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Zagreb, 14<sup>th</sup> December, 2017

### **KONČAR – ELECTRICAL INDUSTRY Inc. SUPERVISORY BOARD MEETING**

At its Meeting held on 14<sup>th</sup> December, 2017, the Supervisory Board considered the estimation of business operations of the KONČAR Group in 2017 and adopted 2018 Business Plan in accordance with the Agenda.

It is estimated that the Končar Group Companies are going to achieve the consolidated incomes from sales of products and services for the time period January to December, 2017, in the amount of HRK 2.755,7 million. 2017 business year has been marked with increasing incomes from sales of products and services in export compared to the same time period of 2016. Sales in exports are estimated to the amount to HRK 1.512 million and they are higher by the amount of 104.41 or 7.4 per cent. Since incomes from sales of products and services in export are significantly higher, reserves for costs and risks in 2017 are higher than planned (by approximately HRK 30 million) that is partially going to influence 2017 business results.

According to the estimation, during 2017 Business Year, KONČAR Group Companies are going to contract new projects in the amount of HRK 2,753 million, out of which the amount of HRK 1,363.3 million (50 per cent) refers to the foreign market contracts. Contracted projects (open liabilities) as of the end of December, 2017, are estimated to be HRK 3,289.3 million being at the level of the beginning of the year.

During 2017, the process of merger of 3 companies that operate in the field of manufacture of the middle voltage and high voltage equipment started in accordance with the Group Business Operation Restructuring Plan. Achievement of a significant synergic effect is planned with the stated merger coordinating marketing, more efficient research and development of new products as well as decreasing of business operation expenses.

Despite the increased amount of reservations of costs and risks, as well as costs arising of the merger of companies from the field of middle voltage and high voltage, the estimated business result of Končar – Electrical Industry Inc. is expected to be at the level of the achievement of 2016.

Pursuant the adopted 2018 Business Plan, KONČAR Group Companies plan to generate incomes from sales of products and services in the amount of HRK 3,063.5 million making them 11.2 per cent higher than the estimated 2017 results. It is estimated that incomes from sales of goods and services in the domestic market are going to be achieved in the amount of HRK 1.355,1 million making them 9 per cent higher than the estimated results in 2017. Incomes from sales of goods and services in export are planned in the amount of HRK 1,708.4 million or 13 per cent or HRK 196.4 million higher than the estimated results for 2017. The share of export in the total incomes from sales of products and services is planned to be 55.8 %.

The largest export is planned for Sweden, Germany, Bosnia and Herzegovina, Finland, Austria, the Check Republic, Norway and Italy. A significant export increase compared to the 2017 estimation is planned for Sweden with the increase of HRK 49 million, the United Arab Emirates with the increase of HRK 45 million, Iran with HKR 41 million, Bosnia and Herzegovina with HRK 27.8 million and Norway with HRK 27.8 million.

New projects are planned to be contracted in 2018 in the amount of HRK 3.357.7 million. Out of the total amount of the projects planned to be contracted, HRK 2.039.6 million of 61 % are foreign market projects.

It is planned that investments in 2018 will amount to HRK 291.8 million. The planned amount of investments is going to be invested into the means of production in the amount of HRK 81.7 million or 28 per cent of the total amount of investments. The amount of HRK 153.7 million (52.7 % of the total investments) is planned to be invested into real estates. Other investments (environment, safety, quality, energetic efficiency and other) are planned in the amount of HRK 48 million or 16.5 % of the total investment amount. The largest part of planned investment (78 per cent) will be financed from the in-house asset sources (approximately HRK 227 million).

The consolidated assets and asset sources for 2018 are planned in the amount of HRK 3,865.3 million meaning an increase compared to the estimated level on 31<sup>st</sup> December, 2017 in the amount of HRK 39 million. Short term assets are planned to be HRK 2,153.1 million, short term liabilities HRK 749.5 million resulting in the short term assets 2.8 times higher than the short term liabilities. It is planned that the long term asset sources (capital, long time reservations and long

term liabilities) are going to be higher by HRK 722.7 million than the long term assets and the average stock indicating a favourable term structure of the asset sources. A favourable asset source term structure is planned as well as a favourable ratio of short term assets and short term liabilities.

Končar Electrical Industry Inc. Managing Board