

Electric power industry

November 4th 2013

Strong operating performance on higher domestic sales

(000 HRK)	2011	2012	Change %	9M 2012	9M 2013	Change %
Sales	2,362,202	2,441,558	3.4%	1,695,600	1,759,914	3.8%
EBITDA	127,162	164,981	29.7%	125,279	146,808	17.2%
EBIT	51,392	94,866	84.6%	73,095	86,455	18.3%
Net income	162,442	150,536	-7.3%	108,415	105,403	-2.8%
EpS (HRK)	63.2	58.5	-7.3%	-	-	-
EBITDA margin	5.0%	6.0%	+100 bps	6.8%	7.6%	+80 bps
Profit margin	6.4%	5.5%	-90 bps	5.9%	5.5%	-40 bps
ROE	9.5%	8.2%	-130 bps	-	-	-
P / E*	11.4	12.3	7.9%	-	-	-
P / S*	0.8	0.8	-3.3%	-	-	-
EV/EBITDA*	14.1	10.8	-23.0%	-	-	-

* Multiples and ratios for 2011 and 2012 are based on the market price as of October 31, 2013

Koncar Group ("Koncar") posted 3.8% higher sales in 9M 2013 compared to the equivalent period last year totalling HRK 1,759.9m, of which HRK 854.7m was generated in the domestic market (up 5.2% YoY), while the remaining portion was realized in foreign markets (up 2.5% YoY). Other operating revenues amounted to HRK 161.4m and were 16% higher YoY, thereby including HRK 120.1m of revenue from termination of provisions.

The most significant domestic buyers in 9M 2013 included HEP (41.4% of sales) and trading companies (18.6%), while the biggest export markets were Germany (HRK 93.6m), Sweden (HRK 86.6m), B&H (HRK 74.9m), Austria (HRK 55.9m), Finland (HRK 48.8m) and Czech Republic (HRK 35m).

Although sales have shown improvement, operating expenses were slightly curbed, thereby **resulting in 17.2% higher EBITDA or 80bps increase in EBITDA margin** amounting to 7.6%. Meanwhile, EBIT gained 18.3% in the first nine months and totalled HRK 86.5m.

Ultimately, net income dropped 2.8% YoY and amounted to HRK 105.4m, as the share of income from affiliated companies also declined by 23.6%. Among the 21 member companies of the Group, 15 of them posted positive earnings while 6 companies experienced bottom line losses totalling HRK 43.8m.

In the first nine months of the year Koncar Group contracted HRK 1,820.7m of new deals, which is 9.9% more than in the equivalent period last year (48% of those deals have been arranged in the domestic market and HRK 1,131.5m is scheduled to be completed in 2013). **The total order book balance at the end of September 2013 amounted to HRK 2,267.1m** or 2.8% more than at the beginning of the year.

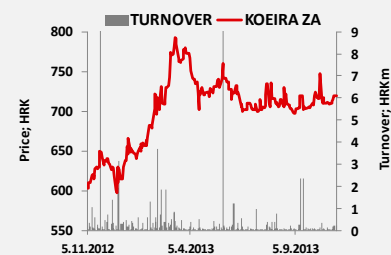
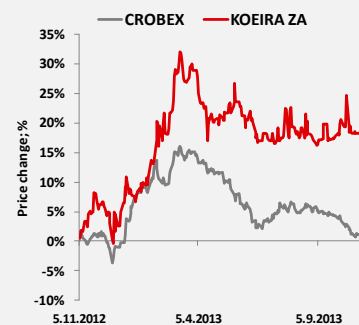
We will factor in the new information regarding Koncar Group's operations in our upcoming valuation update. Until then we are placing the target price under review.

KOEIRA ZA

1 Y target price: UNDER REVIEW

GENERAL SHARE INFORMATION

Bloomberg ticker	KOEIRA ZA
Number of shares	2,572,119
Market capitalization (HRKm)	1,851.2
1Y high/low (HRK)	795.00 / 590.00
1Y average daily turnover (HRKm)	0.6
Free Float	27.7%
Index member	YES
Website	www.koncar.com



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The author of fundamental analyses in this report is Tomislav Bajic. Tomislav Bajic is employed in InterCapital Securities Ltd registered in Zagreb, Masarykova 1 as Head of Research. InterCapital Securities Ltd is supervised by Croatian Financial Services Supervisory Agency (HANFA).

Tomislav Bajic has no ownership interest in Koncar Group. He doesn't own any shares of Koncar Group, and neither do his immediate family members.

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Sell - equities with expected absolute value decrease in the monitored time period

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3Q 2013 (1 July - 30 September 2013)

	Number	Share	Companies which InterCapital Securities Ltd. provided investment banking service within last 12 months
Strong Buy	5	29,4%	-
Buy	3	17,6%	-
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Sell	1	5,9%	-
Under Review	5	29,4%	-

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Chronology of share recommendations

Date	Report	Recommendation	Market price	Target price
5 Jun 2009	Initial analysis	HOLD	HRK417	HRK441.33
1 Jul 2010	Update	HOLD	HRK450	HRK477.41
7 Oct 2011	Update	HOLD	HRK510.51	HRK548.5

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