

CROATIAN FINANCIAL SERVICES
SUPERVISORY AGENCY
Miramarska Street 24 B
Hr-10000 Zagreb

Zagreb Stock Exchange
Ivana Lučića Street 20a
Hr -10000 Zagreb

Zagreb, 13th December, 2013

Subject: Končar – Electrical Industry Inc. Supervisory Board Meeting

The Supervisory Board considered business operations of the KONČAR Group in accordance with the Agenda of its Meeting held on 13th December, 2013.

It is estimated that the consolidated incomes from sales of products and services for 2013 are going to amount to HRK 2,590.6 million making them higher by 6 per cent than the achievements in 2012. The estimated incomes from sales of products and services achieved on the domestic market are estimated in the amount of HRK 1,300.8 million (7 per cent higher than the 2012 result), while the incomes achieved in export are estimated in the amount of HRK 1,289.8 million (5 per cent higher than the 2012 result).

The consolidated profit before tax of the Group is estimated to the amount of HRK 173.6 million. The estimated profit in the amount of HRK 130.4 million belonging to the owners of the Group Mother Company is 11 per cent higher than the 2013 Plan.

The Supervisory Board approved the 2014 Business Plan. The KONČAR Group plans to generate the consolidated incomes from sales of products and services in the amount of HRK 2,687.5 million (4 per cent higher than the estimated 2013 results). The increase of the incomes from the sales of goods and services in the domestic market in 2014 is planned to be 3 per cent higher compared to 2013 (the approximate increase of 97 million). The planned export is higher by 6 per cent than in 2013, i.e. by HRK 1,636.3 million. A share of the export in the total incomes from the sales of goods and services amounts to 51 per cent. The KONČAR group plans to generate the profit before tax for 2014 in the amount of HRK 155.7 million. The investment into the tangible assets is planned in the amount of HRK 120 million for 2014. The majority part will be invested into plants and equipment (HRK 97 million) and real estate (HRK 16 million). The KONČAR Group Companies plan to invest HRK 20 million into the research and development. The largest part of the investments (91 per cent) will be financed from the in-house financial sources (approximately HRK 127 million).

At the same Meeting, the Supervisory Board gave its consent for submission of a binding offer for purchase of 49% of the ownership share in the Company Litostroj Power d.o.o.

KONČAR - Elektroindustrija d.d. (KONČAR – Electrical Industry Inc.) will submit an offer for purchase of 100 per cent of the ownership share in the company Litostroj Power d.o.o. together with the KOLEKTOR Group from Slovenia where shareholders share the ownership in such a way that Končar holds 49 % and Kolektor holds 51 % of the business share in the company Litostroj Power d.o.o.

The Supervisory Board gave its consent to the recapitalisation of the Company KONČAR – Obnovljivi izvori d.o.o. (KONČAR – Renewable Sources Ltd) for building of the wind turbine of the power of 2.5 MW. The recapitalisation of the Company amounts to HRK 26.1 million.

The Supervisory Board gave its consent to the proposal of the Managing Board of the Company about recapitalisation of the Company KONČAR - Elektroindustrija d.d. (KONČAR – Electrical Industry Inc.) from the Company assets (the reinvested profit) for financing of the investment of the research and development of new products. According to the actual estimations, the increase of the share capital of the Company from the rest of the profit of the current year would amount to HRK 106.6 million while from other reserves formed in previous years would amount to HRK 76.5 million making the total of HRK 183.1 million. The final recapitalisation amount will be defined after adoption of 2013 Financial Reports of the Company.

Končar – Electrical Industry Inc. Managing Board