 10.

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

Ad.2.

The AGM takes the notice of the Managing Board 2011 Annual Report on the position of the Company and the dependent Companies.

Ad.3.

The AGM takes the notice of the information on 2011 KONČAR – ELECTRICAL INDUSTRY Inc. Financial Reports and 2011 KONČAR GROUP Consolidated Financial Reports as determined by the Managing and the Supervisory Boards including Auditor's Reports on the performed audit of financial reports.

In 2011 the Company generated:

- Total revenues in the amount of:	316,993,755 HRK
- Total expenditures in the amount of:	246,345,538 HRK
- Profit before taxation in the amount of:	70,648,217 HRK
- Income tax in the amount of:	0 HRK
- Net profits in the amount of:	70,648,217 HRK
- Total assets of the Company:	1,506,194,596 HRK
- Capital, reserves and unallocated profits:	1,297,367,022 HRK
- Total liabilities:	208,827,574 HRK

In 2011 the Končar Group generated:

- Total consolidated revenues in the amount of:	2,762,963,425 HRK
- Total consolidated expenditures in the amount:	2,552,143,664 HRK
- Profit before taxation in the amount of:	210,819,761 HRK
- Income tax in the amount of:	18,582,074 HRK
- Profits after taxation in the amount of:	192,237,687 HRK
- Total assets of the Company:	3,495,735,075 HRK
- Capital, reserves and unallocated profits:	1,937,208,827 HRK
- Total liabilities (loans and reserves):	1,460,915,020 HRK

Ad.4.

The AGM takes the notice of the Supervisory Board Report on supervision of management of business operations of the Company in 2011.

Ad. 5.

Decision on allocation of 2011 profits:

1. Available/remaining profits generated in the business year of 2011 in the amount of HRK 30,750,060.00 are allocated for payment of dividends in the amount of 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 2011 Financial Reports on 30th March, 2012.

The net profits generated in 2011 in the amount of HRK 70,648,217.44 are allocated to:

- Legal reserves (5 %)	- in the amount of	3,532,410.87	HRK
- Statutory reserves	- in the amount of	18,182,873.28	HRK
- Other reserves	- in the amount of	<u>18,182,873.29</u>	HRK
Total		39,898,157.44	HRK
Remaining available profits		30,750,060.00	HRK

The Managing and Supervisory Boards have proposed to KONČAR – ELECTRICAL INDUSTRY Inc. Annual General Meeting to:

- distribute remaining available profits in the amount of HRK 30,750,060.00 to shareholders as dividends. A dividend per share amounts to HRK 12.00. (the total number of shares 2,572,119 decreased by company own shares 9,614 equals to 2,562,505 shares. HRK 30,750,060.00: 2,562,505 shares = HRK 12.00 per share)

Ad.6.

- a) The Company Managing Board members are relieved of duty to manage business operations of the Company in 2011.
- b) The Company Supervisory Board members are relieved of duty to supervise managing of business operations of the Company in 2011.

Ad.7.

The Company Supervisory Board members shall receive one-off remuneration for the achieved 2011 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 Grant Thornton d.o.o. from Zagreb, Koranska 16 and Reconsult d.o.o. from Zagreb, Trg hrvatskih velikana 4/1 are commonly appointed auditors for KONČAR – ELECTRICAL INDUSTRY Inc. Financial Reports and the KONČAR Group Consolidated Financial Reports for the year of 2012.

Ad.9.

The following Supervisory Board members are impeached from duty:

- Božidar Piller, the Supervisory Board President
- Djuro Perica, a Member
- Nenad Matić, a Member
- Elvis Kovačević, a Member
- Kristijan Floričić, a Member
- Vicko Ferić, a Member

Ad.10.

The following ladies and gentlemen are appointed to be Supervisory Board members:

- Sc. D. Tomislav Radoš, PID: 96118819751, Gračanski Mihaljevac 2d, Zagreb

- Nenad Filipović, PID: 50609858137, Ružmarinka 35, Zagreb
- Sc. D. Kristina Čelić, PID: 26347284386, Braće Domany 8, Zagreb
- Dragan Marčinko, PID: 73589649637, Zagrebačka 148, Vrbovec
- Petar Vlaić, PID: 95645311308, Ljubljanska 85, Zagreb
- Vicko Ferić, PID: 78639377930, Jurjevska 58, Zagreb

Supervisory Board Members are being elected for the term of office of four (4) years.

This decision shall come into force on the date of its adoption.

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 announces 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.

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 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 3rd July, 2012 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 4th July, 2012 at the same place beginning at 12:00.

Managing Board

KONČAR – ELECTRICAL INDUSTRY Inc.