

Pursuant Article 277 Para 2 and 3 of the Trading Company Act and Article 33 of the Statutes of KONČAR – ELECTRICAL INDUSTRY Inc., Zagreb, Fallerovo šetalište 22 and on the basis of the Managing Board Decision of 4<sup>th</sup> April, 2011 on convening of the AGM, we hereby announce convening of and invitation to the

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

Holding at the premises of KONČAR – ELECTRICAL INDUSTRY Inc., Fallerovo šetalište 22, Zagreb, Room 407-8, on the day of 1<sup>st</sup> June, 2011, 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 2010 Annual Report on the position of the Company and dependent Companies
3. 2010 Financial Reports and KONČAR – ELECTRICAL INDUSTRY Inc. 2010 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 2010
5. Decision on allocation of 2010 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 2010
  - b) Decision on relive of Supervisory Board members from duty for the year 2010
7. Decision on the remuneration for activities performed in the Supervisory Board
8. Decision on appointment of the Auditor for the year of 2011

### **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.

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 2010 Annual Report on the position of the Company and the dependent Companies.

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

The AGM takes the notice of the information on 2010 KONČAR – ELECTRICAL INDUSTRY Inc. Financial Reports and 2010 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 2010 the Company generated:

- Total revenues	– in the amount of:	234,587,768 HRK
- Total expenditures	- in the amount of:	173,072,679 HRK
- Profit before taxation	- in the amount of:	61,515,089 HRK

- Income tax	- in the amount of:	0 HRK
- Net profits	- in the amount of:	61,515,089 HRK
- Total assets of the Company:		1,548,168,499 HRK
- Capital, reserves and unallocated profits:		1,256,631,736 HRK
- Total liabilities:		291,344,087 HRK

In 2010 the Končar Group generated:

- Total consolidated revenues	- in the amount of:	2.826.291.704 HRK
- Total consolidated expenditures	- in the amount:	2.624.646.630 HRK
- Profit before taxation	- in the amount of:	201.645.074 HRK
- Income tax	- in the amount of:	15.609.173 HRK
- Profits after taxation	- in the amount of:	186.035.901 HRK
- Total assets:		3.296.149.979 HRK
- Capital, reserves and unallocated profits:		1.577.485.012 HRK
- Total liabilities:		856.839.667 HRK

#### Ad.4.

The AGM takes the notice of the Supervisory Board Report on supervision of management of business operations of the Company in 2010.

#### Ad. 5.

Decision on allocation of 2010 profits:

1. Available/remaining profits generated in the business year of 2010 in the amount of HRK 30,865,428.00 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 2010 Financial Reports on 4<sup>th</sup> April, 2011.

The net profits generated in 2010 in the amount of HRK 61,515,089.04 are allocated to:

- Legal reserves (5 %)	- in the amount of	3,075,754.45 HRK
- Statutory reserves	- in the amount of	8,786,953.29 HRK
- Reserves for acquisition of own shares	- in the amount of	10,000,000.00 HRK
- Other reserves	- in the amount of	8,786,953.30 HRK
<u>Total</u>		<u>30,649,661.04 HRK</u>
Remaining available profits		30,865,428.00 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 30,865,428.00 to shareholders as dividends. A dividend per share amounts to HRK 12.00. (HRK 30,865,428.00: 2,572,119 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 2010.

b)

The Company Supervisory Board members are relieved of duty to supervise managing of business operations of the Company in 2010.

**Ad.7.**

The Company Supervisory Board members shall receive one-off remuneration for the achieved 2010 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 2011.

**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 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 1<sup>st</sup> June, 2011 due to the lack of quorum, the Annual General Meeting will be held at the same place, on the day of 3<sup>rd</sup> June, 2011 beginning at 12:00.

Managing Board

KONČAR – ELECTRICAL INDUSTRY Inc.